

The Forward Thinking Report

A major forward thinking report released by Barclays Commercial Bank in conjunction with the Institute of Directors (IoD) has revealed that UK businesses must develop a clearer understanding of future risks and opportunities to succeed in both the recession and post recession economy.

The report, which is the first of its kind, examines how businesses in the UK understand and plan for the future. It was prepared after surveying 600 business owners and senior managers across a variety of industries about their company's ability to understand the future external environment in which they operate.

According to the research, 25 per cent of businesses say they do not analyse the future external environment at all, representing a total of 500,000 UK enterprises. Of the companies surveyed, just 36 per cent of respondents felt that the Healthcare sector was effective at forward thinking. Surprisingly, this figure still compares favourably against other sectors, which are even less adept at forward thinking.

But if so many companies are neglecting to think effectively about the future, does forward thinking matter? Put simply, the need for companies across all industries to understand the scale and pace of change in the external environment is more important than at any time in recent memory.

If we look specifically at Healthcare, the impact of external factors on the sector will continue to be significant as we move forward in 2009. Examples include the introduction of a new regulator in the form of the Care Quality Commission, changes to the minimum wage and holiday entitlement.

The bottom line is that insufficient understanding of these factors is likely to have an adverse impact on the performance of your business. Indeed a quarter of all businesses featured in the report state that their company has underperformed due to inadequate thinking about the future external environment.

In part this may be explained by the barriers to forward thinking revealed by the report. Around one-third of companies cited a sceptical corporate culture as a factor inhibiting forward thinking, and more than half of the respondents see the wider UK business culture as a barrier. There is no clear reason why this should be the case, although one possibility is that the post war stop-go economic cycle has encouraged a short term business culture in the UK.

Two thirds of companies also stated that a lack of time prevented them from analysing the future external environment. A lack of in-house expertise and expense were also cited by half of all companies as inhibiting factors, and many feel that the analysis itself is becoming harder to carry out effectively, with the current economic situation and political change considered to be the main reasons for this.

Although cost is an understandable concern in the current climate, it is important to remember that forward thinking is a relative and not an absolute concept tied to size and/or resource. Therefore irrespective of where you are in your business journey, an opportunity exists for you to gain competitive advantage by being better at forward thinking than your rivals.

No single method or process exists to conduct forward thinking. Ideally, you should look to adopt a multi-disciplinary approach to view the future from all angles. With this in mind, what tools are available to you to start forward thinking effectively?

SWOT

SWOT is already a widely used tool for forward thinking. One of the keys to using this technique successfully is to classify the degree of opportunity or threat. Merely listing the various opportunities and threats without thinking about their intensity or probability is not an effective approach. Strengths and weaknesses also need to be seen with an eye to the future, a strength today could easily become a weakness tomorrow as the external environment changes.

PRESTLE

This analysis provides you with the opportunity to examine the impact of political, regulatory, economic, social, technological, legal and environmental drivers in detail. If two or three key drivers exist, try and understand how they may interrelate with each other in the future (an example might be the impact of an ageing population on Government policy). Also, don't be afraid to scan for viewpoints that are contrary to yours, as evidence suggests that we tend to seek out data which agrees with our own views. This in turn leads to an incorrect assessment of the risks faced.

ECONOMIC FORECASTS

A number of free resources exist for data of this nature. HM treasury produces a compilation of forecasts on their website and most trade/business associations have economic data available. Internet searches also reveal a wealth of research. One tip is to take a range of reliable forecasts - from the pessimistic to the optimistic - and understand the story behind the numbers. An example might be how UK GDP data impacts the strength of Sterling relative to other currencies.

SCENARIO PLANNING

Uncertainty means that alternatives need to be considered, both negative and positive, as opposed to a singular approach. These alternative scenarios can then be used to stress test your business plan and help build a picture of potential alternative futures.

EXTERNAL CONSULTANTS

The use of external consultants tends to differ enormously depending on the size of the organisation. Whereas larger companies often buy- in top flight consultancy advice, smaller companies may well have to do things differently, using a local academic or students to undertake research for them. Another alternative is to consider grouping together with other small firms in order to drive economies of scale in the research process.

QUANTATIVE MODELLING

Various sophisticated tools are available, including econometric modelling, which could help quantify the sensitivity of your revenues to future changes in economic growth. Companies can often be surprised at how easily they are able to adopt these techniques, with Econometric functions readily available in Excel.

WILD CARDS

Very often the individuals that undertake the risk analysis do not communicate with the part of the company that is undertaking the forward thinking. Risk analysis needs to call on the views of as many individuals as possible. It is quite possible that one of your employees, in thinking about the risks to his/her employment, has actually identified a strategic threat to your business as a whole.

To summarise, across all of the sub-sectors within Healthcare the benefit of undertaking even some aspects of forward thinking undoubtedly outweighs the risks of not doing any at all, particularly in the current climate where it could make the difference between business success

and failure. The following checklist aims to provide a quick overview of the actions and resources that are available to all businesses in order to undertake forward thinking effectively.

Forward Thinking Checklist

1. Take time to think about whether or not your organisation really does examine the future external environment as well as it could.
2. Look back; see if you can identify changes in the external environment which have had significant impact on your organisation. How would you have acted differently if you'd anticipated these changes?
3. Discuss your findings with senior management. Expect negativity from colleagues who assume forward thinking to be too difficult. Encourage them to identify potential opportunities lost in the past.
4. Identify the key barriers to forward thinking in your organisation – cost, in-house skills, corporate culture etc.
5. Decide how you can overcome these barriers - commit resources, corporate culture etc.
6. Consider teaming up with trade associations or group together with other forward thinking enterprises in 'Forward Thinking Clusters', hosting events or seminars to discuss the future external environment and its impact on the Healthcare sector. Talking to your peers may suggest solutions or resources that you otherwise would not have considered.
7. Seek partnerships with others, from banks and industry organisations to conferences and think tanks in order to develop forward thinking.
8. Provide incentives for staff and customers to encourage the development of actionable ideas based on their analyses of the future external environment.
9. Adopt on-line tools such as forums for staff and customers and customers to easily contribute to a debate on the future environment and its potential impact. These tools may be internal or external – available to the wider public at large.
10. For SME's with limited resources, focus on how to exploit freely available material like internet sources. Speak to your Bank about obtaining sector reports they produce.
11. Identify academics with expertise in different areas of forward thinking, particularly for those that will have the greatest impact on your market. Consider offering them non-executive directorships, and look at their work for inspiration.
12. Make sure somebody at Board level has 'ownership' of forward thinking. Within the executive, delegate a Head of Forward Thinking even if this is only part of their role.
13. Review the process by which forward thinking is absorbed into the creation of corporate strategy. Check that forward thinking is effectively integrated within strategy.
14. Explore the various forward thinking tools (scenario planning, economic forecasts etc) you wish to use. Question what each provides and then prioritise the most important for early adoption within your strategy.
15. Create a climate where alternative viewpoints challenging received wisdom are encouraged. Make sure that the views of senior management don't smother ideas from elsewhere in the organisation.

Click on the link below to register for the full forward thinking report:

<http://www.business.barclays.co.uk/BRC1/jsp/brcontrol?site=bbb&task=homefreevi1&value=12322&target=self>