

Anticipatory Governance to Prepare for the Unknown

*Mr. Roger Spitz



We are in a world of radical transparency where transgressions stand out. Shareholder primacy is contested by an increasing awareness of an organization's responsibility to all its stakeholders. Shifting values, stakeholder prioritization, and alignment matter deeply. Leadership teams must integrate these values in the context of potentially irreversible exponential technologies, AI, and climate change. Listed companies need anticipatory governance to thrive in multi-stakeholder and unpredictable environments. Deep uncertainties raise challenges, but also opportunities. The cost of preparation pales in comparison with the costs of lacking anticipation.

Our Best UN-VICE for Anticipatory Governance

What is effective governance in our Unknown, Volatile, Intersecting, Complex, and Exponential (UN-VICE) world? What is impactful leadership in a radically transparent environment where disruption is a constant?

Our best “UN-VICE” (in contrast to ad-vice) is to prioritize resilient and anticipatory governance in our systemic, uncertain, & complex environments.

The world's increasing lack of predictability is evident in every aspect of life today, including the Covid pandemic, emerging technologies which disrupt incumbents, or the knock-on effects of geopolitical change (e.g. Russia's invasion exacerbating inflation, cybersecurity risks, and the food and energy crises). Deep uncertainty means we often lack visibility of the events that may happen, let alone their likelihood. There is an increasing cost of assuming a predictable world given the inverse relationship between predictability and uncertainty.

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By exercising anticipatory governance, we seek to anticipate the next-order implications for any change, innovation, or technology, the unexpected consequences, and how we could better deliver sustainable value creation.

Our world is deeply uncertain. We need anticipatory governance to become adaptive and emergent, rather than relying on traditional planning and risk management. Anticipatory governance (ex-ante) contrasts reactive governance (ex post). In anticipatory governance, we use foresight to design governance and incentive systems in advance, accounting for many possible outcomes.

Reframing Preparation & Assumptions for Open Futures

Disruption today is no longer an isolated event but a steady-state. The degree of disruption's surprise correlates to the reliance on assumptions that our world is predictable. The more anticipatory our mindset, the deeper our critical thinking, and diverse our perspectives, the less astonishment we experience from accelerating change.

We do not seek a predetermined playbook nor assume a specific outcome. Foresight is the capacity to explore possible futures systemically to inform short-term decision-making. We ask questions, challenge views, and broaden possibilities.

For questions focused on the futures, there is no data. Insights from historical data and trends are helpful for making sense, but only because they show the existing world to start exploring from (not the finality). Our imagination helps build many different scenarios. Some of these are plausible; others may be preferable; we also integrate outliers. These outliers such as the Black Swans (unpredictable, rare, high-impact events) and Butterfly Effects (small cause having outsized effects), are still possible

Foresight builds on strategic planning, but the fundamental departure is the recognition that: the futures differ from the past; longer timeframes matter; and unpredictability needs to be captured. Scenarios can help solve problems differently as they imagine a new world. Foresight, with scenario planning, allows a multiplicity of possible outcomes without relying on assumptions, extrapolations, or dependence on a singular outcome.

The purpose of anticipatory governance through scenario development is preparation, not prediction. The value in thoughtful scenario development is to enhance mental flexibility for extreme (but plausible) changes, while rewiring how our systems are programmed. We build comfort with changing environments, which can represent major departures from the world we are accustomed to.

As we evaluate the opportunities and risks of developed scenarios, we scrutinize their potential consequences. This allows us to build resilience and the capacity to sustain even the most serious impacts.

Our decision-makers mandate consultants to restructure, optimize, and find every possible cost savings. Simultaneously, the greatest cost of all is ignored: the cost of assumptions, which is going through the roof.

Many "cost savings" actually make our organizations more fragile (e.g. "optimizing" supply chains), which drives costs higher over time. Reimagining assumptions offers more effective cost savings than skimping on food subsidies, employee benefits, or post-it notes.

Proactively developing our capacity for anticipatory governance includes:

- **Responsiveness:** Understand how to detect and respond to highly probable events.
- **Qualify signals:** Scan weak signals, interpret next-order impacts, and connect the shifting dots with action triggers.
- **Challenge assumptions:** You can't rely on modeling uncertainties to deliver certainty. Beware of relying on statistical risks that assume a stable world.
- **Process nonlinear:** Understand the ramifications of exponential change. The world is not a linear evolution of the past.
- **Visioning:** Map out plausible futures, with the agency to realize our preferred options.

Practical Approach to the Six Degrees of (Un)Predictability

In relation to relying on assumptions, appreciating broader systems, and understanding stakeholder incentives, we outline an anticipatory governance approach to the "**Six Degrees of (Un)Predictability**":

1. **Know your knowns:** Critically assess the drivers of any predictions to ascertain the assumptions to knowledge ratio. Isolate underlying assumptions to separate knowledge and the unknown.
2. **Qualify your unknowns to map uncertainties:** Challenge the validity of what you assume is not certain. Evaluate what is unknown. Offer diverse perspectives and opposing views to critically examine these assumptions and imagine alternatives.
3. **Impact cascades:** Consider the next-order impacts of change. These should include possible scenarios which run counter to deeply ingrained assumptions about the world.
4. **Imagine the broad range of possibilities:** Adopt the beginner's mind (shoshin - a concept from Zen Buddhism) by asking questions instead of relying on answers. Ask Why? Why not? How? How else? What else? What if? Be imaginative and generate new approaches.
5. **Assess stakeholders:** Stakeholders invariably have their values, political interests, commercial objectives, and relationships. Ascertain their incentives, biases, and track records.
6. **Inform decisions and take action:** Be agile in decision-making - there may be no right answers. The environment is constantly updating, offering novel opportunities. Iterate in this changing dynamic world. Disconfirm what is no longer valid.

All these degrees of uncertainty can result in high impact events. They also share the one common trait that ignorance, or absence of evidence, is not evidence of absence. Being anticipatory allows us to be better prepared for any future eventualities.

Many seemingly insignificant changes can lead to vastly amplified outcomes. In our complex world, there are a multitude of cause-and-effect relationships which can't be identified or understood. A single triggering phenomenon can generate an avalanche of disproportionate and seemingly disparate impacts.

Disruption 3.0 Changes Rules and Opens New Opportunities

While the costs of assuming a stable world are increasing, disruption creates space for novelty and sustainable value creation.

There have been two notable implementations of disruption that have received particular attention:

- **“Creative Destruction”**: Coined by Joseph Schumpeter, describes the process by which a new industrial mutation destroys an old paradigm (Disruption 1.0).
- **“Disruptive Innovation”**: Described by Clayton Christensen as the specific characteristics of how an innovative product typically disrupts an old market by following a reliable process (Disruption 2.0).

While these describe many of the past decades' disruptions, they are two discrete types of disruption. Looking forward, disruption is disrupting itself. Systemic disruption imposes limitations to relying on legacy governance structures.

In the new era we define as Disruption 3.0, disruption is omnipresent. It is a constant which establishes entirely new paradigms, which themselves will evolve. The drivers of disruption are interconnected like a network. These changes are systemic, representing a large-scale, multidimensional family of disruptions. Their collisions reinforce the already inherent complexities, paradoxes, and pluralism of today's perspectives, problems, and responses.

Together, this environment conjures a new type of systemic disruption, which we label Disruption 3.0.

Disruption 3.0 compounds systemic disruptive effects. As complex environments are hyper-connected, hazards and opportunities interact multiplicatively

Anticipatory Governance for AI & Technology

The challenge with anticipatory governance systems, especially for technology, is to get the initial conditions right. While premature policies or regulations could stifle innovation,

technology and AI have a special status for effective governance:

- Try to anticipate unintended consequences.
- Understand which inflection points might result in irreversible developments.

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There are four primary steps leadership teams can take to ensure that AI develops ethically. First, approach AI with critical thinking and constant questioning. Second, work with multidisciplinary actors, as ethical questions span a diverse set of realms, from psychology to public policy. Third, offer ethics education programs that teach the benefits, risks, and broader societal considerations in domains where AI systems make decisions that directly impact humans. AI ethics training is essential, from schools to boardrooms. Fourth, prioritize transparent disclosure and debate, with effective incentivization.

To be effective, these four steps need feedback loops that allow anticipation, monitoring, and mitigation of how AI systems may evolve. At the outset, we must thoroughly consider the implications of their development. This should be supported by day-to-day monitoring, with regular independent review and accountability to drive remedies where needed. The better the monitoring, the greater the scope of mitigation as new elements emerge and implications materialize.

Organizational Resilience & Existential Risk Management

Anticipatory governance within our Disruption 3.0 environment turns the focus to organizational resilience. Businesses can no longer ignore significant cybersecurity and infrastructure risks (e.g. energy, internet, telecommunications, data center protection), as well as spillover from geopolitical tensions, and even space risks (e.g. satellites and communications infrastructure). Prolonged breakdowns of our networks are conceivable, and bad actors regularly test our systems' limits. Existential risk management plans should become a new focus.

The cost of being prepared pales in comparison with the reputational, financial, and human costs of lacking anticipation.

Enter the Chief Existential Officer (CEO²)

Given these extreme risks, organizations may need a Chief Existential Officer (CEO²). While a Chief Risk Officer focuses primarily on conventional regulatory, compliance, and technology risks, the CEO² is responsible for acting upon the increasing number of low-probability but high-consequence

existential risks, the accompanying opportunities ('Greenaissance', investment in social justice, and innovation), as well as synergizing with government ecosystems.

Acknowledging Transparency & Traceability for Anticipatory Governance

Societal paradigm shifts are commensurate with the transparency of information, which is out in the open for scrutiny. When considering our radically transparent and traceable world, anticipatory leadership teams can follow these six concepts:

- **Radical transparency:** Even the most confidential, secret, and internal information is traceable and can be made public. This means not doing or saying anything which one would not want to be in the public domain.
- **Authenticity:** Be authentic, truthful, ethical, fair, and inclusive.
- **Transgressions stand out:** Consumer and societal expectations are shifting.
- **Accountability:** Transgressions on commitments will increasingly be fleshed out into the open. Actions will be evaluated in relation to honoring promises made.
- **Counter-productivity:** Surface-level PR such as green

washing may have the opposite effect of building loyalty, by increasing the scrutiny and investigation into assertions. If they are found to be disingenuous, these claims will prove counterproductive.

- **Unexpected consequences:** Reputations and trust take time to build, but can unravel in an instant in our amplified world where information travels and gets distorted at warp speed.

We are in a world of radical transparency, traceability, and accountability where changing expectations drives new values. Those who don't anticipate the impacts of these new values may be forced to. ■

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