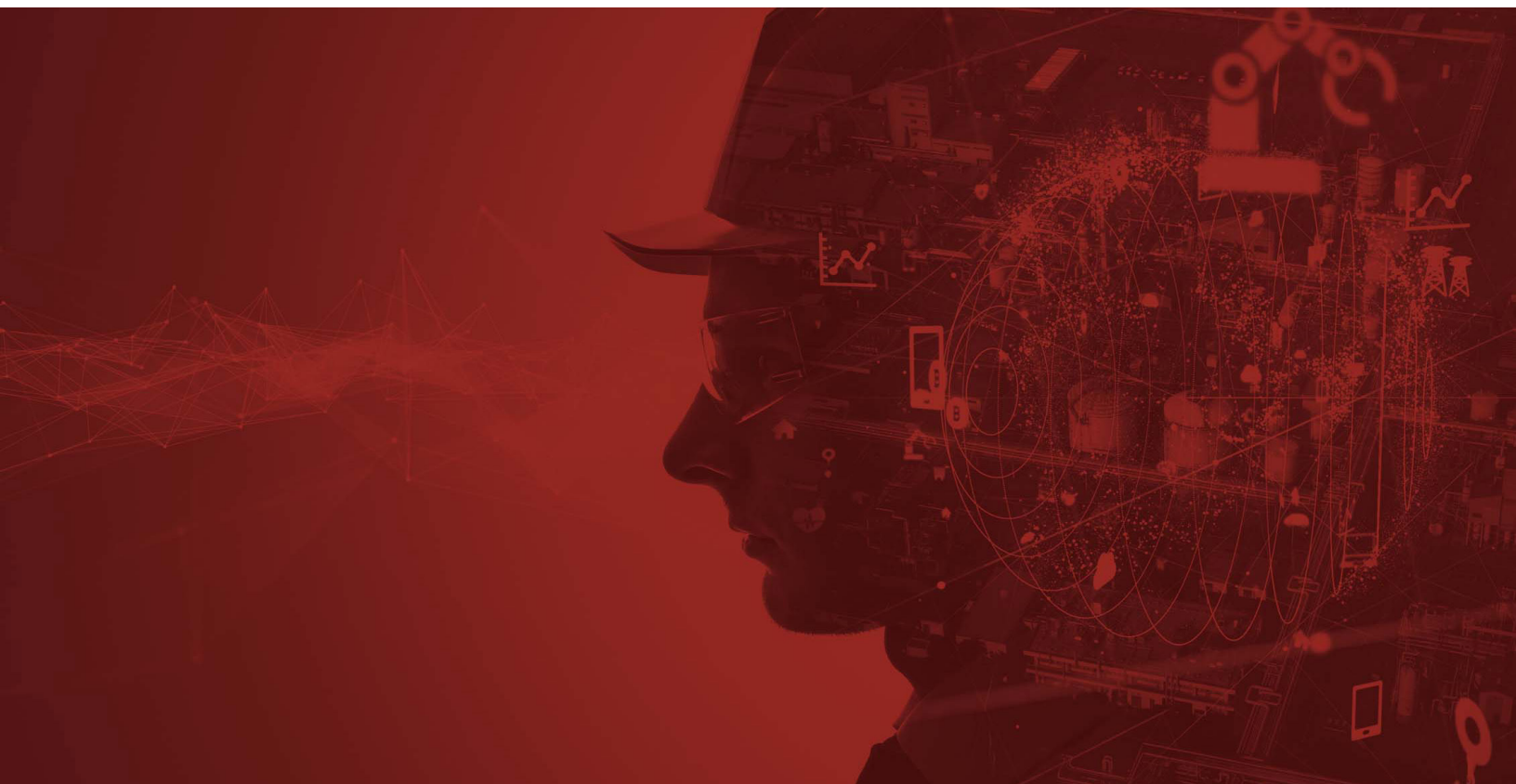


Navigating Disruption: A Leader's Guide to Strategy Under Uncertainty

A “future-back” approach can bring clarity.

By Rob Bell and Ned Calder



Industrial companies are navigating a perfect storm of change—tariffs, trade tensions, geopolitical instability, and rising expectations around sustainability. From EVs and AI to shifting supply chains and climate-related demands, the forces at play are increasingly complex and hard to predict. And yet, the pressure to keep operations running while preparing for what’s next has never been greater.

These disruptions aren’t linear or isolated—they ripple across ecosystems, reshaping value chains and altering customer expectations. They often call for shifts in business models, new types of partnerships, and fresh approaches to value creation. Leaders who want to stay ahead can’t afford to rely on incremental planning or wait for certainty. They need to think differently—starting with a clear view of the future and a strategy to shape it.

To break free from the trap of “better sameness,” leaders need to shift their perspective—from reacting to today’s pressures to proactively shaping tomorrow’s opportunities. That starts with a future-back approach: envisioning a fundamentally different world ahead and translating that vision into clear steps the organization can take now.

This way of thinking is especially useful when reinventing a core business, pursuing disruptive innovation, or responding to macro forces like digital transformation or sustainability. Future-back strategy centers on three critical elements:

- **Create a shared view of the future.** Without alignment on what’s coming, it’s impossible to build conviction around when and how to act.
- **Make directional choices.** Set a clear path while

leaving room to adapt as new information emerges.

- **Enable the organization.** Equip teams to execute on transformational goals—often by rethinking how the company operates, collaborates, and invests.

Aligning on a View of the Future

In our work with a large automotive OEM to develop a long-term strategy, we helped them assess the impact of a number of disruptive shifts – changing ownership models, digital mobility services, autonomous vehicles, and other trends. In our initial conversations with senior executives, there was universal agreement that electrification would be a major transformational force in the industry. Everyone agreed on that perspective.

However, when we drilled down, there were completely divergent points of view on the details. What was the likely shape of the adoption curve: would it be slow and linear or would there be an inflection point? Where would electrification gain traction first: would it follow a traditional trickle-down pathway from luxury to mass market or could “good-enough” solutions find traction in the low end of the market? For these and other questions, the leadership team had very different perspectives, which made it challenging to agree on product or go-to-market strategies.

This is a common situation. Often leaders have superficial alignment on a major trend (“digital is the wave of the future”), but not on the details of where it will start, what the adoption curve will look like, and the implications for both the existing business as well as new opportunities. Critically,

this makes it difficult to build a clear case for action, leading all too often to the proverbial boiling frog problem.

Before senior leaders can create and deploy a viable long-term strategy, they need to develop an aligned “view of the future.” That is a perspective on what their industry will look like 5 or 10 years out and the implications for the business. In the case of the automotive company, this looked like a specific and granular set of 20 foundational assumptions related to topics such as consumer expectations, market dynamics, electrification, autonomy, and mobility. This set of assumptions, and the scenarios around them, provided a common basis for long-term planning and a reference point they could use to monitor if the world was evolving in line with their original perspective or not.

Building an effective view of the future often stretches existing market-sensing capabilities. Because it requires looking over a longer time horizon, the process introduces uncertainties that need to be managed. A common critique is that “no one can predict the future.” And while true, it is often possible to delineate a bounded range of possible outcomes or scenarios that can be used for planning

A “view of the future” is a perspective on what your industry will look like in 5 or 10 years — and the implications for the business.

and to test the robustness of a long-term strategy. In addition to a longer timeframe, it also requires looking with a wider lens. This could include, for example, examining the role that non-traditional competitors might play as historical industry boundaries blur. Or looking beyond the nearest nodes in the value chain and focusing on the more

fundamental driving forces in upstream and downstream markets.

As part of building the view of the future, it is also helpful to ask different questions. Customers and end-users bring their own biases to thinking about what they want. In the case of innovation, that means they may default to what’s known. So, asking them what they want in a solution will often surface incremental improvements on the existing paradigm—but fail to reveal potential breakthrough insights. A more productive and reliable line of inquiry focuses on their most pressing “jobs to be done,” which are the fundamental problems they are looking to solve today and in the future. Zeroing in on what customers are trying to accomplish in a given circumstance, and the barriers they face, provides insight on whether an evolution of the current solution will work or whether a fundamentally new and different solution is required.

Finally, an effective view of the future requires the right models to interpret the data. Assuming linearity, companies often extrapolate today’s data using historical models. In a significantly changing environment that is dangerous, because using the wrong model or set of assumptions to try and predict the future can lead to the wrong conclusions.

Companies need to look at relevant models and patterns from other time periods in their industry or other industries entirely that have gone through similar transitions and have similar circumstances. These can be better predictors of patterns and can help to provide perspective on how trends may play out and the factors to pay attention to. For example, if an organization identifies an innovation as disruptive, there is a well-studied pattern that can help predict how things will unfold.

Setting the Direction of Your Strategy

A core challenge with setting a future-back strategy is balancing the tension between providing enough specificity to align the organization on a clear direction, while providing the flexibility to adapt as trends play out and companies learn their way into new spaces. A future-back strategy can't have the tactical and budget-level details associated with a 1-year or 2-year plan. At the same time, broad mission and vision statements don't provide enough clarity on where and how a company will compete in the future.

A framework that balances this tension at the center of a future-back strategy is the "Strategic Opportunity Area." An SOA is composed of three intersecting elements. The first is a large and growing group of potential customers. The second is an important and as yet unsolved problem or job to be done that those customers will have in the future. And the third is a description of how the company will try to solve those problems.

To illustrate, Innosight worked with a multinational engineering firm that was facing slow growth in their core business. As they looked beyond their traditional planning horizon, they faced a multi-billion growth gap that necessitated looking at areas outside their core business. An examination of trends in adjacent markets suggested modular construction might be an attractive space driven by advances in technology, consumer adoption, and on-going labor and productivity challenges in the construction industry.

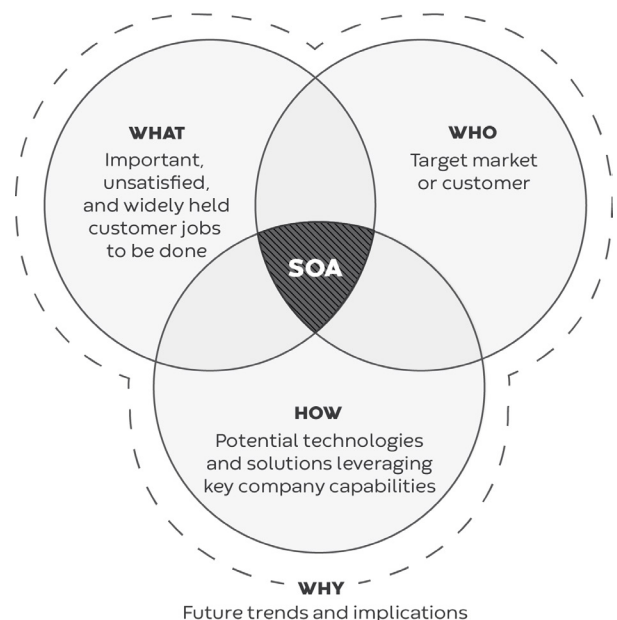
To provide more granularity to the somewhat broad category of "modular construction," the company narrowed on more specific opportunities. From a customer perspective, they chose to focus on commercial customers (e.g., hospitals and schools) versus the vast range of residential applications. In terms of customer problem, they narrowed their focus to expanding existing structures while minimiz-

ing disruption (e.g., noise and traffic) and downtime. And for solutions, the company chose to have a vertically integrated orientation that would knit together elements from domains such as design, manufacture, and installation.

This SOA – "help commercial customers expand existing structures while minimizing disruption through an integrated solution" – provided enough specificity to enable the leadership team to move forward with concrete next steps while giving them enough latitude to maneuver as needed. For example, the SOA called for a vertically integrated solution orientation, but the specifics of what exact roles were left to the team to determine as they progressed the strategy.

SOAs provide the building blocks of a future-back strategy. A typical process generates a number of options and then evaluates them along dimensions like attractiveness and feasibility. Ultimately a future-back strategy is composed of a coherent portfolio of SOAs that define where and how the company will compete in the future.

Strategic Opportunity Area



Programming and Deploying the Strategy

Developing a transformational strategy is only half the challenge. The other half is transforming an organization so it can effectively pursue big opportunities. Most companies are organized to maximize the needs of the existing business. New-and-different initiatives—especially those that could potentially cannibalize or otherwise threaten the core—invariably meet resistance within the organization.

That's why it's important to carefully program future back strategy in advance, to ensure that it receives the resources and management mindshare necessary to be successful. This requires looking at a range of organizational, operating model, and cultural issues and identifying potential pinch-points.

Our experience working with an iconic basic materials company illustrates this organizational challenge. After conducting a rigorous value chain analysis that produced a sobering picture, this company developed a dual purpose strategy. On the one hand, they needed to redouble efforts to drive excessive costs from the existing core business, entailing painful plant closings, layoffs, contract renegotiations, etc.

But while that took them out of the red at that moment, it didn't provide a long-term solution for growth. It was imperative for them to take some portion of the savings and begin building new capabilities and opening up transformative new growth spaces. However, this commitment entailed embracing a risk tolerance that was alien to the culture of the core business. Ultimately, the COO, who sat over both sides of the strategy was not convinced. "We've saved \$200 million," he said. "Why would we want to waste it on unproven ideas?" The risk of doing nothing new was ignored.

In another example, Innosight recently worked with a major multinational chemical company that was

stuck in a cycle of slow growth. While their technical capabilities were state-of-the-art, the return on their investments were declining. Their products increasingly exceeding the needs of all but their most demanding customers. Value was shifting to new areas and business models.

Company leadership landed on a strategy that focused on transforming their core business while also investing in new growth opportunities in non-traditional areas.

The company realized that unless they addressed the organizational blockers, they were likely to realize limited results. After a diagnostic of the current organization and past failures, they identified a number of changes that could make implementation of the strategy more successful. For example, they decided to change their resource allocation processes to more effectively deal with different types of opportunities that had different risk/return profiles and investment characteristics. They built new innovation processes that extended beyond their traditional R&D stage-gate processes and were fit-for-purpose to the new portfolio of strategic opportunity areas. And they addressed cultural issues in the leadership team that prevented transparent and constructive engagement with the strategy. They upskilled key team members as well as brought in outside hires with complementary experiences.

Not all of the chemical company's new SOAs will succeed equally. But given the organizational changes the company has made, they have increased the overall odds of success and provided the basis for growth in the future.

Big organizations are shorter lived than they have ever been, buffeted by disruptive change and shifting customer behavior. According to **Innosight's Corporate Longevity analysis**, the average tenure of companies on the S&P 500 is forecast to shrink from 30-35 years in the late 1970s to 15-

20 years this decade. Iconic industrial companies are more vulnerable than ever to these disruptive forces. All too often, the cost of inaction is greater than the cost of new actions. Future-back strategy can give companies the confidence to act – even in fast-changing, uncertain environments—through building leadership alignment about the future, identifying strategic opportunity areas with enough granularity, and carefully deploying strategy that addresses organizational resistance.

In programming a future-back strategy, a set of components need to come together as an integrated system. Critically, those components must:

- 1. Formalize the roles and responsibilities of the senior leadership team** as champions of both the strategy and the breakthrough innovation teams set up to carry it out
- 2. Set up an organizational model** that protects breakthrough innovation teams from the countervailing influences of the core
- 3. Manage initiatives with an explore, envision, and discover process** so senior teams and innovation teams can learn their way to success together

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About Innosight

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at www.innosight.com.

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