can become the comparison standard. For example, KFC's Family Value Meal versus home cooking or Crayola's 64 colors versus expensive toys.

Fourth, firms can benefit from spending on marketing in a recession. Spending when other companies are cutting costs can help a firm consolidate its gains or provide an opening for a new firm to enter the market. Firms with solid marketing fundamentals in place before a recession hits have the culture, competencies, and assets to treat the recession as an opportunity rather than a problem. In particular, spending on new product development during a recession is beneficial for firms to maintain their long-term technological advantage.[27]

Cultivating Vigilance

There is a strong tendency to fail to perceive or underestimate important trends or to miss the accurate prediction of future events.[28] Just consider how the threats from digital photography were ignored at Kodak. It was a Kodak engineer who invented the digital camera in 1975, and Kodak had clear indicators as early as 1979 that that the market would gradually switch from film to digital over the next thirty years, but these warnings were ignored.[29] One reason is that executives were focused on execution and had little attention span left for "might be." Kodak's executives encouraged innovation, but directed it toward the chemical side of film development rather than the digital side.[30] Another reason is a natural perceptual bias toward ignoring or distorting information that conflicts with current strategies. This "confirmation bias" means that critical information is lost. Because Kodak's business model was based on selling inexpensive cameras and expensive film, filmless digital cameras were regarded as "the enemy" rather than the future.[31] Still another reason is the support of "groupthink" within the organization—it is awkward to point out that basic assumptions may be wrong. In the case of Kodak, being centered in the one-company town of Rochester, New York, further limited criticism of the company.

Research on organizational vigilance suggests several ways that leaders and organizations can improve. First, be curious, externally focused, and connected. What is happening in areas that will impact the business? Travel, observe, and interact with people of all types. Second, make every employee a listening post for the organization and create processes that allow the observance of even small signals from any sector to be shared in a low-cost manner and recognized in annual reviews. Third, develop a systematic set of processes for collecting, disseminating, and responding to information from the firm's stakeholders. Johnson & Johnson has a strategy process termed Frameworks that looks at regulations, insurance coverage, and competitive moves and considers their implications. Related, make sure that all units inside the company as well as partners outside the company are communicating so that all the pieces of trends can be assembled in-house. Fourth, create discovery mechanisms. Texas Instruments holds a "Sea of Ideas" meeting each week to recognize emerging needs and innovation at the fringe of its business.[32] One such meeting led to the development of a low-power chip for mobile phones. Finally, force a long-term perspective; get away from day-to-day executional issues and programs. Some firms create a separate division of the company that is shielded from the demand to create immediate value for the company in order to develop truly innovative ideas and seize long-term opportunities. For example, Google has a "moonshoot" research and development program, X, that is separate from Google Research and focuses on radical innovations, such as driverless cars, high-altitude Wi-Fi balloons, and glucose-monitoring contact lenses.[33]

STRATEGIC ANALYSIS

Uncertainty often emerges from environmental analysis. Before strategies are developed, two additional strategic analysis steps should be taken, each described in the sections that follow. First, to be manageable, strategic uncertainties need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to information gathering and analysis. Impact analysis is designed to accomplish that assessment. Second, sometimes the strategic uncertainty is represented by a future trend or event that has inherent unpredictability. When this is the case, information gathering and additional analysis will not be able to reduce the uncertainty. In that case, scenario analysis can be employed. Scenario analysis basically accepts the uncertainty as given and uses it to drive the development of two or more future scenarios. Strategies are then developed for each.

Impact Analysis

An important objective of environmental analysis is to rank strategic uncertainties and decide how they are to be managed over time. Which uncertainties merit intensive information gathering and in-depth analysis and which merit only a low-key monitoring effort?

The problem is that dozens of strategic uncertainties and many second-level strategic uncertainties are often generated in environmental analysis. These strategic uncertainties can lead to an endless process of information gathering and analysis that can absorb resources indefinitely. A publishing company may be concerned about cable TV, lifestyle patterns, educational trends, geographic population shifts, and printing technology. Any one of these issues involves a host of subfields and could easily spur limitless research. Unless distinct priorities are established, external analysis can become descriptive, ill-focused, and inefficient.

The extent to which a strategic uncertainty should be monitored and analyzed depends on its impact and immediacy. The impact of a strategic uncertainty is related to (a) the extent to which it involves trends or events that will impact existing or potential businesses; (b) the importance of the involved businesses to the overall firm; (c) the number of involved businesses; and (d) the likelihood of impact on the company. The immediacy of a strategic uncertainty is related to (a) the probability that the involved trends or events will occur; (b) the time frame of the trends or events; and (c) the reaction time likely to be available to respond compared with the time required to develop and implement appropriate strategy. Each of these is now discussed in more detail.

THE COCA-COLA COMPANY AND WATER: FROM RISK TO OPPORTUNITY[34]

The Coca-Cola Company started its Global Water Initiative in 2002. Originating in a ten-person strategy think tank the company created to study long-term challenges, the goal of the initiative was to understand the nature and impact of business risks related to water—an essential ingredient in all Coca-Cola products. Around the same time, Coca-Cola began receiving negative press around water issues. For example, activists claimed the company was consuming too much water and was creating conflicts with local municipalities around the world. In India, Coke bottles were smashed on the steps of Parliament and the company was accused of polluting farms with a byproduct from its plants. By

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