

# 20|20 FORESIGHT

## Crafting Strategy in an Uncertain World

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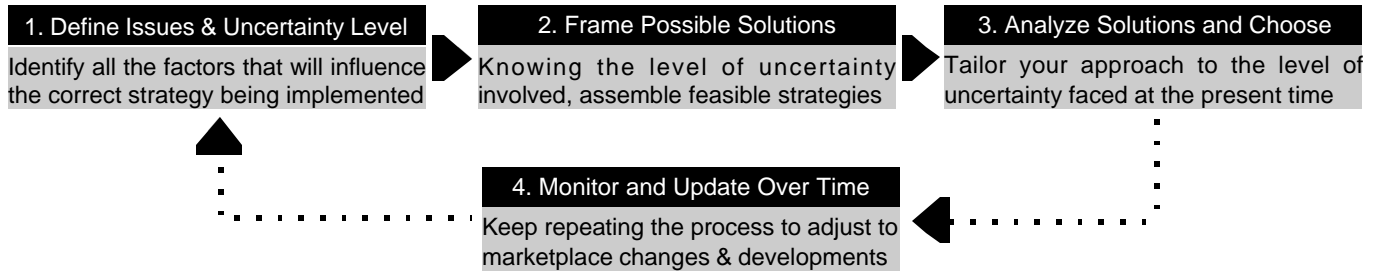
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**MAIN IDEA**

Understand and allow for the level of uncertainty you face in any business situation and you will always make better, more informed strategic choices.

By their very nature, winning business strategies are always forward-looking, seeking to position a business or organization advantageously for future marketplace developments. Yet in practice, very few executives can ever separate what can be known from what can't. As a result, most business strategies are based on a combination of extrapolating previous trends, partial information, personal intuition and guesswork.

A better approach is to identify the level of residual uncertainty faced in every situation, and to incorporate that degree of uncertainty into the strategic decision making process itself. In practice, this is a four-step process:



- Note these four steps are really centered around developing good answers to the three key strategic questions:
1. Under what circumstances is it better to attempt to shape the industry rather than simply react to the changes which occur?
  2. Should companies postpone or stage major commits over time or would they gain more by making an immediate commitment?
  3. Is it better to craft strategies that will work across a range of potential outcomes or would it be better to focus more?

In total, there are never any easy answers when deciding on the most appropriate business strategy for a rapidly changing business world, but if you genuinely want to make better strategy choices, you have to understand and allow for the level of uncertainty which is present. Uncertainty should be embraced and harnessed rather than buried in meaningless base case forecasts. Achieve that and you'll enjoy 20/20 foresight – you'll see the future as clearly as possible.

**1. Define Issues & Uncertainty Level** . . . . . Page 2

Decision makers achieve 20/20 foresight when they accurately identify the variables that matter and the residual uncertainties faced in the marketplace. There are four levels of residual uncertainty:

1. A clear single view of the future.
2. Obvious alternative outcomes, one of which will occur.
3. A range of possible future outcomes.
4. True ambiguity – anything might eventuate.

**2. Frame Possible Solutions** . . . . . Pages 3 - 5

There are three fundamental questions strategy made in an environment of uncertainty needs to answer well in order to exploit and benefit from 20/20 foresight:

1. Should you attempt to shape the industry or simply react to the industry changes which are occurring?
2. Should you commit to major investments now or postpone these investments until a later time?
3. Should you focus on catering to one outcome or diversify so you can benefit from a range of outcomes?

Answer those three questions well and your business strategy will be robust and beneficial.

**3. Analyze Solutions and Choose.** . . . . . Pages 6 - 7

In just the same way as effective business strategy is level of uncertainty specific, there will also be different strategy toolkits which are tailored for the level of uncertainty faced. As for any business tool, access to the right strategy tools is essential if insights into the level of uncertainty are to generate benefits. The overall process will have three elements:



The situation analysis develops a picture of the world today and in the future, generating end products that will facilitate the making of sound strategy choices in systematic decision-making models.

**4. Monitor and Update Over Time** . . . . . Page 8

Given the rapid pace of change in today's highly uncertain business environments, strategy choices will need to be monitored and updated regularly if they are to remain relevant. By reviewing and updating strategy frequently, companies gain the ability to change direction quickly in anticipation of the new opportunities or threats that are arising constantly.

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