

Interview: Future-Proofing the Threats of Competitive Disruption

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About

René Rohrbeck is a Professor of Strategy and holds the Innovation and Continuous Transformation Chair at EDHEC Business School in Lille, France. As a leading academic on strategic foresight, Rohrbeck has tracked the capabilities and performance of hundreds of companies to develop a maturity model for the future orientation of firms.

Companies thriving today are at greater risk of being left behind during the next phase of competitive disruption. Professor René Rohrbeck's urgent complacency warning is outlined in our interview below. He explains why foresight is critical and recommends strategists promote three methods to establish a long-term competitive advantage.

- Strong past performance can lead firms to lose their predictive edge during turbulent times.
- Thriving companies might be the least prepared for the next phase of disruption.
- To sustain an advantage, perceive, prospect and probe possible future states.
- Develop mechanisms to spot trends and tipping points.
- Continuously strategize and nurture a state of permanent experimentation.
- Assess the stability of your industry to determine your level of foresight maturity.

The transcript of our interview has been edited for length and clarity.

Would it be wrong to call you the world's leading academic on strategic foresight?

Well, we are a humble bunch in academia. What is true is that we have collected some rather unique data. We have over 450 benchmark datasets on companies, how they apply foresight practices and that's pretty unique in the world. We also collected a lot of case studies where we tracked companies over longer periods of time.

Could you explain your role at the university?

Here at the EDHEC Business School in France, I have a research chair, which is focusing on helping firms to understand how the topics of foresight, innovation and transformation fit together.

So we're building up a research program in which we work with longitudinal firm performance data and apply our maturity model to identify practices that firms apply to increase their future preparedness, or future FITness as we call it.

We are also looking into building a future FITness indicator, which is quite important. Once we move into more turbulent environments, the predictive value of past performance starts decreasing. So just because I've been big in the past or because I have been profitable in the past doesn't mean that I'm going to be also capable of sustaining this in the long term anymore.

A big car company will most likely be a big car company in 10 years time. That is the thinking from years ago. Today the question is more: "In 10 years time, will there be car companies?" Or, will their dominance be replaced by mobility companies? And further, who has the control points in the industry? Is it a platform provider like an Uber or a Lyft? Will there be some end-customer device that orchestrates the access to cars and other mobility services?

If you're very good at doing what you're doing now, are you less likely to be able to prepare for the future and see changes coming?

Yes, we see that tendency. We can even show that empirically.[1] If I'm looking at that in a cross-section, meaning I'm looking at the firm's performance in terms of profitability and past growth today and the future preparedness, I'm finding a negative correlation.

What that means is that, if you're operating a successful business, then you're not worried and you don't have sufficient attention on ensuring that you have a chance to survive in a world where your current business model is no longer viable. And this is probably the moment when you need to start to worry that it can only go downhill. We try to help firms create a sense of urgency when they can still avoid being marginalized in their industry.

Do you see a difference between foresight, futurism and competitive intelligence or are we really talking about the same thing?

In competitive intelligence, you would often focus most of your attention on your existing competitors, while in foresight you would typically emphasize the search for what kind of competitors you might actually face in five years. We as individuals, we are quite good at anticipating what's coming towards us. As humans, we were born with this gift of anticipation, while organizations have many mechanisms which will prevent them from anticipating successfully. And this is what creates interest from an academic point of view and vulnerability in practice.

Could you talk a little bit about just the overall maturity model that you you've come up with? How do you measure the future FITness of firms?

We developed our maturity model on the basis of case study work for highly successful companies which have lived a long period of time, which have shown that they're able to renew their competitive advantage regularly. And then we started to decode the types of practices they work with.

We distinguish three main types of practices: those which help you to perceive, seeing change, practices which we call 'prospecting'. They allow you to systematically think about how the future could look. Then what we call probing, which for us is the key to move from insight to taking the decision and acting.

Does an organization have a future radar — a mechanism, a tool or platform which shows me what change drivers are coming towards me? What is my opinion as an organization about them? When would they become mature? What kind of changes will they bring? What would that mean to my business or to potential future business I can get into? And that's something which many firms don't have. The real value comes from sharing across hierarchical networks so that when the engineer down in in the lower level sees something, the impact can be assessed and shared with higher or even top management.

Do you think certain foresight practices are superior to others, or does it depend on the situation?

We emphasize three key practices. First, what we call a strategic radar, for which you need to systematically scan in your traditional blind spots and interpret what you see.

Second, on the prospecting side, we see the most advanced companies moving from one-off strategy formation to continuous strategizing. That's something which for many firms is still very, very far away. They think it's already hard enough to just settle on one strategy. It sounds like light from the moon, but the leading companies, they already work in this way.

Third, you need to continuously experiment and probe into new markets. That can be either internal or external venturing activity so that you test things out in pilot market. Or you work with partners to create a new service or new product. You have a certain size of R&D budget or business development budget set aside for that and you have top management's attention on it.

What are some low-effort ways for companies to improve their foresight maturity?

We often start with scenario analysis, to say let us just make a one-time project so that you understand what plausible environments could come your way. How you do it often depends on the firm's size. Small and medium-sized firms often organize a one-day exercise. They'll do a workshop with crowdsourcing from their employees and all kinds of different change drivers are being processed. So then we can play with them and take them through a scenario exercise.

One can also start at the front end, i.e. on the perceiving side. Firms often already have some basics in place: engineers that are looking into the technology future, sales people that capture signals from the market, etc. Foresight implies that firms put in place a routine to continuously do 360 scans of all the change drivers using a PEST or PESTLE framework. They create a corporate opinion about change drivers, which in turn allows them to drastically reduce the time for decision-making and the response time for strategic challenges.

The challenge is that firms often stop at naming trends. At investor conferences they may say things like AI will change the way we do business and robotics will be important, etc. But when you look a little bit under the hood, many of those companies will not have thought through what the real implications are, let alone what kind of financial impact it may have. Whether it's 30% or 60% of the revenues under threat or whether there's a big upside for them in that game, it's important that firms take the time to do a thorough trend audit. That involves mapping and forming an opinion about which trends will become prevalent and when it will start re-shaping the industry.

What do you think is the most difficult thing about foresight for firms?

I think that it disrupts decision-making as we know it. That's by far the trickiest thing. You really need to have a mind shift. We are used to decision-making under risk, but in real life, we are making decisions under uncertainty. That requires a totally different type of decision-making. Firms need to think in options, and maximize them. However, firms are typically more focused on defending the markets they are already in. Leading firms ask questions such as: "what are the most promising markets for which we want to reserve a right to play?" Or they ask: "how do we secure both access and assets and capabilities that allow us to build a strong position there?" They say: "let's secure an option," "let's do some R&D in that space," "let's get some patents so that we would be allowed to play in this space." In other cases it might even be required that you bet your company in a huge investment into something new and bigger.

Are you working on any new strategic foresight research?

We're creating indicators for investors, or for society at large to understand if organizations are prepared for the future. It involves looking both at what practices they have and what practices they need - given their ambition as well as the volatility, hostility and complexity in their current and future markets. If we look at the car industry, for instance, when we assessed their future FITness 12 years ago, they came out as being sufficiently future-prepared because their industry was rather stable, even if their foresight practices weren't particularly good. They had no lack of future FITness, because they would have sufficient early warning signals and their industry moved very slowly, so they would also have had the time to respond. Our indicator will help investors determine if a firm has the right future FITness to be successful in volatile, uncertain, complex and ambiguous environments.

Do you think there will be many changes in how firms approach strategic foresight in the next 10-20 years?

I think we're already seeing it happening around us. The first step is this realization that working with past data to predict the future is something from the past – it's not working anymore.

There's also interesting research driven primarily out of the U.S. where they ask: "what are the types of strategies that kill all the other strategies in the same industry?" or "how did they come about?" Those are also not based on past performance because it's triggered by reinvention. It's triggered by creativity in how that industry works and how firms can reshape it in order to be successful there. We are not trying to get uncertainty out of the equation, we're trying to get uncertainty into the equation. Only where uncertainty persists is there the prospect of superior profitability.

Rohrbeck summarizes his latest research on firm FITness in the white paper, "Making organizations fit to drive desirable futures."

Recommended by the Authors

- "Ignition Guide to Conducting a Competitive Intelligence Exercise"
Streamline your efforts by resolving data discrepancies from different sources early on, standardizing reports to avoid getting bogged down and partnering with senior leaders to get them on board.
- "Ignition Guide to Conducting a Scenario Planning Exercise"
Avoid scenarios that are too technical or conventional. Find out how to engage stakeholders early on. Turn scenarios into compelling narratives and incorporate wildcard possibilities.
- "A Practical Science Fiction Guide for Strategists"
Embedding science fiction into the planning process may sound cool, weird or maybe crazy. But it can be a useful tool if wielded correctly. A NATO analyst shares his sci-fi workshop experience and the insights surfaced, while authors-turned-consultants explain how to keep narratives actionable.

by Steve Shapiro

Endnote

[1] Corporate Foresight and its Impact on Firm Performance: A Longitudinal Analysis, Technological Forecasting and Social Change, Vol. 129, April 2018, 105-116

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