CHAPTER 4

# how do i implement strategic foresight in my organization?
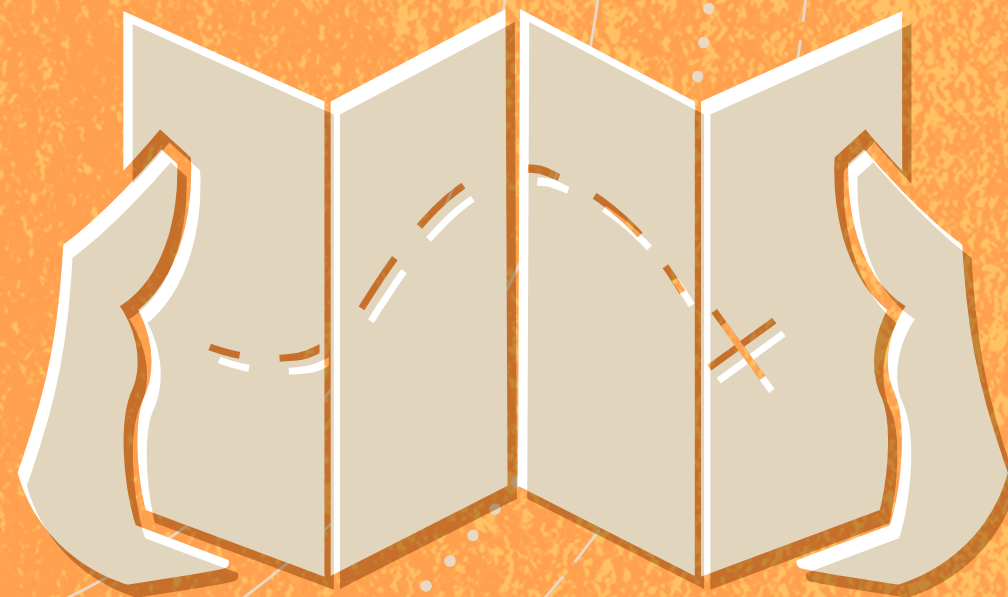
**INSTITUTE FOR THE FUTURE**

# contents

# how do i overcome obstacles to implementing foresight?

**There are many pathways to implementing foresight in organizations. But these pathways can break down and create major obstacles for foresight professionals.**

- The organization has leaders that understand the value of strategic foresight and devote resources to it, but their support can be inconsistent.

- The organization is open to strategic foresight processes, but it can reject results that don't reinforce their own assumptions or that challenge "official" futures.

- The organization has individual foresight professionals doing great work, but it can isolate and silo them or consider them too junior to matter.

- The organization has mechanisms to track, validate, and communicate the impact of foresight, but it can be inconsistent in how it applies these insights.

- The organization has systems in place to detect change, but it abandons these systems or applies them inconsistently in times of financial hardship.

Here are five strategies that effective practitioners use to break past these obstacles:

**Overcome** skeptical leadership by having ready-to-go responses when change happens

**Counteract** inertia by being provocative

**Open** silos by finding futures thinkers across the organization

**Circumvent** the old guard by nurturing junior futures thinkers

**Weather** fiscal turbulence by practicing patience

We'll examine these strategies more closely on the following pages.

## 1 | Overcome skeptical leadership by having ready-to-go responses when change happens

When organizational leaders understand the value of foresight, they're supportive and they contribute their vision to the organization's foresight work. But when leaders don't support foresight, they create one of the biggest obstacles to effective foresight implementation. One director of strategy put it this way:

> " A lot of people, especially senior executives, have egos. They won't always be open to incubating ideas. You need to get their trust and get their ear but … you're kind of walking a tightrope."

A CEO of an innovation company who we interviewed reflects on what happens when foresight professionals lay out evidence-based strategies, but run into resistance.

> " We created a very nice future map with very clear zones of impact, drivers of change, convergence points between them, and insights derived from those convergences. It was very cool. Then the CEO completely dismissed everything. He was like, 'No, that's not what I have in mind.' Leadership wanted everything to align to what they had in their head. If it is not aligned, it is not good. They didn't think for a second that maybe they were the ones going in the wrong direction."

There are many reasons leaders are resistant. Sometimes it is a matter of timing. Leaders often leave their position or organization after only a few years. If the impact of acting on foresight today doesn't pay off for three years and the leader moves on in two, they may not be interested or see it as urgent.

However, conditions change. Shake-ups, such as reorganizations or external crises, are an opportunity to influence decision-making. A crisis that makes the value of foresight apparent or a change in leadership can give a foresight professional the opportunity to expand the role of foresight in the organization—but they can only do this if they have planned for that scenario and are ready to capitalize on it.

A famous maxim by Milton Friedman, further popularized by Naomi Klein, applies here:

> " When … crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable."

## 2 | Counteract inertia by being provocative

Organizations, especially those that have been successful in the past, have official and unofficial ways of doing things. And these create a kind of inertia and resistance to change. Since strategic foresight is about making changes to better prepare for the future, inertia is its enemy. One way to overcome inertia is through provocation. Wendy Schultz, director of the foresight consultancy Infinite Futures and a fellow with the World Futures Studies Federation, described a "tough love" application of strategic foresight in a workshop with a major food company.

> We said, 'What's everything that's true about [the company] at the moment, what do you assume will always happen or always be there?' We put that up on the wall with stickies. Then we presented forecasts telling them about all the things that were changing and we had them share their own signals of change and then put that up on the next wall. And then we asked them to look at the walls side by side, and it just punched everyone in the face with how obsolete their assumptions were."

Sometimes, provocation is the only way to get organizations to consider new strategies. *Although it is a bold act, provocation, asking difficult questions, can be an effective path to breaking through inertia.*

## 3 | Open silos by finding futures thinkers across the organization

Building an effective cross-functional team is difficult. Professionals with the knowledge and skills needed are hard to find and recruit. We interviewed the CEO and co-founder of a regenerative ocean farming nonprofit and he put it this way:

> **Be very, very concerned about human capital. From day one, be on the lookout for the people that you want in your organization. The battle is going to be bringing on the right people in order to scale the right way."**

Organizational silos compound this problem. Different segments of the organization may see implementing strategic foresight as someone else's problem. *Cross training and organization-wide communication are paths to bridging those silos.*

## 4 | Circumvent the old guard by nurturing junior futures thinkers

Even leaders who do not resist foresight can slow down the process. If they haven't really internalized that implementing foresight is important, their commitment can be shallow. Especially if the future challenges seem abstract to them. The head of insights at an Australian health food company explains.

> **A major challenge is maintaining momentum in an organization when you have to remind people of the foresight process and its importance and keep reeducating them because it's not top of mind."**

Other practitioners recommended cultivating a new generation of more junior staff who have their whole careers ahead of them and understand that *the* future is *their* future. *Create multigenerational teams with people who can intuitively understand that they will live the future.*
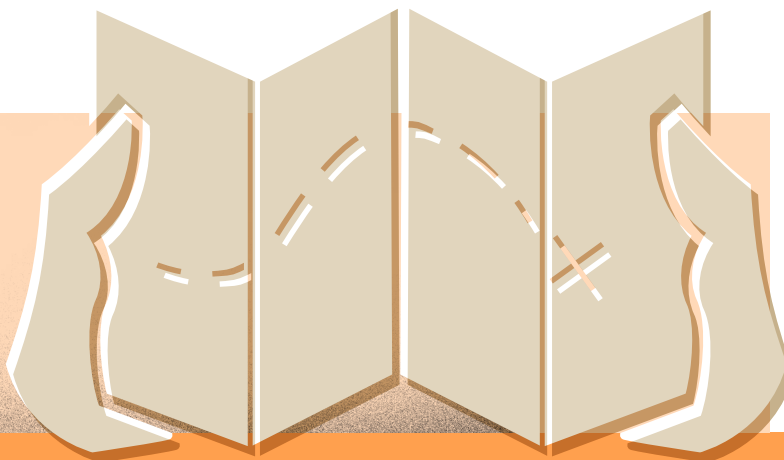
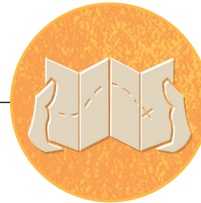## 5 | Weather fiscal turbulence by practicing patience

Fiscal roller coasters make it hard to keep foresight alive. In the organization's hierarchy of needs, surviving the next quarter trumps succeeding in the next decade. Plans beyond responding to the immediate crisis get placed on the back burner, lost in the chaos that accompanies hard fiscal times. A crisis might make foresight less of a priority in the moment, yet it can also lead to a renewed recognition of the importance of foresight in its immediate aftermath. A research manager at a major innovation consultancy we spoke to called these organizational reactions "tides." He said you have to be patient and be sensitive to when tides are shifting.

> " Ironically, in response to [the financial crisis of] 2008, the hunger, or even the tolerance, for futures work that looked beyond two years sort of evaporated. But even before this current event, tides were shifting. There's a lot more interest in futures and it is coming into vogue. I imagine after this pandemic, people will want to start thinking about the future again."

Repeatedly, those who have survived such disruptions share this wisdom: *Make sure that the foresight conversation does not get lost, especially among the organization's leaders. Be patient and persevere.*
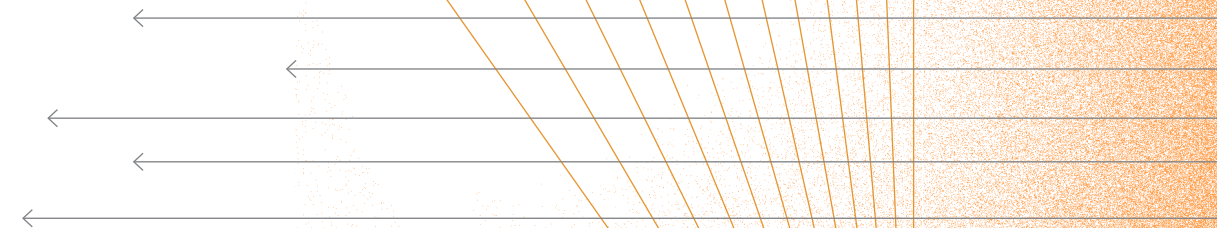
# what kinds of actions do organizations take in response to foresight?

In his book *Upstream: The Quest to Solve Problems Before They Happen,* Dan Heath details the many advantages of addressing problems before they happen by "intervening upstream." Strategic foresight helps us do just this because it allows us to foresee issues before they arise. But Heath also concedes, in the book, that "while upstream solutions are more desirable, they're also more complex and ambiguous." That is to say, the further upstream you go, the less clear causality is and the more difficult it is to measure the impacts of your actions.

This insight helps us think about actions we can take in response to foresight, in combination with the "three horizon framework."
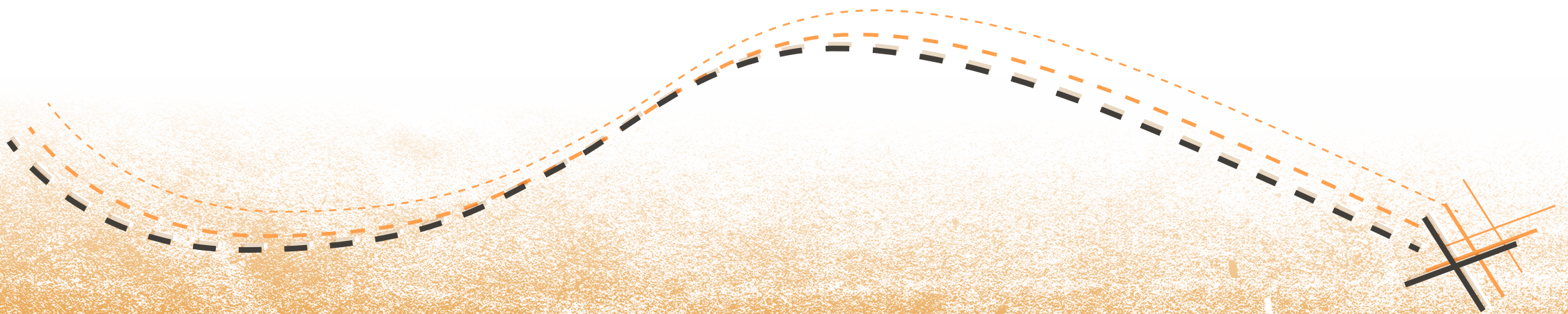
The three horizons introduced in Chapter 1 represent both timeframes and mindsets. Horizon 3, the farthest horizon, represents a **visionary mindset**, which is concerned with identifying and articulating entirely new paradigms and ways of doing things. Horizon 1, the closest in, is the **managerial mindset**, which prioritizes present-day operations and maintaining stability; and the middle horizon, Horizon 2, represents the **entrepreneurial mindset**, which seeks to take visionary and innovative ideas, but apply them in concrete ways.

Building on Heath's insight, we can see that each horizon also moves us further upstream. Actions on Horizon 1 respond to imminent future change in very clear and concrete ways, but they are less impactful, and more costly for what they achieve, than upstream interventions. Actions on Horizon 3 hold the potential to be more transformative and are cost-effective in the long run, but their impact is less certain and will take longer to manifest. And actions on Horizon 2 offer a middle ground between the two. Ultimately, an organization needs to act on all three horizons at once, building a cohesive set of responses in the present that align over the long term.

| Role | | | | |
|---|---|---|---|---|
| **Visionary** | | | | **HORIZON 3** Envision/Transform/Explore |
| **Entrepreneur** | | | **HORIZON 2** Plan/Develop/Iterate | |
| **Manager** | | **HORIZON 1** Act/Manage/Sustain | | |
| | | Now | Next | Future |

**Time Horizon**
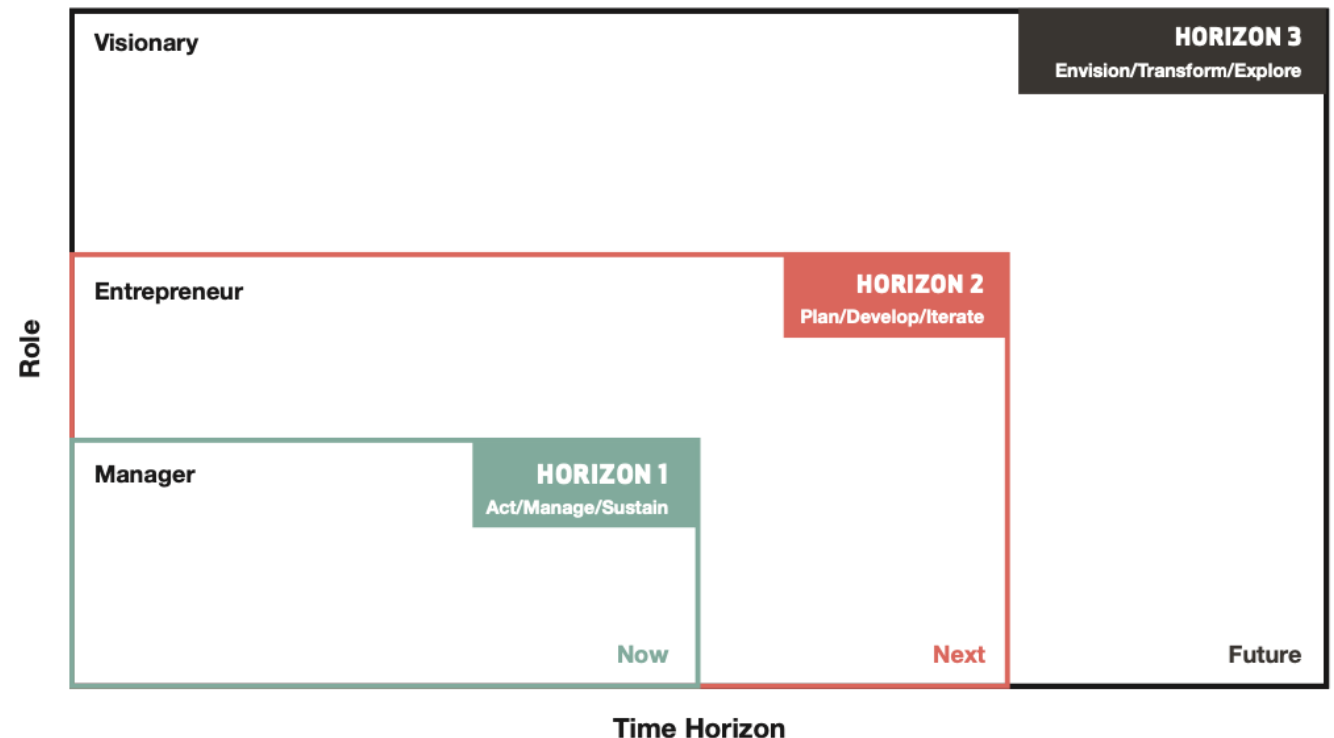
## Horizon 1

On **Horizon 1**, **managers** oversee the current core activities and functions that sustain their organization. The actions they take to respond to foresight tend to prioritize keeping their current way of doing things relevant as long as possible.

### Set the stage for more transformational change

A research manager at a major innovation consultancy who we interviewed described working with a major telecom company and advising them to take action based on a report on what was changing in media consumption behavior. This client, and many others, wanted recommendations for making adjustments to their current business model in the short term.

> 66 The big picture that's been emerging is this massive demographic shift in behaviors with digital natives … they have very, very different ways that they seek entertainment and even define entertainment. So I tell them, 'We can show you things are going to be very different for you over the next ten years. And here's what you can do over the next two years.… Here's how you can change your advertising or how you balance your original content plans with your back catalog of licensed IT.'"

### Adjust the current pipeline to capitalize on near-term trends

Some companies take action by tweaking products or services they are developing to better align them with anticipated imminent change. The leader of a foresight unit at a US-tech company explained that her focus is often on identifying opportunities that would pay off much sooner than investments in Horizons 2 or 3.

> 66 We try to keep the time horizon one to three months because we don't want to look too much further out. In our company, the long term is not very important, so we just look ahead at the current focus areas and understand in the near and medium term, how things might be changing … Because [our company] can turn around products in a month if we wanted to."

## Horizon 2

**Horizon 2** is where in-house **entrepreneurs** bridge the demands of operational mandates in the present with longer-term, visionary possibilities on Horizon 3. The actions they take are meant to have payoffs that are bigger and farther into the future than actions on Horizon 1, but they are more concrete and less exploratory than actions taken on Horizon 3.

### Use foresight to inspire new product or service offerings

While strategic foresight is an ongoing, continuous practice, actions taken on Horizon 2 tend to be substantial investments of resources that happen more periodically. The head of insights at an Australian health food company explains that her organization gets together to do a large project every few years to make big decisions about which long-term vision to pursue.

66 We have a 100% track record in terms of implementing something. We've actually created a new business unit that has grown organically as a result of that work. We created a small unit looking at what business model we could create to commercialize [our long-term vision]. Our current unit is building a strategy to eventually launch a particular service or product, testing through research…. When I look at the previous business unit that was created through this process back in 2011, they have delivered products with longstanding success in the marketplace."

### Convene stakeholders to identify new uses for emerging technology

Horizon 2 is also where you can start to think through who else will be impacted by changes you identify on the third horizon and begin to align to make the transition together. For instance, an innovation officer in a major American city described creating a platform for exploring disruptive technologies years before they're fully mature. Citing the precedent of on-demand rental scooters suddenly and unexpectedly flooding city streets, he began recruiting stakeholders to develop a plan.

66 Our city and potentially two or three other cities will work in tandem with house manufacturing innovators, who are doing 3D house printing, to be able to test and pilot and come together around developing a framework for the implementation for this new technology, for regulating it and ensuring community benefits. We're planning to have a convening of the entrepreneurs, the industry, the cities, the regulators, to be able to create what is essentially a guide map for this technology to come into cities."

# Horizon 3

Horizon 3 is where in-house visionaries explore transformative possibilities and communicate their vision to the entrepreneurs and the managers.

### Create infrastructure for visionary thinking

One challenge around the third horizon is ensuring your organization is actually creating visionary ideas. Several interviewees mentioned setting up distinct roles, projects, or processes to ensure the organization was generating sufficiently bold and future-facing visions. A  foresight strategist for a leading non-profit software company described reforming their research grant program to focus on funding projects focused on the long term.

> ❝ My goal was to focus the program design on long-term impact, to make it a lever that we use to get our colleagues thinking about the future. That involved moving to a process with long-term impact criteria on the individual project ranking, so that everyone is thinking, 'Well, is this money that we're giving away going to shape the narrative in academic circles, going to give us things that we don't really know we want yet but we have a feeling that they're going to be useful in about a year?'"

### Invest in avenues for making systems-level change

Horizon 3 is where more transformative, systems-level change can be imagined. Foresight professionals we talked to mentioned the long term as a space where people can think of their present day actions in terms of the legacy they leave even if they don't continue in their current role in their current

organization. Others talked about the importance of readjusting expectations for when the payoff of today's actions would occur. One example is from a partner at a purpose-based marketing firm, who helped create a restaurant group with a focus on 10-year planning—unusual for a business in which even successful restaurants can open and close within a couple of years. The restaurants in the group make a minimum 10-year commitment, which "creates a culture of patience and long-view planning"—investors know they are not going to get a payout for a decade, so they don't pressure the restaurateurs in the meantime. It also helps restaurateurs take a broader systems perspective, changing how they think about the farmers in their supply chain and the neighborhoods and communities their restaurants are located in.

> ❝ So many people are just struggling to survive and they're centered on what's in front of them now versus looking at their role in a long-term, multigenerational narrative. When you can get brands with purchasing power and cultural influence to shift their thinking, you can enlist them to participate in this vision of a future that is shared amongst some of the smartest people in the food space. And you can build a bridge between policy makers, longtime academic thinkers, and the people on the ground, [the restaurateurs], who are actually the ones who have to get it done."

# how do i design a foresight practice?

**When you design a foresight practice, you have to make choices and trade-offs. This guide will help you think through these choices. It contains a series of design considerations, a number of foresight action archetypes for inspiration, and a template for sketching what your practice might look like.**

## Foresight practice design choices and trade-offs

The first step in the design process is to get familiar with the trade-offs you'll have to make. The choices listed on the following pages are not the only ones, but they are some of the most important for clearly defining what you want to accomplish with your foresight practice and how you'll do it. Each choice here is more of a spectrum than a binary.

*While this framework is intended to help you design a new foresight practice, it can also be used to help you understand and enhance an existing foresight practice.*

## What is the focus of your foresight?

ORGANIZATIONAL ←——————————→ ENVIRONMENTAL
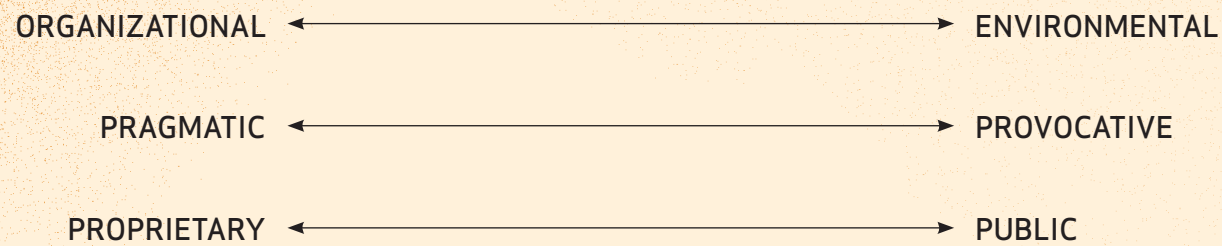
Is your goal to use foresight to impact organizational issues or are you focused on the broader operating environment?

PRAGMATIC ←——————————→ PROVOCATIVE

Is your foresight meant to give organizational stakeholders practical guidance tied to immediate decisions or stretch their thinking with speculative scenarios and provocations?

PROPRIETARY ←——————————→ PUBLIC
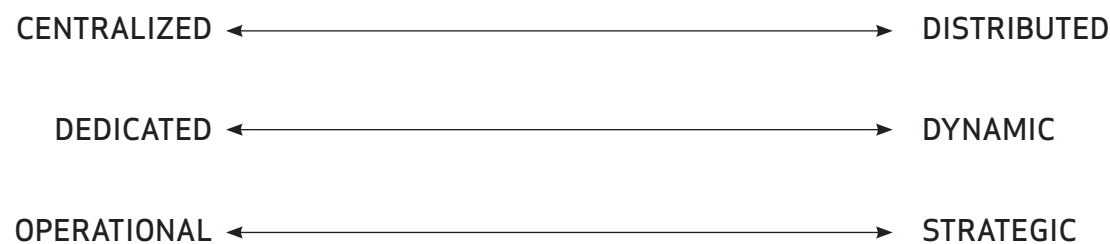
Is your foresight informing internal strategy exclusively or are you impacting how your organization publicly positions itself?

## Where will your practice fit into the organization?

CENTRALIZED ←——————————→ DISTRIBUTED

Is your foresight primarily anchored within a single function or does it serve multiple stakeholders?

DEDICATED ←——————————→ DYNAMIC

Do you have a dedicated team that is always tasked with foresight or do people in the organization rotate in and out of foresight roles?

OPERATIONAL ←——————————→ STRATEGIC

Is your practice tied to operational or strategic activities of the organization?

## How will you create and disseminate foresight?
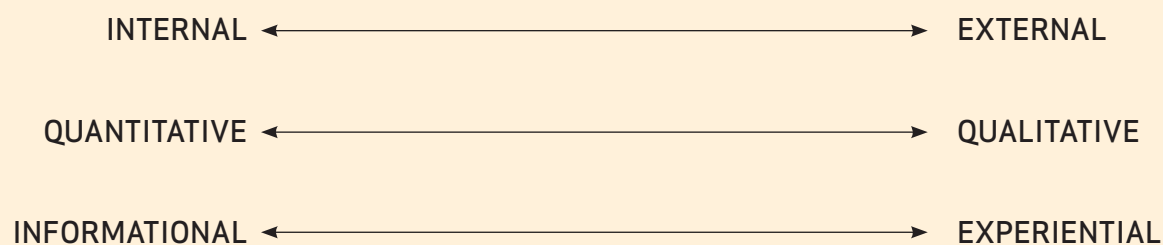
INTERNAL ←——————————→ EXTERNAL

Do you develop most of your foresight through internal research or do you source it from outside experts and consultants?

QUANTITATIVE ←——————————→ QUALITATIVE

Do you use mostly quantitative data or do you conduct mostly qualitative research?

INFORMATIONAL ←——————————→ EXPERIENTIAL

Are you communicating your foresight in the form of white paper reports or immersive experiences that bring the future to life?

## Action Archetypes: Different Foresight Practices Inside Organizations

As you design your own foresight practice, it helps to have examples of what others look like. Based on the interviews we conducted, we created a set of "archetypes" of some of the most common forms foresight practices take. Each of these action archetypes has its own objectives and challenges. They all represent different decisions and trade-offs. And they all require different resources to create. But regardless of the resources you do or don't have at your disposal, at least one of these practices is within your reach.

Use these archetypes to better understand the trade-offs you'll have to make and to inspire your own design.
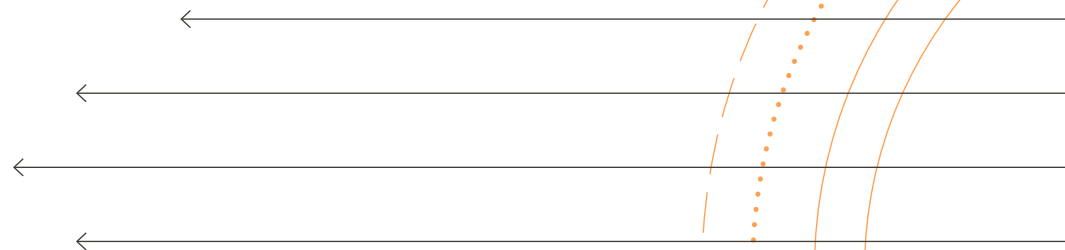
## THE LONE WOLVES:
### Smuggling foresight into the organization

Just about every organization has some number of people interested in thinking about the long-term future, even if they aren't tasked with doing so as part of their day-to-day responsibilities. Some may have a background in futures thinking, but if their organization doesn't see foresight as legitimate, they don't talk about it, and instead find ways to smuggle foresight into their work. In general, these lone wolves are very capable of translating foresight into relevant insights and deliverables for operational or s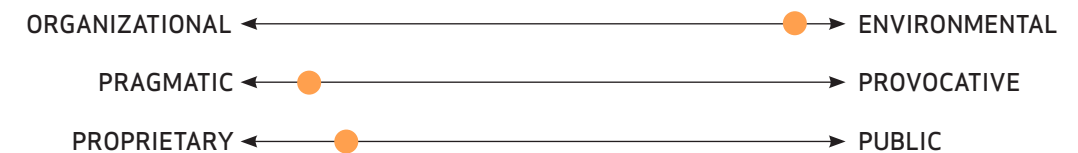trategic decisions and connecting future possibilities to the present. These lone wolves, however, may actually be part of a pack, but because their capacity for foresight flies under the radar, they have not realized it yet. Collectively, they represent something of a sleeper cell, ready to activate and amplify the organization's anticipatory system.

- **Desired outcome:** Lone wolves' immediate goal is generating foresight that has clear and urgent implications for their organization. They may have an official job in design, planning, or business strategy, which is inherently future-focused. They want to promote futures thinking in their organizations. They often also want to expand their networks and join conversations about the future outside of their organization. Their larger goal, though, is to connect with like-minded colleagues and collectively grow interest and investment in foresight throughout the organization so that they can formalize a foresight practice.

- **Major challenges:** The biggest challenge for the lone wolf is identifying and aggregating foresight capacity when it is dispersed across the organization in people who largely use it under the radar. They need platforms to share foresight or space and time for collaboration. And they need buy-in from people with influence and resources within the organization.

> " The job, for me, was almost to bring in all these considerations [about the long-term future] in 'stealth mode,' not to announce them as the explicit goals of the project, but to say we're going to imagine a future for the business in which these [long-term] considerations cannot be ignored anymore. It was an effective way, in that company's culture, to introduce [foresight]."
>
> — FORMER DESIGN STRATEGIST FOR A MAJOR BEVERAGE COMPANY

### What is the focus of your foresight?

ORGANIZATIONAL ←————————————→ ENVIRONMENTAL
PRAGMATIC ←————————————→ PROVOCATIVE
PROPRIETARY ←————————————→ PUBLIC

### Where will your practice fit into the organization?

CENTRALIZED ←————————————→ DISTRIBUTED
DEDICATED ←————————————→ DYNAMIC
OPERATIONAL ←————————————→ STRATEGIC

### How will you create and disseminate foresight?

INTERNAL ←————————————→ EXTERNAL
QUANTITATIVE ←————————————→ QUALITATIVE
INFORMATIONAL ←————————————→ EXPERIENTIAL
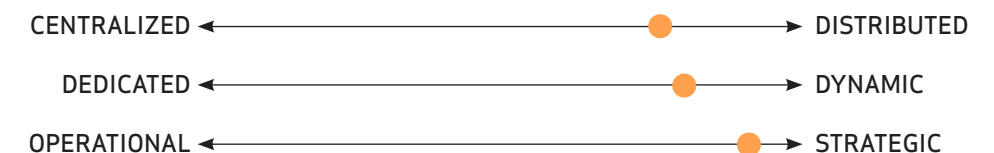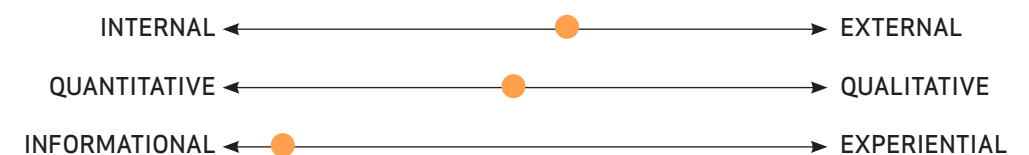
## THE THOUGHT LEADER:
### Owning a distinct perspective on the future

Thought leaders use foresight methods to develop a point of view about the future. They are less focused on informing small, discrete decisions, and instead focus on developing big, bold, compelling narratives about the future. While they often get the bulk of their research from external sources, they tend to focus efforts on synthesizing that research into broad forecasts and coining sticky terms to describe them. They use foresight not only to set the agenda for their organization, but also to develop a public-facing perspective on the domain or industry they are a part of. Often anchored in strategic communications, thought leaders aim to stake out territory in the public's imagined landscape of the future and make the case that whatever their organization is doing is going to play a significant role in the vision of the future they promote.

- **Desired outcome:** Thought leaders want their narratives to take hold in the media and in the public's imagination. In the short term, the more currency their narrative gains the better. Many work to ensure their narrative is reflected in the organization's strategy and not just its marketing efforts. Over the long term, they want to influence the direction of the domain or industry they are in and secure a leading place in it.

- **Major challenges:** Generating narratives and terminology that are bold and distinct enough to grab attention and nonetheless close enough to what other experts believe to be credi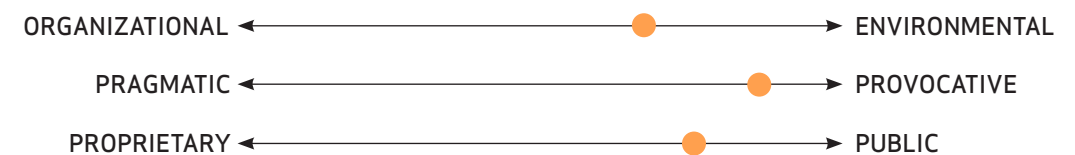ble is a difficult balance to strike. Similarly, in creating bold visions, thought leaders invite skepticism, and if their forecasts appear not to play out they are vulnerable to accusations of peddling empty hype. They also must balance between different time horizon mindsets, defining and growing a new market or domain while maintaining their current market position.

> **"** The mayor's desire to be more open, more forward thinking, with a vision for what's possible in the future … helped change the culture and it took hold in other departments and with other leaders in the city."
>
> — INNOVATION OFFICER FOR A MAJOR AMERICAN CITY

### What is the focus of your foresight?

ORGANIZATIONAL ←———————●————→ ENVIRONMENTAL

PRAGMATIC ←————————————●——→ PROVOCATIVE

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### How will you create and disseminate foresight?

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QUANTITATIVE ←—●———————————————→ QUALITATIVE

INFORMATIONAL ←———●——————————————→ EXPERIENTIAL
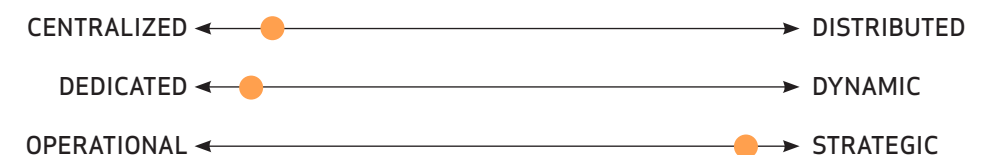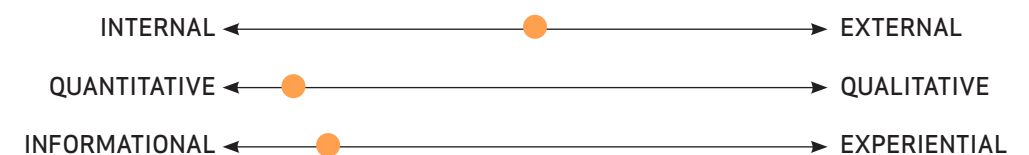
## THE RESIDENT FUTURIST:
### Providing foresight on demand

In some organizations, formal foresight capacity lies in a single individual. This is explicitly empowered to be the voice of the future in conversations with organizational strategists and decision makers. A single person, of course, does not make a robust anticipatory system, and so the resident futurist often taps resources outside the organization, getting research from external sources or bringing other foresight professionals in for speeches or workshops. The resident futurist may not even be an employee, but instead a consultant that the organization has an ongoing relationship with. The resident futurist often functions as a trusted advisor, capable of reading and navigating the organization's operating landscape and anticipating the actions of stakeholders within it. They may also have a unique view into political or public relations impacts of strategic decisions.

- **Desired outcome:** The resident futurist wants to translate and filter foresight into strategy, optimizing it for maximum consumption by decision makers. While they are sometimes seen as an on-demand resource, asked to provide critical advice on short notice amidst shocks to the organization, the most effective resident futurists help their organization anticipate multiple orders of impacts for key decisions or choice points.

- **Major challenges:** Resident futurists are often asked to weigh in on high-stakes decisions and, as such, the outcomes of their advice and metrics of success are often severely scrutinized. As an individual without a strong internal network of support, they can find themselves at the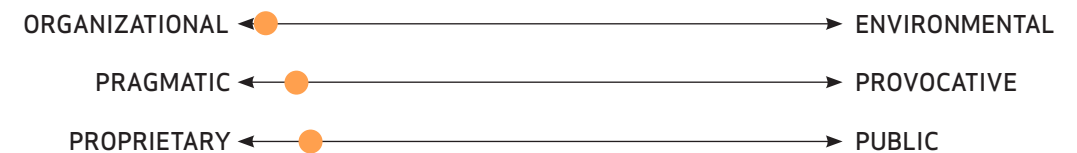 mercy of a few people, or even one person, in senior leadership. And they are also frequently expected to make "predictions" instead of forecasts.

> " I have someone on the team, her job is to build this whole organization to be a future-proof organization. She has to translate some impossible thoughts into tangible insights…. And have an answer to the question, 'What's next?'"
>
> — LEADER OF A STRATEGIC FUTURES UNIT AT A REAL ESTATE DEVELOPMENT COMPANY

### What is the focus of your foresight?

ORGANIZATIONAL ●————————————→ ENVIRONMENTAL

PRAGMATIC ←—●————————————→ PROVOCATIVE

PROPRIETARY ←—●————————————→ PUBLIC

### Where will your practice fit into the organization?

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DEDICATED ←————————————●— DYNAMIC

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INFORMATIONAL ←———●————————————→ EXPERIENTIAL
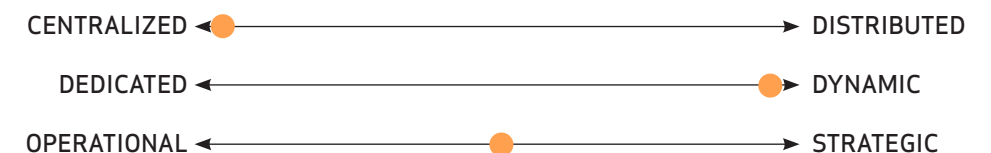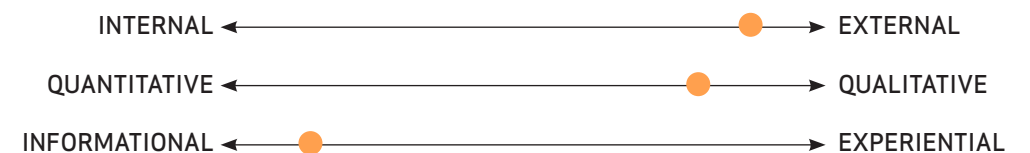
## THE INNOVATION TEAM:
### Finding opportunities on the horizon

The innovation team is tasked with making the organization's offerings inventive and leading edge. Though they are empowered to look far into the future and be more speculative, they are often constrained to ideating specifically within the industry their organization operates in. And while innovation teams might be able to influence overall planning and strategy, they are generally not encouraged to think through the larger systems they operate in and depend on. While these teams, particularly those in the for-profit sector, might keep their work private and proprietary, their mandate to be more provocative and disruptive than incremental means they are always looking outside their organization for networks, methodologies, and general inspiration.

- **Desired outcome:** The innovation team's most explicit goal is ensuring the organization's offerings—whether products, services, or experiences—are leading edge, identifying new pathways for greater efficiency and novel improvements to existing efforts. While innovation teams are able to address immediate needs to improve products and services, they are limited in their ability to help the organization address its role in improving larger systems.

- **Major challenges:** An innovation team might have trouble communicating with and getting the attention of leaders, tracking the pace of change from many directions to ensure innovations arrive at the right time, and managing the overall complexity of a rapidly changing world. A team that wants to expand its focus to the systems level will need to convince leadership that thinking about larger systems is strategically important.

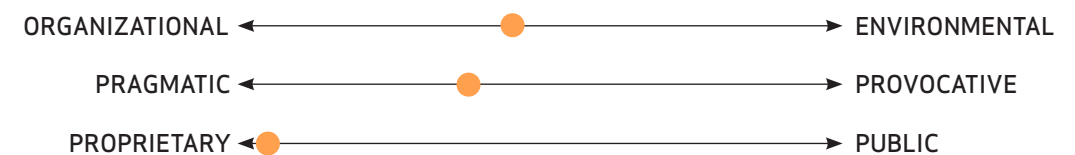> " I focus on a broader and longer-term horizon than the classic innovation model that's designed  for managing incremental or sustaining innovation. We bring a lot of functions together and develop innovation pipelines to go after areas of [long-term] growth and opportunity."
>
> — VICE PRESIDENT OF INNOVATION AT A MAJOR AMERICAN BEVERAGE COMPANY

### What is the focus of your foresight?

ORGANIZATIONAL ←———————●————————→ ENVIRONMENTAL
PRAGMATIC ←————————●——————————→ PROVOCATIVE
PROPRIETARY ←●————————————————→ PUBLIC

### Where will your practice fit into the organization?

CENTRALIZED ←——●————————————————→ DISTRIBUTED
DEDICATED ←——●————————————————→ DYNAMIC
OPERATIONAL ←————————●——————————→ STRATEGIC

### How will you create and disseminate foresight?

INTERNAL ←————————●——————————→ EXTERNAL
QUANTITATIVE ←——————————————————●———→ QUALITATIVE
INFORMATIONAL ←————————————●————————→ EXPERIENTIAL
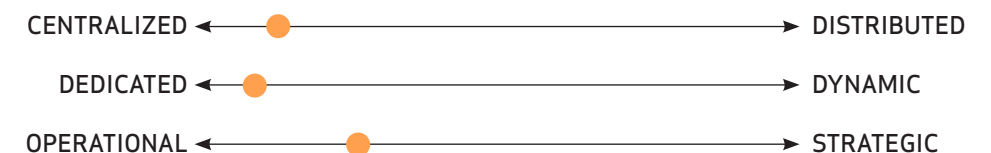
## THE STRATEGIC PLANNERS:
### Using foresight to extend planning horizons

One foresight practice common to organizations is the "strategic planning" unit. This practice often grafts foresight to the organization's planning schedule. It may only use foresight in shaping the early part of the planning process or it can be more deeply integrated into the organization's anticipatory system, leveraging environmental scanning and business landscape analysis to forecast growth or opportunity spaces and to make recommendations for transforming existing products, services, and experiences. They may also engage in scenario planning work with leadership and in general might have the responsibility to provide the insights leadership needs to evaluate the larger landscape they operate in.

- **Desired outcome:** Enhancing the planning and strategy functions of the organization is the most immediate goal of "strategic planners." They hold the potential for building a discipline of thinking ahead, moving from episodic planning to continuous futures thinking and having a greater impact on the organization's anticipatory system, which is their ultimate goal.

- **Major challenges:** Strategic planners are largely seen as having fairly circumscribed roles within the organization. Because their function is understood, appreciated, and largely fixed to the managerial realm, making the case to change their remit might be more difficult. Yet their greatest impact might be in pushing decisions beyond the usual planning cycle and disrupting the standard organizational practices.

> " Planning itself obviously is very much about the future. But it's very deterministic and its time horizons are often five years or less … my job was helping [the government] extend their planning horizons to do more of what they were calling strategic planning."
>
> — FORESIGHT CONSULTANT FOR URBAN DEVELOPMENT

### What is the focus of your foresight?
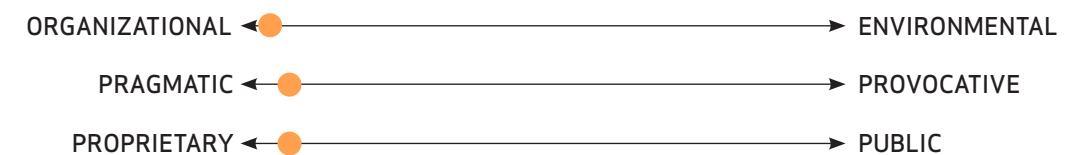
ORGANIZATIONAL ◀●————————————▶ ENVIRONMENTAL

PRAGMATIC ◀——●————————————▶ PROVOCATIVE

PROPRIETARY ◀——●————————————▶ PUBLIC

### Where will your practice fit into the organization?

CENTRALIZED ◀——●————————————▶ DISTRIBUTED

DEDICATED ◀——●————————————▶ DYNAMIC

OPERATIONAL ◀————●——————————▶ STRATEGIC

### How will you create and disseminate foresight?

INTERNAL ◀————————————●——▶ EXTERNAL

QUANTITATIVE ◀—————————●————▶ QUALITATIVE

INFORMATIONAL ◀————●——————————▶ EXPERIENTIAL
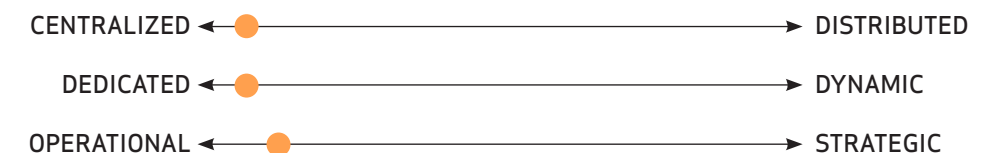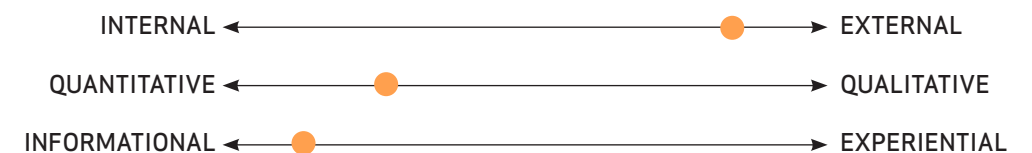
# Designing a Foresight Practice

Print and share with your team

## DESIRED OUTCOMES

What is your practice trying to accomplish?

What are its short, medium, and long-term goals?

## ARCHETYPES

Which archetype or archetypes will your practice be most similar to?

What are the similarities and differences?

## MAJOR TRADE-OFFS

**Why are you practicing foresight?**

organizational ←———→ environmental

pragmatic ←———→ provocative

proprietary ←———→ public

**Where will your practice fit into the organization?**

centralized ←———→ distributed

dedicated ←———→ dynamic

operational ←———→ strategic

**How will you create and disseminate foresight?**

internal ←———→ external

quantitative ←———→ qualitative

informational ←———→ experiential

## YOUR PRACTICE

What will your practice look like? Who will be part of it?

How will it be integrated with the rest of the organization? What are your plans for scaling?

# measuring the impact of strategic foresight

## RESULTS FROM A SURVEY OF ORGANIZATIONAL FORESIGHT CAPACITY

By Fabian Buder, Nuremberg Institute for Market Decisions (nim.org)
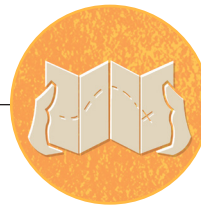
**Strategic foresight is meant to help organizations anticipate long-term change to make better decisions in the present day. But how do you measure and articulate the impact of strategic foresight? What is the difference between an organization that uses foresight effectively and one that doesn't?**

To find out, Institute for the Future and the Nuremberg Institute for Market Decisions partnered and conducted 400 personal telephone interviews with high-level executives from large Europe- or U.S.-based companies and asked them about their current practices related to strategic foresight. What we learned is that executives from companies that rated highly in the "foresight performance" metric we applied in the study are more aware of larger issues beyond those specific to their industries, such as climate change and environmental degradation, even if the impacts of those issues may be felt on a time horizon that is longer than the usual 2-3 year planning cycles. And that there is some evidence that better foresight allows organizations to better deal with major system-level shocks like the COVID-19 pandemic, which took many companies by surprise.

This article highlights what foresight professionals can learn from how top foresight performers organize their work and create value. Overall, our research shows that a relatively low number of executives rate foresight information sources in their companies as helpful for making decisions with strategic implications. We suggest redesigning foresight from an internal client perspective in addition to communicating the value and limitations of foresight more clearly to executives to set the right expectations.

# The life expectancy of business models is on the decline

Already before COVID-19, the world was undergoing rapid change. It is therefore not very surprising that managers assume that their business models have a rather short life expectancy. Assuming that the COVID-19 pandemic didn't happen, the interviewed senior executives expect that their company's business or core offerings would need a fundamental transformation in about 33 months from now to stay competitive. Now, in a business world under the influence of the COVID-19 pandemic, the average life expectancy of business models is assumed to be only 27 months—about half a year shorter than before.

In other words, managers assume that they must restructure their companies about three to four times within a decade in order to remain competitive. Seeing business from that perspective makes it a process of constantly adapting to new circumstances and reinventing the business. It is therefore not very surprising that most companies plan just two or three years ahead in their business strategy (Figure 1). It seems that most managers are busy dealing with all the challenges in the short term and do not put much effort in planning further ahead.

Figure 1: Planning horizons are rather short—85% of respondents say their strategy looks two or three years ahead

**How many years ahead does the current business strategy of your company cover? How many years ahead do you believe the business strategy of your company should ideally cover?**

■ 1 year or less　■ 2 years　■ 3 years　■ 4 years or more

How many years ahead does the current business strategy of your company cover?
| 3% | 35% | 50% | 12% |

How many years ahead do you believe the business strategy of your company should ideally cover?
| 3% | 48% | 36% | 14% |
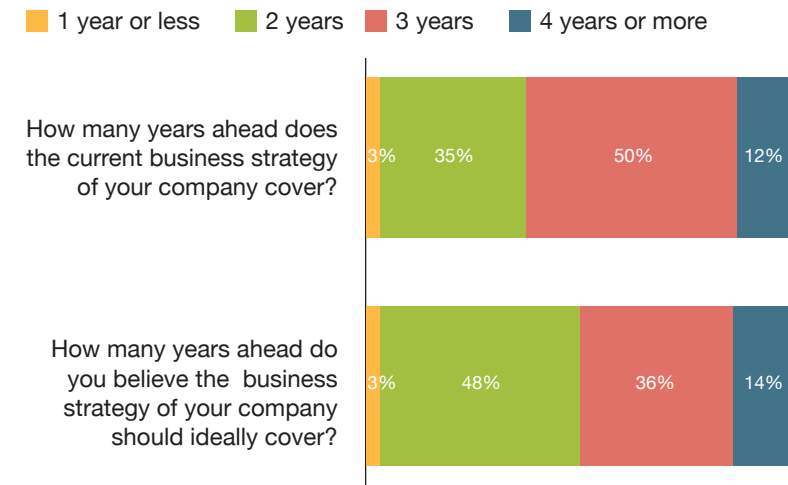
# Despite a rapidly changing macro environment, most decision makers are focused on comparatively narrow issues

While decision makers are currently focusing on the COVID-19 pandemic and its economic and societal consequences, we wanted to know what other challenges keep top executives up at night.

For many managers, we found that keeping pace with rapid technological progress and choosing the right technologies to invest in was their most pressing concern for the next 5 to 10 years (Figure 2). This was at least the most frequently given answer to an open question by our sample of high-level executives from Europe and the United States. The issue of dealing with new technologies was followed by the challenges posed by intensified competition, changing consumer behavior, and new compliance rules and regulations that force companies to change processes for things like collecting and handling personal data. In contrast to that, just a few respondents named the need to build more sustainable products, declining resource availability, or rising social inequality.

Figure 2: Adopting new technologies is the number one top-of-mind challenges for senior executives

**From your point of view, besides the global coronavirus pandemic and its consequences, what is the emerging challenge with the biggest impact on your market in the next 5 to 10 years?**

**Top 10 coded open answers**

| Challenge | Value |
|---|---|
| Adopting new technologies | 17 |
| Intensified competition in general | 12 |
| Changing customer behavior | 11 |
| Compliance and regulations | 11 |
| Cybersecurity threats | 7 |
| Missing skills | 6 |
| Retaining customers | 5 |
| Rising social inequality | 5 |
| Building sustainable businesses | 4 |
| Economic downturn | 4 |

In order to obtain a more differentiated picture, we also confronted the executives in our study with a list of global developments that may impact every company's market to some extent and asked them to assess the market impact (Figure 3). The results are comparable to those from the open question mentioned above: more than 60% of the respondents perceive new regulations and compliance requirements, changing consumer behavior, intensified price competition, and new technologies that influence customers' purchasing decisions as having a strong or even exceptionally strong impact on their markets. Existential long-term societal and environmental challenges like climate change and its consequences or rising social inequality fall rather short in the top list of challenges. It looks like, despite a rapidly changing macro environment, most decision makers are focused on comparatively narrow issues—even when being asked to consider longer-term, foresight-oriented issues for the next 5-10 years.
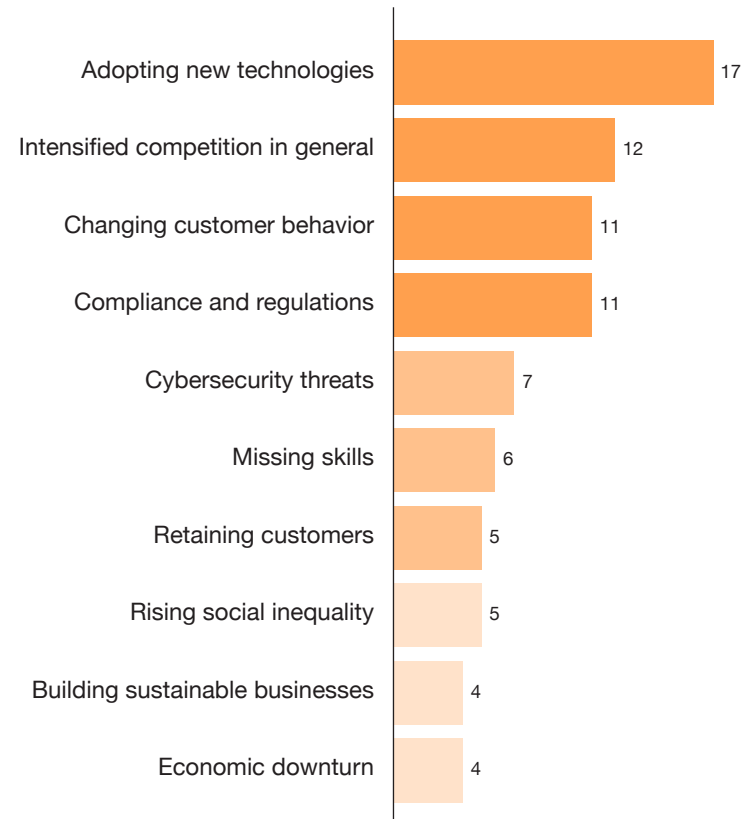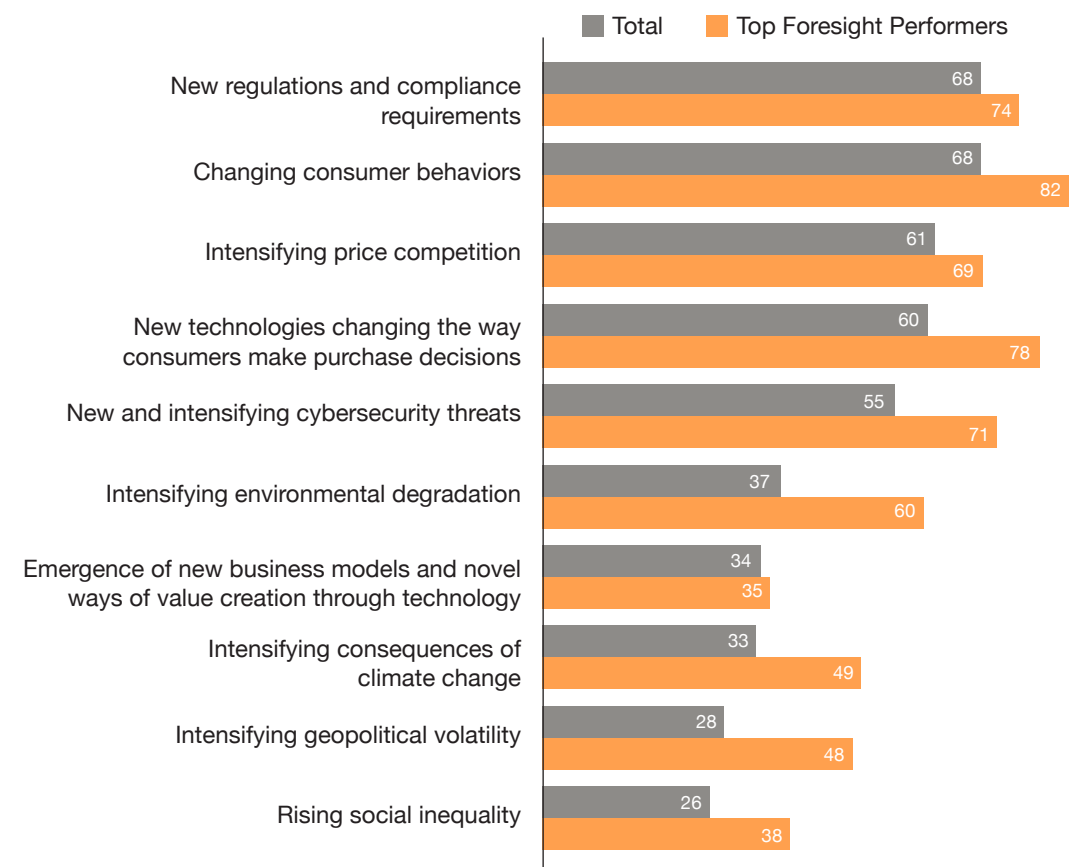
To be clear: there is no doubt that technological development is one of the main drivers of change, that regulations are important constraints for businesses that need to be taken into account, and that new competitors need to be considered in strategies. However, underestimating the impact of long-term developments in the larger business environment may lead to severe risks for businesses that cannot be mitigated unless they act well in advance to increase adaptive capacity and build resilience. In addition, companies that do not see those long-term challenges as being among their problems will likely not be able to become part of the solution for these existential threats for humankind.

Figure 3: Executives from companies that are top foresight performers are more aware of the impact of societal and environmental challenges on their markets

**To what extent will the following challenges directly or indirectly impact—either positively or negatively—what the market your company currently operates in will look like over the next 5-10 years? Only selected categories presented.**

**Percentage of cases with answer "Strong impact" or "Exceptionally strong impact"**



■ Total   ■ Top Foresight Performers

| Challenge | Total | Top Foresight Performers |
|---|---|---|
| New regulations and compliance requirements | 68 | 74 |
| Changing consumer behaviors | 68 | 82 |
| Intensifying price competition | 61 | 69 |
| New technologies changing the way consumers make purchase decisions | 60 | 78 |
| New and intensifying cybersecurity threats | 55 | 71 |
| Intensifying environmental degradation | 37 | 60 |
| Emergence of new business models and novel ways of value creation through technology | 34 | 35 |
| Intensifying consequences of climate change | 33 | 49 |
| Intensifying geopolitical volatility | 28 | 48 |
| Rising social inequality | 26 | 38 |

# The Value of Foresight: Understanding That Businesses Operate in a Larger Environment

Executives from companies that are "top foresight performers" more often than average executives see a strong or even exceptionally strong impact of potential challenges (Figure 3). See Box 1 for how we measured top foresight performance and take the test to check how well your company performs in comparison to our sample. On average, executives from top foresight performer companies apply a higher impact rating to all challenges. Differences between the top foresight performers and the average performers are particularly high regarding the more long-term environmental and societal challenges.

Executives from top foresight performer companies appear to better understand that their businesses operate in a larger environment where issues such as climate change and environmental degradation also matter—even if the impacts of those issues may be felt on a way longer time horizon than the 2- to 3-year planning cycles. We see such understanding as the first step toward better preparation and a prerequisite to create more preferred futures instead of just reacting to external impacts.

Our study suggests two major benefits of better foresight. First, executives from top foresight performers perceive their markets as less complex and more predictable than their competitors (Figure 4)—those companies with better foresight performance often have a lower "foresight need level." See Box 2 for how we measured "foresight need" and assess "the extent of uncertainty in your business environment."

Second, top foresight performers appear to have been less affected by the 2020 global coronavirus pandemic, providing at least some evidence for the value of foresight for companies in the event of major shocks on a systems level. While 56% of executives from companies with low foresight performance reported that the pandemic had a high impact on their company's operations, only 17% of the top foresight performers reported the same (Figure 5).

Figure 4: Top foresight performers perceive markets as less complex or unpredictable



| | Level-1 | Level-2 | Level-3 | Level-4 |
|---|---|---|---|---|
| Top Foresight Performer | 2% | 58% | 33% | 7% |
| Medium Foresight Performer | 4% | 36% | 42% | 17% |
| Low Foresight Performer | 4% | | 50% | 46% |

- Foresight Need Level-1
- Foresight Need Level-2
- Foresight Need Level-3
- Foresight Need Level-4
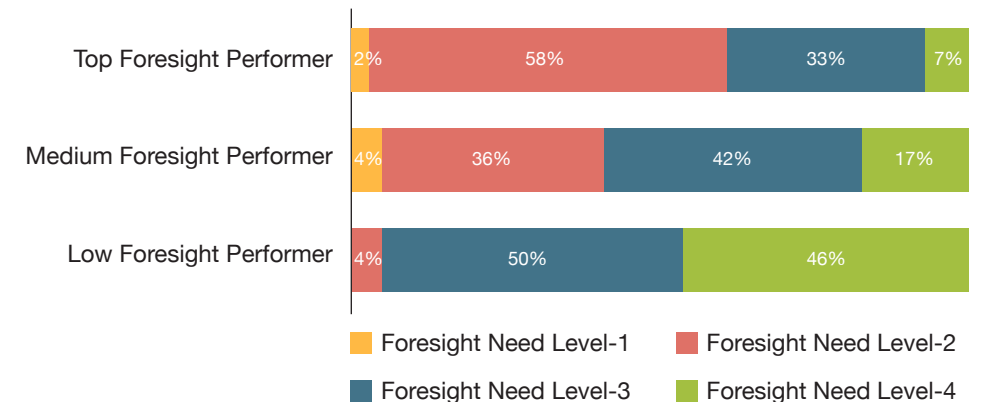
Figure 5: Top foresight performers are less impacted by the 2020 global coronavirus pandemic



| | 1-Low | 2 | 3 | 4 | 5-High |
|---|---|---|---|---|---|
| Low Foresight Performer | | 11% | 33% | 35% | 21% |
| Medium Foresight Performer | 2% | 20% | 37% | 27% | 15% |
| Top Foresight Performer | 3% | 45% | 35% | 11% | 6% |

- 1-Low, company operated largely unaffected by this
- 2
- 3
- 4
- 5-High, company operations very sensitive to this
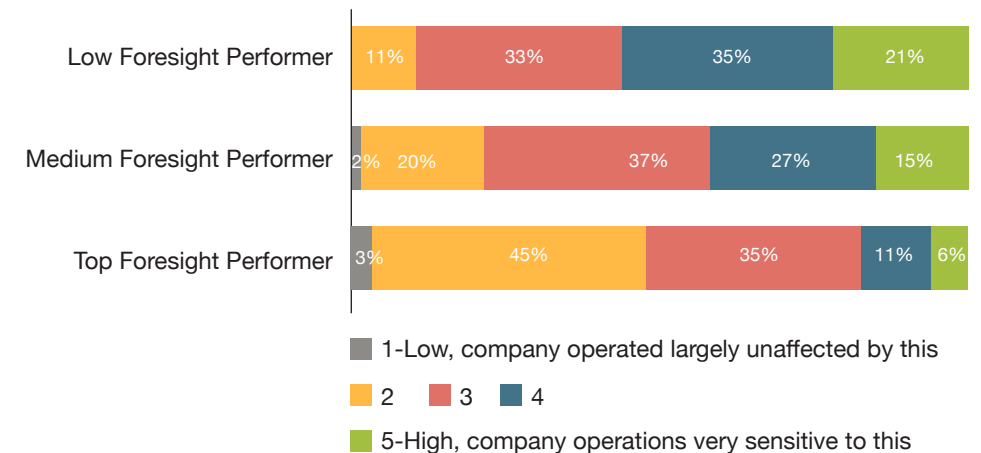
## Learnings from top foresight performers

Managers at companies that are top foresight performers get, by definition (see Box 1), more value from foresight activities (Figure 6). And top foresight performers differ from the average company in some key ways.

In terms of the value firms get from foresight activities, the biggest difference between the average company and the top foresight performers is that the top performers seem to use foresight to generate specific information that helps managers prepare their business for the future. While only 44% of all executives in our study say that strategic foresight in their companies helps them to gain insights into changes in the environment, almost 80% of the top foresight performers create that value for executives. The same applies to enhancing the understanding of customer needs.

In addition, top foresight performers can help managers build the capacity to adopt alternative perspectives to a much larger extent. 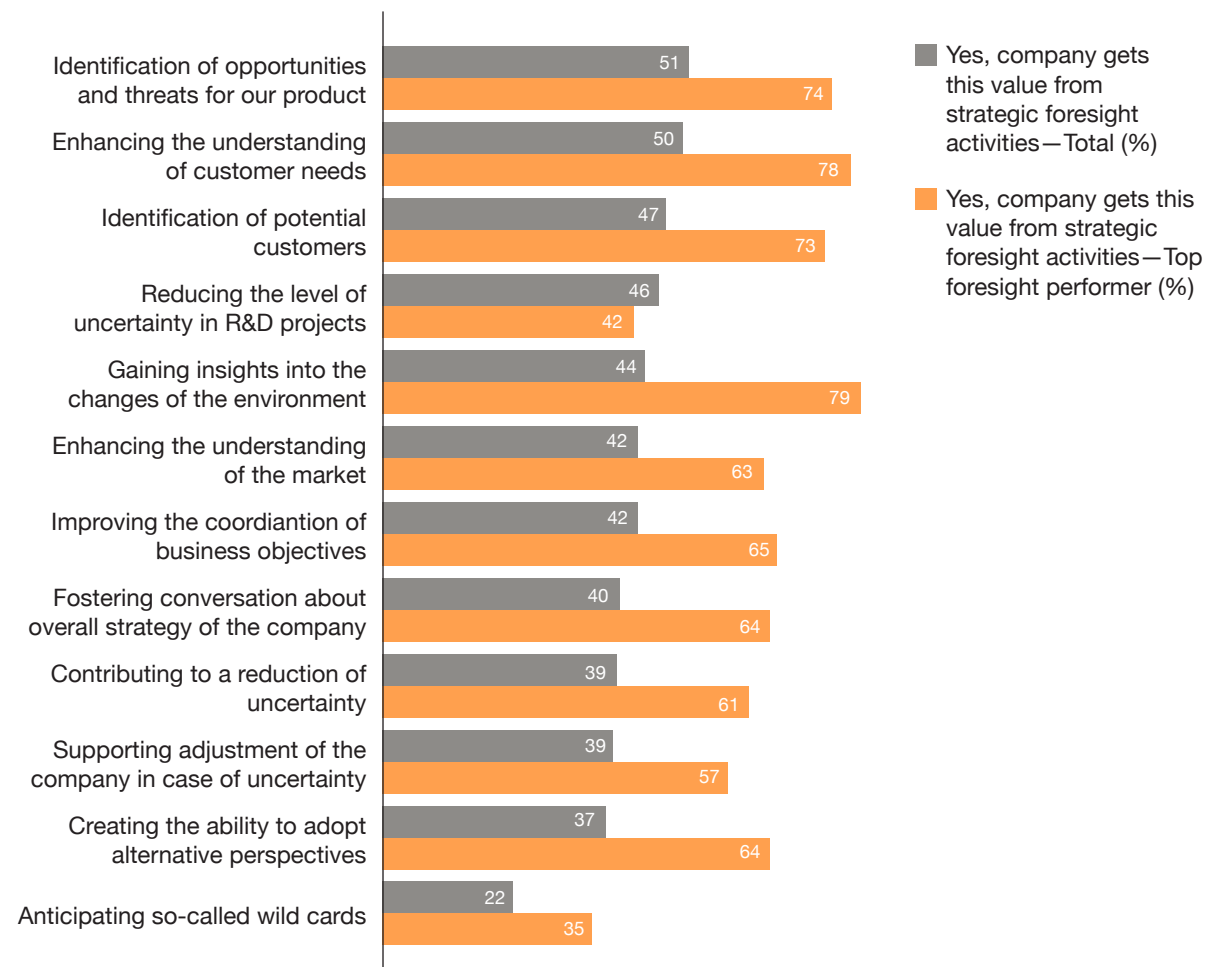This suggests that top foresight performers not only deliver more specific information for managers but also help them to broaden their view and get a more open mindset.

Figure 6: Top foresight performers create more value for decision makers, particularly by providing more specific future information about markets and customers, and by helping them to broaden their view by adopting alternative perspectives

**What is the value that strategic foresight activities generate for your company? For the following list of potential value contributions, please indicate whether your company gets this value from strategic foresight activities.**



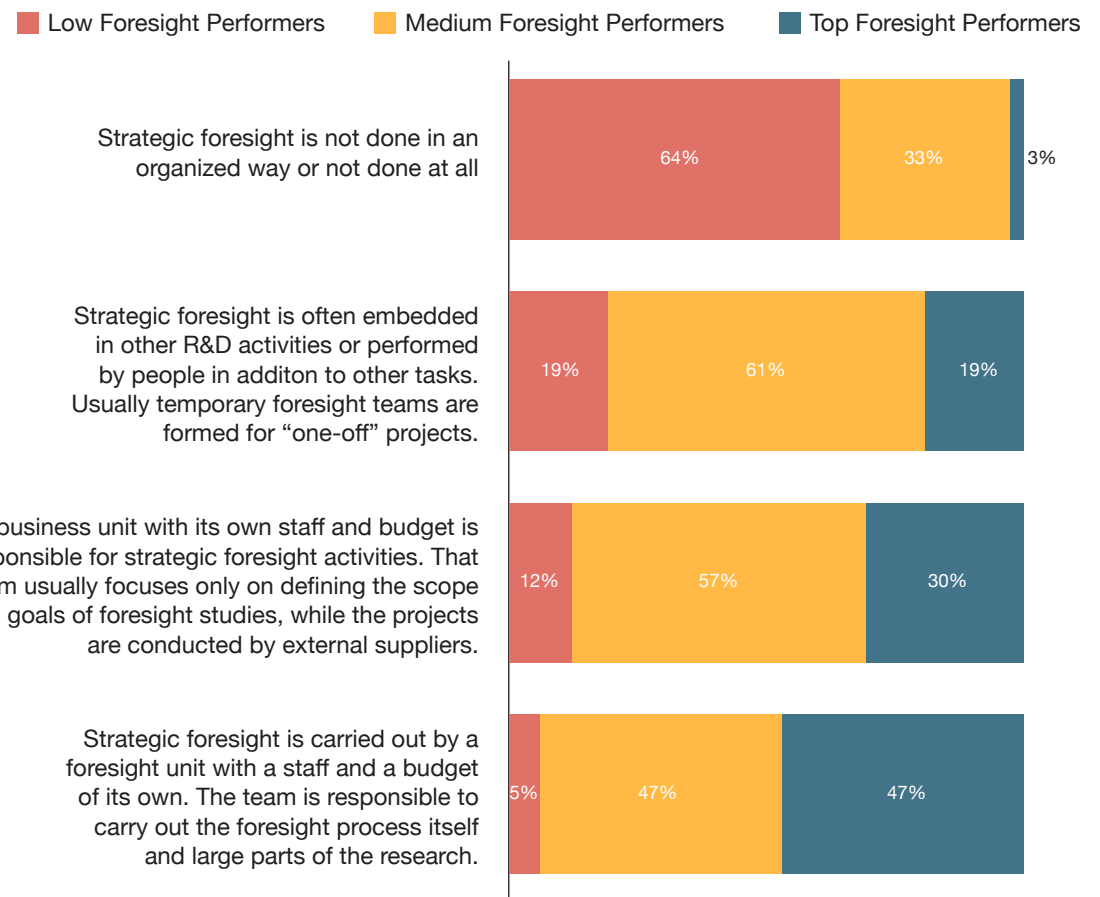| | Yes, company gets this value from strategic foresight activities—Total (%) | Yes, company gets this value from strategic foresight activities—Top foresight performer (%) |
|---|---|---|
| Identification of opportunities and threats for our product | 51 | 74 |
| Enhancing the understanding of customer needs | 50 | 78 |
| Identification of potential customers | 47 | 73 |
| Reducing the level of uncertainty in R&D projects | 46 | 42 |
| Gaining insights into the changes of the environment | 44 | 79 |
| Enhancing the understanding of the market | 42 | 63 |
| Improving the coordiantion of business objectives | 42 | 65 |
| Fostering conversation about overall strategy of the company | 40 | 64 |
| Contributing to a reduction of uncertainty | 39 | 61 |
| Supporting adjustment of the company in case of uncertainty | 39 | 57 |
| Creating the ability to adopt alternative perspectives | 37 | 64 |
| Anticipating so-called wild cards | 22 | 35 |

Top foresight firms also treat strategic foresight as a job for properly equipped professionals. As Figure 7 shows, a larger share of companies that have a business unit dedicated to strategic foresight, with its own staff and budget, fall into the top foresight performer category compared with those companies that see strategic foresight as a task in addition to daily business tasks. Unfortunately, relatively few firms in our sample have such units.

Despite the fact that a large majority (90%) of executives say that their companies are conducting strategic foresight activities in one way or the other, the group of companies that has a business unit with a staff and budget of its own is rather small. Only about a third of the interviewed executives work for such companies while more than half of the companies (57%) in our study see strategic foresight as an additional task for people with other jobs.

Figure 7: Companies with business units and staff for strategic foresight generate more value for decision makers than companies that see foresight as a task for everyone

**How is strategic foresight, the creation of knowledge about potential long-term developments in  your company's environment, organized in your company?**

■ Low Foresight Performers     ■ Medium Foresight Performers     ■ Top Foresight Performers

Strategic foresight is not done in an organized way or not done at all
64%    33%    3%

Strategic foresight is often embedded in other R&D activities or performed by people in additon to other tasks. Usually temporary foresight teams are formed for "one-off" projects.
19%    61%    19%

A business unit with its own staff and budget is responsible for strategic foresight activities. That team usually focuses only on defining the scope and goals of foresight studies, while the projects are conducted by external suppliers.
12%    57%    30%

Strategic foresight is carried out by a foresight unit with a staff and a budget of its own. The team is responsible to carry out the foresight process itself and large parts of the research.
5%    47%    47%

While it is not a complete surprise that companies with more budget and staff get overall better results from their strategic foresight teams, the executives' views on the helpfulness of different information sources for their business decisions with strategic implications may surprise some foresight professionals. The results in Figure 8 suggest that executives prefer reports over interactive formats like workshops. The sources that are rated as helpful or even very helpful by executives in our study are the more traditional reporting formats like trend reports, technology roadmaps, and future scenario reports. Overall, the ratings are surprisingly low.

Figure 8: Top foresight performers provide more helpful information for decision makers—who seem to be rather skeptical regarding foresight

**How helpful are these sources for business decisions with strategic implications from your point of view?**
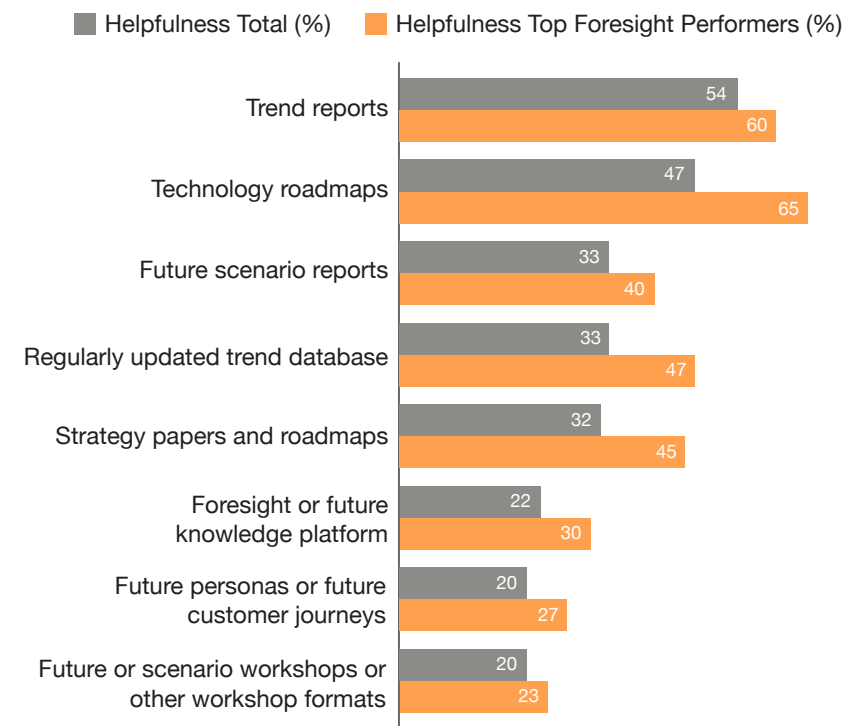
How would executives improve foresight in their companies? As Figure 9 shows, the most frequent answer for such a question was "Don't know." Second most often, executives expressed the wish for more quantitative predictions. While this is perfectly understandable, it may simply be impossible for cases in which strategic foresight focuses on exploring a range of plausible futures that cannot be quantified effectively.

Figure 9: Executives think that strategic foresight would be of more value if predictions were more quantitative

**How could strategic foresight in your company be improved to better support decision makers in managing the company in general?**

**Top 6 coded open answers**

## Collaboratively reinvent strategic foresight with organizations' key decision makers

Some companies create significantly more value through their foresight activities than others. Many among those companies that create more value—the top foresight performers in our study—do not see foresight as a side job for regular staff but instead have a specific business unit dedicated to foresight.

Overall, the relatively low number of executives that rate foresight information sources in their companies as helpful for making decisions with strategic implications may be taken as evidence for a rather low level of "customer" satisfaction.

For low-rated formats like future workshops or simulation tools, it might make sense to check with the "clients" (aka the executives in the company), on what needs to be improved to create more value. Foresight professionals should bear in mind that foresight is not done for its own sake but for making better business decisions about the future.

Simply asking executives how they would improve strategic foresight in their companies may just not work—in our study most often executives said they do not know how foresight could be improved. However, co-creating new approaches from an internal client perspective using methods from design thinking and business model-creation could prove more fruitful. The basis for the design of a new product or service in this canvas are the jobs that decision makers need to do, their pain points, and their potential gains. Methods that start with the problems and not with the product or service are strongly recommended.

In addition, some answers for the question of how to improve foresight suggest executives' expectations are not aligned with the value foresight creates. It may make sense for foresight professionals to communicate the value and limitations of foresight to executives more clearly to set the right expectations and help them to use foresight in the proper way so that they get better results and are better able to navigate our increasingly complex world.

## Data & Methodology

To find out more about the value of foresight and the demands of decision makers, we targeted senior executives who report directly to the "C-suite" or executive board and are members of the executive management team in specific areas such as marketing and operations. Members of the C-Suite were specifically excluded from the sample. Instead, we chose senior executives right below the C-Suite who we assume are more likely to understand the issues "on the ground" and get more unfiltered information than the C-Suite. The targeted senior executives represented large, publicly listed companies with 250 or more employees, in the top five European Union economies and the top five state economies in the United States.

The survey began fielding on March 9, 2020 and continued through May 25, 2020. During the fielding it became clear that the COVID-19 pandemic would greatly affect businesses and we therefore added some questions to address it.

The survey was fielded by Beresford Research of Westport, Connecticut, using CATI (Computer Assisted Telephone Interviewing). CATI is a telephone surveying technique with questions displayed on a screen for the interviewer who enters responses directly into the computer program. Interviewers followed a standardized questionnaire developed by Nuremberg Institute for Market Decisions (nim.org).

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Rohrbeck, R., & Kum, M. E. (2018): Corporate foresight and its impact on firm performance: A longitudinal analysis. Technological Forecasting and Social Change. 129: 105–116. doi: 10.1016/j.techfore.2017.12.013.

Rohrbeck, R., & Schwarz, J. O. (2013). The value contribution of strategic foresight: Insights from an empirical study of large European companies. Technological Forecasting and Social Change. 80 (8): 1593–1606. doi: 10.1016/j.techfore.2013.01.004.

Osterwalder, A., et al. (2014): Value Proposition Design. Value proposition design: How to create products and services customers want. John Wiley & Sons

## Box 1: Assess Foresight Performance at Your Company

To measure the performance of companies regarding strategic foresight, we asked executives in our study to assess the extent to which strategic foresight in their company is delivering different value contributions (scale based on Rohrbeck & Schwarz 2013). We used the answers to calculate a score (sum index) and calculated separate foresight performance indices for B2B companies, B2C companies, and companies that are both B2B and B2C. Using the index values, we classified the sample into top foresight performers and low foresight performers by selecting the approximately 20% of firms with the highest and lowest index values. The remaining firms were categorized as medium foresight performers.

Answer the following questions and follow our instructions below to calculate the foresight performance for your company (simplified calculation based on question items from our study).

**1) Please think about the strategic foresight activities in your company. What is the value that strategic foresight activities generate for your company? For the following list of potential value contributions, please indicate whether your company gets this value from strategic foresight activities. Calculate the sum in the last row.**

**2) Sum up the columns in the last row of the table and compare the value with the following table:**

Sum 0 to 12 -> Low Foresight Performance

Sum 13 to 18 -> Medium Foresight Performance

Sum 19 to 26 -> Top Foresight Performance

| Value contribution | No | Partly | Yes |
|---|---|---|---|
| Gaining insights into changes in the environment | 0 | 1 | 2 |
| Contributing to a reduction of uncertainty (e.g., through identification of disruptions) | 0 | 1 | 2 |
| Fostering conversation about overall strategy of the company | 0 | 1 | 2 |
| Supporting adjustment of the company in case of uncertainty | 0 | 1 | 2 |
| Improving the coordination of business objectives | 0 | 1 | 2 |
| Creating the ability to adopt alternative perspectives | 0 | 1 | 2 |
| Reducing the level of uncertainty in R&D projects | 0 | 1 | 2 |
| Enhancing the understanding of customer needs | 0 | 1 | 2 |
| Identification of potential customers | 0 | 1 | 2 |
| Enhancing the understanding of the market | 0 | 1 | 2 |
| Identification of opportunities and threats for the product and technology portfolio | 0 | 1 | 2 |
| Anticipating so-called "wild cards", low probability, high impact events that, were they to occur, would severely impact the business | 0 | 1 | 2 |
| Sum | | | |

# Box 2: How Uncertain is Your Company's Business Environment?

The need for strategic foresight depends on the level of understanding of the market. To operationalize executives' understanding of markets, we created a relative measure for foresight need. This measure takes into account the complexity of the market environment and its predictability. Based on the assumption that the need for foresight is independently driven by the complexity of markets and their predictability, we operationalized foresight need as the maximum function of the average values of two brief multi-item scales for complexity and predictability (scales for market complexity and volatility developed by Day and Schoemaker (2019), calculation of index based on Rohrbeck and Kum (2018).

Answer the following questions and follow our instructions below to calculate the foresight need level for your company.

## 1 | Answer the following questions to assess complexity and predictability of your company's environment.

**Index 1: Market Complexity—How complex is the environment of your company?**

How complex is the market structure of your company's market?

① Fixed boundaries and simple segmentation - ② - ③ - ④ - ⑤ Fuzzy boundaries and complex segmentations

Does your company have a high number of competitors?

① Few competitors - ② - ③ - ④ - ⑤ Many competitors

Are your company's competitors easily identifiable?

① Competitors are very easily identifiable- ② - ③ - ④ - ⑤ Competitors come from largely unexpected sources

**Index 2: Market Predictability—How predictable is the environment of your company?**

How well can the direction of technological change be forecasted in your company's industry sector?

① Highly predictable - ② - ③ - ④ - ⑤ Highly unpredictable

How well can the behavior of your company's customers be forecasted?

① Highly predictable - ② - ③ - ④ - ⑤ Highly unpredictable

How well can the behavior of your company's competitors be forecasted?

① Highly predictable - ② - ③ - ④ - ⑤ Highly unpredictable

How well can major changes in your company's environment be anticipated?

① Highly predictable - ② - ③ - ④ - ⑤ Highly unpredictable

## 2 | Calculate the Foresight Need Level:

Average value of Market Complexity (Index 1) questions: _____

Average value of Market Predictability (Index 2) questions: _____

Take the higher value of the two index values and check the following table to get your Foresight Need Level:
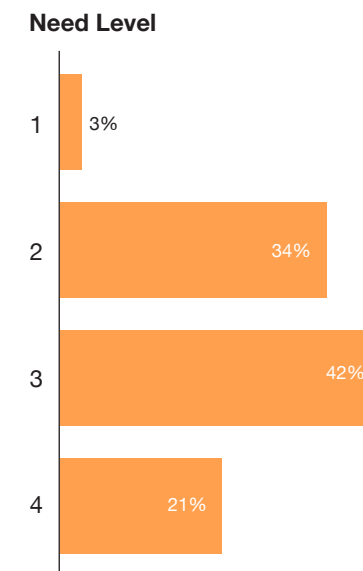
Values less than 2 -> Foresight Need Level = 1

Values from 2 to less than 3 -> Foresight Need Level = 2

Values from 3 to less than 4 -> Foresight Need Level = 3

Values from 4 to 5 -> Foresight Need Level = 4

## 3 | Compare yourself with our sample:

**Need Level**

| Level | Percentage |
|---|---|
| 1 | 3% |
| 2 | 34% |
| 3 | 42% |
| 4 | 21% |

## 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**.