KIN FORUM
GENERATING AND LEVERAGING FORESIGHT
Sponsored by Zurich North America

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INTRODUCTION AND BACKGROUND:

What is foresight? How do we achieve it, and what do we then do with it to discover opportunities, mitigate threats and enhance long-term success? Corporations are faced with a world where the rate of change is increasingly rapid, where new threats and opportunities are emerging and where there is a radical reduction in the barriers to developing disruptive solutions. Forward-thinking companies such as GE say they are no longer worried merely about traditional competitors, but also about firms such as Uber and Airbnb and how they will disrupt their businesses. The capability for developing foresight and leveraging it to create action and impact is arguably a must-have for remaining competitive and successful.

This KIN Forum on Foresight, sponsored by Zurich North America, was an invitation-only gathering of nearly 100 industry and non-industry leaders brought together to examine how corporate leaders can generate and leverage foresight and connect foresight to action and impact.

Through a combination of expert speakers and participant dialogue, the group explored and discussed three major themes:

- **Mandate: What is foresight?** Why is it so vital, and why now more than ever? How do we generate it?
- **Methods:** How do we build foresight about the future of our business and/or market and move to action and impact? What are the tools, methods and leading practices?
- **Mindsets and Organization:** How do we challenge conventional thinking, orthodoxies and assumptions? How do we build our organizational muscle for foresight?

This document summarizes the key insights that emerged from the keynote speakers, expert panels, and KIN Forum participants.
WHY FORESIGHT?

Opening Perspectives from Mike Foley, CEO Zurich North America:
Zurich’s mission is to help customers understand and protect themselves from risk. This inherently requires foresight on multiple levels:

- Economic
- Geopolitical
- Environmental
- Technological
- Societal

Risks are becoming increasingly complex and interconnected, given global forces and technology innovation. New methods and approaches are needed to understand the emerging landscape of risk for Zurich’s customers.

Generating and leveraging foresight is vital to becoming a resilient enterprise.

Opening Perspectives from Scott Bowman, Managing Partner, Clareo:
Unbridled success can create incredible blind spots. Bowman’s former employer Siebel Systems, the fastest growing software company and fastest growing US company ca. 2001, completely missed the emerging wave of cloud computing. It wasn’t that Siebel didn’t see it coming. This wave (led by Salesforce.com) happened right under its nose, with trends emerging that would make Software as a Service (SaaS) technically viable and increasingly desirable for customers.

However, the real challenge in the migration from premise-based to cloud computing was not technical. The technology was easy, relatively speaking, and, in fact, around the year 2000, Siebel was incubating a solution that would have been its version of Salesforce.com at the time, but killed it in 2001 in an effort to retreat to its core. The real threat was the business model threat, the new model of buying software on demand, as needed for deployments, versus the traditional model of selling massive enterprise software deals upfront in order to meet the street’s expectations.

Siebel had foresight, to a degree, but discounted emerging trends because they were incongruent with the company’s paradigm and were a threat to the business model of the company. Worse still, Siebel failed to act upon foresight, choosing to stay on its course, de-funding efforts that could have helped it to participate in the emerging wave of cloud computing and ceding much of that market to Salesforce.com. Siebel was sold to Oracle in 2006 for $6 billion, while today Salesforce.com enjoys a market capitalization of well over $50 billion.

The story of Siebel highlights how vital it is to generate foresight, challenge conventional thinking and assumptions about the business, and connect foresight with innovation and action.
MANDATE:
What is Foresight and how do we generate it?

Insights from Forum Speakers & Panelists

Marcus Weldon – President, Bell Labs, and CTO, Nokia:
- Look at fundamental needs at a human level, figure out how much farther we can go to expand possibility, solve things that stand in the way. Focus on what doesn’t change (e.g. the distribution of goods).
- Set the proper time horizon. Consider using 10-year horizon in order to break from existing thinking and paradigms.
- Seek out “unlike minds” to bring totally new perspectives. Go beyond technical experts to include artists and creatives in the process.
- Don’t project from today outward, but rather work backward from a defined set of potential futures.
- Corporations need to create and manage what has been referred to as “dual operating systems.” Nurture and support the current core business, while organizing deliberately to create tomorrow’s future business.
- Keep new initiatives separate, but loosely coupled. Insulate, but without isolating.

Amy Walter – National Editor, The Cook Political Report
- Leaders need to overcome the tendency to fixate on one trend at the expense of others (e.g., “It’s all about millennials”), and also to not overestimate the impacts of that trend.
- Ignore the data when building foresight. Use data to validate foresight efforts, i.e. look for markers or indicators about what future(s) are evolving and do not rely merely on projecting futures based on historical data.
- At Cook Political Report, we are trying to “de-datafy” politics. Prediction models are doing us a disservice. We have gotten duped into believing we have certainty when we don’t. Historical data is increasingly unreliable as a predictor of future outcomes.
- As leaders we need to keep our “personal B.S. meter” on. Check data against what your gut is telling you.
- Take the same advice we give to political leaders: “Don’t fight the last war.” Don’t look at data and what the world used to be like, but rather look at how it is evolving.
- To be successful at building foresight, hold two things in tension: remain conscious of your own fear of change and disruption, and do not over-correct.
METHODS:
How do we build foresight, and move to action and impact?

Insights from Forum Speakers & Panelists

Polly Flinn
SVP, Giant Eagle and
Former CMO, BP and Castrol

Abhi Dhar
Founder and CEO, Packyge and
Former CIO, Walgreens

• There are four key ingredients for leveraging foresight:
  - Inspiration: shock therapy
  - Strategy: what to do with foresight once you build it
  - Plumbing: aligning with the operational aspects of the business
  - Sustain: planning to drive change and sustain efforts

• A key for Castrol in the Castrol 2020 effort was having a powerful stimulus: “What is going to be the “concept car” for our lubricants business? What does our next horizon look like?” These questions were inspired by seeing BMW’s new concept car.

• Maintain the recognition that world is changing around you, whether or not you choose to do anything about it.

• Executive engagement is vital, especially in early stages when exploring what future(s) may emerge. Senior leaders need to see and experience the change for themselves. A tangible example of this is when the CEO of Castrol met with Steve Jurvetson, founder and managing director of prominent venture fund Draper Fisher Jurvetson who said to the CEO, “If I’m doing my job right, I’m going to put you out of business.” That was a sort of shock therapy for the entire C-suite.

• Leaders need to establish and cultivate the right mindset:
  - Think about what is possible, not what is probable. This is the heart of entrepreneurship and innovation.
  - Accept the fact that you will be disrupted someday.
  - Operate with a sense of paranoia about future disruption.
• Establish a deliberate process and approach for building and acting on foresight:
  - Frame hypotheses you can test. Identify uncertainties to resolve and create learning plans.
  - Insulate new things, but do not isolate them.
  - Do everything you can to gain multiple perspectives. In the case of Castrol 2020, multiple “insight sessions” in Silicon Valley, Bangalore and London, gave the company broad and deep engagement with a range of experts and innovators in areas of interest. This was a highly curated process—a sort of “mini-KIN”—not merely a matter of “calling some experts.”
• Don’t just build cruise ships, look for “speedboats” as well: the speedboats give you short term wins that can create wind in the sails. Use small projects, gaining success to earn the right to do more.
• Leverage corporate venture capital as a vehicle to stay close to startup activity. Look for “weak signals” in the market. There is simply no way to match the speed, resilience and mindset of the venture community.
• Incorporate the following perspectives on organizing and funding efforts connected to foresight:
  - Build bridges with the “frustrated and passionate” leaders in your business, those anxious to start new things. They’re likely to go out and start something anyway, so stay connected with them and offer them a path.
  - Deploy and carve out capital for totally new initiatives Make sure you apply different metrics for new business innovations,—not the same ones that apply to your core business).
  - It takes a village. Recognize you may need to tap expertise in your organization.
MINDSET: PEOPLE AND ORGANIZATION
How do we challenge conventional thinking, orthodoxies and assumptions? How do we build our “organizational muscle” for foresight?

Insights from Panel Discussion:

- Create a culture of curiosity and also have the humility “that you don’t know everything” to be open to new ideas.
- Generate short-term wins to create “wind in the sails” and gain traction internally.
- Start small, work on de-risking the idea and use small tests to build sponsorship internally.
- Methods of prediction are changing, yet technology will not replace the human ability to generate foresight. It is more about augmenting intelligence than automating it.
- Look in unexpected places to find learning – analogous industries, the arts, and even biology (i.e., Henry King’s research into invasive species and application of insights to the innovation process).
- Leaders need to take a multi-disciplinary approach, and then define and prepare for multiple futures, given that the world may evolve differently than you believe it will.
- Consider utilizing scenario analyses as you build futures – RAND was an inventor of modern-day game theory.
- Define what would need to occur in order for a given future to evolve, then build systems to monitor and test for those changes. RAND researchers create a model of what they think the future will likely be, then determine what needs to happen from a policy standpoint either to realize that future, or to keep it from happening.
- On of the best ways for prepare for the unexpected is to do everything possible to not be an island. The more information—in the form of research, data, connections and experiences—the better.
- A company prepared for disruption is also positioned to create some of its own.
• We need to re-frame innovation itself in terms of “risk mitigation.” Leaders often think about innovation as a risk when in fact one of the greatest risks is inaction, which innovation is meant to counter.


• The future has roots in the past and present. It is shaped by connections that sometimes don’t make sense until suddenly they do. Disruption is about seeing connections first and exploring all the potential implications.

KEY TAKE AWAYS

• Innovate by looking ten years out, but use a “future back” lens to better connect your company’s current work with its vision of what’s next.

• Beware of confirmation bias (and other biases). Counter them by including diverse perspectives in the process.

• Understand the limitations of data and historical analysis. The future is not an extrapolation of the past.

• Make space to develop ideas and incubate new ventures within the company. Incentivize innovators to stay.

• Do everything you can to gain an external perspective. Harness the creativity and potential of the startup community. Corporate venturing models can be a powerful approach.

• Cultivate new business innovation, protecting efforts from the ‘corporate antibodies’ in the core business. New business innovation efforts require more new thinking, capabilities, funding and metrics than the core.

• Don’t wait for your company to be disrupted. Find ways to disrupt it yourself.

• Develop a corporate culture that supports curiosity-driven learners.

• With foresight, the future begins now.

ABOUT THE KELLOGG INNOVATION NETWORK (KIN)

Founded in 2003, the KIN is a global platform for collaboration between the Kellogg School of Management faculty, corporate innovation leaders, non-profit organizations and government. The KIN’s mission is to facilitate strategy and management dialogue to promote innovation-led growth and build long-term prosperity for industries and society worldwide. Through events like KIN Global, KIN Dialogues, and KIN Catalysts, the KIN is building a network of thought leaders who have the collective ability to advance the global prosperity agenda. Prosperity for our families, companies and societies requires innovation more radical and more continuous than at any time in the past.

by Kara Vogt, with Scott Bowman