Harvard Business Review | Digital Article

Strategy

Bringing True Strategic Foresight Back to Business

Ten steps to craft actionable insights amid soul-crushing uncertainty.
by Amy Webb

Bringing True Strategic Foresight Back to Business

Ten steps to craft actionable insights amid soul-crushing uncertainty.
by Amy Webb

Published on HBR.org / January 12, 2024 / Reprint H07ZB4

HollenderX2/Getty Images

I recently sat down with the CEO of a large corporation, who asked a peculiar question: Would I rather have a crystal ball that always showed me the future, or a chessboard that always told me the right strategy? He's a sharp, curious thinker, who likes to debate — but on this day, he was mulling an urgent problem.

While the company was the undisputed leader among its competitors, the CEO was growing concerned about outside disruptors. He worried that his leadership team wasn't thinking broadly enough about how the macro forces shaping society would eventually impact the business landscape. Managers weren't surfacing bold, new ideas, and amid all the uncertainty brought by artificial intelligence, inflation, and the post-Covid workforce they weren't willing to take strategic risks.

Meanwhile, the company had become adept at strategy execution — testing competitor responses, selecting new technology vendors, building certain capabilities — but they were only chasing incremental wins. Throughout the company, managers weren't willing to use foresight to plan beyond a few quarters, fearing that any decisions today could be wrong tomorrow.

The CEO pressed me to debate him. Which is better? The ability to see the future, or the ability to create and execute the right strategy? There was a clear answer, I told him. Strategy and foresight were once the same discipline. And they should be again.

How Strategy and Foresight Disconnected

In the 1980s and '90s, forward-looking companies used strategy and foresight as a powerful dual force that guided leaders to peer over the horizon with data-backed, quantitative models, compelling narratives about plausible futures, and informed choices to stay competitive. The goal was to provide a defensible long-term point of view, align on key themes, and engage leaders in a common dialogue about multiple scenarios for the future.

At the same time, leaders and managers alike would use that foresight base to create, calibrate, and execute their near-term strategies. They had a shared perspective on where and how to grow, how to execute new positions, and how to maintain and defend the core business.

Over time, however, strategy and foresight diverged into separate disciplines. In the 1990s, companies started adding strategy professionals, sometimes called chief strategy officers (CSOs), to their management teams. CSOs were often hired from strategy consulting firms and they were charged with developing winning strategies along with tactics and operations to ensure effective decision making and execution.

As the C-suite delegated more initiatives to the CSO and their teams, strategy managers, strategic planners, business analysts and others wound up doing less strategy. These days, I see CSOs often serving as a proxy for their CEOs, while their teams do everything from taking the lead on executing priority initiatives to finding attractive new markets. Meanwhile, foresight, which used to involve quantitative data, predictive modeling, behavioral insights, and storytelling to craft intricate scenarios designed to prepare companies for multiple future states, has devolved into company speeches, workshops, and lightweight scenarios that lack rigor. In my observation, foresight output is now too far removed from actual business needs of the company to wield real influence.

As strategy and foresight drifted onto separate paths, companies lost the synergy that originally made each discipline so potent. Just like other iconic duos you already know — Simon & Garfunkel, Kirk & Spock, Sherlock & Watson — strategy and foresight are better together, because they amplify what each element could achieve alone. Strategy without foresight makes companies vulnerable to outside disruption. Foresight without strategy renders scenarios unactionable. Each on its own has value, but our current business environment demands both.

It's time to reunite strategy and foresight, recognize they operate on the same continuum, and reset expectations for what they can achieve together. With modern updates and improvements to these combined disciplines, leaders can sharpen their vision for the future, empowering managers to make informed strategic choices and propelling teams towards superior performance. This domain is true *strategic foresight*: a disciplined and systematic approach to identify where to play, how to win in the future, and how to ensure organizational resiliency in the face of unforeseen disruption.

> **"It's time to reunite strategy and foresight, recognize they operate on the same continuum, and reset expectations for what they can achieve together."**

We are in the most challenging operating environment I've seen in 20 years, and this moment demands a new mindset. Within the corporate setting, executives I meet with are curious about strategic foresight, but treat it like a buzzword and aren't yet clear on its value. This article aims to define strategic foresight for leaders, advocating for its integration as a core competency in every organization, regardless of size.

Why Corporate Strategy Needs Updating

Corporate strategy is crucial for establishing a sustainable competitive edge, yet it is increasingly failing to drive the long-term growth it once promised. I see the original purpose of corporate strategy as creating a long-term plan for developing a business's competitive advantage and then compounding it. At best, corporate strategy was an opportunity to define a company's near-term competitive and operational strategy and also helm its long-term research and visioning.

I rarely see this in practice today. What's happened is that executives ask for long-term strategic perspectives, but in reality they are limiting their teams to narrow timeframes, resulting in a perpetual review of the same objectives with only minor adjustments. Here's a sobering truth that most C-suites won't acknowledge: Considering the speed at which most modern companies are reasonably capable of moving (read: laboriously slow compared to the rate of external change), by the time a two-year plan is executed the future will have moved further out of reach. Strategy's mission-critical responsibility — to chart a clear organizational direction and follow through with a robust execution plan — is being overridden by the immediate pressures of resource allocation and everyday operational tactics.

Many CSOs I know feel trapped. They wind up with ambiguous, all-encompassing mandates: Act as CEO whisperer, provide support for board-level engagement, facilitate stakeholder management, and serve as a Jane-of-all trades special projects person. As a result, CSOs find themselves both responsible for everything and accountable for nothing, since the results reside with the business owners or managers within the company.

I remember sitting down with the CSO of a leading consumer goods company grappling with an outdated margin management approach, focused solely on cost-cutting and ranging from packaging redesigns to operational shifts like plant relocations. The intent was to reinvest these savings into innovation to propel the company into a new growth phase. Yet, the strategy team's preoccupation with margin improvements overshadowed the drive for innovation, causing the company to miss research-backed opportunities and leaving it exposed to market disruption.

This underscores a wider problem faced by many companies: While managing margins is vital, it must be balanced with the pursuit of innovation and growth opportunities to prevent strategic myopia and secure a company's competitive edge in the future. When strategy isn't performing its intended job, companies can't continually improve, leverage disruptive technologies, and adapt to new market conditions.

The immediacy of day-to-day operations can lead to a strategic process that is more about ticking boxes and filling templates, which often end up languishing, unopened, in an inbox. Today's tactical actions must set the course for the desired future, but the desired future must be regularly reevaluated as dynamics change to make sure the intended destination hasn't shifted.

The Promise and Peril of Corporate Foresight

The promise of corporate foresight is that it will position leaders to make good decisions in times of soul-crushing deep uncertainty. And that's the peril: the way foresight is practiced today doesn't typically yield data-backed recommendations to guide leaders on new market expansion, M&A strategy, innovation roadmaps, sustainability efforts, or the myriad other initiatives they prioritize. The foresight function is often positioned inside a research or marketing team, where outputs aren't tied specifically to strategic outcomes. Foresight teams within organizations often lack formal training in how to build quantitative models or how to calculate the trajectory and momentum of trends. They also lack direct profit and loss (P&L) accountability that business heads typically hold. These days, foresight must do more than change the perspectives of a company's leaders. It must drive business results.

Foresight, like other business disciplines, is both an art and a science, but without a standard methodology and set of tools it's rendered ambiguous or even unexplainable to non-practitioners. Even among practitioners, there is little consensus on what, exactly a "trend" is and how that's different from a "strong signal" or a "macro trend" or a "force." Some people call themselves "futurists," while others hate that term, and still others use different descriptors like "insights" or "forecaster" to describe what they do. ("Strategy" may sound generic, but at least it's just one word.) Foresight also performs different functions depending on the industry. Foresight teams in CPG companies target emerging consumer trends for near-term product strategies, while in insurance, the focus is on long-term risks for future profitability and product line responses.

Second, the output of corporate foresight teams is undermined by a lack of rigor in methodology and an over-reliance on subject matter expert interviews, internal surveys, and secondary sources. A common complaint I hear from executives is that the output of a foresight team's work — most often trend reports and scenarios — fails to land due to weak research, the lack of quantitative models and too heavy a reliance on a few expert opinions.

I recall a meeting I had with the CEO and CFO of a telecommunications company, who were presented with M&A recommendations that stemmed from an internal foresight team's trend report. To the company's leaders (and frankly to me as well), the recommendations were too broad, obvious, and outdated. The team had worked for months to deliver fresh insights to leadership, so what happened? There was no methodology. Instead, they'd aggregated third-party research and interviewed their usual experts.

Contemporary foresight suffers from the template-ification of trend reports and scenarios, leading to bias and missed opportunities. One popular approach involves prioritizing two or three topics of interest to a leadership team and writing iterations of scenarios after workshops and individual or group discussions. The goal is alignment on main ideas, and it typically results in confirmation bias instead of fresh insights.

A third reason foresight fails to achieve impact in companies is straightforward: People aren't willing to say they make predictions. Telling a CEO that the scenario is a "forecast, not a prediction" undermines their perceived relevance to business strategy and creates confusion among the stakeholders they aim to inform and persuade. Ultimately, a scenario *is* a form of prediction — a deeply researched preview of how the world might unfold. The details of a prediction can and will change from time to time because the world isn't static. The goal isn't to be right or wrong, but to refine the strategic actions that should drive the company forward, even when every variable can't be controlled.

How to Operationalize Strategic Foresight in Your Organization

Putting strategy and foresight back together results in assessing potential futures, managing the strategic pivots necessary to navigate them, and, crucially, measuring the efficacy of such initiatives. This triad — assessment, management, and measurement — is the backbone of effective strategic foresight and what brings the best of both together. Strategic foresight is inherently interdisciplinary, not multidisciplinary. Which means that the leader or team should not be siloed.

Strategic foresight should be given a cross-functional reach, and the team's mandate should be to interact with and provide services and support to multiple segments of the organization. For that reason, strategic foresight should be horizontally positioned, working with different units like marketing, finance, operations and product development, to ensure that the company collectively knows where to play, how to win, and crucially, will be prepared to adapt in uncertain business climates. New strategic foresight teams, with business unit involvement, should align on a repeatable methodology that can produce actionable insights, competitive strategy, and strategy execution capable of achieving business goals and objectives set by leadership.

My approach to strategic foresight, which we use at the Future Today Institute, and I teach at NYU Stern School of Business, is rooted in deep research and rigorous modeling, game theory and strategy, and storytelling. Here's an overview of our 10-step process:

1. **Signal Detection:** Combine primary research, expert insights, and AI-driven pattern recognition to detect early signals of change, bypassing traditional horizon scanning for a continuous, data-rich approach.

2. **Trend Identification:** Measure trends using momentum, trajectory, and disruptive potential, assigning scores based on quantitative data, such as market activity and regulatory shifts.

3. **Macro Themes:** Identify overarching themes by prioritizing trends with significant data-driven impact, leading to strategic dialogues with leadership.

4. **Uncertainties:** Address the unpredictable by categorizing uncertainties and prioritize them to cover a wide strategic range. Use STREEEP + W: social, technological, regulatory, environmental, economic, ethical, political, and wild cards.

5. **Develop Hypotheses About the Future:** Generate broad hypotheses by combining trends and uncertainties, using tools like 2×2 matrices and Monte Carlo simulations, a powerful automated statistical technique that uses variables to model a range of possible outcomes, to minimize bias.
6. **Scenarios**: Scenarios should be put together specifically for the executive, manager, or team using them to make decisions, and

should always be research-backed. In our work, we don't use a standard template, because the culture of every organization is very different.

7. **Bridge to Strategy:** Use scenarios to perform a SWOT analysis, challenging assumptions, and testing the organization's adaptability to future conditions.

8. **Strategy:** Use traditional strategic planning to align stakeholders and gain executive buy-in, focusing on key decisions like product development and M&A.

9. **Strategy Execution:** Align organizational roles with strategic goals, establish new performance metrics, and execute operational tactics.
10. **Measure and Recalibrate:** Teams should institute a way to continuously monitor progress and be able to make agile adjustments to tactics in response to real-time market feedback and evolving business landscapes.

While the overall process is linear, there is no end to this work. Teams should maintain a cycle of strategic foresight through continuous signal detection, trend identification and the development of actionable insights. Our approach is unique and specific, but effective. While every strategic foresight team should adopt and formalize its own repeatable method, it absolutely must be anchored in research, modeling, storytelling, and strategy.

Strategic Foresight in Practice

Strategic foresight can position any company to survive and thrive amid uncertainty. Here's how this might work for a bank facing the uncertainty of AI: Emerging trends point to a future where smart home appliances become the norm, along with innovative decentralized marketplaces for computing power. These marketplaces, leveraging peer-to-peer protocols, allow users to connect with and pay each other for sharing their unused resources. Our demand for computing resources continues to skyrocket, putting a strain on providers. One plausible scenario: households generate computing power for those who need it and earn money from their smart TVs, washing machines and mobile devices while they're not being used. Banks could become a trusted intermediary, facilitating both the secure peer-to-peer network and payments between parties, charging a nominal fee. This is a novel opportunity for banks to play and win by reframing AI as infrastructure.

Netflix transitioned from DVD rentals to streaming services, preempting the shift in consumer habits towards online content consumption — a move that has cemented its market dominance. Schibsted, an Oslo-based portfolio of digital consumer brands and a company we advise, used strategic foresight to anticipate how the internet might crush its advertising business and used those insights to create its own digital advertising business ahead of its time. Today, Schibsted is one of the most successful, and most respected media companies in the world.

We've counseled insurance executives to develop a long-term strategy on underwriting, and investment bank CEOs to guide their M&A in challenging areas like AI. We've used our strategic foresight methodology to help CPG companies know what products to create, hotel companies know what digital infrastructure to invest in, and pharmaceutical companies to prioritize which therapeutics to pursue next. Each of these examples underscores how strategic foresight — when correctly applied — can create a competitive edge and a buffer against the inevitable forces of disruption well into the future.

We live in a far more complex world today than corporate strategists and futurists ever envisioned. Leaders, forget your crystal balls and your chessboards. Strategic foresight is effective, it's within your reach, and it will help you navigate the next waves of disruption and transformation.

This article was originally published online on January 12, 2024.

Amy Webb is a quantitative futurist, CEO of Future Today Institute, and professor of strategic foresight at the New York University Stern School of Business. She is the author of *The Signals Are Talking: Why Today's Fringe Is Tomorrow's Mainstream*, *The Big Nine: How the Tech Titans and Their Thinking Machines Could Warp Humanity*, and *The Genesis Machine: Our Quest to Rewrite Life in the Age of Synthetic Biology*.

