TRACKING BUSINESS TRENDS

By Dr. Roger Selbert

Thinking about the future is not an exercise in extrapolation. It's much more challenging than that. Thinking about the future means thinking about change – how and where it will occur and what its impacts will be. It helps to distinguish between three types of change: structural, cyclical and superficial.

Structural change is the fundamental, a basic societal transformation that cannot be reversed. For example, our shift to an economy based on value enhancement, information and services is a structural change. It is the irreversible result of the application of technology to our primary and secondary economic sectors (agriculture and manufacturing), making them exponentially more productive with the labor of far fewer people.

What does it mean for a retailer to operate in a service economy? It means that the value of the product you are selling to the consumer may be partly or wholly psychological. It means that since a majority of the population has already attained a middle-class standard of living or better, a rising percentage of purchases made from you are replacement purchases. It means that the design, image and other intangible qualities of the goods you sell – and the buying experience itself – are critical in consumer motivation.

Consider this as a lesson in how to distinguish a fad from a trend. The working woman is a trend that's here to stay; it's underpinned by other fundamental, underlying trends which support and reinforce each other. The educational trends suggest it, the economic trends require it, the social trends allow it, the deomographic trends demand it, the technological trends encourage it.

Cyclical change is repetitive. It ebbs and flows in cycles which over time follow discernible patters of fluctuation. These may be long historical patterns (50 or even 100 years) quite far-reaching in their effects, or they may be short-lived and frequent. Examples of cyclical change include business cycles, demand-supply cycles (gluts and shortages), organizational and political behavior cycles (centralization/decentralization, party identification) and social and consumer behavior cycles (styles and consumer confidence).

Recognizing cyclical change is important for retailers. No, not because they can finally dump the inventory that didn't sell last time around. They can't as there is always enough of a subtle difference to make that gambit impossible.

Superficial change consists of what appears as change but is in fact old wine in new bottles. To put it another way, you must know your history before you an hope to guess your future. This is not because "the past is prologue," or because "history repeats itself." (Like most cliches, there are elements of truth in these settlements but not the whole picture.) No, we look to history in search of the *constants*. Determine the natural laws that have and will always guide economic and social life and one can say much about the staying power of current trends.

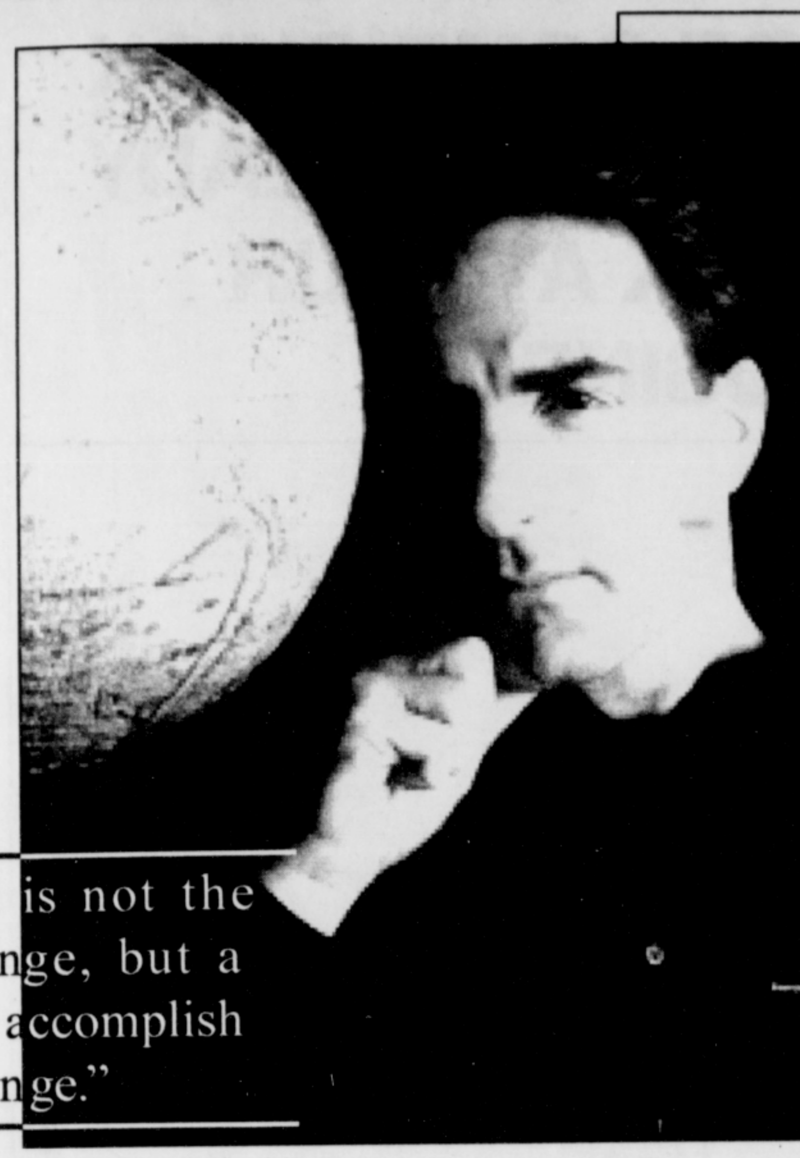
Developing Strategies

The first step in dealing with change is becoming and staying informed, or what can be called "scanning and tracking." You do not necessarily have to collect vast amounts of data and information on social and economic trends, but you do have to expose yourself to a broader array of information sources than you're probably accessing now. The goal is to identify and monitor the driving forces of change for your business.

The next step in developing strategies involves what you do with this information. The result of scanning and tracking should be a sense of your own future environment, a cohesive (if not comprehensive) outline of the conditions under which you'll be competing for business. Consider using the scenario technique.

Basically, there are two scenario styles: the present forward and the future backward. It puts you in the future and recounts the history of events that got you there.

Scenarios put into motion the principal forces of change for your business that you have identified from scanning and tracking activities. They present a plausible story of how these trends, interacting with each other, can shape a future that is in some ways expected and in some ways a surprise.



"Technology is not the driver of change, but a tool to help accomplish the change."

You should always develop two or more scenarios simultaneously, basing each on a different set of assumptions about how your key forces will evolve and throwing in a few "wild-card events" for good measure. Scenarios encourage and enable people to gain a feeling for integrated sets of events, to think through the consequences of proposed policies, programs or actions. In addition, scenarios should stimulate the imagination to conceive of possibilities not originally included. The technique's effectiveness lies in its power to reduce the future shock of unanticipated change. Ironically, but significantly, scenarios are usually tamer than history.

After the evaluation of your external environment and where it could be heading, it is time to determine future strategy. Leaders of the business must look deeply into the core of the business and themselves, and decide what role they want to play. What is the purpose of the business? The goal? Its claim to the marketplace? Who is to be served? What is the strategic intent of the stewards? How do they envision its future in the possible environments described by the scenarios?

The result of these efforts should be a proactive business; one that anticipates, even foresees, challenges and opportunities; one that is responsive, not reactive, in dealing with contingencies; one that is flexible and adaptable on both offense and defense. Remember, it is not your goal to predict the future; your most important accomplishment will be a change in your business' attitude, mindset or culture. In the end, the creation of an atmosphere of the possible could be your greatest strategic contribution.

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Building the Corporation of the Future

By Tonia McDonald

In the year 2020 and beyond, companies without a global communications business-to-business strategy to run their business may not survive.

Businesses that were not nurtured in an incubation in an interactive cooperative environment with at least 50 other small business clusters were doomed to die away.

WHAT IS A CLUSTER?

A Cluster is a term interchangeable with incubator. Clusters are geographic or virtual concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.

Clusters promote both competition and cooperation. Rivals compete intensely to win and retain customers. Without vigorous competition, a cluster will not succeed. Yet there is also cooperation, much of it vertical, involving companies in related industries and local institutions. Competition can coexist with cooperation because they occur on different dimensions and among different players.

The Small Business Administration (SBA) reports that an average of 9 out of 10 businesses will fail by the end of the first year. In fact, about 80% of all small businesses fail if not properly nurtured inside of an incubator, collaborative, or consortium.

In incubators, small businesses succeed up to 95% of the time – of they all share the costs of doing business with other small businesses in a nurturing, cooperative environment. An entrepreneur knows he/she must attract others willing to pool their resources and talents to collectively succeed. Entrepreneurs' partner with others, take risks and invests in new ideas.

Research shows that the future success of any business depends on member-owned alliances that create and collaborate in a networked economy.

Clusters are conducive to new business formation for a variety of reasons. Individuals working within a cluster can more easily perceive gaps in products or services around which they can build businesses. Beyond that, barriers to entry are lower than elsewhere.

WITHIN A CLUSTER

Needed assets, skills, inputs and staff are often readily available at the cluster location, waiting to be assembled into a new enterprise. Local financial institutions and investors, already familiar with the cluster, may require a lower risk premium capital.

In addition, the cluster often presents a significant local market, and an entrepreneur may benefit from established relationships. All of these factors reduce the perceived risks of entry – and of exit, should the enterprise fail.

SHARING RESOURCES

Few people who label themselves "entrepreneurs" actually are. Why? Nine out of ten entrepreneurs and self employed people interviewed in the last ten years were unwilling to share costs with others in going into business. They also lacked trust for each other in the sharing the cost of rent and equipment. People are so unsure about the future that they revert to their old methods of business, i.e., stealing information, working under false pretenses.

Thinking about the future and how companies and institutions fit in is an obvious necessity for long term success. However, thinking about a collective future and observing the causes and events leading up to it, have barely begun to be studied and therefore is largely unpredictable.

A successful consortium, collaborative, collective and economic engine acts as a successful business cluster or incubator. Through membership fees, corporations, educational institutions, small and mid-sized businesses have access to shared, discounted services, joint ventures and joint costs of research and development.

Pooling talents, money, risk and rewards is a small price to pay to join a group that is moving forward in business success.

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