Senior managers and academics alike often hail "sticking to your knitting" as good strategy. But know this: You can’t grow your business and make big profits by doing the same old things just a little better than your competitors. It takes a breakthrough in the way you do business — a Big Idea — to develop a truly innovative product, to pioneer a revolutionary new process.

In hyper-competitive times like today, investing in anything, much less a Big Idea, is often deemed risky. It’s times like these that demand Big Ideas to break the competitive logjam. Uncertainty is a certainty in good times and bad. Without people willing to gamble their capital on risky ideas in uncertain times, there would be no electricity, no computers, no miracle drugs.

Most companies have lots of great ideas. The problem is finding the courage to pick a revolutionary concept and implement it. Risk-averse managers would rather focus on cost reduction, quality management and other initiatives that yield only incremental returns. These moves are not Big Ideas.

Make a plan
So what should you do if the opportunity of a lifetime is staring you in the face? Start with a plan aimed at mitigating some of the risk. Experts recommend that such a plan consider these six steps:

1. **Do your homework.** Make certain that the new venture rests on a solid marketing premise. Conduct a lot of market research and talk with potential customers. Big Ideas need customers who are looking for real innovation in products, prices and service. Simply developing a neat concept that isn’t a priority with your customers stands little chance of success.

2. **Plan for uncertainty.** The future is not linear. In the best cases the possible outcomes are limited. Often the possibilities are endless. Whatever the

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Gambling can be a virtue

by Art Raymond
araymond@raymondnet.com

Art Raymond is a manufacturing consultant specializing in furniture, cabinets, millwork, fixtures, and other secondary wood products. His firm, A. G. Raymond & Co., has developed management and technical solutions for manufacturers around the world. Contact him at 919/831-0070, by email at araymond@raymondnet.com, or on the web at www.raymondnet.com.

The future rarely has one, clear outcome ... but rather a range of possibilities.
case, your planning must consider those scenarios with the highest probabilities of occurring. Without doing so, your plan consists of nothing more than feeding your money into a slot machine.

3. Discount your experience. Today’s experience is only valuable if you believe that tomorrow will be the same as yesterday. It’s better to look around, talk to lots of people and learn how companies in other industries have implemented their Big Ideas.

4. Staff the bet correctly. The best managers for new ventures tend to be those who have experienced winning and losing. You want an explorer, not a maintainer.

5. Plan to work hard. Lots of easy money was made in the late ’90s, but those times were an aberration. Get over it. Success in business comes with hard work. It always has, it always will.

6. Know when to hold ’em, know when to fold ’em. Discover a workable plan for the new business quickly, or close it down. But remember that most new ventures lose money at the outset, and new markets often take time to develop.

Big Blue’s smart gamble

The story of IBM’s System/360 is worth recounting when Big Ideas and risk are discussed. In 1964 IBM invested $750 million in R&D, plant and equipment in a machine that made most of its computers obsolete. That investment was more than twice its annual revenues. Such a wager, if successful, would change everything in the computer business for the foreseeable future.

In three years the bet proved well placed. Annual revenues tripled to $7 billion, and IBM buried its competition. Does anyone remember computers made by Burroughs or Sperry?

The team selected to run the project knew that failure would leave the company with nothing. But Big Blue understood the audacity of its bet, what was bold about its boldness and how to manage the risk.

Great market research indicated that customers would highly value the 360’s benefits. The company knew how to convert research into commercial products. And it was fearless — convinced that its approach would get it right.

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Few will match the amount of IBM’s audacious gamble. But risking any of your hard-won capital is a tricky decision.

To fund your Big Idea most advisers suggest a phased approach. Start with a little seed money to prototype the new product or process. Don’t aim for perfection. Get the Big Idea working, then grow it with more investment. And remember to monitor your progress at each phase.

A company should invest at least its annual depreciation expense every year just to maintain the status quo. To make big steps in products and/or process, you must wager even more cash.

Many question if gambling on the future given recent global events is sensible. Those naysayers should measure the present against the past:

➤ Unemployment is only 6 percent. In the 1930’s it reached nearly 25 percent. As recently as 1982 the jobless rate was over 10 percent.
➤ Inflation is running at just over 1 percent. In the late ’70s double-digit price increases were the norm.
➤ The prime interest rate is 4.25 percent. In the late ’70s borrowers paid 20 percent.

Raymond’s View

Good timing can often make an otherwise bad bet look good. In the business sense, timing is catching the wave of an economic upturn that provides the needed demand for a new product or service.

How can you improve your ability to tell when that wave may be building?

First, learn what the drivers of demand are for your business. Then build a method for regularly monitoring the statistics describing these drivers. Newspapers like The Wall Street Journal and magazines such as Business Week and The Economist are good sources of this information.

Among the well-known indicators watched by economists and businessmen, two consumer confidence surveys provide a monthly look into how consumers feel about themselves:

➤ The Conference Board’s Consumer Confidence Index (CCI) focuses on job security today and six months into the future. The CCI is released on the last Tuesday of every month at www.con-
Today’s weak economy is not the Great Depression. The war in Iraq was not World War III. You are sitting in the biggest, best market in the universe. Our economy has always bounced back. And it will again. Will you be ready?

Failure to support your ideas can have bad consequences. Today the window of opportunity for Big Ideas closes rapidly. Competitors around the world, some not on your radarscope, can jump through before you. Playing it safe is not always playing it smart.

The bottom line — sticking to your knitting will not cut the mustard. Tomorrow’s profits belong to the bold of today. Do you want to look back three years from now and regret that you didn’t bet on your Big Idea? Plan your bet, and bet your plan.

The University of Michigan’s Index of Consumer Sentiment (ICS) focuses on whether consumers are willing to take on debt for big-ticket items like cars, furniture and appliances. The ICS is published on the last Friday of the month at www.sca.isr.umich.edu.

The consumer spends more than $4 trillion a year, over two-thirds of the U.S. economy. To monitor the other important segment, you can watch the Institute of Supply Management’s Report on Business at www.ism.ws. This group publishes a series of 11 indices covering the manufacturing sector. The most widely discussed is the Purchasing Managers’ Index, better known as the PMI. ISM’s report is issued on the first day of every month.

Remember that a one-month rise or fall in any index does not make a trend. Only watching these indices over time will enable you to make an educated guess on the direction of the economy. And no index is a perfect predictor of the future.