

Your Strategic Radar

***Tracking The Forces That Are
Shaping Your Business***

© 1999-2012 Karl Albrecht. All rights reserved.

All text in this document is protected by international copyright. It may not be reproduced, in whole or in part, in any form, by anyone, for any reason, without prior permission from the author or publisher.

Originally Published by
AMACOM Books
Division of
American Management Association International
New York
Re-Released by The Author 2012

© Karl Albrecht. All rights reserved. Used with permission.

Preface

On Thursday, October 24, 1861, workers completed the last link of the transcontinental telegraph system across the United States. Forty-eight hours later, California's famous Pony Express mail service declared bankruptcy. In 19 months of operation, it became a legend but never returned a profit to its investors.

In 1997 Hayes Electronics, the company that pioneered the personal-computer modem, went into bankruptcy and never came out. It closed its doors leaving \$40 million in debt, at a time when modem sales were setting new records.

Meanwhile, McIlhenny & Company, the small Louisiana firm that makes Tabasco Sauce and other condiments, completed its 129th year in business.

Picking winners and losers in the game of business has always been a risky occupation, and it's becoming more so.

Irving Thalberg, business adviser to the legendary Hollywood producer Louis B. Mayer, advised him to turn down a certain movie project he considered a guaranteed failure. "Forget it, Louis," he counseled. "No Civil War picture has ever made a nickel." Mayer passed up *Gone With The Wind* and his rival David O. Selznik brought the film to the silver screen.

Who knows how to recognize the next Pony Express or the next *Gone With The Wind*? Who can predict the real payoff of information technology, genetic engineering, or investments in the infrastructure of a developing country?

The "environmental scan" — the careful and thoughtful study of the business environment — has become a critical part of the management thinking process. I call it using your "corporate radar," the sensing system that provides you with the evidence on which to base your decisions about the very destiny of your enterprise.

Will the business you're in ten years from now be the same business you're in now? This is a question that hangs above the head of every strategist. The American writer and humorist Mark Twain advised, "When everybody is out digging for gold, the business to be in is selling shovels." There is actually quite a grain of wisdom in that wisecrack. What is the figurative "shovel" that everybody will need tomorrow?

Success in business seems to be largely a matter of getting a few critical things right, and then applying that success model in the face of the challenges and changes of the business environment. But many times the changes are too complex, too subtle, or too profound to allow the leaders of an enterprise to make simple course corrections. Continuous change, i.e. the steady unfolding of recognized trends, presents one kind of challenge. But discontinuous change, which brings an enterprise to a fork in the road, presents another kind of challenge altogether.

Technological change, for example, has often confused and confounded even the best and brightest leaders in business and government. In their thought-provoking and amusing book *The Experts Speak*, Christopher Cerf and Victor Navasky [fn] offer a surprising inventory of confident judgments by highly qualified people that went wide of the mark.

In 1921, the US Secretary of War was so convinced that airplanes had no real future in warfare that he offered to stand on the bridge of a ship while General Billy Mitchell, the chief promoter of military air power, tried to sink it by dropping bombs on it from a plane.

As early as 1921 and as late as 1940, no less than the *New York Times* and *Scientific American* magazine declared that rocket flights outside the Earth's atmosphere were theoretically impossible. They and others dismissed Dr. Robert Goddard's concepts, which later became the theoretical foundation of modern space exploration, as "too far-fetched to be considered."

Ironically, Thomas Edison declared flatly that his favorite invention, the phonograph, had no commercial possibilities. As early as 1937, Walt Disney's brother Roy proposed to retire Mickey Mouse as a character and a commercial product that had seen its day. None other than the CEO of Digital Equipment Corporation, the respected computer engineer Ken Olson, asserted in 1977 that no person had any reason to have a computer in his or her home.

The economic sector is also prone to serious misjudgment by intelligent people. Immediately after the great crash of the US stock market in 1929, many noted economists and financial experts declared that economic growth and prosperity would resume within a matter of months. The US economy did not return to full strength until well into World War II. Conversely, many of the same experts predicted a long and painful depression in America following the war. What actually happened was an unprecedented phase of consumer-led growth that lasted for nearly a decade.

For many business leaders, the real fascination of strategic thinking is in the very *uncertainty* that lies at the core of the process. It presents the ultimate intellectual challenge, a kind of cognitive sport with high risk and high consequences. To peer into the future, knowing that the payoff of your decisions depends on the wisdom — or luck — that guides you to your conclusions, is a very sobering experience.

Over the past two decades I've been fortunate to observe, and sometimes participate in, the strategic thought processes of some of the brightest business leaders on the planet. I've learned a great deal about the various ways they conceptualize the future of their enterprises. From those experiences and observations I've evolved a relatively simple model for managing the daunting intellectual challenges involved in the environmental scan. By conceiving of the business environment in terms of eight figurative sectors, in which events and trends are acting to shape the options open to the firm, we can describe and think about the forces at work there.

By using our figurative “radar” to scan these eight environmental sectors, we can compile a useful picture of the particular business environment facing a particular organization. The most valuable aspect of these eight key radar screens lies in the way they enable the leaders of the business to discuss, debate, interpret, and assimilate the lessons the environment has to teach. Out of this understanding, which must be continually updated and refreshed, they can commit energy, attention, talent, and resources for the greatest strategic value.

This is not really a “futures” book, in the generally accepted sense. It has less to say about what may happen in general than it has to say about *how to figure out* what may happen in particular. In covering a wide range of possibilities that may affect many businesses, it is not possible to specialize in the particular problems of any one. However, I have tried to sketch out the elements of common concern, and to point out ways to explore them further in order to build the strategic estimate for a particular business.

To all who are kind enough to invest their valuable time in reading these precepts: I hope you find value here, and I wish you the best of success — and a bit of luck — in your ventures. This is a great time to be in business.

Karl Albrecht
San Diego, California
KarlAlbrecht.com



Contents

Chapter 1. Extinction is Forever

- The Treacherous Business Environment
- Managing the Blind Side
- Would You Invest in Your Company?
- Tuning up Your Corporate Radar
- Boundaries and Ground Rules for this Discussion
- The Americentric View of Business

Chapter 2. The Environmental Scan: Your Corporate Radar

- Environmental Intelligence: the Key to Your Survival
- Your Eight Strategic Radar Screens
- Connecting the Dots

Chapter 3. The New Realities of Business

- The Business Environment Pre-1980s: Managing Growth
- The Business Environment Post-1980s: Hypercompetition
- Price Wars and Collective Suicide
- Points of Inflection
- Long Waves, Short Waves, and Choppy Seas

Chapter 4. Surfing the Third Wave

- A New Species of Human
- A New Wave
- The Global-Tribal Paradox
- The Bell Curve
- What's Driving the Third Wave?
- Impacts of the Third Wave
- Using What We Know

Chapter 5. How to be Your Own Futurist — Without Getting Lost in The Ozone

- The Future: Gee Whiz or Gee Won't?
- Thinking Strategically and Futuristically
- Liars Figure: Beware of Bogus Data
- The S-Curve: Avoiding Premature Extrapolation
- Drivers, Dominos, and Wildcards

Chapter 6. Your Customer Radar

- Markets or Customers?

The “Molecular Customer”
Demographics: the Great Engine of Marketing
Whatever Happened to Customer Service?
The Myth of Customer Loyalty
Understanding Customer Value: the Need Context

Chapter 7. Your Competitor Radar

Who is Your Competition?
The Enemy of Your Enemy Might or Might Not Be Your Friend
Which Companies Will Dominate? Ask Your Broker
Consolidation: the David & Goliath Scenario
Is There a Merger in Your Future?
Branding: the Endless Battle for Mindshare
The Struggle for Differentiation

Chapter 8. Your Economic Radar

The Big Shift: Intangible Economies
Economics as a Behavioral Science
Domino Economics: the Knee Bone’s Connected to...
Death-Row Economics: Industries Slated for Destruction
Economic “Weather” Factors: How they Affect Your Business
How Currency Exchange Rates Affect Your Business
The Euro: the Great Equalizer?

Chapter 9. Your Technological Radar

Spotting Winners: Corporate Binoculars or Blindfolds?
Technology is Selective in its Effect
The Age of Cheap Information
Y2K: The Biggest Wildcard of Them All?
Dehumanizing the Customer Interface: the Digital Moat
Internet Mythology: What the Internet Will and Won’t Do
CyberPolitics: the Battle for Control of the Desktop

Chapter 10. Your Social Radar

Cultural and Social Factors that Shape Customer Intention
The American Culture: Prototype for the New World Order?
Social Values: Rising, Declining, Conflicting
Cultural Imperialism and Protectionism

Chapter 11. Your Political Radar

There’s More to Politics than Politics
The Age of Agendas and Dilemmas
Anti-Corporate Politics

Chapter 12. Your Legal Radar

Trade: Laws and Lawlessness
Liabilities, Lawsuits, and Legal Nightmares
Regulations: Defining the Playing Field
Contracts: How Not to Victimize Yourself

Chapter 13. Your Geophysical Radar

Infrastructure And You
Natural and Unnatural Disasters
Geopolitics: The Power of Place
Geo-Economics: World Supply and Demand

Chapter 14. What Good is a Radar If You Can't Read The Screen?

Bifocal Vision
Assembling the Radar Data: the Basic Annual Strategic Estimate
Interpreting the Big Picture: the Annual Strategic Retreat
Refining the Business Strategy

Figures

- 2 - 1. The Business Environment.
- 3 - 1. Product Evolution and Competition
- 3 - 2. The Point of Inflection.
- 5 - 1. The S-Curve.
- 5 - 2. Drivers, Dominos, and Wildcards.
- 6 - 1. Population Pyramid: Developing Country.
- 6 - 2. Population Pyramid: US.
- 6 - 3. The Customer's Need Context.
- 6 - 4. The Strategic Value Hierarchy.
- 6 - 5. A Typical Customer Value Model.
- 8 - 1. The Big Shift.

