

# Leading the vigilant organization

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Giving up the illusion that you can predict the future is a very liberating moment. All you can do is to give yourself the capacity to respond to the only certainty in life – which is uncertainty. The creation of that capability is the purpose of strategy (Lord John Browne, Group Chief Executive of BP[1]).

Most organizations lack sufficient capacity to detect, interpret and act on the critically important but weak and ambiguous signals of fresh threats or new opportunities that emerge on the periphery of their usual business environment. Organizations without this capability are vulnerable to rivals who see and take advantage of these early, easily missed signals sooner. So how can organizations become more vigilant and reduce their risk of being blind-sided? And what is the role of leaders in improving the peripheral vision of their organization?

Part of the problem is that, in the normal course of business, most organizations are narrowly focused on managing their offering in their immediate business environment – a complicated landscape of markets, customers, competitors, regulations, technology and stakeholders. This unwavering attention will benefit short-term performance, but when it routinely ignores subtle signals from the periphery of the business environment that may portend significant changes it threatens an organization's long-term survival. However, successful peripheral vision – monitoring other industries, remote markets, theoretical research, exotic business models, and arcane demographic data that may seem to have little relevance to your offering – is much more than sensing incipient change. It is also about knowing where to look more carefully for clues, how to interpret the weak signals, and how to act when the signals are still ambiguous. In sum, a truly vigilant organization manages a process that routinely and effectively watches for, evaluates, and responds to signals from the far reaches of its business environment that are difficult to interpret.

In our study of over 160 senior executives[2], the attitude of leadership emerged as the most significant component of a superior capability for acute peripheral vision. Leaders define what the organization sees and how it makes sense. They also determine which voices are heard and which are ignored. Leadership at various levels either opens the organization to weak signals from the environment and inside the firm, or shuts these signals out. Even an organization with the strongest individual mechanisms and processes for peripheral vision can find itself limited by a leader who ignores all the weak signals that come in.

## Minding and mining the periphery[3]

The ability to “mind” a broad periphery requires divergent attention and actions across many areas. After all, one does not know whether the next relevant signal will come from the realm of economics, the world of politics, the domain of technology, or from within the industry itself in terms of customers or competitors. In contrast, when dealing with a well-defined part of the periphery, such as pending regulations or a specific technology,



### Box 1. What does a vigilant organization do?

Vigilant organizations are noteworthy for their ability to “see around corners”, and attend to early signals of threats and potential opportunities. They have a superior peripheral vision capability that determines how well they sense and act on these often confusing signals. This capability has five components:

1. *Vigilant leadership that encourages a broad focus on the periphery.* A leadership team that seeks and values early warnings is needed to mobilize the rest of the organization to pay attention to the periphery.
2. A flexible and curious culture that rewards exploring the fringes – and encourages outliers and mavericks to speak up about emerging issues. The leadership establishes a culture that is respectful of ideas outside the mainstream concerns of the enterprise.
3. *An inquisitive approach to strategy making.* Out of this strategy process come probing questions that focus the organization on specific challenges – rather than diffusing energy on uninteresting concerns.
4. *Networks and knowledge systems for detecting, tracking and sharing weak signals.* Rather than wait for these signals to become clearer, these systems actively track interesting trends.
5. *An organizational configuration that encourages the exploration of the periphery.* Within vigilant organizations, the configuration assigns clear accountability for seeking answers to the probing questions that are surfaced during the strategy process, and provides incentives for individuals to report and share meaningful signals.

leaders should encourage the organization to thoroughly “mine” for knowledge in a specific area. Indeed, only a very close examination may reveal the key insights. So, mining the periphery also requires a strong convergent focus on a specific part of the surrounding and rapidly developing the capacity to respond to it.

Few organizations need to be aware of as broad and ambiguous a periphery as the BBC. The organization’s on-going efforts to learn more deeply and quickly about their periphery – to become a more vigilant organization – are instructive.

The danger for an organization that seeks to mind a broad periphery is that their attention may become too diffused. The BBC avoided this by encouraging the organization to mind the periphery in certain ways: it mobilized the organization to be more inquisitive, directed attention to specific challenges, broadly tracked various trends and tastes and assigned clear accountabilities. There were other dimensions to their “minding” strategy, but let’s examine these four in greater detail to appreciate the approach.

### Mobilize the organization to become more inquisitive

When new BBC General-Director Mark Thompson was appointed in June 2004, he set about passionately focusing organizational attention on how the outside world was changing. He had recently walked into a small electronics store and saw a small handheld high definition camera for a low price. The future of amateur news filming is here, he thought, and the BBC needed to better understand it. He announced a restructuring of the executive committee and set in motion a review that challenged business operations. While the organization needed to cut costs, he made it clear that the bigger focus should be on asking questions that would challenge the way managers thought about their business. As he told the 28,000 BBC staff around the UK on his first day:

We are going into this with a genuinely open mind, but these are questions which are not going to go away. If we did not examine them thoroughly ourselves, others would do it for us . . . Our task is going to be to change the BBC more rapidly and radically over the next three to five years than at any previous point in its history[4].

For an organization that has such a broad periphery, it was important Thompson did not provide employees with simple answers. Instead, he challenged the organization to better understand diverse aspects of the periphery. Thompson launched an initiative called

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“Future Focus” to encourage every part of the organization to pay more attention to the changes that would define their future.

The goal was to get everyone in the organization looking outside at the periphery – particularly new technology, channels and consumer behavior – to better understand how their own part of the business might change. This was a significant culture change for the BBC. The leader encouraged the entire organization to engage in active scanning, sharing information and discussing what these signals might mean. A project called “Creative Future” brought together various eclectic groups over the last year to look at how audiences were changing and technology developing and what this would mean for the BBC’s creative strategy.

This culture change prompted diverse insights and actions in different parts of the organization. For example, in seeking to understand younger audiences, BBC’s marketers discovered that while teenagers liked certain BBC programs very much, these new consumers did not associate the programs with the overall BBC brand. So, the organization launched corporate image-building campaigns in venues visited by these teenagers to raise awareness that the programming they liked so much actually came from the BBC. The challenge was to reach this younger audience on their own turf and in their own language.

### Focus attention on specific challenges

The problem with minding the broadest periphery is that the organization can easily become overwhelmed and attention diffused. There is a vital need for prioritization and focus, to direct attention to specific areas while continuing to promote a broad awareness.

At the BBC, Thompson created specific initiatives to focus organizational attention on a detailed understanding of changes in the landscape. These initiatives served the purpose of directing attention to smaller, significant areas of the periphery. Digital technology was one of these areas of focus. A week after his arrival, Thompson and BBC Chairman Michael Grade released a nine-point manifesto for changing the organization to meet the demands and opportunities of a digital age. They envisioned a world in which everyone in the UK would have equal access to digital services – on demand, portable and personalized – in which “the traditional one-way traffic from broadcaster to consumer evolves into a true creative dialogue in which the public are not passive audiences but active, inspired participants”[5]. The document was the impetus for the organization to assess the implications of these technologies and take full advantage of the opportunities of a completely digital world.

In recent years, the BBC has worked with various consultants, including a local firm called “What If” to examine some of the changes in the outside world. This made them realize that their audience was far ahead of the BBC itself in adopting new technology such as digital video recorders, wikis and text messaging on cell phones. How, where and why consumers access media and entertainment had changed dramatically due to technology.

The BBC has also conducted a variety of experiments to respond to profoundly different audience behaviors, such as downloading, interacting, manipulating and co-creating content. The broadcaster developed a radio player that allows extended web access to on-air content. This, in turn, led to experimentation with an interactive media player that offers seven days of web access to all TV material after broadcast. All these initiatives constitute real-world tests and probes of the periphery.

## Actively track trends and tastes

The BBC also tapped into “cool hunters” (individuals who are among the first to spot new trends) to scan, search and feed observations into to the creative production process. It also looked at what could be learned from precursors – companies, markets or segments that are ahead of the pack. For example, their Chief Technology Officer is a frequent visitor to South Korea and other parts of Asia that have avidly adopted aspects of the digital world that the BBC is developing in the west. The CTO is looking specifically for insights into the BBC’s own business: what impact could the new technology have on the way consumers gathered news, entertainment and information? What were the most important channels when news and entertainment was consumed via cell phones, computer and television? Which types of content worked best through which distribution channels? How could the experience in the UK be expected to be similar or different?

BBC executives also looked at changes in home life in the UK, which led to unexpected insights. One of the key trends is that more people live alone. This means less family viewing and far more individual viewing. Even in households with several members, the purchase of multiple televisions allows people to live in their own “information cocoon,” but with fewer opportunities for shared experiences. This insight highlighted the need for new programming that can draw families together around one television screen. In a successful response to this opportunity, BBC relaunched the classic series *Dr Who*, which appealed to whole families.

## Ensuring accountability

Vigilant organizations charge specific groups with the responsibility for scanning the fringes and making sense of the signals, and they make this continuing process known throughout the organization. Best practices for ensuring greater accountability include:

- *Assign the responsibility to an existing functional group.* Groups such as corporate development, competitor intelligence, market research or technology forecasting can be given the task of scanning. The risk is that these mid-level groups may limit their roles to narrowly collecting and processing data from the domain they know best rather than scanning broadly and educating others about what they have learned.
- *Mobilize ad-hoc issue groups.* The CEO or Executive Committee, along with the board, can identify the most pressing issues and then form separate taskforces to pursue each one. This process often is guided by a scenario analysis to identify key uncertainties that need to be understood and monitored better.
- *Create a high-level lookout.* As a case in point, IBM has an on-going team called “crow’s nest” that scans specific zones of the periphery and shares insights with top management. Examples of the zones IBM studies include time compression, customer diversity, globalization and networks.
- *Create “game changing” initiatives.* To encourage managers to envision and test hypotheses about new opportunities beyond the core business, Royal Dutch/Shell launched its “GameChanger” program in 1996. In its first six years, the program screened 400 ideas, commercialized more than 30 technologies and created three new businesses[6]. Other companies, including New York Life Insurance, have launched similar initiatives.
- *Invest in start-up ventures.* Most large firms in the technology sector have a pool of capital to invest in promising start-ups. These investments may be modest, but sufficient to get a clear view of the emerging technology and market. If the start-up succeeds, then an option to acquire can be exercised. Sony, for example, has a venture portfolio of around 900 companies.
- *Outsource.* The company can also outsource responsibility for peripheral vision to external consultants, who can offer insights on the factors that could transform the firm’s business. While these outside partners can provide fresh perspectives on the business,

the company needs to ensure that these “private eyes” are focused on the right areas and that the information is shared throughout the organization.

### Six lessons from the periphery

There are six guiding principles used by leaders such as the BBC’s Mark Thompson to successfully manage how their organizations monitor their peripheral business environment. These core lessons extracted from our studies of best practice companies can help organizations and individual managers monitor the periphery of their business environment without becoming overloaded, distracted or confused.

#### *Lesson 1: peripheral vision is more about anticipation and alertness than prediction[7]*

Even effective peripheral vision will always be a bit blurry. Weak signals are, by definition, faint. Despite these limitations, peripheral vision is an essential first step for two kinds of anticipation: making preparations in the face of uncertainty and being able to act before anyone else has time to do so. By the time a weak signal is received, analyzed and a clear prediction or forecast can be made, the opportunity to be a first responder may have passed. So, organizations need to be routinely ready to understand the implications of weak signals and react effectively if they are ever to successfully anticipate the future.

Companies like Shell, and P&G have invested considerable resources in improving their anticipation capabilities. This can take the form of trend analysis, scenario planning, war gaming, role-playing and designing monitoring systems. The basic idea is to prepare the corporate mind so that it can indeed be favored by chance, to paraphrase Louis Pasteur. In too many cases, company leaders ask managers for accurate predictions when this is impossible given the volatile nature of the environment. Instead, they should be asking for assurances that the organization has systems and procedures in place to deal with the unknown and the unexpected. Rather than ask what sales revenue will be in a given market segment three years from now, leaders might ask what factors drive sales, how unpredictable they are, and whether the organization has the capability to spot deviations or surprises early.

#### *Lesson 2: the problem is not a lack of data, but a lack of good questions*

Too often, managers take false comfort in gathering more information, but fail to expand their field of vision to include potential significant changes that are occurring in far-flung foreign markets or other industries. But no matter how carefully you look, you will not see the subtle signs of emerging opportunities and threats unless your scope is broad enough. The right guiding questions will direct the attention of the entire organization to the places that matter, while filtering out meaningless noise.

Too much data often prevents managers from seeing the true picture. As illustrated in the book Blink[8], experts with good intuition know how to focus only on the subset of information that is relevant while ignoring the rest. Often these experts honed this skill by systematically testing competing hypotheses about what matters and what does not. The key idea is to look at fewer data points rather than more. Typically, insightful experts distinguish themselves by asking sharper questions. They have a keen eye for what is missing as well as what is present. This means ignoring extraneous information and asking for better information.

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For example, if only NASA and Morton Thiokol officials had focused on the missing data, when debating whether or not to launch the space shuttle Challenger in January of 1986, lives would have been saved. The officials were trying to assess whether cold temperatures had any impact on the performance of a critical component, the rocket boosters' O-rings. So they looked at previous launches where damage had occurred and plotted it against the ambient temperature at launch time. There was no correlation. But if they had also included the launches where zero damage occurred, a definite correlation would have been seen and they would not have launched the shuttle[9].

*Lesson 3: scan actively, but with an open mind, because the periphery will not always come to you*

While passive scanning has an important role to play in peripheral vision, you also need to explore the periphery actively through directed hypotheses as well as undirected journeys into the unknown. In short, explore the periphery of your business environment. You can use various tools to focus attention on specific parts of it – such as customer shifts or emerging technologies – that are particularly important to your firm or the question under consideration. Active scanning is not a one-time or even annual event. It has to be an ongoing process that draws on a broad repertoire of techniques and approaches.

*Lesson 4: use multiple perspectives to better understand the periphery*

If events and trends on the periphery of your business environment are confusing, bring different people with diverse views into the process and employ multiple methods or techniques to collect information. The conflicts and differences in viewpoints, as well as multiple hypotheses, can help illuminate different parts of the picture.



*Lesson 5: when catching glimpses from the periphery, probe before jumping*

Do not always trust what you see out of the corner of your eye. It is important not to jump to conclusions when a signal is detected; instead, take time to learn more. We need to amplify the weak signals with directed probes. We also need to take measured actions through a portfolio of real options and experiments to maintain flexibility until the uncertainty is more tolerable[10]. The key in probing is to look for both confirming and disconfirming evidence, while entertaining a variety of hypotheses. The organization must guard against the confirmation bias, i.e. settling on one interpretation and then selectively looking for only supporting evidence.

*Lesson 6: balancing peripheral and focal vision is a central leadership challenge*

Resources and attention devoted to the periphery are often taken away from investments in the focal area. Organizations need to strike the right balance between focal and peripheral vision. Leaders need to strike the right balance based on the needs of the organization and its environment. Some will need a tightly focused organization while others will need to develop an organization that can manage small incremental moves as well as lead revolutionary changes.

**Survival of the most responsive**

Somewhere in your organization there is probably someone who knows about weak but potentially important signals of changes on the periphery. But how well is your whole organization designed to capture and share these insights? Peripheral vision does not happen automatically in organizations. Organizations operating in complex environments need to make deliberate investments of resources and attention to improve their peripheral vision.

Organizations that develop an effective peripheral vision capability can gain tremendous advantages over rivals. As Charles Darwin observed:

It's not the strongest of the species who survive, nor the most intelligent, but the ones most responsive to change.

## Notes

1. Quote from a speech given by Lord Browne at Bradford University on November 23, 2001; for full text of his speech see [www.bp.com/genericarticle.do?categoryId=98&contentId=2000350](http://www.bp.com/genericarticle.do?categoryId=98&contentId=2000350)
2. Our research study began with an extensive set of scaled indicators for each of the five components of the capability. A questionnaire based on these indicators was given to 160 senior executives in a variety of companies, or in executive programs at INSEAD and Wharton. The indicators of the leadership component clustered together, and were the most highly correlated with a question asking about the overall capability. This research is described in detail in *Peripheral Vision: Detecting the Weak Signals That Can Make or Break Your Company*, George S. Day and Paul J.H. Schoemaker (Harvard Business School Press, 2006).
3. The terms “minding and mining” were used in a presentation made by John Seely Brown at the Wharton conference on Peripheral Vision and in his subsequent article: John Seely Brown, “Minding and mining the periphery,” *Long Range Planning*, Vol. 37, 2004, pp. 143-151.
4. “Change and reorganization – signs of things to come as Thompson becomes DG,” BBC, June 22, 2004, available at: [www.bbc.co.uk/pressoffice/pressreleases/stories/2004/06\\_june/22/thompson.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/06_june/22/thompson.shtml)
5. “BBC launches its vision of the future and manifesto for action,” BBC Press Releases, June 29, 2004, available at: [www.bbc.co.uk/pressoffice/pressreleases/stories/2004/06\\_june/29/bpv.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/06_june/29/bpv.shtml)
6. Gary Hamel, *Leading the Revolution*, Harvard Business School Press, 2000.
7. Our approach to the periphery is complementary to Max H. Bazerman and Michael D. Watkins. *Predictable Surprises: The Disasters You Should Have Seen Coming and How to Prevent Them*, Cambridge, MA: Harvard Business School Press, 2004. They are focused on the more predictable end of the continuum of uncertainty, and offer valuable insights into why events can take an organization by surprise, “despite prior knowledge of all the information needed to anticipate the event and the consequences.” We look further at the unpredictable end of the spectrum, and then build a capability for taking early action on signals of threats and opportunities.
8. Malcolm Gladwell, *Blink* (Little and Brown, 2005). For a critical assessment of this interesting book see Hogarth, R.S. and Schoemaker, P.J.H., “Book review of Blink,” *Journal of Behavioral Decision Making*, Vol. 18, 2005, pp. 309-318.
9. For further detail on this tragic case, including the data charts, see Russo, J. Edward and Schoemaker, Paul J.H., *Winning Decisions: Getting It Right the First Time*, Doubleday, November 2001, pp. 202-204.
10. We are using “tolerable” in the sense of the second level of residual uncertainty as defined by Hugh Courtney, *20:20 Foresight: Crafting Strategy in an Uncertain World* (Harvard Business School Press, 2001).

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