



## Developing a Toolkit for Strategic Foresight

### Why some companies see disruption coming from a mile away, and respond accordingly.

A fundamental challenge facing business is to formulate robust strategy that adapts to threats or opportunities from innovation. Strategy requires the foresight to identify and respond to *ripples on the horizon*. Historically, it was sufficient to scan an industry landscape, monitor the behaviour of rivals and track metrics such as market share. The resources and capabilities needed to succeed were well understood, enabling firms to react quickly when needed. Unfortunately, this model of strategic planning is no longer adequate.

Today, we see repeated instances of innovative technologies that are disrupting industries as diverse as hospitality, transport, manufacturing, healthcare, agriculture and finance. Radio frequency identification in logistics, 3D printing in advanced manufacturing, blockchain in finance...the examples are endless. As new technologies emerge, traditional business leaders must make decisions around investments in technology trajectories that are highly uncertain and often irreversible. The wrong decision or even complete inaction can lead to potentially disastrous consequences. Witness the fate of Blockbuster, Nokia and Kodak.

In contrast, businesses such as Sony (image sensors), DHL (digitisation) and GEDI Gruppo Editoriale (print media) were able to detect and rapidly respond to weak signals emanating beyond their industry. All three made major strategic bets

before the market settled on a technological trajectory or business model. Importantly, they continue to hold a healthy position in their markets.

This begs the question: Why can some businesses detect and respond to distant threats and vague opportunities, while most firms remain unaware, unmotivated or incapable of responding to these signals? As researchers, we have been making a concerted effort to resolve the riddle, and thus bridge the gap between the leading firms and the less far-sighted majority. Our answer includes the Distant Foresight Index (DFI), developed to help organisations identify potentially destructive threats and curate appropriate responses.

### The nature of distant innovation

Albert Einstein is said to have once remarked, “The true sign of intelligence is not knowledge, but imagination.” We tend to imagine the future as an extension of what we see today, but it rarely is. Shifts in core scientific and technological knowledge elicit new business initiatives and models from unexpected locations. Innovation can emerge from actors who are agnostic to industry borders, and can be rapidly deployed to redefine entire markets. This can have cascading effects that are not immediately obvious or intuitive. Exogenous shocks can take time to filter through to the market, blinding those leaders who lack foresight to the ultimate impact on

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their consumers.

At the same time, new technologies can lead to failed business model initiatives. The task of navigating the future and discerning real opportunities from fake threats has never been more difficult.

For example, meat grown in labs is more akin to pharmaceutical production than agriculture. What does this mean for farmers and the food service providers (e.g. veterinary services, abattoirs) that support the large animal meat industry? What signals should farmers consider regarding whether lab-grown meat will pose a genuine threat or opportunity in the future or whether it is hype promoted by consultants and venture capitalists?

Executives with the foresight to see beyond the boundaries of their industry will be better positioned to ignore, pre-empt, retreat from, defend, mitigate and capitalise on opportunities.

Why are most business leaders unprepared? Part of the problem is that existing tools and frameworks either focus overly on the industry's immediate environment (e.g. strategic planning, war games, etc.) or are intended to support experimentation and quick testing (e.g. design thinking, rapid learning cycles, etc.). With the incentives in most organisations focused on the short-term, leaders unwittingly encourage incremental activities that build upon existing knowledge domains, rather than acquiring new knowledge. Without a structured framework and process for identifying and responding to distant innovation, there is always the risk that the organisation will fail to correctly identify a threat or will rush towards a solution before the opportunity is fully understood.

A botched response is especially likely when the innovation can reconfigure an industry's ecosystem and the strategic interactions among its actors. How can business leaders account for all these uncertainties when, by definition, they are unknown?

### **Developing a toolkit for distant foresight**

Empowering the right people, often those who demonstrate lateral thinking or an aptitude for curiosity, can be useful. And so is making resources available to these individuals, so they can test their ideas outside their operational roles. Workshops that encourage staff to ask new questions and spend time observing trends in domains removed from their current role can reveal clues about technological trajectories that would otherwise have gone unnoticed. While all these steps can help, ultimately you need a better strategic planning process to systematically and accurately identify

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distant threats and opportunities, and this is where the DFI fits in.

We focus on the primary key strategic investment decision: Should you invest scarce financial and managerial resources to develop a clear view on a distant threat or vague opportunity? The DFI is designed to measure the two key dimensions of such innovations, namely:

1. Threat: The *magnitude* of the potential disruption to your core business
2. Opportunity: Your business's current and future *ability* to respond to the innovation

For a threat, we measure the scalability prospects of the innovation, reliance on complementary resources, speed of entry, likelihood of dominant design emergence, quality of network ties possessed by the innovator, bottlenecks, reconfiguration of customer relationships and number of external actors needed to deliver the value proposition. For an opportunity, we examine innovation awareness, motivation to change, existing capability within the business and ease of developing any necessary new capabilities.

This soon-to-be-released tool offers substantial advantages over existing frameworks, as it is not constrained by industry boundaries. It reveals the signals that correlate with the emergence of successful innovation and the potential impact it may have on your business. In combination, this helps to calibrate a response even as the future remains unknown. Do you need to take immediate action to acquire or rapidly develop a new business unit or is there time for the business to evolve via learning and investment activities?

### **Co-creating distant foresight**

Having completed the groundwork for the DFI, we need your help to take it to the next level. If what we describe sounds like a familiar situation for your business, we want to hear from you.

Specifically, we would like to speak to leaders of global businesses who have successfully navigated the disruptive changes that have upended their industries. We are eager to examine the severity and types of uncertainty you face and to understand the logic you use to evaluate distant innovations, so that we can refine and extend our index and make it an effective and accessible tool for all businesses across all contexts. In return, we will share our results in a practical manual for deploying the DFI *gratis* to all collaborating businesses. The manual is scheduled to be published in the second half of 2020.

*If you are interested in participating in this research,*

please contact [jaki.heta@waikato.ac.nz](mailto:jaki.heta@waikato.ac.nz) who will ask you to sketch out a case study describing your current strategy and the future trajectory of your industry. Following this preliminary work, we will offer a series of exclusive invitations to workshops in London, Paris, San Francisco and Singapore next year, where we will present our initial findings.

**David Midgley** is an Emeritus Professor of Marketing at INSEAD.

Tim Coltman is Dean and Professor of Innovation at the Tauranga campus of the University of Waikato in New Zealand. Thomas Simnadis is a Postdoctoral Research Fellow at the University of Waikato.

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