



The value contribution of strategic foresight: Insights from an empirical study of large European companies



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ABSTRACT

This paper focuses on exploring the potential and empirically observable value creation of strategic foresight activities in firms. We first review the literature on strategic foresight, innovation management and strategic management in order to identify the potential value contributions. We use survey data from 77 large multinational firms to assess how much value is generated from formalized strategic foresight practices in these firms. We show that it is possible to capture value through (1) an enhanced capacity to perceive change, (2) an enhanced capacity to interpret and respond to change, (3) influencing other actors, (4) and through an enhanced capacity for organizational learning.

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1. Introduction

Although interest in strategic foresight appears to be increasing [1–3], firms' implementation of strategic foresight systems remains limited [4–6]. This could be due to doubts about getting a return on investment, or, more precisely, uncertainty about the value creation of strategic foresight activities.

Since the late 1980s, the term “foresight” has been used to describe activities which inform decision-makers by improving the inputs about the long-term future of an organization [7]. Makridakis [8: XIII] says that: “The role of foresight is to provide business executives and government policy makers with ways of seeing the future with different eyes and fully understanding the possible implications of alternative technological/societal paths”. Or, as Tsoukas and Shepherd [9] put it: Foresight is the ability to see developments before they become trends, to recognize patterns before they emerge, and to grasp the features of social currents that are likely to have an impact; it is

not the ability to make predictions. Since people are unlikely to stop making predictions, one aim of foresight must be to reduce the momentum of predicting the future [10].

In the French tradition of *la prospective*, foresight is linked to critical thinking in decision-making and action. In the American tradition, foresight is used to describe an image of the given future and is thus much narrower than *prospective*. In our paper, we follow the suggestion from Coates, Durnace and Godet to use the term strategic foresight as a synonym for “*la prospective*” [11].

Academic studies have generated knowledge on the need for strategic foresight [5], corporate foresight systems [12,13] and their processes [14–18] and design characteristics [19,20], and how they are being adapted to different contingency factors [21].

The aim of this paper is to contribute to the discussion on the value contribution of strategic foresight [e.g. 22,23]. This discussion is still rather vague. For example, Slaughter [15] talked about “creating and maintaining a high-quality, coherent and functional forward view and use the insights arising in organizational useful ways”. Tsoukas and Shepherd [9] emphasize perceiving and interpreting changes as the desired result of strategic foresight. Roney [24] suggested that strategic foresight should support strategic planning. Rohrbeck and

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Gemünden also [25] identify important value contributions to the innovation capacity of a firm. Thus, strategic foresight is likely to add value to a corporate organization in multiple ways.

Our aim is to enhance the understanding of how this value creation can occur, both potentially and actually. We identify potential value contribution through an analysis of the strategic foresight, strategic management and innovation management literature, and determine actual value contribution from our survey of 77 large multinational companies. Comparing the two enables us to ascertain what firms should expect from strategic foresight activities on the one hand, and to suggest how they can increase the likelihood of achieving value contributions on the other hand.

2. Literature review: the potential value contribution of strategic foresight

Our literature analysis is guided by Daft and Weick's [26] "Organizations as Interpretation Systems" model (see Fig. 1). According to these authors, organizations perceive their environment (step 1: "scanning – data collection"), translate what they find into organizational implications (step 2: "interpretation – data giving meaning"), and develop responses based on their insights into their environment (step 3: "learning – action taken").

In regard to the literature review on strategic foresight, the terms *foresight* and *strategic foresight* need to be briefly discussed. The term *foresight* has been used since the late 1980s to describe an inherent human activity [27]. The terms *strategic*, *organizational* or *corporate foresight* (it has been argued that these terms can be used somewhat synonymous [28]), have been used to describe futures research activities in corporations [27] or organizations. Martin [29] and others [30] emphasize that foresight deals with the long-term future and Vecchiato et al. [22] use strategic foresight deliberately to emphasize the tight relationship between foresight and strategy formulation. While we already underlined our rationale for using the term *strategic foresight* to assimilate with the French tradition of *la prospective* [11], our aim in the literature review was to broaden our perspective by including literature on strategic foresight and literature on the organizational functions that we expect to use strategic foresight insights, i.e. innovation and strategic management.

Furthermore, the aim of the following literature analysis is to determine which value contributions can be identified along the three steps of the "Organizations as Interpretation Systems" model. We expect that the strategic foresight literature will show us value creation in terms of perception and interpretation, while the strategic and innovation management literature will help us identify how strategic foresight can trigger organizational responses (action).

2.1. The strategic foresight perspective

Although studies on general ignorance about radical change date from long before Igor Ansoff [31], he [32,33] was the first to observe how the inherent ignorance of firms about changes in the environment often resulted in missed opportunities and a failure to respond to threats. Such changes – he claimed – can be identified and anticipated by scanning so-called weak signals. A company that spots and correctly interprets the disruptive potential for its business will be in a good position to respond to this change, and retain, and even advance, its competitiveness.

The first task of strategic foresight is thus to develop mechanisms to help companies to detect these weak signals, interpret them, and trigger a response. According to Day and Schoemaker [34: 1–2]: "The key is to quickly spot those signals that are relevant and explore them further, filter out the noise, and pursue opportunities ahead of the competition or recognize the early signs of trouble before they escalate into major problems."

Firms need to make a dedicated effort to scan for change on the periphery, because they suffer from an inherent blindness caused by an intense internal focus [35] and from the reinforcement of sensors that made the organization successful in the past [36]. One recommendation for ensuring a broad scanning scope is to use interdisciplinary teams that are highly networked [13,37]. Therefore our first potential value proposition is:

(P1) *Gaining insights into changes in the environment.*

Change is particularly relevant if it is discontinuous, which is to say that it breaks away from the current path of development [38]. Such change can represent both an opportunity and a threat. When planning for the future, such discontinuities can be planned as "wild cards", i.e. a singular, sudden, surprising and shattering future change [39].

Discontinuous change can come from different areas, including the political, economic, social, and technological environment of an organization [40], also known as PEST changes. Studies have shown that firms often scan extensively in one area, while paying insufficient attention to the others [41,42]. In order to rectify this, top management should seek advice on how best to scan [43] and also encourage scanning of other areas [44]. In addition, using multi-disciplinary teams should reduce the risk of overlooking or misinterpreting change [e.g. 37,45]. Given that the aim of strategic foresight should be to scan for the unknown in the environment, we propose the following potential value contribution:

(P2) *Contributing to a reduction of uncertainty (e.g. through identification of disruptions).*

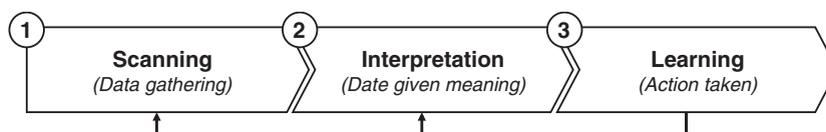


Fig. 1. Daft and Weick's "Model of Organizations as Interpretation Systems".

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