



digitalwave

*opportunity scanning*

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# Opportunity Scanning

Opportunities are potentially favourable circumstances.

They constantly arise from changes in our environments, and from the way we see and think about things. There are two types – the obvious and the not-so-obvious.

As our population ages, obvious opportunities arise for builders of aged care homes. They are among the vast numbers of obvious opportunities; visible to all the players in a market. Most company strategies reflect a distinct approach, chosen by their leader, to exploit these opportunities.

The Internet buzzes with opportunities. Some, such as new marketing channels, are not only obvious; they demand attention. Others, such as selling books, are obvious and easily found by entrepreneurs who look for them. Jeff Bezos, founder of online bookstore-cum-everything-shop Amazon, provides a perfect example. Still others, such as platforms like the social media platforms, Facebook and Instagram, where people can share with friends, are far less obvious.

After reading forecasts for annual Internet commerce growth of 2300%, Jeff Bezos created a list of 20 products that could be sold online. He narrowed the list to the five most promising: compact discs, computers, software, videos and books. He finally decided that his new business would sell books online, due to the large and continuing worldwide demand for literature, the low-price points for books, and the vast number of titles available. Source: Abridged from Wikipedia.

The film, *The Social Network*, tells the story of how Mark Zuckerberg created Facebook. The core concept of providing people with an online page where they could share information about themselves did not turn up as a ready-made opportunity. It emerged over three years through University pranks; then tests, trials, and careful thought about what would work commercially.

*Digital Wave Guides* draw on research and best practices. They outline the steps to take to sift symptoms from real problems; and to fix the problems or build new abilities or both. If you call in an expert, the Guides will help you to ask the right questions.

For fast action ideas, jump to TIPS. With TIPS you can sprint from the starting blocks; while also taking the time needed for thorough analysis.

## *better scanning projects*

Many less obvious opportunities emerge from our thoughts and imagination. Many entrepreneurs have a natural talent for spotting opportunities, and don't use formal or structured approaches, except when assessing attractiveness. However, Jeff Bezos used a structured approach.

With a little polish, as outlined below, both informal "everyday" scanning and structured scanning projects give you a way to uncover more, and more attractive, opportunities.

### **Better Scanning Projects**

*Using clear purpose, sharp focus and framing*

The best guide for deciding the purpose (the why), focus (the where) and frequency (when) of scanning is whether your company has the flow of opportunities that it wants over a period of time, such as its planning horizon.

**Purpose** statements can be broad or narrow. For example: "We need to find opportunities to close the gap between our revenue target and trajectory". Even if your purpose is crystal clear, write it down. The Internet has increased scanning speed astronomically so your statement will anchor what might otherwise become wildly haphazard scanning activity.

**Focus** follows from your purpose statement and from the core abilities of your business. An example of focus is simply: "Short-term opportunities for my company."

*"Opportunities this year for my company in New Zealand" narrows the focus. Another example is: "Technological opportunities for our company" and a more focused statement is "Digital opportunities for our company".*

To sharpen your focus, make two list of opportunity screening criteria:

- a. five or more screen-in criteria, and
- b. five or more screen-out criteria.

**Framing** involves using established ways of identifying and segmenting the environment to organise the morass of data, signals, ideas and information that come into view as you scan numerous sources. Here are three widely used frameworks.

# opportunity scanning

## 1 Stakeholders and significant groups

- Customers
- Employees and their families
- Suppliers
- Investors or investor if one person owns the company
- Local community
- Markets
- Competitors
- Industry sector
- Government agencies and regulators

## 2 Changes over time

- Trends (and rates and patterns of change in trends)
- Cycles (a specific trend pattern)
- Discontinuities (abrupt changes to trends, new technologies disrupting existing ones)

## 3 Major segments of the environment

- Social
- Technological
- Economic
- Environment (physical)
- Political



**Note:** Some people treat physical environments as an economic resource so that STEEP becomes STEP – a nice acronym for stepping through your environments.

The frequency of scanning will depend on your purpose and need. The main point is that with regular scans you avoid ad-hoc scanning, often born in a crisis. Scanning projects are akin to campaigns that use idea management software. Depending on your purpose you might run a scan with the same focus every six months, you might change the focus each time, or you might do both.

## *better everyday scanning*

### **Better Everyday Scanning**

In addition to planned projects, continuous scanning is a background or “back of mind” activity for most managers. It can involve quick online key word searches. Networking, now done as much through social media as through events, conferences, dinners and the like, is also as much a scanning process as a relationship-oriented activity.

When we are more aware of our habits, worldviews and biases we are more likely to notice trends and opportunities that others miss.

We are creatures of habit. Our minds notice the patterns that we know and expect while ignoring things that don't fit these patterns. Over several years, financial and investment experts around the world missed the increasingly obvious signs of the 2008 Global Financial Crisis.

We all have worldviews. They are shaped mostly by where we live, and our political and religious beliefs. Left-leaning people see flaws in capitalism. Right-leaning people have confidence in the resilience and benefits of free markets. Both sides can fail to see the merits of evidence-based policies that don't support their views. Neither side expected the rapid emergence of new strains of populism and nationalism represented by Brexit – The United Kingdom's exit from the European Union – and the election of the new American President, Donald Trump.

We all have biases and cognitive disconnects, such as:

- Excess Optimism
- Overconfidence
- Wishful Thinking
- Competitor Neglect - the tendency to plan without factoring in competitive responses.
- Impact Bias - overestimating the length and/or intensity of the impact of future states.
- Omission Bias - judging harmful actions as worse, than equally harmful omissions.
- Not-Appropriate-Here Bias - a variation on Not-Invented-Here Bias.
- Planning Fallacy... underestimating task-completion times.
- Patterning and sense-making error... seeing new links between seemingly unrelated technologies

## *better everyday scanning*

Self-reflection on habits, worldviews and biases gives you a much better chance of seeing clearly, both during everyday scanning and when you are trawling through lots of data from scanning projects. And together with self-reflection, the following search principles go a long way towards reaching better search results:

- Explore both sides of the ledger to gain a complete picture.
- Think both micro and macro.
- Use “multiple lenses” to look at the same information or situation.
- Look for ways to “triangulate” (verify from multiple sources) information.
- Incorporate diverse sources and viewpoints.

### **Sources**

On the Internet, it's almost as simple as using a variety of keywords and looking for interesting and significant material. Sometimes material must be purchased, but there is a vast amount of material freely available. Preparation, such as thinking about what people at events are likely to know, will lead to better questions when you network.

Look first to sources likely to provide early signals (also called ‘weak signals’) of the leading edge of change, whether the change is a scientific discovery, technical innovation, or a value or behavioural shift in a community of interest.

Use a variety of sources, while being mindful of their credibility. The possibilities include: newspapers, websites, blogs, wikis, podcasts, videos, newsletters, magazines, books, book reviews, presentations, reports, surveys, interviews, seminars, chat rooms, trend observers, philosophers, sociologists, provocative speakers, management gurus, researchers, experts, and universities.

## tips

With TIPS you can sprint from the starting blocks. Use them as prototypes, along with sound analysis and action planning.



>> A theme in the Guides is that preferences can be as important as skills in explaining performance. Some, who prefer to understand things and have strong conceptual skills, will jump at opportunity-scanning assignments, while others will run a mile. Just ask.

>> It's best to set up a team.

Our advice is to use scanning activities to challenge thinking and stimulate new ideas. That ties in with that fact that most managers do some background scanning, and that forming a group for a scanning project spreads the workload, enables domain experts to cover the fields they know, and sets the scene for better communicating the results of scanning projects to managers. Use of the points above on the psychology and principles of scanning will ensure that thinking is challenged.

>> Even with smaller-scale scanning projects, plan the activities as you would plan a project.

>> Our ability to spot opportunities depends on our ability to recognise patterns. Recognising new patterns is a discovery process. It's not logical and linear. It's an intuitive process where your mind connects at least two "chunks" of experience and knowledge that weren't previously connected. Older managers tend to be better at seeing new opportunities in their market because they've known the market and its behaviour for many years. However, years spent in a single industry also increase the risks of narrowing your focus, becoming blinkered and failing to see new trends. You will get better results by involving people of different ages, ethnicity, and life and career experiences.

>> Collecting and studying a lot of diverse data, along with time off for your mind (sleep, weekends, holidays) is just about the best formula for coming with new insights. It also increases your chances of noticing opportunities, casually, randomly.

## *tips*

- >> Uncertain situations are full of opportunities.
- >> As with selling, opportunity spotting is a numbers game. Aim to create a well-stocked opportunity warehouse.
- >> All social trends have counter trends. There are also wildcards and “Black Swans”: low probability, high impact events that have the potential to change the world rapidly. The Arlington Institute (<http://www.arlingtoninstitute.org/>) explores wildcards and futures, and is worth a look.

### **Likely challenges and how to deal with them:**

- >> Information overload is almost inevitable.  
*Take breaks.*
- >> The quality and credibility of sources.  
*Look for the evidence behind the claims.*
- >> Conflicting data, conclusions and positions.  
*Expect them. Debate with your colleagues.  
Form your own judgement and monitor developments over time.*



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