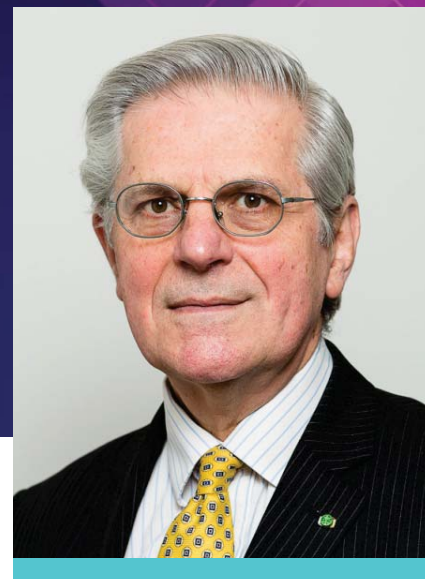


# Strategic Foresight in the Boardroom

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Becoming a company director today involves the assumption of onerous responsibilities at a time of uncertainty and multiple challenges. Directors and boards can sometimes be subject to forces beyond their control. Those whose prospects depend upon the decisions they take, can only hope that they act responsibly and achieve an appropriate balance between reacting to events and being proactive in the pursuit of corporate purpose and priorities.

From the myriad of developments and events happening around them directors need to do their best to distinguish and focus upon those that are strategically significant. They should be alert and as prepared as is possible to deal with the unexpected, as well as being open to new possibilities. They should never become so distracted, or allow their individual and collective batteries to be so run down, that they are unable to respond or lose sight of what is important.

While wrestling with current issues, directors must not overlook or forget that the provision of strategic direction requires them to look ahead. Too many directors devote an excessive

proportion of their time to revisiting the past, whether finalising the financial accounts for a previous financial year, monitoring the implementation of past decisions taken when a previous set of considerations applied, or assessing compliance with policies whose review might be long overdue.

## Being Sensitive to Signals and Signs

Directors need to be alive, vigilant and sensitive to what is happening around them. Like members of many other species, they should be aware of early signs of impending storms and avoid becoming surprised and trapped in situations from which escape might be difficult or costly. Sadly, successive crises and economic downturns or recessions regularly reveal that in a changed environment some businesses have the flexibility of a beached whale.

Awareness does not just happen. Sometimes one needs to actively look for signals and signs. The monitoring of external trends and developments and the assessment of their possible impacts upon an organisation and its stakeholders is one means of preparing for aspects of the future. However,

discontinuities sometimes occur and the nature and timing of occurrences may be uncertain if developments speed up, slow, come to a halt, reverse or change direction.

Certain events can accelerate change and spur innovation, lending support to the suggestion that necessity is the mother of invention. Successive wars have speeded up scientific progress in a variety of fields. The Covid-19 pandemic accelerated online shopping and working from home. Advance warning and forethought can sometimes allow one to react more quickly than others who are still trying to understand what is happening around them and to them.

## Confronting Uncertainty

As well as looking ahead, directors should endeavour to be prepared for a variety of eventualities. The threat or onset of a major disruption or discontinuity can often lead to uncertainty as to possible outcomes and the scale and/or trajectory of a development, transition or recovery. Events can sometimes result in unexpected opportunities. Rather than a sense of foreboding, there might be a buzz or feeling of excitement around

what could be possible. Boards need courageous people who can rise to the occasion and members who are resilient and can bounce back like a coiled spring.

With some disruptive technologies, the uncertainty may not be about whether they are feasible and/or usable. It might relate to how they could be applied, where, when and in what way and by whom, or which party or member of a corporate network could use them and for what purposes. Rather than hurriedly search for right or wrong answers and quickly take 'go' or 'no go' decisions, there may be potential to evaluate and multiple possibilities to explore with those who have relevant expertise.

Hindsight is sometimes more evident in discussions than foresight. A chorus of post-event critics may question why action was not initiated earlier, or different steps taken to prevent the worst of what happened. Being wise after a crisis is often easier than determining the best course of action in the heat of a situation. Carping from spectators who sit on the fence or colleagues who avoid involvement can irritate those who roll up their sleeves and engage.

### **Remaining Balanced, Positive and Responsible**

Warnings from persistent doomsters can also irritate. Foreseeing the future can smack of clairvoyants, crystal balls and con artists. However, vision and purpose can enable people to keep going and continue to explore. Proceeding with caution while remaining positive could indicate that both challenges and opportunities may lie ahead. Anticipation, forethought and preparedness might be regarded as prudent and evidence that acumen, prescience, foreknowledge and forewarning are valued.

Some opportunities are well hidden and a situation may appear bleak right up

until a dawn of new possibilities breaks. One may need to be alive, awake, solvent and supported to take advantage of what emerges. Without being naïve and irresponsible, directors can help to maintain morale by remaining positive and preserving sufficient capability to be able to flexibly respond, while balancing courage and initiative with circumspection and vigilance.

Where appropriate, directors should challenge. When post-crisis reviews occur and inspectors and commissions of enquiry get to work on events ranging from fires and floods to failed new products and company liquidations, warning signs and tell-tale seeds of what happened are sometimes quickly uncovered. Early suspects might not last an inspection and become the root causes of what transpired, but evidence may be uncovered about what some people knew and what others might have foreseen or uncovered if they had asked the right questions.

### **Forecasting and Scenario Evaluation**

Environment scanning sometimes enables the first drops of what may become a deluge to be spotted. For some directors, far horizons can seem too remote to justify the commitment of effort to advance preparation. Forecasting when events are likely to occur may help the planning and implementation of measures to mitigate, prevent or insure against adverse impacts. It may be feasible to put policies and arrangements in place to take advantage of possible opportunities. However, the impacts of the form an event might take and its implications may be very difficult to assess.

Forecasts are only as reliable as any estimates provided by the experts consulted, the data examined, or the assumptions made in whatever model is used. Significant differences of view

may be encountered among those contacted. Not only may authorities disagree, the subjective assessments of individual specialists can sometimes vary from day to day when the same question is repeated or similar evidence is provided.

Forecasts involve probabilities. Distribution curves of possible outcomes might give decision makers more of a feel for the uncertainties involved than a single number. When situations and circumstances change forecasts can also quickly date.

Despite their limitations, possible scenarios and their consequences may need to be evaluated before contingency measures can be put in place to address the most probable outcomes. Sometimes the descriptions of possible scenarios become so alluring that achieving them in a particular form becomes a business objective. When enough forecasts come to similar conclusions to create a bandwagon effect, and/or a possible outcome appeals to sufficient people, a self-fulfilling prophecy may occur.

### **Implications of Future Possibilities**

Some future scenarios may have implications for the board itself and how it operates, for governance and risk management, and for key relationships within certain stakeholder groups. Directors may also need to consciously focus upon implications for a company and its stakeholders and avoid becoming distracted by possible consequences for themselves.

When particular scenarios have distinct implications for particular stakeholder groups, advantaging some and disadvantaging others, directors may find that the future interests of different groups have or might become misaligned and as a result diverge. Political skills may be required to navigate between contending interests as balances of power, relevance,

significance, costs and benefits quickly change in the course of unfolding events.

Boards that have achieved some balance, understanding and stability in respect of different views about a present situation and context may find a greater divergence of opinions about what is possible and desirable in relation to the future. Recent debates may come to be viewed as the calm before a succession of storms. People may disagree fundamentally on objectives, strategies and priorities relating to anticipated events and situations when very different options emerge and stark choices are involved.

### **Direct and Indirect Impacts and Consequences**

When alerted to what may happen, the first thoughts of some directors might concern how they are likely to be impacted. Boards often focus first upon the possible or expected direct impacts of trends, developments and forecast events and situations, and how these will affect the activities, operations and capabilities of the companies they are responsible for. Yet their indirect impacts or consequences for customers and other stakeholders may give rise to business opportunities to help them confront challenges and exploit related openings.

Insecure and uncertain boards sometimes exhibit negative and defensive reactions to forecasts and possible scenarios. More confident and positive boards might proactively look for opportunities to renew, reposition, repurpose or reinvent. Roles and corporate relevance should never be taken for granted. Boards should expect to confront difficult issues and encounter unfamiliar and unexpected events that cannot be easily delegated to others to address. They should be on the lookout for the next wave and leave some slack and spare bandwidth for dealing with it.

Positive and confident directors should

not be inhibited by whatever their companies lack, when there may be other people and organisations they could collaborate with. Smart entrepreneurs and alert and flexible boards might be able to quickly align purpose, vision, mission, goals and objectives to aspirations that appeal strongly to certain communities of interest and are attainable with collective effort. Some causes go viral and shared objectives can sometimes gain sufficient momentum to crash through obstacles and bring them about.

### **Complexity and Simplicity**

Boards should avoid placing too much confidence in particular forecasting models and tools just because they are complex and a lot of effort and cost have been devoted to developing them. Some advocates of quantification become over dependent upon numbers that give an aura of rigour, even though the data used may pre-date significant recent developments and a company might be transitioning to a different business model in an altered context.

Because of difficulty in quantifying them, important considerations may be overlooked when models are constructed and estimates are made. Re-reading the work of futurists many years later can be sobering. Certain scenarios and prognostications seem like comets or orbiting planets that appear to return and be discussed every so often. Sometimes what is considered to be highly probable and tantalisingly close does not subsequently occur, becomes long-delayed or later emerges in a very different form from that originally envisaged.

Within some sectors lead times are longer than in others. A nuclear power plant may take many years to commission and may not be viewed as a viable option without long-term commitments from external partners and other parties. In different fields, greater

flexibility may be possible, allowing more rapid adaptation to changing priorities and requirements.

Indicators of what is likely to be required or clues as to what could be needed in the immediate future might be all around us. However, the time available to exploit a straightforward opportunity might be limited. In fluid, uncertain and evolving situations directors may try to avoid getting locked in to complex and long-term arrangements that might become redundant and prove difficult to unscramble.

### **Collective and Collaborative Responses**

Many contemporary challenges are global in their impacts and implications. Because addressing them may require collective effort, more Governments may realise that they need to form coalitions of countries and international organisations with similar objectives to tackle them. International threats may require collaborative responses, yet the past year has illustrated the inadequacy of national responses of varying effectiveness in the face of a global pandemic, the likelihood of which appeared on many risk registers.

Even with international cooperation, Governments may not be able to deliver what is needed without the active engagement and contribution of businesses. Boards need to think through the implications of having to negotiate, cooperate and form alliances and public-private partnerships. They may need to both govern and ensure the effective management of collaborations with public bodies and companies from different countries and business sectors, with varying technologies, infrastructure and constitutions and subject to diverse laws, regulations and other pressures.

Certain collaborations may involve technical issues that have policy implications. Some directors might need to acquire, develop or secure access to

diplomatic and scientific awareness and skills. Addressing threats ranging from extreme weather events to terrorist attacks requires international action. Sometimes when it rains it pours. The coronavirus pandemic has highlighted the harm a more toxic pathogen could cause. Many companies and public health systems could be better prepared for certain eventualities. They may need to work together to increase national and international resilience.

### Awareness, Understanding, Commitment and Action

Directors should be ever alert for possibilities and prepared for various eventualities. Foresight can also be about resilience and ability to recover from the impacts of crystallised risks. Coping with consequences and recovery

to a situation in which a company and its stakeholders are better positioned to cope with future disasters can take time. Ideally, business models should be sufficiently fluid, organic and able to adapt and evolve to match whatever is determined or materialises.

Awareness of what might happen and an understanding of possible consequences may not be matched by commitment to prepare and the action required for an effective response. Both boards and Governments are sometimes inclined to put off expenditures relating to scenarios that could have significant and even catastrophic impacts, because they are regarded as unlikely to occur and/or because of a reluctance to cause alarm. In some cases, the capability, equipment,

measures and supplies required to respond might also have a limited shelf life.

Various changes and developments suggest future high impact events may become more frequent. Their consequences might also be more severe. Recovery activities and the overlapping timescales involved while transitioning to a more flexible, resilient and sustainable model of operation creates a requirement for the governance and management of multiple initiatives, programmes and collaborations. Forewarned is forearmed.

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