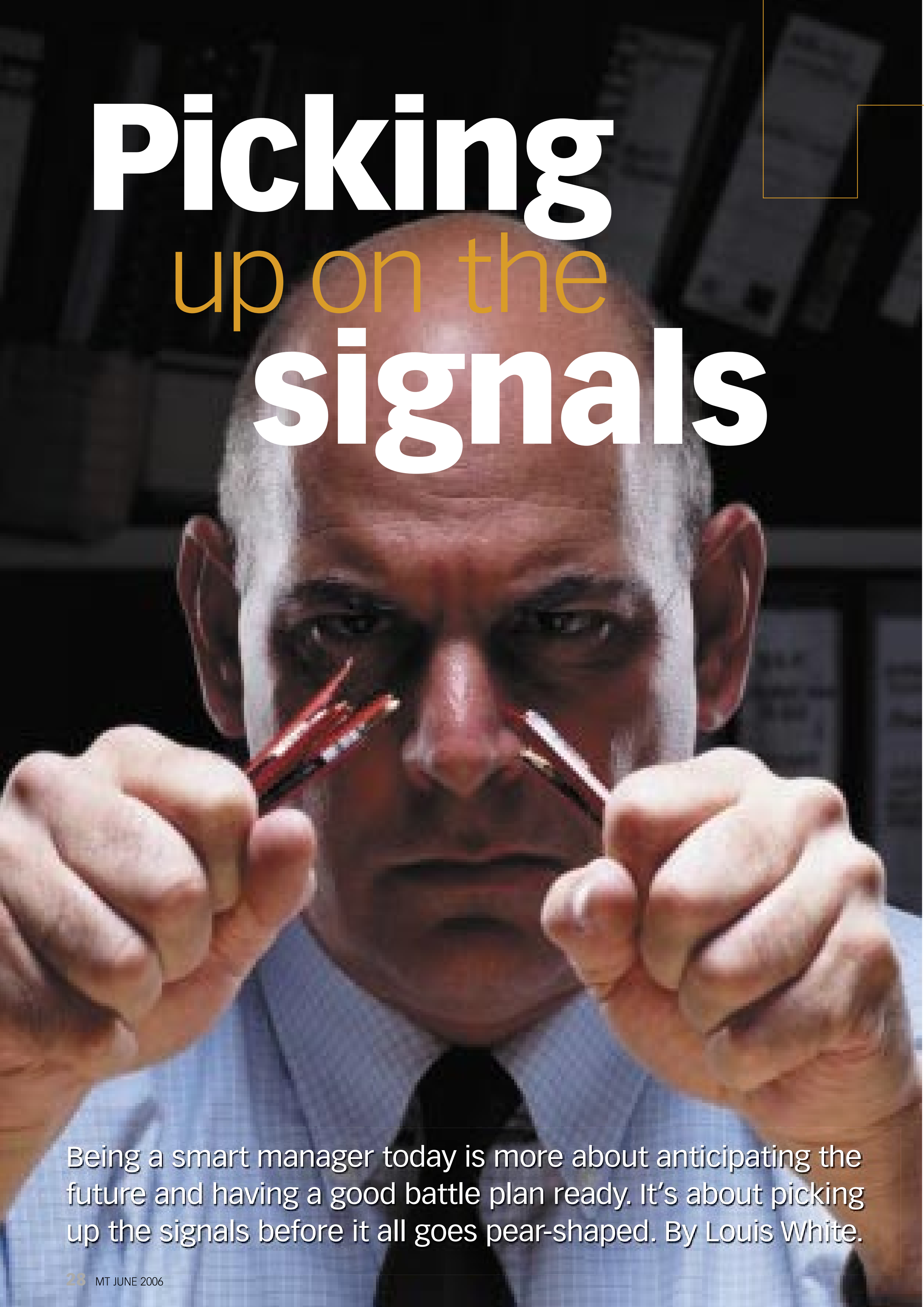

Picking up on the signals

Being a smart manager today is more about anticipating the future and having a good battle plan ready. It's about picking up the signals before it all goes pear-shaped. By Louis White.

IMAGE: GETTYIMAGES.COM

In 1994, a young man sitting at home had a brainwave that the internet was going to usher in a new era of communication. He wasn't sure how big, or at what level, but he decided that he should be a player and that there was an opportunity for him to make money.

While there were some signals there, it was not clear at the time how the internet was going to work and what the pick up would be. There was certainly an element of risk.

Jeff Bezos decided to take the risk and launched amazon.com in July 1995 with the idea of selling books on the internet.

By the fourth month of business the company was selling more than 100 books a day. In 1996, in its first full financial year of business, amazon.com generated almost $US16 million in sales.

In 1997 the company went public and a year later it added CDs and movies to its website, and in 1999 there were five more product categories – toys, electronics, software, video games and home improvement – being sold.

Bezos had created an online community, and while people were screaming for profits he became the No.1 online retailer. Amazon.com now boasts an estimated 39 million customers. When the opportunity came to either make profits or grow, Bezos made the decision to grow. In 2004 the company posted its first profit – 10 years after Bezos had formed the idea in his garage.

What Bezos did was exactly what Dr Peter Saul prescribed in his paper *Seeing the Future in Weak Signals*. Dr Peter Saul, a futurist and strategic change consultant, is the Director of Strategic Consulting Group in Sydney. He is also an Adjunct Associate Professor at Charles Sturt University, and is on the faculty of the IMIA Centre for Strategic Business Studies.

Saul's paper debates that many politicians and business leaders wait until there is irrefutable evidence for change before making a decision and committing resources.

These are called "strong signals". Saul argues that in today's dynamic and globalised business environment waiting for a "strong signal" will not necessarily serve us well in preparing for the future and "certainly will not serve us well as a strategy for getting ahead of the competition".

In Bezos's case, he saw an opportunity, wasn't 100 per cent sure how it would turn out and decided to invest in a tangible product – books. Bezos was clever enough to start selling something old with new technology.

Saul argues that we must act on "weak signals" (conflicting, contradictory etc), and start investing in them if we want to be ahead of the competition. It is important not to just invest in one but look at a few possible futures that may eventuate.

Saul's point is a very valid one. It is not the business leader of today that we want, it is the business leader of tomorrow. Unfortunately, as Saul points out, business schools do not teach potential business leaders to act on "weak signals" when it "may well be the hallmark of effective leadership".

Roger Norton, a Director of Elica Consulting who has worked with Saul, says the need to look out for the weak signals will always be relevant. "I see this paper as making great and simple sense," says Norton. "The real problem is finding the clients with the courage to look at the triggers and points of evidence to make decisions going forward.

"The other problem you might encounter is when a CEO is trying to convince shareholders that he or she has these four different scenarios that they might think will happen in the future and want to invest in all four. Often investors don't want to wait and want a strong signal from a leader that this is the right path to invest in. But the future is not that certain as we have seen throughout history."

Brian Scantlebury, Chief Executive of the Albury-Wodonga Corporation, a Commonwealth entity, has seen many changes in regional land development since he joined in 1991 and took over in his current role in 2000. He has spent years cultivating and planning and thinks that not enough businesses look ahead to the future.

"There is far too little attention paid to strategic planning," says Scantlebury. "Ownership has to be taken at the top. You have to work on 'weak signals' because by the time they become a 'strong signal' they are too late to stop."

For Scantlebury, the most relevant part of Saul's work is the following sentence: "Leaders will need to communicate to their boards and to other stakeholders the longer term risk/reward implications of acting early on potential trends that could offer significant costs if it waits for stronger evidence that a new pattern or paradigm is emerging around them."

"Critical uncertainty comes about by looking into the future," says Scantlebury. "You need to look at various case scenarios, apply critical factors to them with an eye to the future, and see how well they stand up. It needs to be a rigorous exercise."

Many businesses adopt a wait and see approach hoping that they will get a positive and absolute sign that the decision they are about to make is the absolute right one. However, it is the businesses that take a risk with an eye to the future that often get a jump start on their competitors. McDonald's is another example of not only getting a head start on its competitors but also maintaining that advantage.

Karen Edward, Manager, Organisation Development with the Businesses Services Division of the RTA (Roads and Traffic Authority), has witnessed first hand the effect of applying Saul's theory in reality. "We needed to look at the future of our business," says Edward. "It is important that we looked at various scenarios such as what our business would look like, who we needed and how we could get them to that level.

"We used Saul's paper and consultant Roger Norton at a practical level to help us devise various strategies.

"We must act on "weak signals" (conflicting, contradictory etc), and start investing in them if we want to be ahead of the competition."
Dr Peter Saul, Strategic change consultant

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What we learned is that we need to be persistent about the processes. The workshop was so successful we still return to it four years later."

Not only was the workshop successful but also the division devised their own model, which they still use today.

"The workshop was in 2002, but the processes and methodology involved is still as relevant today," says Edward. "What we did was develop a four-quadrant model to apply to our business, looking at shared service scenarios. They involved rules and control along with community values, self-management and capitalist/materialist values. We looked at the role of staff and the future of the organisation. It was important to do this upfront, look to the future and see how we were placed. We need to meet and exceed needs going forward.

"It was courageous to call outsiders and get them involved," says Norton. 'There was a variety of people from inside and outside the organisation who had input and it worked very well."

Saul stresses the need to get outside help in working through future scenarios. "One of the best known future approaches involves engaging employees and other stakeholders in creating different views of the possible futures (scenarios) that may confront an organisation."

It is often the case that the long-term prospects of a business suffer when there is minimal input from external sources. Only when a company embraces input from its employees and suppliers/partners can it hope to fully integrate the challenges it faces in the present, and device a strategy that will strengthen its future prospects.

Consultant Susan Hargrave, who worked as the Business Development Manager for the Insurance Manufacturers Australia, has worked on various future scenarios.

"I worked with a small team of six, back at the IMA, on two products at a time trying to get them to the pilot stage," says Hargrave. "We stumbled upon a process that worked and I still use those processes today.

"It is important to think how you can create an idea that fits into the philosophy of the company? You need to look up to 10 years ahead and try and cover most scenarios of how you think the world will look and behave."

The problem most publicly listed companies have today when it comes to applying Saul's theories and putting them into practice is that we live in a "now" generation. Everyone, be it stakeholders, employees or the person on the street wants their needs and wants met now.

Jeff Bezos had an idea and worked it through to fruition. His basic idea was based more on weak signals than strong ones, and he adapted with the technology. There is a lesson to be learnt there. Mt

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