Crystal ball gazing

By Andrew Hedley, director, Hedley Consulting

When marketing guru Ted Levitt said: "The future belongs to people who see possibilities before they become obvious", he captured the essence of the challenge faced by those in fast-changing environments. How do firms cope with a world in which the pace of change has never been greater and the future is so uncertain?

In such an environment, it is suggested that a significant area of strategic focus for firms looking to create new revenue streams should be the identification of markets and clients that are in the early stages of their growth curve and onto which they can pin their colours. Strategic choices that position the firm to take advantage of new business paradigms (both with current and future clients) are crucial for future success.

There are numerous examples of firms whose observed strategy (which has been both simple and effective) could be summarised as "latch onto fast-growing clients and follow them wherever they go in the world". This is not to belittle such an approach however, as, in the final reckoning, what matters is the result rather than the award-winning theoretical model. The more strategic question is how much of this, apparently effective, Remora-like activity should be left to chance?

Put simply, to build a business that is fit for the future, there must be a good understanding of where current clients are going and new ones emerging – both individually and in market sectors. Without a clear picture as to the appropriate prioritisation of investment, the firm runs the risk of squandering resources at best, and sending itself into a strategic cul-de-sac at worst.

To create competitive advantage in this environment, three things are needed – an assessment of the commercial catalysts and their impact on clients, an awareness of what the firm's competitors are doing to move into these spaces, and the ability to reconfigure structures and resources, at pace, to meet the new opportunities.

Choosing the right clients to follow will be the major determinant of success. Strategic thinking needs to be employed in deciding how such clients are identified at an early stage, are subsequently acquired, and thereafter how they are developed so that the firm becomes their provider of choice.

Adapting classical marketing strategy can be useful here. By conducting analysis through the eyes of the client (rather than the usual firm-centric approach) insights can be gleaned about macro and micro-environmental opportunities, the competitive context, and the forces that are impacting on client performance and prospects. Analysis should focus on the nexus between industries of predicted high growth, the use profile of professional services by those industries, and the relevant skills or experience that the firm can bring to bear. Demonstrating relevance is particularly important in emerging markets, as no firm will possess a strong historic track record in such nascent environments. What is important is the ability to identify those elements of prior experience and core skills that are transferable to the new situation.

Having identified market growth potential and a sensible resource fit with the firm, it is important to highlight those potential clients with leading relative market share, unique technologies or strong market position. These will be the catalysts that allow them to achieve leadership positions as the market matures. This analysis will provide a focus for sales and client-development activity in markets where there will be a myriad of potential clients, many of whom will fall away as maturation sets in.

There are a number of straightforward and easily-implementable ways in which this sort of strategic intelligence can be gathered by the firm itself. These include using existing client-feedback systems to gather a broad church of knowledge beyond the specifics of current workload and performance. A well thought through approach will encourage clients to speak about how they see the future (in terms of opportunities and threats) in respect of their own plans and the broader environment that their sector faces.

In the same vein, some firms have established Advisory Boards (generally consisting of a number of well-respected clients and intermediaries), which meet on a regular basis to share views and voice opinions as to how markets will change and what an appropriate response might be. The advisory board meeting can provide an excellent mental break-out space, which gives busy members of the firm's leadership team an opportunity to reflect on the longer term in a setting that is both challenging and supportive of the firm's overall ambitions.

Those firms that recognise the importance of creating revenue growth from new markets will ensure they develop good horizon-gazing capabilities and excellent acuity for acting on the most compelling opportunities they come upon.

They will be the ones that see the future early and put themselves in the best position to capitalise on it. ■

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