

Getting ahead by thinking ahead

Learning to talk to the business environment and understanding the movement of world markets is key to being a successful major player.

As a chief executive officer, do you have these three characteristics: you trust and use intuition to make good decisions, have the courage to act on those decisions, and always think of the long-term consequences of those decisions? If yes, you most likely will have a successful organisation, one that can understand and manage the changes in the world around you.

Strategic Thinking is a dialogue with your business environment. It is a listening and responding process through which a CEO learns. From that learning he or she uses informed judgement to chart the direction of the company. Yet some CEOs are unaware of the major changes that are occurring in the world and how these changes are becoming the “rules” of the game which business leaders will play.

In an insightful analysis of these changing rules, Clem Sunter (*The New Century: Quest For The High Road*) identified four areas which will greatly impact the decisions we will make about the future of our business. Although we may respond differently to each area, we nonetheless must

take them into account in crafting our strategy. These four areas are: population, technology, values and winning and losing nations.

When you assess each area ask yourself the question: “What are the implications for my business?”

The first area is population. Western Europe, Japan and North America earn 70 per cent of the world’s income and their average per capita income is 15 times higher than the rest of the world. They are rich but they are old. The richer you get the less children you have and the older the population gets. In Japan the number of children per family is about 1.5. The markets for the future in these three areas are in “rich” old people. These are the rich old millions.

But there are also the poor young billions, the other part of the world where population growth is rapid and the economies struggle to grow at a faster rate. Each year India gives birth to numbers equal to the population of Australia. It took three million years to create the first billion people. Estimates tell us that between 2000 and 2012 we will also create another billion people, bringing the population to seven billion. By 2005, 90 per cent of the world’s 15-year-olds will live in the developing countries. If their economies are unable to grow, the divide between the rich and poor nations will increase with all the accompanying social and political tensions. *In which part of the world are you making your products and where are you selling?*

The second area is technology. Each generation has been shaped or influenced by a technological breakthrough such as electricity, the motor car, television, or jet aircraft. Today it is microelectronics. Smaller computers, micro cameras to see inside blood vessels, and other products have become smarter, smaller, less expensive and are changing society.

First, microelectronics is individualising the production side of society, creating small clusters of highly skilled people. About 50 per cent of

Americans work in businesses of less than 200 people, six in seven Japanese work in small businesses, and 95 per cent of the jobs being created in the world are in small businesses or the informal sector. Our ability to universally access knowledge has empowered small organisations to compete successfully with large traditional enterprises. How big does your organisation want to become?

Second, microelectronics is individualising the consumption side of society enabling manufacturers to “mass customize” their products.

In future years technology will impact communication, transport, and the environment. The cloning of Dolly, the sheep, is only the beginning of a bio-technology revolution. *What technology changes will drive your future business?*

The third rule of the game involves values. The way we think changes society. There are many competing values - for example, nationalistic beliefs versus religious fervour - and they must be accommodated.

Looking around the world what many people seem to yearn for is the development of systems that work, that allow them to exercise their values in relative peace and prosperity. Life is balance, and many countries today struggle to balance economic development with environmental health and quality of life. Not an easy task. *What are your company's values and how do they contribute to productive work?*

The fourth and final rule of the game concerns winning and losing nations. As the world progresses nations in the foreseeable future will still be the basic unit which creates an environment for success in business.

Successful nations therefore have the following characteristics:

First, and most important, is that the most educated countries are the most successful. However, be careful if your country is producing more lawyers than engineers.

The second characteristic is the work ethic. To win you not only have

to be smart but also you must work hard. And this is also supported by low income tax, a sound family system, and a clean, corruption-free government.

The third characteristic is a high savings rate which allows you to invest in the future. A fourth condition is to develop a dual economy in which you have large businesses with high technology and financial resources working with small businesses which create jobs and give birth to the future.

A fifth condition is social harmony with a strong sense of social justice. And the last condition for a winning nation is to be a global player. Outward-looking economies grow three times faster than inward-looking ones. *Which countries in the geographic scope of your strategy have those characteristics? What are the implications for your business?*

For many years, having worked with senior executive teams as they crafted their strategy, the most interesting question for us to ask is “*What will the future be like?*”