



CHAPTER 1

**what is
future readiness?**

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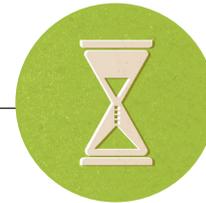
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what is the value of strategic foresight?



Writing this in June of 2020, it's almost impossible to think about anything other than the multiple emergencies we face: the coronavirus pandemic and global uprising against police brutality and centuries of deeply ingrained racism. But if we step back in time to the beginning of 2020, the decade ahead already looked daunting—marked by long-term, systemic challenges including climate change, cybersecurity failures, and rising inequality that will affect all of us in the coming decade.

The astonishing force and velocity of these events touched every human life. They are a stark reminder that events move so quickly—and at such a vast scale—that organizations must not wait to react. It's a reminder that we (both as individuals and organizations) rely on incomprehensibly complex, tightly coupled relationships with each other. These dynamics, which accelerate cause and effect even as they make cause and effect harder to understand, will persist and continue to impact us even after the current crises.

The need to be much more proactive in positively shaping systems is one of the new demands organizations face in

becoming future ready. But it's not the only demand. For the last year, IFTF Vantage has been researching what organizations need to do to become future-ready and, just as importantly, how to build future ready organizations.

Future-ready organizations actively prepare to face systemic shocks and, through the process of adapting, develop resiliency to withstand them. Likewise, they organize to make sense of the changing landscape to pursue emerging and unexpected opportunities. The situation that many organizations now find themselves in offers ample evidence of the costs of failing to organize for the future.

The costs of short-termism

In a speech to insurance executives at Lloyd's of London, Mark Carney, former Governor of the Bank of London, coined the phrase “the tragedy of the horizon” to describe one of the biggest financial challenges preventing climate action. As he put it, “We don't need an army of actuaries to tell us that the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors—imposing a cost on future generations that the current generation has no direct incentive to fix... [O]nce climate change becomes a defining issue for financial stability, it may already be too late.¹”

The tragedy of the horizon doesn't just apply to climate change—it describes an all-encompassing urgency: if we're destroying value in the systems we depend on, we're harming ourselves in the process. A survey of CFOs of publicly traded companies about long-term earnings management makes the point: 78% said they would

cut investments in the future to hit quarterly targets—a finding that suggests attempts to hit short-term numbers significantly destroy long-term value.²

Throughout our systems, myriad pressures are pushing us to operate on shorter and shorter time horizons. And they are happening at a time when it has never been more critical to look further ahead, anticipate the consequences of our actions, and incorporate future implications into present-day decision-making.

The effects of these high-level decisions ripple out and impact our organizations in obvious and subtle ways. For example, the emergence of cheap Internet of Things devices—items such as thermostats that typically last for many years in a home—is creating a growing network of potentially vulnerable, unsupported devices that increase cybersecurity risk for everyone.

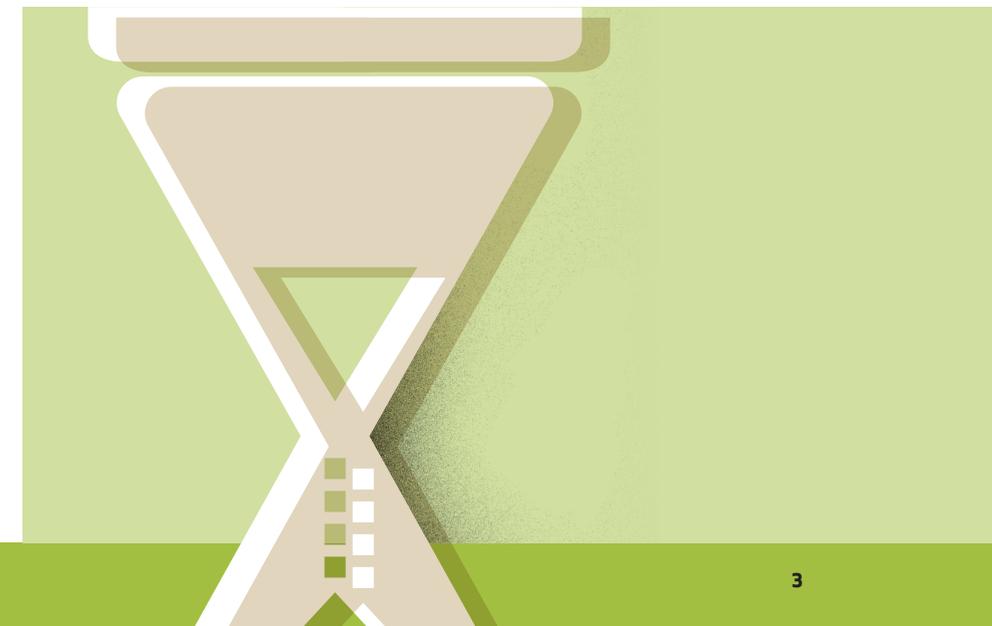
Conversely, the value of being long-term focused is becoming increasingly apparent. As part of our research this year, we interviewed René Rohrbeck, a professor at France's EDHEC Business school, who has been conducting longitudinal research to quantify the value of foresight in publicly traded organizations. His work demonstrates that firms that invest in the long term—what he terms “vigilant companies”—outperform their competitors on metrics including profitability, market capitalization, and more. The McKinsey Global Institute has

found similar dynamics, noting that organizations that focus on the long term are more profitable in the long term, can rebound faster and more effectively when downturns hit, and create more jobs and net economic benefits.³

Not only does operating on a longer time horizon improve how organizations perform on traditional metrics, but it also opens up opportunities to fundamentally redefine what success looks like—whether they're operating in the private or public sector. As IFTF's Executive Director Marina Gorbis argues, “The future is where people can abandon their immediate turf interests and think about new possibilities, new constituencies, things that may be unthinkable today.” In other words, a long-term view gives future-ready organizations the ability to redefine success in ways that are more beneficial to a larger number of people.

“The future is where people can abandon their immediate turf interests and think about new possibilities, new constituencies, things that may be unthinkable today.”

—MARINA GORBIS, IFTF EXECUTIVE DIRECTOR



What do future-ready organizations do?

To build future readiness, organizations need to adopt a set of frameworks, tools, activities, and practices that lead to the establishment of three essential capacities that enable organizations to:

DETECT changes on the horizon that may pose threats or opportunities

RESPOND by uncovering specific implications of future change and plan accordingly

EVOLVE to better thrive in the environment of anticipated future change

Throughout this playbook, we'll explore a wide range of tools and practices for strengthening these capacities, starting with the four following activities (refer to worksheet, Score Your Organization's Future Readiness, at the end of this chapter to measure your organization's capacities to detect, respond, and evolve):

1. Scan the horizon

In virtually every workshop run by Institute for the Future, we ask participants to introduce themselves by sharing a signal of change. A signal can come in many forms: a startup company, an anecdote, a data point, an unexpected finding in an academic study. As an opening to a conversation about the future, signals provide participants a shortcut to thinking more imaginatively.

At an organizational level, a practice of scanning for signals, documenting them, and sharing them widely across the organization builds an ongoing awareness of new possibilities and a springboard for asking questions and testing assumptions about how the long-term environment might change. In addition to testing assumptions about what is changing, scanning the horizon can challenge organizations to be explicit about what factors are less likely to change. As a foresight researcher for a large technology company told us, “We try to understand what’s enduring. That is, the human patterns, the human behaviors within the motivations. We think these are going to be true 50 years, a hundred years from now.”

2. Expand points of view

Most efforts to manage time and risk—from project management tools designed to eliminate uncertainties to algorithmic trading systems that shrink investment cycles to microseconds—are aimed at reducing units of time and effort to small chunks of manageable, easy-to-measure output. In shrinking these measurements, these kinds of approaches reduce the uncertainty of performing a given task but increase the chance that we’ll get blindsided by an external force or miss out on pursuing an opportunity to do something in a much better way. In other words, to see the big picture, future-ready organizations need to expand their temporal bandwidth, or sense of the past, present, and future.

As noted above, an expanded planning horizon enables organizations to pursue goals and strategies that are simply not feasible on shorter timelines. An expanded sense of the past serves a similar function. “My biggest mistakes in my career came from missing big market moves that hadn’t happened in my lifetime but had happened many times before,” writes Ray Dalio, the Chairman of investment firm

Bridgewater Associates in an explanation of why and how Bridgewater uses long-term historical research as a tool to gain a more refined point of view about shorter-term macroeconomic trends.⁴

Shifting time horizons and perspectives allows new kinds of ideas and possibilities to ladder up to executive decision-makers. The director of trends for a technology company told us that part of his role is to cultivate relationships with senior leaders in order to enable them to be more influenced by younger employees. Senior leaders “have more influence but I like the new ideas, too, because we’ve been around so long we don’t see anything anymore. You’ve got to listen to the emerging generation and what they’re thinking about.”

We spoke with a senior program officer for a health care foundation who echoed this point, noting that operators need to be engaged early on to ensure they are aligned with a longer-term view and to gain an “understanding of the future forces that are going to affect their operation. If you don’t do that, you can have the most beautiful forecast in the world,” but absent engaging the right stakeholders early, “it won’t go anyplace.”



3. Create space to explore and prepare

In the book *Scarcity: The New Science of Having Less and How it Defines our Lives*, authors Sendhil Mullainathan and Eldar Shafir look broadly across the social sciences to examine how feelings of scarcity—feeling poor, feeling hungry, feeling pressed for time—cause people to focus on what they lack while creating numerous hidden costs. They call these hidden costs “the bandwidth tax.” The bandwidth tax causes individuals to score lower on IQ tests and organizations and systems to perform more poorly.

In many cases, the root organizational cause of scarcity is the tendency to optimize for efficiency to the point that a small interruption or delay cascades into a series of much larger problems.

Compounding the day-to-day pressures is the sense that few people expect to be in their current role—or even their current organization—ten years ahead. Foresight can help overcome these dynamics by enabling decision makers to look beyond their immediate interests and consider the kind of legacy they’re leaving. “One of the things that became

evident is that the mayor was more aware of thinking about a time horizon that existed beyond his immediate proximity to the role,” a city government official told us about engaging mayors in a foresight process. “And that opened up this notion of creativity of, ‘What if we lay the seeds for something big and significant?’ It may take time and effort and may require an investment of local capital that extends beyond my term. If it can have a major impact on the community, it could be something that transcends his administration, or frankly, his office, I think that provides significant value.”

Several people we spoke with saw foresight as having a unique role in making people uncomfortable with the status quo to prepare for future challenges. “I was using the future to develop plans, to be definitive about what we now needed to do,” an urban planner said. “But... I think I’ve heard a few people now say that you don’t do the futuring so that you’re more comfortable with the future. You do it so that you’re more uncomfortable.”

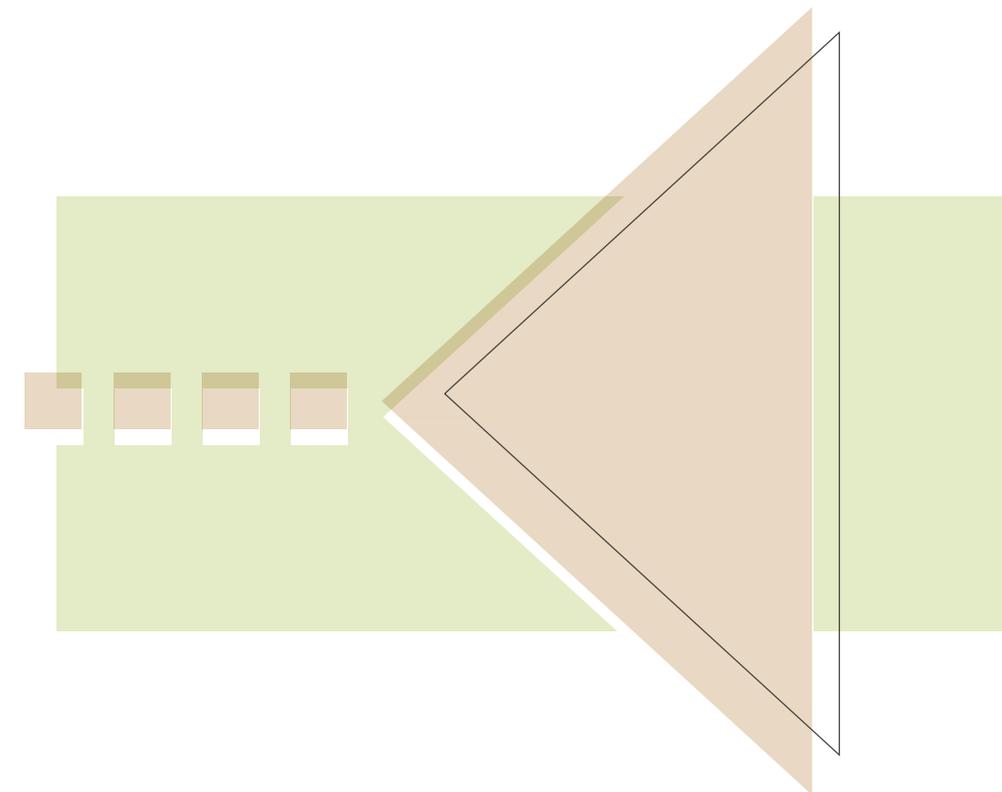
4. Contribute to the systems they depend on

Mark Carney's concept of the tragedy of the horizon is inspired by a classic problem in environmental economics, the tragedy of the commons, an observation that individuals are incentivized to grab as much as they can of a shared resource (such as international fishing waters or village sheep grazing commons) because they know other individuals have the same incentive. This kind of unmanaged behavior leads to wrecking the systems the larger community depends on for longer-term prosperity.

While almost everyone will nod along in agreement with the long-term importance of contributing positively to larger systems, foresight enables organizations to move beyond polite nodding, and focus and reframe questions to define new strategic paths. "The attempts by many colleagues to bring in agenda items regarding sustainability or social welfare or just the corporation being a responsible entity in the larger world were met with the usual stories you hear in big corporations," the former director of foresight for a large food and beverage company told us. Foresight offered a path to reconsider strategy and "say we're going to imagine the future of business in which these considerations cannot be ignored anymore."

Notes

1. <https://www.bankofengland.co.uk/-/media/boe/files/speech/2015/breaking-the-tragedy-of-the-horizon-climate-change-and-financial-stability.pdf?la=en&hash=7C67E785651862457D99511147C7424FF5EA0C1A>
2. https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/12924/Rajgopal_value.pdf
3. https://www.mckinsey.com/~/_/media/mckinsey/featured%20insights/Long%20term%20Capitalism/Where%20companies%20with%20a%20long%20term%20view%20outperform%20their%20peers/MGI-Measuring-the-economic-impact-of-short-termism.ashx
4. <https://www.linkedin.com/pulse/changing-world-order-ray-dalio-1f/>



About this playbook

This year, IFTF Vantage has been learning from foresight practitioners and leaders all over the world to understand the strategies, techniques, and best practices for using foresight to make organizations more future ready. We've conducted ethnographic interviews of 33 foresight professionals and surveyed more than 400 leaders in partnership with the Nuremberg Institute for Market Decisions to understand how to shift present-day decisions to be more long-term oriented.

We've synthesized these findings into a series of chapters under the title *Toward Future Readiness: A Playbook for Building Foresight Capacity*. The playbook is designed to give you a set of techniques and approaches to using foresight in your own work, with your team and for your organization. From starting a foresight practice to scaling it to overcoming short-term institutional barriers, it provides a resource that you can use to embed foresight and future readiness across your organization.

Over the coming weeks, we will publish four chapters, each framed around a big question:

CHAPTER 1 | What is future readiness?

Future readiness is a state that's achieved by practicing strategic foresight with an awareness of the larger systems that an organization depends on and shapes. In this chapter, we'll discuss the value of strategic foresight, explore how foresight connects to the present, and help you understand the value of different time horizons and the benefits of taking a systems approach to the future.

CHAPTER 2 | Why do strategic foresight?

Strategic foresight is a proactive way of engaging with change. This chapter compares strategic foresight with other futures thinking disciplines, explores the role of foresight in organizations, and discusses the kind of results foresight yields.

CHAPTER 3 | How does strategic foresight work in an organization?

A strategic foresight practice can take many forms in an organization. In this chapter, we'll look at what's needed in a foresight team, where to integrate foresight into your organization, how to make foresight relevant and urgent to your team, and how to scale foresight in your organization.

CHAPTER 4 | How do I implement strategic foresight in my organization?

In this chapter, we'll cover how to start a foresight practice, how to put together a foresight project, overcoming institutional barriers for future-oriented business decision-making, and ensuring that foresight gets used in your organization.

how do I connect foresight to the present?

How do you bridge the gap between the future and the present and ensure your foresight is relevant to today's concerns? IFTF uses foresight to anticipate the future to help organizations make better decisions in the present. Here are seven things you can do, either one at a time or, better yet, in combination with each other and other tools.



See future possibilities by looking at present-day signals. Keep an eye out for signals from the future. Collect them and connect them. What patterns emerge? What possibilities do they portend?

“When you start tugging at this stuff, you really see how much of the future is already here.”

—FUTURIST AT A LARGE CONSULTING FIRM

Create personas and connect the present to human experience. Develop high-fidelity future personas with backstories, hopes, fears, and dreams. This makes the futures more relatable and humanizes the future.

“If Sarah was one of our profiles [from 2030], we talk about Sarah like she's a real person. And then when she goes through these projects, her persona becomes more alive.”

—CHIEF STRATEGY INNOVATION OFFICER FOR A UNIVERSITY

Amplify hopes and fears to connect foresight to the present. Ideas that challenge assumptions or the status quo force you to think about how your organization operates in the context of larger, ever-changing, and oftentimes unpredictable systems. Sometimes you need to use the power of present-day fears and pain points to connect foresight to the present.

““ One of the questions I got the company [which sold bottled water] to ask was, ‘Can you imagine still being in the water business in some way, but eliminating bottled water? And what would that business look like?’”

—PROFESSOR OF STRATEGIC DESIGN

““ So, while the government was having a conversation about Vision 2030 and how they’ll have roads, how they will have this great infrastructure and first-world trade going on, we disrupted the conversation by saying, ‘Hang on. This is what the future of your country will look like if you don’t address the disgruntled issues of young people in this region.’ That got attention.”

—FUTURES PRACTITIONER WITH A BACKGROUND IN RESEARCH AND POLICY ANALYSIS

Use backcasting to connect present-day actions

to longer-term goals, principles, and values. Changes in the short term can lead to vastly different futures. Use backcasting as a way to connect possible futures to actions that can happen today.

“Backcasting is basically asking, ‘What are the things you need to strategize around? If you were to face any of these scenarios, what would be your strategic response?’ The strategic responses are about preparedness, about what resources do you need, about what networks do you need, and so forth, to be able to do that.”

—FUTURES PRACTITIONER WITH A BACKGROUND IN RESEARCH AND POLICY ANALYSIS

Interrogate the present

more effectively to create models of the future. What does your organization hope to achieve in the short term? What’s a tough problem it’s trying to solve? What are its present-day threats and opportunities? Use your understanding of the systems your organization interacts with today to create stronger models of the future. Then, use those models to reinforce, change, and influence behaviors in the present.

“A lot of my work has shifted into how to interrogate the present more effectively, to cut through the BS and the hype, and to then be able to better understand how the future might unfold.”

—FUTURIST AT A LARGE CONSULTING FIRM

Cultivate empathy with present-day systems to expand a sense of what's possible. If you're looking at the future with yourself or your organization at the center, then you're limiting yourself to a narrow slice of the future. Foresight work requires connecting the empathy gap with systems, nature, cities, even networks of machines. Cultivating empathy in all its forms expands what's possible.

“Futures techniques come in the empathy phase of design thinking—who are we going to be serving in the future? Not just imagining the current state.”

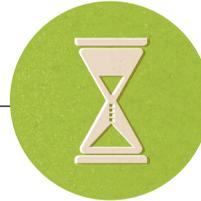
—EXECUTIVE COACH FOR PEOPLE IN TRANSITION ROLES

Engage with future possibilities with a thorough understanding of the organization's ability to respond and adapt. First, define what your organization is, and how it behaves. Then, understand the technologies and drivers that will enable your organization to adapt to changing circumstances.

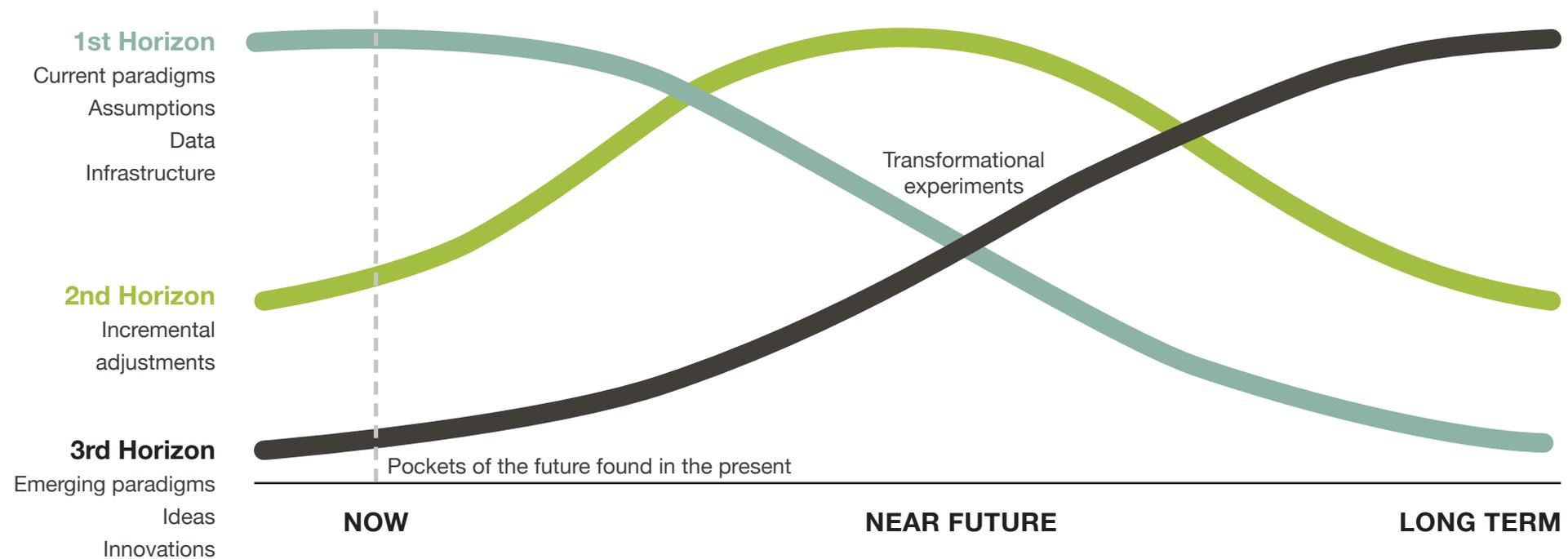
“It's a softer way of talking about a lot of the things that are embedded within strategic foresight. Like, 'Hey, we can show you right now that things are probably going to be very different for you and your business over the next ten years. And here's what you can do over the next two years to really prepare for that.'”

—FUTURIST AT A LARGE CONSULTING FIRM

what is the value of different time horizons?



IFTF recently spoke with Dr. Wendy L. Schultz, director of the foresight consultancy Infinite Futures and a fellow with the World Futures Studies Federation, about how she uses multiple time horizons as an organizational planning tool. As a foresight practitioner, Schultz has worked with numerous organizations to map out the multiple time horizons that drive and inhibit long-term change within an organization. In her work, she uses a model called Three Horizons, which maps change across three arcs of time: Now, which is the domain of managers; Near Future, where entrepreneurial activities occur; and a Long Term curve shaped by visionary thinking and new paradigms.



Source: Schultz (from Sharp, Curry, and Hodgson)

Rather than visualizing change on a year-by-year timeline, this approach models how different actors within an organization are grappling with changing environments in distinct ways that need to come together. Here are four key lessons from her work:

1

Using the three horizons to map different mindsets

The three horizons model pictured above was borne out of the understanding that while technology roadmaps provide a useful way of understanding step-by-step incremental innovations, their ability to take into account real-world innovation is limited. As Schultz says, traditional roadmaps afford “an ideal view of how technology, innovation, and revolution happen, rather than the messy real-world way in which multiple things are happening at once, constraints pop up, and there are people that are holding change back.”

2

Identifying tensions and connection points between these mindsets

The three horizon framework isn’t just a tool for mapping strategic activities over time. It represents the mindsets and assumptions that different kinds of team members bring to their work. “These horizons could be expressed as a timeline, but they also represent a tension between three different worldviews or mindsets,” Schultz argues. “The visionary mindset, which is trying to articulate an entirely new paradigm and way of doing things; the managerial mindset, which is keeping the world ticking along the way it normally does and doing the best possible job to maintain stability; and then the entrepreneurial mindset, which is bridging the two, taking visionary and innovative ideas, but applying them in concrete ways.”

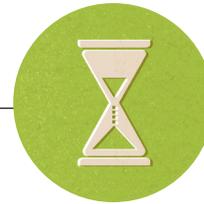
3**Mapping the third horizon to open new possibility spaces and optimistic futures**

Schultz notes that the open, long-term nature of the third horizon offers a space for visionaries and change-makers to seed ideas and make them more practical and digestible for organizational planning cycles. “The third horizon is an open space,” she says, “a space of possibility.” Because of the open nature of the third horizon, it allows participants in a horizon mapping process to think big and explore ideas that would seem too ambitious or out of scope in more traditional contexts.

4**Using the three horizon framework to enable managers to understand the limited shelf life of current operational strategies**

Schultz first used the three horizons framework as a facilitation tool with a group of 80 senior staff of a large consumer product group company who were attempting to understand how to prepare for longer-term shifts in market conditions. She notes that once the three horizons had been built out by participants, the contrast between current management strategy and longer-term change was “stark.” The three horizon model was a visual indicator that made it “blindingly obvious that a number of those assumptions were no longer fit for purpose.” By mapping this out, it enables different members of an organization to understand the multiple time horizons that simultaneously exist in their work and manage the underlying tensions.

how do I take a systems approach to strategic foresight?



Future readiness is achieved by practicing systems-centric strategic foresight. By examining your organization's actions within and across systems, risks and opportunities are brought to light.

A systems approach to strategic foresight approach entails:

- **Holding** a broad view of forces shaping the future, and systematically thinking across time horizons and scales of impact
- **Using** tools like STEEP to examine an expanded scope of future forces
- **Considering** first, second, and third (and so on) orders of impact or consequence when building forecasts
- **Embracing** alternative futures and considering growth, constraint, collapse, and transformation scenarios

By taking a systems view in a foresight project, you'll:

- **See** the interconnections and avoid unintended consequences
- **Reveal** hidden threats and opportunities
- **Pursue** multiple scales of innovation
- **Build** collaborative perspectives that mobilize coordinated and networked action
- **Inspire** collective vision to create an outsized impact
- **Cultivate** a holistic mindset to improve future-readiness

Use a systems view to build a resilient, future ready organization

Systems thinking allows us to see the world as nested sets of ever-changing relationships that scale down to the level of atoms and scale up to the level of the cosmos—and everything in between. By understanding these relationships we gain a better understanding of the larger ecosystem our organization operates in, which means we can do a better job of planning for the future.

Resiliency is the ability to adapt across scales of change and disruption to achieve long-term viability.

When inevitable changes occur, resilient organizations can self-correct. By understanding the roles that systems play in your organization, you can change your relationships with the systems to achieve organizational resilience.

A future-ready organization cultivates the three action-based capacities for resilience discussed on page 4.

We'll continue to explore how strategic foresight addresses systemic issues in future chapters of the playbook.

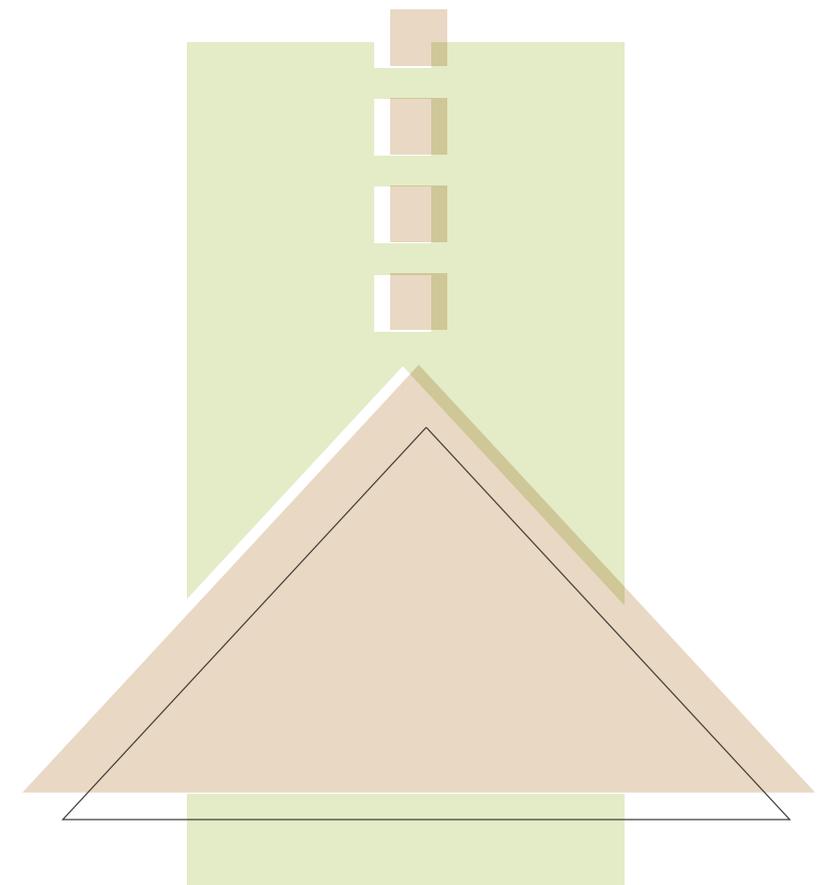
bringing it all together: how can I score my organization's future readiness?



In this chapter you've learned why future readiness helps organizations connect information about the future to the concerns of the present and why it's important to take a systems approach to the future.

On page 4, we defined a future ready organization as one that has the capacity to detect, respond, and evolve when it faces challenges across different time horizons and at different scales.

Before moving on to the next chapter, reflect on what you've learned by scoring your organization's future readiness using the worksheet provided in this section



Score your organization's future readiness

To systematically map where foresight capacity does and doesn't exist within your organization, you need to think about the tools and activities your organization uses in its strategic foresight. This worksheet will help you.

1 In each row, write down one or more tools or practices that strengthen each of the three capacities. (The gray text below offers examples of the kinds of activities you can rate.) **Score each of the capacities from 1 to 5**, with 1 representing a capacity that is undeveloped and 5 representing mastery of the capacity. The columns indicate scales at which you are applying the tools and activities of strategic foresight.

2 Now, **analyze your results**. Look at each scale, from individual to network, one by one, and notice where the greatest capacity for future readiness lies and where deficits exist to give you a sense of the levels your organization prioritizes. Ask yourself why scores are high or low. Think about what you might do to bring up a low score and grow all the capacities.

3 **Compare scores** to get a picture of how future-ready you and your team are in relation to the rest of your organization and the larger networks you participate in. What does this say about your organization's approach to the future in general? What assets and obstacles does it reveal?

Each score reveals a different path toward organizational future readiness. Make sure to **write down your results** and have them handy as you explore future chapters; we'll be referencing them throughout the rest of the playbook.

CAPACITIES	Individual	Team	Organization	Network
DETECT changes on the horizon that may pose threats or opportunities	Signal scanning (4) 1 2 3 ④ 5	Adopted F/I/A toolkit (5) 1 2 3 4 ⑤	Regional outposts (3) 1 2 ③ 4 5	Partner with IFTF Vantage (5) 1 2 3 4 ⑤
RESPOND by uncovering specific implications of future change	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
EVOLVE to better thrive in the environment of anticipated future change	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5

Score your organization's future readiness

Print and share with your team

CAPACITIES	Individual	Team	Organization	Network
DETECT changes on the horizon that may pose threats or opportunities	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
RESPOND by uncovering specific implications of future change	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
EVOLVE to better thrive in the environment of anticipated future change	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5



About Institute for the Future

Institute for the Future is the world's leading futures organization. For over 50 years, businesses, governments, and social impact organizations have depended upon IFTF global forecasts, custom research, and foresight training to navigate complex change and develop world-ready strategies. IFTF methodologies and toolsets yield coherent views of transformative possibilities across all sectors that together support a more sustainable future. Institute for the Future is a registered 501(c)(3) nonprofit organization based in Palo Alto, California. iftf.org



About IFTF Vantage

Institute for the Future (IFTF) is the world's leading futures organization. Its signature program, IFTF Vantage, is a unique partnership of innovative global leaders that harnesses over 50 years of IFTF global forecasts and pioneering research to navigate volatility, identify emerging imperatives and opportunities, and develop world-ready strategies. IFTF Vantage partners represent businesses, governments, and social impact organizations from around the world that require the most comprehensive view of future forces directly affecting their organizations. To learn more about how IFTF Vantage generates organizational readiness for a world in flux, visit iftf.org/vantage.