

# Flex Points

Strategies for Entrepreneurs

Volume 1, Number 3  
in our  
Risk Management Series  
March 2004

## Managing Under Conditions of Uncertainty

Most smaller enterprises grapple with mapping out future possibilities. All too often companies become wedded to a single outcome without really understanding the full range of possibilities they face. From our client experience, one way of dealing with an uncertain future is to consider a number of futures through a scenario planning exercise. One then monitors those futures as they unfold without getting wedded to any one too firmly. This is known as "Everyday Scenario Planning".

### Everyday Scenario Planning (ESP)

In order to prepare your company to better operate in a dynamically changing business environment we recommend going through the following steps.

- 1 Conduct a scan of market conditions, technology developments, competitor's actions and your customer's shifting needs, with a view to developing several future-oriented scenarios.
- 2 Develop a range of four or five different futures or end-states. Make them deliberately different to capture a broad range of potential futures.

In a recent aquaculture project we were involved in, our client provided higher quality feedstock into the fish farming or aquaculture industry at a much lower cost of production. We had to imagine an end-state where the local fish farming industry reduced its cost of production by 60% in order to compete equally with the fish that comes in from the Third World. A number of events would have had to occur for this scenario to come about. We also imagined an end-state where the EPA forced a debilitating higher cost structure on the industry.

The end-states must all have a good likelihood of occurring. We recommend that clients avoid best-case, most-likely, and worst-case scenarios. These are usually variants of one set of assumptions about the future.

Look out about two to three years to imagine the future end-state.

Consider how the main participants in your market might shift their strategies and how will you react, keeping in mind that the scenarios should be quite different. This step will likely prompt you to gather more information on the main players in your market or even in adjacent market areas. Likely this step will prompt you to gather more information on the main players in your space or even in adjacent market spaces.

Get several different viewpoints within and outside your company in order to develop these scenarios about the future a step at a time, thereby avoiding the tunnel vision that can occur in any small business, especially with a close knit management team. The scenarios that you develop will be a sequence of events leading to a clear outcome or end-state.

### Simulated Hindsight

Using a perspective called "simulated hindsight", look backwards from the end-states that you have generated. Keeping this in mind, set out the major events that would have had to come about in order for this scenario to occur. These scenarios outline a series of events that have to take place to get from there to here.

There are those that  
make things happen.

There are those that  
watch things happen.

Then there are  
those that say  
"What Happened?"

**THE VENTURE CATALYSTS: YOUR BUSINESS DEVELOPMENT PARTNER**

*This diagram will help you to think this through.*

Describe each end-state as if the future has already happened.

Write newspaper-style headlines to describe events that would have happened between the present time and the planning horizon.

Choose events that could possibly happen regardless of whether they would have positive or negative impact on the future end states.

Ensure that the events identified above involve a variety of issues, such as:

- Industry structure
- Competition
- Customers
- Technology
- Regulation
- Industry participants

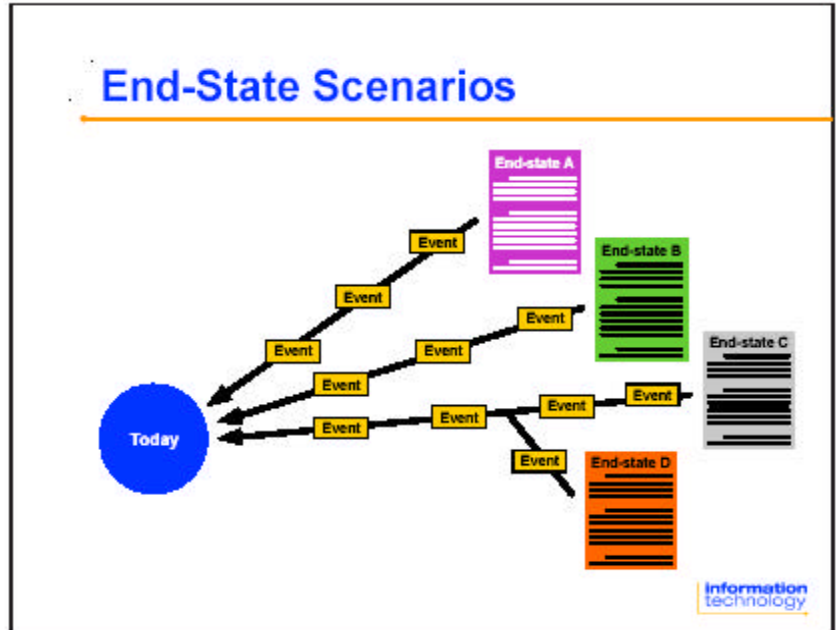
Clarify the things that need to be monitored in the external business environment. Our client experience clearly shows smaller businesses are carried along by external events and have less influence over them.

Set up a straightforward set of contingency plans in outline form. Clearly you can't spend forever developing plans for a future that never occurs, but you can create skeletal plans and then expand on them as that future starts to unfold. This avoids the 'deer in the headlights' reaction that often happens when the world does not unfold as planned. And, of course, the world never unfolds as planned.

When you manage in an uncertain environment, you need to identify the following:

**A** The elements you can control:

- Costs
- Hiring choices, etc.
- Technology development



**B** The elements you have influence over:

- Sales execution
- Employee performance
- Departure or replacement of founder

**C** The things you have no control over:

- Government regulation

*We've found that the leadership style and focus to do this is incorporated in the following well-known saying:*

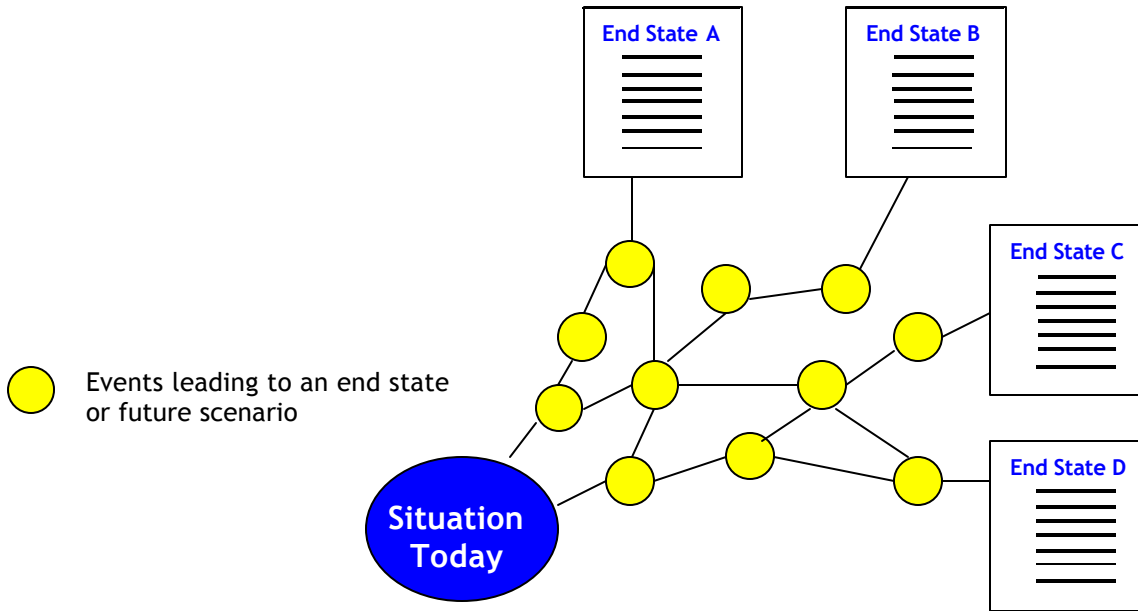
*God Grant me the Serenity to accept the things I cannot change, the Courage to change the things I can, and the Wisdom to know the Difference.*

*Reinhold Niebuhr*

<sup>1</sup> Intel Strategic Leadership Strategic Management During Uncertain Times. Aug. 2002

## Interrelated Events—show alternate routes

Here is a modified version of the previous diagram showing an *interrelated* set of events and end-states. Some events may lead to several possible end-states, giving the company alternate ways to reach its desired future



We recommend that, when you are reviewing the end-states, you look for events that are common to more than one and thus may indicate the more likely scenarios. These common events may also be critical future flex points that need to be monitored and managed most aggressively. We also recommend that you identify which events and end-states are more desirable as well as which pathways are more achievable. Clearly they are not always the same thing.

Comparing the events in each scenario will provide a structure for defining and prioritizing actions. Using the analysis above, concentrate your resources on achieving, influencing or aligning yourself with those pivotal future flex points as they emerge.

As a small business, sometimes you are able to create those external events and sometimes you can only react. By identifying the elements in your

business that are most important to achieving, influencing or aligning with the desired events, you will be able to identify those elements in your business where you can get the most leverage.

You may apply the same process in shortened form to different functional areas, such as competitive strategy, sales strategy and marketing strategy.

This process of aligning internal resources with emerging pivotal events goes on continuously in successfully managed companies.

## Conclusion

Imagining future states in this way provides insight into possible futures and allows for direction setting. You can take action based on what is *likely* to occur while you prepare for what *might* occur.

We recommend that small companies (and perhaps especially small companies) should plan for several divergent futures and map out the events that may occur so that they are prepared for whatever happens.

*Written by Geoff Salmon and Tony Gifford*

*Geoff is a Partner at The Venture Catalysts and has been assisting small business since 1987*

*Tony was an associate partner at Accenture before becoming a partner with Corporate Partners International where he assists small and emerging businesses grow.*

Visit [www.theventurecatalysts.net](http://www.theventurecatalysts.net)  
for our complete set of newsletters  
and seminars.

---

The Venture Catalysts is your business development partner.

We have extensive real world experience in helping smaller companies in Canada, the US and Overseas develop effective business strategies. We provide further support by developing and implementing a complete range of financial, marketing and sales programs for your company.

---

## **THE VENTURE CATALYSTS**

**YOUR BUSINESS DEVELOPMENT PARTNERS**

601 Beresford Ave, Toronto, ONT M6S 3C2  
Phone: 416-769-3186  
Fax: 416-769-3298  
Email: [info@theventurecatalysts.net](mailto:info@theventurecatalysts.net)  
Web: [www.theventurecatalysts.net](http://www.theventurecatalysts.net)

- **BUSINESS PLANS**
  - **FINANCIAL**
    - **Modelling**
    - **Going Public**
    - **Franchising**
  - **MARKETING Strategy & Tactics**
  - **SALES Strategies**
-