End-game strategies for declining industries

The strategy a company should follow in an industry's declining phase depends on its strengths relative to competitors' and how each views the prospects

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During the last year or so you watched the demand for one of your business's products decline and noted that the same decline hit your competitors. Searching for a reason, you realize that your product may be becoming technologically obsolete. It looks as if it's just a question of time. Can you be profitable if you stay in and invest? What should your end-game strategy be?

Kathryn Harrigan and Michael Porter have studied the strategies of over 95 companies that confronted declining markets. They found that end games can sometimes be very profitable and that companies successful in end games ask themselves some crucial questions about the nature of the industry - what exit barriers face each competitor, how the pattern of decline will affect competition, and whether their relative strengths match the remaining pockets of demand. The authors discuss the factors that determine the profitability of remaining in a declining industry as well as the strategic alternatives, and offer guidelines for choosing an end-game strategy.


Illustrations by Keith W. Jenkins.

End game n 1: the last stage [as the last three tricks] in playing a bridge hand 2: the final phase of a board game; specifically the stage of a chess game following serious reduction of forces.¹

As early as 1948, when researchers discovered the "transistor effect," it was evident that vacuum tubes in television sets had become technologically obsolete. Within a few years, transistor manufacturers were predicting that by 1961 half the television sets then in use would employ transistors instead of vacuum tubes.

Since the 1950s, manufacturers of vacuum tubes have been engaged in the industry's end game. Like other end games, this one is played in an environment of declining product demand where conditions make it very unlikely that all the plant capacity and competitors put in place during the industry's heyday will ever be needed. In today's world of little or no economic growth and rapid technological change, more and more companies are being faced with the need to cope with an end game.

Because of its musical chair character, the end game can be brutal. Consider the bloodbath in U.S. gasoline marketing today. Between 1973 and 1983, in response to high crude oil prices and conservation efforts by consumers, the output from petroleum refineries declined precipitately. Uncertainty concerning


The term has also been used for an existentialist play by Samuel Beckett.
supply and demand for refined products has made predicting the speed and extent of decline difficult, and an industry consensus has never evolved. Moreover, the competitors in this end game are very diverse in their outlooks and in the tactics they use to cope with the erratic nature of decline.

As in the baby food industry’s end game, where a ten-year price war raged until demand plateaued, gasoline marketers and refiners are fighting to hold market shares of a shrinking pie. As industry capacity is painfully rationalized and companies dig in for the lean years ahead in their end game, a long period of low profits is inevitable.

In the vacuum tube industry, however, the end game was starkly different. Commercialization of solid-state devices progressed more slowly than the transistor manufacturers forecast. The last television set containing vacuum tubes was produced in 1974, and a vast population of electronic products requiring replacement tubes guaranteed a sizable market of relatively price-insensitive demand for some years. In 1983, several plants still produce tubes. Where obsolescence was a certainty and the decline rate slow, the six leading vacuum tube manufacturers were able to shut down excess plant capacity while keeping supply in line with demand. Price wars never ruined the profitability of their end game, and the companies that managed well during the decline earned satisfactorily high returns, particularly for declining businesses.

To recoup the maximum return on their investments, managers of some declining businesses are turning with considerable success to strategies that they had used only when demand was growing. In the past, the accepted prescription for a business on the wane has been a “harvest” strategy—eliminate investment, generate maximum cash flow, and eventually divest. The strategic portfolio models managers commonly use for planning yield this advice on declining industries: do not invest in low- or negative-growth markets; pull cash out instead.

Our study of declining industries suggests, however, that the nature of competition during a decline and the strategic alternatives available for coping with it are complex (see the accompanying insert for a description of the study). The experiences of industries that have suffered an absolute decline in unit sales over a sustained period differ markedly. Some industries, like vacuum receiving tubes, age gracefully, and profitability for remaining competitors has been extremely high. Others, like rayon, decline amid bitter warfare, prolonged excess capacity, and heavy operating losses.

The stories of companies that have successfully coped with decline vary just as widely. Some companies, like GTE Sylvania, reaped high returns by making heavy investments in a declining industry that made their businesses better sources of cash later. By selling out before their competitors generally recognized the decline, and not harvesting, other companies, like Raytheon and DuPont, avoided losses that competitors subsequently bore.

In this article we discuss the strategic problems that declining demand poses, where decline is a painful reality and not a function of the business cycle or other short-term discontinuities. Sometimes, of course, innovations, cost reductions, and shifts in other circumstances may reverse a decline. Our focus here, however, is on industries in which available remedies have been exhausted and the strategic problem is coping with decline. When decline is beyond the control of incumbent companies, managers need to develop end-game strategies.

First, we sketch the structural conditions that determine if the environment of a declining industry is hospitable, particularly as these affect competition. Second, we discuss the generic end-game strategy alternatives available to companies in decline. We conclude with some principles for choosing an end-game strategy.

What determines the competition?

Shrinking industry sales make the decline phase volatile. The extent to which escalating competitive pressures erode profitability during decline, however, depends on how readily industry participants pull out and how fiercely the companies that remain try to contain their shrinking sales.

Conditions of demand

Demand in an industry declines for a number of reasons. Technological advances foster substitute products (e.g., electronic calculators for slide rules) often at lower cost or higher quality (e.g., synthetics for leather). Sometimes the customer group shrinks (e.g., baby foods) or buyers slide into trouble (railroads). Changes in life-style, buyers’ needs, or tastes can also cause demand to decline (cigars and hatmaking equipment). Finally, the cost of inputs or complementary products may rise and shrink demand (recreational vehicles). The cause of decline helps determine how companies

will perceive both future demand and the profitability of serving the diminished market.

Companies’ expectations concerning demand will substantially affect the type of competitive environment that develops in an end game. The process by which demand in an industry declines and the characteristics of those market segments that remain also have a great influence on competition during the decline phase.

Uncertainty
Correct or not, competitors’ perceptions of demand in a declining industry potently affect how they play out their end-game strategies. If managers in the industry believe that demand will revitalize or level off, they will probably try to hold onto their positions. As the baby food industry example shows, efforts to maintain position despite shrinking sales will probably lead to warfare. On the other hand, if, as was the case of synthetic sodium carbonate (soda ash), managers in different companies are all certain that industry demand will continue to decline, reduction of capacity is more likely to be orderly.

Companies may well differ in their perceptions of future demand, with those that foresee revitalization persevering. A company’s perception of the likelihood of decline is influenced by its position in the industry and its difficulty in getting out. The stronger its stake or the higher its exit barriers, the more optimistic a company’s forecast of demand is likely to be.

Rate & pattern of decline
Rapid and erratic decline greatly exacerbate the volatility of competition. How fast the industry collapses depends partly on the way in which companies withdraw capacity. In industrial businesses (such as the synthesis of soda ash) where the product is very important to customers but where a substitute is available, demand can fall drastically if one or two major producers decide to retire and customers doubt the continued availability of the original product. Announcements of early departure can give great impetus to the decline. Because shrinking volume raises costs and often prices, the decline rate tends to accelerate as time passes.

Structure of remaining demand pockets
In a shrinking market, the nature of the demand pockets that remain plays a major role in determining the remaining competitors’ profitability. The remaining pocket in cigars has been premium-quality cigars, for example, while in vacuum tubes it has been replacement and military tubes.

If the remaining pocket has favorable structure, decline can be profitable for well-positioned competitors. For example, demand for premium-quality cigars is price insensitive: customers are immune to substitute products and very brand loyal. Thus, even as the industry declines, companies that offer branded, premium cigars are earning above-average returns. For the same reasons, upholstery leathers are a profitable market segment in the leather industry.

On the other hand, in the acetylene industry, ethylene has already replaced acetylene in some market segments and other substitutes threaten the remaining pockets. In those pockets, acetylene is a commodity product that, because of its high fixed manufacturing costs, is subject to price warfare. The potential for profit for its remaining manufacturers is dismal.

In general, if the buyers in the remaining demand pockets are price insensitive, e.g., buyers of replacement vacuum tubes for television receivers, or have little bargaining power, survivors can profit. Price insensitivity is important because shrinking sales imply that companies must raise prices to maintain profitability in the face of fixed overhead.

The profit potential of remaining demand pockets will also depend on whether companies that serve them have mobility barriers that protect them from attack by companies seeking to replace lost sales.

Exit barriers
Just as companies have to overcome barriers in entering a market, they meet exit barriers in leaving it. These barriers can be insurmountable even when a company is earning subnormal returns on its investment. The higher the exit barriers, the less hospitable the industry is during the industry’s decline. A number of basic aspects of a business can become exit barriers.

Durable & specialized assets
If the assets, either fixed or working capital or both, are specialized to the business, company, or location in which they are being used, their diminished liquidation value creates exit barriers. A company with specialized assets such as sole-leather tanneries must either sell them to someone who intends to use them in the same business, usually in the same location, or scrap them. Naturally, few buyers wish to use the assets of a declining business.

Once the acetylene and rayon industries started to contract, for example, potential buyers for plants were few or nonexistent; companies sold plants at enormous discounts from book value to speculators or desperate employee groups. Particularly if it represents a large part of assets and normally turns over
very slowly, specialized inventory may also be worth very little in these circumstances. The problem of specialized assets is more acute where a company must make an all-or-nothing exit decision (e.g., continuous process plants) versus a decision to reduce the number of sites or close down lines.

If the liquidation value of the assets is low, it is possible for a company to show a loss on the books but earn discounted cash flows that exceed the value that could be realized if management sold the business. When several companies perform this same analysis and choose to remain in a declining industry, excess capacity grows and profit margins are usually depressed.

By expanding their search for buyers, managers can lower exit barriers arising from specialized assets. Sometimes assets find a market overseas even though they have little value in the home country. But as the industry decline becomes increasingly clear, the value of specialized assets will usually diminish. For example, when Raytheon sold its vacuum-tube-making assets in the early 1960s while tube demand was strong for color TV sets, it recovered a much higher liquidation than companies that tried to unload their vacuum tube facilities in the early 1970s, when the industry was clearly in its twilight years.

**High costs of exit**

Large fixed costs—labor settlements, contingent liabilities for land use, or costs of dismantling facilities—associated with leaving a business elevate exit barriers. Sometimes even after a company leaves, it will have to supply spare parts to past customers or resettle employees. A company may also have to break long-term contracts, which, if they can be abrogated at all, may involve severe cancellation penalties. In many cases, the company will have to pay the cost of having another company fulfill such contracts.

On the other hand, companies can sometimes avoid making fixed investments such as for pollution control equipment, alternative fuel systems, or maintenance expenditures by abandoning a business. These requirements promote getting out because they increase investment without raising profits, and improve prospects for decline.

**Strategic considerations**

A diversified company may decide to remain in a declining industry for strategic reasons even if the barriers just described are low. These reasons include:

**Interrelatedness.** A business may be part of a strategy that involves a group of businesses, such as whiskey and other distilled liquors, and dropping it would diminish overall corporate strategy. Or a business may be central to a company's identity or image, as in the case of General Cigar and Allied Leather, and leaving could hurt the company's relationships with key distribution channels and customers or lower the company's purchasing clout. Moreover, depending on the company's ability to transfer assets to new markets, quitting the industry may make shared plants or other assets idle.

**Access to financial markets.** Leaving an industry may reduce a company's financial credibility and lessen its attractiveness to acquisition candidates or buyers. If the divested business is large relative to the total, divestment may hurt earnings growth or in some way raise the cost of capital, even if the write-off is economically justified. The financial market is likely to ignore small operating losses over a period of years buried among other profitable businesses while it will react strongly to a single large loss. While a diversified company may be able to use the tax loss from a write-off to mitigate the negative cash flow impact of exit decisions, the write-off will typically still have an effect on financial markets. Recently the markets have looked favorably on companies who take their losses on businesses with little future, an encouraging sign.

**Vertical integration.** When companies are vertically integrated, barriers to exit will depend on whether the cause of decline touches the entire chain or just one link. In the case of acetylene, obsolescence made downstream chemical businesses, using acetylene as a feedstock, redundant; a company's decision whether to stay or go had to encompass the whole chain. In contrast, if a downstream unit depended on a feedstock that a substitute product had made obsolete, it would be strongly motivated to find an outside supplier of the substitute. In this case, the company's forward integration might hasten the decision to abandon the upstream unit because it had become a strategic liability to the whole company. In our study of end-game strategies, we found that most vertically integrated companies "deintegrated" before facing the final go/no go decision.

**Information gaps**

The more a business is related to others in the company, and especially when it shares assets or has a buyer-seller relationship, the more difficult it can be for management to get reliable information about its performance. For example, a failing coffee percolator unit may be part of a profit center with other small electrical housewares that sell well, and the company might not see the percolator unit's performance accurately and thus fail to consider abandoning the business.

**Managerial resistance**

Although the exit barriers we've described are based on rational calculations, or the inability to make them because of failures in informa-
Study of strategies for declining businesses

Compiling 20 year histories of industry competitors and companies in eight declining industries, we studied the strategies of those companies. We identified key competitors in the rayon and acetate, city bus, temperature control, conglomerate, electronic, aluminum, and the automobile industries. The results of our studies showed that those companies in declining industries had strategies that were consistent with the improvement of their products, the formation of new businesses, and the acquisition of new businesses. This study is shown to be a part of a larger study of successful companies, including Raytheon, to the recommendation of the best company. In this study, the key strategies of those companies were consistent with the improvement of their products, the formation of new businesses, and the acquisition of new businesses.
tion, the difficulties of leaving a business extend well beyond the purely economic. Managers’ emotional attachments and commitments to a business—coupled with pride in their accomplishments and fears about their own futures—create emotional exit barriers. In a single-business company, quitting the business costs managers their jobs and creates personal problems for them such as a blow to their pride, the stigma of having “given up,” severance of an identification that may have been longstanding, and a signal of failure that reduces job mobility.

It is difficult for managers of a sick division in a diversified company to propose divestment, so the burden of deciding when to quit usually falls on top management. But loyalty can be strong even at that level, particularly if the sick division is part of the historical core of the company or was started or acquired by the current CEO. For example, General Mills’s decision to divest its original business, flour, was an agonizing choice that took management many years to make. And the suggestion that Sunbeam stop producing electric percolator coffee makers and waffle irons met stiff resistance in the boardroom.

In some cases, even though unsatisfactory performance is chronic, managerial exit barriers can be so strong that divestments are not made until top management changes. Divestments are probably the most unpalatable decisions managers have to make.

Personal experience with abandoning businesses, however, can reduce managers’ reluctance to get out of an industry. In an industry such as chemicals where technological failure and product substitution are common, in industries where product lives are historically short, or in high-technology companies where new businesses continually replace old ones, executives can become used to distancing themselves from emotional considerations and making sound divestment decisions.

Social barriers
Because government concern for jobs is high and the price of divestiture may be concessions from other businesses in the company or other prohibitive terms, closing down a business can often be next to impossible, especially in foreign countries. Divestiture often means putting people out of work, and managers understandably feel concern for their employees. Workers who have produced vacuum tubes for 30 years may have little understanding of solid-state manufacturing techniques. Divestiture can also mean crippling a local economy. In the depressed Canadian pulp industry, closing down means closing down whole towns.

Asset disposition
The manner in which companies dispose of assets can strongly influence the profitability of a declining industry and create or destroy exit barriers for competitors. If a company doesn’t retire a large plant but sells it to a group of entrepreneurs at a low price, the industry capacity does not change but the competition does. The new entity can make pricing decisions and take other actions that are rational for it but cripple the competition. Thus if the owners of a plant don’t retire assets but sell out instead, the remaining competitors can suffer more than if the original owners had stayed on.

Volatility of end game

Because of falling sales and excess capacity, competitors fighting in an end game are likely to resort to fierce price warfare. Aggression is especially likely if the industry has maverick competitors with diverse goals and outlooks and high exit barriers, or if the market is very inhospitable [see Exhibit 1].

As an industry declines, it can become less important to suppliers (which raises costs or diminishes service) while the power of distributors increases. In the cigar business, for example, because cigars are an impulse item, shelf positioning is crucial to success, and it’s the distributor who deals with the retailer. In the whiskey trade too, distillers hotly compete for the best wholesalers. Decline has led to substantial price pressures from these powerful middlemen that have reduced profitability. On the other hand, if the industry is a key customer, suppliers may attempt to help fight off decline as, for example, pulp producers helped the rayon industry fight cotton.

Perhaps the worst kind of waning-industry environment occurs when one or more weakened companies with significant corporate resources are committed to stay in the business. Their weakness forces them to use desperate actions, such as cutting prices, and their staying power forces other companies to respond likewise.

Strategic alternatives for declining businesses

Discussions of strategy for shrinking industries usually focus on divestment or harvest strategies, but managers should consider two other alternatives as well—leadership and niche. These four strategies for decline vary greatly, not only in their goals but also in their implications for investment, and managers can pursue them individually or, in some cases, sequentially:
Leadership. A company following the market-share leadership strategy tries to reap above-average profitability by becoming one of the few companies remaining in a declining industry. Once a company attains this position, depending on the subsequent pattern of industry sales, it usually switches to a holding position or controlled harvest strategy. The underlying premise is that by achieving leadership the company can be more profitable (taking the investment into account) because it can exert more control over the process of decline and avoid destabilizing price competition. Investing in a slow or diminishing market is risky because capital may be frozen and resistant to retrieval through profits or liquidation. Under this strategy, however, the company's dominant position in the industry should give it cost leadership or differentiation that allows recovery of assets even if it reinvests during the decline period.

Managers can achieve a leadership position via several tactical maneuvers:

- Ensure that other companies rapidly retire from the industry. H.J. Heinz and Gerber Products took aggressive competitive actions in pricing, marketing, and other areas that built market share and dispelled competitors' dreams of battling it out.

- Reduce competitors' exit barriers. GTE Sylvania built market share by acquiring competitors' product lines at prices above the going rate. American Viscose purchased -- and retired -- competitors' capacity. [Taking this step ensures that others within the industry do not buy the capacity.] General Electric manufactured spare parts for competitors' products. Rohm & Haas took over competitors' long-term contracts in the acetylene industry. Proctor-Silex produced private-label goods for competitors so that they could stop their manufacturing operations.

- Develop and disclose credible market information. Reinforcing other managers' certainty about the inevitability of decline makes it less likely that competitors will overestimate the prospects for the industry and remain in it.

- Raise the stakes. Precipitating the need of other competitors to reinvest in new products or


process improvements makes it more costly for them to stay in the business.

**Niche.** The objective of this focus strategy is to identify a segment of the declining industry that will either maintain stable demand or decay slowly, and that has structural characteristics allowing high returns. A company then moves preemptively to gain a strong position in this segment while disinvesting from other segments. Armira followed a niche strategy in leather tanning, as Courtaulds did in rayon. To reduce either competitors’ exit barriers from the chosen segment or their uncertainty about the segment’s profitability, management might decide to take some of the actions listed under the leadership strategy.

**Harvest.** In the harvest strategy, undergoing a controlled disinvestment, management seeks to get the most cash flow it can from the business. DuPont followed this course with its rayon business and BASF Wyandotte did the same in soda ash. To increase cash flow, management eliminates or severely curtails new investment, cuts maintenance of facilities, and reduces advertising and research while reaping the benefits of past goodwill. Other common harvest tactics include reducing the number of models produced, cutting the number of distribution channels, eliminating small customers, and eroding service in terms of delivery time (and thus reducing inventory), speed of repair, or sales assistance.

Companies following a harvest strategy often have difficulty maintaining suppliers’ and customers’ confidence, however, and thus some businesses cannot be fully harvested. Moreover, harvesting tests managers’ skills as administrators because it creates problems in retaining and motivating employees. These considerations make harvest a risky option and far from the universal cure-all that it is sometimes purported to be.

Ultimately, managers following a harvest strategy will sell or liquidate the business.

**Quick divestment.** Executives employing this strategy assume that the company can recover more of its investment from the business by selling it in the early stages of the decline, as Raytheon did, than by harvesting and selling it later or by following one of the other courses of action. The earlier the business is sold, the greater is potential buyers’ uncertainty about a future slide in demand and thus the more likely that management will find buyers either at home or in foreign countries for the assets. In some situations it may be desirable to divest the business before decline or, as DuPont did with its acetylene business, in the maturity phase. Once it’s clear that the industry is waning, buyers for the assets will be in a strong bargaining position. On the other hand, a company that sells early runs the risk that its forecast will prove incorrect, as did RCA’s judgment of the future of vacuum tubes.

Divesting quickly will force the company to confront its own exit barriers, such as its customer relationships and corporate interdependencies. Planning for an early departure can help managers mitigate the effect of these factors to some extent, however. For example, a company can arrange for remaining competitors to sell its products if it is necessary to continue to supply replacements, as Westinghouse Electric did for vacuum tubes.

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**Choosing a strategy for decline**

With an understanding of the characteristics that shape competition in a declining industry and the different strategies they might use, managers can now ask themselves what their position should be:

- Can the structure of the industry support a hospitable, potentially profitable, decline phase [see Exhibit I]? 
- What are the exit barriers that each significant competitor faces? Who will exit quickly and who will remain? 
- Do your company’s strengths fit the remaining pockets of demand? 
- What are your competitors’ strengths in these pockets? How can their exit barriers be overcome? 
- In selecting a strategy, managers need to match the remaining opportunities in the industry with their companies’ positions. The strengths and weaknesses that helped and hindered a company during the industry’s development are not necessarily those that will count during the end game, where success will depend on the requirements to serve the pockets of demand that persist and the competition for this demand.

*Exhibit II* displays, albeit crudely, the strategic options open to a company in decline. When, because of low uncertainty, low exit barriers, and so forth, the industry structure is likely to go through an orderly decline phase, strong companies can either seek leadership or defend a niche, depending on the value to them of remaining market segments. When a
company has no outstanding strengths for the remaining segments, it should either harvest or divest early. The choice depends, of course, on the feasibility of harvesting and the opportunities for selling the business.

When high uncertainty, high exit barriers, or conditions leading to volatile end-game rivalry make the industry environment hostile, investing to achieve leadership is not likely to yield rewards. If the company has strengths in the market segments that will persist, it can try either shrinking into a protected niche, or harvesting, or both. Otherwise, it is well advised to get out as quickly as its exit barriers permit. If it tries to hang on, other companies with high exit barriers and greater strengths will probably attack its position.

This simple framework must be supplemented by a third dimension of this problem—that is, a company's strategic need to remain in the business. For example, cash flow requirements may skew a decision toward harvest or early sale even though other factors point to leadership, as interrelationships with other units may suggest a more aggressive stance than otherwise. To determine the correct strategy a company should assess its strategic needs vis-à-vis the business and modify its end-game strategy accordingly.

Usually it is advantageous to make an early commitment to one end-game strategy or another. For instance, if a company lets competitors know from the outset that it is bent on a leadership position, it may not only encourage other companies to quit the business but also gain more time to establish its leadership. However, sometimes companies may want to bide their time by harvesting until indecisive competitors make up their minds. Until the situation is clear, a company may want to make preparations to invest should the leader go, and have plans to harvest or divest immediately should the leader stay. In any case, however, successful companies should choose an end-game strategy rather than let one be chosen for them.

The best course, naturally, is anticipation of the decline. If a company can forecast industry conditions, it may be able to improve its end-game position by taking steps during the maturity phase (sometimes such moves cost little in strategic position at the time):

- Minimize investments or other actions that will raise exit barriers unless clearly beneficial to overall corporate strategy.
- Increase the flexibility of assets so that they can accept different raw materials or produce related products.
- Place strategic emphasis on market segments that can be expected to endure when the industry is in a state of decline.
Create customer-switching costs in these segments.

Avoiding checkmate

Finding your company’s position in Exhibit II requires a great deal of subtle analysis that is often shortchanged in the face of severe operating problems during decline. Many managers overlook the need to make strategy in decline consistent with industry structure because decline is viewed as somehow different. Our study of declining industries revealed other factors common to profitable players:

They recognize decline. With hindsight, it is all too easy to admonish companies for being overly optimistic about the prospects for their declining industries’ revitalization. Nevertheless, some executives, such as those of U.S. oil refineries, fail to look objectively at the prospects of decline. Either their identification with an industry is too great or their perception of substitute products is too narrow. The presence of high exit barriers may also subtly affect how managers perceive their environment; because bad omens are so painful to recognize, people understandably look for good signs.

Our examination of many declining industries indicates that the companies that are most objective about managing the decline process are also participants in the substitute industry. They have a clearer perception concerning the prospects of the substitute product and the reality of decline.

They avoid wars of attrition. Warfare among competitors that have high exit barriers, such as the leather tanning companies, usually leads to disaster. Competitors are forced to respond vigorously to others’ moves and cannot yield position without a big investment loss.

They don’t harvest without definite strengths. Unless the industry’s structure is very favorable during the decline phase, companies that try to harvest without definite strengths usually collapse. Once marketing or service deteriorates or a company raises its prices, customers quickly take their business elsewhere. In the process of harvesting, the resale value of the business may also dissipate. Because of the competitive and administrative risks of harvesting, managers need a clear justification to choose this strategy.

They view decline as a potential opportunity. Declining industries can sometimes be extraordinarily profitable for the well-positioned players, as GE and Raytheon have discovered in vacuum tubes. Companies that can view an industry’s decline as an opportunity rather than just a problem, and make objective decisions, can reap handsome rewards.
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