

# Strategic issue diagnosis identifies risks, opportunities

## IN THE details

### Planning strategically

- Scan for early signs
- Interpret signals
- Monitor outcomes



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Guest Columnist

wispy signals and arriving as big, fast, honking changes. Those who practice SID have time to position themselves to hop on and profit from the ride. Those who don't are destined to look up at the last moment and become road kill.

A SID system has two fundamental components. The first is a scanning and monitor-

ing function that, like a 360-degree radar, routinely sweeps the environment for early warning signals and monitors them as they grow (or fizzle) in significance. Approaches to scanning range from simple to sophisticated.

The most rudimentary system is to assign an individual to read a range of publications

and produce an internal newsletter. More sophisticated are companywide efforts that employ volunteer scanners and a panel to integrate the information. Still more sophisticated is to recruit and manage a network of inside and outside scanners. The ideal situation is to have a broad and diverse network of observers who are able

to examine the environment from multiple perspectives.

The second component of a SID system is the interpretation function. The purpose of interpretation is to understand the future direction and implications of the signals, either singly or in combination—surprising and important insights often

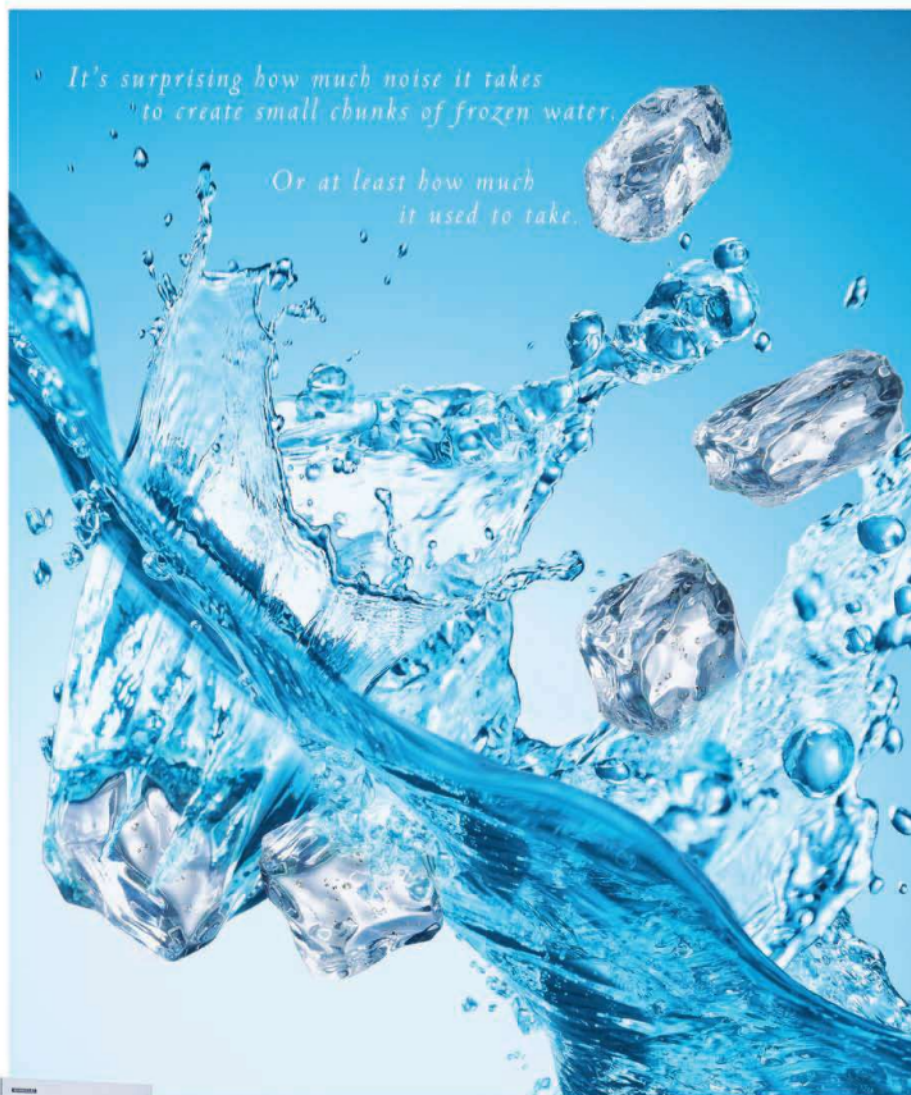
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**W**hat are the top three issues facing your organization? How do you plan to respond to them? Come on, no stalling. For something this important the answers should roll off your tongue. Can't say? Then maybe it's time for some strategic issue diagnosis.

Strategic issue diagnosis is a structured process for identifying risks and opportunities. Although it is a key theme in strategic planning and risk management, few companies are serious about exploiting it. Most notable are U.S. auto manufacturers, who for years have been the poster boys of corporate myopia. And rightfully so, it seems, because Ford Motor Co. and General Motors Corp. now find themselves on the brink of bankruptcy. Contrast GM with corporate superstar General Electric. One of Jeffrey Immelt's first priorities when he took over as chairman of the board and c.e.o. was to sharpen GE's SID skills—this at a company already renowned for its strategic foresight.

A strategic issue is an emerging trend or development that is likely to have a significant impact on an organization. The operative term is "emerging." Issues and their consequences rarely present themselves whole. Rather, they tend to start out as weak signals that are difficult to discern and even harder to interpret. A useful analogy is an oft-used scene in the movies. As the opening credits roll, we look to the distant horizon where we see a barely visible wisp of dust moving toward us along a dirt road. The dust plume gives way to the faint outline of a vehicle, which becomes progressively larger and louder until the vehicle arrives and the identity of the driver is revealed to us.

Issues emerge from the surrounding environment in much the same way, starting out as



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## Strategic

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emerge when signals are creatively combined. One way of doing this is scenario building. Simply put, scenarios are conjectures about what might happen in the future.

The building blocks of scenarios are the signals identified during scanning. Once the building blocks are on the table, they are combined and recombined to create three to four plausible stories about future conditions and their consequences for an organization. The final step in scenario building is to identify signposts for monitoring. Signposts are events or thresholds that can be used to determine which of the stories is playing out.

In essence, SID is a thought process in which the inputs are diffuse, ambiguous signals and the outputs are focused, interpreted issues to which an organization can plan a response. Like any process, it is something that can be done well or badly (or not at all). I would argue that the management of every lodging industry company and hotel should commit to making SID a core capability.

In future columns, we will talk about strategic issues facing the lodging industry. Next up is a look at how demographics, health care, unions, and other factors will combine to push up labor costs, and what you can do about it. (Hint: productivity improvement.)

Now tell me again—what are the top three issues facing your organization and how do you plan to respond to them?

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