Harvard Business Review

REPRINT H052ET
PUBLISHED ON HBR.ORG
JULY 30, 2019

ARTICLE
STRATEGIC THINKING

How to Do Strategic Planning Like a Futurist

by Amy Webb

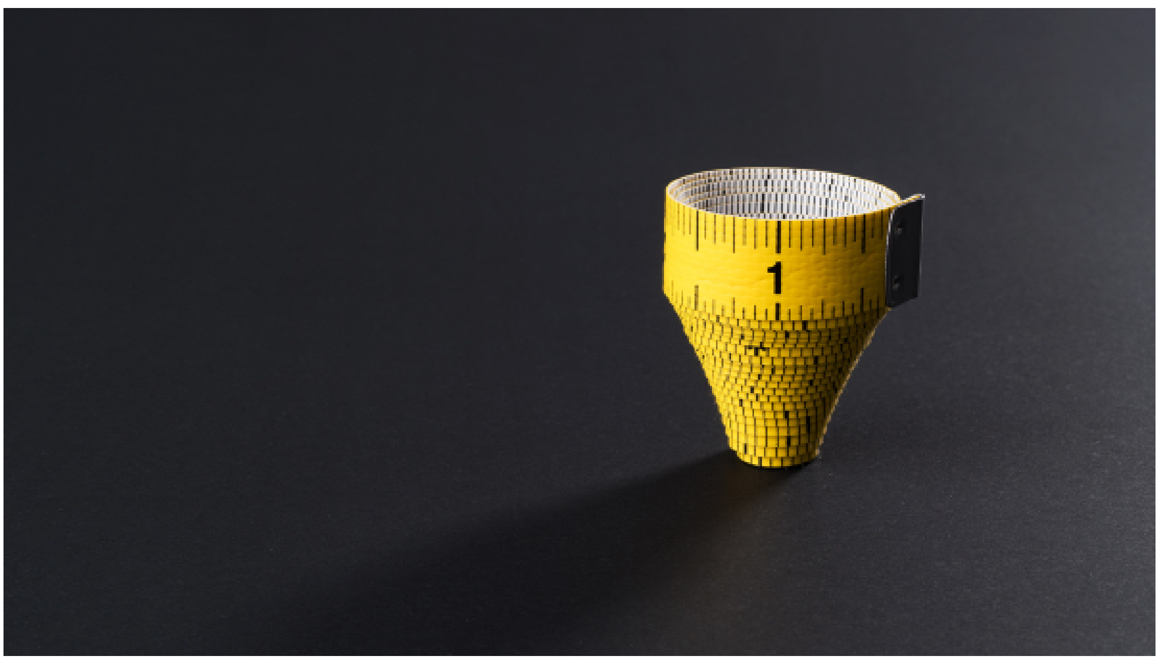
Harvard Business Review

STRATEGIC THINKING

How to Do Strategic Planning Like a Futurist

by Amy Webb

JULY 30, 2019



MIRAGEC/GETTY IMAGES

I recently helped a large industrial manufacturing company with its strategic planning process. With so much uncertainty surrounding autonomous vehicles, 5G, robotics, global trade, and the oil markets, the company's senior leaders needed a set of guiding objectives and strategies linking the company's future to the present day. Before our work began in earnest, executives had already decided on a title for the initiative: Strategy 2030.

I was curious to know why they chose that specific year — 2030 — to benchmark the work. After all, the forces affecting the company were all on different timelines: Changes in global trade were immediate concerns, while the field of robotics will have incremental advancements, disappointments, and huge breakthroughs — sometimes years apart. Had the executives chosen the year 2030 because of something unique to the company happening 11 years from today?

The reason soon became clear. They'd arbitrarily picked the year 2030, a nice round number, because it gave them a sense of control over an uncertain future. It also made for good communication. "Strategy 2030" could be easily understood by employees, customers, and competitors, and it would align with the company's messaging about their hopes for the future. Plus, when companies go through their longer-term planning processes, they often create linear timelines marked by years ending in either 0s or 5s. Your brain can easily count in fives, while it takes a little extra work to count in 4s or 6s.

Nice, linear timelines offer a certain amount of assurance: that events can be preordained, chaos can be contained, and success can be plotted and guaranteed. Of course, the real world we all inhabit is a lot messier. Regulatory actions or natural disasters are wholly outside of your control, while other factors — workforce development, operations, new product ideas — are subject to layers of decisions made throughout your organization. As all those variables collide, they shape the horizon.

Chief strategy officers and those responsible for choosing the direction of their organizations are often asked to facilitate "visioning" meetings. This helps teams brainstorm ideas, but it isn't a substitute for critical thinking about the future. Neither are the one-, three-, or five-year strategic plans that have become a staple within most organizations, though they are useful for addressing short-term operational goals. Deep uncertainty merits deep questions, and the answers aren't necessarily tied to a fixed date in the future. Where do you want to have impact? What it will take to achieve success? How will the organization evolve to meet challenges on the horizon? These are the kinds of deep, foundational questions that are best addressed with long-term planning.

Why We Avoid Long-Term Timelines

As a quantitative futurist, my job is to investigate the future using data-driven models. My observation is that leadership teams get caught in a cycle of addressing long-term risk with rigid, short-term solutions, and in the process they invite entropy. Teams that rely on traditional linear timelines get caught in a cycle of tactical responses to what feels like constant change being foisted upon them from outside forces. Over time, those tactical responses — which take significant internal alignment and effort — drain the organization's resources and make them vulnerable to disruption.

For example, in 2001 I led a meeting with some U.S. newspaper executives to forecast the future of the news business. They, too, had already settled on a target year: 2005. This was an industry with visible disruption looming from the tech sector, where the pace of change was staggeringly fast. I already knew the cognitive bias in play (their desired year ended in a five). But I didn't anticipate the reluctance to plan beyond four years, which to the executives felt like the far future. I was concerned that any strategies we developed to confront future risk and find new opportunities would be only tactical in nature. Tactical actions without a vision of the longer-term future would result in less control over how the whole media ecosystem evolved.

To illustrate this, I pointed the executives to a new Japanese i-Mode phone I'd been using while living in Tokyo. The proto-smartphone was connected to the internet, allowed me to make purchases, and, importantly, had a camera. I asked what would happen as mobile device components dropped in price — wouldn't there be an explosion in mobile content, digital advertising, and revenue-sharing business models? Anyone would soon be able to post photos and videos to the web, and there was an entire mobile gaming ecosystem on the verge of being born.

Smartphones fell outside the scope of our 2005 timeline. While it would be a while before they posed existential risk, there was still time to build and test a long-term business model. Publishers were accustomed to executing on quarter-to-quarter strategies and didn't see the value in planning for a smartphone market that was still many years away.

Since that meeting, newspaper circulation has been on a steady decline. American publishers repeatedly failed to do long-term planning, which could have included radically different revenue models for the digital age. Advertising revenue has fallen from $65 billion in 2000 to less than $19 billion industrywide in 2016. In the U.S., 1,800 newspapers closed between 2004 and 2018. Publishers made a series of short-term tactical responses (website redesigns, mobile apps) without ever developing a clear vision for the industry's evolution. Similar stories have played out across other sectors, including professional services, wired communications carriers, savings and loan banks, and manufacturing.

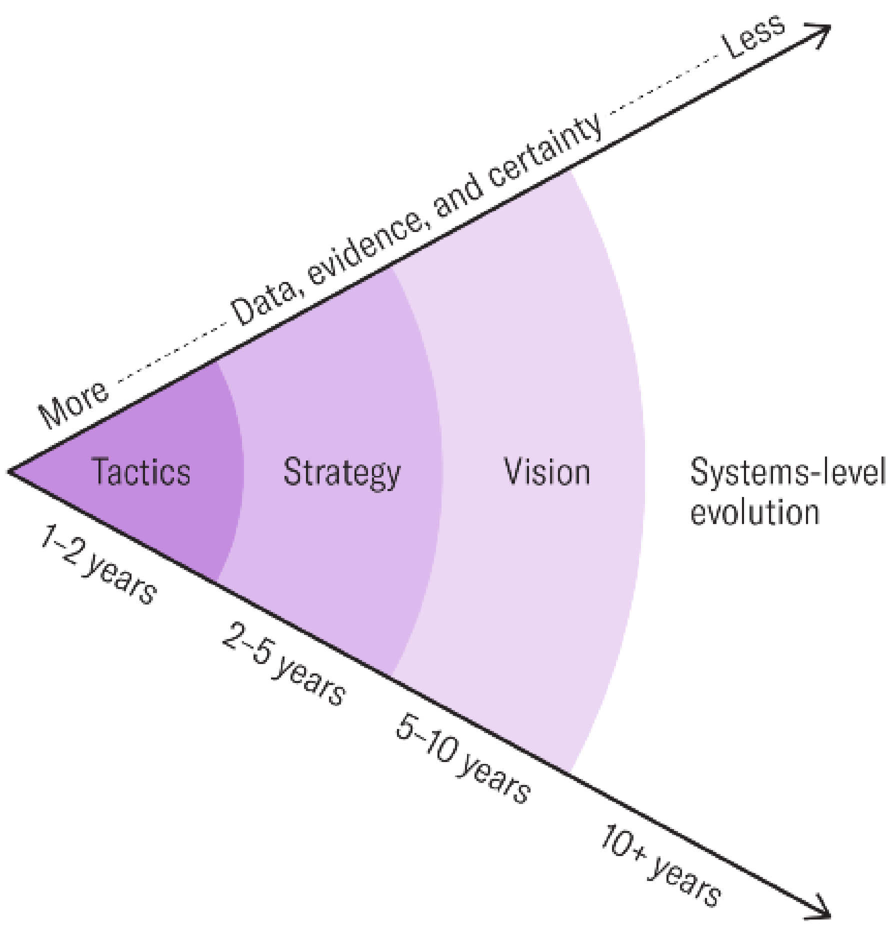
Use Time Cones, Not Time Lines

Futurists think about time differently, and company strategists could learn from their approach. For any given uncertainty about the future — whether that's risk, opportunity, or growth — we tend to think in the short- and long-term simultaneously. To do this, I use a framework that measures certainty and charts actions, rather than simply marking the passage of time as quarters or years. That's why my timelines aren't actually lines at all — they are cones.

For every foresight project, I build a cone with four distinct categories: (1) tactics, (2) strategy, (3) vision, and (4) systems-level evolution.

A Futurist's Framework for Strategic Planning

Instead of arbitrarily assigning goals on a quarterly or yearly time line, use a cone instead. First identify highly probable events for which there's already data or evidence, and then work outward. Each section of the cone is a strategic approach, and it encompasses the one before it until you reach major systems-level evolution at your company.



Source: Amy Webb, Future Today Institute

Find this and other HBR graphics in our Visual Library

I start by defining the cone's edge, using highly probable events for which there is already data or evidence. The amount of time varies for every project, organization, and industry, but typically 12 to 24 months is a good place to start. Because we can identify trends and probable events (both within a company and external to it), the kind of planning that can be done is *tactical* in nature, and the corresponding actions could include things like redesigning products or identifying and targeting a new customer segment.

Tactical decisions must fit into an organization's strategy. At this point in the cone, we are a little less certain of outcomes, because we're looking at the next 24 months to five years. This area is what's most familiar to strategy officers and their teams: We're describing traditional strategy and the direction the organization will take. Our actions include defining priorities, allocating resources, and making any personnel changes needed.

Lots of organizations get stuck cycling between strategy and tactics. While that process might feel like serious planning for the future, it results in a perpetual cycle of trying to catch up: to competitors, to new entrants, and to external sources of disruption.

That's why you must be willing to accept more uncertainty as you continually recalibrate your organization's vision for the future. A company's vision cannot include every detail, because there are still many unknowns. Leaders can articulate a strong vision for 10 to 15 years in the future while being open to iterating on the strategy and tactics categories as they encounter new tech trends, global events, social changes, and economic shifts. In the vision category, we formulate actions based on how the executive leadership will pursue research, where it will make investments, and how it will develop the workforce it will someday need.

But the vision for an organization must also fit into the last category: systems-level disruption that could unfold in the farther future. If executive leaders do not have a strong sense of how their industry must evolve to meet the challenges of new technology, market forces, regulation, and the like, then someone else will be in a position to dictate the terms of your future. The end of the time horizons cone is very wide, since it can be impossible to calculate the probability of these kinds of events happening. So the actions taken should be describing the direction in which you hope the organization and the industry will evolve.

Unlike a traditional timeline with rigid dates and check-ins, the cone always moves forward. As you gain data and evidence and as you make progress on your actions, the beginning of the cone and your tactical category is always reset in the present day. The result, ideally, is a flexible organization that is positioned to continually iterate and respond to external developments.

Imagining the Future for Golf Carts (or Mini-Gs)

For an example, let's consider how a company that manufactures golf carts could use this approach when considering the future of transportation. We would consider some of the macro forces related to golf carts, such as an expanding elderly population and climate change. We'd also need to connect emerging tech trends that will impact the future of the business, such as autonomous last-mile logistics, computer vision, and AI in the cloud. And we would investigate the work of startups and other companies: Amazon, Google, and startups such as Nuro are all working on small vehicles that can move packages short distances. What emerges is a future in which golf carts are repurposed as climate-controlled delivery vehicles capable of transporting people, medicine, groceries, office supplies, and pets without a human driver. Let’s call them mini-Gs. The golf cart manufacturer probably already has the core competency, the supply chain, and the expertise in building fleets of vehicles, giving it a strategic advantage over the big tech companies and startups. This is an opportunity for a legacy company to take the lead in shaping the evolution of its future.

With a sense of what the farther future might look like, leaders can address the entire cone simultaneously. There will need to be new regulations governing speed and driving routes. City planners and architects will be useful collaborators in designing new entrance ways and paths for mini-Gs. Drug stores like CVS and Walgreens could be early buyers of mini-Gs; offering climate-controlled home delivery of prescriptions could eventually lead to using mini-Gs to collect blood or other diagnostic samples as the technology evolves. Working at the end of the cone, the golf cart manufacturer’s leaders will determine how the ecosystem forms while they simultaneously develop a vision for what their organization will become.

Working at the front of the cone, executives will incorporate mini-Gs into their strategy. The actions here will take deeper work and more time: setting and recalibrating budgets, reorganizing business units, making new hires, seeking out partners, and so on. They will build in flexibility to make new choices as events unfold over the next three to five years. While the mini-Gs future I described above may still be very far off, this will position the company to pursue tactical research today: on the macro forces related to golf carts, emerging tech trends, and all of the companies, startups, and R&D labs currently working on various components of the ecosystem, such as last-mile logistics and object recognition. Over the next year, the golf cart manufacturer will bring together a cross-functional team of employees and experts; perform an internal audit of capabilities; facilitate learning sessions and workshops; assess current and potential vendors; and stay abreast of new developments coming from unusual places. What employees and their teams learn from taking tactical actions will be used to inform strategy, which will continually shape the vision of the company and will position it to lead the golf cart industry into the future.

Dozens of organizations around the world use the time horizons cone in the face of deep uncertainty. Because their leaders are thinking exponentially and taking ongoing incremental actions, they are in position to shape their futures. It might go against your biological wiring, but give yourself and your team the opportunity to think about the short- and long-term simultaneously. Resist the urge to pick a year ending in a 0 or 5 to start your strategic planning process. You will undoubtedly find that your organization becomes more resilient in the wake of ongoing disruption.

Amy Webb is a quantitative futurist 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 and The Big Nine: How the Tech Titans and Their Thinking Machines Could Warp Humanity*.

