

How to craft Strategy in Uncertain Times

Over the Horizon Leadership

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Crafting strategy in uncertain times is like peering over the horizon to see what's coming.

You need the help of a sextant to guide you through.



What's the problem?

I've had an ongoing conversations with several of my clients in the past months. It centres around the difficulty of developing their strategy in these highly uncertain environments. Some are dealing with the fluctuating exchange rate and its impact on imports and exports, while others are concerned about the uncertainty surrounding government's intentions on industry policy and future tax regimes.

They complain that the assumptions they set at the beginning of their strategic plans are usually incorrect a few months after the plans have been completed. Most tell me that they are fast losing confidence in the utility of these plans, while others tell me that they have all but given up doing them at all because of the uncertainty in their operating environments.

The irony of this situation is that, in times of great uncertainty, the importance of strategy increases. These clients probably need strategy now more than ever before!

So, why do organisations find planning so difficult in these times and what can we do about it? Before answering this question, it may be useful to recount a conversation between Christopher Columbus and his brother Bartholomew that took place over 500 years ago!

Go West, young man!

Christopher Columbus had just convinced Queen Isabella to finance his latest expedition to discover the “New World” and was engaged in a conversation with his brother Bartholomew, his partner in their chart-making business:

“Why do you think sailing west to the Indies is the right answer?” asked Bartholomew. “Because everyone confines themselves to what they know - I’m interested in what is possible”.

But Bartholomew knew that his brother needed to be better prepared, and so he persisted *“Since you cannot see beyond the horizon to plot a specific course, how will you know whether to head due west or north-west?”*

Christopher explained that plotting a course into the unknown was like making a chart by using a sextant. He believed that the sextant had the ability to combine first-hand, situational knowledge with the enduring cycles of stars in order to chart direction.

The two brothers spent weeks going over old captain’s notes, log books and other pieces of information that Christopher had accumulated from his previous voyages. Using a sextant, they created a working model of where the most favourable lands were likely to be found. They created a new map, based on the desired destination and star positions, that would guide Columbus at sea. Finally, they determined the distance and time - about 8 weeks at sea and some 2,400 miles - to go from Spain to the Indies.

And the rest, as they say, is history.

Can organisations build a market sextant?

So, why can’t organisations build a market sextant that might guide them through the uncertain waters? Why is this so difficult in the context of modern organisations and their uncertain environments?

The issue seems to be related to the way that we conduct our business planning - and the fact that this planning does not seem to be suited to our current conditions of uncertainty. Three factors are pertinent here:

- a somewhat single-minded approach to the pursuit of objectives
- attempting to predict future assumptions in planning
- confusing “planning” with “strategy” .

1. The single-minded pursuit of objectives

Most business plans will set a few, prioritised, objectives and then allocate resources to achieve these via a series of action plans. We understand the importance of focus, so we try not to get distracted by a range of other things that otherwise demand our attention.

Unfortunately, as we focus on the objective in our sights, we become quite single-minded. This single-mindedness tends to drive out learning and adaptation. As things become more difficult, we “try harder” - but usually by doing more of the

same things. As a consequence, we don't really make much significant progress. We are unable to adapt to and accommodate the high rates of change that occur around us.

2. Trying to predict the future

Conventional business planning relies on making a series of assumptions at the beginning of the process. These assumptions that address factors such as market growth, exchange rates and the state of the political environment, then provide the context for the setting of objectives and action plans. Once these assumptions are proved wrong, the validity of the plan becomes questionable.

In reality, making assumptions about future conditions is like attempting to predict the future. While this may be possible in a relatively stable and orderly environment, current market conditions render this quite unsuccessful. As a consequence, our efforts at planning by using assumptions become quite unsuccessful in these turbulent conditions.

3. Confusing “planning” with “strategy”

A third factor is the confusion of planning activities with strategy. Many organisations speak of the need for developing their strategy, and then proceed to use a planning process instead. So, what's the difference?

In essence, planning is an event-driven process where we set an initial objective, and then pursue it via a program of actions. The objective is determined at the outset of the process, and the action plan is a way of focusing the organisation's resources around its key priorities.

Strategy, on the other hand, is an ongoing, iterative process where the emphasis is on learning and adaptation. While the broad intent is clear from the outset, detailed objectives are not set at the outset - because, by definition, we don't know what issues will be encountered along the way. Instead, objectives emerge along the way as we encounter new situations, learn and adapt. As a consequence, strategy is better suited to uncertain and changing conditions where there is a need to learn and adapt to the environment.

How to build you own market sextant

Based on an understanding of these issues, how can we build our own market sextant to guide organisation through times of uncertainty and change? What can we learn from Christopher Columbus' approach? How can we develop effective strategy in these difficult times?

There are three key steps to follow:

- Study the existing maps
- Adopt an explorer's mindset
- Build a chart of the new territory.

1. Study the existing maps

We study the existing maps by considering all the available information and history about our market or industry. Generally, this includes studying and understanding three important forms of information:

- a. Key trends in the industry: These are developments that have established themselves and are unfolding into the future. Examples include factors such as the globalisation of the industry, generational change and the increased use of mobile communication
- b. Drivers of future change: These are factors that are changing the way that the industry works and develops. Examples include the capability of technology to produce equivalent experiences, customers' access to more information and impending industry legislation.
- c. Key uncertainties: These are “flip-flop” events that can radically change the outcome of future change - and which we cannot predict. Examples include the impact of political change, exchange rates and government policy.

In summary, this is about “doing our homework” thoroughly and having good insight into the way the industry currently works, and the factors that are capable of changing it.

2. Adopt an explorer's mindset

An explorer is someone who goes out seeking to learn and understand new phenomena. Importantly, they have “space in their heads” to accept new discoveries and ways of doing things. Three factors seem important here:

- a. Immerse yourself in the study or journey: Exploration is not an armchair activity. It is about being there and immersing yourself in the new information, situation or market. A good example is the use of ethnographic research, where researchers go up close and study their customers and observe their behaviour first-hand, rather than relying on broad statistical data to provide them with an understanding of customer needs. This is about people and events rather than just data.
- b. Develop a beginner's mind - be deliberately naive: This is about emptying your mind of pre-conceived ideas and theories and allowing your strategic intuition to take over. Ask the obvious questions, no matter how “stupid” you may think they are. Be available for new insights and understanding from your journey!
- c. Become a “Curious George”: Just like the lovable cartoon character, be curious about your environment and observations. You need to act as a child who visits Disneyland for the first time. Seek to find out as much as you can and allow your curiosity to guide you. It's about finding out as much as you can and taking nothing for granted.

3. Chart the new territory

Finally, you are ready to build a chart of the new and uncertain territory. Based on your new understanding of the industry and market, you can now construct a three-

part chart of the way forward. In essence, this involves assembling three pieces of information:

- a. Define the problem or problems faced by your industry and market: This is best done with **compassion** and empathy, so that you develop a deep understanding of the issues current and potential customers face. Define these problems from the perspective of the customer and what they experience - rather than from your perspective in terms of what you may want to sell them. Be warned, this is much harder than it appears! You have to become truly customer-centric.
- b. Identify the causes of this problem: Here you begin to develop your “theory” or “model” of why this problem exists - ie what are the causal factors that contribute to this problem for customers or the industry. These theories or models should be developed and built with **objectivity and rigour** so that you are able to offer a sensible explanation as to the cause of the customers’ or industry’s problems.
- c. Propose the solution to the problem: Now that you have identified the cause of the problem, you may legitimately propose a solution. Accordingly, this can be done with **confidence and legitimacy**. Usually, this is expressed in terms of a value proposition to the market that can be communicated in several ways, depending on the particular circumstances of the customer or market.

How do you navigate through an uncertain environment?

Crafting strategy in an uncertain environment relies on a deep understanding of the industry (and customers) in which you operate, and an ability to learn and adapt to the emerging problems faced by your customers.

The ability to study the existing maps, behave like an explorer and chart the new territory will ensure that you remain relevant to your industry and customers as the world changes. And this is the only way to prosper through the tough and uncertain times we encounter.