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The practice of foresight in long-term planning

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ABSTRACT

Researchers and practitioners agree that foresight, that is, an ability to foresee how the future might unfold, is an important strategic capability and critical for effective long-term (LT) planning, however, few have systematically interrogated its practice. This research advances knowledge on the practice of foresight in long-term planning through a comparative analysis of planning approaches in two organisations linked through common ownership. Data generated from planning documentation and the foresight practice of strategy personnel in the two cases (transport and banking) provided support for a dynamic model of foresight integrated LT planning. The ongoing collection and synthesis of strong and weak signals, and their continual assimilation into scenarios depicting alternative futures was structurally supported by a community-of-practice. The community-of-practice widely engaged strategists located across organisational levels in conversations about emerging futures and about strategies through which to engage those futures. The findings encourage managers and researchers to view long-term planning as an ongoing interrogation of implemented and envisioned strategies within emerging, alternative futures. Such an approach stimulates strategic entrepreneurship and prepares the organisation for engaging in future environments.

1. Introduction

Research has established that long-term (LT) planning designed around structured, historically-driven, analytical processes will encourage strategic conversations around recognised trends that are not necessarily good predictors of future environments [1–3]. The employment of traditional environmental analysis approaches in the strategising phase of LT planning has been described as restricting strategic conversations within recognised boundaries, and thus failing to capture the uncertainties of fast changing environments or to distill unrealised future impacts [2–6]. Underestimating the uncertainty of the future can lead to developing strategies that neither defend against future threats nor take advantage of the opportunities that higher levels of uncertainty may provide [5,8].

There are substantial rewards for integrating foresight methodologies in the planning process to envisage alternative futures, provided that the risks of pioneering aligned with those futures are recognised and managed [9]. While foresight techniques such as scenario planning can "help… organisations develop the capability to anticipate uncertain futures" [10], effective scanning of the environment is a precondition for building alternative futures through which the impact of environmental change or strategic options of the organisation can be explored [9,12]. Although it has been established that foresight methodologies that capture only strong signals (i.e. those signals already recognised as shaping emerging futures) limit the development of scenarios to those linked to current environments [4,12], research confirms that relatively few companies adopt foresight methodologies in their planning that utilise scenarios generated through the integration of weak and strong signals [2,5,6].

Although researchers and practitioners agree on the importance of integrating foresight methodologies in LT planning that stimulate envisioning and future-focussed

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strategising, [13–16,19], there is limited understanding of which foresight methodologies best capture future uncertainties, and when and how those methodologies should be integrated within the planning process. Even though there has been extensive discussion on the importance of building foresight in the strategising phase of LT planning, capturing and integrating strong and weak signals and generating scenarios depicting discontinuous as well as continuous futures has not generally been adopted in planning practice [2,6,9,59]. As Haegeman et al. [7] note, "there is still little dialogue and exchange between those applying quantitative and those applying qualitative methods". Most planning approaches today fail to generate and/or manage weak signals, as most restrict foresight activities to the capture and synthesis of strong signals or trends [2,17,46].

We seek to advance knowledge on the practice of foresight in LT planning as managers prepare their organisation for anticipated, but uncertain futures. Our research question: "When and how should foresight methodologies be incorporated into LT planning to capture the uncertainties of anticipated futures?" addresses the call for greater emphasis on foresight in planning as organisations face fast changing environments [2,17,18].

2. Literature review

An organisation's LT planning approach and the planning systems, leadership, structures and culture in which the planning approach is embedded comprise the activity system within which foresight is practiced. Interaction within this system occurs between the planning practitioners, their organisation's collective structures and the activity of generating foresight within the planning system. Thus, the activity system shapes, and is shaped by, planning practitioners and the foresight generating methodologies employed within the activity system [20,21]. Although our emphasis in this research is on the LT planning process and the integration of foresight methodologies, the activity system in which this is located is of particular importance in understanding when and how these methodologies are implemented. We now examine LT planning approaches and foresight methodologies to develop a set of propositions to frame the research.

2.1. Long-term planning and foresight

The two models dominating the planning literature are described as prescriptive and descriptive planning approaches [56]. The prescriptive, imposed planning approach (i.e. strategising, strategy development, planning and implementation) has been referred to as the linear model [22]. Prescriptive approaches present strategy development as based on deterministic processes, where the analysis of the organisation, performance, and environment forms a rational, long-term plan. The imposed planning approach embodies a formal process involving the application of traditional analytical tools that assist in defining the organisation and the space in which it competes [24,25], and tends to locate strategy formulation at top management level. Examples of techniques that support this deterministic process are Porter's five forces model, and value chain analysis [64], which provide insights on signals influencing current environments.

The alternative dominant strategy model embodies planning in an emergent and adaptive form [22], and is linked to Mintzberg's learning school [23]. This alternative approach views organisations as refining their strategies incrementally as new information indicates changing environments. For those following an emergent planning process, strategising involves sense-making around new information, and de-emphasizing historical constraints [26,27]. However, descriptive approaches have been linked to losing control over action and direction. To address this shortcoming, and draw on the benefits of both prescriptive and emergent approaches to planning, Quinn [28] described the phenomenon of logical incrementalism, with top management stimulating ideas and structuring the emerging strategic impetuses of the organisational subsystems. Quinn's logical incrementalism captures some aspects of Chaffee's [22] interpretive model in which "reality is defined through a process of social interchange in which perceptions are affirmed, modified, or replaced".

Planning that considered long-term issues in business was not evidenced until the sixties. Ansoff's [66] process of product market strategy formulation included a number of elements, for example, terms such as current forecast, industry potential, diversification gap and expansion gap, scope and growth vector, and competitive advantage, that capture some elements of what is now termed 'foresight'. The long-term aspect of market knowledge, i.e. connected with scenario building, was later defined as a key element of planning [18].

In the seventies, first approaches underpinning the development of corporate foresight were presented by combining together the two techniques of environmental surveillance and forecasting in order to reduce uncertainty [66]. At this time, environmental surveillance involved scanning the organisation's internal and external environments to identify emerging issues and trends which might eventually influence the direction and effectiveness of existing strategies. The process's objective was to anticipate the need to change strategy, so that action could be taken before the window of opportunity for effective response closed. The quality of this process lay in the organisation's ability to capture signals that identify impulses that would break trend lines in foreseeing the probable future [60]. In Ansoff's decision schema of strategy formulation [66], the appraisal of outside opportunities was an integral and important element in the strategy development process, as it was seen as the foundation for long-term growth and ROI.

As the past is connected to the future via cognitive linkages, managers' thinking is likely to be dominated by prior experiences when analysing historical trend data (their causes and consequences) and linking them to foresight [67]. However, weak signals also have an important role to play in identifying and synthesizing current trends and extrapolating future developments, as risk and uncertainty are influencing elements on LT planning decisions [2,46,49]. Rohrbeck speaks of the importance of building foresight within LT planning in a context where "corporate change is characterized by long periods of slow, incremental change and short periods of rapid discontinuous or radical change". He follows with the tentative conclusion that "the mortality of large companies may be explained in part by their ability to identify, prepare for, and respond to discontinuous change" [57].

There is general agreement on the need for a contemporary approach to planning, one which can cope with a fast

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