

## ***You can't control them, but . . .***

We were in our mid-20s, wandering homeward during the summer of 1970 after two years with the Peace Corps in India. We'd already spent two months exploring Israel, Turkey, Greece, Yugoslavia, Austria, Germany and France . . . and now we were in London, our last stop before heading back to the U.S. and the rest of our lives.

It was a pleasant early evening. Gerry and I and a woman friend were wandering down Piccadilly when one of the ubiquitous pub signs caught our eye.

"You know," said Gerry, "I've been hearing about Guinness all my life, but I've never tasted one."

"Me, either! You wanna try one?"

As I said, we were in our mid-20s.

Gerry grinned enthusiastically and we turned to our woman friend. She was game, so the three of us headed into a tiny pub, swam through layers of smoke, and seated ourselves at a high-top in the middle of the room. Late-afternoon and early-evening drinkers were crowded around the other tables, so it took a few moments until a waiter arrived.

We told him we were Americans and he rolled his eyes. Apparently we were wearing neon signs.

Then I told him we'd been hearing about Guinness all our lives (Gerry's line, but I stole it) and thought it was about time we tried some.

He agreed far too many years had been wasted and offered to bring us each a foaming mug.

We told him that was a capital idea and while he was gone we beamed at each other and decided we would make this a formal ceremony.

A few moments later, the waiter returned. Had we been less impressed with ourselves, we might have noticed that the noise level in the pub had lessened considerably . . .

Instead, we raised our mugs, tapped them against each other, tipped them to our lips and swallowed . . .

At which point all three of us did spit-takes and the entire room went up for grabs.

Nobody'd ever told us Guinness was a *warm* beer!

And apparently everybody in the room had been watching the show (tipped off by the waiter, no doubt) because they were all waiting for the spit-takes.

Some kindly punters came over to our table and apologized. “But we just couldn’t help it!” one of them laughed as he clapped me on the back. “It happens every time a Yank comes in to try Guinness for the first time!”

We recovered our dignity as best we could. I was the first to push my mug to the center of the table, but the other two quickly followed. We stared at them for awhile and then decided to order something more fit for a human.

We had Heinekens. But only after the waiter assured us they kept a few on ice.

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Entrepreneurs are always urged to have a business plan. I’m putting my graduate students at Pepperdine through that torture this winter. But plans are plans. What happens next is usually unexpected.

That’s just part of being an entrepreneur. Me? I’m not an entrepreneur. When my plans go awry I get discouraged. Entrepreneurs never do. They may be disappointed, but that is *not* the same thing.

Trouble is, entrepreneurs are *always* trying something new -- but too often they do so in a vacuum . . . and there aren’t any Heinekens in the cooler . . .

One of the concepts I lean on heavily with my students and others starting social enterprises is the importance of constantly doing a 360-degree scan. Yes, you are looking to discover what your competitors are up to in terms of pricing, product development, marketing communications and other tools of the trade. But entrepreneurs also need to be aware of the forces swirling about the entire industry, enveloping both themselves and their competitors.

What I’m talking about are large-scale, fundamental forces that pose threats and shape opportunities. Most of the time, you can’t control them, but you need to identify them, decide whether they’re positive or negative, determine when they’re likely to occur, estimate their impact -- and, most importantly, decide what to do about them.

There are at least five types of external forces that have an effect on businesses:

- **DEMOGRAPHIC**

Numbers, categories and labels are always changing:

- The percentage of Americans who do not identify with any religion rose from 7% in 1972 to 18% in 2010 (University of Chicago) and by 2012 represented nearly one-fifth of the population, including one-third of adults under 30 (Pew Foundation)
- Alzheimer’s programs began appearing in the 1970s. By the time I consulted with one of Arizona’s leading providers 30 years later, the demographics had changed and it was working exclusively with “early onset” Alzheimer patients

- Many children once viewed as developmentally disabled were eventually re-labeled as “autistic” -- and then, beginning in the early 1980s, were sub-categorized into smaller groups when Asperger’s syndrome became standardized as a diagnosis

So, just who are the people in *your* target market(s), *today*? How old are they? Male? Female? Other? Who will they be tomorrow?

What are their income levels? Their religious affiliations? Their education levels?

And what are the trends in each area? Is the gender balance shifting? Is the age range changing? Are the people you serve better educated? Is their income level rising or sinking? Are they decamping or flooding into your geographic area?

- **ECONOMIC**

In 1977, Independent Sector conducted a study revealing that the average nonprofit in the United States had three months of operating capital in reserve. Not great, but not a disaster.

Twelve years later, Independent Sector repeated the study. This time, the average nonprofit had less than four *days* in reserve -- not even enough to pay next week’s expenses.

How many nonprofits saw that happening?

And how many saw the recession coming? It’s had a devastating impact on nonprofits, social enterprises and other businesses during the past five years.

And now: Will inflation begin stifling the purchasing power of the people you serve? Will interest rates soar? Will wage levels climb -- or descend? Will the unemployment rate continue to creep downward or suddenly switch directions? Just a few of the economic forces that will soon have an impact. Are you paying sufficient attention?

- **TECHNOLOGICAL**

People used to be astonished when I mentioned that my Psych 101 course at the University of Minnesota in the fall of 1962 took place in Northrop Auditorium rather than a classroom -- nearly 2,500 students came to lectures three mornings each week. But three years ago, 160,000 people attended a free, online course about artificial intelligence delivered by a professor at Stanford. Online schools and degrees are proliferating, and the educational landscape has been transformed.

During the past half-decade, the impact of rapid technological change on social enterprises has been second only to economic earthquakes. We are perched on an inflexion point unseen since the Industrial Revolution. Technology will alter the way you package, price, deliver and promote your products and services -- and might completely erase the need for them.

- **SOCIOLOGICAL**

How well do you understand the people you are serving?

What do they hold as core values? How do they feel about the most divisive issues of our time (“freedom of choice” vs. “right to life”)? Are their lifestyles and expectations morphing into something that would have been unrecognizable even a decade ago (the attitudes of Americans toward gay marriage)? What traditions do they honor (the right to bear arms)? What customs do they practice (end-of-life care in the home or in a hospital)?

Do they hold any collective power? Is it increasing or decreasing? What does that *mean*?

And what do they expect from a company like yours? Is *that* changing?

- **POLITICAL AND REGULATORY**

Three words: “Affordable Care Act.” The ripple effect will cause unimagined changes in the way health care is viewed, priced and delivered. What will be the implications for your social enterprise (even if you’re not working in the healthcare arena)?

Federal legislation always has a massive impact, often with unexpected side effects. The Community Mental Health Act of 1963 ushered in an era of homelessness that is still a plague, especially in our urban centers. But state legislation and local regulations can be equally challenging. Is there new or pending federal or state legislation that could affect your business (*e.g.*, would stricter licensing of the care-givers in your field be a positive or a negative?). Are the people you serve gaining political clout -- and is that a good or bad thing for your company? Are activists promoting damaging or helpful legislation?

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*It’s not easy. You need to simultaneously keep your eyes on the landscape beneath you and the world around you. And, at the very least, you need to have best and worst case scenarios in mind. What will change? How great a change will it be? When will it happen? How will you react?*

*Many external forces will have no impact on your future. But there will always be a few that could make all the difference if you don’t understand and prepare for them, whether they be happy surprises or seismic shocks to the system.*

*It’s all about reactions: This gigantic alien is landing in your living room. What do you do next?*

*Well, if you’re less impressed with yourselves than Gerry and I were in that pub, you might have seen them coming . . .*