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“In the Long Run” Best Practices for New Foresight Conditions

Foresight Brief No. 126

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Type: Worldwide foresight exercise
Organizer: Z_punkt GmbH The Foresight Company, Germany info@z-punkt.de
Duration: 2004-2005 **Budget:** n.a. **Time Horizon:** n.a. **Date of Brief:** Jan. 2008

Purpose

The objective of this foresight brief is to summarise foresight experiences made by foresight practitioners of international companies attending the conference “in the long run” in Berlin in October 2004. The paper summarises new environmental conditions for corporate foresight and the resulting challenges for foresight work as perceived by the speakers. The paper also gives an overview of best practice solutions for the challenges presented.

The Context of Corporate Foresight

Corporate foresight is a systematic future intelligence gathering process aimed at present-day decisions. It looks at companies’ changing environments and draws implications for new strategies, products, or processes. However, foresight itself is also part of a changing environment. For corporate foresight, success hinges upon the ability to flexibly and continuously adapt processes to the challenges resulting from changing environmental conditions. There is a motivated exchange of experiences in the foresight community about notable changes and best practices solutions that help to adapt and improve corporate foresight processes.

The following findings are based on lectures given by several foresight practitioners at the conference “in the long run” in Berlin in October, 2004, and their complementary essays published by the host-company Z_punkt GmbH. The ideas and predictions express the opinion of the speakers, and only statements made at the conference are taken into account.

New Conditions for Foresight Work

Based on their experiences made in diverse projects and branches, conference participants have identified a number of new and relevant changes in the foresight context .

Increased Complexity and Dynamics in the Corporate World

Almost all speakers agree that the environment is changing, and consider the increased complexity and dynamics of the globalised and networked economy to be key drivers, with major shifts in the business environment leading to an increase of discontinuities. Furthermore, some speakers emphasise the rapid speed of primarily technological developments, as well as the customers’ swiftly shifting needs and desires, where often obviously inconsistent values are valid simultaneously. The director of the Millennium Project even predicts an acceleration of the change rate in the next 20 to 25 years.



Especially in innovative branches with long-term investment decisions, foresight gains in importance to avoid sunk costs.

A New Technology Era

As the rapid pace of technological progress continues, an end of the information-age and an evolution towards a “conscious-technology civilization” (humans integrated with technology, and technology with consciousness) are foreseen. Businesses and societies will operate in new contexts. Artificial intelligence can be expected to spread into more and more areas of human life; nano- and biotechnology will come to be the new lead-technologies; distinctions between humans and machines will blur.

Social and Cultural Aspects Gain in Importance

Philips Design’s explorations of future trends show that populations are increasingly concerned over the excesses of a mainly technology-led future. According to Philips, a new growth model, based on sustainable development, balancing the economic, the environmental and the social, with stronger social values as new guiding principles, is struggling to emerge. People feel more empowered and believe to be in control of their own life and destiny. Here, new technologies should be used to a greater extent to facilitate whole system changes, instead of being primary drivers of change.

The End of the Capitalist Era

Arie de Geus, the former Coordinator for Group Planning at the Royal Dutch/Shell Group, states that the capital market has shifted from a seller’s market to a buyer’s market and that, therefore, capital is no longer the critical success factor in business. He argues that what we are witnessing is in fact the end of the capitalist era in an economic sense. While sufficient capital for investments is available, there is an obvious lack of ideas, visions, and progressive thoughts. Thus it appears that the new key to success is the human factor.

New Forms of Cooperation: Transinstitutions

The world faces challenges traditional institutions are unable to cope with. What is required are new forms of cooperation: transinstitutions based on the principle of shared power, funded and managed by different institutional categories: governments, corporations, NGOs, international organisations, foundations, and individuals.

Key Challenges for Foresight

These new conditions impact the work of foresight practitioners. Foresight must find answers to the following challenges and adapt its processes accordingly.

Creating a New Culture

In the eyes of the speakers, successful foresight requires more than the efficient use of tools and methods. They see a need to create a new foresight culture as one answer to the increased significance of social values. Among the challenges mentioned are a lasting integration of foresight into corporate culture and reinforcing the idea that long-term thinking/acting contributes more to a prosperous future than short-term profit orientation. Executive time-horizons have to be extended, much more so than in the past. There remains, regrettably, a discrepancy between companies’ internal and external reality, a result of the fact that capital suppliers have legal authority to determine a company’s goals, which are mostly short-term financial objectives and not suitable to getting the maximum out of human capital and gaining a sustainable advantage over competitors.

Being More Human Centred

The authors advance the opinion that, if social values are to be the new determinants for growth, corporate foresight processes have to focus more on people. Foresight has to realise that it is not solely technological developments but also today’s social values that impact on tomorrow’s world and become the interface of different disciplines such as market research, foresight, and social research. Therefore, it is imperative to study people’s everyday needs and lives with a holistic perspective, and develop emotional, social, cultural, and human competence. Foresight has to change from a rationalistic, technocratic, efficiency-driven mindset towards a more intuitive, imaginative, non-rationalistic, and non-military mindset to deal with people and social values and finally move forward to tell a human future story.

Thinking Holistically and Networking

The increased complexity of today’s business entails a general need for corporate foresight to extend its spectrum of surveyed contexts. Almost all speakers see the necessity to create macro-scenarios and look at the future on a meta-level to get at underlying reasons of change. Various fields (e.g. demography, environment, law, globalisation, and resources) are already integrated into today’s scenarios. In the future, however, society and culture as new influencing factors have to be given more weight. Interactions between society, industry, and technology are complex. Foresight almost certainly has to focus more on integrated reflections, to create a new, holistic framework to map the overall context and master the new complex conditions. Integrating both stakeholders and competitors (“coopetition”), and setting up of interdisciplinary teams, if possible with a great range of views and opinions, would make more drivers of change perceivable and increase overall foresight process quality.

Allowing Alternative and Unthinkable Futures

Experienced futurologists state that whereas in the past, foresight activities predominantly focused on predicting a single, most plausible future, increasing complexity and dynamics make such an approach obsolete and risky. Immersion in many alternative future scenarios (collective future memory) gives decision-makers the option of filtering all incoming signals from the environment and identifying those relevant for the company's future, thus creating scope for advance actions. Belief in a single outcome means disregarding other developments (or previous signals), limiting companies' options. During planning processes, 'unthinkable' futures have to be considered, since discontinuities will be much more frequent.

Going Beyond Trends

Foresight projects often end with trend-reports or scenarios that are not directly employed in strategic planning. The new challenge is to go beyond that step and create actions based on the mapped-out future visions, distribute insights among all employees, and anchor corporate foresight in the daily routines of corporate management. In a complex environment with rapid technological development, talking about futures is insufficient; foresight has to produce quick and sustainable solutions that ultimately lead to innovative ideas and real products or process transformations.

Best Practice Solutions

In the following section, best practice solutions from the companies attending the conference are summarised and their key elements described. The focus lies on solutions by Philips, one of the worlds biggest electronics companies, Royal Dutch/Shell, a global group of energy and petrochemical companies, and Ove Arup & Partners, a professional services firm providing engineering, design, planning, project management and consulting services; it will be supplemented with foresight activities from the other participating companies and institutions.

Foresight – Concept: Ove Arup & Partners

Ove Arup's foresight and innovation team has implemented a remarkable framework of *holistic thinking*. To grasp customers' needs and desires Ove Arup has, next to several other approaches, developed its "*A_ or ADOPT, ADAPT, ADVANCE*" approach and has used it in several workshops. This end-user-centred process aims at developing a "roadmap of a future world from the perspective of those experiencing it". Firstly, to avoid the pitfall of self-referentiality, all workshop participators *adopt* the profile of a third party (usually that of an end-user of Ove Arup's products) and try to identify motivations, values, attitudes toward technology, hopes and fears of that party, and keep doing so for the remainder of the event. Secondly, external experts are invited

to outline possible future changes and drivers of change, which the participators then *adapt* into their views. Finally, the process leads to a new, *advanced* "holistic body of knowledge that helps to advance the state of the industry".

In addition, the "*W_ or What? So What? Now What?*" formula helps to raise the quality of foresight and innovation outcomes by systematically asking strategic questions. The first question "*What?*" aims at the experiences made so far; what proved to be successful, what did not. Therefore, all prospected employees are invited to share their knowledge at a workshop. With the second question "*So what?*" the group summarises its findings into successful actions that support sustainable solutions. Asking "*Now What?*" means a switching to the customer's perspective and validating the findings and activities that must be pursued.

Foresight – Culture and Organisation: Philips

Philips Design distinguishes itself especially through the way its foresight work is organised. Philips has developed a new approach of thinking about futures and exploring new innovations christened: *socio-cultural research*. As the name implies, Philips believes, "The future is about technology and social innovation". Philips has thus put people at the heart of the foresight process. Its primary aim is to look at the deeper currents in social values shaping tomorrow's world, the expression of these values as they manifest themselves in the culture, and the needs and behaviours of people in their everyday lives and activities. The base of the creative, socio-culturally oriented process is built through the *exchange and collaboration of interdisciplinary teams* consisting of futurists, psychologists, historians, anthropologists as well as of social researchers, technology researchers, designers, marketers and business people from almost all product divisions of Philips, drawing on future, social, cultural, and design studies as well as on ethnography and other human sciences. Insights, in order to become accessible and useful for all people engaged, are visualised as far as possible.

To meet the increased requirements of producing "more systems-oriented future solutions", Philips works with a concept of *open innovation*. Philips is "innovating through a network of partnerships and alliances". On the high-tech campus MiPlaza in Eindhoven/Holland, Philips researchers work together with colleagues from other companies, are linked with universities and research institutes, and also integrate users and customers. In the eyes of Philips, *integration of stakeholders* increases the chance of implementation, with solutions built on consensus. Future thinking plays an important role at Philips, it is actively promoted and claimed by the CEO and *deeply rooted in its corporate culture*.

Foresight – Method: Shell International

Shell's foresight work has become famous for using the scenario method during the oil crisis in the 1970s. In the meantime, it has honed its approach. To reduce the risk of

sunk costs and the number of misdirected investments in a highly volatile and discontinuous industry, Shell International has *combined scenario planning and the real-options approach*. The use of scenarios contributes at three levels to the investment decision: it identifies future options, helps timing the decision to exercise an option, and provides important input in the process of evaluating real options. While scenarios commit business planners to increasing their future horizon and acting proactively in the light of uncertainty, they would be unsuitable for the selection of investment projects and the efficient allocation of capital. Here, the real-options approach seems to be more useful. Given complete information about the future (if necessary in the form of scenarios), the method analyses the value of alternative options. Yet, completely relying on the real-options approach could also result in wrong decisions, because a project's value may change over time and the approach does not take that into account, while scenarios do.

For even longer time horizons, the scenario method may be too insufficient an input for strategic planning. Therefore, **BASF** uses wild cards and scenarios as a permanent part of its strategic dialogue with their global and regional business units. At the **Munich Reinsurance Group** future scenarios and wild cards influence business planning. **Siemens** pursues a different approach. The company has not adapted its foresight methods to a long time horizon, but its time horizon to its foresight capabilities by cutting development times. Siemens has implemented a so-called **RAPID-Program**. Key elements are the switch in R&D from matrix to project organisation, minimizing interfaces between R&D groups and allocating resources more efficiently. Secondly, production of early prototypes and customer validation of progress has received higher priority. Finally, "Business Target Agreements" have been introduced into the R&D departments.

Applying the 'Future Check'

The conference results emphasise that Foresight operates in a changing context. Foresight work constantly has to adapt its processes to new challenges. For instance, the scenario method alone is insufficient to successfully cope with the rising complexity of today's and tomorrow's markets. In order to consider unthinkable futures, wild cards may be integrated systematically into the foresight work.

Today, foresight practitioners are tasked not only with monitoring environmental changes for their companies. Furthermore, they always have to factor in the changing contexts of their work as such. The aspects summarised, however, are only first indicators. The context of foresight work more specifically depends on the individual company for which it is used. Next to social, technological, economic, and political conditions, the foresight framework is predominantly determined by the company's stage of development and the

market it operates in: company size, strategic focus, regional positioning, internal organisation, and corporate culture all impact on foresight.

Z_punkt has used this knowledge and, subsequent to the conference, developed the 'Future Check' which checks a company's foresight activities against its individual requirements. This analysis will be helpful to foresight practitioners in advancing their work.

Furthermore, every exchange of experience offers new momentum for progress. The foresight community has to continue to embrace these interchanges. We have to make visible and further expand the scope offered by foresight, a scope best imagined as a construction kit containing foresight uses, tools, methods, and forms of organisation. Best practices show how to combine these elements successfully, depending on individual requirements. What is best practices today may not necessarily be so tomorrow.

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Conference website : <http://www.inthelongrun.de>
Future Check: <http://www.z-punkt.de/futurecheck.html>

About the EFMN: Policy Professionals dealing with RTD, Innovation and Economic Development increasingly recognize a need to base decisions on broadly based participative processes of deliberation and consultation with stakeholders. One of the most important tools they apply is FORESIGHT. The EFMN or European Foresight Monitoring Network supports policy professionals by monitoring and analyzing Foresight activities in the European Union, its neighbours and the world. The EFMN helps those involved in policy development to stay up to date on current practice in Foresight. It helps them to tap into a network of know-how and experience on issues related to the day to day design, management and execution of Foresight and Foresight related processes.