



# Working Resources

Helping Companies Assess, Select, Coach and Retain Emotionally Intelligent People

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Newsletter

## Are You Ready for the Future?

"Discovering the future...is a far less amazing skill than inventing it. The thing discovered already exists; you simply see it before most others do. Often it is a new piece of technology that makes it possible for something to happen on a large scale. So, find a direction things are moving in and spell out the ultimate logic or conclusion. If you are right, there will be early examples of the thing already around. You are not creating the trend, you are simply spotting it before others." — Stan Davis, *Lessons from the Future*, 2001

Is your organization looking forward, or is it focused on the problems of the present and immediate short-term competition? What occupies your senior management team? Are they issues of the present, or are you getting ready for a changing future?

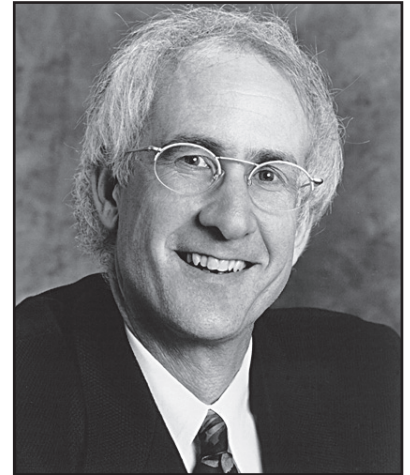
How will your organization create new rules of competition in the future? Is it imagining new ways of doing business, building new capabilities, and setting new standards of customer satisfaction? Is it alert to possible risks from unconventional rivals, new business models, changing demographics, and global uncertainties?

It is no longer a question of being able to operate lean and mean. Trimming jobs and cutting costs, while important tasks, will not put you and your company into a front running position for industry leadership of the future.

Here are three questions to ask senior management to evaluate readiness for the future:

1. What percentage of your time do you spend on external, rather than internal, issues? Do you understand the implications of new technology that is affecting your industry? Or are you debating corporate overhead allocations?
2. When you are spending time looking outward, do you consider how the world could be different in five or ten years? Or are you more concerned with landing the next big contract or responding to competitors' pricing?
3. How much of your time is devoted to looking outward and forward? Are you consulting with

Dr. Maynard Brusman is a consulting psychologist and trusted advisor to the senior leadership team. He is the president of Working Resources, a talent management consulting, training and executive coaching firm. We help companies assess, select, coach and retain top talent. We specialize in executive selection, competency modeling, succession planning, leadership consulting, 360-degree feedback, change management, emotional intelligence, culture surveys, career development and leadership coaching.



Dr. Brusman is a highly sought-after speaker and workshop leader. He facilitates mission, values, and vision retreats.

*"Maynard Brusman is one of the foremost coaches in the United States. He utilizes a wide variety of assessments in his work with senior executives and upper level managers, and is adept at helping his clients both develop higher levels of emotional intelligence and achieve breakthrough business results. As a senior leader in the executive coaching field, Dr. Brusman brings an exceptional level of wisdom, energy, and creativity to his work."* — Jeffrey E. Auerbach, Ph.D., President, College of Executive Coaching

He has been chosen as an expert to appear on radio and TV, and in the Wall Street Journal and Fast Company.

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colleagues to create a shared vision of the future based on risk evaluations as opposed to a personal and idiosyncratic view?

These questions were posed by Gary Hamel and C. K. Prahalad in their book *Competing for the Future* over ten years ago. The book merits re-reading as it is even more relevant today.

## Why Leaders Don't Look Ahead

Most leaders of organizations do not spend sufficient time considering the future. It may be in part because the answers are not easy—no one can know for sure what the future will bring. Globalization and rapidly changing technologies are only part of the uncertain future. One must also consider fluctuations in world politics, natural resources, and industry regulations.

Many leaders don't want to look into the future because to do so is unsettling. They must admit that what they know today may be irrelevant and obsolete for the future. The knowledge and experience that brought them this far in their careers may not be sufficient.

When this happens, according to Hamel and Prahalad, "...the urgent drives out the important; the future goes largely unexplored; and the capacity to act, rather than the capacity to think and imagine, becomes the sole measure of leadership."

## Looking at the Wrong Things

This leads to focusing attention on internal issues of restructuring and reengineering to shore up present day business rather than creating the future. But neither will ensure continued success if a company fails to regenerate its core strategies.

According to Hamel and Prahalad, "Any company that succeeds at restructuring and reengineering, but fails to create the markets of the future, will find itself on a treadmill, trying to keep one step ahead of the steadily declining margins and profits of yesterday's business."

In 1989 there was a survey of U.S. managers who believed that quality would be a fundamental source of competitive advantage in the year 2000. On the other hand, barely half of Japanese managers predicted quality to be a source of advantage in the year 2000. The Japanese managers rated first as a source of competitive advantage in the year 2000 the *capacity to create fundamentally new products and businesses*. This doesn't mean that the Japanese turn their backs on quality, only that it is no longer a

competitive differentiator.

Too many companies are focusing on creating advantage through quality, time-to-market, and customer responsiveness. These are prerequisites for survival, not competitive advantages for the future.

## Risks and Opportunities in an Uncertain World

According to Paul A. Laudicina, managing director of A. T. Kearney's Business Policy Council, there is a way to look at future business environments and evaluate risks and opportunities that might evolve. Laudicina, in his new book *World Out of Balance* (McGraw Hill, 2005), argues that today's earth-shattering events are fundamentally different from those of previous eras of history.

Technologies are collapsing distance and we now have unprecedented global interdependence. Only a disciplined strategy will embolden corporate management to engage the world and seize the many opportunities it presents.

## Five Drivers of Change

Laudicina's framework for looking at future business scenarios is based on his identification of five primary drivers of change:

1. Globalization
2. Demographics
3. The new consumer
4. Natural resources and the environment
5. Regulation and activism

It used to be that large global companies such as Royal Dutch/Shell had sophisticated risk management and strategic planning departments to evaluate opportunities as well as vulnerabilities to social and political unrest, economic upheaval, and natural disasters overseas.

Corporate restructuring has taken the scissors to strategic planning departments. The rapid expansion of global opportunities has led many leaders to believe that careful planning isn't necessary. "Just do it" becomes the global manifesto. As a result, most companies today lack the means to identify and manage external risks.

Most companies can and should expand, as the most promising opportunities are located outside home markets. In order to spot and act on new opportunities and avoid emerging threats, however, it is necessary to consider the five drivers that are most likely to

shape the business environment in the future.

To do this, take each driver and plot three scenarios, ranging from most conservative environment to most liberal. Evaluate the consequences on your business if each of these scenarios should evolve over the next five years. Plan for the consequences and be ready.

What makes this era of globalization truly unique is how inexpensive and powerful technology has become. But if governments continue to fail to implement universal standards, corporations will find themselves in an increasingly complex quagmire of regional and national regulations. This will curtail their ability to expand markets abroad and limit the opportunities technologies offer to underserved populations.

## Globalization

By the end of the 20th century, nearly 63,000 multinational corporations were operating worldwide. Technologies play an increasingly important part in the ability to operate globally. Rapid transport, sophisticated logistics, and instantaneous communications allow for increasingly complex interactions.

Financial markets further complicate how business is run internationally. A financial crisis in one part of the globe can be devastating, as are fluctuating currencies. German automaker Volkswagen reported losses of \$1.5 billion in 2003 due to volatile dollar-euro exchange rates.

## Demographics

Until recently, only 2 to 3 percent of the global population has lived long enough to become senior citizens for most of human history. The World Bank now predicts that 16 percent of the global population—more than 1 billion people—will be over 60 years old by 2030. In wealthy industrialized countries, this benchmark will be reached much sooner: Germany in 2006, France and Britain in 2016, the U.S. in 2021, and Canada in 2023.

What does this mean for your business? Again, ask the questions about how your products and services will play out in three different environments ranging from conservative to liberal.

## The New Consumer

Future global economic growth will significantly influence the levels of wealth and purchasing power among consumers in different countries. A weak economic climate would restrain the rise of the global middle class in emerging markets.

## Natural Resources

The majority of the world's population enjoys relative water sufficiency, but 5 percent experiences water scarcity and another 5 percent suffers from "water stress."

An estimated 1.6 billion people or 25 percent of the global population does not have access to electricity or gasoline. A lack of energy perpetuates the cycle of poverty, while access drives economic growth. The International Energy Agency predicts that the global demand for energy will grow by two-thirds by 2030.

When there is little in the way of international cooperation, the world becomes increasingly polarized between the haves and have-nots. This would drive the U.S. to safeguard its supply through military interventions in Middle Eastern countries. The European Union would depend on Russian resources and other "rogue states" such as Iran. As Asia struggles to meet its energy needs, its economic development would slow.

## Regulation and Activism

The United Nations Conference on Trade and Development estimated that since the end of 2003, spam constituted 50 percent of all e-mail and cost as much as \$20.5 billion in wasted resources. As a result, governments worldwide are legislating.

Growing security concerns have given institutions a free hand to deal with national security issues. A host of new discoveries in science and technology is confounding existing regulations and rendering old ways of doing business irrelevant.

## Keys to Creating Success for the Future

Value-building companies that find creative ways to address broad social concerns may be better positioned for future success than those with a single-minded pursuit of the bottom line.

Evaluating for potential risks and opportunities is the key to creating a successful future.

# Futurist Thinking

Futurist Stan Davis, author of many books including *Lessons from the Future* (2001), looks at beginning trends and predicts endings. If one can look at trends as having a life cycle, then the endings become clearer. Economies do not end when they run out of whatever is driving them but are replaced when another more powerful driver arrives.

The information age began in 1953 with the first computers and reached a midpoint in the mid-1990s when computers went from freestanding machines to interconnected ones. As the speed of change has accelerated, the second half of the information economy can be seen as lasting into the 2020s.

Davis proposes a similar economic cycle driven by biotechnology. It began in 1953 with Crick and Watson's discovery of the double helix structure of DNA and reached a slow growth first quarter with the completion of the Human Genome Project in June 2000. The first half will be reached in the late 2020s. Biotechnology and genomics will be a major dominant driver of the economy of the future.

Another trend is in the area of measurements. Financial readings used to be done annually, then quarterly, and now monthly. In 1990 Cisco Systems began measuring daily in order to close its worldwide financial books daily and in one hour's notice by 2000. This continual measurement means that accounting is no longer a historical ledger but an operating tool that can be used to respond to threats and opportunities in real time. It can be implemented to cause outcomes rather than react them.

The ability to think in terms of life cycles of dominant drivers will help you see the possible trends and open up your thinking to create new perspectives rather than just new products and services.

## Recommended Reading:

Davis, S. M. (2001). *Lessons from the Future*. Capstone Publishing Ltd.

Gibson, R., ed. (1998). *Rethinking the Future*. Nicholas Brealey Publishing.

Hamel, G., & Prahalad, C. K. (1994). *Competing for the Future*. Harvard Business School Press.

Laudicina, P. A. (2005). *World Out of Balance*. McGraw Hill.



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