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## How to manage volatility in developing markets

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Managing volatility is critical to business success in any market, but especially so in developing markets where the business environment is often unstable, or can change quickly.

Deciding on the right strategy to align the business model to the market is critical. However, a business also requires the ability to respond effectively to external change, while eliminating internal volatility and ineffectiveness.

When it comes to predicting growth in emerging markets, this is not always so easy to define and measure, as there is often no clear history to base estimations on. Consumers grow into markets, often at an extreme rate, while market behaviour is strongly influenced by external factors. Brave decision making is required to invest in uncertainty, and this must be linked to a good awareness of the total environment, and not just internal growth plans.

In order to manage volatility, more organisations than ever are adopting Integrated Business Planning (IBP). However, business leaders in developing markets often question the suitability of IBP for volatile, rapidly changing or high growth environments. The concern is that for a business to implement a process that involves planning ahead – often for 24 months or more - a certain level of stability is required. This is simply not true.

To understand why IBP should be implemented into developing markets, it is important to understand its role. IBP provides the framework for effective responsive decision making. The business environment and latest plans are reviewed monthly, using a 24-36 month horizon, and gaps to strategy are identified, highlighting key changes that require a management response. This is done in a structured, integrated way with the re-alignment of strategic and tactical plans each month, and allocation of resources to satisfy customers in the most profitable way. By looking beyond the immediate horizon, the focus is on building the right capability, whether it be assets, process or people, to service the market effectively.

The key to a successful IBP process is the commitment of people and their behaviours, especially by leadership. Although complex and unpredictable environments provide many challenges, this also brings the added benefit of a high calibre of leadership especially in relation to understanding and managing change. Business leaders in emerging markets tend to understand that in order to move forward, it is essential to focus on what is required for the future success of the business rather than falling into the trap of having to fire fight issues and manage on a day-to-day basis. Risk is inherent in their business models, and they are often more comfortable with this. This fits well with successful IBP.

Another challenge developing countries face is technology. What is often considered standard technology in more developed markets, is not necessarily available or as effective. Fortunately, IBP does not depend on sophisticated tools to run, and while organisations need to be close to the reality of their environment and be able to respond to challenges in order to survive, IBP advocates effective forward planning at an aggregate level, which reduces the level of complexity. It is about being roughly right, not exactly wrong.

To view Integrated Business Planning as just an enhancement to a business already in a stable, predictable environment is fundamentally wrong. It is not about being in a business environment suitable for IBP, it's about implementing IBP to create a successful strategic response to existing market conditions, regardless of its volatility.

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