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# A Future-Back Approach to Breakthrough Growth

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**In 2019, Innosight conducted a survey of senior executives across a wide variety of industries around the world. Fully 75 percent of them reported that their companies never plan or forecast beyond the next five years. Only 10 percent set their planning horizons at ten years or more. Even so, an overwhelming majority declared themselves confident that they could transform their companies in response to disruptive threats.**

But how could they? Though you might not see signs of trouble for the next five years, year six or seven could bring you an unwelcome surprise—or hand you an opportunity that your organization will not be prepared to take advantage of. Transformations take time to plan, program, and execute. Think of Nokia when it began losing market share to Apple's iPhone and the plethora of smart phones powered by the Android operating system. By the time CEO Stephen Elop hit “send” on his famous “burning platform” memo, announcing the bold steps Nokia was prepared to take, it was too late.

When business leaders set aside the time and the bandwidth to envision the future in a disciplined, rigorous way, they almost always see how business-as-usual can become a recipe for irrelevance. In 2010, for example, a leading defense company undertook a strategic planning initiative in which its leaders projected their business prospects out to 2020. The results were reassuring; their pipeline of contracts for aircraft and security systems would sustain revenue growth at exactly the rate they aspired to. But when they repeated the exercise, this time looking out to 2030, when many of their current contracts are scheduled to expire and geopolitical forces and technological trends would have likely combined to create a new set of customer needs, they realized that they were facing a significant growth gap.

In 2016, the leaders of a major automotive company looked out to 2030 and saw a world in which fully-electric vehicles were rapidly growing their market share while the internal combustion engine was being banned in major global markets; where ride sharing was eclipsing car ownership in urban centers, and autonomous vehicles were playing a growing role. None of these developments were science fiction—the trends were already visible in various corners of the market.

Business literature tends to mythologize visionaries as unique cases who can only be admired, not emulated. But every leader should aspire to become a practical visionary, which is to say, someone who has developed a view of his or her organization's future that is tangible enough to be linked to an explicit strategic path. The ability to develop such a vision and then operationalize can be taught and learned; moreover, it can be driven into the cultures of even the most hidebound organizations, reigniting their entrepreneurial fires and infusing them with a renewed sense of purpose and direction.

Key to this is an approach we call “future-back,” which we explore in our recent book, [“Lead from the Future: How to Turn Visionary Thinking into Breakthrough Growth.”](#) We'll provide an overview of future-back, which is both a way of thinking and a set of processes, in this briefing.

## THE FUTURE-BACK PROCESS

When company leaders convene as a team, their agendas mostly turn on routine oversight and governance; their purview is the immediate present and the relatively short-term. That is as it should be, when the job at hand is routine. But when markets shift, consumer preferences change, and new technologies emerge, leaders who solely think from the present forward are often caught unaware, busily working to solve today’s problems but unprepared for the even bigger ones that are on the horizon. That is where future-back thinking and processes come in. When the objective is to go beyond your organization’s established ways of doing things, future-back’s iterative and non-linear approach better enables you to:

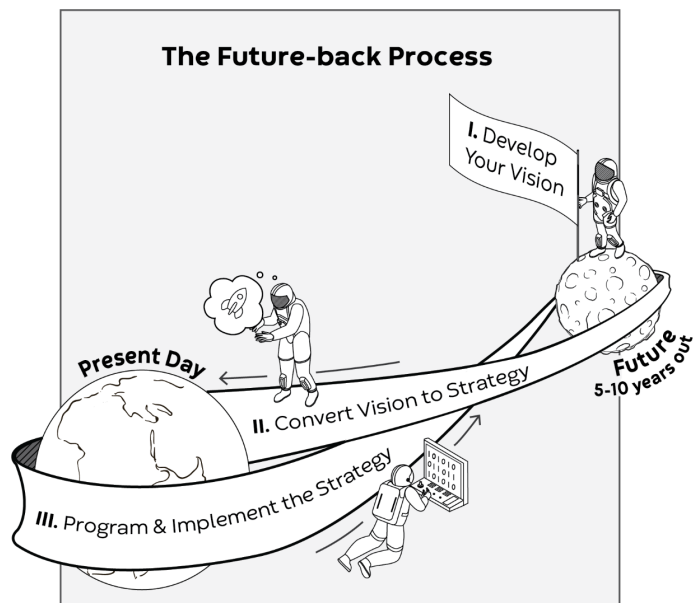
- Reinvent a core business or flailing function
- Develop a disruptive, beyond-the-core product
- Create and launch a breakthrough marketing strategy
- Conceive a bold new vision for your enterprise as a whole

Present-forward thinking increments off of existing paradigms, processes, and data streams. Future-back thinking starts with a clean sheet; it is concerned with what could be rather than what is.

It starts when you and your team undertake an effort to actively, intensively, and imaginatively immerse yourself in your organization’s likely future environment so you can determine what you must do to thrive in it. Then, you walk that vision back to the present in the form of concrete initiatives.

The classic example of this process is the transformation that Apple undertook in the early 2000s. When Steve Jobs returned to Apple, the home computer was becoming commoditized. Looking out to 2010, he imagined the role that the microprocessor and Apple could play in that different environment. Instead of commodity tools,

Apple computers could become the enabling hubs of the whole array of digital devices that were just coming onto the market—still and movie cameras, music players, and more. In rapid succession, Apple released iPhoto, iMovie, GarageBand, iTunes and more. Then they went a step further and developed and introduced a suite of devices of



**Setting aside assumptions about the way things work today, think carefully about your destination—your organization’s target end state in the future—and then develop and implement a step-by-step plan to get there.**

their own: the iPod and then the iPhone and the iPad, transforming Apple into a music company, a camera company, a phone company, a lifestyle company, and even a bricks-and-mortar retailer along the way—and the most valuable company of any kind in the world.

It's important to note that breakthrough and transformational efforts like Apple's cannot be delegated. Since senior leaders make the resource allocation decisions that spell their success or failure, they must own them at every phase of their development, while working closely with the innovation teams who carry them out on a day-to-day basis.

## STEP I: DEVELOP YOUR VISION

The work begins with a series of structured dialogues, in which you and your team consider the potential inflection points in your industry. Push beyond your typical planning and forecasting horizons to the point where business-as-usual no longer guarantees results. When that is depends on your industry. A defense contractor selling fifteen-year programs should look out twenty years or more; an app company operating at the speed of the Internet might only look out five years. The key is to focus on a date that is distant enough to stretch your thinking, but not so far-off that it is utterly unrelatable.

**As technologies mature, new ones emerge, and business models evolve, which customer needs or jobs to be done will be increasingly met and which won't be—and what could you do to change that?**

Once you've determined the time horizon you're targeting and the major trends that will shape it, sketch in what is likely to be happening in and around your relevant markets. As technologies mature, new ones emerge,

and business models evolve, which customer needs or jobs to be done will be increasingly met and which won't be—and what could you do to change that?

Typically leaders emerge from these dialogues with twenty or thirty key assumptions, which are shared with a broader group of executives who are invited to comment on them. Then they debate them some more, culling and synthesizing as they do. The very act of pinning these assumptions down forces them to focus on their strategic implications.

### Identify the Major Implications of the Future for Your Enterprise

The goal, remember, is not to predict the future with certainty (nobody can) but to paint an impressionistic painting of it that is detailed enough to build clarity and alignment on what you will have to do to make its differences work to your advantage. Once you have

your painting, it's time to project yourself into it. How will your current businesses fare in that new-and-different environment? Your answers will help you quantify your growth gap—the difference between what you hope to deliver and what you likely can. The size of the gap determines the size of the response you'll have to muster.

The major implications for your business generally fall within one of four archetypes. We call them archetypes rather than scenarios because scenarios typically describe a spectrum of best- and worst-case contingencies. Our implication archetypes, in contrast, describe what the future is likely to mean.

**Archetype 1: Major Threats.** Significant disruption is likely, posing a mortal threat to your current businesses and calling for a thoroughly transformative strategy.

**Archetype 2: Moderate Threats.** The growth prospects in your core business are hitting their limits; disruption or commoditization is coming but it won't necessarily be fatal. They will need to be transformed and/or augmented with new business models and growth platforms.

**Archetype 3: Major Opportunities.** Your current businesses should continue to sustain growth, plus there are major opportunities to develop new platforms for breakthrough growth.

**Archetype 4: Maintain the Status Quo.** Focusing on business as usual will deliver all the growth you need. As tempting as it is to default to this archetype, it is almost never true.

The “aha” moment that comes out of this work isn't always a brilliant new thought. Often it comes from a place of emotion, as leaders let go of their defensive denials and accept a troubling reality. Imagine how executives at Fujifilm must have felt when they made the fateful decision to begin transitioning out of film.

## Envision the Future State of Your Business

Now it's time to focus on what you will offer, meaning how you will create value and address the gaps in your core business, while driving growth in its adjacencies (new products, services, and geographies that leverage your existing business model), and white spaces (altogether new initiatives). Comprehensive business models leverage all three areas.

Apple's digital hub strategy, for example, continued to rely on computers (its core business), but also developed new software (an adjacency), and new products in new categories—the iPod, iPhone, and iPad—that unlocked new business models.

To do this yourself, ask what your company could be in its envisioned future. What role could and should it play? What would best serve its legacy and values? What would be deeply meaningful and inspiring to your employees and other stakeholders? It's

important to not let your current structure— your product lines, the markets you’re in, how you’re organized— get in the way. This is the opportunity to design the ideal company of the future, irrespective— for now—of what it is today. This is the essence of future-back thinking.

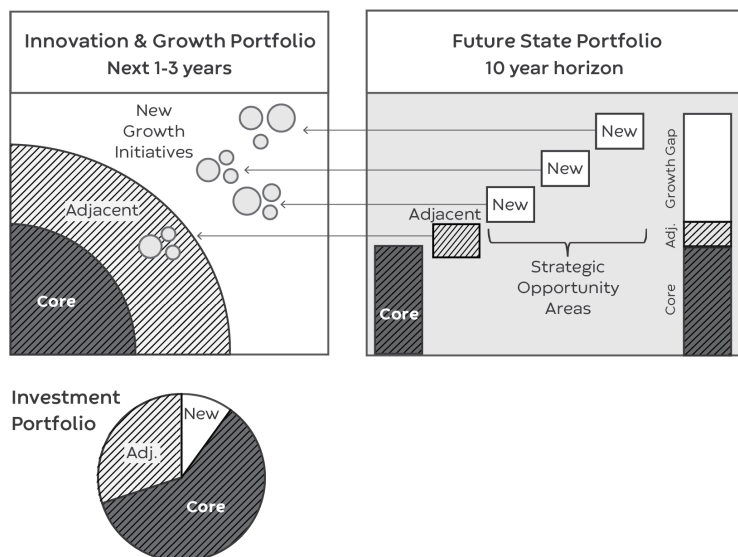
Consider a medical technology manufacturer that was struggling to commit to developing robotics platforms. They saw their potential, but they also recognized that they would necessitate difficult and expensive changes to their sales and service model. What finally got them over the hump was an appeal to their sense of purpose. They’d always been a leader in surgical technology; this was core to their identity. Could they still think of themselves as leaders if they passed up this opportunity? Going back to their sense of purpose gave them the fortitude to make the leap.

## STEP II: CONVERT YOUR VISION INTO A STRATEGY

### Linking Future Opportunities with Today’s Initiatives

The envisioned Strategic Opportunity Areas (SOAs) and adjacencies in the Future State portfolio are walked back to the present in the form of the planned initiatives in the Innovation and Growth Portfolio. The Investment Portfolio allocates dollars between core, adjacent, and new growth initiatives.

Having a well-developed vision is crucial, but it is never enough; you also need a concrete plan to turn it into a reality. This calls for a shift in mindset, from storyteller to engineer. Imagine that you are filling and balancing three linked and interdependent portfolios. Your **future state portfolio** is typically a financial projection of your enterprise at your target end date, in which your high-level assertions about your future businesses are translated into dollars and cents. Your **innovation portfolio** is a set of planned projects or initiatives,

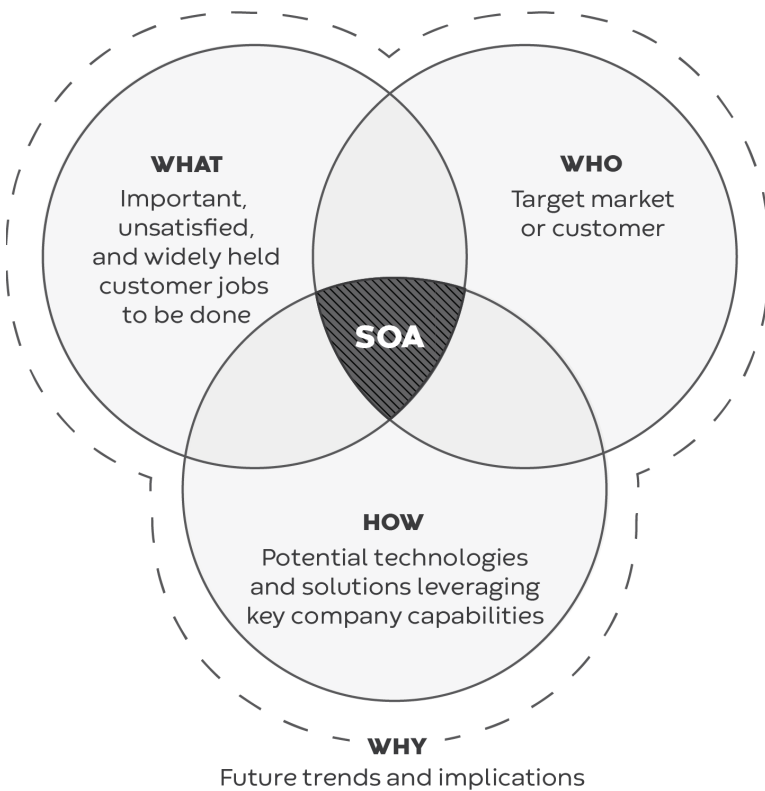


prioritized for the next one to three years, that reflect the future state portfolio. Your **investment portfolio** specifies the resources (in both dollars and people) that you will need to fund the innovation portfolio.

Knowing when your growth gap will occur and how big it’s likely to be determines the pace and scale of the new business activities in your future state portfolio. It makes

### Strategic Opportunity Areas (SOAs)

Think of SOAs as fishing holes, each representing a market in which you can play and win, and where every fish is a potential business idea that can provide the beyond-the-core growth you need. SOAs should be broad enough to include a range of possibilities, but specific enough that they can frame one or more initiatives that you can begin today.



sense to divide your growth gap by three or four and then zero in on three or four strategic opportunity areas (see the SOAs diagram) that are good bets to fill it. That makes sense as a starting point because it's too risky to place bets on just one or two, given the likelihood that some won't pan out. On the other hand, most organizations have trouble funding and managing five or more unique initiatives at the same time. Some you will develop organically; some it will make sense to acquire.

### The Walk-Back

Then it's time to walk your future state back to the present. To do this, you work backwards, setting milestones at roughly two- to three-year intervals. Essentially, you're reverse-

engineering your vision into a set of to-dos. If you've set your future state portfolio at a distance of ten years, first you'll define what must be true in eight years to take the next step to year ten. Ask yourself, what new capabilities and structures must be in place by year eight? How mature will each new initiative be? Then you'll move to year six, and so on, until you land in the present. Setting achievable goals for each stage of your efforts (key talent hired, programs launched, proof of concept achieved, partnerships developed, M&A deals executed) instills confidence, creates momentum, and ensures accountability.

Transformational strategies can take a long time to show significant results. The walk-back should account for this, allowing sufficient time for organically-developed initiatives to incubate and explicitly defining the parameters for M&As to more quickly plug gaps. The importance of the walk-back cannot be overstated. If a strategy is simply

extrapolated from the present forward, your existing processes, rules, norms, and metrics will influence and distort it.

The walk-back lands in the innovation portfolio, which includes all of the initiatives—both new-and-different white space plays and incremental improvements to your core—that are intended to deliver the growth defined in the future state portfolio. At the same time, you need to develop your investment portfolio, in which you formalize your decisions about where to invest and where those resources will come from, measuring not just dollars but people and leadership mindshare. It's likely you will have to cut funding or slow down or stop initiatives in some areas to pay for increases in others. Given that all of your programs have vested interests, none of these changes will be easy. This is why it's so important that the senior team adjudicate and enforce those tough decisions.

Armed with your three portfolios, you now have a strategy that connects your vision of the future to a concrete plan to thrive in it.

### **STEP III: PROGRAM AND IMPLEMENT YOUR STRATEGY**

Just as a vision requires a strategy, a strategy must be carefully programmed into an organization before it can be implemented. A set of components must be designed that mesh together as an integrated system. Critically, they must:

- Formalize the roles and responsibilities of the senior leadership team as champions of both the strategy and the innovation teams that are designated to carry it out
- Set up an organizational model that protects the innovation teams from the countervailing influences of the core
- Manage initiatives with a flexible and open-ended “explore, envision, and discover” process that encourages learning

Procter & Gamble's two-time CEO A.G. Lafley told us he would sit down monthly with his head of R&D as well as “the right players from the functions, P&G Ventures, and in some cases, the businesses. Then we would review the technologies, new products, and business model innovations we were developing and testing. The main point,” he added, is that “the CEO is de facto the CIO in any company where innovation is a critical strategy to drive growth.”

The senior leadership team's first job is to design a governance system that optimizes their innovation efforts. It should aim for a minimally viable bureaucracy, with the innovation teams reporting directly to the top to minimize interference from the core business. Typically, a New Growth Board is formed to oversee the initiatives, made up of a subset of key senior leaders (for example, the CEO, CFO, head of strategy, head of business development, head of R&D, and an expert outsider). As a senior champion,

each member will likely spearhead or sponsor one or more of the strategic initiatives that are the most germane to their expertise and passions, much as partners at venture firms serve on the boards of multiple portfolio companies.

Boeing created two linked organizations for its breakthrough efforts: Horizon X, which is responsible for seeding and shaping nascent beyond-the-core businesses that focus on futuristic technologies, while Boeing NeXt manages them once they have attained revenue but are not ready to stand on their own. Roy Davis, who was president of Johnson & Johnson's Development Corporation between 2008 and 2012, uses a hospital metaphor to describe the roles of different innovation organizations: "Early stage projects, that aren't yet really businesses and have major assumptions to test, need something like a 'neonatal ward,' where there are specialized tools, a lot of support, and careful attention to nurture them to health. More mature projects, with early revenues but not yet at scale, can move to something like a 'pediatric ward,' where they'll receive a lot more attention than they would in the general hospital."

Very few people are willing to admit defeat, but with breakthrough innovation work, the likelihood is that many if not most projects won't initially succeed. Senior leaders should remind the teams that what did you learn? is as important a question as what did you achieve? As with venture capital, it's a portfolio game; ventures should be pivoted when they need to pivot, and shut down when it's clear they won't pan out.

The new growth innovation teams should be small at first and staffed with personnel who are cross-functional, co-located, and fully-allocated; they should be empowered to tap into the functional prowess of the core business to access capabilities where they are needed.

Although some breakthrough initiatives can take a decade or more to travel from the drawing board or the laboratory to scale, most take shape within three years. Creating a vision, developing a future-back strategy, programming the strategy, and preparing your organization to launch it fills up year one. Then it's time for implementation, which carries you into year two. Then, in year three and beyond, you begin to scale.

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Big organizations are shorter-lived than they have ever been. According to Innosight's Corporate Longevity analysis, in 1958, the average tenure of a company on the S&P 500 was 33 years. It dropped to 24 years as of 2016 and it is projected to shrink to 12 by 2027. At that churn rate, half of the companies on the S&P 500 will be replaced in the next decade. Read the most recent Corporate Longevity report [here](#).

Future-back thinking is a way to develop a clear vision of your organization's intended future and to anticipate and grasp opportunities for breakthrough growth— and to stop doing the things that are becoming irrelevant.

## ABOUT THE AUTHORS



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