

**Fifth meeting of the
OECD Investment Promotion
Agency Network**

**Summary of the
Session on Strategic
Foresight for IPAs**

20-22 October 2020

OECD virtual meeting



Introduction

To invest – and promote investment – is to think about the future. Whether we realise it or not, investment promotion strategies today rely on our perception of the future, including common expectations and assumptions about what is probable and preferable. In times of rapid change and great uncertainty, particularly in light of the coronavirus pandemic, it is risky to limit ourselves to considering only what is probable and supported by past evidence because many future developments are more surprising, complex, and unprecedented than we commonly think. Strategic foresight is a discipline, which uses multiple alternative ideas about what is plausible in the future to reframe and rethink our opportunities and challenges for action today. It does this by anticipating not only what is most probable, but what would be most surprising and significant from our organisations' point of view.

Strategic foresight intervention

The OECD Strategic Foresight Unit delivered a session with the OECD Investment Promotion Agency (IPA) Network to uncover and reframe expectations about the future, and then invite them to consider ways in which the future might be very different.¹ This dialogue was followed by a consideration of the opportunities and challenges presented, and identification of implications for the strategies they are developing today as they grapple with the consequences of the coronavirus pandemic.

The work consisted of three phases:

1. A short survey of participants to gather information on their activities and current worldviews
2. Development of three case studies to demonstrate the concepts and process of strategic foresight in an applied, practical way
3. Delivery of a workshop for members of the OECD IPA Network

Future fitness through foresight

Strategic foresight does not seek to draw any conclusions about what the future will hold, or what future 'scenarios' are most likely. Instead, the objectives of the session were to learn from alternative futures to rethink and adapt the work, strategies, and activities of IPAs in a context of uncertainty and rapid change. The process reframes and expands what is considered relevant for new and different actions in the present.

It is also important to note that this process alone could not make the participating IPAs future-fit organisations, or guarantee the success of any of their strategies or programmes. What it did do is give an impression of the kind of thinking and dialogue that would need to be systematically embedded in the IPAs' work in order to become more aware and responsive in a fast-changing and uncertain context.

It is hoped that on this basis, IPAs will seek to develop their strategic foresight capacity and practice.

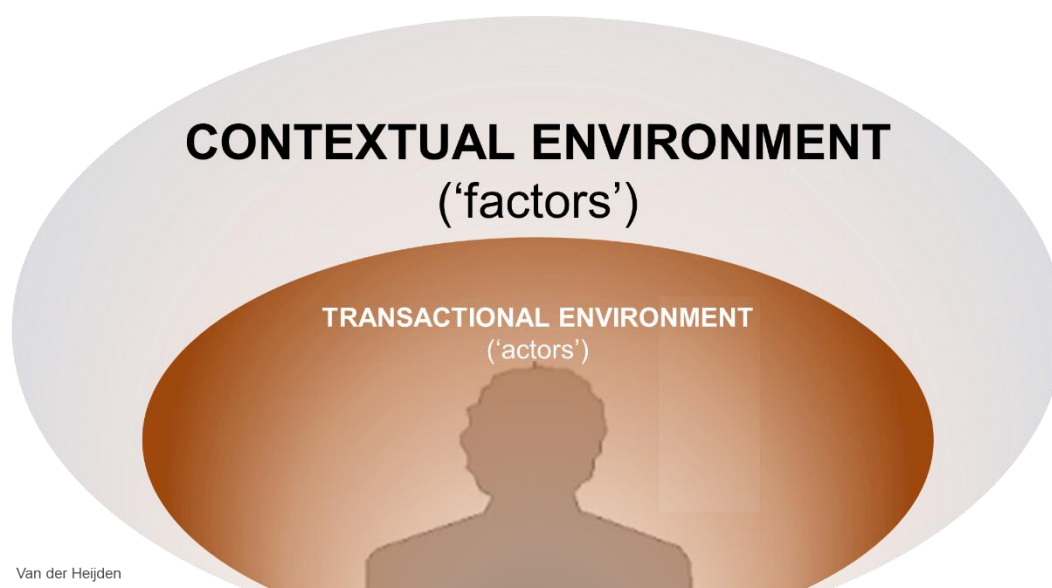
Strategic foresight seeks to anticipate not what will happen, but what would be most surprising and significant for our organisations, and what we can learn from it today.

¹ This workshop was conducted in the context of the Fifth meeting of the OECD IPA Network (www.oecd.org/investment/investment-policy/OECD-Workshop-IPA-Network-Summary-2020.pdf).

Survey and case studies

In the survey, participants were invited to share the current status of their work, objectives for the future, and perception of the context in which they may find themselves in the coming decade. The purpose of this exercise was to gather initial content for the workshop and to begin developing the distinction between three main dimensions of the strategic environment:

1. The IPAs, their purpose, and their ability to act: the actions they are able to take
2. The transactional environment: the other actors and stakeholders, such as investors, governments, and competitors, who affect or are affected by the IPAs' actions
3. The contextual environment: the factors such as macroeconomic conditions, investor confidence, geopolitics, and so on which shape the world in which the IPAs and other actors operate



The responses of the questionnaires were used to develop a purposeful intervention, and to gather an initial set of ideas on contextual factors to incorporate into the dialogue.

Three case studies were selected from the strategies submitted, and invited to serve in the workshop as a device to apply the concepts demonstrated. The case studies reflected developed or partially developed strategies for promoting investment in their respective countries.

The case studies were included in observation of the Chatham House rule, and no suggestion is made that the ideas discussed in the workshop or in this summary may be interpreted as official analysis, critique, recommendations, or a reflection of the position of any organisation—not even the OECD or its members.

Workshop

The workshop followed a generative and interactive format developed over years of OECD experience, and refined in recent months to be equally successful when delivered virtually. The workshop covered the following elements:

1. How foresight makes a difference
2. Introducing case studies
3. Exploring disruptions
4. Developing perspectives for action

How foresight makes a difference

Reflecting the points above, the workshop opened with an overview of how strategic foresight supports strategic planning and organisational agility. Foresight can support organisations in the following main ways:

- **Better anticipation:** broadening the frame of what is considered relevant for consideration
- **Strategic innovation:** revealing options and pitfalls which might otherwise have been missed
- **Future-proofing:** testing existing strategies to see how they would perform under different conditions

Ultimately, strategic foresight aspires to equip organisations with the capacity to constantly explore and prepare for the future in order to navigate, adapt, and shape their future through better decisions.

Strategic Foresight is required whenever there is a high degree of uncertainty surrounding changes to the relevant future context. Examples of effective use of strategic foresight exist in hundreds of governments and organisations around the world. The Canadian government produces regular “Metascans” on key emerging changes with transformative potential for the country as a whole. The USA’s National Intelligence Council publishes a regular strategic assessment of how key trends and uncertainties might shape the world over the coming 20 years to help senior US leaders think and plan for the long term. More specific uses of foresight include national skills strategies, industrial policy strategies, or the design of new social, agricultural, or energy policies among others. For example, the national tax administrations of several countries collaborate to assess future developments in terms of their relevance for tax and revenue; this includes the tax offices of the Australia, Canada, Finland, New Zealand, and the UK among others.

Introducing case studies

Each of the three IPA representatives contributing a case study responded to the following three questions:

- Why was this strategy created?
- What will be the result if it succeeds in every way imaginable?
- What predictions about the future must come true (including things that must stay the same) in order for this strategy to succeed?

In early stages of the discussion, participants cited the main functions of IPAs. However as the discussion developed, many deepened the conversation to address the more fundamental purposes that their agencies served: positioning their countries at the forefront of a particular industry; attracting talent; helping address inequalities; promoting sustainability and supporting the prosperity of their countries' population.

Participants also noted that a number of their existing strategies and ways of working had already been challenged by unexpected developments, most notably the coronavirus pandemic. Numerous assumptions about economic stability, ease of travel, ability to hold face-to-face meetings, and the viability of certain industries have been proven unfounded by recent events. Also in doubt now were the trend towards ever more globalisation, the preeminent position of developed countries in attracting top talent, and the continued functioning of the multilateral system and rules-based trade. All of these assumptions underpin a good deal of IPAs' work, and would cause significant disruption if their reality substantially shifted.



Disruptions explored in strategic foresight serve as an 'artificial strategic environment' in which to develop and test strategy

Exploring disruptions

In a second round of discussion, participants reflected on the responses to the survey on potential disruptions in their organisations' contextual environment. Three themes were preselected for discussion:

- An unexpected turning point in the COVID-19 pandemic
- A climate-related game-change
- A new normal made possible by digitalisation

Within these themes, participants contributed and shortlisted some of the most surprising (low information) and significant (high potential impact) future developments for their organisations. A full list of these disruptions under each theme is provided in the annex.

Turning points in the coronavirus pandemic could include: countries using restrictions as a cover for increased protectionism; rising inequalities due to uneven economic recovery; **new waves of viruses making the current**

containment measures necessary for much longer than envisaged; or uneven success in containing the spread of the virus, with authoritarian regimes outperforming democratic ones.

Climate-related game-changers might mean: a **collapse in international collaboration** on climate change with spillover effects on other areas of collaboration; the arrival of one or more tipping points such as collapsing of ice shelves; a rapid increase in the ambition and strength of climate measures with profound implications for the economy; securitisation of energy policy; bans on certain flights; or a move away from shareholder value as a driver of corporate success.

A new normal made possible by digitalisation might be the result of: leapfrogging of traditional SMEs; relocalisation of smart manufacturing; similar production costs for manufactured goods across continents; the demise of the office and a boom in digital nomads; increased levels of mental health problems; a **globalised labour pool**; and more personalised service delivery.

These discussions revealed a number of potential challenges and opportunities ahead for IPAs. Among the challenges, participants identified increased competition for top talent, more complex regulations and international relations, and companies rapidly shifting sectors. Potential new opportunities included new global partnerships, serving as a hub of stability in an unstable region, and new markets such as green and clean energy.

Developing perspectives for action

The final round of discussion, participants applied the insights from their prior exploration of disruptions to test and reframe the strategies outlined in their case studies. They asked the following questions:

- Would the strategy still make sense in the very different future discussed?
- What new challenges and opportunities might present themselves for the strategy to succeed?
- What changes could be made to the strategy to make it (even more) successful?

Participants were invited to consider avenues of action such as the following: contact a new potential collaborator; consult with a new organisation; conduct further research into a particular area or hire an expert; recommend policy changes to government decision makers; develop an early-warning system; add to or modify one or more services of the IPA; and (re)brand.

Actions identified

On this basis they identified potential actions for the present such as:

- More contact with corporations to validate their needs and drivers of investment
- Changing key sector focus
- Shifting recruitment focus from where investors are to where talents are (schools, universities)
- Revisiting the internal structure and expertise within the IPA
- Differentiating between attracting companies and attracting talent
- Targeting remote talent in other countries
- Reviewing policy advocacy based on changes in the nature of FDI
- Recommend changes in personal taxation regimes to help attract talent of relevance for the strategy
- Develop arguments on the role of FDI in supporting the country's economic resilience and agility

One final perspective for action includes increased practice and use of futures thinking in the form of strategic foresight to promote better anticipation, strategic innovation, and robust decisions.

Conclusion

The short intervention from the OECD showed how in very little time a number of useful insights can be generated, and a broader frame of discussion can lead to consideration of strategic options and solutions not previously discussed. It also provided an important opportunity for colleagues spanning dozens of countries to exchange ideas. Strategic foresight should not be seen as a one-off exercise however; it is a capability which has to be constantly developed, systematically embedded, and used over long periods of time in order to pay off. Its results should be constantly reviewed, taken forward, and implemented. The OECD stands ready to support IPAs in this effort, and would welcome the opportunity to discuss options for further collaboration.

Annex 1: Survey questions

1. Please briefly describe one investment promotion strategy, or a specific investment project, which you are currently scoping, reviewing, or expect to start work on in the near future.
2. What are the objectives of this strategy? What would be the outcomes if it was an unmitigated, resounding success?

For objectives, consider for example what you can achieve through activities such as image building, investment generation, investment facilitation and retention. For outcomes, consider not just the direct performance indicators but the broader societal and political goals that would be met, such as more sustainable growth; or less regional inequality.

3. Who are the main actors implicated in this strategy?

Consider for example the investors the strategy seeks to attract or retain, as well as the domestic collaborators and partners who will help shape and/or implement the strategy.

4. What emerging issues today do you think could have the most surprising and/or significant impact on investment promotion in the future?

Consider the following:

- a. *An unexpected turning point in the COVID-19 pandemic*
- b. *A climate-related game-changer*
- c. *A new normal made possible by digitalisation*

Annex 2: Disruptions in the contextual environment

Raw data exported from the online tool Padlet, lightly edited for length and clarity.

An unexpected turning point in the coronavirus pandemic
Failure of vaccine development
Consumer uncertainty leading to lower demand
Increase in protectionist policies (trade war) / increase in geo-political tensions
Disruption of supply chains, increased tension on import/export dynamics
Limited physical interaction leading to transformation of digital platforms
Development of quick herd immunity by early 2021
Rapid growth in protectionism and hostilities
Global disparity with respect to recovery i.e. Some do better than others.
Industry disparity: i.e. Positive impact: digital, health, Negative impact: travel
New wave of viruses that will consolidate the isolation interaction model, potential of recurring challenge with higher frequency
Maintained local activities by multinational enterprises
Development of successful vaccine
Newly founded confederations in the crisis, useful for post crisis response
State disparity with respect to response i.e. the "West" in a long-term struggle to contain it, whilst authoritarian regimes succeed in doing so in the short-term
Higher demand of self-sufficiency and to diversify trade partners Increase in FDI and market entries between countries with favourable geopolitical relationships
Decreased discrepancy on FDI returns between developed and developing countries: which makes the developing and developed countries competitors for the same type of investments
Significant company consolidation

A climate-related game-changer
Less international cooperation with more national-centric focus, i.e. achieving co2 objectives; with potential discussions on international migration related to skilled labour, high quality education, and information flows
Further adaptation of regulations led by the EU
Shifting demand toward greener/clean product
Insurance prices risk without government assisted programs - forcing business to make more sustainable decisions
Increase in government budget to climate related assistance to prop up existing industry architecture

Lack of cooperation internally with respect to transitioning away from high emitting industries
Reaching one or more tipping points, e.g., Collapsing ice shelves/rapid sea level rise
A prisoner's dilemma regarding climate change policies: all countries are made worse by inward-looking policies
Increased sense of urgency
Ambitious targets: Very ambitious targets in a country may scare some FDI
Challenge in sharing energy - production of energy becoming a national concern, despite environmental impacts beyond borders.
International agreement to ban non-commercial flights of less than 500ks to cut carbon emissions
Movement away from shareholder value as driver of corporate success
New types and heavy investments in co2 emission reduction activities

A new normal made possible by digitalisation

Increase in virtual service delivery
Leapfrogging of traditional SMEs
Work style shift with less transportation costs, the demise of the office concept
Increase in robotic manufacturing and services
Re-evaluation of production sites
Smart manufacturing acceleration: Manufacturing become localize with the imminent impact on scale and localization
New and higher national incentives for digitalized investment, high tech projects
Similar production costs for manufactured goods across continents
Better democracies in the EU: Borders will become less relevant allowing better value chains across the EU, supporting integrating development of all countries
New national incentives for digitalized and high-tech investment projects
A boom of digital nomads
Faster adoption of RPA by companies: Significant decrease of labour requirement
Industry standard digital look feel for "Trade Show" type interactions
FDI asset lightness trends due to digitalization effects
More personalised delivery of services, both in public and private sectors
Increased stress due to digitalization, i.e. higher expectation for faster response to requests for virtual meetings, unstable work from home environments due to family responsibilities or internet access
A global labour force pool
Pressure to improve infrastructure
Data policies will come more important in decision making processes of the investors
Strongly rising need for continuous education. Sociological divide between educated and less educated persons deepens. Political tensions and populism rise

Annex 3: Perspectives for action

Raw data exported from the online tool Padlet, lightly edited for length and clarity.

Validating with corporations on their needs and drivers of investment

Adding or complementing EDA activities

Adding or removing key sector focuses

Engaging in "always-on" strategy: being ready to adapt to fast changing circumstances and focus sectors

Locating IPA staff no longer where investors are but where talents are (schools, universities)

Revisiting the internal structure and expertise within the IPA

Differentiating between attracting companies and attracting talent

Talent attracting since talents can work remotely from abroad, move to virtual talent attraction

Reviewing policy advocacy and government "training" on the new normal for FDI

Increasing research and data validation on FDI trends and transformation

Differentiate in personal taxation to help attract the talents which are of key relevance for the strategy

New focus on Talent Promotion Agency

Focus changes during time of challenge to how economic retention and resilience can be improved by FDI, and IPAs are instrumental in that. However, IPAs must think of the future investors as well in their strategies.
