New Operating Environments and the Role of Information in Future Planning

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In this article, we will be looking at the role of knowledge in future planning when setting up commercial operations in difficult environments.

Businesses are increasingly recognising that high risk operating environments also offer the potential for very lucrative returns — if that risk is well managed. The first and most important step to managing risk is gaining a thorough knowledge and understanding of that environment.

One of the best ways of achieving this is to commission objective and comprehensive research into the new operating region. This in turn should help ensure accurate feasibility studies and feed into the future planning process that is essential to establishing a successful business within an unstable or unfamiliar location.

Making sense of the information

Whilst most savvy companies appreciate the need for a detailed understanding and knowledge of any new operating environment, it can be difficult to know where to start. Some of the regions offering great potential have complex problems such as social issues, political instability or security concerns, many of which may be deeply rooted. Furthermore, the information that is available may be conflicting, incomplete or simply overwhelming. So, how can a business entering into unknown territory ensure they have the right information on which to base their future planning?
Supporting the decision-makers

As a consultant, I would usually advise a company to first identify their required output, i.e. what is it that they need to know to support the planning process? This is likely to include information necessary to make intelligent decisions on key issues such as financing and managing capital projects, recruiting a reliable and skilled local workforce, managing a range of risks and identifying potential security problems. Many industries are also under increasing pressure to demonstrate evidence of corporate social responsibility.

Making use of analysis

A commercial incentives and disincentives analysis is a useful tool for companies when entering new regions. They will often form part of the executive summary of an operating environment analysis and are produced to help focus and prioritise the thoughts of the key decision-makers. This is particularly important as it is not uncommon for boards to be distracted or misled by preconceived ideas that may be outdated or simply inaccurate. In one recent analysis we carried out in a Latin American country, the results proved surprising. The country in question was generally perceived as having significant problems with governance and security. However, the analysis actually highlighted labour quality, bureaucracy and integrity (within business operations) and infrastructure as the principal disincentives to business success. So, by managing and evaluating information carefully, it's possible to sidestep the pitfalls of cognitive biases and prejudices. Ultimately, a detailed analysis will demonstrate the balance of positives and negatives within an operating environment, providing a more stable platform for decision-making.

Filling the knowledge gap

A certain level of knowledge often prompts more questions. Whilst it's impossible to know everything, it is vital to identify the issues that could be key to success or failure. The advantage of a 'known unknown' is an awareness of where the knowledge gaps exist. These gaps may then be filled by the directed and co-ordinated collection of relevant information as well as the use of intelligence analytical techniques. This includes evaluating past trends and behaviours, applying theoretical models and analysing the situational logic through a process of critical thinking to produce auditable and accurate predictive assessments.
However, it's important to remember that many issues will be complex and that having access to detailed information and assessments does not remove risk in its entirety. What it does achieve however, is enabling a company board to make well-informed decisions.

Keeping the context

Even well-established operating environments evolve over time and this susceptibility to rapid change is multiplied many times over in unstable locations. In these environments, a temporal context analysis, which seeks to identify trends and significant future events, is of great value. A recent trend analysis produced for the same Latin American country mentioned earlier focused on specific incentives and disincentives with all outputs tailored to produce bespoke analysis according to the business. The analysis was then used to identify critical topics for the more detailed analysis and research to come, ensuring that the right areas were thoroughly investigated.

The global opportunities available to businesses have never been more accessible - but this doesn't necessarily make the journey a simple or straightforward one. If a company wants to ensure success in new markets, knowledge and understanding is key - with an operating environment analysis the crucial first step in attaining the information needed for effective decision-making and business planning.