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Strategy as Active Waiting

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Successful executives who cut their teeth in stable industries or in developed countries often stumble after entering more volatile markets. They falter, in part, because they mistakenly believe they can gaze deep into the future and draft a long-term strategy that will confer on them a sustainable competitive advantage. But visibility in volatile markets is sharply limited because so many different variables are in play. Uncertainty would be manageable if only one thing changed while the rest remained fixed, but of course business is rarely so simple. In volatile markets, many variables are individually uncertain, and they interact with one another to create unexpected outcomes.

I use the phrase “fog of the future” to describe this unpredictability. To illustrate, recall how senior executives of Europe’s telephone companies predicted that third-generation mobile technology would revolutionize their industry, and bid \$100 billion for licenses based on their assessment. Five years later, 3G looks a lot more like evolution than revolution, with

consumer adoption, as well as technical and economic benefits, lagging behind projections. Because the value to telecommunications firms of a new technology depends on multiple, interacting variables—for example, regulatory policy influencing returns on capital, the progress of substitute technologies, investors’ willingness to support follow-on technologies, and consumers’ shifting conception of what a phone should and shouldn’t be—predicting how the market will play out in the long term has proven to be virtually impossible.

This is not to say the big bet on 3G will never pay off. Maybe it will, maybe it won’t. Maybe China will overtake the United States in our lifetime, or maybe it will strike terror into the hearts of executives for a few years and then slip down the CEO’s agenda, as did the perceived threat of dot-coms in the 1990s and Japan Inc. in the 1980s. Maybe genetically tailored drugs will curb health care costs. Or maybe they won’t. That’s the nature of volatile markets: We won’t know whether these changes will happen or how they will interact

with other factors until after the fact.

Much of the existing research on managing in unpredictable markets focuses on the U.S. information technology industry between 1980 and 2005. This article expands the scope of research by drawing on companies in volatile markets across a range of countries, time periods, and industries. Over the past six years, I've led a research project on more than 20 pairs of companies in some of the world's most volatile markets, from national markets like China and Brazil to industries like enterprise software, telecommunications, and airlines. In most cases, my collaborators and I paired a company that successfully navigated uncertainty with a similar but less successful company. By analyzing differences between companies in each pair, as well as similarities across the successful companies, I identified a small number of management principles for surviving and thriving in unpredictable markets. One of the most striking findings from this research is the importance of actions taken during comparative lulls in the storm. In even the most unpredictable markets—Internet portals in China, for example, or aircraft production in Brazil—major opportunities and threats emerge sporadically; they're separated by long periods of relative calm. What executives do during these lulls often matters more than the dramatic actions taken during times of crisis.

Golden Opportunities and Sudden-Death Threats

Managers advancing into the fog of the future tend to either cling to the fiction of prediction despite limited visibility or veer to the other extreme, relying on good luck and hustle and hoping for the best. Neither extreme is effective or necessary. Indeed, a careful examination of volatile markets over time reveals recurrent patterns. Understanding these patterns can help executives navigate a foggy future.

Let's start with the basics. The purpose of a business is to create and capture value and sustain it into the future. Changes in an unpredictable market should thus be viewed through the lens of the opportunities they engender or the threats they pose to a firm's ability to do so. The exhibit "Fog of the Future" plots the impact of environmental and market changes on value creation and highlights the good news and the bad news about volatile

markets. The good news is that they present opportunities to create new value. Volatile markets often generate new resources such as technical innovations, privatized assets, or new knowledge. And churning interactions among variables frequently create new customer needs. Demand for automobiles in China, for example, results from many factors: increased disposable income, government investment in roads, rising middle-class aspirations, easy credit, and the demise of employer-provided housing. The combination of new resources and shifting customer preferences creates possibilities for companies to fill gaps in the market by deploying resources in novel ways.

Not all opportunities are created equal. Companies that play in volatile markets face a steady stream of small and medium-size opportunities, interspersed with periodic chances to create significant value. *Golden opportunities* are the infrequent occasions when a firm can create significant value disproportionate to the resources invested, in a short period of time. Many variables influence the nature and timing of an opportunity; these include technology evolution, customers' evolving needs, government policy, changes in the capital markets, and rivals' priorities. Golden opportunities arise when several windows of opportunity open simultaneously. Golden opportunities are rare. They pass quickly. And generally they emerge because of exogenous factors—that is, variables outside the company's control. The case of BEA Systems illustrates these traits. From its founding in early 1995, BEA seized a golden opportunity in the emerging enterprise software market and achieved \$1 billion in revenues faster than any other software firm had at that time.

Rare. BEA's golden opportunity arose when several windows of opportunity opened at the same time: Internet adoption created new demand for software that could link disparate applications; the technology was ready for prime time; established firms were distracted by other priorities; and the relative scarcity of venture capital funding limited the number of start-ups pursuing the same opportunity. Such a favorable confluence of factors is rare. Among the unpredictable markets that I studied, golden opportunities typically occurred once or twice in a decade. In other words, the frequency of opportunities is inversely related to their magnitude, a pattern consistent with

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research on complex systems ranging from traffic jams to earthquakes.

Fleeting. The variables that influence the magnitude of an opportunity shift constantly. One window might open a crack, while another widens abruptly and a third threatens to slam shut. For this reason, a company must grab an opportunity at just the right time. Too early can be as bad as too late. Had BEA's founders entered the market a year or two earlier, customers' pain would have been less acute and the technology fix less developed. A few years later, and venture capitalists might have funded multiple start-ups, or established firms such as Novell and NCR might have modified their existing products to fill the market gap.

Exogenous. Except in rare cases, an executive cannot will a golden opportunity into existence. BEA's founders could not have accelerated Internet adoption, stopped venture capitalists from funding start-ups, or prevented established players from filling the gap. The golden opportunities we studied across industries and countries shared this quality. When we asked entrepreneurs and executives to explain why they pursued a specific opportunity when they did, their answers generally hinged on shifts in the external environment that were beyond their control. Chinese appliance leader Haier, for example, made its move to expand beyond refrigerators into other white goods when important external factors aligned: The local government approached the company to restructure a floundering rival shortly after a brief window of opportunity to acquire land for industrial parks and to borrow funds had opened. At the same time, many consumers who already had refrigerators were now looking to buy washing machines or air conditioners.

Managers can and should take steps to encourage a golden opportunity—they can lobby governments, help to shape industry standards, preempt competitors, and so forth. They must recognize, however, that many of the variables influencing their firms' ability to create and sustain value in volatile markets lie outside their control. They cannot conjure up a golden opportunity just because their business is in decline or investors demand rapid growth. Attempts to declare a golden opportunity where the contextual stars are not aligned generally end in tears.

Golden opportunities are the good news about turbulent markets, and *sudden-death threats* are the bad news. These are major environmental shocks that can put a company out of business in relatively short order. They typically arise when two or more variables take a downturn simultaneously. No single factor plunged the global airline industry into crisis. Instead, it was the perfect storm of 9/11, SARS, and rapidly rising fuel prices. Sudden-death threats, like golden opportunities, are rare, and they're generally the result of changes in the environment outside any single company's control.

Active Waiting

Managers can rarely manufacture a golden opportunity, nor can they predict its precise form, magnitude, or timing. That said, there is much they can do to prepare their firms to capitalize on a golden opportunity, or weather a sudden-death threat, when one arises. In explaining their success, the managers in our sample emphasized the preparation they took during periods of relative calm rather than their heroic actions (or rivals' boneheaded blunders) in the heat of battle. To survive and thrive in volatile markets, managers can pursue a strategy of *active waiting*, which consists of anticipating, preparing for, and seizing opportunities and dealing with threats as they arise. Like an advancing army, a company proceeding into an unpredictable future can follow a general direction, probe the future for potential opportunities and threats, keep resources in reserve, remain battle ready, and, when the big opportunity or threat arises, strike hard.

Keep the vision fuzzy and the priorities clear. Active waiting begins with the acknowledgement that managers cannot predict or control how the future will unfold. Based on this recognition, they avoid marching headlong toward a well-defined future and instead articulate a fuzzy vision, which describes a company's domain, geographic scope, and aspiration in broad terms: "We aspire to global leadership (or excellence or quality) in our industry," for example. A fuzzy vision works because it provides general direction and sets aspirations without prematurely locking the company into a specific course of action.

In contrast, overly specific long-term visions can prove hazardous in unpredictable markets.

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They often distract employees and managers from emerging opportunities and threats. Microsoft was slow to grasp the Internet's importance in part because the company's vision emphasized stand-alone personal computers. A crystal clear vision can also tempt managers to bet too much, too early. In 1992, Kun-Hee Lee, the chairman of South Korea's Samsung Group, set a bold strategy to become one of the world's ten largest car manufacturers by 2010. Seduced by the clarity of the vision, Samsung bypassed staged entry through a joint venture or initial supply contract. The company instead borrowed heavily to build a state-of-the-art research and design facility and erect a greenfield factory complete with cutting-edge robotics. Samsung Auto suffered operating losses and crushing interest charges from its inception, and the business was divested for a fraction of its initial investment within a few years.

Rather than hiring consultants or convening off-site meetings to wordsmith the perfect long-term vision, managers in unpredictable markets should concentrate on getting the short- and medium-term priorities right. A small set of clear operating, financial, or market priorities can align the organization. As IBM's incoming CEO, Lou Gerstner refused to provide a long-term vision that would bind the company to specific targets such as revenue goals. Instead, he articulated five clear priorities—including restoring the company to profitability and attacking the client/server market—to focus the organization on the specific opportunities and threats Big Blue faced at that point. Shifting circumstances informed the priorities, which then guided action.

Conduct reconnaissance into the future.

The first step in reconnaissance is to send out multiple probes to explore potential opportunities and threats. Companies may conduct environmental scans, such as tracking macroeconomic forecasts. They may also make exploratory forays into potential new markets, including investments in promising start-ups and small-scale market experiments. Consider AmBev. Today, AmBev represents half of Inter-Bev, the largest beer maker in the world. Fifteen years ago, the company's predecessor firm, Brahma (then Brazil's number two brewer), was recovering from a hostile takeover bid and losing ground to market leader Antarctica. To turn the situation around,

Brahma executives began actively probing opportunities outside its core Brazilian beer market. It made inexpensive forays to explore the Argentinean and Venezuelan markets and solidified a position in soft drinks as a low-cost call option on future growth in that sector. To keep abreast of risks at the low end of the beer market, Brahma maintained a second brand—Skol—with a separate sales force that competed with low-price regional brewers and monitored their movements. Brahma executives also made regular trips to more developed beer markets, such as the United States, to see how the industry might evolve and routinely met with government officials and macroeconomists to spot trends that might affect their business.

When conducting reconnaissance, managers must above all remain alert to anomalies—to information that surprises them or doesn't jibe with what they expected. Anomalies include initiatives that should work but don't, things that shouldn't work but do, a connection among apparently unrelated events, an unexpected competitive move, and customers who want a product you wouldn't have predicted. In fast-changing markets, a manager's mental map of the competitive terrain can quickly become outdated. Incongruities draw attention to discrepancies between a stable map and a fluid situation and often highlight deeper shifts that may give rise to golden opportunities or sudden-death threats. When managers observe an anomaly, they should investigate it by gathering firsthand data about the source of the discrepancy.

Consider the case of Wahaha, China's largest beverage company by volume. In 1987, Wahaha founder Zong Qinghou was selling school supplies and ice cream from a bicycle-drawn cart. While peddling his wares, Zong noticed an anomaly. Nearly ten years into China's economic reforms, increasingly wealthy parents shopped at well-stocked grocery stores, yet they continued to fret about their children's diets. Having survived the harsh years of China's famine and Cultural Revolution, Zong found their anxiety surprising. He dug deeper and discovered that Beijing's one-child-per-family policy had produced a generation of "little emperors." Spoiled by their parents and grandparents, these children were finicky eaters who favored junk food over more nutritious fare. Zong spotted a golden opportunity to sell nu-

Managers must remain alert to anomalies—initiatives that should work but don't, things that shouldn't work but do.

tritional supplements that would stimulate children's appetite for healthy food while providing needed vitamins and minerals. More than 300 nutritional supplements already filled the shelves of Chinese stores, but they were marketed to adults to boost vitality and sexual potency. Exploring the anomaly led Zong to create an innovative category of children's nutritional supplements.

Managers can follow two broad principles when conducting reconnaissance into the future. First, "recon pull" trumps "headquarters push." That is, managers closest to the facts on the ground should act on the basis of firsthand data about the shifting situation rather than relying on a preconceived plan from headquarters. Executives at established companies often ignore this rule—at their peril—when entering more volatile markets. When Taiwanese food leader Uni-President expanded into mainland China, executives developed a market entry plan at their headquarters in Taiwan. They assumed that what worked in Taiwan would fly

in China. Bypassing detailed market research, Uni-President launched its best-selling shrimp-flavored instant noodles at a price point slightly below what it charged at home and attempted to replicate its existing distribution model in China.

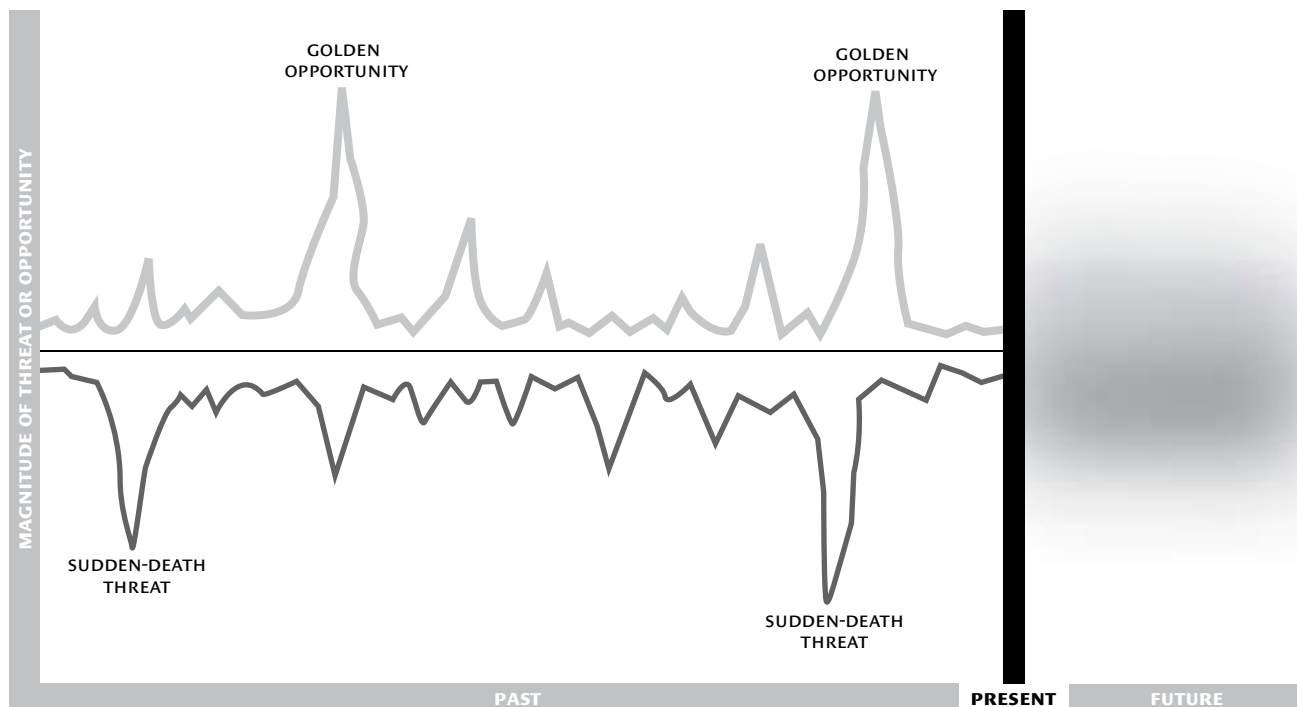
The company's offering failed to gain traction, however, because local tastes differed significantly from those in Taiwan (and across provinces), distribution channels were evolving, and customers' willingness to pay was much lower. While Uni-President doggedly followed its preexisting plan from headquarters, a small Taiwanese cooking oil company, Ting Hsin, relied on recon pull to launch its own noodle product. Three of the four brothers who ran the company relocated themselves and their families to the mainland to be closer to the evolving situation and later built a 280-villa housing complex near Tianjin to induce Taiwanese managers to do the same. Immersed in the local market, Ting Hsin's founders learned about consumer tastes, price

Fog of the Future

Managers in turbulent markets cannot manufacture the timing of the rare golden opportunity (or the equally rare sudden-death

threat). These events are clear in retrospect, but impossible to predict. Knowing what to do during periods of relative calm can spell

the difference between industry leadership and extinction.



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points, and distribution. This knowledge of the facts on the ground allowed Ting Hsin, rather than its deep-pocketed rival Uni-President, to dominate the instant noodle market.

Another principle is “passing surfaces and swarming gaps.” Reconnaissance into the future can be pictured as a process of probing along a wall of resistance looking for gaps. Most of the time, a company encounters hard surfaces: competitors who won’t get out of the way, customers who don’t want to buy, technologies that won’t work, distribution that costs more than it’s worth, potential partners who won’t play ball. Rather than exhausting resources trying to smash through the wall, executives should probe for gaps in the market. When they do find a gap, managers should swarm it. Ting Hsin hit the wall twice—unsuccessfully launching high-quality cooking oil and egg rolls in China—before spotting a gap in the instant noodle market. An anomaly revealed the gap. During an 18-hour train ride to Beijing, the youngest brother was surprised when the instant noodles he had bought in Taiwan attracted the hungry glances of his fellow passengers (with whom he shared the noodles). He might have shrugged off the event and gone back to his newspaper. Instead, he probed further and learned that instant noodles in China were generally dirt cheap and tasteless, while the savory noodles he took for granted in Taiwan were hard to find and priced beyond the average consumer’s budget. After spotting the gap, Ting Hsin swarmed it with a massive television advertising campaign, as well as investments to roll out production and distribution nationwide.

Keep a war chest. During periods of relative calm, executives should preserve a war chest of cash to deploy quickly when faced with a golden opportunity or sudden-death threat. Much of recent strategy theory argues that specialized resources are a firm’s primary source of sustainable competitive advantage. In an uncertain world, though, cash has the great advantage of fungibility—it can be deployed against a variety of opportunities and provides the perfect hedge against unexpected threats. Everyone knows that time is money, but the reverse is equally true. Money provides a firm the time to wait actively for a golden opportunity to arise.

Keeping a war chest requires restraint. Spreading a company’s chips across too many

probes or doubling down on too many bets at the same time leaves little cash in reserve when a big opportunity or threat emerges. To avoid this risk, senior executives should scrutinize the firm’s resource allocation process, monitor the number of probes, cap the investment allocated to probes, and increase investment only after explicit evaluation. Executives should also resist pressure from investors or directors to throw money at a market just because it happens to be in fashion.

Large up-front investments are difficult to avoid in some industries, but managers can still take steps to preserve their war chests. Consider Embraer, one of the world’s largest aircraft manufacturers, with 2004 revenues of \$3.4 billion. Aircraft design and production require big bets, which makes staging investments difficult. During the fat years of the 1990s, however, the Brazilian company adopted a very conservative financial policy, stockpiled cash, avoided debt, and listed on the New York Stock Exchange to build its cash reserves. To minimize its own investment, Embraer slashed component suppliers from 350 to 22, while forging partnerships with firms to provide subsystems. These partners bore approximately two-thirds of the development costs for Embraer’s next-generation regional jet, thereby allowing the company to conserve cash. Some analysts criticized Embraer for accumulating a reserve of nearly \$700 million in net cash by June 2001, while rivals Fairchild Dornier (\$700 million in long-term debt) and Bombardier (\$1 billion in long-term debt) borrowed heavily to fund new product development. Then came 9/11. Customers refused to take delivery of planes, and Embraer’s inventories soared by \$500 million in four months. Its war chest kept the firm afloat, while Bombardier struggled and Fairchild Dornier went bankrupt.

Maintain the pressure. During periods of active waiting, companies must focus on routine operational improvements—cutting costs, strengthening distribution, improving products. These mundane initiatives lack the all-hands-on-deck drama of surviving a crisis or seizing a golden opportunity. The cumulative effect of getting them right, however, can prove decisive in the long run. Not because efficiency alone wins—it rarely does. Rather, because operating efficiency can position a company to snatch a golden opportunity from the

jaws of rivals.

When Marcel Telles took over as CEO of Brahma in 1989, he eschewed grand strategy and vision—indeed, one of his first actions was to kill a strategic consulting project. Instead, he set three corporate-level priorities each year. In his first years, Telles prioritized aggressive operational improvements, such as improving product quality, rationalizing the factory footprint, consolidating distribution, and cutting head count. Ruthless pressure to execute on a small number of priorities enabled the beer maker to close the efficiency gap and build a war chest in the span of five years, while rival Antarctica rested on its oars. Then golden opportunity knocked. In 1994, the Brazilian government's currency plan vanquished hyperinflation (which had been running at as much as 2,000% per annum), thereby increasing consumers' disposable income. The Brazilians put their newfound purchasing power to good use and bought more beer, increasing average annual beer consumption 60% in two years. At the same time, tariffs limited

imports. Brahma's operating improvements allowed it to seize the opportunity before its complacent rival could. Brahma rapidly built up production capacity, accelerated investment in its second brand, Skol, to capture growth in the low end of the market, and built a commanding lead over Antarctica.

Operating efficiency also allowed Brahma to weather a sudden-death threat. In the late 1990s, new low-cost entrants triggered vicious price competition in the Brazilian beer market. The price wars coincided with a sharp devaluation of the Brazilian currency, which doubled local firms' cost of servicing dollar-denominated debt. Brahma could endure the price wars because it had relentlessly reduced its fixed costs in the years of relative calm. It could draw on its war chest to hedge its currency exposure. High fixed costs left Antarctica vulnerable to price reductions, and its weak balance sheet precluded hedging. When Antarctica suffered a financial crisis, Brahma swooped in and acquired its weakened rival to create AmBev.

During periods of relative calm, managers and employees often let up on the pressure, an

Golden Opportunity—or Fool's Gold?

How do entrepreneurs and managers distinguish between a golden opportunity and fool's gold? Although no cookie-cutter approach can eliminate the need for judgment, the following list of questions can help managers make the call.

What is the anomaly, and why does it exist? Anomalies signal discrepancies between a manager's mental model and the realities of a situation in flux, but not every anomaly signals an opportunity, let alone a golden opportunity. Digging into an anomaly's source can clarify shifts that might give rise to a golden opportunity. In the mid-1990s, aircraft manufacturer Embraer's managers noticed that airlines often used planes that were too large for the routes they flew. It turned out that union contracts restricted the use of smaller planes, which could be flown by less-qualified pilots. Further analysis revealed that these restrictions were under severe pressure as carriers faced increasing competition and financial difficulties. Based on this assessment of the anomaly's sources, Embraer developed a regional jet optimized to

the shorter routes.

What changed in the external environment to give rise to the opportunity? If you can't point to a change in the regulatory, market, technical, or social context that generated the opportunity, it may be fool's gold. But gut feel and a plausible story are not enough—you need thorough analysis. The three cofounders of BEA Systems hired two additional employees and spent six months analyzing technological, competitive, and customer trends to test their initial hunch that their windows really were open. Then they pounced.

Is your company under pressure to manufacture a golden opportunity? Too often, executives declare an opportunity "golden" for the wrong reasons. Investors clamor for growth or a new CEO wants to make his mark with a bold stroke. These internal events might coincide with the emergence a golden opportunity, but don't bet on it.

Why is the \$20 bill still on the ground? An old joke describes two economists walking down the street. The first looks down and ex-

claims, "There is a \$20 bill on the ground!" The other replies, "That's impossible. If it were there, someone would have picked it up already." The underlying insight is clear—attractive opportunities will be seized rapidly. Ask yourself, If this really is a golden opportunity, why hasn't someone jumped on it already?

How quickly will competitors move? The question is not whether competitors will notice a golden opportunity—they always do—but when they'll spot it and move. There are good reasons why worthy rivals might be slow to see and seize an opportunity. A competitor's management turmoil, strategic myopia, or resource constraints might last a year, but they probably won't last forever.

Can you get big fast? Seizing a golden opportunity requires an organization to scale up quickly. Many organizations aren't up to the task. Executives should standardize key processes, metrics, and resources, as well as identify and address any binding constraints in order to go for the gold.

understandable but deadly temptation. Consider again Haier, which has grown from a struggling employee-owned refrigerator workshop in 1984 to the fifth-largest white goods maker in the world today. In periods of active waiting, Haier uses public posting of performance against objectives to keep the heat turned up. Each manager is evaluated monthly on his or her performance against negotiated goals and ranked relative to peers. Haier posts photographs of all managers in a unit, with their rank for that month, and smiling or frowning faces denoting how they are doing. This system extends all the way to the top of the organization.

Let me be clear. This is not an argument for execution instead of strategy—indeed, execution versus strategy represents a false dichotomy. In unpredictable markets, execution is strategic. Operational improvements keep companies in the game. Firms that maintain the pressure during lulls can outlast less efficient rivals when sudden-death threats descend and can capitalize on golden opportunities beyond the reach of lesser firms. Companies that rely on execution alone, however, will over time lose ground to efficient firms that can also seize golden opportunities when they arise.

Declare the main effort. One of the hardest parts of active waiting is calling it to a close. Executives conducting recon into the future will detect countless opportunities and threats that never rise above the routine. Periodically, however, they will encounter an opportunity or threat so important that it demands the company's full focus. Executives can provide this focus by declaring the opportunity or threat to be the *main effort*—the top priority for a period of time. A manager declaring a main effort resembles a guerrilla commander summoning his widely dispersed forces from the countryside to concentrate forces on a traditional battle at a point in time. Executives must reevaluate all other investments and activities in terms of how well they support the main effort. This declaration confers several advantages: It creates a sense of urgency, focuses the organization, prioritizes resource allocation, lays the groundwork for coordinated effort, and increases the odds of winning big.

Declaring a main effort is often a gut-wrenching decision. Behemoths such as Microsoft or Wal-Mart can fund major initiatives

from their bulging balance sheets without batting an eye. But less well-endowed firms—including start-ups, midsize enterprises, companies in countries with high costs of capital, or firms rebuilding their balance sheets—must often commit their entire war chests. A company might have to exit from an established business to free up resources, as Nokia's managers did in the early 1990s, when they sold diversified businesses accounting for approximately 90% of corporate revenues to bet everything on the mobile telephone. A company might also have to give up ownership or control to secure the resources required to scale up quickly. In established companies, managers may need to kill projects or divert cash and talented managers from a profitable division to support the company's main effort. That's what Embraer's CEO did when he halted all other plane development to focus cash, engineers, and management talent on the first regional jet program, which he dubbed the Redemption Project.

At its core, declaring the main effort remains a judgment call. Managers must commit resources before it becomes perfectly clear whether the opportunity is as golden as they suspect. If they wait for complete certainty, rivals will seize the initiative. Many leaders say that declaring a golden opportunity the main effort was the most difficult decision they ever made. Haier's chairman, Zhang Ruimin, for example, faced near total resistance from his management team when he decided to acquire a rival firm to expand beyond refrigerators. (See the sidebar "Golden Opportunity—or Fool's Gold?" for guidance in evaluating whether an opportunity is as golden as it seems.)

But in an unpredictable market, playing it safe in the short term can prove hazardous in the long term. If Haier had remained focused on refrigerators, it would not have achieved the scale and scope necessary to withstand the entry of multinationals when China entered the World Trade Organization. If Brahma had not acquired Antarctica, Anheuser-Busch or another global player would have, leaving the brewer vulnerable in its home market. Because Embraer had launched its regional jet, it was able to maintain growth as demand for its turbojet declined.

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Leading a company into the fog of the future

places great demands on top executives. During periods of active waiting, leaders must probe the future and remain alert to anomalies that signal potential threats or opportunities; exercise the restraint to preserve their war chests; and maintain the discipline to keep the troops battle ready. When a golden opportunity or sudden-death threat emerges, they must have the courage to declare the main effort and concentrate resources to seize the moment. This is a tall order. Many executives will naturally prefer the disciplined execution of active waiting but will shy from the big bets. Others will yearn to grab the initiative with the bold stroke but may grow bored with the blocking and tackling of active waiting. It is possible for the same person to excel at both, as the leaders of AmBev, Embraer, and Wahaha demonstrate. The key is to recognize that both are valuable aspects of leadership. It

is currently fashionable for hard-nosed managers to praise execution and reject big moves as reckless. But recall that only a few years ago, gurus dismissed execution as the domain of “mere managers” while singing the praises of bold leaders. Surviving and thriving in an unpredictable world requires both. But knowing which skill is required at a specific point in time depends not on a manager’s personal predisposition or the ebb and flow of management fads. Rather, it hinges on a sober assessment of the external environment. There is a time to wait and a time to strike, and wisdom lies in aligning the action to the time.

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