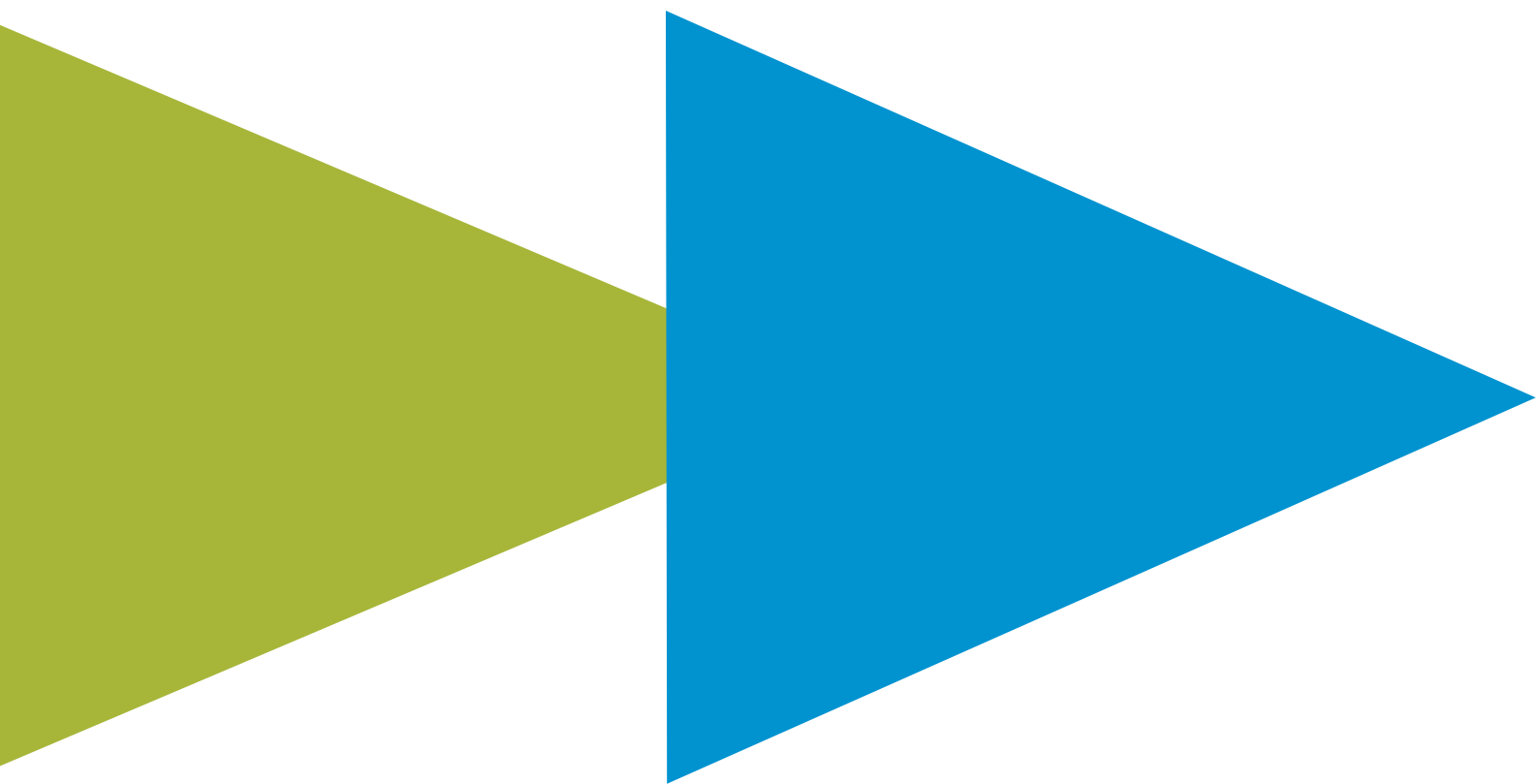


irdeto: facing the future through scenario planning

esther eidinow



irdeto

outsights
insights from the outside

about outsights

Outsights is a strategic consultancy helping organisations to anticipate, interpret and act upon important external developments in the outside world. We are one of the world's leading scenario planning practitioners with a strong track record in using scenarios to generate real change within organisations.

outsights on

The "Outsights On" series reports on our recent thinking and is designed to stimulate debate around the drivers of change. Previous issues include:

The Future of the Global Economy to 2030
Outsights on the Five Flows of Globalisation
Drivers of Change for Emerging Markets
The Futures of the EBRD Region to 2025
Outsights on the Consumer
Tomorrow's World Today: Outsights on the Challenges of Horizon Scanning
Outsights on the Global Economy
Outsights on the Information Economy
Learning from the Future

about the author

dr esther eidinow

Outsights Associate Esther Eidinow is a writer, editor and researcher, who has worked with Outsights on many projects over the last decade. She has written scenario stories on the possible futures of India, China and Russia, and is the author of *AIDS in Africa: Three Scenarios for the Future* for UNAIDS. Esther has a DPhil in ancient Greek history and is a Leverhulme Early Career Fellow in ancient history. She recently published her book *Oracles, Curses, and Risk Among the Ancient Greeks*.

introduction

Scenario thinking is often regarded as being the domain of big business and government - both have considerable market influence to make their visions come true - so understanding what the future may hold and preparing for it is fundamentally important.

But the long view can be equally important to small to medium sized enterprises (SMEs). Smaller size sometimes means greater flexibility. And scenarios don't necessarily need to look very far out - there is plenty of use for scenarios that explore radical change over shorter timeframes.

Outsights was fortunate to be invited by one future-looking SME, Irdeto (www.irdeto.com), to help think broadly and deeply about the Future, through a scenario project with its senior Leadership Team. Irdeto has been in the business of content protection since 1969 and it exists in a world of fast-moving change driven by technology. One only has to think of the changes to the music industry wrought by digitisation - including the challenges of piracy and consumer frustration over digital rights management - to appreciate this. However, developments in technology cannot be treated in isolation. Social drivers need to be considered; and for a company like Irdeto which operates across multiple geographies, political and economic factors are complicating forces too.

The project has been a powerful case study in the use of scenarios within a SME. The scenario process at Irdeto helped combine the different drivers shaping Irdeto's world to create a shift in a team's thinking about the future, and a common language around change. Specifically: what would a "Martini moment" - when digital content is available anytime, anyplace, anywhere through ubiquitous broadband (or its equivalent) - look like?

What follows is a candid account, based on interviews with senior members of the Irdeto Team, on their experiences of the scenario process.

irdeto: facing the
future through
scenario planning

scenarios have famously been used to plan the futures of multinational companies like Shell. but, as Irdeto has discovered, smaller organisations can profit just as much, if not more, from this form of strategic planning.

Developments in the music industry - piracy and consumer frustration over digital rights management - have publicised issues surrounding digital content protection. Many people, however, still take the secure delivery of their digital content, like subscription television, for granted. This is where companies like Irdeto enter the picture.

40 years of change

Irdeto has been in the business of protecting content since 1969. A subsidiary of the multinational media group Naspers, its products include conditional access, digital rights management, business support systems, middleware solutions and, through its Cloakware subsidiary, software and datacenter security. To businesses in the entertainment industry, it is protection from the illegal distribution of movies, music and other media and copyrighting of software. For the consumer, this means restricted access to content that has not been legitimately paid for, in return for access to the world of legitimate content that has legal, quality and other safeguards that pirated content cannot offer.

Irdeto has helped keep this valuable content secure over the past 40 years, surviving the bursting of the tech bubble at the turn of the century and then experiencing a new wave of technological growth: it's the third largest player in its industry with more than 400 customers worldwide and offices in 22 countries. The number of employees have almost doubled since 2000 and its range of products has increased from only providing Satellite Conditional Access in 1998 to a suite of products including digital rights management to business support software and datacenter security in 2008.

To maintain success in the digital content industry Irdeto has had to move quickly, using three-year planning cycles to anticipate the fast changing market. But by 2003, CEO Graham Kill was beginning to have doubts about the merits of standard strategic planning.

He felt Irdeto lacked real understanding of how to deal with the longer range future uncertainty of the fast-moving digital marketplace. The questions that plagued him carried potentially catastrophic implications for Irdeto. What would it mean, for instance and in an extreme case, if all content became free of charge - thanks to online social networks and user-controlled sites like YouTube, Facebook or Limewire? What happens to Irdeto's core business - protection - if there was nothing left to protect?

time for a change

The three-year planning cycle did not provide the answers.

Although he was used to uncertainty - Graham previously worked in mining - awareness of potential uncertainty was not enough. "There were no obvious processes and methodologies of dealing with the uncertainty of the future. The question remained - how to wrestle that uncertainty to the ground," says Graham.

'...we needed to look through our customers to their markets, societies and consumers.'

It spurred him to search for a different kind of planning process, setting out at first for something simple, even hoping for the silver bullet that would solve his problems. He would find a very different kind of answer.

Graham and his team embarked on a series of planning processes. At first, these were largely concerned with trends that could be measured and anticipated. They dealt with the quantitative and the factual, focusing on the likely future direction of technology: convergence - where separate technologies interact with each other e.g. Wii is not only a games console, but also an internet browser and social networking tool; and mobile phones are increasingly connected to a data network ("always on" connectivity) and incorporate digital cameras, mp3 players, camcorders, voice recorders.

It was a useful first step, but technology is difficult. The speed of technological change is accelerating and companies must keep up with - or even better, anticipate - changes in their industry, such that product answers can be given to customers as they are first able to articulate their needs. Simply keeping on top of what you can know is tough in itself, let alone dealing with future uncertainties. Further, those companies that focus on technology risk potentially miss the other crucial trends, especially social and consumer trends that are shaping their futures. What about the larger forces, beyond any particular company or industry, which are shaping the transactional environment? This was what Irdeto needed to think about. "Here was another orbit to move into," says Graham, adding "Irdeto sells to companies that sell to consumers (B2B companies that have B2C businesses) and we needed to look through our customers to their markets, societies and consumers".

But as well as content, he wanted to push his team past their mental barriers to think in a more challenging way about the future. He found the answer lay in scenario planning.

scenarios: stories about big futures?

Scenarios are stories about the future, created through a methodological process. Organisations create three or four at a time to help them to understand the nature of change in their environment, and so how to plan their strategy over a particular time period. It's a process that demands imagination, creativity and patience - the willing suspension of disbelief - and a certain kind of abstract thinking. It can seem a million miles away from the mundane demands of everyday business operations.

For Graham, choosing to work with scenarios was a brave decision. Some in his team had heard good things about scenarios, although they had not experienced them firsthand, others were doubtful. Some were daunted by the demands of such a project; others were just not sure that it was the right process for Irdeto.

Further, there was very little evidence that small to medium sized companies like Irdeto have used scenarios with success. Most organisations that use scenarios tend to be large, highly influential within and beyond their industry, and in businesses that move slowly and who need to engage in long term thinking to embark on long term projects (such as laying pipelines,

investing in massive infrastructure). Shell is the most obvious example; it has used scenarios since the 1970s. After its most recent scenario process, the company announced that it would be doing its best to make its preferred scenario actually happen and, with a business larger than the economies of some countries, this is a realistic ambition for Shell.

This is a world away from the operations of smaller organisations like Irdeto, which tend to be too busy responding to major and global external forces, let alone shaping them. All the more reason, Graham believed, to start thinking about the nature of change in its industry, and enlisted the help of Outsights.

outsights: pragmatic futures

Outsights has been building scenarios for companies, organisations, industries and governments for more than a dozen years. It has been running the UK Government's most ambitious and comprehensive Horizon Scan of the Future for the past three years, identifying the trends, discontinuities and forces shaping the UK to 2050.

Outsights take a unique approach to scenario planning and thinking. Tim Bolderson and Richard O'Brien, the founders and lead consultants, describe themselves as pragmatic futurists. They believe that crucial changes originate outside an organisation or industry, in the external environment, impacting organisations from the outside-in, and that internal changes derive from the insiders understanding those external changes and how to react.

Rather than trying to model the future, they use the future as a device to think from the outside-in about change, and responses to change. They understand that companies may not need to look very far out, but they do need to look in a radical way. Even those companies with very short timeframes for decision making may still be facing potentially huge discontinuities.

How far is futures thinking intuitive - an art - and how much is it a science? It is a question often asked of those who work in planning, especially scenario planning. After working with Outsights, Graham says he knows the answer: practitioners need both, and to maintain a creative tension between them. That way, scenarios can fulfil their potential and not drift into either forecasting on the one hand - or science-fiction on the other.

Whatever that balance is, for Graham and his team Outsights certainly got it right - and he believes there are important lessons here for external consultants. He emphasises how important it is for consultants not to mystify clients with "hocus-pocus" or cram them through a packaged process "like a sausage machine". In his eyes, the Outsights team were spot on because they were constructive and responsive, constantly "rolling, ducking and diving with the needs of the group".

Roger Harvey, Irdeto's Area Sales Director for Australia and New Zealand, noted how Outsights' facilitation was always supportive and clear. He also applauded the quality of Outsights' research (particularly difficult to achieve in such a niche industry) and the fact that they managed to spread new ideas and fresh views without giving lectures, in a way that "supported and encouraged free thought among the participants".

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the scenarios: changing a culture

The four scenarios that the team produced - "Proprietary Me", "Generation Me", "Global Feudalism", "Korea Inc." - emerged from a methodical examination of 15 trends and forces, which it identified as crucially shaping the business environment in which Irdeto operates. These ranged widely, from the political economies of emerging markets, such as China and India, to trends towards or away from cultural nationalism, to changes in the acceptability of technology across different societies.

The effects of the scenario process were almost immediate. Andrew Curle, Irdeto's Vice President of Special Projects, noticed that during the workshops, the language of the participants began to change, as they started to look beyond the technological to more abstract, external forces, such as social changes.

Some people found this level of abstraction difficult at first, but Andrew was surprised at how easy it was for people to get involved in the process and begin to reconsider their points of view. Roger describes how some people were shocked, even horrified, by their new understanding of the future. It was a tribute to how well the process was run, he adds. "People could see how the world they feared could exist. They had to question the usual scripts that they lived and worked by."

After the process, teams were constructed to "champion" the scenarios within the company. They were responsible not only for spreading them across the company, but also for looking out for signs that their scenario was beginning to happen.

Roger describes how everyone across the company got involved, creating a strong sense of ownership of the process among the participants. "The final work was and still is felt to be a living thing, not something dry and dusty that lives in the bottom drawer, like previous processes".

This response and the richness of the scenarios have lasted: Andrew notes how, almost two years later, the stories are still being explored and their impacts are still being felt: "They are still improving the quality of strategic dialogue."

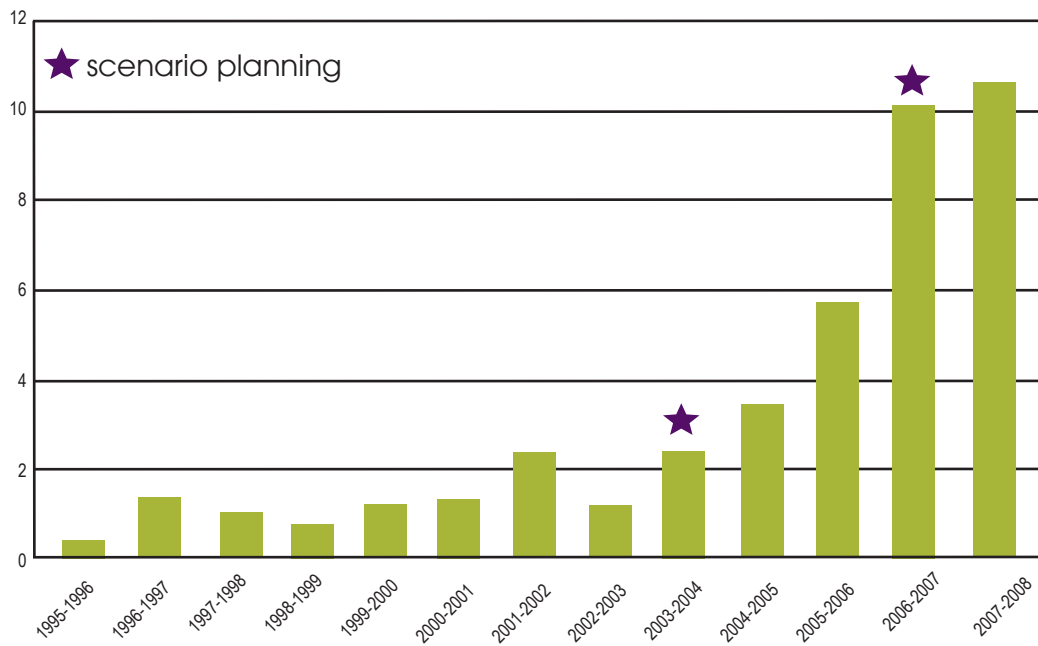
Roger describes how managers are taking a more abstract, more open approach to identifying and reaching strategic goals, and he, Graham and Andrew all say that the quality of strategic conversation within the company more generally has improved. Graham explains how the scenarios provide a structured way - a common language and ideas - for talking about the future.

the bottom line

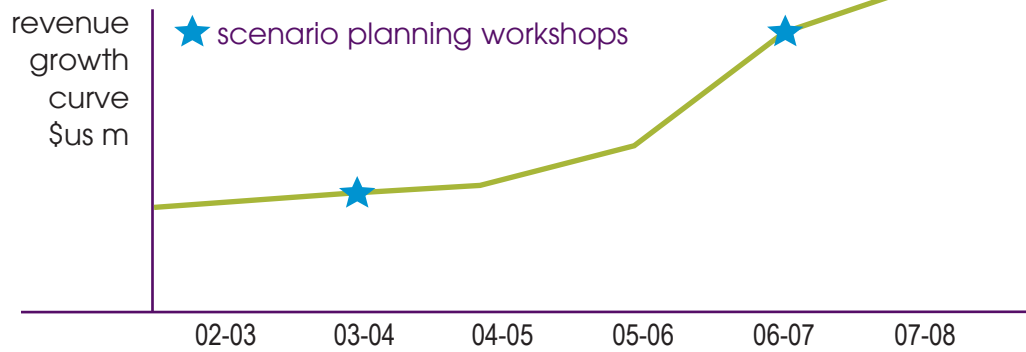
Irdeto's mission and vision have radically changed. Until recently, Irdeto serviced businesses. But, the headline discovery from the scenarios was the shift of power from businesses towards individual consumers in a rapidly changing environment. This could be summarised by two vivid phrases being used in the company. The first was "Martini moment": the idea that in the future, digital content will be available "anytime, anyplace, anywhere and with ubiquitous broadband the equivalent of "content through a firehose wherever you are."

smart cards shipped

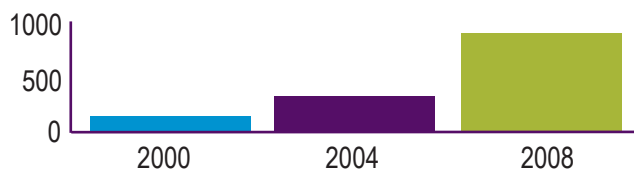
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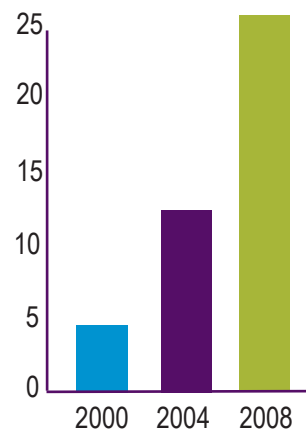
irdeto is successful and growing



employees



offices



For a company like Irdeto, this idea has considerable implications for their activities - especially when it is coupled with the idea captured by the second phrase: "Lean back/lean forward with consumers seeking or being fed their content". This describes how consumers will either be passive consumers of technology - "leaning back being fed" - or profoundly engaged with technology - "leaning forward actively seeking and involved" or a combination of the two. On-demand digital content in a world of constantly engaged consumers with greater individual aspirations and demands means Irdeto must prepare for a very different operating environment.

It also means that Irdeto must learn to think of itself differently: Graham describes how the group realised that the company was not simply marketing a product, but offering its customers considerable experience and skills, value and service.

The results of these changes can be seen most concretely in the establishment of dual headquarters - in 2007 Graham moved to China to stimulate the establishment of a more balanced organisation between East and West in order to better serve all of Irdeto's customers of the future. But Graham can also point to Irdeto's increased sales and to closer, more productive relationships with clients. Roger describes how some of Irdeto's more established customers have also taken the scenarios on board - and, as a result, have changed the way they work with the company.

Meanwhile, executives from other divisions of Naspers remark on how Irdeto seems more focussed and confident about its place in the changing world. In many different ways, there is now a different way of thinking in Irdeto. Some of those divisions have embarked on their own scenario initiatives. "Scenarios are a culture not a process," adds Roger.

...scenarios are not about finding the answer, but about 'learning to watch developments with better-developed antennae'

challenges to come

But how to spread a culture? It can be hard to get people to engage, especially since, as Graham learned, scenarios are not about finding the answer, but about "learning to watch developments with better-developed antennae". It can take a while for a company to appreciate fully how to work successfully with scenarios.

Graham and his team have already identified some potential problems - and strategies for tackling them. The first is to recognise that not everyone has the time or capacity to do this work: operational managers tend to be too busy to be able to do this kind of work and may find the scenario process too distant from their usual business concerns. Irdeto's answer is to focus on embedding the scenarios into the thinking of those with more long-term orientated roles. However, Graham is still adamant that scenarios should be generated with a broad cross-section of the organisation.

This will also help tackle the risk that the scenarios could become irrelevant to the company's operations, and that participants in a scenario process will "come out of a huge intense thinking process into a no man's land" that has no link to what they have learned. If there are ongoing processes to cement what has been learned and bring it into the strategy of the company, this risk of irrelevance is much less likely and those with more operational roles will see elements of the scenario work coming into their daily work.

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In fact, this is something that Graham and Outsights are working on at the moment: designing a longer-term, follow-up strategic thinking process that includes the scenario facilitators within the company, but with gradually diminishing involvement as the scenario process and thinking takes deeper root.

lessons for futures thinking

Irdeto's example offers useful lessons for SMEs and scenario practitioners alike.

Timing and chemistry are crucial. Irdeto had reached a point in its strategic process when it was ready to think to a much greater extent about the external environment, and previous exercises in futures thinking meant the team was prepared for the process. The experience was not easy - there was a level of abstraction that was quite different from the company's usual level of approach. But in the end it worked: why?

A number of the participants in this process emphasised the importance of good "chemistry" with the process consultants. They felt that this was a process of co-creation with Outsights, rather than a rigid or inflexible process. There was a mixture of abstract thinking and concrete facts, and a unique blend of process and content, so that the facilitator informed participants as well as taking them to the future, embedding facts and good ideas into a compelling, responsive process.

What this suggests is that futures-thinking is not just for large organisations in slow-moving industries, but can be useful - even essential - for smaller companies in fast-paced environments. In fact, smaller companies might be well positioned to take advantage of such strategic processes because their smaller size means greater flexibility.

Small companies may need to make more of an effort to anticipate the future than larger companies; because their market position can mean that they are too busy responding to events to think about more long-term or more radical approaches to the future. But scenarios don't necessarily need to look very far out - there is plenty of use for scenarios that explore radical change over shorter timeframes.

Scenarios offer a new and different approach to strategic planning. As one of the participants described it, the spread of scenario thinking through an organisation is like the gradual movement of a glacier, in that it may feel frustratingly slow, but it has as equally major effects on everything around it as a glacier on the landscape. He adds that there is no doubt that going through the process has changed how people think about the future. As he says, "You learn to look at the world in a different way."

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Outsights Limited

209 Business Design Centre
52 Upper Street
London N1 0QH

Tel: 0044 (0)20 7226 2280

Fax: 0044 (0)20 7226 2330

info@outsights.co.uk

www.outsights.co.uk