Pre-emptive Management in Entrepreneurship

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by

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Abstract

Existing business theories have a perspective that is limited by industrial lenses. Thus, the rapidly evolving business world needs a new business theory. In this new era, the scale of risks and opportunities grows as organizations move into the knowledge economy. These realizations are based on observations that risks and opportunities gain their highest values only if they are determined when out of sight (without suffering any cost of experience). This thesis formulates a pre-emptive management theory that will assist high-growth entrepreneurs in the knowledge economy. This theory has been formulated based on observations and combining knowledge management tools that are used in contemporary management theories. As a result, by analyzing potential risks and opportunities using knowledge management tools prior to incurring the costs of experience, and acting accordingly, businesses will be able to achieve higher levels of success. Pre-emptive management discusses how opportunities and risks can ensure the achievement of significant economic value by minimizing the cost of experiences, particularly from the perspective of high-growth entrepreneurial ventures.
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1. Preface

‘For to win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill’—Sun Tzu

Many management science theories have been in practice for years, often without the backing of a theoretical framework and oblivious to emerging trends. If one researcher theorizes a fact and conceptualizes an issue, the theory becomes part of the literature; for example, the theory of innovation, which has been used by companies for many years, was popularized by Christensen. After the book’s release, innovation became a theoretical concept that spread throughout the world without further scrutiny.

Pre-emptive management methods have been applied since time immemorial by managers of companies, trade organizations, economic development agencies and chambers of commerce, as well as by diplomats in state departments, army officers and countless others in positions of organizational responsibility. The aim of this paper is to theorize the concept and assist in its recognition and adoption by the management science literature.

2. Introduction

The definition of pre-emptive management is to perceive and predict possible opportunities in order to exploit them, and to anticipate potential problems in order to mitigate them before they lead to business challenges that require significant resources to rectify. Therefore, before starting a business, knowledge management tools are used to perform a comprehensive and versatile due diligence risk assessment to inform the decision-making stage. In this sense, precaution and pre-emption are the protection mechanisms in pre-emptive management.
The functions of pre-emptive management include planning, preparation, prediction, research, modelling, due diligence, intelligence, management and intuition.

One assumption of pre-emptive management is that the global economy is becoming increasingly knowledge driven; thus, companies are becoming information systems (see Appendix A). However, knowing what to do is not enough; one should proactively execute plans and mitigate threats. Other assumptions include an effective planning process that is strategic and adaptive rather than static, and information that is required to exploit venture ideas.

Pre-emptive management suggests strategy-focused, knowledge-creating and knowledge-sharing organizations, as well as information-based and project-focused organizations. Pre-emptive management mainly appeals to high-growth entrepreneurial ventures.

3. Transition to the Knowledge Economy

Today, high-growth entrepreneurial ventures make fixed investments in any location around the world in terms of labor costs, tax regulations and electricity costs. This flexibility of investment evolves single-location fixed holdings to flexible worldwide investment companies.

Pre-emptive management is needed in the new knowledge economic system because the old economy focuses on traditional manufacturing and service sectors.
Figure 1: Tangible assets as a percentage of all assets of non-financial businesses


Thus, early management theories, such as scientific management and classical and behavioral theories, which focus on efficiency and economies of scale, mainly prepare guidelines for complex organizations, large-scale industrial enterprises and factories. Classical organizational theories exist for product-related goals. In the aggressive growth-oriented business context, there is a shortening of product lifecycles and an increase in the speed of technological change. These models are vulnerable towards sudden change.

Moreover, efficiency is not a competitive advantage anymore. The rapid change of the business environment requires new organizational structures. In this sense, a pre-emptive management model provides for the future orientation of companies (see Appendix A). That is, it helps companies overcome barriers to future orientation and provides compatibility with a knowledge-based economy. Pre-emptive management is rooted in history but is compatible with today’s new economy.
### Old Economy vs. New Economy

<table>
<thead>
<tr>
<th>Old Economy</th>
<th>New Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Equipment</td>
<td>Innovation - Creativity</td>
</tr>
<tr>
<td>Building</td>
<td>Know-How</td>
</tr>
<tr>
<td>People as money making machine</td>
<td>People as agent for innovation</td>
</tr>
<tr>
<td>Production</td>
<td>Customer Relationship</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Partnership</td>
</tr>
<tr>
<td>Human Interface</td>
<td>Computer Interface</td>
</tr>
<tr>
<td>Industrial Society</td>
<td>Information Society</td>
</tr>
<tr>
<td>Hierarchies</td>
<td>Networking</td>
</tr>
<tr>
<td>Physical Capital</td>
<td>Human Capital</td>
</tr>
</tbody>
</table>

*Figure 2: Comparison of old and new economies*

The economic world is rapidly changing, and organizations need to be faster and more aware of potential risks and threats, otherwise industrial lifecycles and product lifecycles will become shortened, while the creative destruction rate and its affects will become strengthened. At this stage, it is critical to make accurate and profitable decisions and to anticipate market shifts.

In the new economy, knowledge is a factor of production, because companies produce their products and services as information. Stewards observed that:

> Knowledge has become the most important factor in economic life. It is the chief ingredient of what we buy and sell, the raw material with which we work. Intellectual capital—not natural resources, machinery or even financial capital—has become the one indispensable asset of corporations. (Stewards, 1997)
Information, plans, analysis and business development are critical in this new economic order, as this is where pre-emptive management is enabled. Thus, pre-emptive management can be viewed as a business theory for effective decision making, because the new economic order is knowledge intensive.

Currently, making investments does not mean operating a factory; rather, it means using manufacturing plants worldwide as sub-contractors and revealing the products that are designed and analyzed within the company. For instance, Apple designs its products in California but manufactures them in China. Therefore, the duty of new-generation high-growth entrepreneurs (see Appendix A) is to find and interlock the correct pieces, including the correct team, capital structure, industry,
sub-contractor, product and service, as well as accurately identifying customer needs and the appropriate business model. Success is based on the ability to recruit highly talented people, including financiers, consultants and skilled sub-contractors. For this purpose, pre-emptive management is an excellent tool.

4. Existing Related Management Science Theories

Precautionary risk management, strategic planning, business planning, anticipatory management, proactive management, peripheral vision and organizational learning are related management science theories (see Appendix A).

5. Weaknesses and Gaps in Existing Theories and Their Implications

Strategic planning, risk management and organizational learning have separate identities in the management science theory. They do not offer a holistic approach; rather, their functions are single and unique. Pre-emptive management is a revolutionary theory that integrates related existing theories, fills in the gaps and completes the puzzle. Anticipatory management offers a holistic approach. However, it functions primarily in the decision-making process.

Pre-emptive management provides compatibility with a knowledge-based economy. It suggests new roles for executives, complements existing processes and adds new procedures. Pre-emptive management helps companies, and especially high-growth entrepreneurial ventures, to overcome the barriers to future orientation.

Pre-emptive management overlaps with several management science concepts; however, these concepts and methodologies do not address the unmet need in business, which is to proactively mitigate threats, particularly as ‘virtual companies’ enter the global business at a rapid pace.
The gaps in other management theories are similar to those in pre-emptive management; therefore, they do not have a holistic structure that is suitable for a knowledge economy. Pre-emptive management is a total business ideology; existing theories produce micro-solutions that are not as extensive as pre-emptive management.

The precautionary risk management is similar to pre-emptive management theory. The difference is that pre-emptive management proactively mitigates the risk, whereas precautionary risk management is a strategic defense mechanism; it does not actively mitigate risks. The precautionary approach is protective in this sense, whereas pre-emptive management is pragmatic, produces results, actively mitigates risks and executes and implements strategies.

Pre-emptive management is a holistic approach, combining strategic planning, risk management, organizational learning, project management and knowledge management. It achieves outcomes and results and functions on many levels, from data collection to decision making, and from information analysis to execution.
Pre-emptive management is not solely a theory. At the macro level, it is also a philosophy—a strategic management approach. At the micro level, it is a practice—an execution model.

<table>
<thead>
<tr>
<th>Theoretical layers</th>
<th>Layer</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Philosophy</td>
<td>Pre-emptive thinking</td>
<td></td>
</tr>
<tr>
<td>2. Theory</td>
<td>Pre-emptive management</td>
<td></td>
</tr>
<tr>
<td>3. Methodology</td>
<td>Pre-emptive management in entrepreneurship, new organizational design, roles of Chief Knowledge Officer</td>
<td></td>
</tr>
<tr>
<td>4. Practice</td>
<td>Opportunity recognition tools, comprehensive due diligence tools, entrepreneurial strategic decision-making tools, organizational intelligence tools, controlling, project management tools, incubation, strategic foresight, simulation tools.</td>
<td></td>
</tr>
<tr>
<td>5. Execution</td>
<td>Chief Knowledge Officer and knowledge—strategy professionals</td>
<td></td>
</tr>
<tr>
<td>6. Results</td>
<td>Due diligence reports, feasibility reports, accounting reports, action plans, strategic planning reports, project management reports, checklists, financial reports and ratios, performance reports, financial models, marketing plans, risk assessment reports, project plans, growth of incubation</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Pre-emptive Management Model
Figure 5: Schematics of pre-emptive management
5.1. Planning

In business, it is common to make a decision without planning; however, it does not end well. Planning allows efficient decisions to be made. Pre-emptive management plays a significant role in decision planning, as it enables the planning, documentation and storage of information. Therefore, it is an important milestone in the development of corporate memory. In addition, it provides guidance for shaping the future, and it is a logical framework.

Every business needs to consider the investment barriers in the planning stage. For example, at the planning stage of a new company, questions will be asked regarding the size of the market, adequate revenue and whether suppliers have the power to set terms. If the company is started without planning, the answers to these questions will be learned at the cost of experience. In addition, business plans should have pre-emptive management strategies in case of emerging opportunities and risks.

Tools for planning include financial, strategic, tax, marketing, communication, exit and project planning.

5.2. Intuition

Entrepreneurial intuition is important in pre-emptive management; however, intuition alone is not enough. Data and intuition should work together for pre-emptive management, as a mere gut reaction may lead to fatal errors. As Eisner observed, “balanced emotions are crucial to intuitive decision making”. Overconfidence and excitement are two major intuition flaws. Pre-emptive management does not consider entrepreneurial decision makers as rational calculators. Intuition and vision play important roles in the decision-making process, because rational decision making becomes dogma, and limitations of the mind sometimes become the strength of
decision makers. Intuition provides the inspiration, insight and instinct needed to identify the best investment options. As Polanyi observed, “We know more than we can tell”. Accordingly, Schumpeter (1934) stated that:

Despite the higher level of conscious rationality inherent in innovation, the possibility of errors cannot be eliminated by rational planning. This is the reason why entrepreneurship involves the important but elusive quality of intuition, the capacity of seeing things in a way which after wards proves to be true, even though it cannot be established at the moment (p. 85). ⁷

5.3. Prediction

It is important to make predictions about the future for pre-emptive management, because the theory is based on taking action after considering potential possibilities that may emerge. For example, conducting analysis of the financial feasibility of a power plant investment is critical in order to understand how many years it will take for return on investment. If a feasibility study is not conducted, the cost of experience may be expensive, as the payback time for the investment is within an unacceptable period.

Trend forecasting and leading economic indicators play important roles in prediction. They develop corporate intelligence to assess the economic data and conduct proactive scenario analyses to return a profit. It is important for high-growth entrepreneurs to test and simulate their decisions. As one consultant in KPMG observed, “to take major business decisions without first testing their consequences in a safe environment can be likened to training an airline pilot by having fly a 747 without first having spent months in the simulator”. ⁶
Tools for prediction include trend forecasting, economic indicators, business cycle analysis, demand forecasting, bankable feasibility, capital budgeting and time horizon.

Figure 6: Appropriate forecast technique tends to vary over the life cycle of a product


Figure 7: Level of use of foresight methods

Forecasting economic time series often involves a consideration of changes in the level, trend, and/or seasonality of the data.

<table>
<thead>
<tr>
<th>Seasonality</th>
<th>Model Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonseasonal</td>
<td>One-parameter (simple) exponential smoothing model.</td>
</tr>
<tr>
<td>Additive Seasonal</td>
<td>(c)</td>
</tr>
<tr>
<td>Multiplicative Seasonal</td>
<td>Three-parameter (Winters) exponential smoothing model.</td>
</tr>
<tr>
<td>Constant Level</td>
<td>(a)</td>
</tr>
<tr>
<td>Linear Trend</td>
<td>(d) Two-parameter (Holt) exponential smoothing model.</td>
</tr>
<tr>
<td>Dampened Trend</td>
<td>(g)</td>
</tr>
<tr>
<td></td>
<td>(h)</td>
</tr>
<tr>
<td></td>
<td>(i)</td>
</tr>
</tbody>
</table>

Figure 8: Common trends in economic time series are forecast using exponential smoothing methods


5.4. Due diligence

Due diligence is one of the essential points of pre-emptive management, as it is difficult to make smart decisions about the future without understanding the current situation. In addition, there are many risks associated with the failure to conduct due diligence. That is, due diligence is a precautionary measure. Accordingly, due diligence and pre-emptive management are soul mates, as both encourage research and analysis to be conducted in advance with respect to problems that may emerge. As Barr observed, “A large part of what makes a deal successful after you complete it is what you do before you complete it” (Galpin & Herndon, 2007)

Tools for due diligence include financial, commercial, management and legal due diligence.
5.5. Modelling

A modelling study consists of the knowledge management phase of pre-emptive management, and it is important in terms of converting raw data into applicable information. As a result of a modelling study, different alternatives and scenarios can be compared. For example, the financial modelling of a shopping center investment and the working capital that may be required can be estimated before construction of the center begins. Modelling studies make important contributions to the decision-making process. As observed by Mortensen:

Models are intellectual tools. In the broadest sense, a model must be able to help us distinguish what is possible from what is impossible, and from the realm of the possible to distinguish the better from the worse. In other words, a model should be used for designing of options.\(^8\)

Tools for modelling include decision, financial and business modelling.
Figure 10: Cost structure for a product


5.6. Research

Research is one of the core values of pre-emptive management. Data collection and analysis constitute the basis of the knowledge management principle. All decision-making processes that are not based on data are likely to fail. Research, data collection and data interpretation provide important hints for the future. For example, before investing in construction, conducting market surveys to find the most suitable consumer profile will increase the chance of commercial success. It will be too late to conduct a market survey after the construction has commercially failed.

Taking action in advance and collecting data are among the basic components of pre-emptive management. There is no commercial value in conducting project analysis at the end of the project. This reflects the significance of pre-emptive management. In addition, developing a research system to understand how and where scarcity will occur is crucial for pre-emptive management, which focuses on opportunities where organizations may benefit from scarcity because more scarcity equates to more profit. Scarcity often determines value.
Tools for research include analysis and marketing, consumer and investment research.

5.7. Intelligence

Intelligence eliminates the possibility of pre-emptive management being a bureaucratic burden. In this sense, business intelligence provides applicability for information. Intelligence significantly contributes to the decision-making process. For instance, competitive intelligence develops market awareness. It provides up-to-date information regarding competitors’ actions and customers’ perceptions toward them. In addition to competitive intelligence, financial intelligence includes considerations for selecting debt, the optimal cost of capital and the optimal capital structure.

Tools for intelligence include financial and market intelligence, competitive analysis, and data-driven marketing.

5.8. Management

The information-based management of business processes is important for the success of pre-emptive management. Recording business processes and developing and enriching business process management with new strategies and theories are required for pre-emptive management to operate successfully.

Tools for management include investment, risk, revenue, operations, sub-contractor, product lifecycle, negotiation and contract management.

5.9. Preparation

The preparation processes for pre-emptive management include compiling information, preparing checklists (which develop corporate memory and attention)
and building effective teams before execution. Preparation before starting a business process is an essential aspect of pre-emptive management; each stage that is started without preparation is likely to fail.

Tools for preparation include controlling, preparing checklists, performance monitoring and team building.

6. Mitigating threats

Mitigating threats is a crucial part of pre-emptive management. Before starting a business, knowledge management tools should be used to perform multifaceted due diligence in order to inform the decision-making stage. It is important to sound any alarms early; ignoring problems at the early, high-risk stage is dangerous in business, since a small problem can easily snowball and resist being rectified at later stages. As Welch once said, ‘change before you have to’.

7. Taking the Initiative to Act on Knowledge

The protagonist of pre-emptive management is the Chief Knowledge Officer. Pre-emptive management and the CKO function at multiple levels of the corporate organization. This reflects the interdisciplinary approach of pre-emptive management.

*Figure 11: Schematics of Chief Knowledge Officer*
Pre-emptive management is executed by the coordination of the CKO and the Chief Executive Officer (CEO), which is backed by the Board of Directors. The execution is assisted by knowledge and strategy professionals. The presence of a CKO is needed because knowledge management requires focus to be successful. CKOs’ work is based on information and knowledge, and they focus their attention and energy on the collection, analysis and management of information. CKOs have a depth of knowledge of many pre-emptive management tools. They ensure that the tools are applied successfully, and they share the results of the application of tools with CEOs and the company. In knowledge management, mitigating risks and tracking opportunities are not only theoretical, but also practical.

CKOs are the basic actors of the knowledge-based organization. They are the right-hand men of the CEOs, and they conduct research for CEOs so that they can make the correct decisions and take the correct actions. They inform CEOs of the results from pre-emptive management tools and are a type of data bank for the CEO, who cannot spend time collecting data and conducting research due to their intense workload. The Chief Knowledge Officer is the result of this type of knowledge-intensive specialization. Synergy is needed for the effective execution of pre-emptive management; thus, coordination of the CKO and the CEO is needed, as well as knowledge and strategy professionals.

8. Applicability/Workability of Pre-emptive Management

Pre-emptive management suggests strategy-focused, knowledge-creating and knowledge-sharing organizations, as well as information-based, project-focused organizations.
Although pre-emptive management mainly appeals to high-growth entrepreneurial ventures, this theory can be applied to all types of corporate organizations.

Pre-emptive management will be applied in conventional companies as discussed below. A CKO in his or her field should be assigned. This CKO should employ an adequate number of knowledge assistants and strategy analysts, but the employment should not be handled as a mainstream personnel recruitment process in

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**Figure 12: Characteristics of a project-focused environment**


<table>
<thead>
<tr>
<th>Project</th>
<th>Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>has relatively few sponsors</td>
<td>has many sponsors</td>
</tr>
<tr>
<td>will be a contained disaster if it fails</td>
<td>may be a corporate disaster if it fails</td>
</tr>
<tr>
<td>is focused on a deliverable</td>
<td>is focused on a business objective</td>
</tr>
<tr>
<td>will deliver benefit after completion</td>
<td>will deliver benefit in phases</td>
</tr>
<tr>
<td>has a short- to medium-term lifespan</td>
<td>has a long-term lifespan</td>
</tr>
<tr>
<td>has variable risk</td>
<td>is always high risk</td>
</tr>
<tr>
<td>has a focused scope</td>
<td>has a wide scope</td>
</tr>
<tr>
<td>excludes business-as-usual activity</td>
<td>includes business-as-usual activity</td>
</tr>
</tbody>
</table>

**Figure 13: Differences between a project and a programme**

the company. It is more of a specialized process. Short-term service purchases can be made by searching the Internet, and permanent staff personnel can be recruited. CKOs should be provided with versatile information sources and technology infrastructures, and they should design their own departments in accordance with their own mode of management.

In start-up organizations, CKOs will continuously inform the management team of new investment opportunities, and they will model, analyze and present the collected data. CKOs also formulate alternative scenarios and workable options. Thus, knowledge and strategy professionals discover benchmarks for decision making and create alternative assessment strategies.

![Figure 14: Selection of investment projects](Source: Tennent, John. Guide to Financial Management: Principles and Practice. Economist Books, 2009.)

CKOs are also responsible for finding business opportunities and potential risks in advance and reporting them to the management team, as well as offering solutions and risk management strategies. If the start-up is at the growing stage, it will conduct knowledge-intensive research such as analyzing the perception of the service or product provided to the consumer and analyzing competition and trends. CKOs create scenarios and road maps for opportunities and threats, and keep track of
information about new opportunities. Phillip Watts, chairman of the Royal Dutch/Shell group stated that “Scenarios are not predictions. Rather they are a way of challenging our assumptions. They are a tool for focusing on critical uncertainties— the unexpected discontinuities or unknown possibilities which could transform our business environment” (Kourdi, 2003)

If the organization is a medium- or large-sized enterprise, CKOs and their teams communicate potential opportunities and risk analyses to the management of the organization in coordination with their department. If required, they analyze the organization’s available product or service and create a strategy for the future. CKOs establish data banks and create an organizational memory. They also save the information in the information technology (IT) system and install the intelligent system.

CKOs are internally interdisciplinary actors. They collect information from multiple sectors and apply information from every knowledge-intensive sector. Thus, CKOs provide active support for business development in organizations. CKOs also assess the synergistic and conflicting effects of investments.

CKOs are responsible for collecting, analyzing, updating and saving information in the organization. CKOs are familiar with the laws of supply and demand in the industry, the cycles in the sector, key metrics to watch and the effects of interest rates on the market. Overall, CKOs are aware of the domain knowledge of the industrial sector. As Egan observed, “you may have capital and a talented management team, but if you are fundamentally in a lousy business, you won’t get the kind of results you would in a good business. All businesses aren’t created equal.” (Mullins, 2004)

CKOs report and transform these data into action and scenario plans, finding and realizing the required talents. That is, CKOs not only prepare reports, but they
also control the application of reports and ensure results. Therefore, they offer an information management system that is intended for execution rather than a system that remains on paper.

CKOs are responsible for controlling and coordinating the information system (see Appendix A) they create and ensuring that it has a positive effect on the profitability and performance of the company. In order for CKOs to conduct these activities, they should be authorized to make and execute decisions pertinent to new opportunities and rising issues, and they must have freedom to navigate the organizational structure. Analysis does not mean synthesis; thus, a strong connection is needed between the CEO and the CKO.

![Diagram: Chief Knowledge Officer–Chief Executive Officer coordination](image)

*Figure 15: Chief Knowledge Officer–Chief Executive Officer coordination*

9. Organizational Design of Pre-emptive Management

Pre-emptive management requires change in organizational architecture (see Appendix A). New organizational designs, which can be called post-bureaucratic work organizations, optimize strategy implementation.
Figure 16: Company as an information system

Pre-emptive management has a unique and specialized organizational structure. The most suitable organizational structure has been determined for CKOs, as pre-emptive management operators, and their teams. The organizational structure of pre-emptive management has been established considering the dynamics informed by the knowledge economy. An optimum structure has been established for the dynamism of the new economic system, fast-changing consumer habits, shortened product cycles and tracking fast-flowing information. This is a flat, decentralized structure rather than a hierarchic, centralized structure. The organizational design of pre-emptive management is a ‘guerilla’ type rather than conventional. It is a structure where CKOs and their teams perform information tracking and risk and opportunity analyses without any working hour limitations and hierarchic pressures, and the quality of the manufactured products is assessed instead of the daily wages for the working hours.
10. Advantages of Pre-emptive Management

Pre-emptive management takes a holistic approach, outperforming other management methods that do not have this integrated ideological framework. Pre-emptive management helps to identify and exploit entrepreneurial opportunities, and it mitigates risks and threats.

Pre-emptive management optimizes the decision-making process based on data and information. Therefore, it enables profitable investment decisions to be made. Decision-making processes that are not based on information will be a significant risk for capital loss. As James Harrington, a past chairman of the International Academy for Quality, observed:

Measurement is the first step that leads to control and eventually to improvement. If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.

As discussed below, the initial phases of realizing a business idea consume too much capital. There is a significant risk for organizations investing in ideas. Pre-emptive management will contribute to the decision-making process by deciding whether it is better to invest in an idea by using its own tools. This will serve to minimize the risk of investing money in an idea.
It is important for pre-emptive management to collect accurate data, turn the data into information and conduct accurate analyses in order to make appropriate investment decisions. Thus, pre-emptive management provides guidance to apply the
information and to ensure outcomes. As Hammer stated, “When accessible data is combined with easy-to-use analysis and modelling tools, frontline workers—when properly trained—suddenly have sophisticated decision-making capabilities.” (Hammer, 2006)

The utilization of information is the primary goal of pre-emptive management. For this reason, pre-emptive management suggests that the information will be analyzed and turned into a strategy, which informs the decision-making process. Thus, it will provide maximum benefits. If the application of information in the business process is delayed, economic benefits will be reduced: “[Friedrich] Hayek asserted that the “economic problem” was not one of resource allocation but instead due to inadequate dispersion of knowledge and effective utilization of information.”3 Therefore, pre-emptive management is a model based on utilizing information, and it offers an alternative solution to knowledge dispersion.

11. Challenges of Pre-emptive Management

1. Paralysis by analysis: Paralysis by analysis means overanalyzing a situation. Too many detailed options disconcert the decision maker, who may think the situation is overcomplicated. In addition, trying to find the perfect solution might distort the decision-making process. To cope with paralysis by analysis, effective leadership is a must for high-growth entrepreneurial ventures. As Kourdi observed:

Leaders need information to understand the complexities of their environment and to ensure effective action. Yet the amount of information available these days is overwhelming, with the potential for “paralysis by analysis”. Again, traditional leadership values important, and the solution is often to work through a consistent set of principles that enables you to capture and filter relevant knowledge, and then transform this into effective action. (Kourdi, 2009)
2. **Planning fallacy**: Planning fallacy is defined as:

   “...a tendency for people and organizations to underestimate how long they will need to complete a task, even when they have experience of similar tasks over-running. According to this definition, the planning fallacy results in not only time overruns, but also cost overruns and benefit shortfalls.”1

Thus, pre-emptive management diagnoses time and cost overruns and benefit shortfalls. It mainly opposes spontaneous order in business management.

3. **Optimism bias**: Pre-emptive management should cope with optimism bias and benefit shortfalls. It injects a dose of pessimistic realism. Pre-emptive management does not treat *pro forma* as fact, because cost estimates are often underestimated, whereas income estimates are often overestimated in projects.

4. **Myopic approach to analysis**: Pre-emptive management is opposed to a myopic approach to analysis. Thus, it heavily considers trends and foresight. Pre-emptive management measures the changes in GDP, applies curve fitting and calculates the price elasticity of demand.

5. **Dilemma of precautionary approach**: Jablonowoski observed that “under precaution, we must be prepared to spend up to the amount of loss to prevent a loss.” (Jablonowoski, 2006) Therefore, in some cases, preventative action becomes more costly relative to the expected value of loss. One way of coping is to provide alternative assessment strategies and workable options.

6. **Uncertainty**: Pre-emptive management provides the light to see through the fog of uncertainty that surrounds every opportunity. However, coping with uncertainty does not increase the profitability of the project. As Wright observed, “increased knowledge about a project will reduce one’s risk; however, it should also be noted that increased knowledge about a project will not necessarily increase the project’s profitability; often, the project will not be as profitable as originally thought” (p. 346).
7. **Idea-focused**: The perspective in pre-emptive management should deviate from idea-focused to customer-focused. As Drucker stated, “The customer…is the ultimate reason for whatever the organization produces.” Products often fail in the market because they do not meet a clear customer need. Today, the method of applying technology is more important than the technology itself. An organizations’ main purpose is to create a customer—not to develop technology.

12. **Superiority of Pre-emptive Management**

The greatest contribution of pre-emptive management to organizations is the ability to make effective decisions.

The state of entrepreneurial alertness is significant for pre-emptive management in analyzing potential risks and opportunities. Therefore, early warning signals are critical.

When eliminating risks using pre-emptive management, or discarding investment decisions with the probability of inefficiently exhausting the organizations’ resources, the benefit created by the organization must not be perceived as inaction. As the Bhagavad Gita said, “The one who sees action in inaction and inaction in action is intelligent among men”. Saying ‘no’ to investment decisions means protecting sources for future investments. Thus, pre-emptive management protects the resources of the organization and ensures benefits from these opportunities when the organization meets these investment and venture opportunities.

While pre-emptive management eliminates opportunities, the process of elimination must not be perceived as negative and obscurantist. As Walton says, “There will come a time when big opportunities will be presented to you, and you’ve got to be in a position to take advantage of them.”
This perspective is indeed rooted in history. In the Pyrrhic war in 280 BC, King Pyrrhus of Epirus’s army suffered unrecoverable casualties in overthrowing the Romans. This victory was named after as Pyrrhic victory. It refers to the “heavy cost involved in winning that destroys any sense of achievement.”

Therefore, pre-emptive management is a defense mechanism against such Pyrrhic victories for high-growth entrepreneurial ventures.

Pre-emptive management is superior because it mitigates potential problems before they lead to business challenges.

![Figure 19: Benefits of project planning](source)

As shown in Figure 19, the economic savings during the strategic planning process will have a serious effect on the commercial performance of the project. In this sense, there is an important connection between the commercial success of the project and the planning process. Unfortunately, the required importance of the planning process is not provided in view of economic savings. As shown in Figure 8, the planning process has a low level of shares in the overall budget; however, it has a significant effect on commercial success. This reveals the value and importance of pre-emptive management; it is neither a bureaucratic burden nor a process that remains on paper. Rather, it is a theory that significantly contributes to the commercially successful outcomes.
13. Case Study

As an exemplar of the practice of pre-emptive management, we consider a construction project—specifically, building land—in order to realize a construction project. During this stage, before making the decision for a construction project, we conduct strategic planning analysis and create a client profile of the land to reveal mostly sellable architectural scales. In addition, if we conduct a financial model study and create profitability and cash flow forecasts for the project, we will be able to make a decision about whether it is appropriate for our investment criteria according to the results. For example, a common practice in the Turkish construction market is that expensive construction investments are made on the assumption that ‘quality sells itself’ in areas where middle-class customers live. After completing the project, during the sales period, it is discovered that apartments are expensive for customers in that area. As some capital had been disposed due to the investment, marketing costs increase in order to realize sales; however, the construction project has no purpose because it cannot find a compatible customer profile. At this point, a consultation is arranged and an informative service is outsourced in order to sell the apartments. The consulting staff personnel conclude that the construction was incompatible with customer needs; has no value for the construction company because the analysis was conducted too late. If a survey of customer needs had been conducted before construction, this risk would have been eliminated.
14. Conclusion

Generally speaking, pre-emptive management is needed in order to transition to the knowledge economy. The knowledge economy promotes entrepreneurial ventures to cope with rapid changes in customers’ demands. Thus, pre-emptive management can overcome the barriers to the future orientation of organizations.

Pre-emptive management does not define decision makers as rational calculators. There is a sensitive balance between analysis and intuition in pre-emptive management, and synthesis of this approach is created by the coordination of the CEO and the CKO.

Pre-emptive management is a pioneering management theory that supports high-growth entrepreneurs’ challenges in the business arena.

15. Future Directions

Future research regarding pre-emptive management can formulate the mathematical model of the dilemma of precautionary approach, as well as the economic relationship between sunk cost and opportunity cost. Future research can include additional best practices and case studies.
Appendix A

Working Definitions

Pre-emptive management: The main philosophy of pre-emptive management is to predict possible opportunities in order to exploit them, and to predict potential problems in order to mitigate them before they lead to business challenges that require significant resources to rectify.

Risk management: “The identification, assessment and prioritization of risks, followed by the coordinated and economical application of resources to minimize, monitor and control the probability and/or effect of unfortunate events.”¹ (“Risk Management”)

Strategic planning: “An organization’s process of defining its strategy or direction and making decisions regarding the allocation of its resources in order to pursue this strategy.”¹ (“Strategic Planning”)

Organizational learning: “An area of knowledge within organizational theory that studies models and theories regarding the methods used by organizations to learn and adapt.”¹ (“Organizational Learning”)

Business planning: “A business plan is a formal statement of a set of business goals, the reasons why they are believed to be attainable and the plan for attaining them.”¹ (“Business Planning”)

Anticipatory management: Ashley and Morrison (1996) defined the theory of anticipatory management thus:

The anticipatory management decision process model suggests an outside-in intelligence flow chart that has been employed with great success in a variety of corporate settings. It is called a decision process model because it focuses on surfacing emerging issues and affords organizational leaders an opportunity to evaluate and make decisions vis-a-vis those issues in a timely manner based on the issues’ seriousness and potential impact on the organization.²
Investment company: “An investment company’s ‘main business is holding securities of other companies purely for investment purposes’.”¹ (“Investment Management”)

Portfolio management: “The art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance.”¹ (“Portfolio Management”)

Organizational architecture: “The creation of roles, processes and formal reporting relationships in an organisation.”¹ (“Organizational Architecture”)

Precautionary approach: “The precautionary principle or approach states that if an action or policy has a suspected risk of causing harm to the public or the environment, in the absence of scientific consensus that the action or policy is harmful, the burden of proof that it is not harmful falls on those taking the action.”¹ (“Precautionary Approach”)

Organizational future orientation (OFO): “The ability to identify and interpret changes in the environment and trigger adequate responses to ensure long-term survival and success.”¹⁴

High-growth entrepreneurs: “High-growth entrepreneurs are entrepreneurs that, in the first five years of their entrepreneurial journeys, go beyond the limitations imposed on them by size, creating compelling revenue opportunities. They venture far enough to realize enterprise value, thus setting in motion a series of other beneficial developments in the broader ecosystem.”¹⁵

Company as information system: Financial details, customer information and staff information primarily create the information system of a company. As Marchand observed:

Information can be used to develop and sustain competitive advantage, it is the way people in organizations express, communicate and share their knowledge with others, to accomplish their activities and achieve shared business objectives. If knowledge—our experience, skills, expertise, judgment and
emotions—primarily resides with people, then by using information, people can inform each other and be informed about the decisions, actions and results of their work in companies. It is through information about markets, customers, competitors, partners, internal operations and the mix of products and services offered by the organization, that managers and employee create business value and improve performance.

Notes


3. See Corbett,
4. See Rohrbeck,

“What Is Organizational Future Orientation.” Future Orientation, 4 Dec. 2010,
futureorientation.net/2010/07/29/what-is-organizational-future-orientation/.

5. See Shukla,


6. See KPMG Consultant,

“Business Modelling.” The Economist,
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7. See Schumpeter,

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8. See Mortersen,

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