



“Risk comes from not knowing what you’re doing”

—Warren Buffet

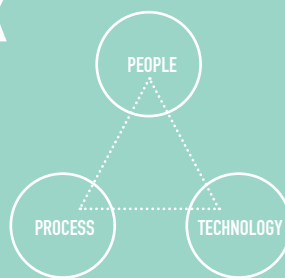


A fundamental challenge that all business owners face is the question of where do we go next, and what risk does that journey hold?

But how can you formulate an effective future growth strategy in the face of a changing global situation? Even before Covid-19, uncertainty was evident in terms of technological, economic and political change, but that was magnified by the pandemic.

One way of coping with all the uncertainty is to sit tight and go into ‘survival’ mode. To seek refuge in the predictable. But the most successful organisations will seek to transform and exit this turbulent time in a good position for the future. Expect your customer journeys to change and aim to keep pace with that change by being agile. Don’t expect a business plan that you have been following for the last 3/5 years to have the right outcome.

WORK FROM END TO END



A structured plan with a good chance of succeeding will allow for a triangle of change;

- People,
- Process and
- Technology

Try to fix only one or two aspects of this triangle and you won’t get the full value of any transformation. You have to work from end to end. To do this successfully get down to basics and employ some tools to make your life easier.

SWOT Analysis

Working through a SWOT analysis initially (Strengths, Weaknesses, Opportunities, Threats) helps define the present situation, and highlight areas you can explore for the future. Remember that the Strengths and Weaknesses are inward looking – concentrating on your own organisation. Only when you move to the Opportunities and Threats element do you start to be outward looking – at your market and competitors. When identifying threats, make sure that you then estimate the likelihood of each threat actually materialising, and if it does, that you understand the potential repercussions.





Risk Analysis

A risk analysis can help you work through the challenges that change will present, and help you assess the risks to ensure you weight your decision logically rather than emotionally.

You can categorise most risks under four main headings:

- **Financial** – can you afford it? Conversely, can you afford not to?
- **Technological** – can you manage with existing technology or will you have to invest?
- **Reputational** – if it fails, will it damage your brand?
- **Resource** – do you have the location, people and skills in place?

Once you understand the implications associated with these four headings, then the next stage is to address the risks. Typically, you have three choices:

1. Accept the risk – the potential gain outweighs the identified risk
2. Share the risk – mitigate the risk with the help of a partner or supplier
3. Avoid the risk – you're not yet ready, but make a date to revisit and reappraise

This analysis can prove valuable when talking to lenders for refinancing. A business owner who can show a thorough evaluation of their strategy will be more welcome than someone operating on gut feel alone.

Scenario Planning

Scenario planning can help you work through the ramifications of the various decisions you make. Consider the premise that uncertainty stems from being unable to make sense of the present, because it bears little or no comparison to what has gone before. When a situation lacks an analogy to the past, we can struggle to visualise the end game.

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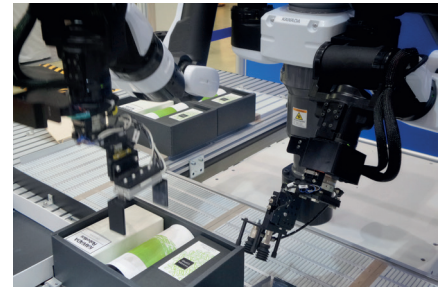
Economists suggest that uncertainty is best understood when contrasted with risk. In situations of risk, it is possible to calculate the probability of a particular outcome, because you can relate it to similar situations seen in the past. But in situations of uncertainty, and you can argue that many business decisions fall into this category, you can only guess at what might happen, due to a lack of relevant experience to help gauge the most likely outcome.

Once this is understood, envisage scenario planning as future thinking, broken down into manageable stages:

1. Identify the forces, both internal and external, that will shape your future market and operating conditions (hence the importance of honest SWOT analyses)
2. Explore how those forces may interact, both positively and negatively
3. Imagine a plausible future around each situation
4. Revise the model of the present situation on the basis of those imagined futures
5. Use the new models to prepare your thinking and strategies so that you are ready for whatever actually happens.

And finally

In your thinking, try not to work in a vacuum. Over the last decade companies have concentrated on introducing efficiencies to maintain a profitable and survivable position. There have been many theories expounded about change, and if you accept that Industry 4.0 was about data and the Internet of Things (IOT), you'll know that automation was one of the hot topics. Automation means different things to different companies. Obvious examples are the increasingly automated production lines that play a large part in modern car manufacture. PSPs have also introduced automation, sometimes physically via robotics that replace people, and more often, through systems managing data and personalisation within the production process.



The next stage of Industry 5.0 is already upon us, and it expands into the intelligent use of automation. Less about automating just because you can, and more about using automation to replace the mundane repetitive tasks. In this way freeing up workers to spend time more profitably on creative, specialist and value-added jobs. Somewhere in all this thinking, is a solution that will work for each one of us in our own businesses. Finding that balance between the optimum use of resources and sensible, sustainable investment is a key task for all business owners.

Start the process of change today. Remember you won't have all the answers right now. But working and thinking logically through the idea of change will help you start to find them. The rest will come, once you start looking.



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