

# Mastering the Art of Strategic Foresight

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How companies can use the tools of Strategic Foresight to enhance their future competitiveness

By Andreas Neef

# 1 / Introduction

Today, the future is omnipresent. Whether in your daily newspaper or in the Economist, at a congress dealing with the future of your sector or in one of the many Foresight projects funded by the public sector, it is clear that you find megatrends, visions and technologies of the future everywhere. A professional and practical approach to the future, such as the one we provide, needs to do more than just repeat 'verbatim' trends that are more or less already known. After all, the security promised by trends is often an illusion.

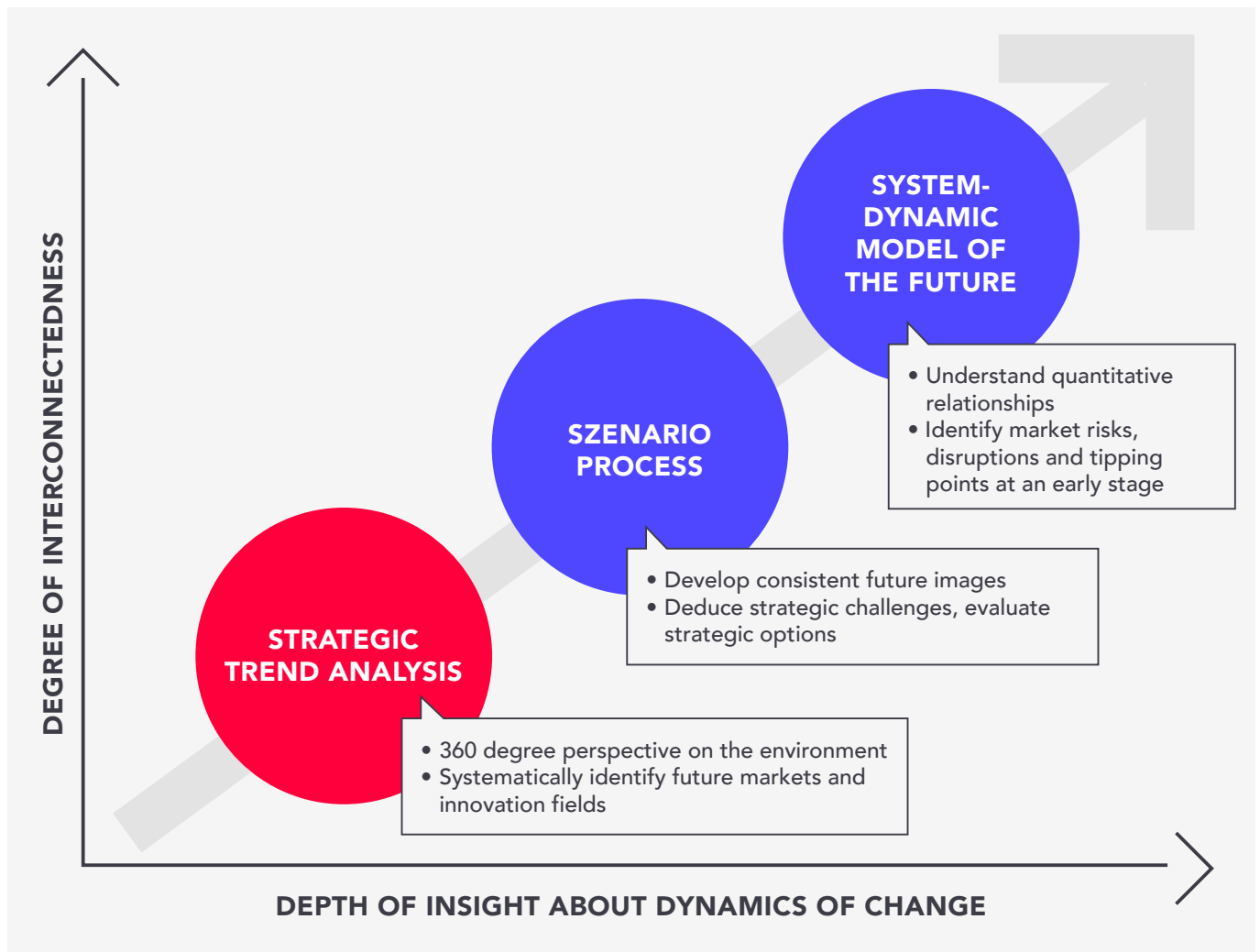
Psychological studies show that our day-to-day perceptions are extremely selective. As part of an experiment, participants were shown a video of a group of young people throwing a ball to each other. The instruction was to count how often the ball was thrown back and forth. The participants carried out their tasks diligently, but none of them noticed the student dressed as a gorilla (!) who ran across the middle of the screen.

This experiment clearly shows that our mental focus determines what we notice. As part of our consultancy work, we can also observe a similar phenomenon – in every company, there are dogmas that are never challenged. And the trends that are discussed within a company are precisely those that support these dogmas. The 'gorilla on screen', however, is missed! For example, developments in the corporate environment that threaten a company's own business model are ignored or not taken seriously. We only see those trends that support our expectations and do not take warning signs into account. As a result, future developments are often evaluated incorrectly.

One such dogma in the energy industry, for example, has previously been that 'renewable energies are a peripheral phenomenon'. Today, renewables account for more than ten per cent of German energy consumption and energy suppliers are incurring losses, not only, but also precisely because, they did not take this development seriously.

## 2 / Outwit your perceptions about the future

Strategic foresight provides the tools to get one over on our selective perceptions. At its heart are scenarios. A scenario process, such as the one we carry out with our clients, is a joint exercise in thinking about alternatives. How often do you ask yourself the question, 'what if?' By including management, shareholders or even the entire workforce, the scenario process creates a space for doing just that. Dogmas that are established in every company can be discussed openly and in a transparent fashion. Different opportunities for future market development are played through – even those that seem implausible at first glance. At the end of the process, you have an image of the future that has been created collaboratively and to which everyone is bought in, a new sensitivity for changes and a new openness for thought processes.



### 3 / Identifying connections

A key element of the scenario process is interconnected thinking. After all, in addition to their selective perception, human beings have a second problem: we find it difficult to evaluate connections in interlinked systems correctly. One such system is the environment in which a company operates. A lot can change at once and things are dependent on each other. Customer requirements can change just as much as regulatory frameworks; new technologies are developed and new competitors emerge in the market. We humans tend, however, towards linear thinking – we divide the world into simple chains of cause and effect. This is another reason why we often incorrectly evaluate the tempo and character of future changes.

As part of our client foresight projects, we place great emphasis on discovering the system of dependencies and interplays that operate within your company. The scenario methodology is also highly suited to this. Taking a 'helicopter view', we can consider everything, and you no longer get lost in the details. This makes disruptive developments, which would otherwise escape notice, clear to see. In China, whole villas are already being built with the help of 3D printers. What will that mean for the German construction industry in ten, fifteen or twenty years? Scenario processes discover answers to such questions.

### 4 / Anticipating market disruptions

Scenarios describe potential future development at a qualitative level, in the first instance. They are descriptors of possible futures and explain their relevance for companies in an intelligible language. Often, however, our clients require scenarios to be translated into concrete figures. Using system-dynamic modelling, like the ones we employ, we can concretise images of the future with the help of clear, quantitative market indicators. As such, it becomes clear when and under which conditions market disruptions are to be expected, so called 'tipping points' where the market situation can change very rapidly – for better or for worse.

Such analysis is particularly important in turbulent market environments, which many sectors are now facing. Together with a client from the chemical industry, we have developed a quantitative model that allows the client to evaluate the competitiveness of process technologies taking into account various scenarios for the future prices of raw materials and energy. This type of approach yields results that are immediately relevant for the strategic planning of the corporation.

## 5 / Future- proofing

Strategic thinking is 'out-of-the-box' thinking in the best sense of the term – putting one's own assumptions to the test, reaching a new degree of impartiality, clearly identifying opportunities and threats. Using a well-founded image of the future, we can identify opportunities for future value-creation with our clients: lucrative growth areas and strategic options.

## About the author

**Andreas Neef** is Z\_punkt's Managing Partner. He has taken responsibility for a large number of foresight projects – both strategy and innovation-related – since the mid-1990s. A key area of his work is to identify future markets that extend beyond the core businesses of Z\_punkt's clients. Additionally, information scientist Mr Neef advises management teams on the implementation of foresight as part of the strategic dialogue at a corporate and departmental level.

## About Z\_punkt

Z\_punkt The Foresight Company is a leading international strategy and foresight consultancy that focuses on strategic future issues. It translates findings derived from trend and futures research into practical advice to facilitate strategic management. Using corporate foresight processes, Z\_punkt helps companies to make the most of sustainable future markets.

## Contact

Z\_punkt GmbH  
The Foresight Company  
Anna-Schneider-Steig 2  
50678 Köln  
Germany  
[info@z-punkt.de](mailto:info@z-punkt.de)  
+49 (0)221.355 534.0