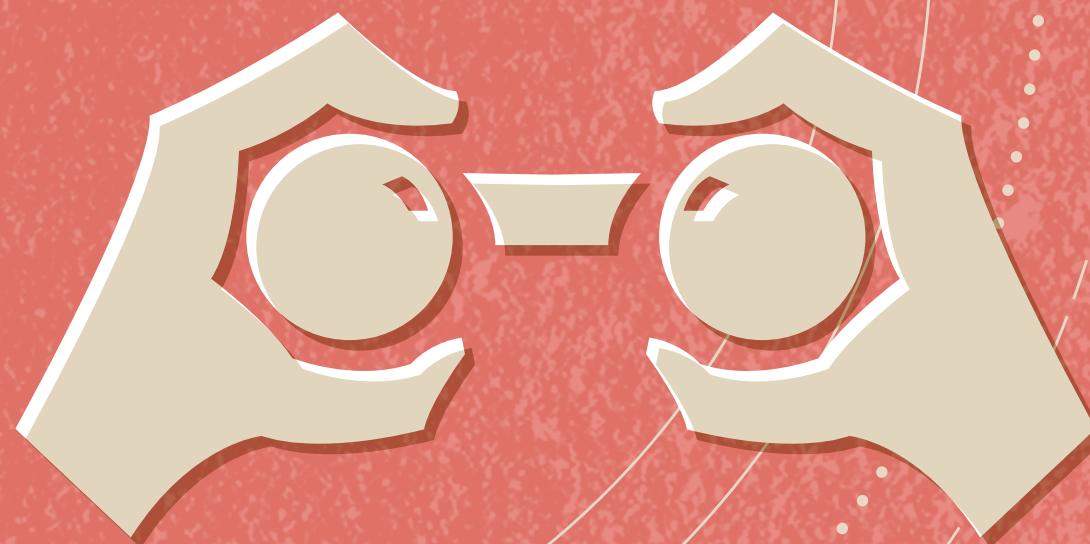


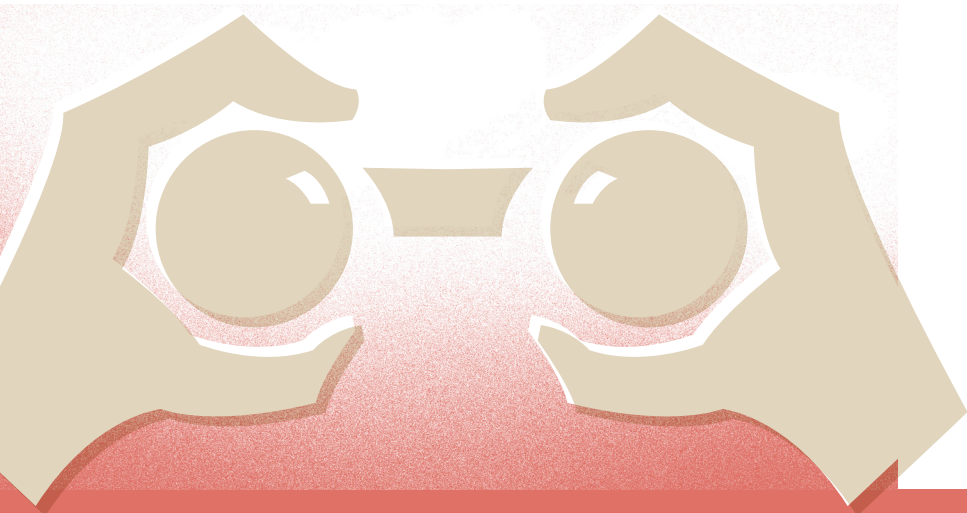
CHAPTER 2

why do strategic foresight?

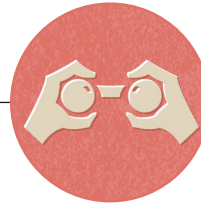


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how can foresight drive long-term growth?



Fifteen years ago, René Rohrbeck was working as a technology strategist. His manager asked him to identify the important forces transforming their industry—and not just technology trends. Realizing this was a project that would benefit from a wide variety of perspectives, he reached out to colleagues in corporate strategy, acquisition, and R&D. They didn't have the answers, so he sought out colleagues at other companies with the same query. Again, no answers. Ultimately, he learned that corporate teams tasked to consider the mid- and long-term forecasts were the most responsive of the people he interviewed—but even so, they were not proactive. Thus began his journey into studying how corporations made decisions about the future and what organizations with long-term success had in common. What he discovered is they all have an integrated, continual practice of 1) perceiving change, 2) translating change into insight, and 3) acting accordingly.

Since beginning his move into foresight, Rohrbeck has put together some of the most comprehensive research documenting and quantifying the relationship between corporate performance and strategic foresight capabilities. We spoke with Rohrbeck earlier this year to understand what his research suggests about optimizing foresight for a given industry.



Foresight capabilities should be developed to match the dynamics of the industry in which an organization operates.

Rohrbeck has developed a model that measures the complexity, volatility, and hostility of the environment that an organization operates within, and uses that understanding to provide a benchmark for an appropriate level of foresight effort. This Future Fitness score then places organizations into one of four categories, which he described in a piece for [EDHEC Vox](#):

- **Vigilant** organizations that “work determinedly with corporate foresight in their market.”
- **Neurotic** organizations that “might adapt their course of action to the movements in the market, but do so without a long-term or strategic perspective.”
- **Vulnerable** organizations that have “strategies, but whose strategies do not sufficiently address the challenges of their market.”
- **In Danger** organizations that might have “strategies, but whose strategies are completely insufficient.”

Vigilant firms, which match foresight to the market need, “outcompete the average by a 200% higher” growth rate in terms of market capitalization over seven years. As he argues, “less prepared firms might be superior in maximizing short term profitability, but as our longitudinal study shows, when looking at a 7-year timeframe, future preparedness is a strong predictor of firm performance on profitability and growth.”

2

Many firms underutilize foresight because it has only recently become a “real capability” that is integrated into an organization.

In recent research charting the history of corporate foresight, Rohrbeck traced the development of foresight as a business practice from its beginnings in the Post-World War II era, when foresight was a largely quantitative effort to produce demand projections. But we are long past that era. He notes that today, “firms are realizing that if I’m in an uncertain environment... I cannot use the data from the past in order to then tell me what to do the next five years.” Of the firms that he has studied and worked with, he says the most successful integrate the more qualitative and open-ended findings from foresight with traditional quantitative tools to create more dynamic approaches to decision making.

3

Foresight can provide a common ground for considering complex decisions—if senior leaders allocate enough time for their decisions.

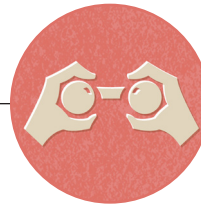
Noting that senior leaders spend a small fraction of their time on what he calls “competing for the future,” Rohrbeck suggests that foresight projects often stall out because of a gap between the research and senior decision makers. “Many organizations have futurists come in, bring new signals and insight, and ‘open their horizons.’ But after the foresight consultants leave, leaders rarely make time to fully digest and apply what’s been given to them before they’re back to business as usual.” Highlighting his work with Bosch, Rohrbeck notes that they have overcome this challenge by using foresight as a “mental common ground” that leadership regularly revisits when making big decisions.

4

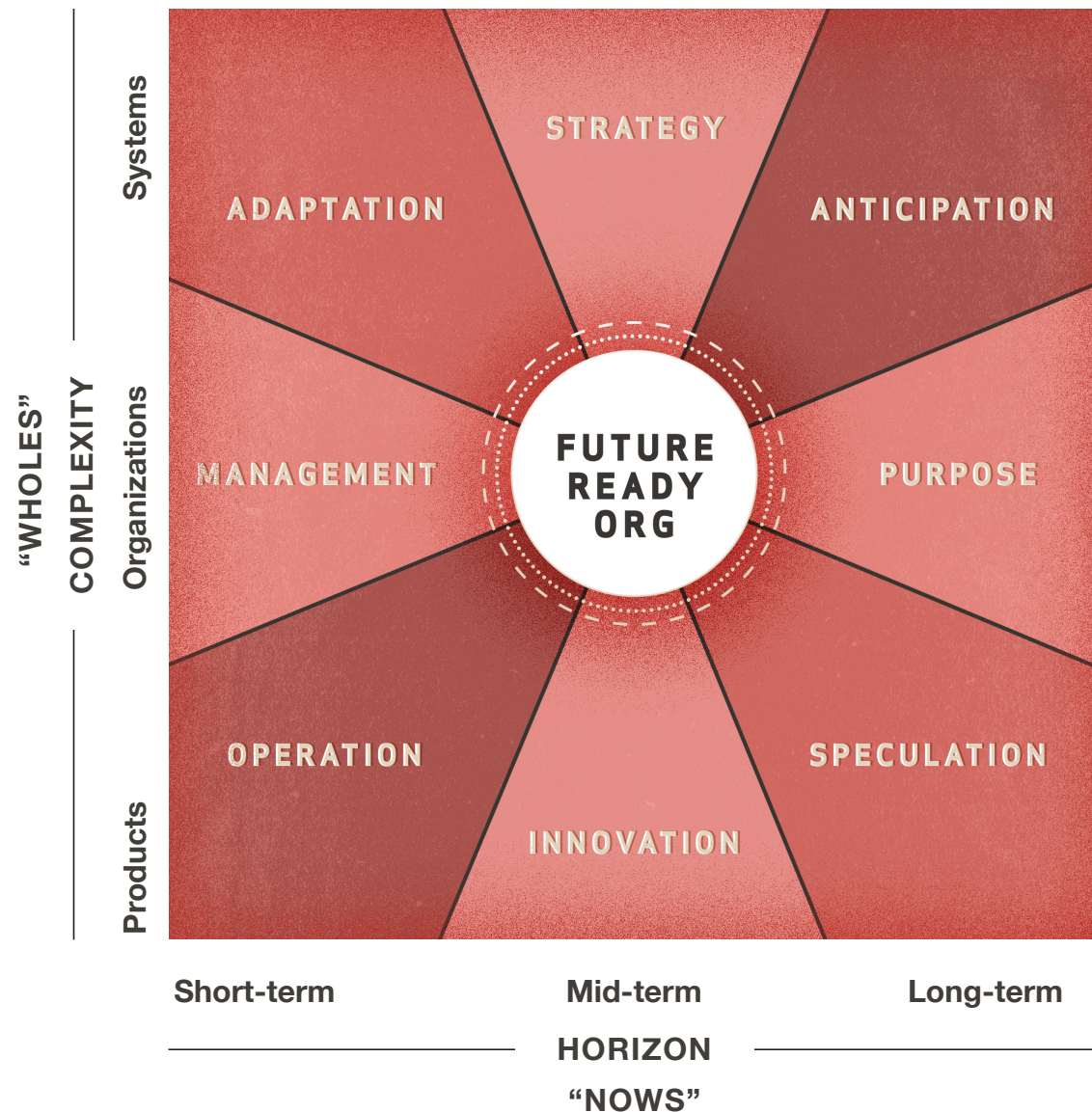
If you’re struggling to gain traction, look for ways to tie foresight to “imminent decisions.”

Noting that success with foresight can build upon itself, Rohrbeck suggests looking for ways to connect foresight to R&D, technology investments, and other decisions where “there is already a lot of interest in the organization.” By starting from decisions to make a “direct, concrete impact,” it provides a launching pad for integrating foresight more directly into ongoing decision-making processes.

how does foresight complement other organizational capabilities?



Over the next decade—as the world possibly becomes more turbulent than ever—organizations will have to confront larger “wholes” and longer “nows.” This means they must take into account contexts beyond the organization itself (e.g., the climate crisis, global pandemics, and extreme inequality) as well as time horizons further out than the operational planning cycle of management. They will achieve this by embracing systems thinking and integrating foresight across all the activities of the organization. By doing this, they can cultivate a future mindset and the practice of strategic foresight, amplifying organizational preparedness and resilience, the hallmarks of future-ready organizations.



The Landscape for Future Ready Organizations: Eight Activities Across Time and Scale

The map has two axes. On the horizontal axis, we see time horizons, moving left-to-right, from short-term, to mid-term, to long-term (in our parlance, moving from shorter to longer “nows”). The vertical axis shows increasing scope, in terms of what an organization is considering, from the most insular at the bottom (e.g., an organization’s own products and internal processes) expanding upwards in scale to the organization itself and the industry or sector it’s part of, to the top of the scale, where we find the larger social and environmental systems that the organization operates within and shapes (in our parlance, moving from smaller to larger “wholes”). Each activity falls into a different place along these axes.

Let’s take a look at these eight activities, one by one.

OPERATION

Most organizational activities take place within a short time frame and an immediate scope. This is the domain of **operations**, where organizations conduct the day-to-day operation of their existing products, services, and programs. People in charge of these activities rarely have the need (or the opportunity) to look beyond the following week or month, or communicate with anyone who isn’t a team member or regular customer. Such a near-term focus is what allows organizations to achieve satisfactory results in efficient ways.

INNOVATION

Over the last few years, a growing number of organizations have understood the imperative to ramp up their capacity to create new offerings through a variety of strategic **innovation** practices. Design thinking—perhaps the most notable of these—involves the democratization of human-centered design methods for the creation of new products, services, and initiatives. As such, it turns design into a proper strategic activity while extending its time horizon to the next few months and years.

SPECULATION

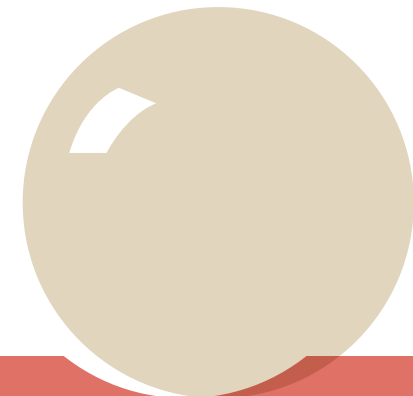
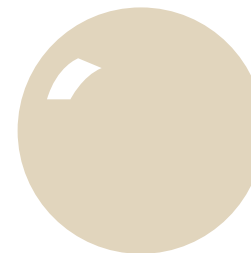
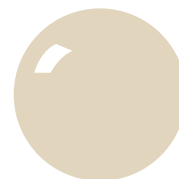
Even more recently, some organizations have further extended the time horizon of design with emerging practices like customer foresight and design futures as a means of **speculation** with longer-term, future-oriented concepts and forecasts.

MANAGEMENT

Organizational or corporate **management**, like operations, can also be a short-term, day-to-day activity. However, it takes a wider view in order to include the organization and its competitive and collaborative environment. It is the remit of directors and C-level executives, as well as hordes of management consultants.

PURPOSE

Planning for the long term leads to purpose. The long-term **purpose** of an organization is often determined at an annual retreat where organizational leaders draft strategies informed by business intelligence and trend analysis. Purpose moves further into the future than management activities, focusing on the organization as a whole (but not the larger systems it exists within).



ADAPTATION

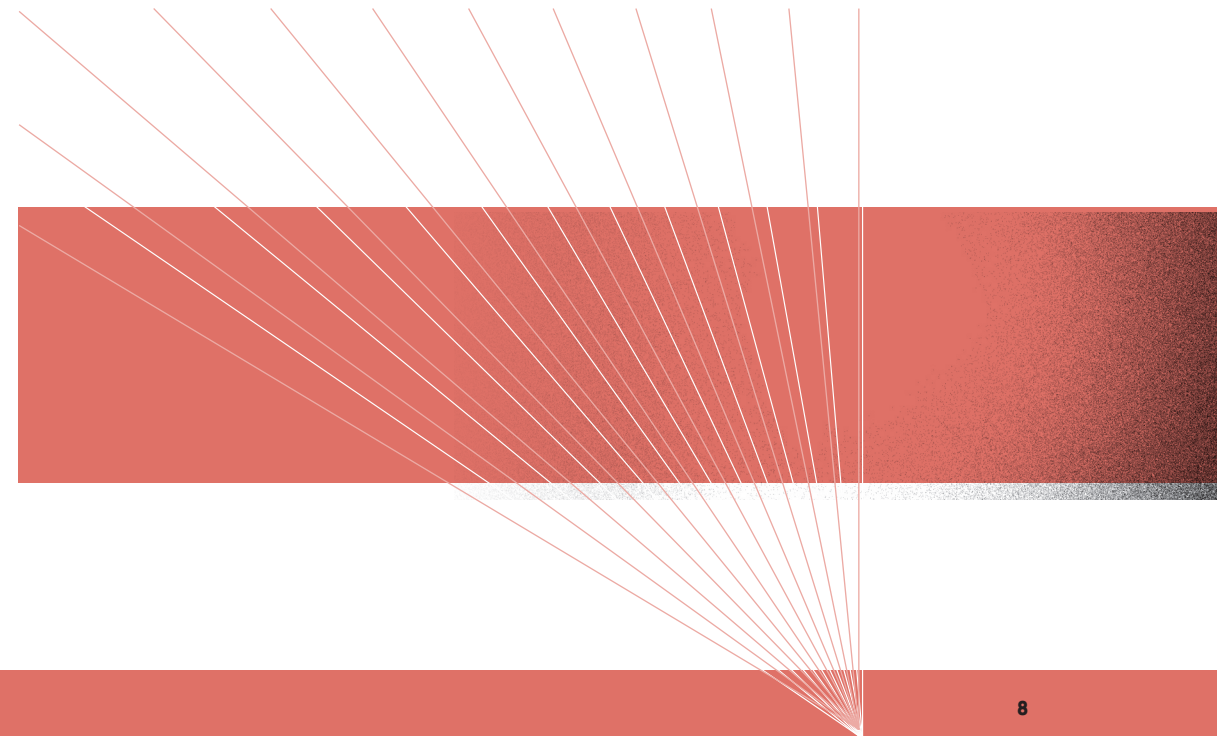
Adaptation operates in the largest “whole” and the shortest “now.” It is, by definition, an organization’s reaction to external forces. It is the perfect complement for long-term anticipation. All organizations have to adapt to changing systems, but for organizations with underdeveloped anticipatory capacity, adaptation is reduced to scrambling to keep up. If you already have a strong practice of forecasting alternative futures, adaptation means executing contingency plans that you have already created.

STRATEGY

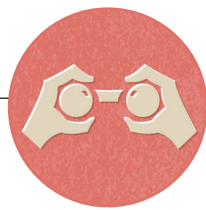
Today, organizations find themselves at the beginning of a decade that’s brimming with extreme challenges and novel opportunities. This is the domain of **strategy**. The most successful organizations will discover opportunities by relentlessly connecting the dots across larger wholes and longer nows. And they’ll be able to effectively address the challenges that society will increasingly demand of them to take responsibility for the wider consequences—both intended and unintended—of their actions in the world. In this way, systems thinking and strategic foresight will become essential capacities for the future-ready organization.

ANTICIPATION

The COVID-19 crisis has been a sobering reminder of the need for organizations to cultivate the widest possible, systemic view of their operating landscape even while focusing on the short term. The best CEOs and organizational leaders have always cultivated the capacity of **anticipation**—pivoting direction as necessary in a challenging environment all while maintaining clarity of vision. So-called anticipatory organizations are those capable of responding quickly to early signals of changing social, economic, and political contexts. At the same time, the coming decade will be decisive as humanity tackles global risks, like a possible greater economic depression and, most importantly, the planetary challenge of the climate crisis.

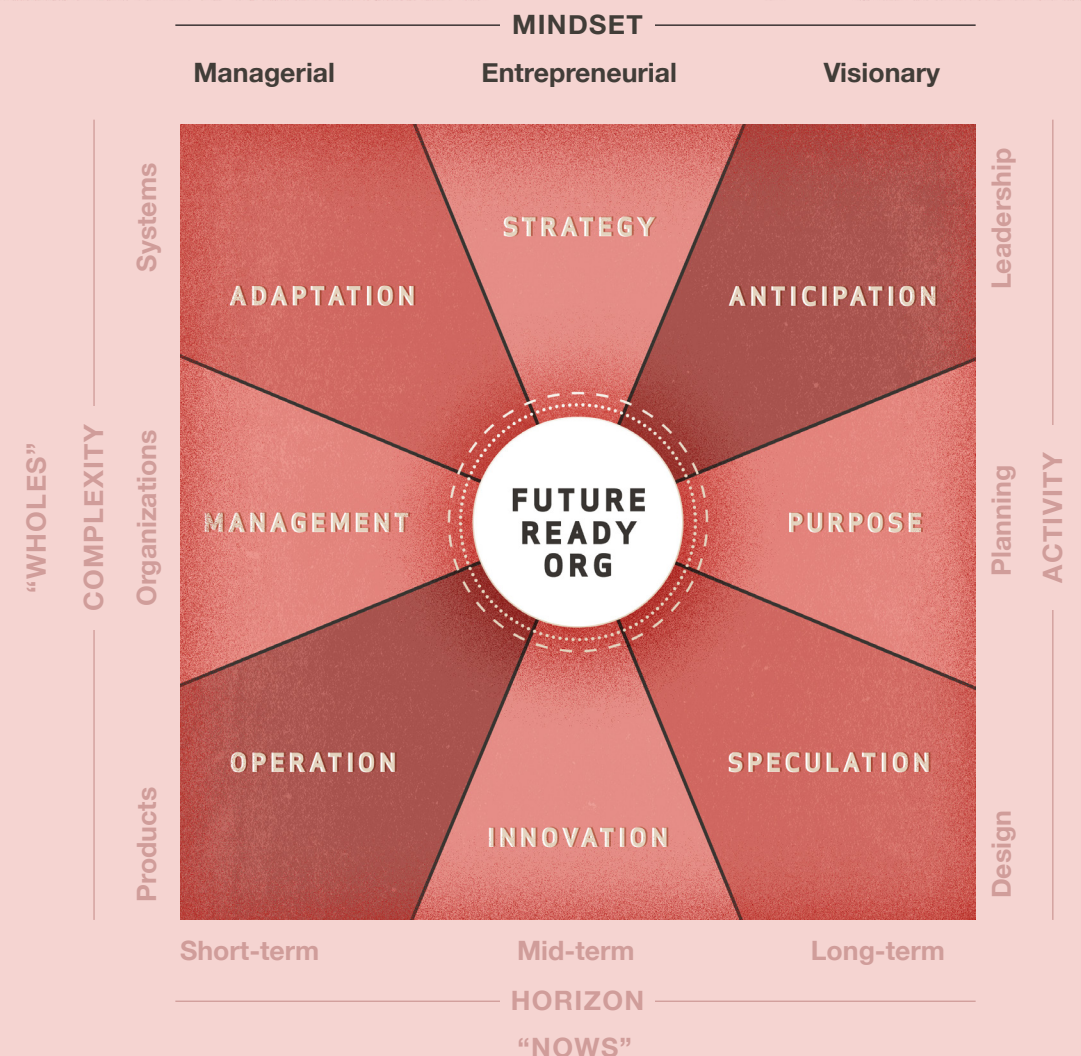


how do I integrate foresight across organizational activities?

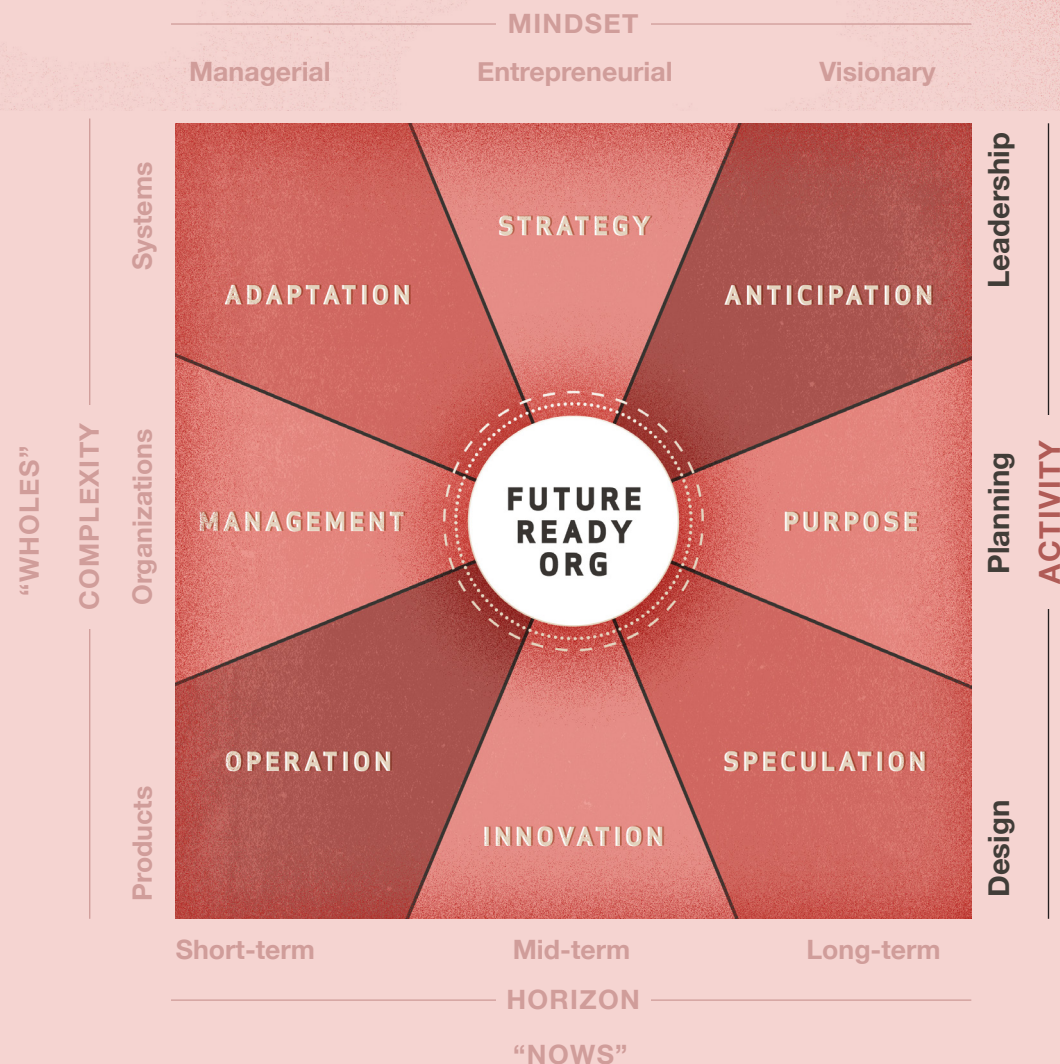


Let's return to the map again. You'll notice the "Mindset" axis is divided into three segments. The first horizon is "managerial" (managing immediate, day-to-day issues), the second is "entrepreneurial" (turning ideas about the future into actionable information for present-day decision-making), and the third is "visionary" (exploring future possibilities and communicating them to the entrepreneurs, who turn possibilities into opportunities). If you look at the placement of the eight activities on the map, you can see they all correspond to one of the three mindsets. In this way, "mindset" is another way to read the horizontal axis (the same one we presented in Chapter 1).

Integrating Strategic Foresight Across Organizational Activities



Integrating Strategic Foresight Across Organizational Activities



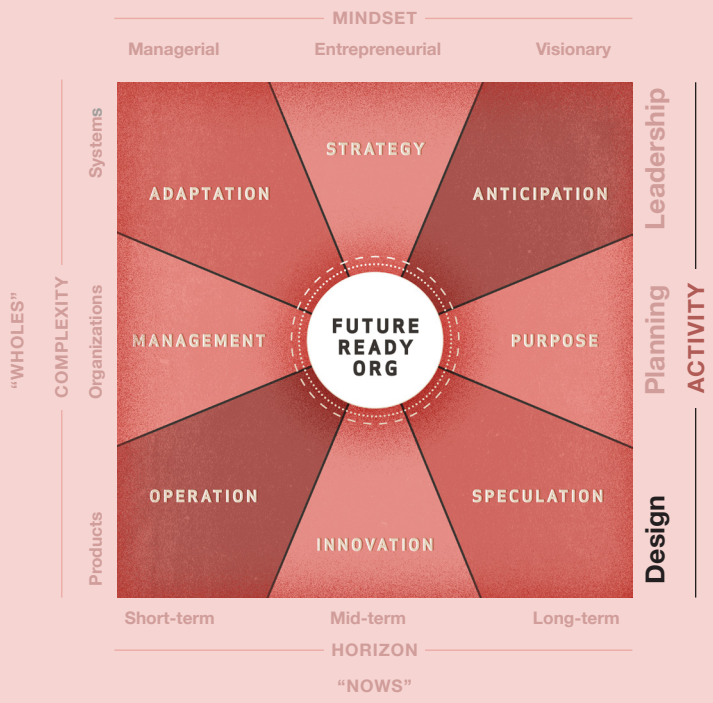
We've also added a new vertical axis, labeled "Activity," with three tiers of increasing complexity that correspond to a specific set of organizational activities. The activity associated with the "products" tier is "design," because it is at this level that organizations design products, services, and experiences, as well as design their internal operations and processes. The activity associated with the "organizations" tier is "planning," which is where organizations make plans for themselves in the context of the sector or industry they exist in. The top tier, "systems," corresponds to "leadership" where the focus is on larger social and environmental systems in which the organization operates.

As discussed in the previous section, foresight plays an important role across different organizational activities, amplifying organizational preparedness and resilience. By integrating foresight across organizational activities that span **design, planning, and leadership**, organizations expand their ability to engage with longer time horizons, more complex possibilities for those activities, and the future of the organization itself. Organizations that cultivate a futures mindset and scale the practice of strategic foresight become more future ready. In other words, they become better able to detect, respond, and evolve to anticipated future change.

On the pages that follow, you'll hear directly from foresight practitioners on the ways they integrate foresight across a range of organizational activities. We'll go tier by tier, exploring the practices and strategies they take to expand the temporal outlook of their work and how they cultivate a futures mindset on the projects and teams they are part of.

Design

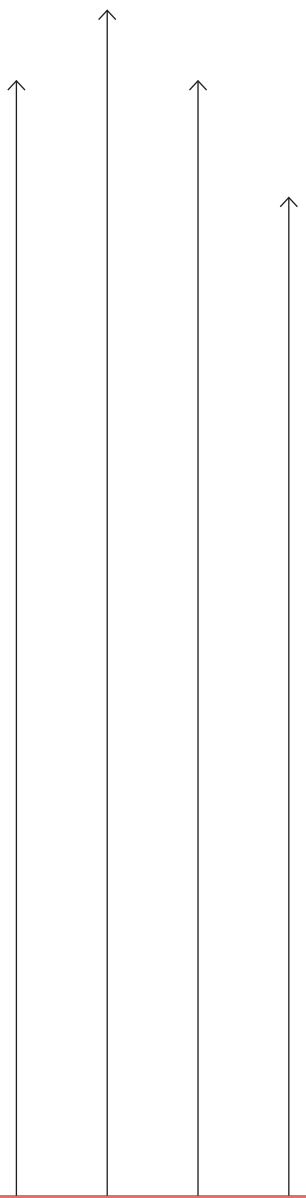
Organizational activities concerned with efficient operations, emerging innovations, and speculative product, service, and experience design



Foresight can lead to fundamental changes in current business operations.

“ I would say our organization has been pretty agile and lean. We tend to deep dive in and out every two, three years, but when we do the work of foresight, we come up with pretty tangible outcomes that fundamentally change our business operations or result in a new business unit.”

—HEAD OF CATEGORY FUNCTION AT A FOOD COMPANY



Use future narratives and storytelling as a starting point for innovation.

“Narratives and storytelling are very important in open innovation and transformation. You cannot create the new using old ways and old metrics. One of the big mistakes is that people see foresight or a story, and then they take their old way of working, their old habits, their old things and decide, ‘Oh, let’s just implement this new thing into the old system.’ That doesn’t work.”

—DIRECTOR OF EXTERNAL INNOVATION AND TRANSFORMATION FOR A
MAJOR CONSUMER BRAND

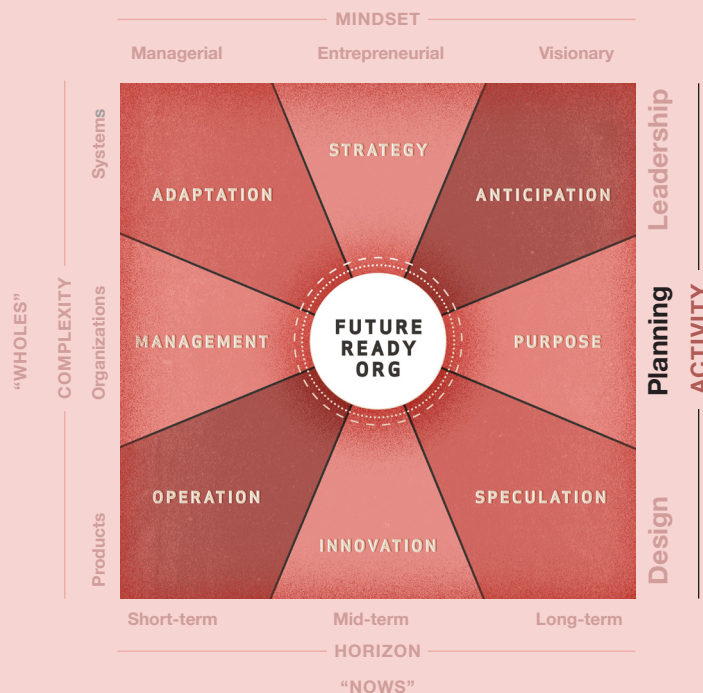
Speculative design is an artistic way to critique the future and developments in the present.

“We can’t be in the future, but we can bridge that gap through experiential scenarios. But there are other practices within design that we’re trying to connect with the future. Speculative design, for example, which is a more artistic approach to design. It’s a way to critique the future or development in the present that might implicate the future. Speculative designers try to use prototypes but in a more artistic way, more in a critique way.”

—PROFESSIONAL FULL-STACK FUTURIST

Planning

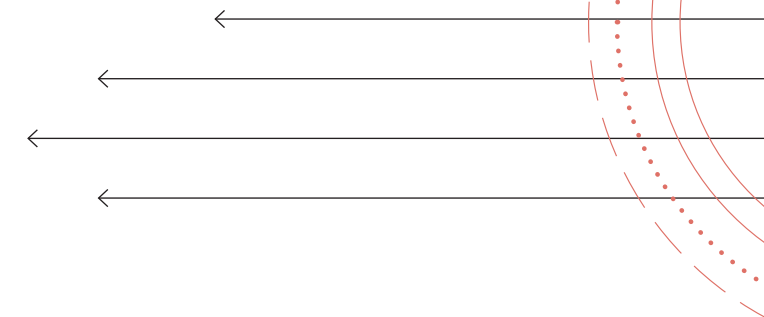
Organizational activities concerned with corporate strategy and management, competitive and collaborative environments, and purpose that inspires actions toward long-term vision



Planning is not about predicting the future, it's about being more adaptive.

“ We talk about bringing your plan alive. We talk about being much more adaptive and innovative and meeting the citizens in the future where they're going to be. One of the big things that we stress is plans cannot sit on the shelf. We really stress that we're not trying to predict the future, we are just going to be monitoring trends no one knows, but we want to do a better job staying on top of this like radar.”

—SENIOR STRATEGIC PLANNER FOR A NON-PROFIT STRATEGIC PLANNING COMPANY



Don't provide information to management. Provide actionable insights.

“ We don't want to provide information, we want to provide actionable insights and be the best partner in selecting the top choices for our organization.”

—FORESIGHT MONITOR FOR A
GOVERNMENT AGENCY

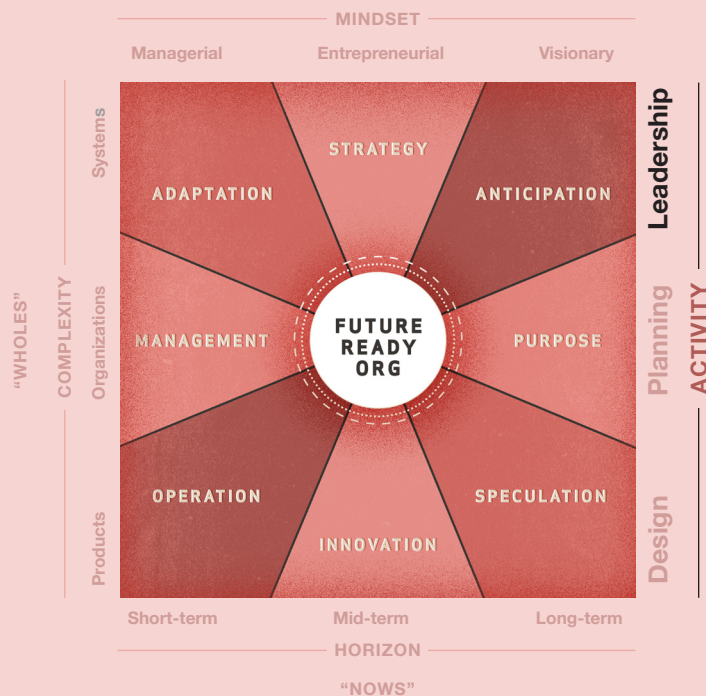
Create artifacts and videos with an impactful message to communicate a sense of purpose and future outcomes.

“ How do you make sure that you land with a very impactful message? I can only say that the reason why we've been successful in previous projects was because we created artifacts in the form of videos. We painted a future, which was basically a small, short, two-minute video of what our future was going to be like as if it's happening now.”

—HEAD OF CATEGORY FUNCTION AT A FOOD COMPANY

Leadership

Organizational activities that call on leadership to think systematically about the long term to cultivate anticipation and vision, directing rapid-response and adaptation to change, and informing strategy by making sense of external shifts and systems changes



Understand what enables change and allows you to adapt to big drivers.

“We really always tie it into recommendations that show that we understand what your business is doing, we understand the behavior of your market, for lack of a better term. And we understand the technologies that are available to allow you to change, to adapt to the larger big drivers. So again, 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.’”

—RESEARCH MANAGER AT A MULTINATIONAL PROFESSIONAL SERVICES FIRM

Go beyond goals and objectives to challenge core assumptions.

“A technique you can use across the whole process is challenging assumptions. The assumption might be, ‘We’re going to get out of this entire business?’ or ‘What if we didn’t own these assets anymore?’ or ‘What if everything we provided had to be free?’—just challenging thinking around business models and modes of operating.”

—INNOVATION FACILITATOR ON LARGE COLLABORATIVE INNOVATION COACHING PROJECTS

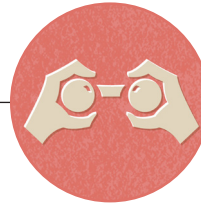
If it’s only growth focused or sales focused or market penetration focused, then it’s not a strategy.

“I help my clients understand that strategy is the most important element for their business, to set a course, to set a destination. It’s about using strategic tools, strategic methodologies, and strategic frameworks that I have developed. I use some general ones including impact screenings, impact matrixes. That’s important because right from the conception of their strategy, they’re already understanding why it has to be impact focused. If it’s only growth focused or sales focused or market penetration focused, then it’s not a strategy. Maybe it’s a strategic objective, but it’s not the strategy.”

—FOUNDER OF A NONPROFIT’S INNOVATION LAB

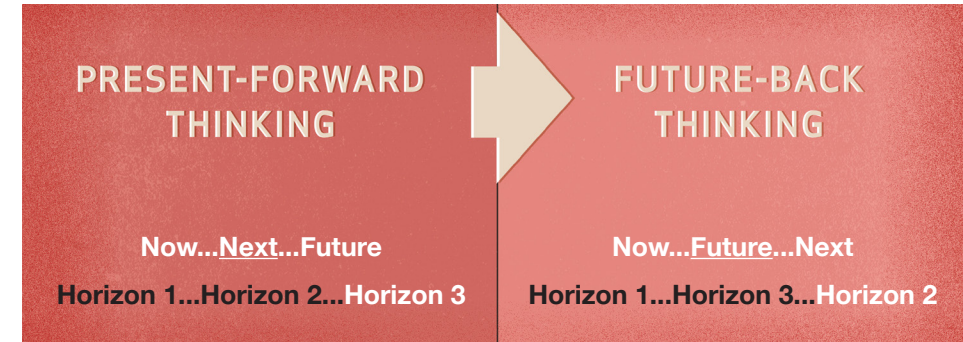
how can I use future-back strategy in a crisis?

BY BOB JOHANSEN, IFTF DISTINGUISHED FELLOW



During a crisis, the present gets terribly noisy. Time gets strangled. We see only that which is attacking or looming. You've probably experienced these disabling effects over the last several months as the world struggles with the far-reaching consequences of the COVID-19 pandemic and the global uprising against systemic racism.

Most of us instinctively respond to a crisis by urgently attacking threatening flames, which is what we should do, but we also need to look long, because times of crises are when the future can be *clearer* than the present. Looking long jumps us past the temptation to just get back to normal and allows us to question whether getting back to normal is preferable—or even possible. Restarting from zero may be a much better idea. This is when Future-Back Thinking comes into play.



During a time of crisis, consider swapping Horizon 2 planning (Next) with Horizon 3 planning (Future). See page 20 to learn about the Three Horizons framework.

In a crisis, HORIZON 1 will connect directly to HORIZON 3

Present-Forward Thinking—which progresses from considering what’s happening now, to what to do next, to envisioning a better future—makes perfect sense in a period of modest change and linear growth. These three time frames are analogous to the ones on the Three Horizon Curve presented in Chapter 1’s [“What Is the Value of Different Time Horizons?”](#)

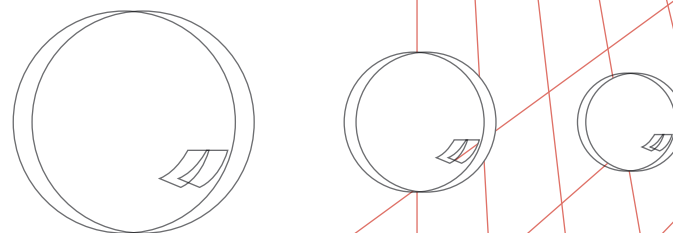
In a crisis, however, present-forward thinking bogs down quickly, and Future-Back thinking is required to seek clarity. Think now—future—next, rather than now—next—future. Leaders must seek clarity on Horizon 3 and then bring that clarity back to Horizon 1. That means that members of an organization who work primarily in Horizon 1 (managers, operations roles) will increase the level of communication with members who work in Horizon 3 (visionaries, blue skies researchers).

Full-spectrum thinking allows us to think future-back

My book *Full-Spectrum Thinking: How to Escape Boxes in a Post-Categorical Future*, was published on April 21, 2020. At almost the same time, Mark Johnson's book *Lead from the Future: How to Turn Visionary Thinking into Breakthrough Growth* was published. Where I focus on foresight-to-insight, Johnson (who along with Clayton Christensen founded Innosight, one of the world's leading strategy consulting firms) focuses on insight-to-action.

Where I talk about future-back thinking, Johnson talks about future-back strategy. Both are critical. After reading *Lead from the Future*, I wrote the following endorsement: "The next decade will be far too noisy for conventional present-forward strategies. Leaders must look back from the future but act now. *Lead from the Future* shows us how to discover the present value of future-back thinking." And after Johnson read *Full-Spectrum Thinking*, he wrote this endorsement: "A future-back mindset and full-spectrum thinking are needed urgently to create a vision and strategy that is not stuck in the tired categories of the past."

We cannot make sense of the future if we are stuck in the categories of the past. Full spectrum-thinking offers the ability to jump ahead and look beyond near-term changes.



Getting back to normal is categorical thinking

When the pandemic hit, a team from IFTF developed a set of scenarios on the Post-COVID-19 operating environment. At their core, the scenarios are organized around three time horizons: **respond**, **reset**, and **reinvent**. In crisis moments, we first have to **respond** to attempt to mitigate the damage.

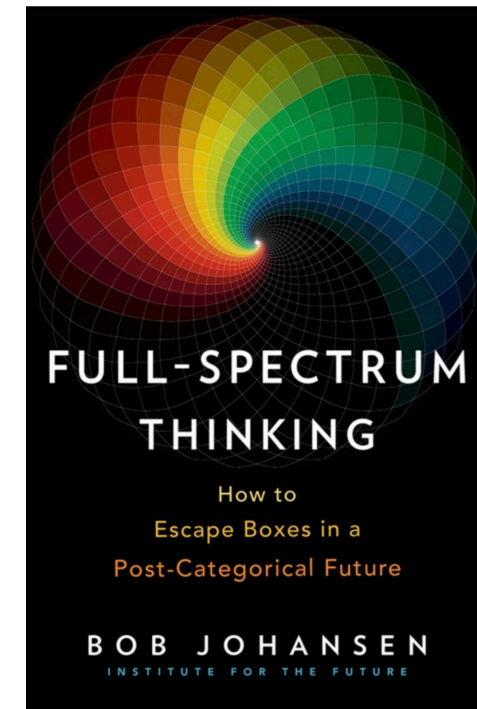
What future-back strategy teaches us is that rather than **reset** to the default categories of the present by asking what's next, leaders should instead ask more fundamental questions. By jumping ahead to explore the future and ask how might we **reinvent** our work for the long term, new spectrums of possibilities become feasible. And at the same time, today's categories—which can often seem so fixed that we rarely question them—become open to reevaluation.

By focusing on the future, we can ask questions like: Should we prop up the things that were working until recently or is now the time to pursue entirely different kinds of possibilities? Will the categories we use to make sense of today's world still be relevant in the future?

The effect of this approach is that it creates space to improve your clarity about which futures to pursue and moderate your certainty about what is truly unchangeable. The neurologist Robert Burton describes certainty as “knowing we know.” In times of crisis, it is tempting and dangerous to imagine that we know the path out even as the very nature of crisis expands the spectrum of possibilities.

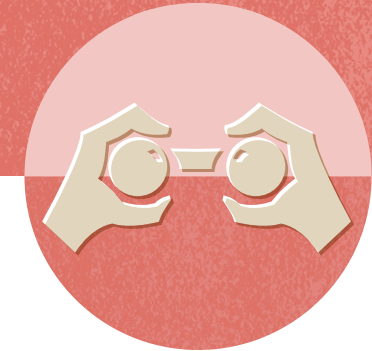
A time of crisis is a time to look long. Responding to a crisis is heroic. Getting stuck in crisis-mode is a trap.

Think Now, *Future*, Next



Learn more about [*Full-Spectrum Thinking*](#), by Bob Johansen .

how healthy are your horizons?



The Three Horizons model is a framework for understanding your organization's future readiness by looking at how well it operates in and communicates across three time frames:

HORIZON 1, where **managers** oversee the current core activities and functions that sustain an organization and generate its value.

HORIZON 2, where in-house **entrepreneurs** take the output from the visionaries of Horizon 3 and use it to develop what's next for the organization.

HORIZON 3, where in-house **visionaries** explore transformative possibilities and communicate their vision to the entrepreneurs and the managers.

Note that this model doesn't represent a linear timeline. Each horizon represents an ongoing initiative, and organizations must concurrently manage all three horizons, which are all active in the present. Together they define the temporal outlook and mindsets of strategic foresight. They are part of a continuous cycle of embryonic (Horizon 3), emergent (Horizon 2), and mature (Horizon 1) activities in an organization. (To learn more about horizons, see ["What is the](#)

[value of different time horizons?"](#) in Chapter 1 of the Playbook, as well as the "future-back thinking" section in "how can I practice strategic foresight during a crisis?" in this chapter.)

The Three Horizons model first appeared in Mehrdad Baghai, Stephen Coley, and David White's book, *The Alchemy of Growth: Practical Insights for Building the Enduring Enterprise* (1999). Since then it has been further refined and evolved by others, including Christian Terwiesch and Karl T. Ulrich in their book *Innovation Tournaments* (2009), and Bryann Alexandros of the consultancy Skylance (who developed the nested box model that forms the basis for our interpretation of the model).

In *The Alchemy of Growth*, the authors write, "To pursue growth, leaders at all levels of an organization should first look in the mirror and ask, 'How healthy are my horizons?' It is not unusual to find one, two, or even three horizons barren."

In this worksheet, we'll check the health of your organization by asking some questions about each horizon, and then a few organization-level questions.

HORIZON 1 Questions

1. Is the core business or operating purpose of your organization stable, growing, or declining?
2. Is the primary operating purpose of your organization creating sufficient value to support Horizons 2 and 3? Is Horizon 1 investing enough in Horizons 2 and 3?
3. Does Horizon 1 have an effective process for considering opportunities identified in Horizons 2 and 3?

HORIZON 2 Questions

1. Does Horizon 2 deliver valuable emerging operating activities to Horizon 1?
2. Is Horizon 1 confident enough to invest in the emerging opportunities developed by Horizon 2?
3. Is Horizon 2 communicating effectively with Horizon 3 so it can identify future opportunities worth investing in?

HORIZON 3 Questions

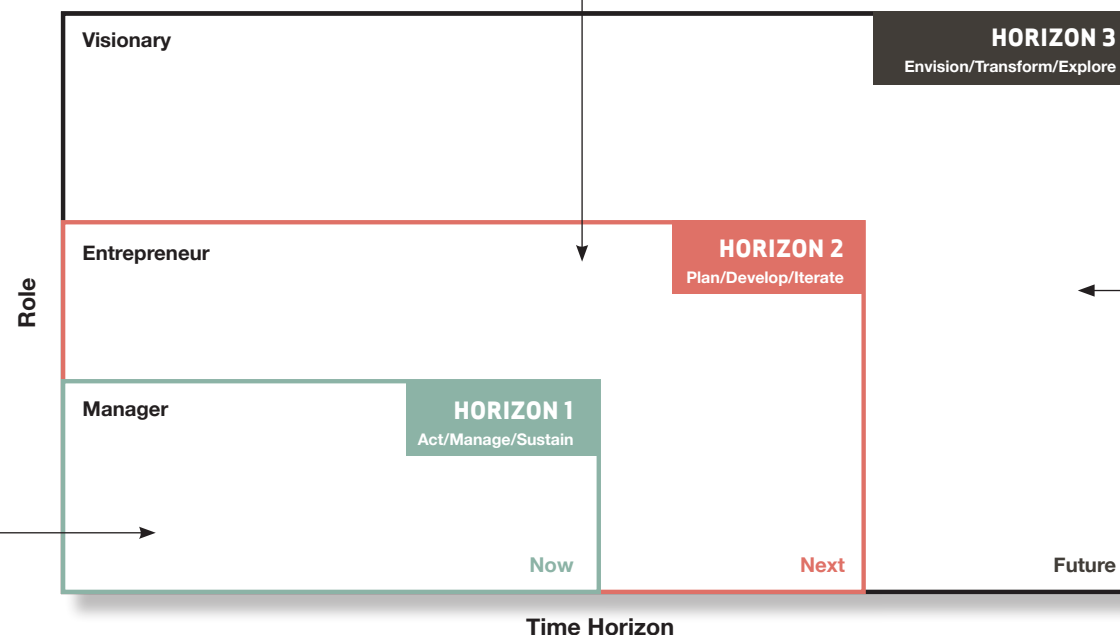
1. Is Horizon 3 reaching far enough into the future to find ideas that are markedly different from Horizons 2 and 1?
2. Is Horizon 3 exploring areas that are a good fit with the organization's fundamental mission?
3. Is Horizon 3 communicating its findings in ways that are useful before being handed off to Horizon 2?

Organization Questions

1. Who develops the portfolios of emerging and remote opportunities?
2. How are they communicated?
3. What are the systems in place to act on them?

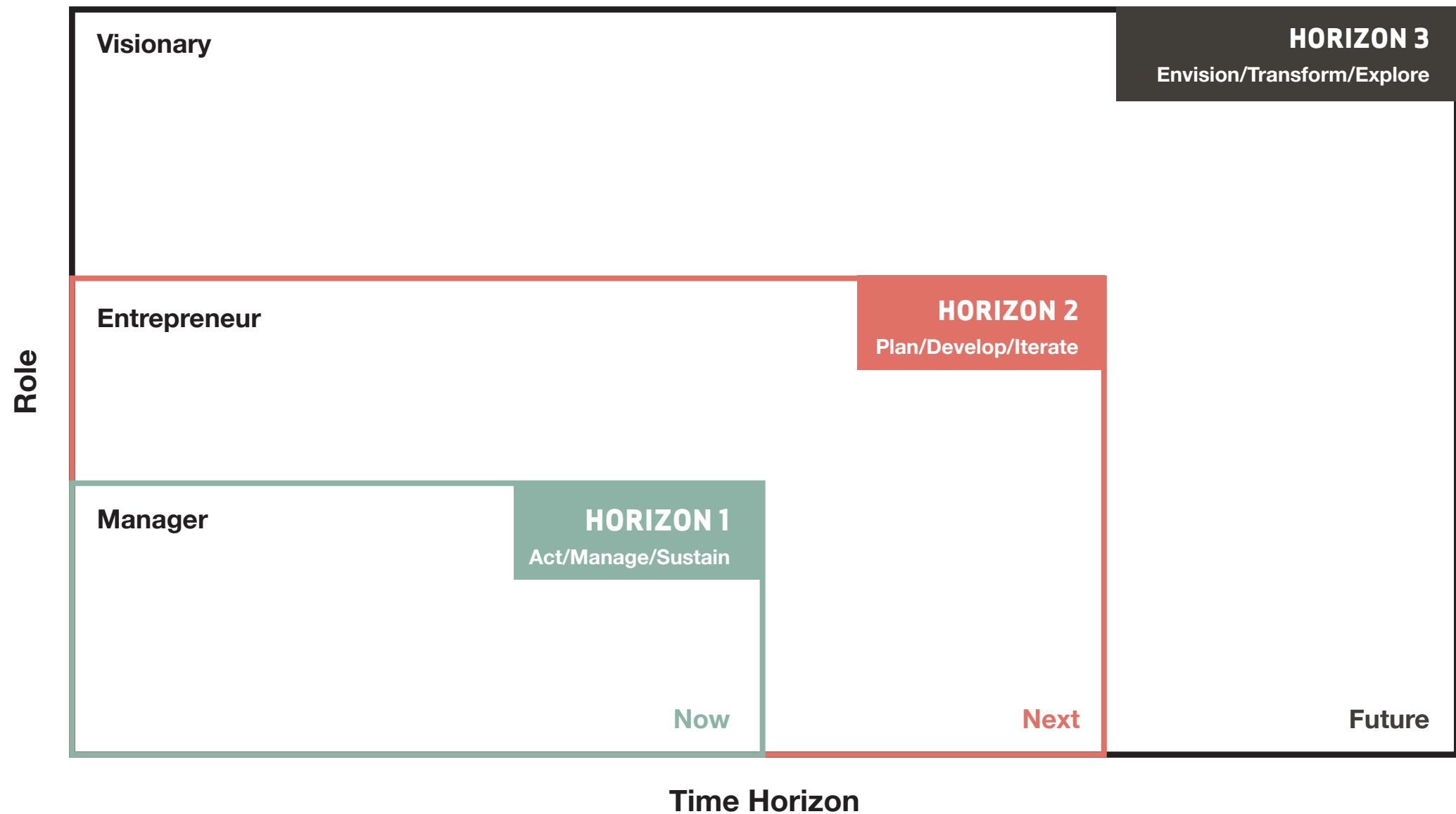
Health Check

Read your answers and think about the ways that the three horizons operate, both independently and with each other. Are any of the horizons "barren?" Why or why not? Does communication flow well between the channels? Where are the bottlenecks? Identify the alignments and tensions and ask yourself why they exist and how they could be improved. How might you, as a foresight practitioner, encourage your organization to think across all three horizons?



Three Horizons

Print and share with your team





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.