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UNPREDICTABLE TIMES DEMAND SHORT-TERM STRATEGY

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Just a month or two ago, all signs were that this would be yet another year of robust global growth. But suddenly all bets are off. Corporate radar screens are a blur.

“Visibility is tight,” says John Chambers, president and chief executive officer of Cisco Systems. “Everyone is peering through the fog,” adds Hewlett-Packard boss Carly Fiorina. “Things can change very, very quickly, and nobody’s sure,” says Scott McNealy, chairman of Sun Microsystems.

These Silicon Valley leaders reflect a growing problem for business leaders worldwide. Economic conditions have changed so fast, no one knows what to make of them. The immediate future is a mystery.

While reading what’s ahead is a challenge, information technology enables firms to respond with lightning speed to changes around them. Real-time feedback on sales gives executives the ability to adjust inventories rapidly, and the profit numbers on their desktop computers warn them when job cuts are needed.

This makes the current downturn different to any other. Global gloom has spread distressingly fast. Ironically, the first recession of the “new economy” may be a result of the very technologies that have led to unprecedented economic growth in the past decade.

What’s more, no one can be sure just how far or wide the bad news will reach. In a “wired” world, with companies under great pressure to speak out early when sales and profits turn sour, negative forecasts and consumer sentiment feed each other. A fall in one market quickly triggers “sell” orders across the world.

In this new environment, the smartest managers use their common sense. They stay focused on the future, still talking about long-term prospects and plans, but at the same time doing what it takes to survive in the short term.

A new obsession with costs and much improved responsiveness signal a sea change in strategy. They also herald a new era for strategic thinking.

In the past, business people were sure they could manage by three or five-year plans. Many tried to copy Japanese firms, which were said to have horizons of 10 or 20 years; they were fascinated by tales of 100-year visions.

But all that has changed as reality has struck home. Survival now demands that companies change fast to deal with conditions as they are, not as some seer might wish them to turn out. And in any event, it is now clear that with innovation accelerating and customers constantly changing their minds, experimenting and chasing prices down, flexibility is essential.

Many international companies have followed the lead of 3M in setting aggressive innovation targets. They aim to get 30 or 40 per cent of their annual profits from products that did not exist

three years ago. Using ideas like rapid prototyping, and foregoing yesterday's concern with seemingly endless market research, they attack their targets with a blizzard of new concepts.

This ensures that inventions don't linger in the lab. Those that don't fly in the real world are allowed to die. So there's huge pressure to keep producing breakthrough products, and constant evaluation of where resources are being applied.

Along with this trend is a swing from planning to action. Smart managers know that no amount of analysis will ever prepare them for the surprises that lie ahead, and that their best-laid plans will unravel in the real world. They understand that goals and tactics are pure theory until they become action, and that a learning organization is, first, a doing organization. So while they do look ahead, and while they are clear about "the hill" they're aiming at, their priority is to put results on the table.

They do this by working to tight deadlines, being absolutely clear about what they aim to achieve, and learning and adjusting as they progress.

When South African executives think of strategy, most of them think of vision and mission statements and SWOT analyses. But some are adopting a new approach that is likely to become best practice in coming years. By moving forward in 30-day steps, they can be acutely aware of changes in their environment, and they're energized to deliver urgent improvements in sales, cost control, quality, and other measures.

The immediate future is likely to be much tougher than most people expect. Without a new and practical approach to strategy, many companies will vanish. But by exchanging their precious theories for what actually works in the real world, they could be among the survivors. And a few will even get very rich.

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