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Coping Mechanisms For Future Uncertainty

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Frustrations abound over most organizations' inability to effectively deal with future uncertainty, despite a general awareness of the sources of such uncertainty. How can organizations better counter unexpected external developments and surprises?

At the Frost & Sullivan Growth, Innovation and Leadership Executive Congress (San Francisco, September 15-16 2008) I asked 25 director, VP and C-level executives to identify the major sources of strategic surprise in their external environments. The key sources of surprise included:

- Rapid technology advances
- Unforeseen customer demands and needs
- Economic conditions
- Competitor activities and behavior

Perhaps as frustrating as the recurrence of such developments is the near-total lack of control companies have over them. Furthermore, there was widespread agreement that the time and resources firms spend on monitoring the external environment was grossly out of proportion with the time and money spend tracking internal information, further contributing to this "lack of control" feeling.

Similarly, the coping mechanisms companies use to deal with external surprise were fairly consistent -- but deemed, for the most part, to be ineffective. They include conducting ad hoc research studies, conducting one-off brainstorming sessions, and, sadly, doing nothing.

Conduct research. When faced with unforeseen external developments and an urgent need to take action, many companies retrench behind a facade of more information. Consultant studies, project-based research and other variations of data accumulation failed, according to the executives, to yield a greater understanding of the implications of the external events, nor a stronger sense about what to do. Instead, research and data gathering led to a state of "analysis paralysis" that further acerbated the feeling of frustration and hopelessness over companies' ability to deal with external stimuli.

Brainstorming sessions. While the variety of strategy workshops, brainstorming sessions, and ideation groups tend to result in innovative solutions and approaches for uncertainty management, the transition from idea generation to implementation is weak. The main reason? Lack of clear ownership of response tactics targeted at addressing competitive environment surprise.

Do nothing. Not surprisingly, the least effective approach. Nevertheless, it is not uncommon for companies to ignore external surprises in the hope that they will simply go away.

What, then, can companies do? I believe there are three ingredients to maintaining an effective posture against future competitive uncertainty.

Avoid surprise in the first place. Companies can begin to reverse the imbalance between external versus internal information monitoring by pursuing an indicator-based intelligence early warning system. Such a process helps organize external intelligence gathering against a set of indicators, or signposts of future change, for which significance has been determined and a strategic response already decided.

Develop flexible strategies. By employing techniques such as scenario-based strategic planning, companies can pursue strategic plans that have flexibility built in, allowing for rapid responses to unforeseen developments within a consistent overall strategic framework.

Link intelligence analysis with strategy implementation. Organizations must ensure that intelligence insights can quickly be communicated to those responsible for owning strategic response implementation. Keeping intelligence gathering and analysis several layers beneath strategic implementation will ensure that relevant insights never get the chance to influence strategic response.

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