



# You Survived, Now What?

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## Abstract

As a result of the current economic upheaval, firms face a new reality of chaos, complexity and continuous change. To lead organizations through this new economic landscape, leaders must begin to think beyond the challenges of the next quarter and begin think strategically.

The economic turbulence of the second half of 2008 and all of 2009 has challenged the leadership capacity of many organizations like never before. Many organizations, both for profit and not-for-profit, saw revenues shrink dramatically, many in the range of 25-40%, or greater. In this environment many leaders and managers resorted to the primordial, survival mode. The immediate, knee-jerk reaction was to cut production, programs, and people. In this environment, the strategic horizon was instantly abbreviated to the next payroll period for many organizations. As a result of this economic upheaval, firms face a new reality, one of chaos, complexity and continuous change. To lead organizations through this new economic landscape it will be imperative for strategic leaders to think beyond the challenges of the next payroll period, month, quarter, year or even their traditional strategic planning horizon. It will be imperative that they think strategically.

## Chaos, Complexity and Change

Few leaders will argue that the past two to three years have not been chaotic, complex and characterized by rapid change. At the turn of the millennium, the terms sub-prime mortgage and credit default swaps were known by only a select handful of financial specialists. By September 2008, the impact of these two financial instruments threatened the financial stability of the world's economy. The result was U.S. government bailouts to the tune of hundreds of *billions* of dollars. The term "billion dollar bailouts" was unknown to virtually everyone, yet the vast majority of individuals, organizations and their leaders have been affected.

What's next? In his compelling book, *The Extreme Future*, futurist James Canton believes that there is plenty of chaos, complexity and "extreme change" on the horizon that will rock our world over the next ten to twenty years.<sup>1</sup> Imagine a world in which 80% of all entertainment is downloaded from

the Internet; 90% of consumers want tests to detect their genetic destiny; the ratio of women to men in the workforce is 2:1, and 60% of the individuals in the workforce are robots; 80% of consumers buy cars that only used renewable energy; 75% of Americans use performance enhancing drugs; 25% of Americans live past 100 years, and 80% of those are women. These are just a few of the possibilities that Canton forecasts for the not-too-distant future. How many of these or other seemingly radical forecasts are given any consideration in your strategic thought process?

### Is Strategic Analysis Strategic Thinking?

Many of today's leaders and managers have been educated to view strategic thinking as a process of comprehensive, sophisticated analysis of the internal and external environments in which their organizations must prosper. Most are familiar with and use a variety of strategic analysis tools developed over the last three decades. Porter's Five Forces, Value Chain analysis, and BCG's portfolio matrix are common tools that form the foundation of the contemporary strategic thought process. These tools are often augmented, if not supercharged, by multi-layered spreadsheets, Monte Carlo simulation and the application of Real Options Theory. While these tools and frameworks bring structure to the strategic thought process, it may also be the case that they limit leadership thought to very linear and limited conclusions. Mintzberg, Ahlstrand, and Lampel believe that strategic plans, evolving from this type of analyses, by their very nature promote inflexibility and place limits on the scope of insightful strategic alternatives.<sup>2</sup> They further claim that while these plans are developed to establish clear direction, responsibility and stability, it is this same established direction and stability that inhibits strategic action in the face of chaos, complexity and change.

The foundation of most current thought processes is analysis of current and historic environmental data, e.g., sales data, cost data, demographic data, etc. Although these analyses can be thorough and comprehensive, providing insight into the circumstances and trends of today, they often say very little about

tomorrow. The typical output of these analyses is an extrapolation of current trends into the future. Spiro Makridakis and Nicholas Taleb, experts in the field of statistical forecasting, pointedly claim that accurate forecasting is nearly impossible.<sup>3</sup> They also provide us with a new, poignant Yogi Berra-ism: "the future is not what it used to be." In this new environment, leaders run a very high risk when they assume that tomorrow will resemble today.

T. Irene Sanders agrees with Makridakis and Taleb in asserting that leaders wrongly rely on quantitative data and analysis of today to provide information about a constantly changing environment of tomorrow.<sup>4</sup> She further believes that leaders fail to see potentially disruptive events because they don't know how to visualize the multiple complexities of the environment. Complexities like relationships, connections, patterns of interaction and subtle changes create the dynamics of the real world in which leaders make decisions. Sanders further believes that this failure can be avoided through the application of strategic thinking.

### So, What Is Strategic Thinking?

If strategic analysis is not strategic thinking then what is? Sanders provides us with a very simple, yet powerful definition. To Sanders the two key components of strategic thinking are: 1) insight about the present, and 2) foresight about the future.<sup>5</sup> Further, the key to both is understanding the dynamics of the "big picture" in which leaders make decisions that impact the future of their organizations. The development of strategic thinking necessitates a broader, more whole-systems-view, than currently applied strategic analysis can provide.

Developing insight of the present and foresight into the future takes more than analysis of specific data. Quantitative analysis is predominantly a left-brain exercise. Sanders argues that insight and foresight require a comprehensive, whole-brain perspective, and are experienced through the more creative qualities of right-hemisphere thinking. For a visual thinker, as opposed to an analytical thinker, the ability to see and interact with a problem, issue or opportunity is the key to

developing valuable insight and foresight.

### Visual Analysis to Enhance Insight

Insight occurs when there is the conscious recognition of relationships with or associations among objects, previously deemed unrelated, that help solve problems or provide new perspectives on problems. Sanders believes that the creation of visual images activates deeper levels of awareness which helps develop insight.<sup>6</sup> Both Sanders and Canton recommend techniques for drawing on the qualities and capabilities of the creative right brain hemisphere.<sup>7,8</sup> These techniques are very reminiscent of a mind map, a long-used technique for graphically displaying concepts and relationships. The use of these graphic techniques has several benefits. First, it provides a vehicle for getting many concepts, some complementary, some contradictory and some seemingly unrelated in the same visual space, which is difficult to do with numerical analysis. Secondly, it provides a vehicle for the identification and understanding of issues, and encourages participation by non-quantitative leaders and followers, whose contributions may be limited, or even excluded, from a more quantitative approach. Lastly, it provides a simple tool to engage all members of the organization into the process of understanding issues, obstacles and opportunities, and provides insight that might otherwise be missed.

### From Forecast to Foresight

Forecasting is one result of strategic quantitative analysis. A forecast of the anticipated environment in which an organization will operate is based on analysis of existing conditions and trends, i.e., what is known. As previously discussed, forecasting a chaotic and ever changing future environment via extrapolation from current data, regardless of how sophisticated the forecasting tool, can produce seriously inaccurate results that can lead to faulty and even fatal organizational decisions. According to Sanders, foresight is the ability to see what concepts, trends and issues may be emerging today that may significantly impact the future.<sup>9</sup> She believes that foresight helps leaders understand the dynamics of change in a larger context and, significantly, to

recognize new conditions in development. Importantly, Sanders emphasizes that with foresight leaders have the ability to help create the future by influencing these newly developing conditions. This is where truly significant strategic opportunities arise, and where strategic disasters are avoided. To quote Sanders: "The present is the future in its most creative state."<sup>10</sup>

### Scan to Develop Foresight

The type of visual mapping devices recommended by both Sanders and Canton also provides a vehicle to facilitate the development of foresight. The development of foresight has two basic requirements. The first is a comprehensive, whole-system scan of the environment in which each organization operates. In today's complex global system, opportunities and threats can be introduced at any point and at any time. To neglect the whole-system perspective leaves leaders at risk of missing a significant, developing condition. The first step, therefore, is observing your organization's issues from a global perspective and mapping the findings and observations, and then looking for heretofore unseen relationships.

The second requirement according to Sanders for developing foresight is searching for "perking" information.<sup>11</sup> Perking information is new or emerging conditions that may be insignificant now, but could at some point have significant impact on some aspect of the global system, or at a minimum, the immediate environment of your organization. These are new conditions, which may be taking shape below the surface of normal activity that only well developed insight, or foresight can identify. Examples of perking information are the early imports of low-end Japanese cars in the mid-1970s; the early foreclosures related to subprime mortgages in 2003; the creation of Napster; and the 1993 World Trade Center bombing. Recognition of these "perking" conditions would have provided a glimpse of the future.

### Engage the Whole Team

Even the simplest and smallest organizations exist in a global, chaotic, complex and rapidly

changing environment. In larger organizations, growing complexity only increases the potential risk of not implementing strategic thinking. The magnitude of the risk of not implementing systems to develop strategic insight of the current environment and foresight of the future is evidenced by the failures of major organizations over the last couple of years. However, the task of developing insight and foresight cannot adequately be accomplished solely by leadership teams, regardless of their experience and education. Sanders recommends that engaging all leaders and followers for this purpose is essential.<sup>12</sup> Those employees closest to the environment are those that can identify relationships with products, customers, vendors and other stakeholders to which leaders do not typically have access. Similarly, perking data may best be identified by those in the business environment that will experience changing conditions in the earliest stages. The engagement of all members of organizations will help leaders identify the future today.

### Create the Future

The leadership challenge in this chaotic, complex and rapidly changing world cannot be overstated. Classic tools have proven to be inadequate or of limited value in many cases. Successful leaders of tomorrow will elevate the strategic management process to include enhanced strategic thinking. This will include the development of insight and foresight through the use of visually enhanced thinking. It will also involve the participation of both right-brain creative and left-brain analytical leaders. Finally, all members of the organization must be included in the process, particularly those closest to the action to help identify critical “perking” information. Leaders that fail to engage in strategic thinking risk strategic failure; those that do will create their future.

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