



ANTICIPATING TOMORROW'S UNCERTAINTIES

How to manage discontinuities in a turbulent business environment

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In a stable business environment, management used to be able to rely on traditional forecasting methods. Nowadays, we need to navigate a company in a complex, global stakeholder society. To effectively deal with uncertainties and discontinuities is key. Therefore, companies build up early awareness systems and investigate alternative futures. The aim is to sensitize management towards future opportunities and threats that derive from a changing business environment.

Reaching out for the crystal ball

While techniques and methods to identify future changes are mostly in place, companies still struggle with an adequate institutionalization of early awareness activities within corporate management processes. Companies' focus is mainly placed on day-to-day management and the fulfillment of short- to medium-term goals. Nevertheless, as the business environment becomes ever more fragmented and volatile, the need for management to generate and use consolidated knowledge about future developments and societal changes increases.

Complexity and opportunism are two important factors to take into account. The nature of stakeholder activities changes: One can observe more opportunistic alliances between different stakeholders that join forces for one issue and move apart for another. For example, the automotive industry allies with environmental groups against the oil industry; vegetarians and cattle farmers fight against the WTO. This multifaceted and more fragmented stakeholder environment leads to increased complexity for companies.

Welcome to your second life

Let's take an example to illustrate the corporate impact of discontinuities. It's a long time ago since we discovered new land. Yet people are taking out their shovels again and getting in a gold-digging mood. No physical spaces are explored this time: There is rather an ongoing hype about virtual land. Second Life is a virtual economy that is currently expanding like an epidemic. Companies are jumping on the bandwagon to exploit the rising opportunities. They are opening virtual shops and selling products and services knowing that current users are trend setters and multipliers, many of them based in Silicon Valley.

The question for companies is if and how much virtual economies like Second Life will redefine current business models. What are the chances and risks and how should a new strategy be implemented?

Benchmarking corporate foresight activities

Only a few empirical studies have been carried out on the effectiveness of early awareness systems within corporations. This is mainly due to two factors: (a) the lack of adequate handling of foresight activities as they are difficult to grasp and to institutionalize into corporate processes and structures, and (b) the confidentiality of related activities since they touch one of the vital functions of a company, namely to secure the future survival and success. Looking at both factors illustrates the dilemma: Companies are not familiar with a crucial field of business strategy.

IMD's Forum for Corporate Sustainability Management shed light into this challenge by exploring strategic early awareness activities within ten multinational companies. We found out that a successful approach to early awareness implies (a) a high performing, interdisciplinary team for broad risk perception, (b) an enabling corporate culture open to changes and (c) the buy-in from functional units.

(a) I spy with my little eye...

The first success factor showed that in all companies examined, a diverse, creative and high-performing team is essential. Therefore, it is central to respect the theory of risk perception when composing the team. This theory implies that you will only see what you know. Therefore, companies should engage employees with varied backgrounds (e.g. discipline, culture, age, gender). This approach should help to tackle the crucial challenge of early awareness, as one of our interviewees summarized:

"The challenge is that we do not know what we are looking for."

(b) Be flexible, learn to adapt

The second success factor addresses the corporate culture. Our investigations revealed that activities in early awareness depend upon a culture, which is open to change, failure and unexpected developments. Furthermore, constant reminders and a high visibility are important. Some companies needed to undergo an organizational change process before they could leverage their early awareness activities.

(c) Make use of collective wisdom in your company

To secure the buy-in from functional units is the third success factor. Employees need to realize the value of early awareness for their own work. As one interviewee put it:

“The value of early awareness depends on the value of the action after the identification. Otherwise, we only produced a nice colored paper.”

To get buy-in, the target groups need to be involved in the process itself to understand the underlying drivers and implications needed for decision-making. This is easier said than done since one needs to convince key decision-makers and functional business units of the value of early awareness. We learned that the relevance of findings and changes in mental models can only be achieved via a process of co-creation. Moreover, activities are doomed to fail if results are perceived as “high-flying” and the early awareness team as “future gurus.”

An important task of early awareness is to contextualize the acquired information. Take the image of a puzzle: You only see the whole picture after putting the single pieces together. If you pass on a single piece of information to a functional business unit, you risk losing it, as they might not be able to understand it. To close this gap, it is essential that the early awareness team and the target group interact closely.

Professor Steger holds the Alcan Chair for Environmental Management and is Director of IMD’s research project on Corporate Sustainability Management (CSM). He teaches on the Orchestrating Winning Performance (OWP) program.

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