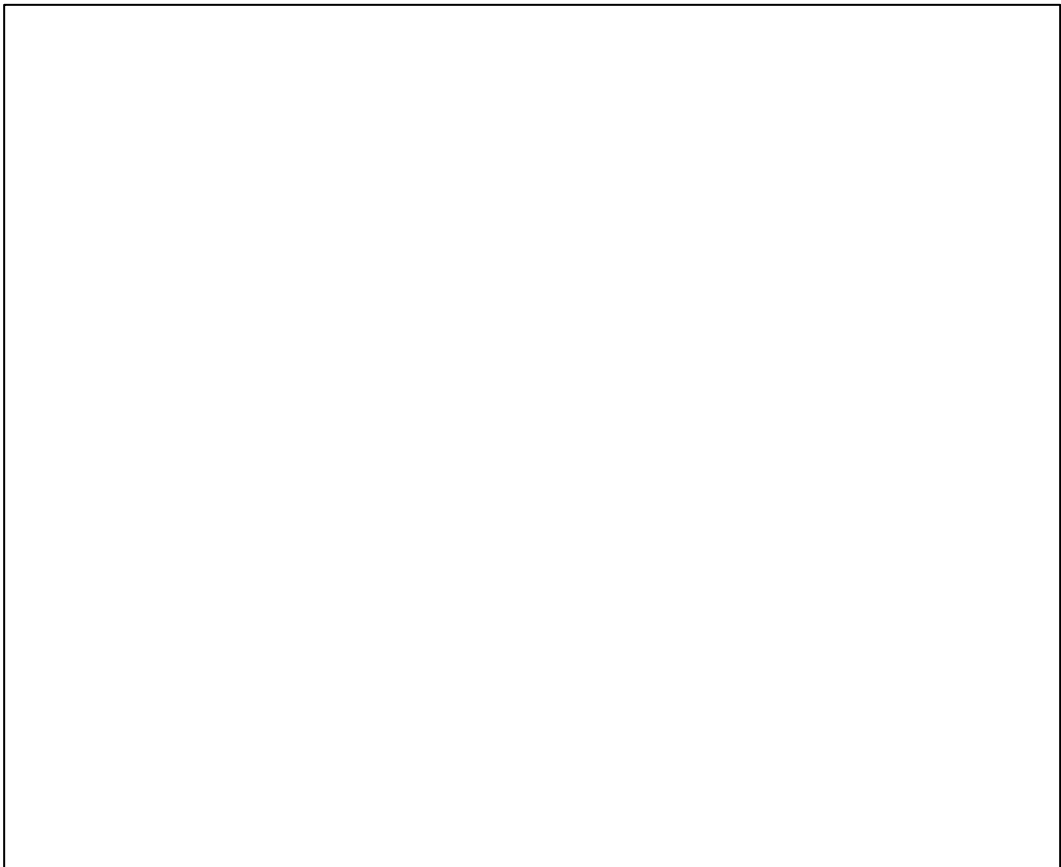
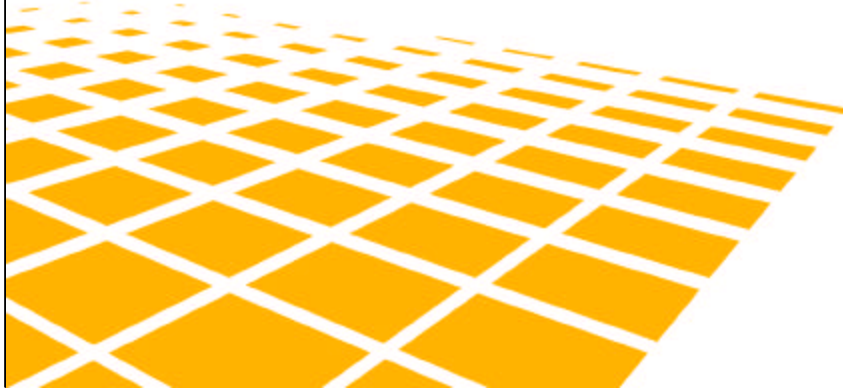




**Industry Foresight as a Driver
of Strategic Innovation**

Understanding Emerging Trends
for Business Growth



The Challenge of Foresight

"Everything that can be invented has been invented."

Charles H. Duell, 1899
Commissioner of U.S. Office of Patents

"When the Paris Exhibition closes, electric light will close with it and no more will be heard of it."

Henry Morton, 1879
President, Stevens Inst. Of Technology

"Heavier-than-air flying machines are impossible."

Lord Kelvin, 1875
President, British Royal Society

"I can assure you on the highest authority that data processing is a fad and won't last out the year."

1957
Editor, PrenticeHall

"There is no reason for any individual to have a computer in their home."

Ken Olson, 1977
President, DEC



While it's impossible to forecast the future, it is possible to make a series of opinions about the future, and test these opinions against future scenarios that are grounded in an understanding of emerging and converging industry trends. Without a creative view of the future, companies are limited by the strategies and opportunities of the past.

What is Industry Foresight?

- Industry Foresight represents a deep understanding of the emerging trends, drivers, inhibitors, potential dislocations, and emerging opportunities within a market, industry or set of converging markets and industries
- Organizations that possess Industry Foresight are better positioned to establish a strategy that leverages future trends – and even helps define them – to create a leadership position in the marketplace



Industry Foresight as a Capability

- Gaining and applying Industry Foresight is a continuous activity that requires an organization to:
 - Engage in processes that define an explicit linkage between the evolving external environment, potential growth opportunities, and business strategies/tactics
 - Create an ongoing capability for tracking and quickly responding to positive or potentially detrimental changes in the competitive business environment
 - View “Opportunity Planning” as an ongoing process, rather than as an annual event, such as “Strategic Planning”)



Environmental Forces

| | | |
|--|--|--|
| Market Forces Specific customer wants and needs, shopping and distribution preferences, spending habits... | Economic Conditions Macro (GNP, trade, inflation), Micro (wages, consumer spending), regional variation... | Technological Forces Emerging technologies, technological infrastructure, breakthroughs, R&D trends... |
| Demographic Patterns Aging trends, family/household composition, labor force composition, immigration... | International Relations Levels of conflict and wars, trade and protectionism, monetary systems and exchange rates... | Competition New competition, industry structure, product substitutes, alliances, acquisitions... |
| Social/Lifestyle Factors Consumer values, psychographic profiles, education levels, social issues, lifestyle trends... | Political & Regulatory Geopolitical trends, policy shifts, government projects, deficits, emerging policies and regulations... | Value Chain Factors Supply chains, logistics, emerging distribution channels, key differentiators... |
| Physical Environment Air/water/land pollution trends, environmental protection trends, global warming effects... | Natural Resources Energy prices and availability, raw materials supplies, resource usage trends... | Wild Cards Surprise forces with major impact, lower probability but significant consequences... |



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The world of **meteorology** provides a compelling analogy. The ongoing monitoring of a complex, intertwined set of environmental forces allows us to forecast how they may collide to impact our lives in terms of the weather.

Similarly, visionary organizations establish a process for monitoring the complex interplay of trends that may potentially impact their business.

While it's not possible or necessary to rigorously monitor the entire spectrum of business drivers trends, it is essential to develop an awareness of the key forces that could impact your industry. Doing so enables an organization both to avert threats to the existing business and to identify potential market opportunities that may arise when industry trends converge. Equally critical is creating the capability and a mechanism for tracking trends, and building this intelligence into the ongoing strategic planning and corporate development processes.

Monitoring Industry Shifts through Triggers

- A “trigger” is an external event that represents an early warning signal – an indicator that the environment is shifting and that new strategies may be required to achieve (or maintain) competitive advantage
 - May involve specific events (e.g., Competitive consolidation – IBM purchases PriceWaterhouseCoopers)
 - May involve measurable thresholds (e.g., half of all US households have DVD players)
 - Some triggers may be company specific (e.g., an increase in orders of a specific product) while others may be visible to the world (e.g., new or anticipated government regulations)



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By building a capability to monitor “triggers” that have direct significance to one’s own organization, markets, customers, and industry, it becomes possible to more quickly adapt and respond to shifts in the external environment.

Who are the Thought Leaders in your Industry?

- By tapping the knowledge of industry Thoughts Leaders, it becomes possible to develop a set of future scenarios from the very people who are driving the future
 - Company Executives
 - Industry Analysts
 - Industry Observers and Writers
 - Think Tanks and Visionaries
 - Educators/Academics
 - Government Advisors
 - Expert Witnesses
 - Board Members
 - Consultants
 - “Cultural Creatives”



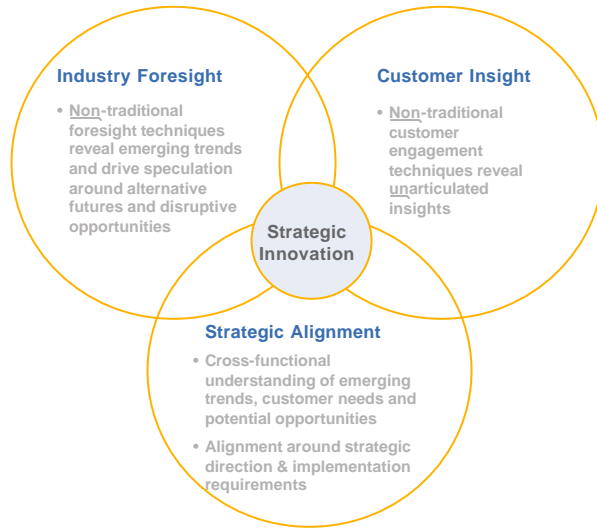
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Thought Leaders are the best source of Industry Foresight. There are several ways to involve them. These include: interviews, surveys, modified focus groups and “Thought Leader Panels”.

While one approach is to meet with Thought Leaders on a one-at-a-time basis, a far more powerful method is to orchestrate interactions between them in a managed forum. Successfully managing the synergy between Thought Leaders is where breakthrough opportunities are often identified.

Strategic Innovation: Key Elements

- Strategic Innovation is created at the intersection of Industry Foresight, Customer Insight and Strategic Alignment

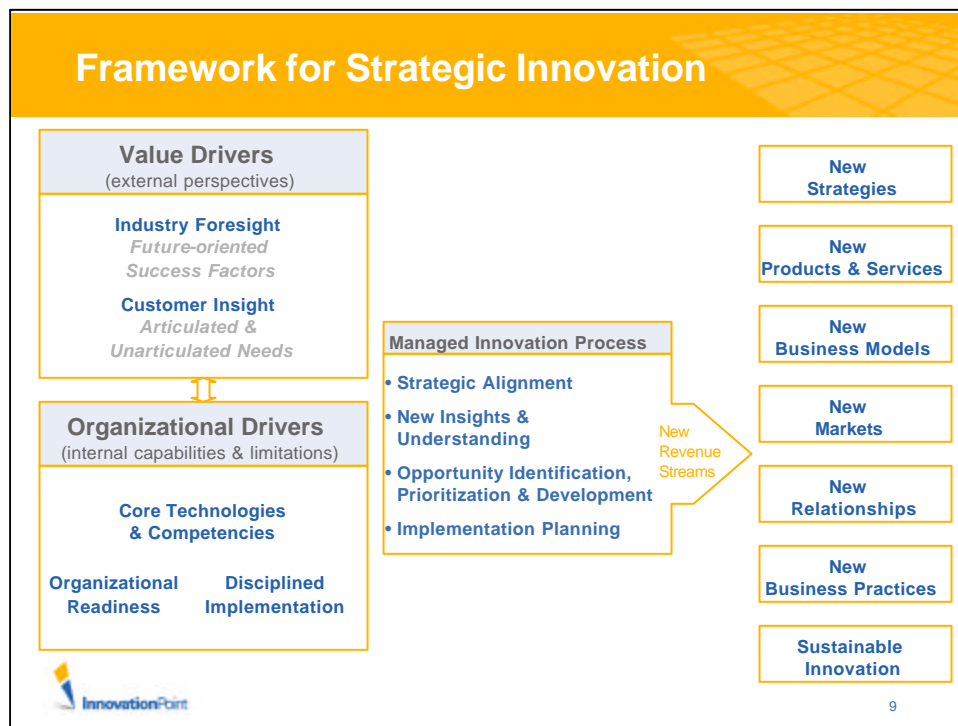


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• Industry Foresight is one of three core elements within a holistic approach to opportunity planning.

• Traditional strategy development is limited -- and often delivers uninspired, incremental results.

• Conversely, Strategic Innovation is created at the intersection of Industry Foresight, Customer Insight and Strategic Alignment.



- Strategic Innovation is “a **future-focused business development framework** that identifies breakthrough growth opportunities with measurable impact, both in the near-term and longer-term, and defines the supporting decisions and actions to achieve a compelling business vision”.
- Combining creative, non-traditional approaches with conventional consulting models, the Strategic Innovation framework inspires cross-functional teams to identify **new revenue streams**, to create **breakthrough growth strategies**, to define **innovative new products, services and business models**, to stimulate **new business relationships** and to **rethink current business practices**.
- Strategic Innovation is driven by a **Managed Innovation Process** that orchestrates the interplay between a company’s **External Value Drivers** and its **Internal Organizational Drivers**. **External Value Drivers** include **Industry Foresight** and **Customer Insight**, while **Internal Organizational Drivers** include **Core Technologies & Competencies**.
 - Industry Foresight provides a “top-down” perspective, an understanding of the complex forces driving change in the industry, including emerging/converging trends, competitive strategies, potential dislocations.
 - Customer Insight provides a “bottom-up” perspective, a deep understanding of both the articulated (stated) and unarticulated (latent) needs of existing and potential customers.
 - Core Competencies and Technologies assesses “internal capabilities”, taking a hard look at organizational competencies and assets that can be leveraged to deliver value to customers, including technologies, intellectual property and strategic relationships.
- The managed innovation process weaves together these three elements, incorporating them with its **Organizational Readiness** to act and the degree to which it exhibits **Disciplined Implementation**. **Strategic Alignment** galvanizes an organization around shared goals and builds stakeholder support.
- To succeed in the long term, it is necessary to move beyond a purely ad hoc or unstructured approach to innovation, and to create a platform for **Sustainable Innovation**.

***“The best way to predict
the future is to invent it.”***

Alan Kay
Fellow, Apple Computer





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