

A Dark and Stormy Night

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Lightning flashed, revealing a credit crisis. Thunder announced a growing China and a shrinking dollar. Mists swirled with recession, stagflation, stock-market gyrations, and a presidential election.

Suddenly, a profit warning rang out. An executive screamed. "What should I do in this crazy, uncertain, unprecedented environment?"

First thing, seek shelter from turgid prose. Next, take a deep breath. This isn't the first time there's been trouble (nor, your jaded author sighs, will it be the last). Then read on.

The solution is not to ignore the situation. The solution is not to not-panic in the situation. The solution is to deal appropriately with the situation.

How *you* should deal appropriately with the situation, what *you* should do... that depends.

Start by not delegating to pundits.

Pundits proffer putative paths to prosperity. Consumers are scared, they say, and so you must cut prices to stimulate demand and get them to open their clenched wallets. Hold on tight to your costs, they say, it's going to be a bumpy ride. Buy now, they say. Sell now, they say. In other words, round up the usual suspects. The usual suspects may have upgraded their names – for instance, outsourcing instead of productivity – but the suspects are basically usual.

Umbrellas, traffic lights, and tools

You listen to the pundits, but you feel neither enlightened nor reassured by them. Why? Perhaps because the dark and stormy night is different in your neighborhood. In yours it

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may not even be dark, stormy, or night. One umbrella does not fit all. Well, maybe it does, but that's just because umbrellas come in only one shape.

Imagine that you're lost on that dark and stormy night. When you call for directions you wouldn't say only "I'm at a traffic light. Should I go left, right, or straight?" Yet punditry involves advising you on which way to turn without asking where you are now and where you want to go. It's advice, but not necessarily for you.

The usual tools don't help much more than the usual punditry. Imagine hearing the following:

- History shows that it usually works best to turn left at traffic lights. So, turn left.
- The trend is clearly for more traffic lights. Check your brakes.
- According to your forecasts, if you're at that traffic light you must be off course. Get on course. Make it happen.
- You're headed over budget. Given the new and unexpected traffic light, trim your gasoline spending and lay off some drivers.

Not a good idea in the bunch for how to navigate the dark and stormy night.

What should you do

Let's stop mixing storm and traffic metaphors and return to the real question. What should you do when the world shape-shifts under your feet?

Based on ACS' experience in competitive strategy and business war games, here's what we recommend.

First, don't assume that you must do anything at all. Sure, you should probably change your *expectations*. If your market has gone from 10% growth to 10% shrinkage, you might not achieve ambitious sales growth. That doesn't mean, though, that your *strategy* has to go. You may have alternatives better suited to the dreary new climate, and you may not.

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In a series of business war games, your observant author noticed that whenever war-game teams were allowed to change their strategies, they did. Yet, when their moves were undone (using a computer-based simulation), we saw that each successive strategy change made their performance *worse*.

How can you know if you ought to change your strategy? Ask yourself what has to happen for your strategy to work. Next, ask yourself if those things are still likely to happen. If they are, your strategy may be in good shape. Hold onto the strategy; recalibrate your expectations of performance.

Notice that one has-to-happen condition might be that your competitors don't panic. If they show signs of consternation, consider signaling calm: "We believe that our industry is fundamentally sound and we plan not to overreact to a temporary situation." Or reassess your strategy options to see if the double whammy — competitors changing direction on a dark and stormy night — means you ought to take a different road.

Second, continue not to assume that you must do anything at all. You may have concluded that your current strategy doesn't look so hot under the new circumstances. That doesn't necessarily mean you should jilt it.

For instance, if your brand is central to your long-term strategy, it may be better to suffer a bit now than to risk a core asset that took years and millions to build. Be wary of spreadsheet-think: the financial effects of a move may look sweet (see "obvious" in a couple of paragraphs), but accounting-based models don't take customer perceptions and memories into account. You see benefits without costs.

On the other hand, if your strategy is designed to be short-term and opportunistic, then go ahead, make changes. That's the point of being short-term and opportunistic.

If you lean toward action, know that you're emotionally vulnerable. Groupthink and fear may take hold, especially when people under pressure feel uncertain and off-balance. Confident and energetic pundits (there they go again) will sound alluringly like safe refuge.

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True, sometimes an obvious move is a good move, although it's not good *because* it's obvious. Too often something is obvious simply because we haven't questioned it in a while. Cut budgets in slow times because we need to maintain margins? Seems obvious. Then again, spending might be a cheap way to get ahead of budget-cutting competitors.¹ Do you really *need* to maintain margins, or do you just *want* to? If the latter, consider what you want more: maintaining margins or pulling ahead of the competition. Your nonjudgmental author isn't pushing one or the other; he is merely advocating clear decision-making, safe from "obvious."

Third, invest a few minutes thinking about process. Think about *how* you're going to decide on changes before you decide on changes. You don't grant every spending request when it's a bright, peaceful day; on a dark, stormy night you needn't slam the vault door. You needn't frame the problem as how to minimize pain. You can frame it as how to move forward while others race in reverse.

In other words, you have an opportunity to make great strategy decisions.

Getting where you want to go

Spend a minute or two thinking about what you truly need. Your options are different, for instance, if you're running out of cash or if you're flush. Think too about what your competitors and customers truly need, as they perceive it. That'll give you clues about their upcoming behavior. Be careful not to fall into the "obvious" trap.

Be careful, too, not to fall into the passivity trap, in which you forget that you can influence competitors and customers for better or for worse. For instance, in an ACS business war game we saw strategists' favorite product-launch strategy turn into a bloodbath as the incumbent scorched the earth to keep out the new product. Chastened and thereby creativity-enhanced strategists devised a much less confrontational launch, which led to a much less aggressive response.

¹ Example: amid the dark and stormy housing crisis, some homebuilders are spending more to make greener homes.

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Spend a minute or two thinking about how you will know whether action 1 or action 2 has the better odds of getting you what you truly need.

- Will you get the answer from new market research or faster updates from the field? Chances are good you won't.²
- How about brainstorming? Could help a lot, and brainstorming is fast, fun, and cheap. It takes more than "hey everyone, got any ideas?" in a conference room, though.
- Use business war games, some form of decision analysis, or other techniques to stress-test your options before picking one? Maybe, especially if you choose a technique that resists "obvious," groupthink, passivity, and punditry.

Note that conventional tools – spreadsheets, trend lines, benchmarks, etc. – neither resist "obvious" and other perils nor encourage creative thinking. Those tools are least helpful when the environment is changing... which is precisely when you need help the most.

Finally, remember what you need most at that traffic light: a map. How do you get from point A to point B? A map tells you what to expect if you go left, right, or straight.

A map is a valuable thing. Many routes set out from point A. Only a map can tell you which go straight to point B, which wander in the wilderness for a while, and which never arrive.

What are the characteristics of a good map?

- *No bias.* It shows what is, not what someone wants or what happened in the past.
- *No wishful thinking.* It doesn't make heroic assumptions, such as the ability to drive on water or to continue in a straight line when the road makes a turn.
- *No one-size-fits-all.* It is relevant for the tools at hand, which is why road maps are different from hiking and aviation maps.

² See "Precision In, Garbage Out," an ACS Essay.

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What's the strategy equivalent of a map for the strategy equivalent of a dark and stormy night?

- *No bias.* Prevent anchoring, confirmation bias, the fundamental attribution error (“monsters”), and more.³
- *No wishful thinking.* Avoid business-centric tools, such as spreadsheets, that implicitly assume your strategy will work. Don't layer pseudo-precision on top of flawed tools.
- *No one-size-fits-all.* Be wary of pundits, benchmarks, and the business equivalent of miracle-diet books.

No strategy map can be drawn perfectly, just as no road map will know about construction delays on I-666. Still, strategy maps can be (metaphorically) drawn well, and they're far better than the no-map alternative.

And remember: maps aren't only for dark and stormy nights. Maps help even when the sun is out.

About the author

Mark Chussil is founder and CEO of Advanced Competitive Strategies, Inc., a pioneer in the field of business war gaming, and a veteran of 100 business war games for *Fortune* 500 companies around the world (www.whatifyourstrategy.com). He knows competitive strategy, having spent 30 years developing simulation technologies, designing and implementing business war games, advising senior managers, conducting research, and lecturing. Mark is also a founder of Crisis Simulations International, LLC (www.crisissimulations.com). He designed ACS's award-winning ValueWar® business simulator and CSI's patent-pending DXMA™ crisis simulator. Mark has published extensively, and he has lectured and consulted on six continents. He earned his B.A. from Yale and his M.B.A. from Harvard.

³ ACS has previously written on those subjects. Please peruse our website's Library or write to info@whatifyourstrategy.com.

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