



FUTUREPROOF

8 WAYS TO WIN THE INNOVATION LONG GAME

Alice Mann

The future is at your doorstep.

It's a drone. And it's delivering the 3D printed bespoke shoes you ordered just a few hours earlier from your driverless car.

Ok, that exact scenario may only play out in the virtual pages of Wired, but it's also likely to be a totally unremarkable event in three years. What is certain is that the kind of disruptions in supply chain, product design, material sourcing, and online retail that the drone delivery suggests are already happening. The future, it's also clear, doesn't have to arrive in glitzy packaging to have a major impact on how we do business. Technological innovations like intelligent buildings, AI, or robotics will transform energy consumption, leadership, and people practices in innumerable ways. Rapidly changing demographics and cultural norms will transform how we develop talent. Dynamic markets in the developing world and an era of regulatory uncertainty will make investing and planning more complicated. The future always looms large. So how do successful leaders plan for it?

I interviewed more than sixty business leaders and studied the practices of more than 200 successful companies to find out how the best CEOs in the world are preparing for the future. Across healthcare, manufacturing, automobiles, apparel, and more, many of the global leaders I spoke with are playing the long game. They aren't just focused on next quarter or next year, but twenty or thirty years from now. They are also investing in building the leadership mindset, the talent, and the capabilities their companies will need to remain successful. What I came away with are eight essential business practices for futureproofing your company.



1. Embrace Global Challenges as Innovation Opportunities

Climate change, resource scarcity, and social dynamism are all very likely to disrupt your industry sometime between tomorrow morning and twenty years from now. Among other impacts, climate change will push the private sector to accelerate solutions in clean energy, manufacturing, and transportation. Growing scarcity in water, land, and other natural resources will challenge whole industries, like apparel and agriculture, to come up with new materials and means of production. Social dynamism from the changing demographics and values of the global workforce and consumers will push companies to redefine how people work, eat, travel, and live.

But here's the critical point. Too many companies still look at issues like climate change and resource scarcity as big, intractable problems—landmines to be avoided. Savvy future proofers see them as innovation challenges.

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Yes, it's true these challenges won't be "fixed" anytime soon—but that's exactly what makes them the best targets for business innovation. First, there is a 100 percent chance that the impacts of climate change and resource scarcity will be major global drivers decades from now. This means that companies that can design products and services to meet those challenges will be well-positioned for future success. Second, across industries, companies become leaders by asking big questions and solving them. There are no bigger questions than these global challenges facing the world today.

To embrace global challenges as innovation opportunities, ask yourself:

- *What are the big global challenges that could lead to innovation opportunities in your industry in the next ten to twenty years?*
- *Which global challenges are your company best positioned to address in the next five years, ten years, and twenty years?*

2. Innovate to Manage Your Long-Term Risks

Businesses already invest heavily in all kinds of risk management practices to, for example, stay compliant with business regulations, keep technology systems operating smoothly, and avoid asset losses and costly damages to brand reputation. So why are long-term and well-known global challenges like climate change not being managed like any other business risk?

The risk that climate change will disrupt your industry in the next ten to twenty years is much higher than most of the other risks your business invests in mitigating. Climate change creates a wide variety of risks, from spiking energy costs reducing profit margins to erratic weather

patterns making materials scarcer to whole swaths of valuable land becoming uninhabitable or unusable. Properly addressing these risks is just entry-level futureproofing.

To innovate to manage your long-term risks, ask yourself:

- *What are some of the known risks to our business associated with climate change?*
- *Are there other possible climate-related scenarios that could impact our business that we have not considered?*

3. Weigh the Potential Trade-Offs and Payoffs

Every leader needs to look at their company's core revenue streams and ask if they will be at risk over the next 10 or 20 years. If so, what future innovations in your industry do you need to invest in today? What are the potential costs, risks, and payoffs?

Keep in mind that sometimes the best time to invest in innovative technology and future business models is when your company's core products are selling well. For example, in the mid-1990s, Toyota was already one of the biggest and most profitable car companies in the world. Nonetheless, it invested a billion dollars in an experimental technology because its leadership had a vision of the car of the future. We know it as the Prius. Along with a growing array of hybrids and fully electric cars, the Prius has gone from being a moon shot project to one of the highest rated vehicles on the road.

Ask yourself:

- *What is my company's core revenue stream to maintain and grow in the near-term?*
- *And what do we need to know to identify one or two big bets we should make in innovations for the future?*

What future innovations in your industry do you need to invest in today? ... Keep in mind that sometimes the best time to invest in innovative technology and future business models is when your company's core products are selling well.

4. Build the Talent to Focus Obsessively On Future Trends

Who are your future customers? Trends in culture, lifestyle, and values are hard to predict, but you can start by identifying the cultural assumptions of your current industry, and hypothesize about how they might change in the future. Then you need to build toward your future vision by translating your company's standalone products into future human lifestyles and systems.

For example, apparel is one of the most polluting industries in the world, using an enormous amount of chemicals in cotton production. Women's fashion entrepreneur Eileen Fisher saw not only a looming environmental crisis, but a conflict with the values of a growing number of consumers. As a result, Fisher became an industry leader in the use of organic cottons in her apparel, aligning her products with environmentally aware lifestyles.

This process requires right brain people on your team who will obsessively pull from the ethos all the relevant long-term trends in your industry in technology, resources, automation, and so on. They need to be able to imagine what changes in lifestyle and cultural values will transform your industry for the next generation.

To build the talent to focus obsessively on future trends, ask yourself:

- *How will future customers think, live, work, and play?*
- *How will their lifestyles redefine the experiences they will demand from your company's products and systems?*

5. Develop a Team of Superforecasters

While right brain people are important for predicting future values, you also need left brain people who can crank through the numbers, probabilities, and statistics, and give you the best predictions of which trends you need to watch closely—and which to act on now. In their book *Superforecasting: The Art of Science and Prediction*, Philip E. Tetlock and Dan Gardner demonstrate, based on their extensive research on forecasts made by tens of thousands of ordinary people, how only a handful of people are exceptional at accurately forecasting the future. Everyone else, they've found, is pretty bad at it.

However, superforecasters do share a variety of cognitive skills that can be learned. For one, superforecasters are less ideologically or professionally biased. They seek data from a wide range of sources to examine future trends. They are open-minded to all available information and analytic tools rather than shut down by ideological biases, limited data, or fear of making mistakes. They also engage in probabilistic thinking, or understanding how statistical probability works, and they're more precise than the rest of us about assigning (and reassigning) probability levels to their hunches. Rather than starting with grand theories about the future of the economy or society—essentially cognitive biases—they assign probability levels to specific hunches or hypotheses that are not ambiguous.

To develop a team of superforecasters, ask yourself:

- *Is anyone on your team today already a superforecaster or someone with the potential to become one?*
- *How can you hire and develop more superforecaster talent on your team?*

6. Overcome Presentism

As Silicon Valley mindfulness gurus teach, “living in the present” means centering one’s attention outside of the push-pull world of deadlines, appointments, and nostalgia. By contrast, “presentism” is a state in which our attention is myopically focused on the near term future—the next fifteen minutes, next week, or next quarter.

Today, many businesses measure success and profitability through the lens of presentism. This short-term lack of perspective can be destructive to a company, an industry or the global economy itself—look no further than the 2008 financial sector meltdown. Future-leaning leaders plot an alternate path: examining the past to forecast long-term trends that will drive future value.

To overcome presentism, ask yourself:

- *What are the top three material resources that are most critical to your business’s performance now and over the next ten years?*
- *What data does your company obtain on the future trends related to these resources?*
- *What other future trends does your company need to research and monitor?*

Future-leaning leaders examine the past to forecast long-term trends ...

7. Expand the Value In Your Business Decisions

Value in the corporate world tends to be measured in terms that sound rational: sales revenue, operating productivity, gross margin, and so on. There is, however, some very rich data that goes into business decisions but gets left out of traditional executive meetings and financial spreadsheets. Leaders who figure out how to explicitly tap into this missing data—emotions, personal preferences, and other human input—can expand the values that shape their business decisions and therefore the future value that is produced by these decisions.

Electronics manufacturers Apple and Sony are well-known for their extremely profitable products. But until recently, most tech and electronics companies didn't factor the negative environmental impacts of their cool-looking devices into their decision-making processes. Consumers, however, often bring a more expansive range of values to their purchasing decisions—and they have become increasingly concerned about the expanding amounts of toxic e-waste in the world. Employees often care about the purpose and values of the companies where they work, which can attract and retain them or put them off.

After criticism started to arise in the media, tech and electronics companies realized they had to expand the values they considered in their decision-making. They began demanding more sustainable materials, recycling, and ethical sourcing of rare motherboard components. Other companies started innovating around how the consumer can easily take apart and remove the components of the board or device for better materials reuse and recycling. There is still an expanding opportunity to reimagine how we use, reuse, and dispose of all kinds of electronics.

To expand the value in your business decisions, ask yourself:

- *What are your company's top five to eight most critical business decisions?*
- *What explicit language could you use to identify the values that go into and come out of these decisions?*
- *What analytic data is required to make and implement the decision? What human data is required?*

8. Go Beyond One-Company, One-Leader at a Time

The cult of the heroic business leader—Henry Ford, Jack Welch, Steve Jobs—still lives on. But companies today, even small ones, are much more complex systems than they were seventy years ago. They operate in the midst of an increasingly globalized environment held together by a massive interconnected physical infrastructure with powerful—and sometimes conflicting—political and economic interests.

Future-leaning leaders realize that, in this environment, no single leader or company will succeed by going it alone. For them, the way forward is breaking down some of their business' traditional walls. They understand that they belong to larger economic and government systems that encompass global challenges like climate change and resource scarcity. They also know how to collaborate with “frenemies” to preemptively solve problems across their industry.

In fact, a surprising result of all this complexity has been more business leaders discovering the value of partnership and collaboration across their ecosystems.

Though the company itself is helmed by a kind of heroic leader, Tesla is also a pioneer in developing what is now one of the most sprawling, networked ecosystems today. Major players in what was once just the auto industry now include Uber, Apple, Google, Avis, Panasonic, and Tata, all of which both compete and collaborate with traditional manufacturers like GM or Audi to create cleaner, smarter, and radically different forms of personal mobility and transportation.

In the future, more companies will be both partnering and competing with the same companies within a broader innovation ecosystem. Partners should be able to contribute to inventing and improving the interlocking technology systems that will redefine your industry.

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You can go beyond one-company, one-leader at a time by asking:

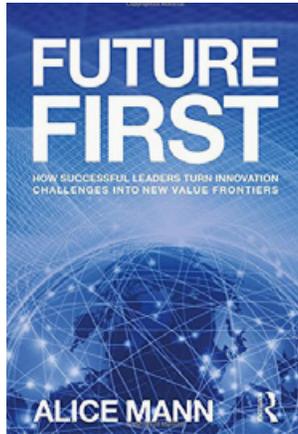
- *What are the big external goals you want your company to achieve over the next five, ten, and even twenty years within its larger business ecosystem?*
- *Who could you imagine playing with to achieve shared goals down the road?*
- *What can you collaborate on with your competitors, and what do you need to continue to compete on?*

The future teems with disruptions driven by technology, demographic transformations, climate change, resource scarcity, and other global challenges. To meet them, leaders should make decisions that draw from unconventional data or values. They need to think of the future outside of immediate demands. Finally—and perhaps counter-intuitively—they need to be prepared to both collaborate and compete with other players in their ecosystem.

Leaders can successfully futureproof their companies by plotting a course that finds opportunities where others see problems. 📌



Info



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