

Corporate Foresight – a 360-Degree Radar on Business Rooftops

By Klaus Burmeister

In 1973, many companies would have given their eyeteeth for having been as clear-sighted as Shell had been. The Organisation of the Petroleum Exporting Countries had scaled back oil production which resulted in skyrocketing oil prices and plunged the global economy into recession. Shell alone was not surprised by this incident which entered the world's history books as the "oil price shock". The corporation had previously used various energy scenarios to simulate in detail, among others, the possible impact of an oil crisis. When the latter became real, it found Shell prepared: the corporation had negotiated variable contracts with its shipping companies and, e.g., did not have to pay leasing fees for tankers lying at anchor in the harbours.

If, similar to Shell, your business wants to avoid nasty surprises, a systematic look into possible future challenges and issues has become more necessary than ever. The pace of progress is accelerating freely, increasing the amount of knowledge of which we don't even know that we don't know it. Hence, there is a steadily growing uncertainty whether one's business model is sustainable and future-proof. Fortunately, there is a remedy: pro-actively creating the future. As is well known, attack is the best defence, and where change is – and only where change is – opportunities beckon in the shape of new business ideas.

If you want to be familiar with the future – which is never present, but always here – Corporate Foresight is the service of choice. Futurology and business leadership first crossed paths half a century ago when the US-American author Herman Kahn popularised futurology in his native country. At the time, people were predominately focused on risks and global challenges which had to be forecast and calculated. By establishing specialised units for futurology, businesses for the first time ever became aware of their environment and showed interest in developments which did not directly concern their own products.

In the 1970s, futurology became more diverse: Robert Jungk's concept of "Future Workshops" and the Club of Rome's report "The Limits to Growth" made an important contribution to pushing futurology, which had previously been under a strong American influence, towards questions of quality: thinking in alternatives, or "stockpiling thinking" in the expression of Eckhard Minx, futurologist at Daimler. If Shell plc. may be called the mother of Corporate Foresight on an international level, then Daimler Benz's "Society and Technology" Research Group played the same role in Germany beginning in the late 1970s. In 1980s, prognostics and stockpiled-thinking were joined by a new discipline which also emerged in the United States: trend research which focuses primarily on short-term trends in youth, fashion, and consumer culture. It also yielded great individual performances, for instance Naisbitt's work "Megatrends", published in 1982, which offered an unerring glimpse of today's globalised world. Publications such as described trends as drivers of social change, strengthening futurology's orientation towards holistic thinking in environments and scenarios. It was less and less the shareholder, but rather the stakeholder value that counted.

Corporate Foresight, today's method of choice in corporate futurology, emerged in the second half of the 1990s. The future is understood to offer a cornucopia of option spaces which can be planned ahead and which should be 'tried on for size' to prevent others from beating you to the

draw and leaving you looking at a closed door when the day comes. Corporate Foresight is concerned with, on the one hand, what can be projected: megatrends are useful, i.e. developments which can be projected into the future with relative certainty over a period of decades, and which have far-reaching influence on the global regions and their societies. Siemens, with Klaus Kleinfeld at the helm, began to work intensively with megatrends and subsequently geared its business divisions towards the megatrends “Urbanisation” and “Demographic Change” and developed the corresponding products and services. On the other hand, Corporate Foresight looks at uncertain developments and asks: How rapidly is a company able to react in the face of radical upheavals or unexpected events? Who robust is its current course? What are the company’s strategic options? Here, working with scenarios is helpful – as the example of Shell has shown.

Corporate Foresight means combining corporate strategy with a systematic scanning of the future, connecting the inner and outer world, reappraising and re-thinking one’s business: new technologies, new customer needs, keeping tabs on market evolution to derive ideas for new products and business models. One has to downright draw the environment into the company, with the environment not limited to one’s industry, to the contrary: ideally, environmental scanning is a 360-degree radar. The latter operates by compiling knowledge from the most diverse of disciplines and assembling it to images. Based on these, coherent scenarios are developed. This may feel like a culture shock to the traditional entrepreneur in, say, the cosmetics industry – why should he all of a sudden be interested in life in the slums of Kolkata, where he thinks demand for cosmetic innovations may be on a par with that for truffle slicers? As a matter of fact, however, novelties emerge precisely where you don’t expect them to.

The 360-degree radar called Corporate Foresight is already rotating on many corporate rooftops. However, this systematic forecast is as a rule limited to specific projects or business units – e.g. in Strategic Marketing or Innovation or Research Departments. Division or even industry borders are usually not transcended. The future space thus created is unreasonably small, in particular with a view to the fact that the 21st century brought much turmoil in only its first decade, and that much more may be expected. While Corporate Foresight may increasingly be recognised as a key strategic task and assigned to teams and groups which at least in parts work directly for the CEO, it still has a “nice to have” character, highly estimated, but not a part of a company’s culture and everyday life. Rather, it belongs to the “PowerPoint-culture”: statements are carefully framed, as an essential part of all business is coverage. A systematic approach, but also one of tiny steps. In a nutshell: in many companies today, foresight is well-established and better integrated than ever before – but it often lacks the vision for upheavals, for “disruptive events” as most recently the global banking and economic crisis. There is no willingness to think more radically – the “court jesters” of yesteryear showed more courage. Yet Corporate Foresight is a process which offers added value precisely in that one discards habitual thought structures and acquires new knowledge which offers orientation and supports decision-making and the finding of new markets.

Where do these future markets emerge? In three places. Firstly, at crossovers, evident in the alliance of Lichtblick (literally “ray of hope”) and Volkswagen. The two companies cooperate on the future market “decentralised power production” and are planning to install up to 100,000 miniature power stations in residential buildings, produce enough energy to replace two nuclear power stations, and break the established corporations’ hold on the market. This shows that innovations materialise if one looks beyond industry borders and enters exceptional collaborations. Secondly, future markets emerge where no market had been recognised before. One example is the future market “bottom of the pyramid” which comprises delivering products and services to people and businesses in poor countries. The Indian Unilever subsidiary Hindustan Lever Limited developed a specially coated soap which reduces consumption by 20

percent. Billions of people with a daily purchasing power of two dollars – the “base of the economic pyramid” – are a market that should not be underestimated. Also, if you enter this market, you can bask in the feeling that your work is morally worthwhile. Thirdly, future markets emerge where new business models combine products and services in an intelligent way. Bertrand Delanoë, Mayor of Paris, aims to have revolutionised public transit by 2011. A fleet of 2,000 electric cars is to be available for hire in the city’s centre to reduce CO₂ emissions. All three examples show: future-proof markets are predominately those which contribute to solving global problems, whether it is third world poverty, pollution, or the issue of the energy mix used to satisfy our growing energy demand.

Corporate Foresight is more than just describing and examining trends. Together with businesses, the aim is to prepare for the future by not focusing on safeguards, but rather on courageously moving forward with the will to re-shape the world. This approach makes it possible to realise new opportunities, whether it is collaborations, business models, or products. And it goes without saying that there are small worlds within our larger one where redesigns pay off.

About the author:

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