

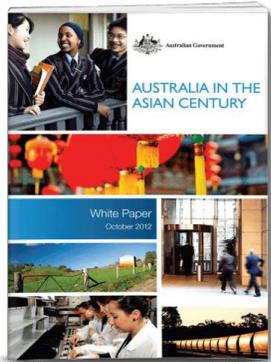
Future Proof

Align Your Business Strategy
with Future Trends

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INTRODUCTION



There's no doubt our world has changed in the last fifteen years (and you ain't seen nothing yet!). Broadly, it's changed in three big ways – it's Fast, Flat and Free:

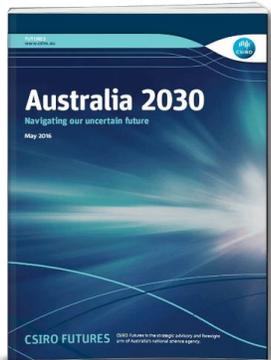
- Fast: Change is happening faster than ever before
- Flat: We're breaking down hierarchies and control
- Free: Prices are falling, competition is rising

These changes have had a profound impact on the way businesses operate – and the way their leadership teams plan for the future.

Economic power has shifted

Many people have heard of the rise of Asia – especially with manufacturing outsourced to China and knowledge work outsourced to India. But few leaders understand the extent of this global shift.

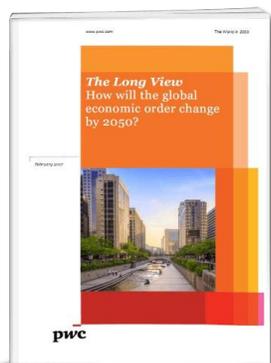
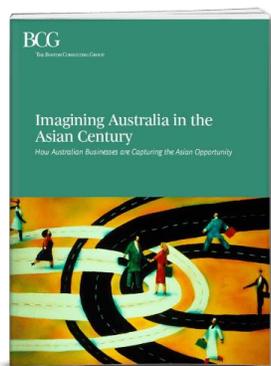
Consider the map below. Valerie Pieris points out that more people live inside that green circle than outside it! In a world of 7 billion people, more than 3.5 *billion* are located inside that circle.



But what does “location” even mean?

In an increasingly online world, the old idea of nation states takes on new meaning.

China and India have the two largest populations, but even they have been overtaken now by Facebook – with over 1.5 billion active users. After that comes LinkedIn, and only after that comes another nation state.



From north to south, from west to east

For most of the last 50 years, our world’s economy has been powered by the G7 nations: Canada, USA, UK, France, Germany, Italy, and Japan.

But Price Waterhouse Coopers predicts that by 2030, the economic power of the G7 will be matched by seven emerging economies – the E7: Brazil, Mexico, Turkey, Russia, India, China and Indonesia.

Looking ahead a further 20 years to 2050, when the power of the G7 has faded, we’ll also see the rise of seven more countries – the frontier markets, or the F7: Peru, Colombia, Nigeria, Morocco, Bangladesh, Philippines, and Vietnam.



Even though Australia is not one of these E7 or F7 countries, it's well-placed to shine and thrive in this new world. Objectively, Australia has many highly-desirable features – including democracy, stability, education, and an enviable lifestyle.

The businesses that recognise the opportunities – and act on them – in our fast, flat and free world will race ahead, while those who don't will fall behind.

The Six Biggest Leadership Challenges

The *Study of Australian Leadership* identified the six biggest challenges Australian leaders face.

1. Market and competitive pressures

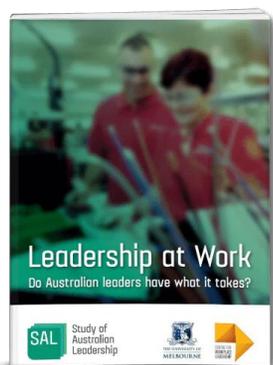
The biggest pressure for Australian businesses comes from an increasingly competitive landscape, with competition from within their industry, from outside (especially in a more open world with online competition), and even from their own customers, clients and suppliers.

2. Operational challenges

Organisations still struggle with the typical operational challenges of costs, efficiency, innovation, and quality – but these challenges are more acute than ever before in a fast-changing world.

3. Government and regulation

An increased regulatory burden adds costs of compliance and managing policy and regulatory changes. Some regulations also create an uneven playing field, especially with online competitors who can operate outside this regulatory environment.



4. Human resources and human capital

Organisations of all sizes and across all industries face challenges finding, nurturing and keeping the best people in these competitive, fast-changing times. An ageing population also strains organisational culture: Some older workers resist change, while others retire and take decades of accumulated wisdom with them.

5. Technological disruption

Not surprisingly, many organisations and industries face challenges from new technology and competitors who leverage technology better. Many senior leaders connect technology change to other challenges – such as the workforce, market, and operational issues.

6. A volatile and uncertain environment

Our fast, fast and free world creates a volatile and uncertain operating environment. The pace of change, reduced barriers to entry for competitors, and global uncertainty all lead to a complex, fluid, and uncertain operating environment.

Stabilise First, Then Accelerate

In the face of these challenges, many experts preach an “Innovation First” strategy, arguing that the only path to success is to innovate yourself to the top. Although this can seem attractive, it’s not enough. Most businesses that try to innovate fail – but most of the failures don’t make the headlines. When we only hear about the winners, it’s easy to assume this is the preferred path to success. It’s not!

First create a strategy that secures your defences and gives you a stable foundation. Otherwise, you run the risk of being blindsided by competitors – long before your innovation comes to fruition.

The same applies to other positive workplace initiatives – such as cultural diversity, flexible working hours, telecommuting, and other perks for employees. These are all worthwhile practices, but they rely on a solid business first.

The best strategic plan combines defence and attack. In this report, we look at how to defend first against external forces.

FOCUS ON COMPETITION, NOT TECHNOLOGY

This century has already seen a vast amount of new technology – including self-driving cars, social media, big data, artificial intelligence, robots, virtual reality, augmented reality, predictive analytics, gene-editing tools, 3D printers, drones, nanotechnology, and more.



These technology advances also drive major global megatrends that affect everybody – especially in the developed world, where our wealth and stability can also be a double-edged sword that means we’re slower to adapt.

Although it’s interesting to be exposed to technology and global megatrends, it’s not always immediately useful. Given the decision to look at stability first, it’s better to focus first on competitive forces. After all, a self-driving car won’t arrive and take your job (well, unless you’re a taxi driver). However, a company that uses self-driving cars in its operations could well be a threat or disruptor to your business.

Ideally, *you* will be the company using this technology to take the lead and disrupt *your* competition. However, that’s not always realistic or feasible giving your current market position. A better place to start is to understand the disruptive forces that other organisations could bring to bear on your business and industry.



Why Is Uber the Poster Child for Disruption?

If I asked you to name a disruptive company – *quick!* – there’s a good chance you would name Uber. There’s no doubt Uber has disrupted the taxi industry – a long-established, entrenched industry that’s completely been turned upside down by Uber.

Uber is the poster child for digital disruption. It has deliberately taken on an established industry, and sometimes plays outside the rules. It was – and sometimes still is – illegal, but it offers such a compelling experience that governments and society are changing the rules to allow it.

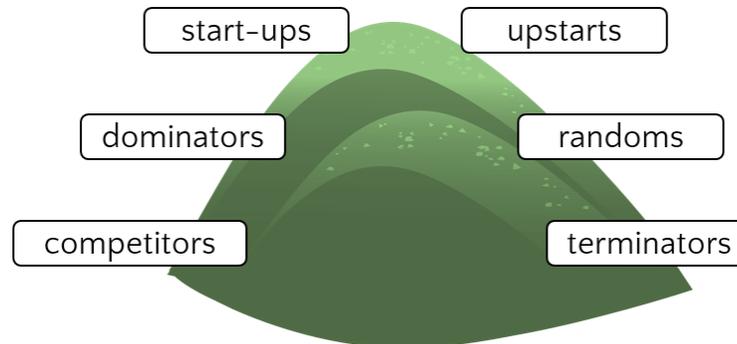


Credit: Aaron Parecki

So yes, Uber is disruptive, but it’s not the *most* disruptive kind of business.

The Six Disruptive Forces

Broadly, there are six kinds of disruptive forces that could turn your business upside down.



1. Competitors

Who are you currently fighting head to head for market share?

These are the traditional “disruptors” – the existing competitors in your industry. Even if they are strong competitors and you’re in a constant battle with them, they are a known quantity. They can still cause a surprise from time to time, but you generally understand them well.

2. Dominators

What happens to your corner store when Coles and Woolies move in? What’s the equivalent in your industry?

These are the dominators – the big businesses with the big budgets and deep pockets. When they move in to a market, they don’t just threaten *you* – they threaten all your competitors as well. They could be direct competitors, or outside forces like the government or industry regulators.

Even though they make big waves and can threaten your entire operation, you often see them coming and can plan ahead for the splash.

3. Start-ups

At the other end of the scale are the start-ups – the new players in your industry. They don’t have your experience, resources, and existing mind share, but they also don’t have your baggage and sunk costs, so they can operate with a lean, nimble, and agile approach. Accenture reports that one-quarter of Australian executives expect the greatest risk of disruption from this kind of competition.

It’s more difficult to predict the start-ups in your industry, because you don’t know from where they will spring up. However, you can prepare by acting more like a start-up yourself, always asking the question, “If we were starting from scratch, is this the way we would do it?”

4. Upstarts

What if a competitor doesn’t play by the rules? These are the upstarts – competitors from outside your current space who aren’t bound by the same rules and regulations as everybody else.

Yes, these are the Ubers and Airbnbs, as well as new global competitors and online competitors. They have an unfair advantage because they don’t operate on a level playing field. Globally,





KPMG reports that two-thirds of CEOs are concerned by new entrants disrupting their business models.

5. Randoms

As difficult as it can be to compete against an upstart, it's even more difficult when you're blindsided by a random – somebody from outside your industry who disrupts your business without even trying to compete.

For example, the insurance company AIA gives its members a 10% discount on all Qantas travel bookings. Within the insurance industry, that gives it just a small competitive edge; but for the travel industry – which often operates on much smaller margins – it can be a major blow.

6. Terminators

When self-driving cars become ubiquitous, personal car insurance will disappear (because occupants aren't responsible for accidents), parking operators will become obsolete (because self-driving cars won't need to park anywhere), the accommodation industry will suffer (because people can sleep in their cars) and – on a more morbid note – funeral directors will suffer (due to fewer deaths from car accidents).

The self-driving car industry (currently led by companies such as Tesla and Google) is a terminator – a business that makes some other industry obsolete.

The things you don't know *will* hurt you

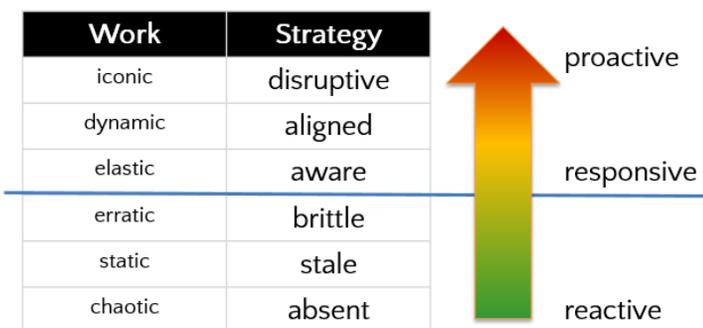
Your business could face threats from all these six disruptive forces, although their impact varies for every business. The best leaders consider all six as possible future scenarios in their strategic planning.

The first three forces – competitors, dominators, and start-ups – might already factor in to your strategic planning, because they are more visible and “traditional”. However, it's the other three – upstarts, randoms, and terminators – that could cause more damage, because they are both hidden and have greater potential impact.

ALIGN YOUR BUSINESS STRATEGY

As a leader – especially if you’re a senior leader – you must still create strategic plans in the face of the six leadership challenges and the six disruptive forces. But how clearly do you align your business strategy with your potential future competition?

Broadly, when it comes to strategic planning, you (and your leadership team) could be at one of six levels.



The bottom three levels generally correlate with poor performance, because everybody in the organisation is operating on a short-term, limited basis – reacting to external forces and being at their mercy. When you rise above those levels, you increase productivity and performance, and take control of your future.

Let’s look briefly at each of these levels.

1. Absent

At one extreme, you don’t plan at all, because you think a strategic plan is obsolete the moment you create it. However, that’s dangerous – and possibly even negligent – because you operate in complete chaos, lurching from one disaster to another.

This is an extreme position, and only very poor leadership teams operate at this level, so it’s fair to assume you’re not one of them!

2. Stale

At this level, leaders do what they have always done. They plan based on their experience, skills, competencies, internal talent, industry knowledge, and other factors that have served them well in the past. However, while these factors all contribute to the process, they are no longer enough.

What used to work doesn't work anymore, and these plans might look good on paper, but in practice, they are out of date and unworkable in a fast, flat and free world.

Stale plans create a static workplace. Work happens, but virtually on auto-pilot, and with very little regard for the changing environment.

3. Brittle

At the next level, the leadership team acknowledges that their old methods don't work in a shifting environment, but they don't know how to plan differently. As a result, they default to creating only a short-term plan because they can't see any further.

These plans might be feasible, but they are brittle: They don't look ahead far enough, and the slightest change in the environment makes them obsolete.

As a result, work can be erratic – sometimes productive, but far too often ineffective and unproductive.

4. Aware

At the next level, leadership teams are aware of some of the disruptive forces in their industry (even reading this report is a good start!), so they understand what could affect their business. They now know what they don't know – but still might not know how to create a strategic plan that caters for it.

However, at least the work is not entirely inflexible, because there is *some* awareness of outside forces. So, managers and teams can be somewhat elastic, stretching and bending when required to step outside their normal operations.

Because you're aware of these disruptive forces, you shift from being purely *reactive* (where you simply take short-term action in the face of external forces) to *responsive* (where you can make a planned, well-considered response to those forces).

5. Aligned

Awareness is better than ignorance, but it's not enough. The next step is for the leadership team to align their business strategy with future possibilities – both opportunities and threats.

When you become aware of the disruptive forces that could affect *your* business, and you know how to align your business strategy with these future possibilities, you can then create a strong strategic plan that positions you for the future.

That's the ideal position, and it relies on the entire leadership team having clarity and confidence about the future. It doesn't mean you know everything, but you have some idea of future scenarios, so you can start from a stable foundation and then accelerate.

This requires a combination of old and new approaches. For example, the traditional SWOT analysis classifies assets and resources as strengths. This is true, but your biggest strengths could also be your biggest risks, because they might force you to keep operating in a specific way. They might protect you from competitors and even dominators, but make it harder for you to handle start-ups, upstarts, randoms, and terminators.

Because you align your strategic plan with potential disruptive forces, the workplace is more dynamic, and the organisation adapts to change effectively.

6. Disruptive

There is one more level you could achieve, and that is to *be* the disruptor, not the disrupted. This means you not only embrace change, but lead it.

These are the iconic businesses in an industry. They stand out from the rest because they challenge the status quo, take the lead, and ultimately change their industry. They sometimes come from outside the industry (for example, Uber disrupting the taxi industry), but can also come from within (for example, Apple's turnaround after the return of Steve Jobs).

As a leadership team, choosing this path involves some risk, because you're deliberately stepping beyond the safety net of your current strengths into an unknown space. But it creates a truly dynamic workplace, because you're taking the organisation on a quest. Done right, you motivate your people, attract and keep the best talent, and create an organisation they are proud to work for – and one that can truly make a difference.

Few organisations achieve this level, and it’s reserved for just a few – and sometimes only one – in each industry. Could *you* be the disruptor in your industry?

GET ALIGNED!

Here’s a summary of the six levels of strategic planning again – along with a guide to their impact on your organisation’s productivity and performance.

Work	Strategy	Productivity
iconic	disruptive	×10
dynamic	aligned	×5
elastic	aware	×2
erratic	brittle	-2
static	stale	-5
chaotic	absent	-10

Most leadership teams will get the biggest return on investment from the Aligned level. You might aspire to reach the top (Disruptive) level, but you first need to understand the six disruptive forces and align your strategy with them.

You’re not stupid, and you didn’t reach your position by winning a prize from the back of a cereal box. You *know* the business environment has changed, and you know you can create a strong, feasible strategic plan if you know how to deal with these changes.

When you get this right, you’ll be significantly more productive because your leadership team understands the risks and opportunities in the future, and is aligned in creating and disseminating the strategic plan throughout the organisation.

As a leadership team and a leader yourself, you will also be well-placed to make informed strategic decisions that future-proof your organisation.



Outrun the bear

You might have heard the old story about the two hunters running away from an angry bear. With the bear some distance away but rapidly gaining ground, one hunter stops, pulls off his backpack, and starts changing his hiking boots for running shoes.

His partner yells at him, “What are you doing? You can’t outrun a bear.”

The first hunter looks up at him and says, “I don’t have to outrun the bear – I just have to outrun you!”

The same applies in a fast, flat and free world. As much as you might despair at the volatile, uncertain, complex and ambiguous environment through which you have to steer your organisations, you can take heart from the fact that hardly anybody is getting it right.

There are huge opportunities for those who are prepared. It doesn’t take much to stand out. Increase your awareness, align your strategy with the future, and you’ll already have a significant advantage over everybody else.

So please *take action*, and start *now*.

Welcome to the future!

ABOUT GIHAN PERERA

Gihan Perera is a futurist, speaker, author and facilitator who gives business leaders a glimpse into what's ahead – and how they can become fit for the future.

Since 1997, he has worked with business leaders, thought leaders, entrepreneurs, and other change agents – helping them with their strategy for thriving in a fast-changing world.

Forbes magazine rated him the #5 social media influencer in the world in his area of expertise.

For more about Gihan's facilitation service to help you align your strategic plan with future trends, see FutureProofStrategy.com.au.

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