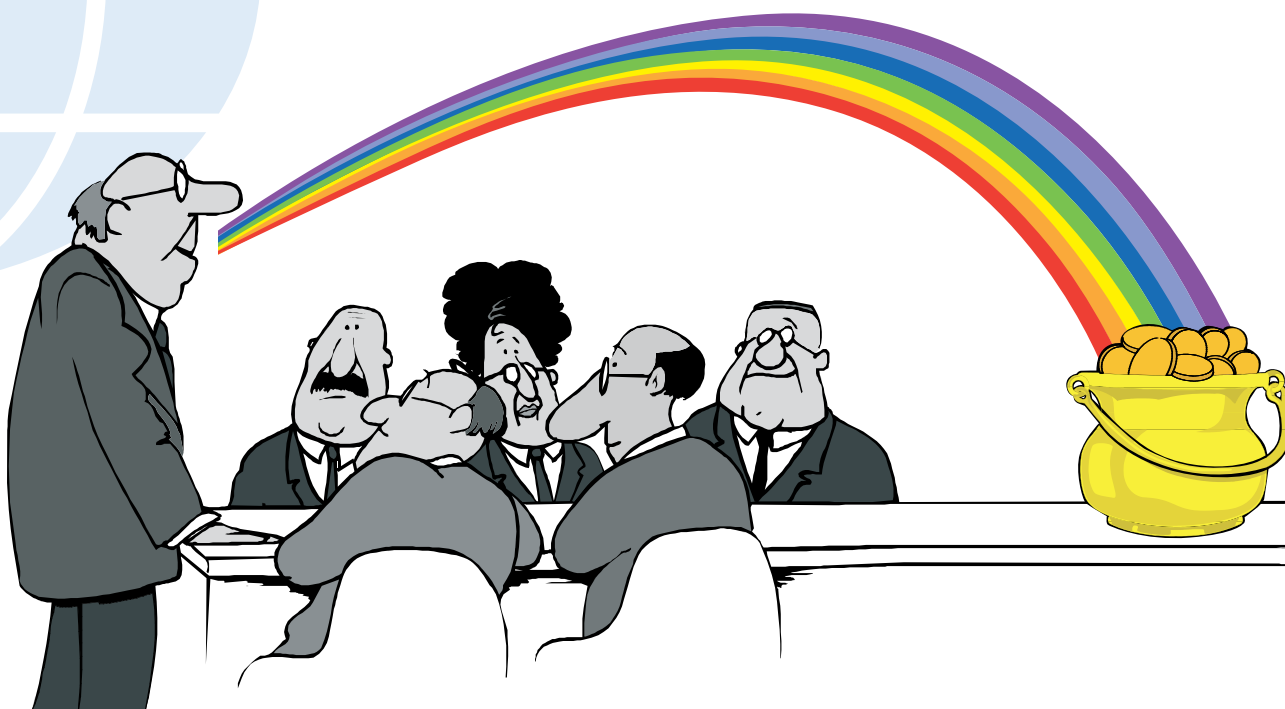




The gold at the end of the rainbow

It seems that almost as soon as a management book is written about a great company things start to go wrong. Business life is so complicated these days that if you have a successful strategy for one period in time you must accept that that is all that it is. Ten years on the strategy is very likely not to be suited to the new business environment.

Alvin Toffler (a longtime advisor to the US government) once said that the "future arrives faster than you expect and in the wrong order". In a world where there is too much capacity to produce almost everything, the economics of business are ruthless in destroying a company which makes a strategic mistake. We only need to think of all the companies which our industry has watched fail over the last two decades while others, a little more nimble, have been able to make huge transitions in a brief period and become international leaders.

Companies such as Nike have become central to Harvard case studies on the so-called 'virtual corporation' and rather than being followers have actually been pioneers

of business development. Forget the Internet and much hyped high tech industries as being the leaders of innovation. It is the leather industry from the Italian Datini dealing with the Royal courts in the 14th century, through the Dutch gilt leather producers in the early 17th century and the Anglo-American Booth group commercialising chrome tanning, which set the world alight in terms of global networks, value chain segmentation, the introduction of the marketing concept, and the importance of innovation, disintermediation, re-intermediation and segmentation.

20th century failings

Yet somehow during the twentieth century the leather and shoe industry in some areas decided it was a traditional business and not to be disturbed by global, economic or technical trends. The leather tanning sector in particular found its previously risk-taking family businesses shrinking back into an inverted and cost-conscious attitude, which meant that few tanneries in the west have survived the turmoil of the last

quarter century.

This creates some issues in the supply chain for shoemakers and retailers. With few exceptions, modern day tanners follow a rather strict production oriented approach. They may use the word marketing as the result of occasionally producing a colour card or attending a trade show but would cringe if seriously asked to define 'marketing orientation'.

The problem is that in most cases the companies up stream and down stream are marketing oriented and want to innovate in a way that is relevant for final customers. This has led to a trend and necessity for producers to jump the customers and to dialogue more with them to find out how to develop the products. The pressure for pull rather than push marketing then becomes very strong.

This is significant and highlights a number of key points. The first is that in a relatively mature market, a company has to identify a strategy that allows it to stand out from its competitors and find a space where it can achieve satisfactory revenues. The second is that, in any

mature market, commoditisation is almost inevitable and if you are not willing to fight tenaciously against it, you need to be sure you are the lowest cost producer in your segment.

Futurology

All of this clearly involves a company having a look around to see what is happening in the bigger world and trying to be aware that it can be knocked off balance by many unexpected events. So, in come the soothsayers, the prophets and the diviners. It may sound crazy but a few companies now closed would, looking back, have brought in the futurologists if they could only go back in time.

Mostly the concept of futurology is to look at the medium- to long-term future, by extrapolating present technological, economic or social trends. Scenario planning, the Delphi method and brainstorming are just a few of the many techniques used to seek a meaningful feel for what might be happening in the future. The idea is to nudge a business towards better strategies by blending normal research with ideas of future thinking.

Futurology is a foundation for planning, usually based on both imagination and historical knowledge. Most of all, it needs to be viewed as interdisciplinary and as such uses people who are often difficult to place inside a formal or traditional management structure.

If one starts looking at the many quantitative tools available to management it is clear that much useful knowledge is readily available to those who decide to look through the future's strategic window. S-curve analysis, extrapolation of trends, market life cycles, product life cycles and time series forecasts are just a few methods which can yield useful data.

However, it is important that management uses this data with discretion. Just because it involves some numbers does not mean it is correct. It is there to support and to guide—not to control.

Qualitative methods

This is where the soothsayers enter the field. Yet, frankly speaking, would a shoe company executive ever think of going to a trade show in a major international

centre such as Milan without making time to visit the shops? And it is not just shoe shops that need to be observed but the whole retail experience.

From Venus Fort in Tokyo to Selfridges in Birmingham an executive in charge of his company must be aware of what is happening in retail. The new Apple stores going into the best malls in the US are again typical of a new trend that needs to be examined and analysed.

There is an infinity of trends to be considered. The future of the departmental store is one and the ageing of the population another. The changing role of the media and the huge number of promotional messages that consumers face daily mean the traditional ways of communicating with customers are changing fast. And, of course, they are no longer one way. Consumer attitude to the media is a question of time allocation for individuals who can increasingly negotiate with the provider.

Different generations are also behaving very differently and this is being accelerated by their particular attitudes to the digital environment. Suddenly, in countries like Germany, retired over-sixties and the under twenties have overlapping interests in some digital areas as they are the ones connected.

Looking ahead

If, as a reader of this article you are only involved in business-to-business marketing, you are perhaps wondering if this is relevant to you. But if you just think of the increasing move towards fast fashion and the implications of moving away from purely seasonal ranges, then you need to think about materials, colours, supply networks, logistics and perhaps even the location of your business.

So you are looking to spot relevant trends and to reflect that back to your business today. You are not expected to change tack at every little event. On the other hand, gliding along with no idea that China has over a billion workers who will do labour intensive work very cheaply or that the EU is developing a legal framework for the chemical industry that could kill off much of the European tanning and textile industry, cannot be explained away with the excuse that a business has other priorities.

The problem however, is that it is not always easy to separate short-term

fads and long-term trends, and some trend analysis is highly individual. The Delphi method is a method for obtaining information from a panel of experts about the timing, probability, importance, implications, trends and events relating to the subject under consideration. Developed by the RAND Corporation in the 1950s, the output is a consensus forecast developed in an anonymous way after a number of rounds of questioning. Selecting the panel is important and, if experts are to be used, they have to be chosen carefully.

It is a much-liked method when looking at the future of technology and is one that can be managed electronically. Perhaps the biggest weakness is that, since it is a pseudo scientific method, too much credibility can be placed on its results. As with every aspect of future strategy, senior management must be capable of analysing and judging the data being presented to them. The very fact that management has asked for data—whether qualitative or quantitative—is indicative of managerial intelligence and judgment.

Nothing is entirely new

Of course looking ahead is not a new thing. Louis XIV's finance minister, Jean-Baptiste Colbert (1619-1683), supported the Gobelins royal furnishings factory in 1660, putting it under the capable leadership of Charles Le Brun. In August 1664, noting the success of the venture, Colbert observed that: "If our factories, through careful work, assure the quality of our products, it will be to the foreigners' interest to get supplies from us and their money will flow into the Kingdom". This may not seem the most radical analysis in the 21st century but had there been a little similar thought 50 years ago and perhaps the shape of the UK and the German automobile industries today might have been a little different.

The Corporate Research Foundation lists six key drivers for future success:

- Structural flexibility
- Innovative power
- International orientation
- Human resources
- Growth markets
- Quality of management

Again, as with Colbert, these may appear obvious, yet they are the keys ➤

WORLD FOOTWEAR

MANAGEMENT

to a creative and forward thinking business. Creativity in business is what leads to innovation and, while it has often been seen as a matter of pure luck, it can, to some degree at least, be analysed and formalised into the system.

The first essential is an inquisitive mind and a structure that allows open discussion of what is being observed. It is sometimes said that creativity is mostly context. This is perhaps best described as a mix of the company's values, culture, systems, skills and resources.

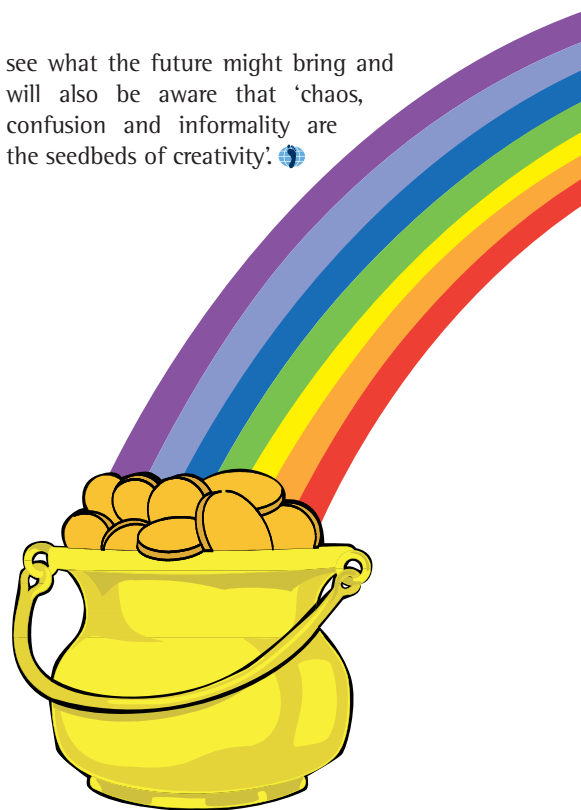
Innovation

Only when such a context is roughly in place, can the techniques of innovation have much chance of success. Indeed, companies wishing to be innovative must first understand their market approach. Innovations can be applied to product, to process, or to marketing (services). Lately, marketing innovations that can relate to any service aspect from product introductions to delivery methods have

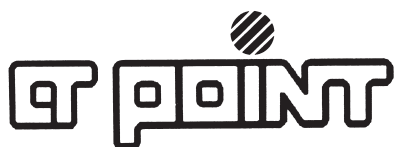
become increasingly pertinent. Process innovations tend to be more relevant to companies mostly at the lower end of the price structure, while product innovation is vital to most companies working in the medium and upper sectors of the market. It does have to be recognised that the process of innovation is not normally one where a new product comes to mind over breakfast and can be produced to establish (or demand) a market premium by tea time. Listening to some executives in the wider shoe and leather industry might give this impression. These are mostly companies in the segment best classified as being not long for this world.

Finally, a company does have to take some precautions. Too much of most things can be dangerous. A business must make considered decisions. In particular, it must know when to kill off unpromising projects and set proper priorities. Yet, at the end of the day, a wise company will be scanning to

see what the future might bring and will also be aware that 'chaos, confusion and informality are the seedbeds of creativity'.



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