The fruit of diversification

Diversification was a hot button word in the '80s, and it needs to make one conjure up images of new companies moving into town and opening shops, bringing new and never before-heard-of enterprises and products to the local economy. But the success of Southern Petroleum Laboratories serves to illustrate how meaningful diversification can come from within components of the energy industry itself.

Southern Petroleum's testing laboratories concentrated almost exclusively on the oil industry until the mid-1980s downturn, when, according to company chairman Natalie F. Wood, the decision was made to expand into the growing area of environmental testing. "Much of what is involved in environmental testing involves equipment and procedures similar to the things we were already doing," she says.

Adding that area of emphasis to the company not only was a better move, as an increasing level of concern over the environment has brought about more testing by municipalities and other governments and also by such specialized clients as insurance companies, but it increased the company's overall environmental testing and energy firms who have been clients of Southern Petroleum now boast the company for tests relating to environmental permitting.

Wood notes that Southern's growth illustrates another point of business management, that expansion works best if carefully planned and managed. In boom times, many companies borrowed ready to finance hasty expansion and suffered when cash dried up and unsecured loan repayment became impossible. Not so with Southern. "We weren't overly leveraged, so we were able to provide the bank and finance our expansions into environmental testing without our existing business as a basis," Wood says.

Southern Petroleum Laboratories' current profile is a case in point for the equipment that Southern has been able to install in its laboratory.