

INFORMING STRATEGIC PLANNING

"For those who want to do longer-term strategic thinking and need longer lead time to change strategy, like an oil & gas company, I think scenarios are essential. I don't think there's a better tool really"



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THE PAST SHOWS WE NEED TO BE PROACTIVE

Currently, many companies focus their futures thinking towards risk management and mitigation to safeguard on-going performance and longevity of the company. This is important in supporting corporate resilience, but to truly thrive and avoid being caught at a disadvantage in the future, companies will need to take a more proactive approach: "You need to be part of the solution or you get left behind" ERM. For example, although Kodak invented the first digital camera and was aware of the growing digital revolution early on, it was unwilling, or unable, to see the potential beyond its core-business assumptions, blinded by the apparent strength of the status quo. The company failed to alter its strategy, or shift its focus away from film manufacturing to its [ultimate detriment](#). Alternatively consider Apple – it didn't invent the MP3 player and neither did it invent online music access or sales. [Yet, iTunes became, comfortably, the largest music retailer in the world.](#)

This is a reminder that leaders need to revolutionize their industry before someone, or something, else does. An increasingly resource- and carbon-constrained world will disruptively affect all industries just as digital technology shocked Kodak: the sustainability challenges ahead will ultimately force us to transform. Companies either act boldly now, taking advantage of the opportunities of new business models and strategies, or they join a continued race to the bottom, where they will no longer be able to react profitably.

"When you look at the long term, nothing is a given, not even your own success, so you have to be able to challenge your own assumptions on what works and what doesn't", Nike.

ABOUT THE VIDEO:

What if... you could inspire your employees to revolutionize your industry, to make them the "catalysts of progress"? Nike calls on makers everywhere to take back control and do what they do best.

VIDEO FROM: <https://vimeo.com/201566963>



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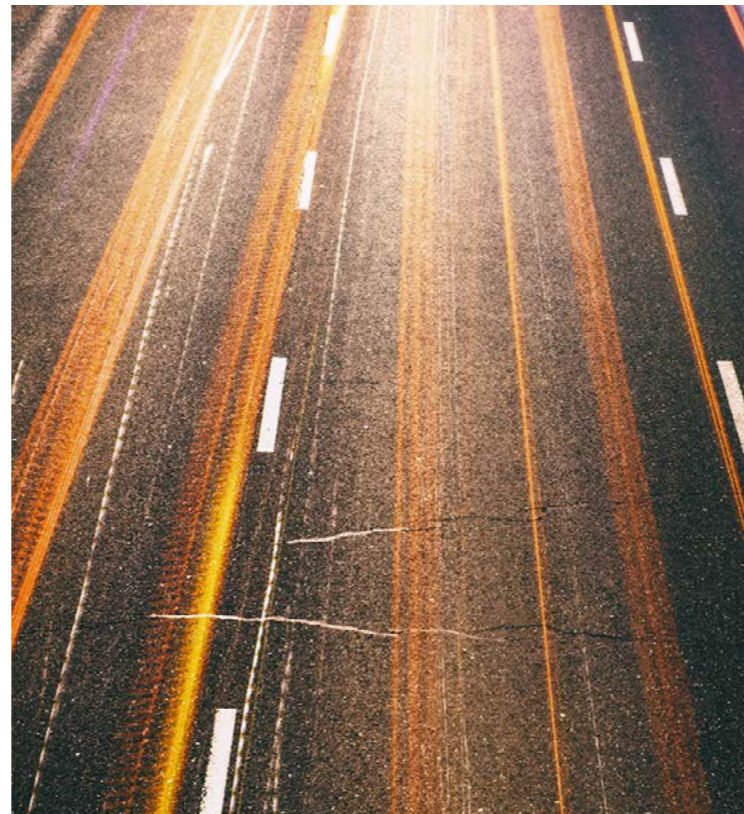


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INFORMING AMBITIOUS STRATEGIES

Exploring futures can help identify these assumptions and shift to more transformational strategies, turning potential risks into business opportunities in new ways. SC Johnson has used its values and a long-term consistency (“futures thinking for us is generational”) to set aspirations and ambitious targets that help to drive its strategy. These are set beyond what may seem initially achievable, enabling the company to push the boundaries with its work on efficiencies whilst at the same time focusing its value creation strategy towards green chemicals. Toyota uses a similar philosophy of setting stretch targets and then continuously improving the way in which the target is being reached. These stretch targets tend to be set based on a future event (e.g. legislative, economic, environmental) that the company believes highly likely to materialize.

Philips⁵ developed a vision in which the future was resource-constrained and impacted by technologies. As a result the company has fully embraced a shift away from standard recurring revenue business models. The key to a successful shift in strategy is “to show the new model is not only an alternative but also that it’s much better – a more stable and profitable business.” The strategic direction of Philips’ lighting business is to offer its products as systems and services, maintaining ownership over the materials, and thus focusing efforts on a more circular and efficient use of resources. As it focused its strategies to achieve this goal, it sold off a component-manufacturing part of the business to concentrate investments in new, [more sustainable areas](#). This is transforming the way it operates, encouraging more sustainable solutions that decouple growth from resource use. Furthermore, the purchase of a service, rather than a light bulb, is helping to change the way customers view and use lighting, opening up opportunities to explore other service-based offerings in the future.



PROVIDING A VISION

Shell invited the WBCSD to a scenario development workshop which was convened to consider new scenarios of a world where global temperature increases had been capped at 2°C: a desired vision of the IPCC, many policy makers and wider society. Since both Shell’s current *Mountains* and *Oceans* scenarios result in an overshoot of the internationally agreed 2°C target, it was clear that there was a need to explore a more normative vision of a 2°C world, reducing potential blind spots and revealing unconsidered opportunities. Backcasting from the vision explored the kinds of events and changes that would need to happen to achieve that future and help define more sustainable pathways. Investigating different future visions is one way to deal with present trajectories that seem to be leading to an undesirable and unsustainable outcome.

TESTING STRATEGIC DIRECTION

Companies can run through the implications of their intended direction within scenarios and discover what the range of consequences could be in order to understand their best route forward. Assessing different options can help to build more robust and also alternative strategies, model how these fare in a variety of different futures and explore how the company might be positioned in a sector or market as a result.

For example, Nike uses future scenarios to investigate the ability of potential innovations firstly to mitigate future problems identified (e.g. resource loss, legislative constraints), and secondly, to see if these innovations result in improved performance and more sustainable outcomes. Companies can experiment around future solutions to see which might be the most appropriate, successful and sustainable, not to mention, increase the chance of avoiding unintended consequences.

Backcasting can complement such testing, helping to demonstrate if targets are sufficiently ambitious. It can check that strategies will successfully lead companies onto the right pathway, aligning with and successfully meeting longer-term desired visions and needs.

⁵ The interviews for this report were conducted before Royal Philips’ September 2014 announcement concerning its demerger into two market-leading companies, one with a focus on Healthcare and Consumer Lifestyle, the other on Lighting solutions. <http://philips.to/2gN2SjF>. Our interviews were with Royal Philips’ lighting division.



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