

The Future of Corporate Decision - Making

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We are living in an age of accelerated developments, constant disruptions, and automation. We are in the era of the 4th Industrial Revolution where we are yet again fundamentally changing how we live, work, and relate to one another. This era is marked by extraordinary technology, yet somehow too many business leaders still take decisions like we were still in the 20th century. With so many disruptions constantly popping out from all industries, influencing each other, boardrooms must adapt their decision-making processes towards something nimble. Directors must move from extrapolation and strategic planning to developing multiple plausible scenarios leading to successful outcomes.

Fortunately, strategic foresight techniques have been in use since the mid-60s and are now valuable tools

used by some of the largest, most successful companies in the world like Google, Amazon, Facebook and others. The American, Canadian, Singaporean, Japanese government and the European Union have all embraced foresight to help guide policymaking too. Houston foresight's illustration of the foresight framework is one of the better ways to visualize how future scenarios emerge and how organizations take aim in these tumultuous times.

The most important aspect of strategic foresight is how it makes companies resilient against hard to predict political

and economic changes. This technique used by professional futurists involves looking for disruptive technologies and movements that can impact multiple aspects of our society. Disruptions can come from political shifts, economic trends, and social changes. When those disruptions impact extrapolated trends to take unanticipated paths, companies fail. Foresight also investigates how discrete events in different industries would affect each other. This analysis leads to scenarios of varying probabilities, some more desirable than others. Company leaders can then plan

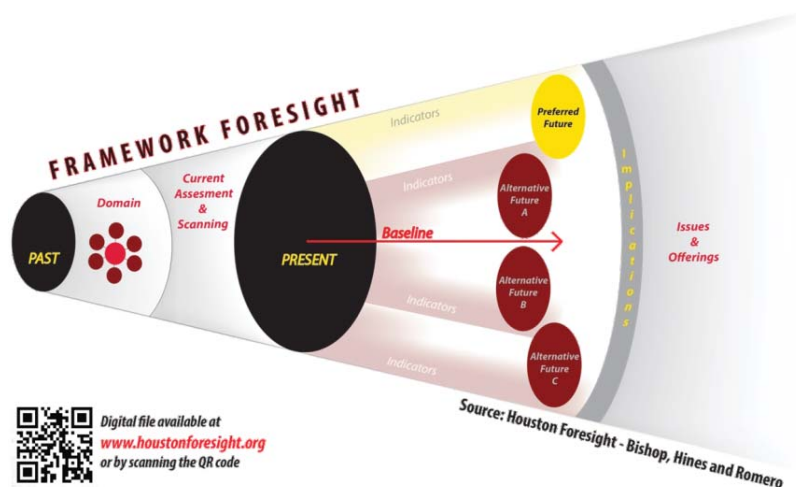


Figure 1: Houston University's foresight graph

contingencies for undesirable scenarios and actively help increase the likelihood of the desirable ones.

High-tech giant Apple under Steve Jobs is an outstanding example of how foresight was successfully used to pave the way for the company to become the goliath it is today. In the 1980s and 1990s, Steve Jobs envisioned how technology and the internet would affect daily life. He imagined everyone would eventually have computers in our pockets and we would connect them via what we now call the Internet. He knew that Moore's Law would still probably hold true into the future, therefore Jobs correctly assumed we would be able to cram powerful computers into something the size of a cellular phone and could bet on the approximate timeframe.

What made Steve Jobs special is that he invested resources to develop high quality, connected computers way before anyone else could see the patterns. In strategic foresight terms, he identified a few very likely future scenarios and worked invested on those desirable, high value opportunities to turn those desirable visions into reality. When the technology and infrastructure was ready for the connected devices he envisioned, his company was ready, he had the right engineers in place, the right marketing plan and distribution channels all thought through. Mr. Jobs crafted a path for his disruptive products to sell, using agile decision-making processes, and easily displaced any other competitor in that market because they were less prepared than Apple was.

The iPod, released in 2001 with brilliant success, displaced other lower quality digital music players that were then just testing the market. Jobs did not know back in the 80s that the first device would carry music files. He knew it would be something of consumer value that could be shared through the Internet. His team could have built a device to

cater to any type of digital asset. Music just happened to make sense in a world where digital music files were used to create expensive, hard to share music CDs. Once the iPod was a success, it was just a simple iteration to add more functionality to the devices, which eventually led to the first iPhone released in 2007 along with an application store that would, like the music, become a competitive media marketplace with new applications developed by creative people from all over the world. Apple remained focus on the hardware.

Companies that could not pivot by identifying disruption abound as well. The story of Blockbuster, an American video rental company is often mentioned as one of the biggest foresight mistakes of all time. In 2000, Netflix was a tiny company offering digital film downloads, while Blockbuster had hundreds of stores across North America. The internet was still growing out of its training wheels, stabilizing itself as the dominant platform for consuming entertainment media. Why did Blockbuster fail? Its board were not stupid. In fact, they had gotten at the top of their industry in America because of judicious decision-making for a long time. When they received an offer from Netflix founder Reed Hastings to carry their movies in digital form, they laughed at him. Blockbuster saw Netflix as a competitor and a parallel means of distributing their media. They meant to squash the small upstart with their brand popularity and relationship with movie studios.

One could assume they could have started their own streaming service to accompany their main business, but the truth is, Blockbuster's revenues were inherently tied to late movie rental fees. Being the bigger fish is not always an advantage. The behemoth was blindsided by Netflix' fast growth. So much so they could not have turned fast enough to morph their company into an

online distributor, without proper foresight and planning. The whale beached and the nimble dolphins dominated.

If John Antioco and his team at Blockbuster had done some scenario planning of their own, they would have noticed many years prior that the physical distribution model had a limited runway and they would have developed their own platform to digitally distribute all the movies in their inventory. Because they had long standing relationships with the TV and movie studios and important brand recognition, they would have likely outpaced upstarts like Netflix. At the very least, Mr. Antioco would have taken Reed Hasting's deal when they met in 2000 instead of declaring bankrupt in 2010. Unfortunately, they understood the market shift too late.

Toyota is another company that employs very smart futurists. The Japanese car manufacturer has had the vision of autonomous vehicles in mind for many years. The company has apparently made a deal with ride-sharing company Uber in 2018, where Toyota has invested large amounts of money for the privilege of being the primary manufacturer behind Uber's upcoming fleet of self-driving robotaxis.

Toyota has had the vision that self-driving electric vehicles will become the norm in our society, a reasonable assumption, and have put in some efforts to make that scenario a reality years ago. Toyota is leveraging its massive innovation arm to constantly move forward one small step at a time (kaizen) as the market and regulatory agencies wrestle with the concept of EV transportation. They do this to avoid spending too much on a production line that would cost billions but may not touch the roads in a while. Since autonomous vehicles are a certainty but not all the pieces are there to make it a full-fledged reality, the company has been taking on projects that would

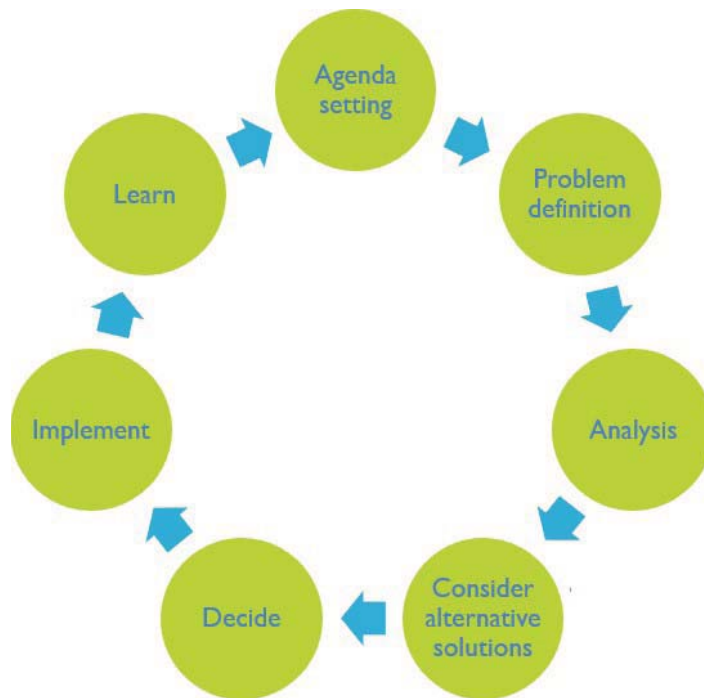


Figure 2: Decision-Making Process

position it as a leader in the space of autonomous driving with incrementally more audacious, yet entirely legal, autonomy features in their vehicles. These simple steps are getting people used to autonomous systems piecemeal, while Toyota measures people's interest in going fully autonomous. This is agile development at its best in an industry known for extremely high development, deployment costs and furious competition. Yet, the vision is clear, so when Uber and the regulators are ready to go full level 5 automation, Toyota will be at the head of the line along with very few others like Elon Musk's Tesla Motors.

Foresight is extremely useful for policymaking and embeds itself very well within modern agile processes. Any company can do it assuming they have the proper leadership willing to go from 5-year strategic plans doomed to failure to a modern cyclical assessment and visioning process that constantly takes future disruptions as inputs and adjusts a company's direction to adapt.

The decision-making process in Figure 2 seems standard, and so it should. It is a logical way to process problems and take decisions within an organization. In this age of constant disruption, however, the idea is to change how leadership processes each step to include strategic foresight and future thinking. Instead of completing one cycle every year or every quarter, following agile methodology, even large companies should cycle through this process monthly, bi-monthly, weekly, and even daily. This is how it works:

Agenda setting: Identify emerging issues and challenges the company faces.

Problem definition: Scan for disruptive forces in the future, short and long term that shows signs that things may be evolving.

Analysis: Clarify and test credible and vulnerable assumptions if possible. Explore how external change drivers are shaping systems. Develop scenarios to explore how the problem and its context could evolve. Test strategies to ensure

they are robust across a range of futures.

Consider alternative solutions: Scan for or develop novel approaches or strategies and document.

Decide: Take a decision that will align the company towards addressing the problem and towards more favourable scenarios.

Implement and learn: Deploy the solution and see how the world reacts. Iterate.

Implementing such a process in non-technology industries may seem daunting at first, but as illustrated in this article, companies that do not develop proper visioning processes, or don't have a leader that is using foresight as part of his leadership strategy and communication style, will be left behind by other companies that are better prepared for fast movie shifts in the commercial landscapes and disruption.

Hence, to develop such processes, leadership must find staff that can help build that in-house capacity, starting at the leadership level. Companies interested in being world leaders in the 4th Industrial Revolution must have managers, directors, and boards that will embrace foresight as part of their tactical activities. Mrs. Liselotte Engstam, executive leader with 20 years for technology and engineering experience in India, North-America and Europe writes: "Boards and leaders need to become better in creating insight from foresight. This is a great challenge in this world of extreme digital progress and pace of innovation. [...] The skill to think about the far-off future is a practical and required leadership skill, rather than just an exercise in intellectual curiosity that you can hand over to experts only."

According to Workable a large British cloud-based recruitment platform helping businesses find the right staff they need to succeed, the number one

quality of an amazing CEO is foresight. This quality allows a good industry leader to think outside the box, to spend time to weigh pros and cons of each decision they make and to keep abreast of development. Unsurprisingly, the 2nd best quality of a good CEO is adapt - ability, which falls in line with how executives need to think to guide their company through multiple phases of interconnected disruption.

Strategic foresight has come to the fore in the boardroom around the world. Companies that embrace iterative agile decision-making involving strategic

and/or technology foresight become the giants of our time. Any company can develop those capabilities through well-established processes, training existing staff, and building a foresight-based mindset. That can make any company not only resilient to any probable future scenario but also help them create new desirable scenarios their competition will not see coming. Today is not the time to simply follow trends. We are living an age where the best companies create their own trends surrounded by uncertainty, but with the processes to quickly adapt a plan for maximum

benefit. The world is full of surprises. Be ready for them with foresight thinking, and all surprises become an advantage.

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