



CHAPTER 1

Foresight -The Power of Standing in the Future

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Why Strategic Foresight?

"You can analyse the past but you need to design the future. That is the difference between suffering the future and enjoying it" Edward de Bono

The Foresight Proposition

Strategic foresight is based on the principle of planning from the future back to the present, not the typical approach of planning from the present towards the future. In fact, when we use the techniques and frameworks of standing in the future to understand where our organisation may be, we almost inevitably find that the "space" our organisation is in is very different from that occupied today.

This approach (which some call 'backcasting') focuses a great deal of work on developing a coherent and insightful view of how things might look in the future, unrestricted by how things look today. We typically look 10 years into the future, although in some cases 20 or even 50 years is more appropriate.

What usually happens is that the way the sector looks in the future is very different than in the present and this opens up new insights into the risks and opportunities that possibly are not being addressed.

[Illustration: Foresight Proposition]

Standing in the Future

Pick a point in the future far enough out that you cannot forecast – and then try and stand in that position (imagining what that 'world' might look like) – 10 years is useful!

Remember the 'Back to the Future' film with the DeLorean time machine car that could go forwards into the future? In one scene Marty goes back to the 1950's prom dance with the 50's foxtrot style band playing - he picks up the electric guitar and plays the Johnny B Goode riff à la Hendrix complete with electronic feedback. His comment to the shocked dancers is "you may not like this, but your kids will".

Strategic foresight is similar - we can go forward into the future, imagine what it might look like, and then come back to the present day with new insights. We don't have a time machine, but we do have foresight techniques that help us stand in the future.

When we truly 'stand in the future' we are able to create a view that is unrestricted by the present. We are free to create scenarios of possibility and understanding. We are free to realise that the future is not pre-determined, something that we have to react to and cope with – but rather that it offers a range of possibilities, depending on our responses now to those possibilities.

We have the power to choose preferred futures through a very innovative approach - thinking the unthinkable - rather than have to suffer futures we do not want.

Looking Back to the Present

Getting a picture of the future allows us to reflect on the present. This sounds obvious, but in fact it has a profound effect. We suddenly see the issues we are coping with today in a new and clear light. The priorities become obvious, and what is important is distinguished from what is merely urgent. Today we are up to our rear-ends in a swamp filled with crocodiles - in our email in-box, on the message bank of our mobile phone, and in the next urgent meeting to which we are being summoned. However, once you stand in the future, and look back, the issues concerning us now all start to look rather different, often rather unimportant.

Essentially strategic foresight is about getting a new perspective on what is really important. Buddhist teaching offers a shock version of this – to get a new perspective on what is important in your life you learn ways of seeing your own corpse. From that shock of foresight you look backwards to your current way of life and see whether you have the most important priorities operating.

Seeing the Present Differently

When we come back to the present we see things quite differently. It is as though we have changed our "eyeware" and the landscape that we took for granted now has an altered perspective.

In the early 1990's we worked with a computer company that was convinced it was in the computer business. At that time the company suddenly lost \$250 million in a year.

What had happened was that its sector had been reshaping but they had not noticed. New players had entered and starting competing for new revenue streams, while old products were being abandoned and their revenue streams lost. What had been the computing business was now the Digital Marketplace. The new competitors included media, telecommunications, and personal computing software. The sector had widened to information and communications technology, and the company had not anticipated nor planned for the change.

A foresight project helped them change their 'eyeware' in that they were able to open up their strategic thinking and to redefine their marketplace.

Things have Been Speeding Up

[Illustration: Years to reach 10 million customers]

Throughout history new technologies have been introduced and have spread through society, but this process has been speeding up dramatically in modern times. As the chart above shows, the Internet took only four years to reach 10 million users compared to 40 years for the telephone.

This acceleration of the creation and acceptance of new technologies puts pressures on organisations to respond quickly, often requiring their leaders to rethink the sector and business they are in. First and foremost what is required is a new form of strategic planning, which can help organisations deal with the rapid rate of technological and social change that is a defining characteristic of the Knowledge Age.

The inability of businesses to deal with change quickly enough, or to be proactive in the face of change, has led to volatility in companies, sectors and shareholder value. This highlights the advantage that can be gained for the company that develops skills which will help it anticipate and respond to change in a timely way.

The problem is also acute in Government, which has largely adopted from corporate business the Industrial Age approach to strategy. This approach is secret, elitist and ritualistic, and fails to produce the open and creative organisational practices that are best suited to dealing with and planning for future change.

Strategic foresight has developed in response to the problems of rapid change and inadequate planning processes. It is an integrated approach to strategy that allows managers to discover and articulate a preferred direction for their organisation. It is based on building a powerful framework of thinking, which provides a clear view of the underlying drivers of change over the next 10- 20 years, and their relevance to and impact on a particular organisation. In our experience strategic foresight techniques assist in the development of a dramatic clarity about the critical issues, and strategic options for a specific sector or industry.

The origins of Strategic Foresight

Strategic foresight has evolved over the past ten years through its use in practical projects. Frameworks, models and tools from established disciplines and methodologies have been brought together to meet the deficiencies of traditional strategic planning. These disciplines include:

[Illustration]

- **'New' Strategic Planning** - strategic planning for business was first developed in the 1930's. Modelled on military strategy, it was used by large American corporations, which needed planning and control processes suited to the broad scale of their activities. Strategic planning has become widespread in the business world, and has been highly effective in enabling large Industrial Age corporations to prosper. However in the early 1990's commentators such as C K Prahalad and Gary Hamel challenged the prevailing orthodoxy and argued that traditional strategic planning was flawed and not suited to the needs of organisations faced with the emerging Knowledge Age. Strategic planning was backward looking, extrapolating from past trends. Their view was that foresight, and the ability to anticipate the future, had become essential to effective planning.
- **Futures Studies** involves the examination of key trends and their outcomes, with the hope of successfully influencing those outcomes. A wide range of methodologies has been developed under the banner of future studies. These cover quantitative and qualitative tools to enable the development of key insights, to forecast trends, to identify appropriate policy or action and to facilitate the desired change.
- **Organisation Development** originated from the interest of behavioural scientists in the question of how social change worked, and whether it was possible to facilitate the processes in groups and organisations. It involves processes to facilitate change at the personal level, within groups (team development), inter-group (conflict resolution) and organisation-wide (large system change).
- **Science and Technology Foresight** has developed over the past thirty years to foresee what new discoveries, research findings, and developments are likely to occur in the future in science and technology, and the timing of their occurrence.

Strategic foresight represents a convergence of these separate fields, each of which has its own limitations, but which together create a powerful methodology for organisations to anticipate and deal with the future.

Strategic foresight is an approach that is constantly evolving and mutating in its frameworks and tools. It should not be thought of as a management function but rather the 'way we run things' - a way of thinking and a way of engaging that is on-going. Many of the skills involved can be learned and can be practised by everyone in the organisation. It has no bounds and can be constantly added to. The foresight philosophy and a commitment to rigorous thinking is what matters - not some pre-ordained set of steps.

Strategic foresight is:

- ◆ A way of thinking
- ◆ A way of engaging
- ◆ A way of discovering
- ◆ A way of acting

Foresight is an open system not closed – it is more Linux than Microsoft. As such there is a movement of people around the world, people who work in organisations or who are members of networks, and who want to understand the present and contemplate the future.

People believe in and commit to what they discover for themselves, rather than what they are told. Therefore a crucial factor is the engagement of as many people in the organisation as possible in the foresight process, allowing them to share in the exploration of trends and change, and to offer their own ideas in regard to the future.

We do not advocate that in practising foresight, CEO's throw the 'baby out with the bathwater', losing sight of their organisation's present day business, its customers, products, and revenue streams. In fact, the processes of strategic foresight have the benefits of developing a well-founded future strategic view, whilst at the same time keeping its 'eye on the ball' in today's business.

Changing the way we think

Mental Model 1

“The brain can only see what it is prepared to see. What is before us is seen in terms of established patterns. This also goes for behaviour where we respond to established patterns. We react to the new in terms of the old.”
Edward de Bono

[Illustration: Mental Model 2]

We call the predominant view of the present 'Mental Model One' ('MM1'). This is a person's organising 'Gestalt' – their way of seeing the world and thus how to think, behave, react, feel, make decisions, and set priorities. It is a predominant view of the present (which may or may not be correct) and an assumption that the future will be more of the same.

J.K. Galbraith (The Affluent Society, Penguin Books 1958), called it our 'conventional wisdom', pointing out that the problem is that such wisdom is taken for granted and therefore is not challenged.

The film '13 Days', which portrays the 1963 Kennedy cabinet trying to decide what to do about the installation of Russian missiles in Cuba, is really all about the danger of Mental Model One. The mindset of the cabinet was dominated by the military, who wanted to bomb Cuba and proceed to nuclear world war. Fortunately an advisor to the President did challenge the mindset, and ask whether there was another way of construing the situation which would provide an alternative to war, ultimately leading to a defusing of the threat.

However, being the person who raises questions in a decision-making context, where the parties are using MM1, can be difficult. Such questions

are often greeted with anger, derision, frustration, and contempt, because the MM1 of the others leads them to believe that they are obviously correct. The fact that the MM1 assumption in question is often not openly expressed makes it even more pernicious – it is an unquestioned set of assumptions reinforced by the 'groupthink' of social conformity. As it is a group doing the thinking, it is very difficult for anyone to challenge it.

Take banking – the prevailing mental model of how to do business during most of the 20th century was through bricks and mortar branches. The more branches, the more business.

At some stage someone must have suggested that those branches be sold, and that many of the transactional services previously available in the branches should be offered through electronic banking. It seems likely that this suggestion would not have been taken seriously in the beginning, yet we all know how rapid has been the advent of electronic banking, and more recently direct Internet banking.

Failure to respond to these new technologies, or to recognise how quickly they are adopted can be very detrimental for businesses. For example, response to the changing banking technologies was slow in the United Kingdom, and this allowed the Hong Kong and Shanghai Banking Corporation (HSBC) to take the market by storm, buying the Midland Bank and then launching its Internet Bank Direct service.

Organisations can only get beyond the risks of MM1 thinking by making it explicit and open to challenge. The answers to the following questions will help identify the MM1 of a business:

- **What business are we in?**
- **What are our goals?**
- **Who are our customers?**
- **What products/services do they want?**
- **Who are our competitors?**

Mental Model Two

Foresight is mostly about creating and using Mental Model Two. What you are trying to do is to answer the same questions – but this time they are posed about the future. Ten years in the future is recommended, for the simple reason that people cannot hold onto MM1 thinking for that long. If you use 3-5 years, which is the typical framework for industrial age strategic planning, then you can simply extrapolate MM1 into the future. It is just the way peoples' minds work.

[Illustration: Mental Model 2]

Some people would argue that 10 years is too short - obviously this particularly applies with very long-term investment sectors such as energy where 15-30 year views need to be worked on. However for most organisations the initial reaction to the 10 year timeframe is – “ that is far too long – we can't even see past 3 months – you can't possibly know what will happen – you would need a crystal ball”.

In fact it is not as hard as you might imagine looking out ten years ahead, if you know how. The irony is that most reasonably informed people already have a partial understanding of what could happen in the future. People know more than they realise, but they have not had the time, setting, or frameworks to gather what they already know into a Mental Model Two.

Identifying The Gap between MM1 and MM2

[Illustration: Perception Gap]

As an example of the gap between MM1 and MM2 thinking, it is helpful to contrast the traditional and emerging models of the health system.

[Illustration: Health System - Mental Model 1 and 2]

One of the problems in persuading people to look at the gap between MM1 and MM2 modes of thinking is not just the psychology of those involved, but also the vested interests which might be threatened by an MM2 view of the future. These may be the interests of organisations, or of people within organisations.

Gary Hamel has pointed out that senior management and their planning processes often block radical strategic thinking in the organisation. He tells the story of the top management of an American corporation in the early 1990's, who attended a strategic retreat in which they were confronted with the fact that their MM1-based plan for corporate growth did not make sense when one looked at the future. They got the message and started a process of MM2 thinking involving the top 150 managers.

They then discovered that some time earlier a group of concerned staff and managers had taken the initiative to form themselves into a 'foresight group' to develop new thinking, because they believed their leaders were showing no sign of it.

In so many companies you see the 'boiling frog' situation. Management is stressed out trying to survive in today's business – the pressure is on the frog in the saucepan of water - the temperature is hotting up, with more competition, pressure to satisfy shareholders, more demanding customers, reducing margins, and loss of key accounts.

The poor frog however is not just uncomfortable – it is actually dying by degrees. Trapped in MM1 it keeps adjusting to the small increases in heat and thus never faces the issue of survival that would cause it to jump for its life out of the saucepan.

Catch 22- No time to think about the future- no alternative but to do so!

Today's CEO's, Boards, and senior managers often report that they feel stuck in a Catch 22 situation - they have no time to think about the future because of the pressing nature of today's problems. The pressure from market analysts for the next quarter's prospects creates a constant need to deliver short-term performance.

The paradox is that these CEO's know that unless they also look ahead continuously, there may be no future for their organisations. Often the future looks so different from the present that CEO's may be apprehensive about discussing it with their Boards and management. Many feel that the long-term future is either too complex or too uncertain to be planned for. They rely instead on traditional strategic planning, which appears to them to ensure survival, but which may in fact condemn the organisation to its own extinction by failing to properly understand the future of its market.

A word of optimism - let's not forget that in Joseph Heller's novel 'Catch-22' the hero who is trapped in the catch does in fact find a way out of it – and so can you.

The Need for New Strategy Approaches

Every company and every government department uses strategic planning. However, much of what passes for strategic planning is in fact focussed on restructuring and cost cutting in today's business. But surely strategy should also enable you to reinvent the organisation to be able to realise the new opportunities in tomorrow's business?

From Position Strategy to Movement Strategy

{Illustration}

Most established strategy and policy formation frameworks and processes were designed for the 20th century Industrial Age. They were based on two key ideas:

- **Strategy of position** – involving industry competitive positioning, barriers to entry, and a pecking order of market share in relatively stable sectors.
- **Limited resources**- resources are limited because they are physically based - land, labour, capital infrastructure.

Under this model success was based on notions like control, command and leverage of resources. Presence in a market gave huge advantages.

In the Knowledge Age those two key ideas are turned on their head and replaced by:

- **Strategy of movement-** Industry sectors no longer have fixed boundaries, with businesses moving from one sector to another, as their products and services are found to compete in new sectors, and satisfy a broader or different group of consumers. This sector convergence requires businesses to continually redefine their sector, their products and their competitors, as changing technology and new ways of offering services continually ‘move the goalposts’.
- **Unlimited Resources-** they are unlimited because the key resources are ideas not physical things but rather ideas which are created in the in the unlimited potential of the dendrites and synapses of the human brain. Even in resource intensive industries such as pulp and paper, it is not just access to capital that provides the competitive edge, but also access to the latest scientific, technological and marketing ideas.

So in the Knowledge Age it is ideas, not resources, which are the valuable currency. Success comes from idea leadership which enables you to occupy an entirely different position in tomorrow’s game.

Both government and business tend to assume the continuation of existing sectors, which provide the context to the strategy. But we can already see that sectors are converging. For example fast food companies are not just selling food, but are also competing in a space called “entertainment”. Can the tools of industrial age strategy show them where their sector might go next? To do that they need to look at the “function” of their product, that is what underlying consumer need it satisfies and recognise that this function will change as lifestyle needs change.

The chart below summarises the old and new approaches to strategic planning.

[Illustration]

Alphas and Betas

One of the many great contributions to foresight thinking is that of Gary Hamel and CK Prahalad. One of their models categorises organisations and people as “Alphas and Betas”. Basically the Alphas are high-profile organisations in any sector – the market leaders, the ones that can command resources and take action. The Betas are the small groups of determined people who will reshape the sector, will redefine the rules, and will lead it in the future. You may not have heard of them, or their organisations yet, but you will.

Alphas have plenty of resources but modest aspirations. Betas have few resources but huge aspirations.

You, the reader, are either a Beta or you want to learn how to Beta’ise your Alpha organisation – to enliven it – to create ‘thought leadership’ which will enable it to evolve fast enough to survive. Strategic foresight will help you to do that.

"But to do better you have to want to do better. The new millennium needs people who want to do better. Thinking has been and will continue to be the key for designing a better future"

Edward de Bono

We live in interesting times – in fact we live in extraordinary times. There is a strong case for absolute optimism but an equally strong case for pessimism. There is always a choice between seeing the glass to be half full or the same glass half empty. Foresight is for people who would chose to think this time is a new renaissance, this time is optimistic, this time is full of promise.

Foresight is most inspiring when it is shown by leaders who are able to articulate a cause, a vision of a better future, for their people. Think of people such as Martin Luther King, Nelson Mandela, and The Dalai Lama. You hear them and in your hearts you know they are right, even if the vision they hold looks impossible or at least a long way off.

How to get a Strategic Foresight Function in your Organisation

During the 1990's many companies established foresight functions in a variety of ways. Whilst most companies keep this activity fairly secret for commercial reasons, we are aware of foresight activities in many companies and in government. They are most impactful when they are close to strategy and new product development. Examples include technology companies like Nokia, Ericsson, Phillips, Sony, and IBM but also manufacturers, government agencies, NGO's, and cities.

Foresight has also been invested in heavily by Governments such as in the UK Foresight Project (www.foresight.gov.uk).

Strategic foresight can be implemented as a function in a number of ways:

1. As a 'stand alone strategic foresight project' to develop a radical new view of the future, resulting in a strategic plan.
2. Setting up a new ongoing function with full time staffing, information services, and arrangements with outside providers.
3. As a 'refreshing' of the existing strategic planning function through a training upgrade in the company or organisation

Leadership to make strategic foresight happen in the organisation may be:

1. Led from Inside the Company / organisation by the:
 - CEO
 - Strategy / policy manager
 - Training and development manager
 - Ginger group
 - Others (eg. technology manager)
2. Led from outside:
 - NGO
 - Sector - Industry Association
3. Led by government:
 - City

- National/Federal Government

The Need to Apply Strategic Foresight

The following hypothetical cases describe different organisations with typical needs for the application of strategic foresight. These needs include:

- **Crisis management** – the company is in trouble and doesn't know where it is going
- **Opportunity management** - being able to respond to opportunity, such as the opportunity to merge with another organisation
- **Risk management** – having the thinking in place to manage future risks
- **Sector change** - sector lacks direction, the organisation has problems that need to be addressed at the sector definition level, with a wider view than just day to day.

Do you recognise any of these situations?

The Department Store in Trouble

A department store retailer with collapsing market share and disintegrating profits desperately needs a **crisis foresight project**. Despite extensive restructuring and cost reduction it has failed to stem falling market share and sales. Surveys show that customers have tired of the brand. New competitors have brought retail propositions to the market which its customers prefer. Staff morale is low and key management are leaving. The share price is slumping, the analysts are circling, and there is a media frenzy of bad press. They have to stem the bleeding today but they must convince their shareholders to stand by them, and satisfy their questions:

"What is your view of the future, what is your direction, what is your argument as to why we should have faith in you?"

The Electricity Company Looking 'Beyond the Square'

A foresight project looking at a **business opportunity** would be appropriate for a thermal electricity generation company that finds itself in a competitive environment where a regulator creates the rules, but where there are many business opportunities. It has to decide which ones to grasp, which businesses to hold and which to fold. It could vertically integrate and acquire line businesses or retail businesses. It could horizontally integrate and acquire either more thermal capacity, or hydro plant. The question raised by the maverick Director at the last Board meeting was:

What about branching out into radical new energy sources such as hydrogen, solar, or other renewables?

A Primary Sector industry Facing Crisis

A foresight project investigating **sector change** would assist a Primary Sector concerned about worsening economic returns to growers from overseas markets for their produce. Key growers are leaving the industry because of doubts about its long-term viability. New growing regions in the world are increasing production and using varieties and quality growing systems previously 'owned' by the country in question.

The stakeholders include the Government, the growers, local authorities, global retailers, other countries, exporters, distributors, and consumers. The industry is fragmented and inward-looking at all levels along its value chain. The question is:

How do we get stakeholders who have different or no views of the future to help build a shared future scenario, including the regulatory framework? One that they accept will benefit them and to which they will commit.

A city needing to attract new investment

A city has been losing companies who have been relocating to other states. There is a net migration of people out from the city, universities are also losing the ability to attract top students and top academics, and schools are experiencing falling rolls. The city Council want to bring together all the key agencies and businesses in the city to develop a vision for the rejuvenation of the city both economically and in terms of people. There is a need for a process which engages ordinary citizens in looking at future options in a way that people feel is worthy of their time and interest.

How could the city council initiate a foresight project that got a wide cross section of citizens and different interest groups to develop a vision for the future that would command widespread support to implement?

Different Metaphors for Managing the Future

There are many different ways in which executives think about managing for the future. Here are three metaphors. Which one is closest to how you think? Which one is closest to how your organisation manages the future?

1. Roller Coaster

Managing for the future is like being on a rollercoaster ride in the dark, strapped into a vehicle that has a predetermined route which you can't see. The only option is to hang on and adjust as best you can. The implication is that there is not much anyone can do about the future, it just happens. A good analogy is the Space Mountain ride at Disneyland where you career through the dark, suddenly swerving or plummeting. You can't see what is going to happen – you just have to do your best to react as the crises hit you.

2. River Raft

Managing your organisation is like river rafting down an ever-changing river into the future. You can see to the next bend, the current gets slower or faster, sometimes you have to navigate rapids, at other times all is calm. You have options and choices but the current and the route of the river is not something you can affect. There is some room for movement. Your management team are trained in how to react when the inevitable crises - rocks, rapids, rising river levels - hit your raft. Sometimes there are calm periods when the raft slows and you can relax, but the current is always edging you forward, and you cannot control it.

3. Ocean Yacht

Managing for the future is like sailing a yacht across the wide ocean. You are limited only by your navigation skills, your vision, and your courage, and all of these can be developed and enhanced as you sail through new challenges and experiences. All things are possible- you can take any route and make any landfall you choose – you can sail to known lands or discover new ones. You have to deal with the environment, the sea and the weather, however you have tools to anticipate environmental change and to respond to it.

Strategic foresight offers all managers the opportunity to be more like the ocean yacht, to take control of their own destiny, to anticipate wind and weather shifts in their business environment and to plan an appropriate course.

What Can You Do?

Get a group together of innovative people in your team, your department, or with the senior management group – call it a Creative Thinktank. Make it a free brainstorming session where you ask questions and get as many responses as possible, record all the answers, without evaluation, contradiction, or debate - just get them all down. Make sure that people can express what they really think without having to justify it. These are some good questions to ask:

- What is our Vision, where are we going?
- Where will we be in five years time?
- How will our customers change their lifestyles and needs in the future?
- How will technology change our business in the future? Are we ready for that? Have we got a plan?
- Will our customers still want our products/ services in ten years time? Will they be looking for something different?

After the meeting pull the ideas together and ask yourself:

- Have we already got the future covered, or not?
- If not do we need to consider using some organised foresight process?
- Who could authorise this?
- Who could do it?