

Top Ten Problems Faced by Business

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Abstract / Teaser:

We interviewed top CEOs to create a list of the Top 10 Problems businesses will attempt to solve in 2013. Here is what we found.

We never like to rely on one source to fuel our analyses of the problems facing business today, so we've integrated our own interviews with corporate CEOs along with other inputs, [research](#) [2] and thinking to create this list of the top 10 problems for businesses to solve in 2013:

1. Uncertainty

All human beings, but it seems business leaders in particular, find great discomfort in uncertainty. Uncertainty in the global economy, uncertainty in the credit markets, uncertainty in how new regulations will affect business. The bottom line is that uncertainty leads to a short-term focus. Companies are shying away from [long-term planning](#) [3] in favor of a shorter term focus, with uncertainty as the excuse. While this might feel right, we believe that a failure to strategically plan five years into the future can end up destroying value. The problem to be solved, therefore, is to balance the need for a more reactive, short-term focus with the need for [informed, long-term strategies](#) [4].

2. Globalization

In interviews conducted by BMGI, seven of 10 Fortune 500 CEOs cite the challenges of globalization as their top concern. Understanding foreign cultures is essential to everything from the ability to penetrate new markets with existing products and services, to [designing new products and services](#) ^[5] for new customers, to recognizing emergent, disruptive competitors that only months earlier weren't even known. The problem to be solved is to better understand international markets and cultures through better information gathering and better analysis of what it all means.

3. Innovation

Interestingly, we haven't found that many companies are looking to create more innovative cultures. At least not the big companies (Global 1000) anyway, though that changes some as companies get smaller. This finding was a big surprise. It seems big companies are struggling with innovation, and a better [innovation process](#) ^[5] is at the top of the agenda for most CEOs. But the idea of a more innovative culture appears too frightening to many. The problem to be solved is how to become more innovative while still maintaining a sense of control over the organization.

4. Regulation

A changing regulatory environment is always of concern in certain industries, but uncertain energy, environmental and financial policy is wreaking havoc for nearly all companies today. Whether a demand from customers or shareholders to become more "green," or the threat of increased costs due to new carbon taxes, environmental considerations are among the biggest challenges businesses face today. And we don't need to give too much press to the current issue of financial reform and regulation, although we do have some opinions about how to prepare for that if you're a bank or a brokerage house. The problems to be solved are to understand the meaning of regulation in your industry, its implications for your business, and to [develop the skills](#) ^[6] necessary to deal with it.

5. Technology

The pace of technological improvement is running at an exponentially increasing rate. While this has been true for several decades, the pace today makes capital investment in technology as much an asset as a handicap because a competitor can wait for the next-generation technology, which may only be a year away, then use it to achieve an advantage. Similarly, the ability for even the best of technologists to stay informed about emerging technology is in conflict with the need to master a company's current technology. The problem to be solved is to develop a [long-term technology strategy](#) ^[4] while remaining flexible enough to take advantage of unforeseen technology developments.

6. Diversity

A particular subset of human capital planning is found so often in our research that it is worth its own mention. Diversity brings many challenges, as it makes it far more likely that people do not agree, and the lack of agreement makes execution very difficult. At the same time, the lack of diversity among many large company leadership teams leads to a narrow view of an ever-

changing and diverse world—contributing to groupthink, stale culture and a tendency to live with the status quo for too long. The problem to be solved is to first define what diversity really means in your company, then foster the expansion of differing ideas and viewpoints while ensuring cohesion and teamwork.

7. Complexity

There's no doubt that life and business have gotten more complex, even as certain tasks and activities have become easier due to information technology. [The pace of change is quickening](#) ^[7]. The global economy is becoming still more connected, creating a much larger and more diverse population of customers and suppliers. Manufacturing and services are increasingly targeted at smaller, specialized markets due to the flexibility that IT provides in these areas. We know from our knowledge of the patterns of evolution that, in reality, systems tend to become more complex as they evolve, then become simplified again. The problem is how to develop better systems-thinking capability so you can design your business models, processes, products and services in a way that minimizes complexity.

8. Information Overload

It is said that the only true constant is change, and in today's world nothing is changing more, or growing faster, than information. A March 2010 estimate put global Internet traffic at 21 exabytes—21 million terabytes. By 2016, global traffic will reach 1.3 zettabytes, according to a report released in May 2012. Every day, 2.5 quintillion bytes of data are created. The ability of companies, much less individuals, to consume and make sense of the information that is available (and necessary) to make good decisions is becoming a nearly insurmountable challenge. The problem to be solved is to deal with this [mountain of information](#) ^[8] with both technology and human know-how, then to convert this information into valuable knowledge.

9. Supply Chains

Because of uncertainty in demand and the need to stay [lean](#) ^[9], companies are carrying smaller inventories than ever. At the same time, uncertainty in supply, driven by wildly changing commodity prices, an apparent increase in weather-related disruptions, and increasing competition for raw materials from the BRIC countries, makes materials planning more challenging than ever. Smaller suppliers that can no longer get the credit they need to keep up with their larger customers' demand exacerbates an already unwieldy situation. The problem to be solved is to develop a supply-chain strategy that not only ensures the lowest costs, but also minimizes the risk of crippling supply-chain disruptions.

10. Problem Solving

While the first nine biggest problems faced by business are a direct result of research, the 10th is really BMGI's own conclusion based on the prior nine. The lack of a sophisticated problem-solving competency among today's business leaders is limiting their ability to adequately deal with the first nine problems. This is why corporate managers tend to jump from one fire to another, depending on which one their executives are trying to put out, and in many cases the

fast-changing business environment is what ignites these fires. So what is the problem to be solved? We believe, to do well into the future, companies must resolve that [problem solving](#) ^[10] is the key to business, then develop a robust problem-solving capability at all levels.

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