

# Making Sense of Trends for Managing Strategic Issues

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## Abstract

Strategic issue management aims at making sense of the present in order to prepare for the future, in particular by interpreting weak signals of change in the organisational environment. Although trends are considered to be important drivers of environmental discontinuities which may lead to strategic surprises, there is no operationalization from a strategic point of view. In this conceptual paper we are going to conceptualize trends as (socio-cultural) innovations. There are two reasons. First, Ansoff has emphasized the importance of novel discontinuities in contrast to familiar discontinuities. Second, the socio-cultural sphere is an area which is not very well understood by businesses, as terms like “unmanageable consumer” suggest. Starting from this point, we are going to elaborate what implications and insights can be gained from this notion.

If the nature of innovation is taken seriously, then strategic trend diagnosis has to deal with two different aspects, invention and diffusion. First, we are going to develop a framework for identifying the invention aspect of a trend (i.e., “the new”). In order to do this, we have to draw on a proper theory of “the new” which can be found in the works of cultural theorist B. Groys. According to this theory, “the new” results from a transgression of contextual boundaries. We are going to operationalize this idea further for the purposes of trend and issue diagnosis. Second, we are going to operationalize the diffusion of “the new” – i.e., a new quality – from fringe to mainstream. In order to do this, we have to draw on a proper theory of qualitative cultural and societal change which can be found in the works of social scientist J. Link. Extending the argument of Link, we are going to operationalize this diffusion as a threefold process of normalization in which an unusual and abnormal practice becomes social convention.

Insights into these processes are not only a prerequisite for making sense of trends but also provide guidelines for detecting them. This will be the topic of the last part of the paper which deals with scanning and monitoring: where do we find the sources of “the new” and important drivers of normalization?

## Introduction: Trends – Gaining Importance, But Lacking Operationalization

For three decades, management research has been dealing with the question of how organisations in increasingly unpredictable environments can manage for today while preparing for tomorrow. With the groundbreaking works of Bright [1, 2] and Ansoff [3, 4] management tools and systems labelled as “strategic issue management”, “trend management/tracking/watching”, “environmental scanning/monitoring”, “early warning” or – more recently – “strategic foresight” were introduced. The underlying principle of these concepts is to detect those weak signals of change, also referred to as trends, which are likely to influence the future of an organisation and its environment. While in the past these

activities were primarily related to avoiding crises and securing the status quo, top management today sees the early identification of trends as an important factor for gaining and sustaining competitive advantage [5] by introducing new rules of competition, inventing new business designs, and creating new markets [6, 7, 8]. Consequently, if trends are not well understood, businesses are in a danger of implementing inadequate strategies due to disinformation. On the other hand, few terms have caused so much confusion in the context of strategic management as the term “trend” has. It has been used widely: for instance in “megatrends”, fashion trends, hip youth culture or (short-lived) style phenomena with sometimes interesting, sometimes cryptic labels. In several empirical studies executives were questioning the use of “trend scouts” although they regarded information on societal and cultural trends as highly important. Trends may be omnipresent in media and consulting, but empirical research also reveals that their general anatomy is poorly understood [5]. This raises questions like: What aspects of trends should an organisation focus on when trends are supposed to be strategically or economically relevant? Are there powerful criteria for filtering the large amount of trends that appear in the media and in presentations by consultants or market research companies?

However, the literature is not very helpful with regard to trends. In the practitioner literature the term “trend” is mainly used to express the intuitive feeling that something is of importance. This is not only true for the popular futurists (Naisbitt, Popcorn, etc.), but also for those authors that claim to help companies implement systems for issue monitoring and issue management [9, 10]. The research literature on strategic issue management does not provide operationalizations, either. Although Ansoff [4] attributes a central role to “trends” in the context of the weak signal problem, a conceptualization of “trend” is not given: “[...] there are three possible sources of information about impending strategic issues: the trends in the external environment, the evolutionary trends within the enterprise, and the trends in its performance.” [4, p. 136] Instead he presents merely lists of “current trends”. In contrast, Dutton/Duncan [11] obviously distinguish between trends and developments, but do not elaborate this idea any further: “[...] organizational decision-makers exist in a market for strategic issues where different internal and external trends and developments compete for decision-makers’ attention.” Even the scenario literature does not lead to substantial clarification. Some authors only mention the fact that trends exist, but do not include them explicitly in their methodology: “[...] in a world which is unequal and confrontational, the future is the result of unequal human forces, shaped by human actions, trends, and constraints.” [12] Schoemaker’s [13] formulations resemble those of Ansoff, also using anecdotal examples: “What political, economic, societal, technological, legal, and industry trends are sure to affect the issues you identified [...]?” Schoemaker [13] adds that trends whose continuation is contested among the participants of the scenario process must be regarded as a “key uncertainty”. Van der Heijden [14, 15] and Fahey [16] regard trends as drivers that have an impact on the scenario descriptors, particularly when they include a number of significant events – without saying what these events should have in common in order to represent a trend.

In this conceptual paper we are going to operationalize trends from a strategic point of view. We start by conceptualizing trends as (socio-cultural) innovations and show how the various dimensions of the innovation concept can be further elaborated by appropriate frames of reference. In the last part of this paper we show the managerial and theoretical implications of this operationalization, particularly with respect to strategic issue management. This will not only include making sense of trends but provide also some guidelines for detecting them.

## **The First Step: Conceptualizing Trends as (Socio-Cultural) Innovations**

Our attempt to operationalize “trend” goes back to very early works on strategic issue management. There we have found two important ideas that are highly useful for our purposes. First, Ansoff [17] has pointed out that not every development may be of the same relevance; he differentiates “familiar” from “novel” discontinuities. According to Ansoff only novel discontinuities should be of interest for strategic issue management, mainly because these developments are most likely to bear strategic surprises, while most of the time the market participants are familiar with the other group of developments. Second, Bright [1] has stated that companies understand the fields of technological and economic developments far better than other subsystems. The same is true for Wilson [18] who particularly advocates the incorporation of social and political trends into strategic planning. Later, Nolan [19] similarly identified the strongest needs for strategic foresight in the socio-cultural and socio-political field: “... a decade or so ago scarcely 5% of a company’s capital budget was highly sensitive to public issues; today, that proportion is closer to 50%.” Bringing these two ideas together, we propose to conceptualize trends as “socio-cultural innovations”. This is supported by Cova/Svanfeldt [20] who focus on “societal innovations”, which are closely linked to cultural change. In the remainder of this paper we are going to elaborate the implications of this idea. We are going to formulate the relevant research questions and investigate which theoretical frameworks can be used for further operationalization.

In an economic context, innovation means a new idea or a new combination that finally becomes successful in the market, i.e. is adopted widely. If the nature of innovation is taken seriously, then strategic trend diagnosis has to deal with two different aspects: invention and diffusion. Two different types of research questions emerge: First, how can the new be identified? And what constitutes this new? This refers to the aspect of invention. Second, will the new become widespread in a significant amount? This refers to the aspect of diffusion.

### **“The New”: A Frame of Reference for Invention**

Let us begin with the invention dimension. Although innovation is at the core of Schumpeter’s [21, pp. 99 ff.] economic theory, the invention dimension remains rather vague; the diffusion in the market seems to be the primary interest of economics. Other economists who are dealing with role of the new – e.g., Hayek [22] or Röpke [23] – do not provide a sufficient operationalization, either. In contrast, we see a major contribution in the work of cultural theorist Boris Groys [24] who researched the anatomy of the new in a context of cultural economy. As his primary focus Groys chooses 20th century art as a dynamic field of cultural innovation. According to Groys the fundamental characteristic of the new can be seen in the fact that objects or concepts are transferred into another context. The invention therefore is best described by a transgression of the boundaries between contexts, i.e. by connecting formerly separated contexts. It is the aspect of being new that makes a trend fascinating and leads to a reappraisal of values. Groys discusses several examples: Duchamp exhibited everyday objects in galleries and museums, a ready-made strategy which transformed these objects into valuable pieces of art. This strategy has been applied in many variations by other famous artists such as Andy Warhol or Jeff Koons. Groys also uses examples from other fields: Freud connected the nearly forgotten myth of Oedipus to psychoanalysis, thereby increasing awareness of this myth. And Marx commercialized Hegel’s hard-to-read dialectics by relating this theory to economic improvements for the working class. These examples underline that the new is neither about something which has never been in the world before, nor is it true that there is nothing new under the sun. What becomes apparent is the power of the context: Contexts influence human perception, structure expectations, and evoke new forms of interpretation and new ways of using things. Trends therefore are not a merely one-dimensional development in a given direction, particularly a

quantitative more or less; rather, they represent a hitherto non-existing combination of a number of different contexts.

This approach also conforms to the fact that a lack of precedence is a major characteristic of weak signals. In consequence, we now have a criterion to separate the wheat from the chaff by evaluating information that claims to be a “trend”: if it incorporates an unprecedented combination of contexts it points to a “novel discontinuity”, otherwise we are at best faced with a “familiar discontinuity”. The requirement that different contexts must be involved is supported by other authors: Cova/Svanfeldt [20] point out that trends are especially likely to develop into “break-throughs” when a technological development is aligned with developments in the socio-cultural field.

### **“Normalization”: A Frame of Reference for Diffusion**

Now let us consider the diffusion aspect. There are many descriptive approaches with respect to the dynamics of a trend. They are generally based on the assumption that a trend – respectively the resulting strategic issue – undergoes a lifecycle. It was Downs [25] who showed the relevance of the lifecycle idea in the context of public and societal issues: the “issue-attention cycle” which more or less resembles a typical product lifecycle. Many researchers in the field of strategic issue management followed this purely descriptive “natural history approach” that goes back to the sociology of the 1930s and 40s [26] and, in this simple and descriptive form, lacks operationalization and analytical rigour.

A significant contribution to lifecycle thinking has been provided by Mathews/Wacker [27] which give deeper insights into the various stages of a trend lifecycle. They point out that significant trends – those which result in changing mainstream behaviour – are born on the “fringe” of society in the deviant minds of outsiders. These extreme, fringe forms gradually become “edge”, “realm of the cool”, a “next big thing” with a potential for mass compatibility, and finally “social convention”. Stated differently, the bizarre phenomena of today are the probable starting point for the mainstream of the future. In the final analysis, Mathews/Wacker do not so much address the *quantity* of adherents or attention in the various lifecycle stages but rather *who* is typically involved and what the implications for marketers and strategists are.

In order to make this idea powerful for analytical purposes we have to radicalize it by linking it to a theoretical framework. A corollary statement to Mathews/Wacker’s process of diffusion can be formulated as follows: A trend attracts attention because it is regarded as “not normal” and as violating conventions. The further diffusion of a trend can therefore be understood as a process of normalization, i.e., a drift from abnormality to normality. However, in order for deviance to move into the mainstream – thereby becoming a social convention – value schemes and standards have to change. This relates nicely to the cultural economics of Groys who expects a valorization from “the new”. Where do we find a theoretical framework that links the boundary between normality and abnormality to a change in the societal value system? It is Link [28] who has thoroughly investigated phenomena of normality and the emergence and drift of societal standards. Normality, according to Link, is a homogenized and continuous field that is distinguished from abnormality by a demarcation line. For example, health as the field of normal behaviour is differentiated from the abnormal zones of “addictive behaviour” or “mental illness” – which raises issues of operationalization, scaling and variance. In general, the notion of normality is primarily related to the negotiation of limits. Link identifies two fundamental strategies pertaining to these limits: First, the *proto-normalist strategy*. According to Link this is a strategy of a maximum compression of the normality zone, tending to result in fixation and stabilization. Second, the *flexibly normalist strategy*. Conversely, this strategy leads to maximum expansion and dynamisation of the normality zone. Drawing on experiences from the last decades, Link states that the

proto-normalist strategy which was inspired by natural sciences and industry norms is becoming obsolete, whereas the flexibly normalist strategy is now on the rise. The latter refers to the idea that normality is a social construction which can be negotiated. Since the 1960s, new social movements have mobilized for a different societal consensus. Their aims have been, e.g., to establish anti-authoritarian education, free love, legalization of drugs, self-organized work etc. as new normalities and dominating lifestyles.

Now we can formulate more precisely what is going on in Mathews/Wacker's [27] trend lifecycle. It can be regarded as a three-fold process of normalization: First, while a new socio-cultural practice diffuses into society, this practice experiences a reassessment: what starts as an abnormal behaviour of a stigmatized/outsider group ("perversity") becomes the behaviour of a broader audience and even part of the establishment ("preference"). Second, according to Dekkers [29] the normalization of a socio-cultural practice can also be regarded as change in general value schemes: even those individuals that do not adopt a certain practice tend to accept it nonetheless and think of it as being "normal". Third, while such a practice is spreading, it tends to lose its extreme forms and takes on more mass-compatible flavours – which allows even larger groups to relate to this practice. As a consequence, the trend becomes a "moving target".

### **Implications for Making Sense of Trends and Detecting Trends**

If we take seriously the idea of trends as socio-cultural innovations, we can conceptualize a "trend" as a process of *transgression cum normalization*. This leads to a first contribution: a step towards a theory of market creation. The transformation of a psychological category ("perversity") into an economic one ("preference") points to the fact that new markets are being created here. In other words: where taboo-zones are shrinking, new markets begin to emerge as a consequence of normalization. Groys [30] emphasizes that social protest movements have always tended to create new markets (e.g., "Alternative Rock" music or organic food). In short, dissidence, deviance and other forms of transgression are always synonymous with potential markets. Thus, rethinking the trend lifecycle as a process of normalization allows a generalization of the specific cases presented by Mathews/Wacker [27]. And it points to the fact that a lifecycle is not a natural law but a result of socio-cultural forces at work. Therefore, when we monitor a trend we have to monitor the forces that are negotiating and shaping the boundary between normality and abnormality – with respect to all three aspects of normalization.

In addition to providing the theoretical link between trends and market creation, this discussion also has practical implications for strategic trend diagnosis. In an age of ubiquitous trend information we need instruments for probing the incoming news in order to avoid a trend overload. If we consider the characteristics of trends and their dynamics described above, the question "in which direction will a trend evolve?" should be replaced by four sets of questions for exploring future normalities.

– *Whither?* Which contexts are involved in a trend? What can be regarded as "the new" in this constellation? What is the transgression with respect to boundaries between contexts?

– *What's missing?* Are there any contexts which would be needed to allow the trend to advance in its process of normalization?

– *Why not?* Are there any contexts which could prevent the trend from moving on in its normalization process? How could the trend relate to other trends – i.e., does the trend have some contexts in common with other trends?

– *So what?* What aspects of the trend match our expectations or seem familiar? What is unexpected or represents an anomaly? What aspects of the trend challenge the premises of

the current strategy? In what contexts will the trend cause the maximum damage? In what contexts will the trend provide the greatest strategic potential?

Answers to these questions will lead to the “big picture” of a trend, one that provides support for strategy making; in contrast, a trend that is poorly understood or incorrectly interpreted may be more dangerous than a trend that has been ignored.

The sources of information for scanning and the ways of identifying probable targets are important topics in the discourse on strategic issue management. Using the operationalizations given above, this refers to the question where deviations may come from. In Mathews/Wacker’s examples they exist in the worlds of extreme outsiders or even sociopaths at the fringe of society. This approach, however, may turn out to be problematic, because, on the one hand, these deviants operate in isolation; for this reason it will be hard to identify them. On the other hand, it is questionable if this romantic image is still true in highly individualized societies, for “[i]nto the shoes of the village idiots and the oddballs, of the eccentrics and the queer fish, has stepped the average deviationist, who no longer stands out at all from millions like him.” [31, p. 179] Of course, it may be promising to focus on subcultures as unorthodox and sometimes deviant groups; some of them have even become lead users for specific industries (e.g., graffiti sprayers for spray-paint manufacturers). Even more interesting for anticipating possible deviations, however, may be international, particularly cross-cultural, comparisons. This does not only include the identification of different cultural practices, but also the (practical and symbolic) use or misuse of specific products. Following the groundbreaking works of Lévi-Strauss [32] and de Certeau [33], the field of cultural studies considers (mis-)appropriation as the primary source for creating new meanings or new forms of usage [34, 35]. The notion of “cultural hacking” [36] best captures this kind of innovation process, as do the French terms “détournement” [37] and “bricolage” [32]. They relate to all forms of physical and symbolical de- and re-contextualisation which create “the new” [38] but also operate as a driving force in the process of normalization. While companies try to prescribe “normal” uses and meanings in user manuals or advertisements, (mis-)appropriations by consumers represent competing, “abnormal” practices that may seem much more attractive for a larger audience. They may turn out to be the normalities of the future.

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