



Forward Thinking

Stay Relevant by Being Inquisitive about Major Trends

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Anyone looking back at the past can see how radically the world has changed, and also how quickly these changes have been occurring. The world population has doubled in forty years' time. Organizations that were regarded as being somewhat "obscure" (take Apple, for instance) are now leading corporations that dominate our everyday lives. Communication has become ubiquitous and is getting increasingly closer to our own physical bodies. Asia has enjoyed enormous development and has become a power player of huge significance.

Could we have predicted forty years ago that the world would now be as it is? Can we predict how IT will develop in the coming forty years? No, no one can predict such things. But we must at least attempt to look to the future as much as possible and take into account the possible scenarios that issue from an analysis of mega-trends.



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Introduction

In 1964, the British science-fiction writer Arthur C. Clarke gave his vision of the "magical" year 2000. He began his prophetic words with a preliminary remark: "If what I now say to you sounds completely absurd, then there is the chance that I am giving a realistic picture of the future." In other words, the future is probably more absurd or extreme than we can imagine. Some of Clarke's very extreme predictions have turned out to be totally wrong. For example, he predicted that cities would lose their place as the center of our societies – whereas they have turned out to expand further and further over the decades. He also declared that work-related commuter traffic would vanish. However, in other fields, almost inconceivable scenarios have largely come true. He suggested that the possibility of worldwide communication would lead to a situation in which work is no longer nailed to a fixed location. He predicted that "brain surgeons in Edinburgh will be able to operate on patients in New Zealand." We now know that this quite ridiculous scenario has developed into a genuine possibility.

Curiosity

So, in retrospect, what can we do with this knowledge? Predicting the future is still pretty hopeless, so that is not a serious option. What we can (and should) do is to be inquisitive about the major developments currently taking place in the world, and get as close to these as possible. It is apparent that a number of mega-trends are about to cause great changes in business models and market relations. Many researchers regard the convergence of various crises – financial, energy-related, climatic, nutritional – as the best evidence that we are currently on the verge of a new era in social and commercial interaction. A magazine such as *Compact* can help shape a new course by sharing insights and experiences.

For enterprises, it is also important to pay keen attention to the changes in their environments that (can) influence their business model and/or added value. History has shown on countless occasions that this is certainly no superfluous luxury. Kodak is an excellent example in this context. The company possessed all up-to-date knowl-

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edge of digital photography and also had the most skilled employees in the area. Nonetheless, it missed the boat completely when digital photography really came into fashion. Nokia is a more recent example. The Finnish company dominated the market for cell phones but was marginalized when it missed the upsurge of the smartphone. In customers' minds, both corporations had forfeited their relevance.

This is the universal challenge to companies: stay relevant to customers by adapting to changing circumstances in a timely manner. Numerous studies indicate that long-term entrepreneurial success depends on the extent to which businesses can adjust to fundamental changes in their environment. This application of “survival of the fittest” does not involve strength but rather the ability to adapt. It is not the strongest who succeed but the ones who manage to adapt in an optimum way to changing circumstances.

This capacity to adapt involves a systematic translation of environmental signals into strategy and business operations. Therefore, each company requires good feedback mechanisms to translate future-oriented scenarios into present-day business models. In other words, every company must be inquisitive about what is lurking just around the corner, and aim to translate this information into a customized policy. KPMG regards this as a factor of the utmost importance, and assists clients develop a tailor-made program of services.

Four areas of concern with mega-trends

A glimpse into the mega-trends provides an indication of which challenges could be lurking just around the corner. These mega-trends play a role in four mutually coherent areas, which we shall now deal with briefly.

Demography

The world population is growing toward 9 billion, but significant growth is certainly not taking place in the West. It is expected that by 2045 only Africa will be showing population growth of any consequence. In the West, there is mention of drastic “double ageing”: the average age of the population is increasing, while innovations in healthcare are also ensuring that people are living longer. Women are fulfilling an ever-more important role in the generation of income and in decision-making. Wealth and welfare are shifting toward the BRIC countries. Universal urbanization is ongoing and systematic: more than half of the world population now lives in an urban area. In 2020, for the first time in history, we shall experience four gen-

erations of employees on the workforce, each with its own values, norms, and patterns of expectation.

Technology

We are growing progressively toward a networked society. The quantity of data is expanding exponentially, as is the calculation capacity of computers. This enables new opportunities to convert data into valuable insights. Technology is playing an increasingly prominent role in society and is becoming prominent in everything we do. Technology is now completely integrated into our daily lives – even in a physical sense – and, as such, is no longer merely an *add-on*. As a result, the security of data is becoming an ever-more critical issue. The developmental rate is high and the predictability of the (near) future is limited. It is therefore essential to keep track of trends as well as possible divergences they may take.

Environment

Our environment is under pressure as a consequence of population growth and rising prosperity. The accompanying economic expansion is creating a scarcity of raw materials and is leading to a transition toward more sustainable forms of energy generation. Climate change is also contributing to a greater frequency of natural catastrophes. The impact on the environment is becoming increasingly quantifiable and will be integrated into the cost price of products.

Values and ethics

We are growing toward a world with radical transparency: there are no longer any secrets, and opinions about privacy are shifting. Many citizens now share information that was formerly regarded as belonging to the private domain. Enterprises also have to cope with this far-reaching transparency and must actively participate in the debate. While doing so, they strive to build up brands that merit trust. The “crowd” is gaining influence and now forms the basis of many innovative impulses. Classical marketing is on its way out, because people tend to listen to the advice of the crowd. The latest generation of employees (the millennials) is beginning to enter the workforce, and can be characterized by their very direct feedback and openness with regard to expectations.

The future of IT

Technology meanders as a leitmotiv through all the above-mentioned areas. After all, new (information) technology makes it possible to enhance average life

expectancy and also to resolve environmental problems or enable more social transparency. The prominent role of IT is also becoming clearer as data grows in importance. Data is the “new gold”: with smart use of the swelling quantities of data available, we are capable of organizing the world better and generating more value. The quest for application possibilities has only just begun. But one thing seems absolutely certain: the growth of data traffic will continue for some time. In this framework we can think of the rise of the social media, the advent of new means of communication such as Google Glass and the emergence of the *Internet of Things*, in which appliances – varying from refrigerators and thermometers to the maintenance system in your car – share information with one another. Data is simply becoming an increasingly vital fuel for companies and government. New application possibilities (and, with these, business models) are succeeding one another at a rapid rate.

Thus, drastic changes are looming and future circumstances are largely unpredictable. What does this mean for organizational strategies? It means that we will have to learn to cope with this unpredictability. We must have the nerve to experiment with new business models and products, and hope that these experiments now and again throw up a growth diamond. *Always in beta*, as the phrase goes in the IT world. It means: constantly under development and never completely finished. Google grew up with this concept and a good example of this is the way developers are currently elaborating Google Glass, a set of speech-driven computerized spectacles. In a Ted Talk, Tom Chi, one of the people responsible for this project, gave a fascinating glimpse into the way Google is working on this product, with rapid prototyping. The first prototype – a makeshift object – was developed in one (!) day. “Doing is the best kind of thinking,” is what Chi told his audience.

In other words, the new strategy is *doing*. We develop everything on the fly, without knowing exactly what we might encounter in the process. This applies not only to the development of technology – remember the upsurge of *agile* work forms in software development – but also to entrepreneurship itself. *The new strategy is doing* also means that, for example, in many sectors, extensive market research followed by a long-term planning will make way for continuous attempts to create models and prod-

ucts by means of rapid prototyping. A critical comment must be made, however: businesses should not exclusively engage in experiments on an extensive scale, but should also keep a close eye on what works for other companies and what does not. Publications continue to play an important role in such frameworks.

In conclusion

Curiosity killed the cat. This adage teaches us that we’d better not stick our noses too far into other people’s business. Good entrepreneurs, however, know that this is often a fruitful course of action. After all, only by being – and remaining – inquisitive about the way others (within and beyond the sector) deal with challenges and pursue new trains of thought can exciting new combinations and unexpected innovations arise. And that forms the basis for remaining relevant to clients.

In this area, there are no recipes for success. One the one hand, entrepreneurs have to operate on the basis of the enormous challenges facing them at this moment. On the other hand, they must anticipate what will be of consequence in the new world, in terms of market opportunities and new risks. If they wish to benefit from new growth opportunities, it is essential to probe matters that seem to be far distant from their current activities. This may be painful at times. But the idea that it may be fatal (*curiosity killed the cat*) is rather exaggerated.

About the authors

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