

**APPLICATION OF FORESIGHT PLANNING IN STRATEGIC BUSINESS  
PLANNING**

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## **Introduction**

Foresight planning discusses the processes which anticipate opportunities and threats which may arise in a foreseeable future from mid to long term time frames. Foresight planning also encourages innovation, strategic evaluation and shaping the future proactively. Thus, unlike in traditional planning which pursued in preventing failure, foresight planning prioritizes resilience which is early detection of threats and fast recovery.

Strategic foresight or in other words foresight planning helps a company to make long-term plans especially when the future is unpredictable. That is the main difference between foresight planning and strategic planning. Strategic planning focuses mainly on a future direction based on the learnings in the past, whereas strategic foresight looks 10 to 20 years ahead in a VUCA (Volatility, Uncertainty, Chaos and Ambiguity) world and shaping the strategic direction of the company.

Strategic foresight, as an instrument to develop strategies for the future, is important to challenge the predictions of the present world. An important step in anticipating practically is to associate the present with the future, accept its volatility and work collaboratively to grasp it better. When emerging future scenarios, it is vital to understand the fact that although the future is unpredictable, it can be influenced by the actions or inactions that we do today.

Foresight planning uses various tools in mapping the strategic strides of a company or a situation. Issue analysis, expert panels, visioning, scenario planning, the Delphi method is only a few of them and these will be discussed in the latter part of this chapter.

To summarize, organizations want to understand in greater detail how the environment is changing, the impact of these changes in their businesses and how they can make the most of these changes. Foresight planning helps organizations to look ahead to understand the future and make informed decisions based on carefully analyzed scenarios of the future.

## **Foresight Planning**

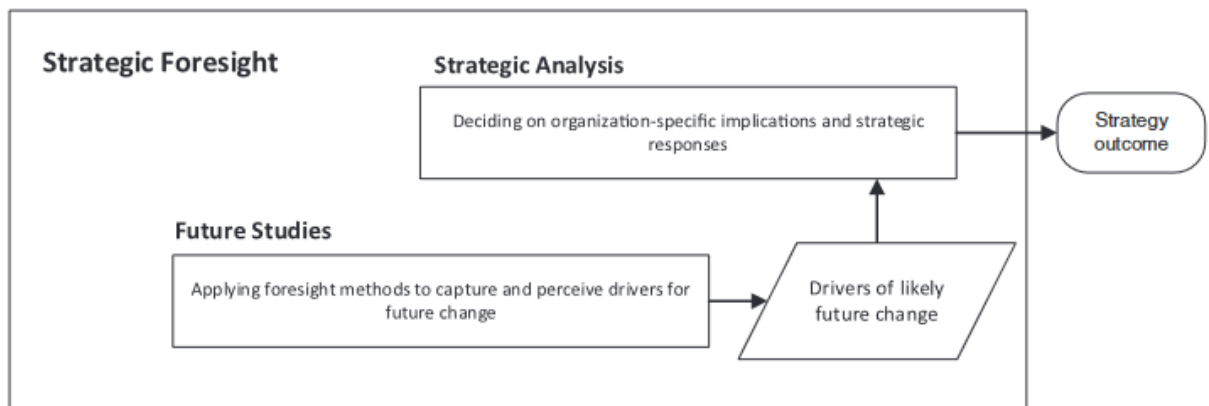
Foresight planning discusses how a firm understands future-oriented insights and apply them to the organization's strategic activities and decision making.

Rich source of theoretical understanding has been published by Rohrbeck and Gemünden, (2011) Corporate foresight. Rohrbeck and Gemünden (2015) provides historical background about the foresight research field, from its beginning in the 1950s mainly through scenario planning in the 1960s–1970s, to organizational integration since 2000 to present. Different terms are being used to relate foresight planning to make strategic decisions in corporations. However, Hameland Prahalad (1994) defines industry foresight can be used to understand deep insights of trends that will benefit in creating new competitive space for organizations. Slaughter (1997) uses the word ‘strategic foresight’ to signify a combination of future methods with those of strategic management.

The first definition has come from Ahuja, Coff, and Lee (2005) who highlight the role of an individual and take a resource-based view. They argue that managers should perform foresight to acquire resources at below their future value in order to create a competitive advantage (Ahuja et al., 2005). Ahuja et al. (2005) use foresight as a way of using personal power to understand things well in advance. They also define managerial foresight as managers’ ability and how their actions could create a competitive advantage. Rohrbeck and Gemünden (2015) uses the term ‘corporate foresight’ as a method that allows an organization to build the basis for a future competitive advantage through value creation.

Considering the foresight terms mentioned above, strategic foresight is a twofold purpose task of 1) observing, perceiving, and capturing factors that are likely to persuade future changes and 2) dealing with these changes by deciding suitable organizational responses as illustrated in Figure. 1.

**Figure 1: Strategic Foresight**



*Source:* The nature of strategic foresight research, NHH Norwegian School of Economics.

According to the prospective approach, the above two processes should not be behaving independently where the foresight part by the futurist and the decision-maker the strategy part. It should be a combined and integrative process where the decision-maker participates in the foresight process and futurist in the strategy part.

There are several factors behind the reasons for strategic foresight that have been attracted by researchers. Foresight and foresight methods have been applied by various institutions and people widely for a longer period of time. However, strategic foresight as a concept is fairly new and stresses carrying forward-looking techniques to the strategic decision-making process.

As discussed earlier in this chapter, strategic planning provides insights of an organization's operating environment and identify the challenges and opportunities. This will help the organization and its managers to improve innovation and it builds the competitive space. Further, strategic foresight must be a core topic in strategic management where it attracts attract researchers from multi-disciplinary areas such as management, economics, sociology, and psychology. Also, even though the research on strategic foresight/foresight planning is very limited (Jissink et al., 2014), there is a growing research interest in the field. However, it was found that the existing literature is still not properly integrated and discussed in mass. Therefore, it can be concluded that the academic field is weakly organized with related to this topic (Rohrbeck & Gemünden, 2015).

Therefore, the author recommends putting more emphasis on foresight theory and its practical application for organizations strategic planning. Since the success of strategic planning and decision making is primarily based on adequate information about an organization's objectives, strategies and vision – it is vital to embrace systematic future thinking or in other words foresight, into the process of strategic planning.

### **Practical Application and Learnings**

The greatest challenge for organizations nowadays is the increasing pressure they have to face as a result of uncertainty. Companies still suffer from the lack of a framework to predict future economic conditions and provide relevant responses to them.

There is no doubt that forewarned only can be defended by forearmed. Forearmed is part of strategic foresight. Firms now understand that strategic foresight does not only avoid hazards but also assist them in taking full advantage of emerging opportunities in the market.

A recent Harvard Business Review has been cited research by Germany's EBS Business School, which explains the areas strategic foresight adds value to an organization – as below.

- (i) Enhanced capacity to perceive change
- (ii) Enhanced capacity to interpret and respond to change
- (iii) Influence on other factors
- (iv) Enhanced capacity for organizational learning

Companies however, have adopted several tools as frameworks to predict the uncertainty and make proactive changes. Several tools are described below.

- (i) Issue Analysis (IA)

This can be identified as a method of resolving strategic issues. IA provides information for strategic decision making. IA is called an information method and it identifies things well in advance and depending on its development companies or persons who request such information are informed about the consequences. IA has several types such as emergent issue analysis (EIA), cause and effect method, casualty, future wheel method.

(ii) Visioning

This is another form of foresight planning where the desirable future of the organization is created as a mental state by the management of the organization. This is a powerful tool as it brings people are brought together to share what they really feel, what they want to do and how they want to do it.

A good example of using foresight planning could be understood through a simple case study back in the late 1960s. Although running an oil company was simple by then, demand was growing at 7% per annum and supply was unlimited. Strategic planning was in action but was used to plan demand (build refineries) and supply (add new tankers) only. Then the leaders of Royal Dutch Shell started doing scenarios to show how the supply of oil should be restricted by oil-producing countries in the future. Although they didn't discover when this should be started, they knew signs that the supply should be limited by the day the scenarios were approached. Seeing these 'warning signs' before anyone else allowed the Royal Dutch Shells to stop building refineries immediately and became the only oil company that didn't go into an overcapacity situation during the oil crisis in 1972.

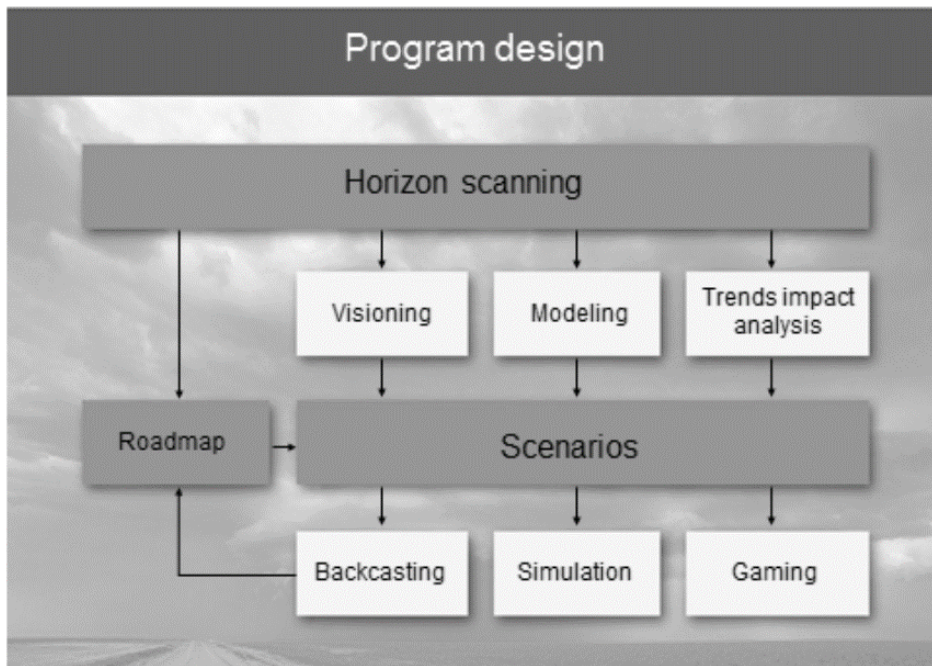
Therefore, in summary, the main part of foresight planning is to provide information for management to see the unseen. This does not stop from there but adds value to the organization by taking everyone into the same mental framework, ensuring resilience and sustainability.

### **Applicability**

Foresight planning is becoming important in strategic planning as it provides vital information for management in taking decisions for companies. As the future is unpredictable and volatile, and companies are facing a VUCA world, it is necessary to adapt wide lenses to have an understanding of the future. A broad lens helps to identify significant trends, phenomena, and doubts while obtaining strategic insights from them.

Foresight planning helps companies to plan their future. Before starting a program or a project, analyzing different methods is useful to understand different consequences by the end of the project. Following is a combined framework for foresight planning which has helped a company to build their strategic roadmap.

**Figure 2: Program Design of an organization**



*Source:* Practical Foresight guide, Dr.Michael Jackson, Shaping Tomorrow

It is noticeable that the above framework has been based on several strategic foresight tools such as visioning, modelling, trend analysis, scenario planning etc.

The main purpose of any company implementing strategic foresight process is to ensure that companies take informed decisions based on several future scenarios which are carefully analyzed and diagnosed.

There are lot of benefits companies gain by adopting foresight in their strategic vision and some of them are mentioned below.

- (i) Increase the organizational awareness of future trends which are relevant to the success of the organization.
- (ii) Complete mapping of key future development of organization in a systematic way which helps organizational visioning.
- (iii) Assist in early warnings. Continuous scanning and tracking about warning signals and opportunities that are relevant to the organizations success planning.

- (iv) Future planning and decision management. – Deep dives into vital topics such as strategic plans and investment decisions relevant to future expansions.
- (v) Thought Leadership – Having nourished views and opinions of the future developments of a company puts its management in a natural thought leader’s position.

**Figure 3: Foresight planning & Thought Leadership**

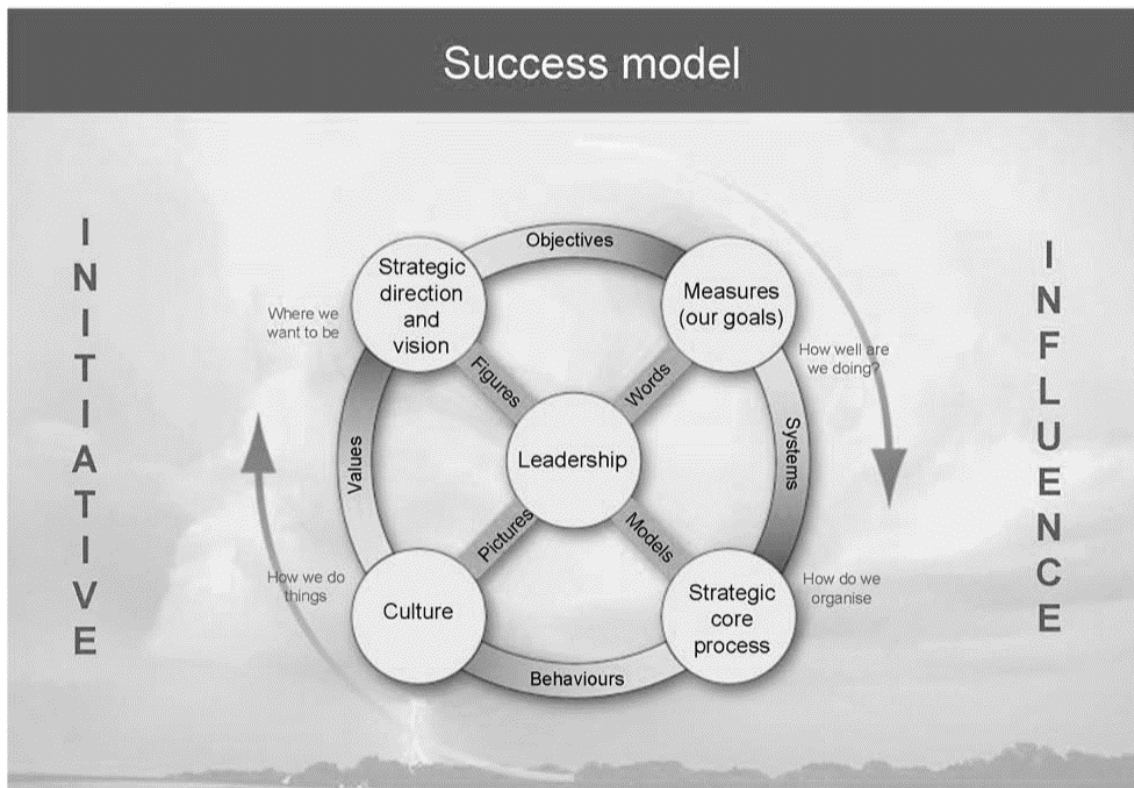


Source: [www.futuresplatform.com](http://www.futuresplatform.com)

According to the above figure it shows that how the strategic foresight helps all levels of the organization to drive its vision through leadership. Leaders are confident when they clearly know – Where we want to be, how well the company is going, how they should organize better and how they do things. All models, tools, frameworks described above helps a company to become more clear on these areas and respond proactively to uncertain challenges. That’s the ultimate objective of having strategic foresight.



**Figure 4: Success Model of an Organization**



*Source: Success Model, Courtesy of Black Mountain Consultancy.*

## **Conclusion**

It is clear that there are advantages to strategic foresight and why every company should implement it. One of the reasons for companies to strategic foresight execute better is the fact that strategic foresight enhances the ability to understand the evolving world and make better decisions. When companies combine seeing the long term to the short term understanding, managers more often make realizations not revealed through foresight. This results in considering various stakeholder's sights in the strategy process and integrating the values of what is viable and fair in the strategic decision-making. In more practical terms, through strategic foresight, managers can find a number of clear results of how this process can shape the outperforming entity of the future.

In smaller organizations, foresight can be incorporated into the organization's culture and values and it could be regarded as a foundation for identifying the next disruptive innovation to expand the business and ensure existence in a competitive environment.

Forecasting from historical data and past experience will become imperfect as discontinuities or strategic surprises from the environment cause immediate or long-term change, the browsing of the environment for weak signals is becoming increasingly important to the long-term success of an organization. Foresight activities will not protect companies from failing, but also there are pure benefits to organizations challenging themselves with the prospective futures, in preparation for both specified and cultural strategic reactions to changes driven by the ambiguous environment.

To conclude, the author claims foresight planning is an essential element in strategic planning and implementation hence, management should be encouraged to practice and action them as a part of the company's strategy development to ensure that they will not obscure uncertainties during the process.

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