The Need for Vigilance

“...Leaders must develop a sixth sense, an ability to see around the corner.”

Jack Welch

• Most leaders are good at focusing on:
  • Next quarter’s results
  • Moves and countermoves of direct competitors
• Yet, long-run dangers and rich opportunities may lurk just outside the area of immediate attention
• By seeing emerging threats and opportunities sooner the organization has more degrees of freedom to act.

TOPICS FOR TODAY:

1. Coping with information overload and accelerating change.
2. Why are some organizations better at seeing sooner and acting faster?
3. How can vigilance be improved?
Why Vigilance Matters

The Rewards of Vigilance

Nike became a leader in on-line customer engagement.

Adobe turned a looming threat to Photoshop into a big opportunity.

The Costs of Vulnerability

Microsoft came late to smart phones.

Wells Fargo was slow to respond to employee sales scams.

Barbie lost the leadership of the fashion doll market.

Radio Shack missed a trend it started.
How Adobe Systems Turned a Looming Threat into a Big Opportunity

Photoshop/Creative Suite perpetual licenses

Decision to Develop SaaS Version

Acquisition of Omniture
How Adobe Systems Turned a Looming Threat into a Big Opportunity

- Decision to Develop SaaS Version
- Acquisition of Omniture
- May 2012 Creative Cloud launched
  SaaS announced
How Adobe Systems Turned a Looming Threat into a Big Opportunity

Revenue ($B)

Return on Equity


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How Adobe Systems Turned a Looming Threat into a Big Opportunity

- Revenue ($B)
- Share Price ($)
- Return on Equity

Acquisition of Omniture
Saas announced

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- Share Price
- Revenue

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Why Are Organizations Surprised?

1. When firms are surprised someone in your organization (or network) knew about it earlier.

   • Leadership didn’t know they knew.
   • They didn’t know that leadership needed to know.
Why Organizations Can Be Surprised

“A lot of what has crept into big companies is internal focus, bureaucracy, Power Points – the antithesis of agility.”

Sean Connolly* (CEO of Conagra)

1. **Reactive posture**
   - Narrow focus on core business
2. **Strategic myopia**
   - Dislike of ambiguity
   - Inside-out versus outside-in mindset
3. **Inattentive mindset**
   - Lack of curiosity about “what’s new”
   - Limited willingness to listen to scouts/outliers/mavericks
4. **Poor information sharing**
   - Silos impede flow of information flow
5. **Diffused accountability**
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2. “Future Shock” is here

   = “Too much change in too short a period of time”

   Definition by Alvin Toffler (1970)

   • The hockey stock of exponential change
   • Worsening signal-to-noise ratios
Seeing Weak Signals Sooner: Where to Look

- Customers and Channels
- Competitors and Complementors
- Political, Legal, Social, and Economic Forces
- Emerging Technologies and Scientific Developments
- Influencers and Shapers
- Inside the company

Focal Area
Signal Overload and Confusion – Chocolate Confectionary

CUSTOMERS AND CHANNELS
- Detox (Elimination of additives)
- Do-it-yourself
- Biohackers

COMPETITORS AND COMPLEMENTORS
- Cannabis Chocolate
- Timed release
- Cheap
- Synthesis of fats

POLITICAL, LEGAL, SOCIAL, AND ECONOMIC FORCES
- Growing Channel Power
- Tax on fat
- Decline in productivity
- Supply Instability (Turkey)?
- Climate Change
- Fair Trade

INFLUENCERS AND SHAPERS
- Social media
- Use of child labor in cocoa production
- Locavorism (local production)
- Nano materials
- Intelligent foods (smart chocolate)
- Emerging Technologies and Scientific Developments

Inside the company
Focal Area
Why Are Organizations Surprised?

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3. Attention is a scarce leadership resource
Seeing Sooner: **Start by Asking the Right Questions**

1. **Learning from the past**
2. **Examining the present**
3. **Envisioning new futures**

“The most exciting phrase to hear in science, the one that heralds new discoveries, is not ‘Eureka’ (I found it), but ‘That’s funny...’”

Isaac Asimov
Learning from the Past
Asking the Right Questions

• Learning from the past
  • What have been our vulnerabilities? What is happening there now?
  • Is there an instructive analogy from another industry?
  • Who in your industry is skilled at picking up weak signals and acting on them ahead of competition?
## Where Have You Been Vulnerable in the Past?

<table>
<thead>
<tr>
<th></th>
<th>Threat</th>
<th>Opportunity</th>
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<tbody>
<tr>
<td>Seen too Late</td>
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<tr>
<td>Seen Sooner (ahead of rivals)</td>
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<tr>
<td>Lessons Learned</td>
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### Example from an Optical Imaging Company

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Medical Devices

• Missed Threat
  – Did not see the threat of disposable endoscopes entering their market
  – Endoscopes can be difficult to clean and thus disposable endoscopes provide major competitive advantage
  – Competitors were able to adversely impact Company’s market dominance to a significant degree through the introduction of disposable endoscopes
  – They were using technology that Company did not have (balloons, catheters, low cost manufacturing methods)

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Group Exercise (10 minutes)

1. Each group member shares an example where their firm was slow to detect a threat or see an emerging opportunity.
2. Each group selects one instructive case example to share with the other groups.
3. The presenter of the chosen case is asked to briefly explain what happened and why.
4. What were the consequences of being surprised?
Asking the Right Questions

• Learning from the past
  • What have been our past blind spots? What is happening there now?
  • Is there an instructive analogy from another industry?
  • Who in your industry is skilled at picking up weak signals and acting on them ahead of competition?

• Examining the present
  • What important signals are you “rationalizing away”?
  • What are your mavericks and outliers saying?
  • What are peripheral customers and competitors really thinking?
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• Envisioning new futures
  • What future surprises could hurt or help us?
  • What emerging technologies could change the game?
  • Is there an unthinkable scenario?
Becoming More Vigilant: An Action Agenda

1. Signal Leadership Commitment to Seeing and Acting Sooner
2. Ensure accountability for scanning and learning about the periphery
3. See through the Eyes of Customers, Collaborators, and Competitors
4. Invest in Learning About Threats and Opportunities
Becoming More Vigilant: An Action Agenda

1. Signal Commitment of Leadership
   - Reward “leading up”
   - Listen to outliers and mavericks
   - Start leadership meetings by discussing anomalies
   - Invest in skill building

2. Ensure Accountability
   - Assign to an existing function
   - Mobilize ad hoc issue teams
   - Create a high-level lookout group
   - Align Incentives
Becoming More Vigilant: An Action Agenda

3. See Through the Eyes of Customers, Collaborations, and Competitors

- Invest in Trendspotters and learning from precursors (across global markets)
- Red team/war game likely moves and counter moves of competitors
- Use extended networks as radars
- Analyze fast-growing competitors at the periphery

Invest in Learning About Threats and Opportunities

- Systematically search for opportunities:
  - Lead user analyses
  - Deep customer insights
  - Talk with complainers and defectors
  - Crowdsource ideas
- Experiment and fail fast
- Exploit technology advances (AI, Data analytics)
- Build a portfolio of real options
- Conduct post-mortems
It’s not the strongest of the species who survive nor the most intelligent but the ones most responsive to change.

Charles Darwin