

Look to external factors

by Dr. Jay S. Mendell and Hank Sarkis

- What do you think your company will look like in five years?
- What would you *wish* your company to look like in five years?
- Which image is consistent with changes you can reasonably expect in the business environment?

If you answered that your company will be, or should be, more of something -typical responses being "I expect this company to be bigger" or "I expect this company to be more profitable" -watch out. You are exhibiting the classic symptoms of *more-of-the-same thinking* combined with neglect of external developments. Your planning, if any, is apt to be extrapolative, based on the belief that your success factors will be staying the same or growing slowly, regularly and predictably.

Surviving in a high-tech economy

Your attention to changes outside and your willingness to make changes happen inside are weakened by your conviction that nothing is going to change overnight. This inward thinking may be further justified by your perceived need to obtain more efficiency, more size, more profitability. There is not necessarily anything wrong with more efficiency or profitability -unless the competition decides that while you are straining to beat the law of diminishing returns, they can beat the pants off you by trying something altogether different. (An example: the Postal Service strained to

increase its efficiency, while Federal Express developed a high cost, high performance overnight mail service.) More profit, size, and efficiency are not necessarily wrong unless you over-invest in them, and, as in the case of the railroads, your inattention to changes in the world can lead you up a blind alley.

Your company is on the way to becoming a new company, and nothing you do can keep it exactly the same as it is today. Reflect on how much mail service has changed in the last five years: Federal Express appeared from nowhere to speed up overnight delivery. By asking whether this new company can survive five years of external change, you take the first step in *environmental analysis*. Federal Express knows that unless it enters electronic mail and facsimile transmission, it could disappear as quickly as it appeared.

An interesting example of the discrepancy between the imaged new company and anticipated changes in the world has been occurring in mining and energy companies. They have been employing the classic methods of becoming more efficient, such as tighter control and utilization of technology, yet their expectation of more efficiency and stability is blunted by the fact that most of the easy-to produce fuels have been used up. The future holds continual battle with environmentalists and a struggle to exploit resources in developing countries. No wonder Exxon has emulated Xerox in entering the office automation field.

Call in your trusted associates and make a list of your half dozen critically important success factors (CISF's). Then spend an hour listing all the environmental factors that strengthen or weaken these

CISFs. (We could probably name 50 in 15 minutes, but it might take you an hour to name a dozen. Nevertheless, that's 60 minutes well spent.) If the negative environmental factors outweigh the positives, you may be heading for trouble. Keeping your CISFs and environmental factors in mind, make a point of watching your newspapers and news magazines for references to them. There are specialists watching virtually every environmental factor, and their warnings of change are revealed in the press as far as 10 years ahead.

Sometimes environmental analysis (analysis of what the competition might choose to do, as well as whatever might "just happen") convinces you to strike off in new directions. You imagine the company you would like to become: extrapolation is losing its grip on your thinking. ■

Dr. Jay S. Mendell is a professor at Florida Atlantic University in Boca Raton.

Hank Sarkis is a director of Silicon Beach Consultancy Inc. Their column focuses on business strategy.