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German Delphi on Corporate Foresight

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Purpose

There is evidence that a growing numbers of corporations in Germany are engaging in foresight activities. What seems to be of interest is how corporate foresight will evolve in the future in German companies. This brief reflects on a Delphi study which was carried out in response to the question what corporate foresight hereafter might look like in the field of management and how it can be determined what potential corporate foresight might have in German companies. Besides assessing the future of corporate foresight the aim of the Delphi study was to assess the status quo of foresight in German companies.

The Urge for Corporate Foresight

While it can be argued that the term 'foresight' is being used increasingly since the 1980s, corporate foresight is not such a recent development. Burmeister et al (2004) argue that corporate foresight can be perceived as futures studies in corporations. After the original evolvement of futures studies in the 1950s, primarily in the governmental field, futures studies are now experiencing a growing importance in corporations. In particular corporate foresight seems to be on the rise, most popularly proclaimed by Garry Hamel and C. K. Prahalad (1994), urging corporations to develop foresight in order to compete for the future, and eventually have a future.

In the USA there seems to be contradictory evidence that the role of corporate foresight will increase or that it will decrease. However, in Germany it can be observed, that a growing number of corporations are employing corporate foresight managers or futurists, and are establishing future oriented think-tanks. There seems to be a strong ongoing interest. This is not only reflected by the increase of activities in the field of corporate foresight, and an increase in the number of consultancies and think-tanks, but also by the increasing numbers of

conferences on foresight in Germany.

Little research has been done till now on the proliferation of corporate foresight in Germany. One notable exception is a study of the German consultancy Z_punkt on futures studies in German corporations (Burmeister et al. 2002). What seems to be of particular interest is how corporate foresight will evolve in the future in Germany. Also of interest is what methods will be used in corporate foresight and what does the field need to accomplish to foster a rise of acceptance in the future, pointing out to future fields of research. In addition the objective of this study was to assess the status-quo of corporate foresight in German companies.

A Delphi Study involving Corporate Managers

The Delphi method is credited with being applicable when a question shall be answered which lies in the future, which seems to suit the proposed questions. The Delphi method was developed by Olaf Helmer and Norman Dalkey in 1953 at the RAND Corporation with the aim of improving the use of expert opinion in policy-making. The core of the Delphi technique is that a pool of experts deals with certain problems



which lie in the future. During this process the experts do not have any contact with each other, their opinions are submitted by questionnaires.

This particular Delphi study on the future of corporate foresight in Germany consisted of two rounds. In the first round the participants received the questionnaire, consisting of quantitative and qualitative questions. In the second round the members of the panel received the results of the first round. In the light of this information the members of the panel were asked to revise their expressed opinions.

An essential feature of this particular Delphi study was that experts from three groups were invited to participate: corporate managers working in a strategic context, criteria were an annual turnover of at least €500 million and more than 10,000 employees; second, futurists at think-tanks and consultancies (futurists); and third, scientists in the field of management and scientists who deal with futures studies. As can be observed in the figure below, the largest group was the one of corporate managers, reflecting the focus of this Delphi study.

In the first round of the Delphi study 84 participants filled out the questionnaire. 64 of them responded in the second round and returned their comments concerning the results of the first round. The response rate for the second round was 76 percent.

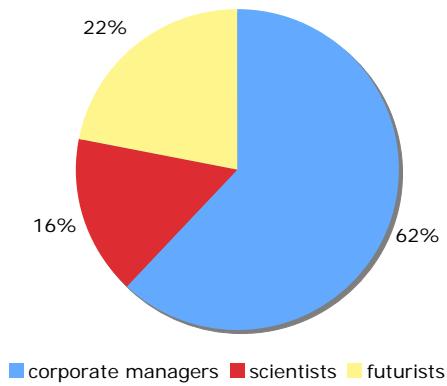


Figure 1: Group proportions, 2nd round

Mix of Methods to Assess the Use of Corporate Foresight in Germany

It remains difficult to find a commonly shared definition of corporate foresight or of futures studies in a corporate context. In particular since corporate foresight is labelled very differently in companies, this study chose the approach to focus on the methods used in corporate foresight, so it would be easier to assess the status-quo and future of corporate foresight in German companies.

After reviewing the literature on futures studies and foresight (e.g. Masini, 1993; May, 1996) the following methods were identified:

- **Quantitative forecasting:** Referring in particular in a business context to the quantitative methods of business

forecasting.

- **Simulation and gaming:** Both methods can be perceived as being decision-aiding technologies involving mathematical modelling.
- **Delphi technique:** Method to assess expert opinions on a subject which lies in the future.
- **Scenario technique:** The main aim of scenarios is to identify existing trends and key uncertainties and combine them in pictures of the future, not covering all eventualities but creating alternative pictures of the future. Royal Dutch/Shell has been credited for developing the scenario technique further in the 1970s into what is nowadays known as scenario planning, connecting the scenario technique with strategic planning.
- **Environmental scanning, trend monitoring, trend research, strategic early warning:** The purpose of this group of methods is to identify weak signals of change in the corporate environment ahead of time, leaving the corporation time to react strategically to these changes.
- **Creativity:** Under the heading of creativity all those methods are summarized which foster creative thinking about the future, e.g. brainstorming or the future workshop.

In the following the results will be displayed which are concerned with the status-quo of corporate foresight in German companies.

The participants of the group of corporate managers were asked in the first round to state how frequently the above mentioned methods have been used in the past in their company, the answers are displayed in Figure 2. Combining the figures for "frequently" and "occasionally" one can conclude that the methods used most in German corporations are environmental scanning, trend monitoring, trend research, strategic early warning and the scenario technique, followed by quantitative forecasting and those methods for thinking creatively about the future.

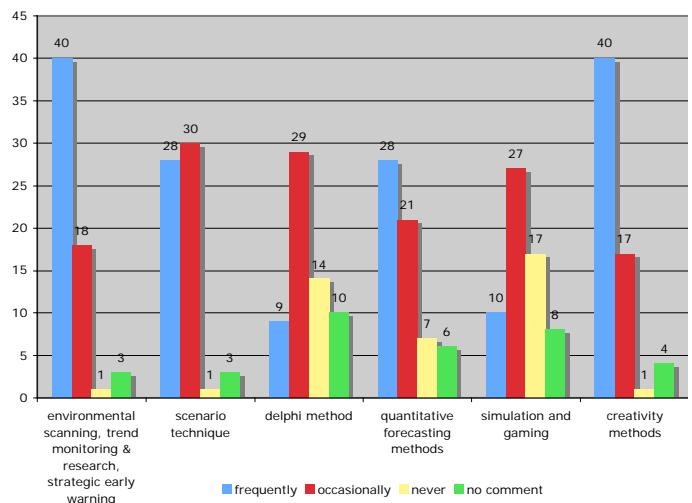


Figure 2: Methods being used (1st round, corporate managers only)

Acceptance of Corporate Foresight on the Rise

Other questions concerning the status-quo of corporate foresight revealed that 36 percent of corporate foresight activities are carried out by single employees, followed by 28 percent in own departments. Only 18 percent of the corporate managers stated that corporate foresight is an integral part of the planning process or that external consultants (17 percent) are

brought in. The results further revealed that corporate foresight is carried out by 56 percent in departments such as strategy, planning, corporate development or marketing and only 23 percent of them in technology focused departments. Most interestingly, 71 percent of the corporate managers stated that the acceptance of corporate foresight in their company is rising. Only 9 percent stated that the acceptance is declining.

How Much Do Managers Know about Foresight Methods?

In the following those results of the Delphi study will be presented which are concerned with the future of corporate foresight in German companies. In figure 3 the results are displayed which concern the question which methods of corporate foresight are likely to experience a rise in interest in the future. Combining the positive answers ("strongly agree" and "agree") one can conclude that the methods of environmental scanning, trend monitoring, trend research and strategic early warning (86 percent) and the scenario technique (83 percent) are most likely to experience a boost in interest in the future. The lowest figures were received by the Delphi technique (48 percent) and simulation and gaming (47 percent). What seems to be significant, however, is the high amount of neutral answers which might be an indicator that several methods of corporate foresight are not very well known, in particular among the group of corporate managers.

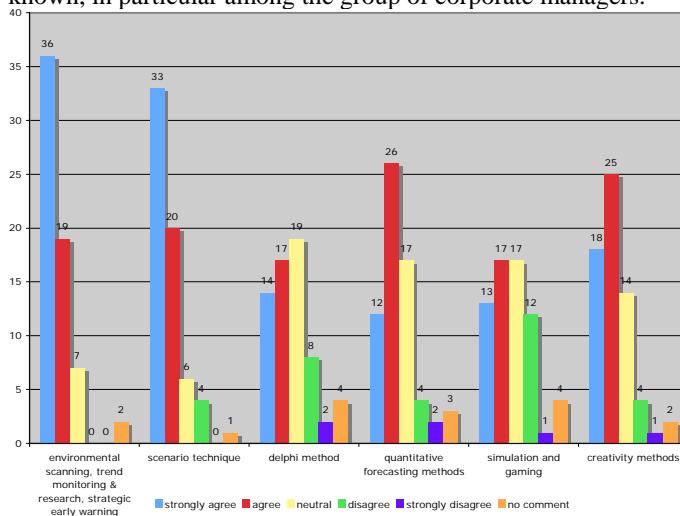


Figure 3: Methods which importance will increase (2nd round, entire panel)

Detecting Chances of Corporate Environment

The three methods which were mentioned most frequently in the Delphi study as those which need to be improved were the scenario technique, quantitative forecasting methods, and strategic early warning. Various panellists stated that it would be less important to develop new methods but to better im-

plement those existing more successfully, to get them to work better in practise. The scenario technique in particular should be more strongly integrated into strategic planning and should also be designed for the use in smaller companies. Stressing the issue of implementation: panellists expressed the view that it is essential for corporate foresight that the results of such activities are adaptable for a corporation.

The methods which received the most credit from the panel, were those concerned with detecting change in the organisations environment ahead of time, such as environmental scanning, trend research and strategic early warning. This implies that the first concern of the panellists is to understand and detect those changes underway, laying the foundation for a foresight activity and then thinking about the future.

Need for Customized Results

Implementation was a principal issue in this Delphi study. The study revealed a degree of scepticism of corporate managers towards applying methods of corporate foresight in their company. One could conclude that the need to apply corporate foresight is accepted, but that the difficulties and problems in using these methods obstruct a further rise in acceptance. The recognition of corporate foresight is of course related to the extent to which the results are adaptable and are of use. However, one major concern of the panel was that the implementation of corporate foresight activities needs to be less complicated and that the contents need to be designed to fit the demands and requirements of those who are supposed to work with these results. One could therefore conclude that those who have been exposed to corporate foresight and have experienced difficulties in implementation view the further development in their own organization a little more sceptically. Overall, the opinion was expressed, that corporate foresight should be kept simple, less time consuming, less academic and easier to integrate and implement in corporate processes. Corporate foresight should be different from crystal ball gazing and journalistic trend research.

The panellist expressed the opinion that the aim of corporate foresight should be to focus less on prediction and more on detecting changes in the environment of an organization. This is also reflected in the positive perception of the development of environmental scanning and strategic early warning. Concerning the image of futures studies the term *foresight* should be promoted, in order to work against the negative image of futures studies, in particular in corporations.

How to Implement Corporate Foresight and its Results?

The results of the Delphi study suggest that corporate foresight has a foundation in German corporations. This study underlines the importance of further improvement of environmental scanning, trend research, trend monitoring, strategic early warning and the scenario technique. Methods which are concerned with creating alternative pictures of the future and detecting change in an organizational environment and also keeping track of these changes should eventually allow to react strategically to these changes. The message behind this selection of methods is that the need to prepare a company to deal with the future and develop foresight is understood and that simple predictions or forecasts are avoided. This in return is a good indication of the acceptance of corporate foresight in German companies.

The biggest challenge for corporate foresight will be to improve its implementation. While the results of the Delphi study do not suggest that new methods are needed, implementation was described as the major concern. The key to

further acceptance of corporate foresight is to improve the implementation in such a manner that the outcome of these activities match the demands of the potential recipients and that the results are adaptable. This discussion marks the future research question: how to implement corporate foresight, how to apply it and how to understand the organizational and cognitive challenges. The question needs to be raised how much the organization or rather the corporate culture needs to be changed in order to deal with methods which tend to deliver uncertain results, as demonstrated for instance by the implementation of a strategic early warning system (Schwarz, 2005).

The Delphi study was able to answer the question about the potential of corporate foresight in German companies. It captured a wide variety of opinions and provided an insight into two essential issues: first, the status-quo and second the future of corporate foresight. Corporate foresight is highly regarded in German companies but the scepticism described in this study has proven that further development is essential.

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The entire study has been published: Schwarz, J. O. 2006. *The Future of Futures Studies - A Delphi Study with a German Perspective*. Aachen: Shaker. Further information is available at www.delphi-studie.de