

# **LEAD FROM THE FUTURE**

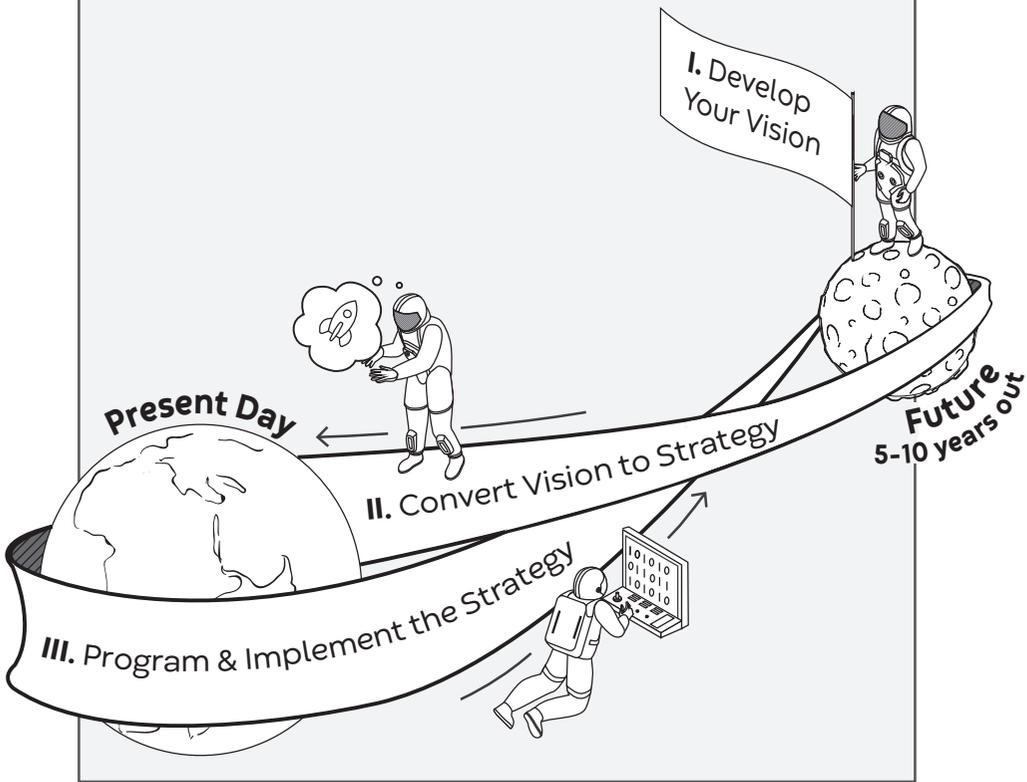
**HOW TO TURN VISIONARY THINKING INTO  
BREAKTHROUGH GROWTH**

**BY MARK W. JOHNSON AND  
JOSH SUSKEWICZ**

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# The Future-back Process



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## The Essence of This Book

To sustain growth



Plan for the short term  
and the long term



By developing an actionable  
vision that you can translate  
into a strategy

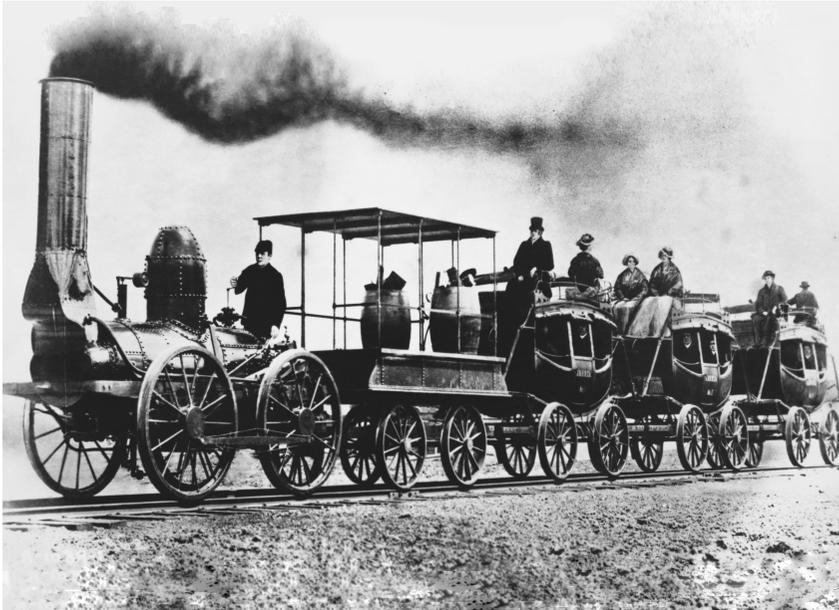


Through a way of  
thinking and a  
process we call  
**FUTURE-BACK**

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c. 1831. Rooftop passengers in the "cheap seats" were usually treated to a face full of smoke and cinders



Source: Science History Images / Alamy Stock Photo.

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c. 1894. The "horseless carriage": one of the first designs for the automobile



Source: Mercedes-Benz Classic.

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c. 1961. Goodyear's grand idea for a space station



Source: NASA.

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## When to Use Present-forward vs. Future-back

### STRATEGY

| Present-forward                                            | Future-back                                                                    |
|------------------------------------------------------------|--------------------------------------------------------------------------------|
| Extend an existing strategy; maintain a linear growth path | Develop a vision and transformative strategy; address a major shortfall or gap |

### INNOVATION

|                     |         | Present-forward                                | Future-back                                       |
|---------------------|---------|------------------------------------------------|---------------------------------------------------|
| FOCUS OF INNOVATION | Outward | Performance Enhancing / Sustaining Innovations | Market Creating Innovations / New Business Models |
|                     | Inward  | Efficiency Innovations / Process Improvement   | Cost Transformation / Reinvent the Core           |
|                     |         | Sustain                                        | Transform                                         |

**PURPOSE OF INNOVATION**

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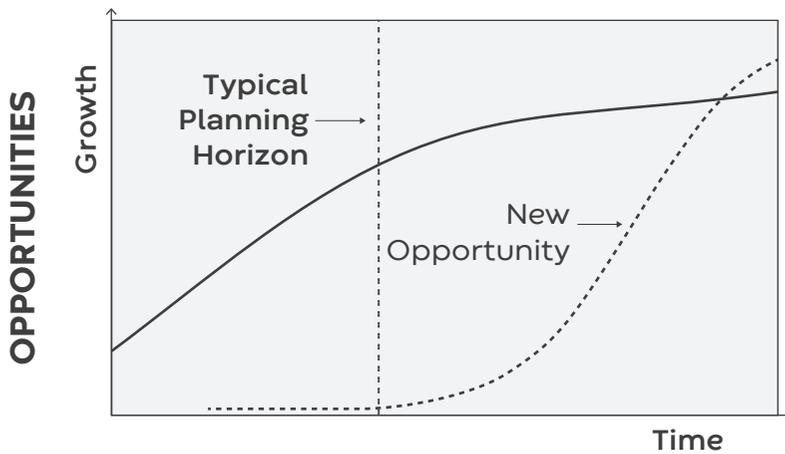
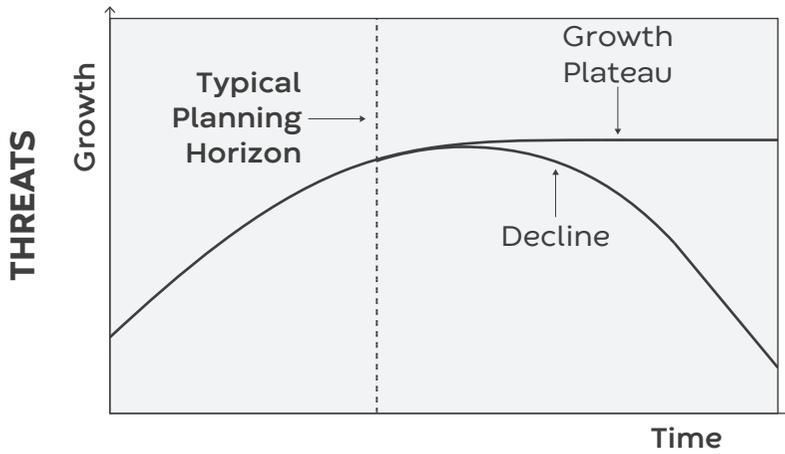
# Roadblocks to Future-mindedness



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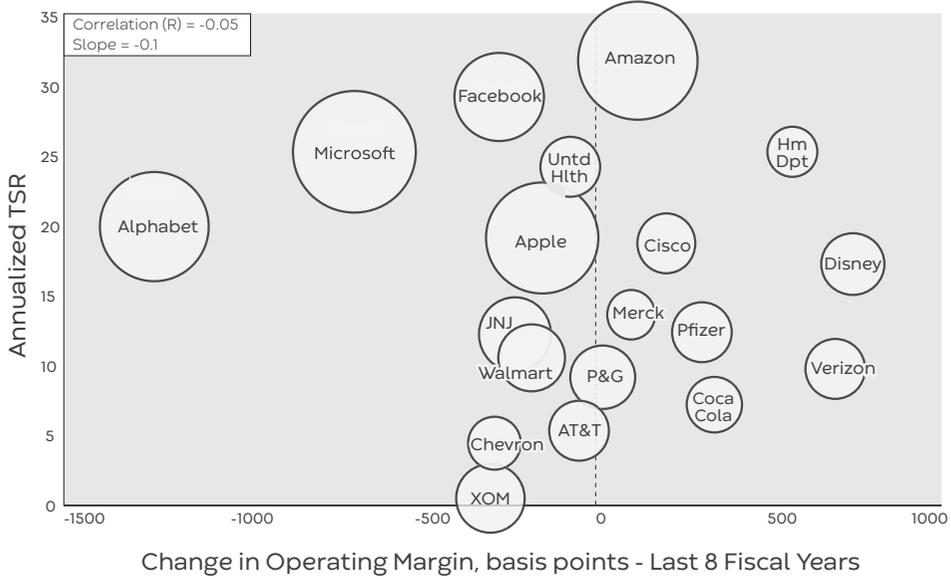
## Looking beyond the Horizon

When your planning horizon is just 3 to 5 years, you are blinding yourself to longer-term threats and opportunities



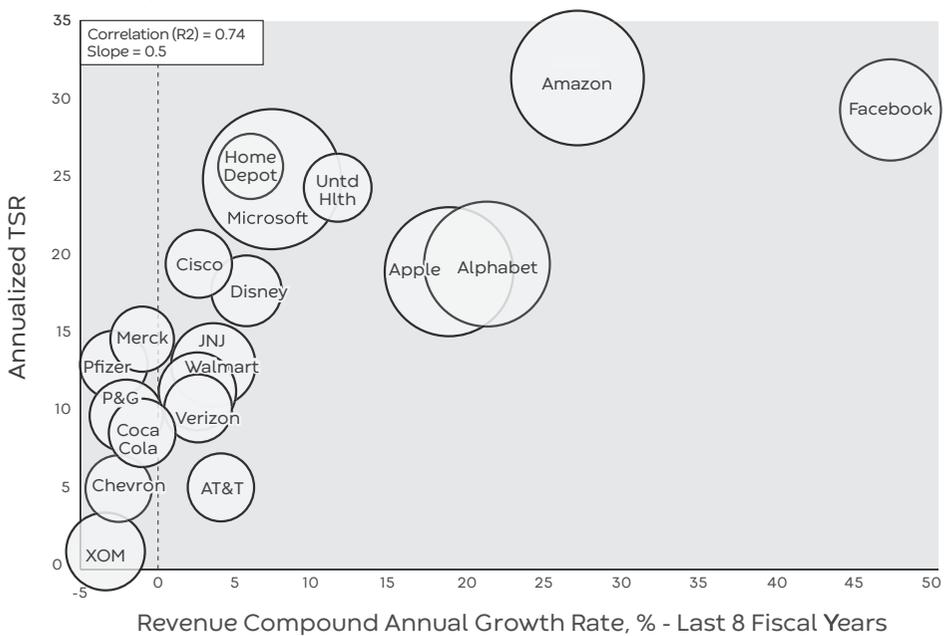
## Long-term Shareholder Return vs. Margin Expansion

No Observable Correlation



## Long-term Shareholder Return vs. Revenue Growth

Strong Correlation



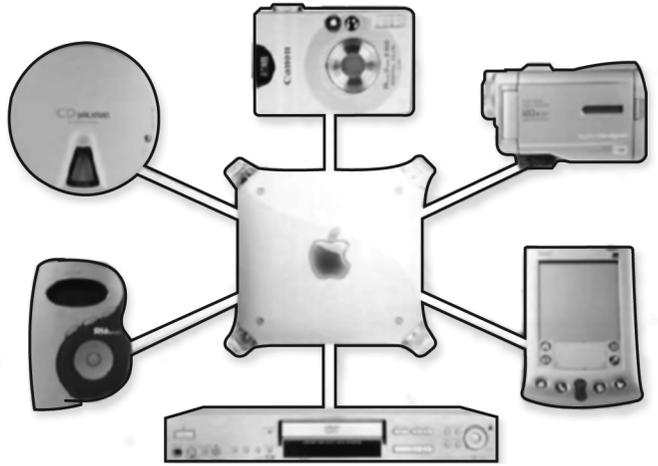
Top 20 market cap S&P 500 companies, ex-Financials  
Annualized, 8-Year Total Shareholder Return (TSR), 2011-2019  
Facebook based on 7 years given May 2012 IPO

Source: Datastream, Refinitiv, S. Patrick Viguerie and John Van Landeghem

○ Diameter reflects Latest Fiscal Year Revenue

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**Steve Jobs Unveiled Apple's Digital Hub Strategy  
in January 2001**



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Attributes of

# ***Present- forward Thinking***

- What is
  - Sustaining
  - Continuous
  - Increments existing paradigm
  - Concrete and predictive
  - Drive to certainty
  - Delivery/managerial
  - Linear
  - Deductive/inductive
  - Analytical
  - Facts and data-driven
  - Answers
  - Build off base
  - Point solutions
- 

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Attributes of

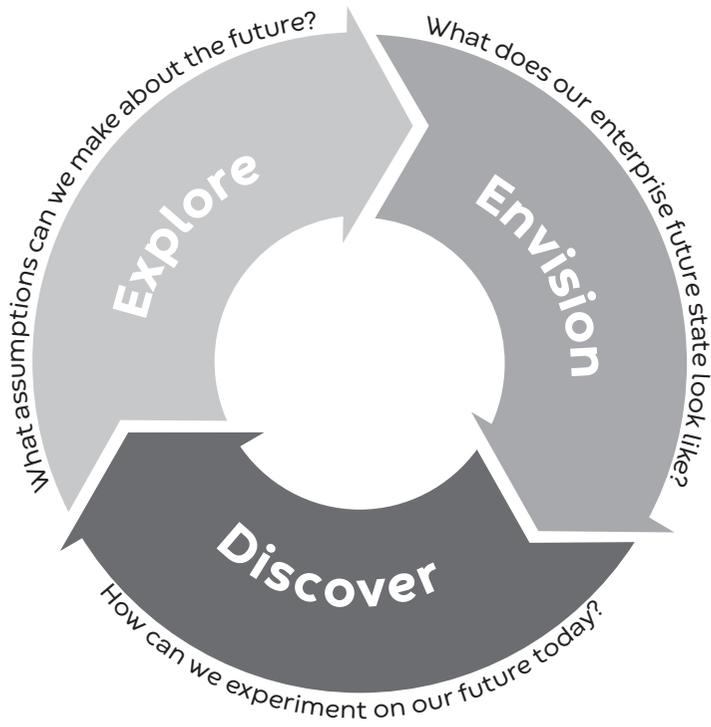
# ***Future- back Thinking***

- What could be
- Transformative
- Discontinuous
- Develops a new paradigm
- Ambiguous and abstract
- Drive to clarity
- Discovery/entrepreneurial
- Multidimensional
- Abductive
- Imaginative and creative
- Assumptions-driven
- Questions
- Clean sheet
- Systems thinking

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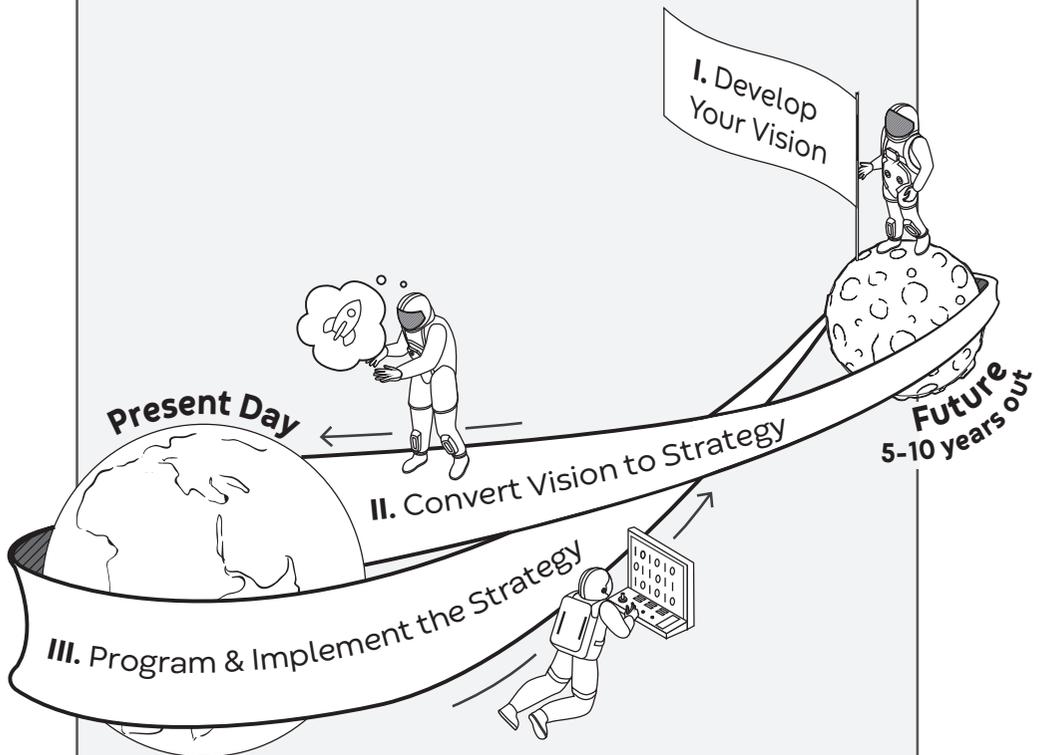
## The Learning Loop

Future-back thinking is refined through a process of iterative learning



## The Future-back Process

Informed by principles derived from our work on transformational growth and innovation strategies with leadership teams at many dozens of large organizations and our study of the intuitive habits of visionary leaders, our future-back process is designed to help leaders develop visionary strategies and bring them to life



## Phase I: Develop Your Vision

### Step 1: Paint a picture of the future environment

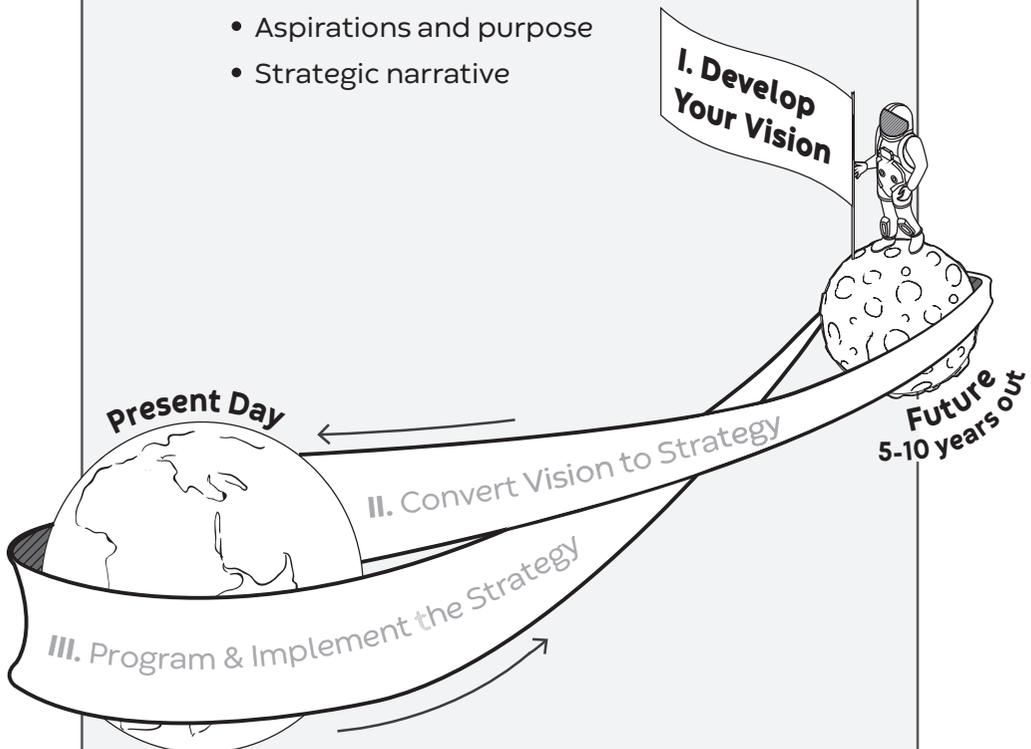
- Target time horizon
- Jobs to be done of the future
- View of the world statements

### Step 2: Identify major implications of the future

- Four archetypal implications
- Confronting the future head-on

### Step 3: Envision the future state of your business

- Core, adjacent, and new growth
- Aspirations and purpose
- Strategic narrative



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## Industry Inflection Points

The table below outlines examples of inflection points in major industries—specifically, the years that the disruptive trends in the center column can be expected to mature to a point where they will have business significance. The dates, of course, are simply informed estimates, but they can help guide your discussions about your future state.

| <b>Industry</b>               | <b>Disruptive Trend</b>       | <b>Timeframe</b> |
|-------------------------------|-------------------------------|------------------|
| Automotive                    | Autonomous vehicles           | 2030             |
| Energy                        | At-scale storage              | 2030             |
| Entertainment                 | E-sports                      | 2022             |
| Healthcare                    | Fee-for-value payment models  | 2025             |
| Professional & Legal Services | Automation of key tasks       | 2025             |
| Life Sciences                 | Gene and cell therapies       | 2030             |
| Media                         | Virtual and augmented reality | 2027             |
| Medtech                       | Robotics and digital surgery  | 2030             |
| Restaurants                   | Delivery on demand            | 2022             |

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# Emerging Fault Lines

## Key Diagnostic Questions

### Customer needs:

Do customers we don't currently serve have emerging unmet needs? If so, does that signal an opportunity that a new competitor could seize?

Are our customers loyal to our product, or are they captive for lack of other options? Would they defect if they could?

Could emerging technology simplify how end users' needs are met?

### Performance metrics:

Will the customers of tomorrow define quality differently from the way today's customers do?

How closely do our customer satisfaction and financial metrics correlate? Are our customer satisfaction scores as strong as our financial indicators?

Do our products or services have more features or complexity than most of our customers value?

Is there a new metric that aligns with the needs of future customers?

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**Industry position:**

Is a disruptive technology emerging that could significantly change the cost-value equation in a major part of our industry?

Are our customers starting to bring our services in-house or to outsource them to someone else?

Is our industry expanding to include new kinds of competitors? Is there consolidation among major players—signaling that it’s becoming harder to make money in the traditional way?

**Business model:**

Is at least one emerging competitor in our industry following a different business model—even if at the moment that model looks financially unattractive?

Is the way we make money aligned with how value is created for customers? Are customers balking at price increases or added fees?

Will the strategic assumptions that underlie our existing model—assumptions about risk, differentiation, and growth—hold true as our industry changes?

**Talent and capabilities:**

Will we be fulfilling customer needs that require new skills to be brought on board?

Have our company and industry struggled to attract tech-savvy talent?"

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## **Automotive View of the World Statements 2030**

Key assumptions related to major driving forces of change in the automotive industry

### **AUTONOMY**

The adoption of semi-autonomous vehicles is common across vehicle segments and is not a differentiator for OEMs.

Fully autonomous vehicles will be significantly intertwined with electric vehicle solutions and will comprise 10% of the market, leading to fundamental shifts in personal and fleet-based mobility systems.

As the autonomous vehicles (AV) industry grows, customers will demand to be more productive and more entertained within their mobility experiences.

### **ELECTRIFICATION**

Government mandates may require OEMs to use specific technologies (e.g., battery electric vehicles, fuel cell vehicles) to sell in key markets such as North America and China, and/or major cities globally.

Excluding regulatory incentives, cost of ownership for electric vehicles is on par with internal combustion vehicles in the 2030-2035 timeframe, depending on regional conditions and technology advancement.

Charging infrastructure is widely available in key markets (e.g., North America, Europe, and China).

### **CITIES**

Telematics enables broader connectivity of vehicles and data-driven services (e.g., logistics management, insurance, real-time maps), creating new business models starting in commercial fleets.

Sharing (e.g., taxi, AVs) is the primary mode of transportation for many consumers in high-density urban areas.

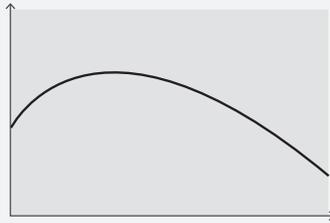
Cities become aggregators of mobility demand and arbiters of solution providers.

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## Four Archetypal Implications for Your Future

### Major Threats on the Horizon

Significant disruption is on the horizon, posing a **mortal threat** to current businesses and calling for a **thoroughly transformative strategy**, both a major repositioning of the core business and the development of new growth businesses. Think of Kodak as digital imaging technology emerged, or Blockbuster Video stores after Netflix introduced its subscribe-through-the-mail business model.

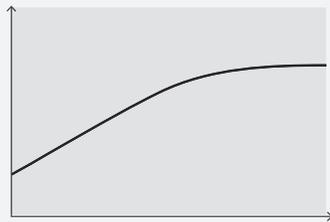


Disrupted core business  
leads to decline

emerged, or Blockbuster Video stores after Netflix introduced its subscribe-through-the-mail business model.

### Moderate Threats Emerge

The growth prospects in your core businesses are hitting their limits as they mature; disruption or commoditization is coming, but it **won't necessarily be fatal**, at least for the foreseeable future. Think of the challenges facing consumer product companies that sell branded staples,



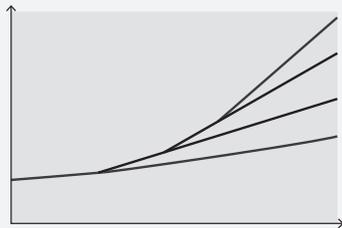
Disrupted core business  
slows growth

like shampoos and skin-care products, in the face of competition enabled by e-commerce platforms. **Current businesses will need to be transformed** with new business models and/or augmented by new growth platforms.

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## Major Opportunities Ahead

Your current businesses are reasonably positioned for sustained growth with some targeted adjustments, but they **will not realize major growth opportunities unless they develop the new platforms** that can and should be built alongside them. Think of Amazon and its seemingly



Add growth platforms  
to the core

limitless expansion in e-commerce, alongside its development of adjacent businesses in cloud computing, logistics, and the like.

## Maintain the Status Quo

Doubling down and focusing on business-as-usual is the right choice. For this to be true (and to be frank, it rarely is, given the accelerating pace of change—just look what’s happening to traditional grocery stores, an industry that was relatively stable for decades, now that Amazon has moved into the space and online delivery services are on the rise), you’d have to believe that **you have significant headroom for growth** or that **you lack the ability to pursue new growth opportunities**. We include this option cautiously because it will be tempting for many executives to default to it, whether it applies to their cases or not.



Focus on growth  
in the core

limitless expansion in e-commerce, alongside its development of adjacent businesses in cloud computing, logistics, and the like.

## Phase II: Convert Vision to Strategy

### Step 1: Develop the future state portfolio

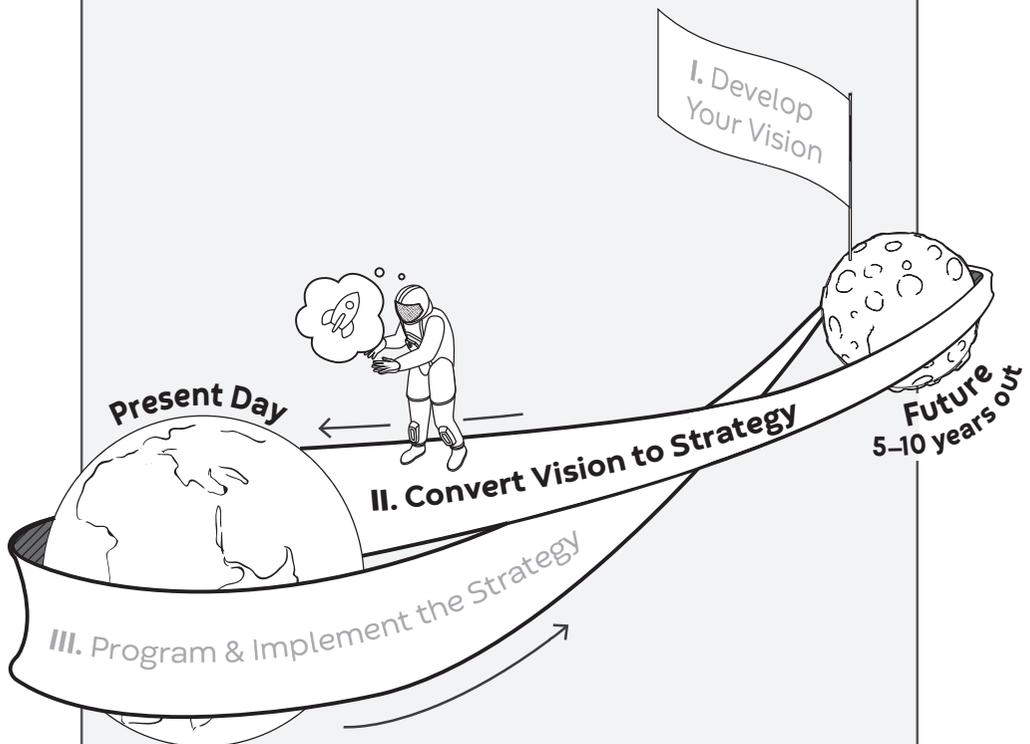
- Quantify your growth gap
- Strategic opportunity areas (SOAs)

### Step 2: Walk the future back

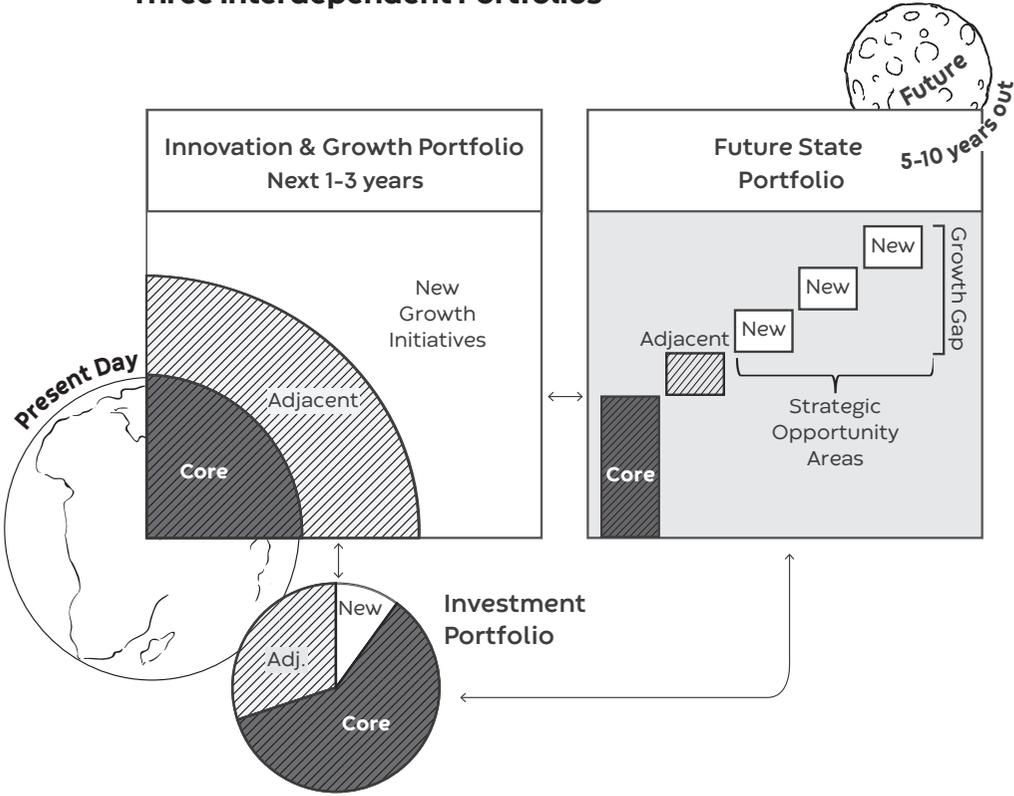
- Develop milestones

### Step 3: The innovation & investment portfolios

- Categorize initiatives
- Balance by growth, risk, and return
- Decide what to stop, start, and continue



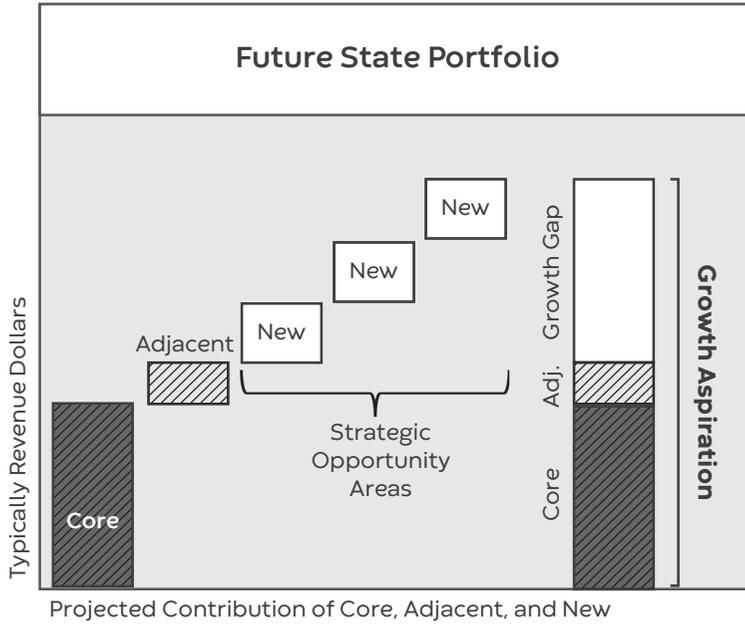
**Vision is Converted to Strategy via the Development of Three Interdependent Portfolios**



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## Future State Portfolio

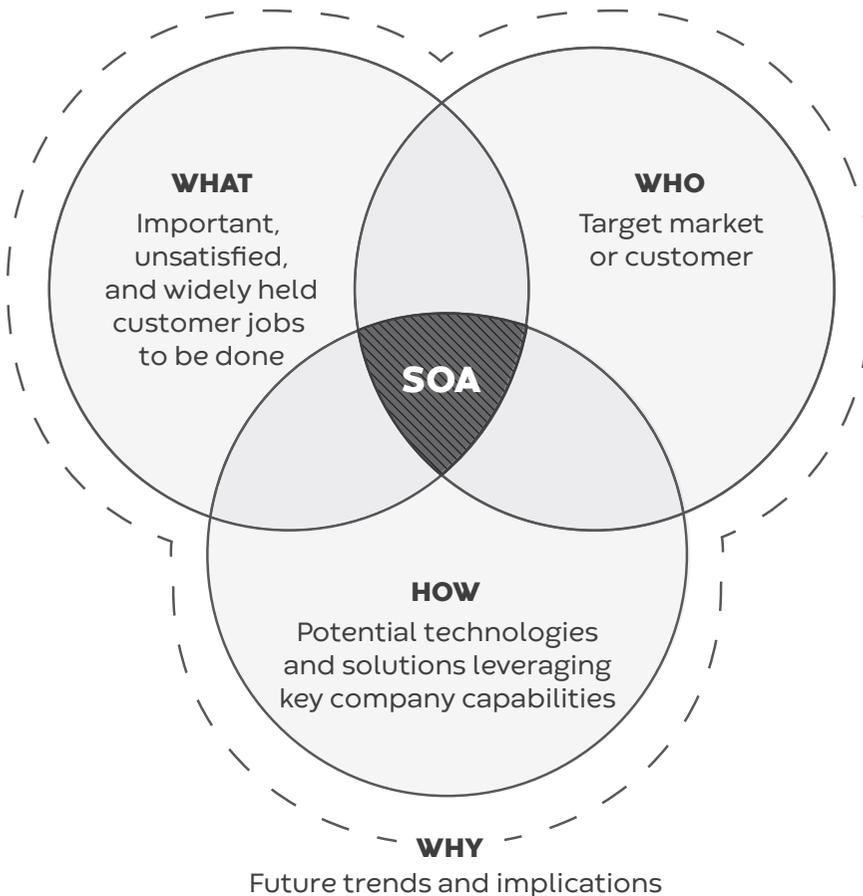
The growth gap is determined by the difference between your growth aspiration and what your core and adjacent businesses can deliver in the future



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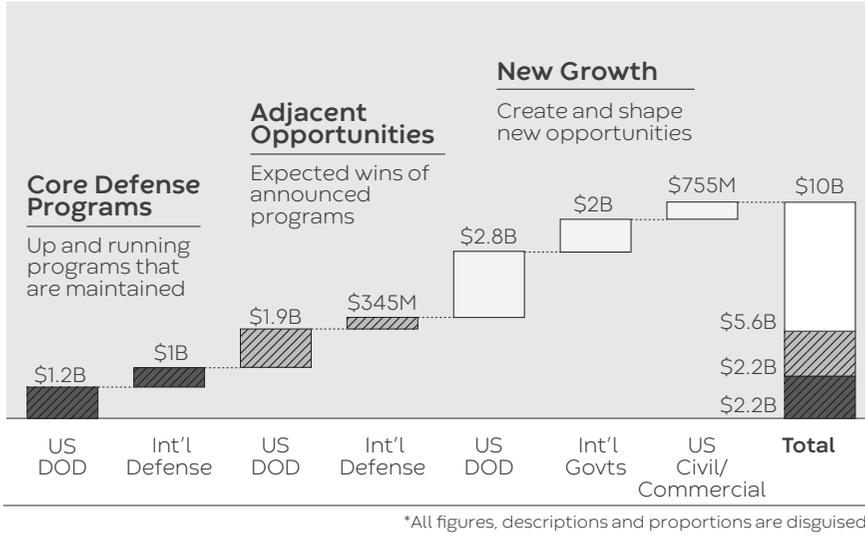
## Strategic Opportunity Areas (SOAs)

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.



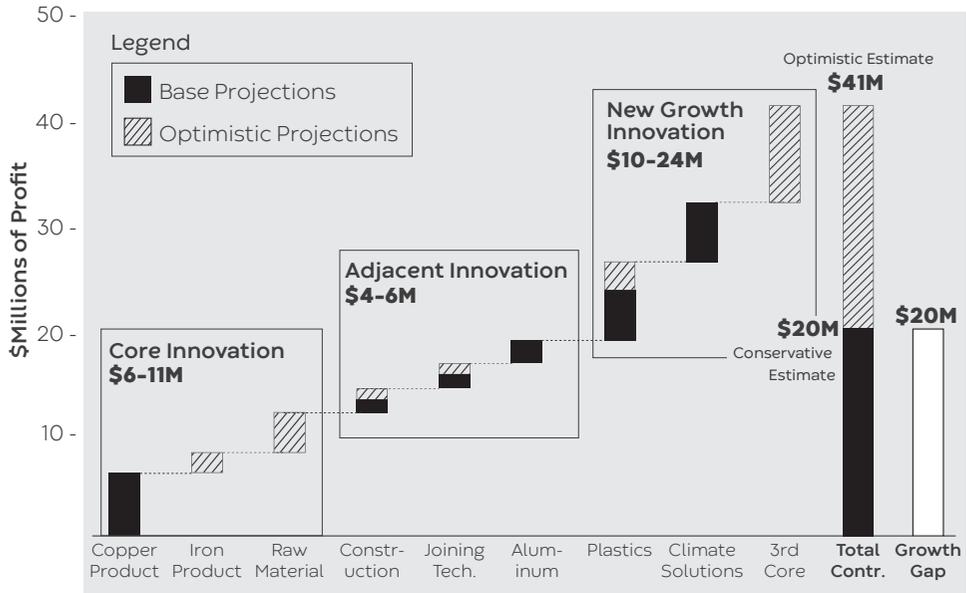
## Defense Contractor Future State Portfolio 15 Years Out

The company envisioned a set of core and beyond-the-core businesses to address their projected **revenue** growth gap\*



## Industrials Company Future State Portfolio 5 Years Out

The company envisioned a set of core and beyond-the-core businesses to address their projected **profit** growth gap\*



| EBT | \$6M | \$0-2M | \$0-4M | \$1-2M | \$1-2M | \$2M | \$5-7M | \$6M | \$0-11M | \$21-41M | \$20M |
|-----|------|--------|--------|--------|--------|------|--------|------|---------|----------|-------|
|-----|------|--------|--------|--------|--------|------|--------|------|---------|----------|-------|

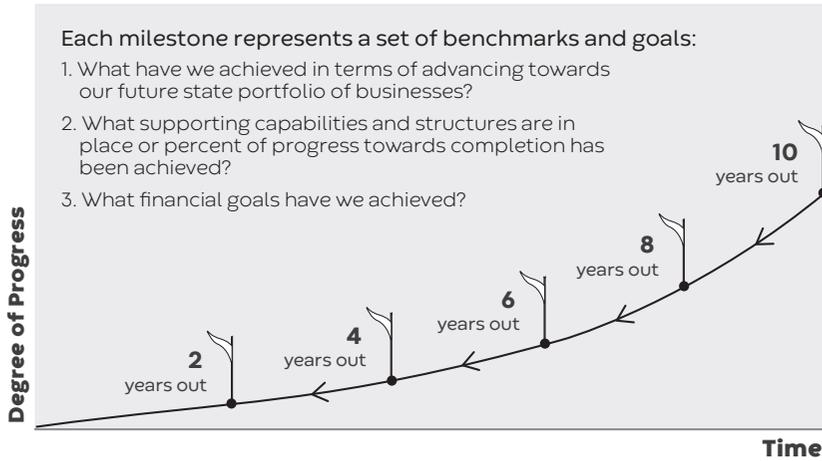
Earnings before taxes (EBT)

\*All figures, descriptions, and proportions are disguised.

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## Milestone Development the Future-back Way

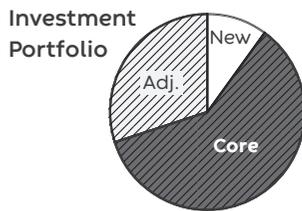
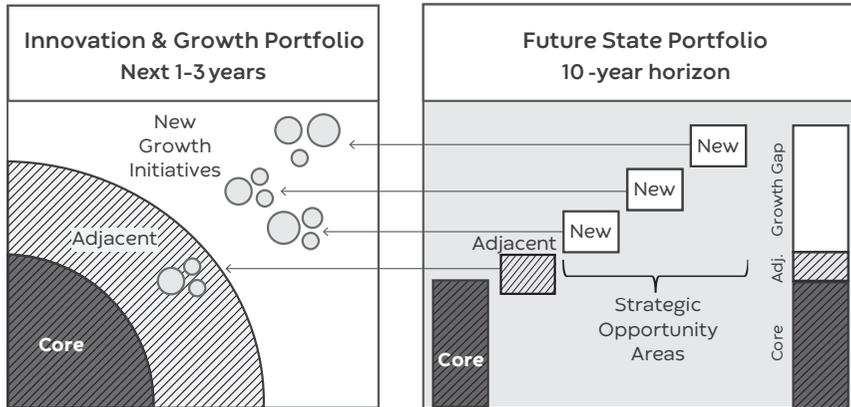
Walk back from your desired future state, setting milestones at roughly 2- to 3-year intervals.



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## 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.



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## Growth, Risk, and Return Expectations

Think of your innovation and investment portfolios as you might a personal portfolio of investments, balancing growth, risk, and return across “asset classes”

|          | Growth Potential | Risk   | Return                                                                                                                          |
|----------|------------------|--------|---------------------------------------------------------------------------------------------------------------------------------|
| Core     | Low to Medium    | Low    | <b>Optimize:</b> provides steady base but not sufficient to ensure returns; optimize to free up cash flow for other investments |
| Adjacent | Medium to High   | Medium | <b>Maximize:</b> best near-term opportunities to augment growth; be prepared to invest aggressively when warranted              |
| New      | High             | High   | <b>Protect:</b> highly uncertain but highest potential; place targeted bets and have the patience to let them develop over time |

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## Phase III: Program and Implement Your Visionary Strategy

### Step 1: Programming

#### The Role of the Senior Leadership Team

- Governance
- Transformation management office
- Master plan and funding

#### Organizational Model for Innovation Teams

- Teams and talent
- Incubator designs

#### Setting Up the Right Process

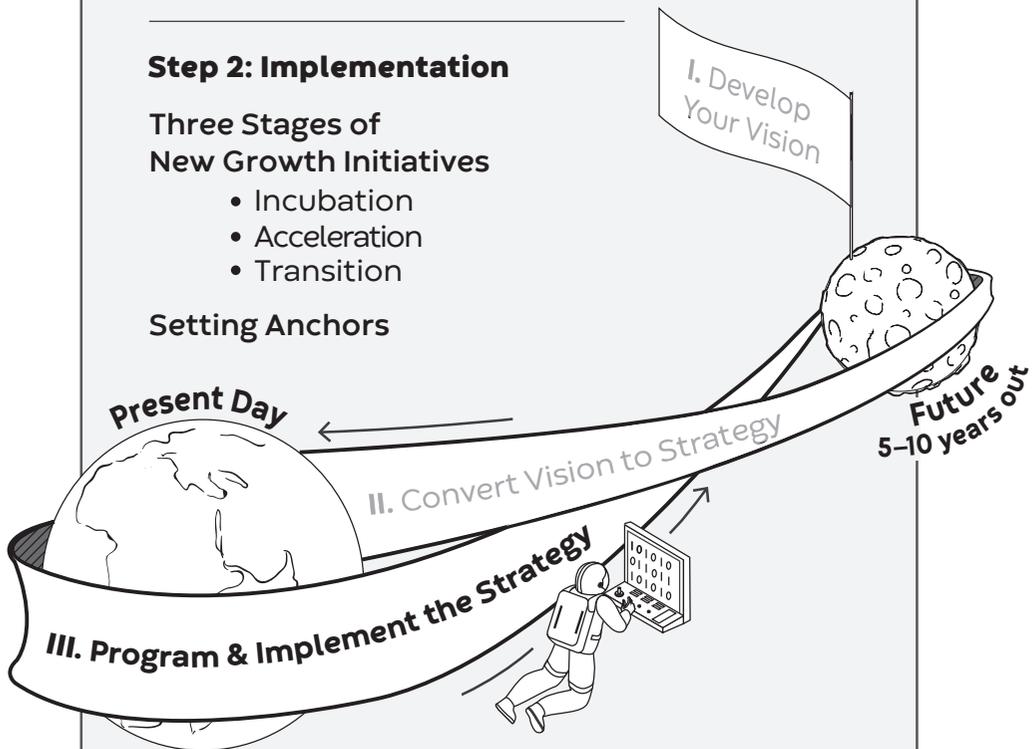
- Explore, envision, and discover

### Step 2: Implementation

#### Three Stages of New Growth Initiatives

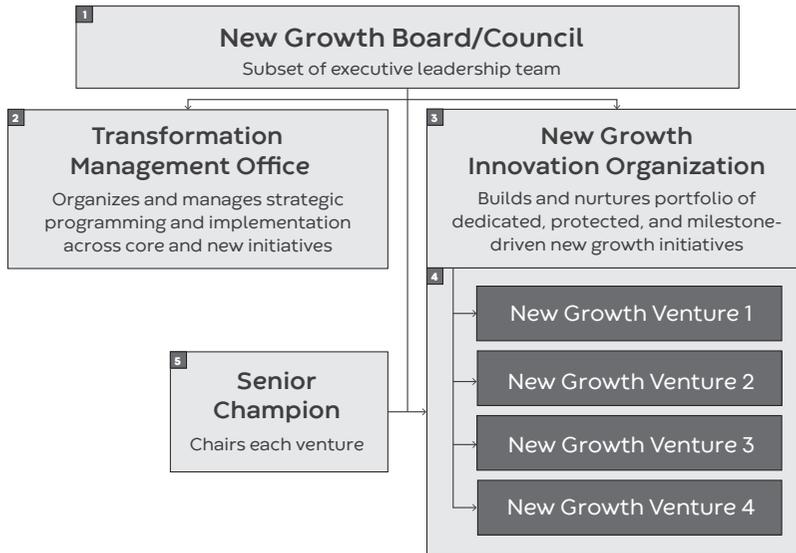
- Incubation
- Acceleration
- Transition

#### Setting Anchors



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## Example of New Growth Governance System



Design your organization to match the specifics of your strategy and your circumstance, but be sure to account for these five roles: (1) a senior governance board with accountability for the overall strategy, (2) a transformation management office to oversee day-to-day implementation, (3) a new growth organization (4) to nurture new growth ventures, and (5) senior champions to help shape each venture

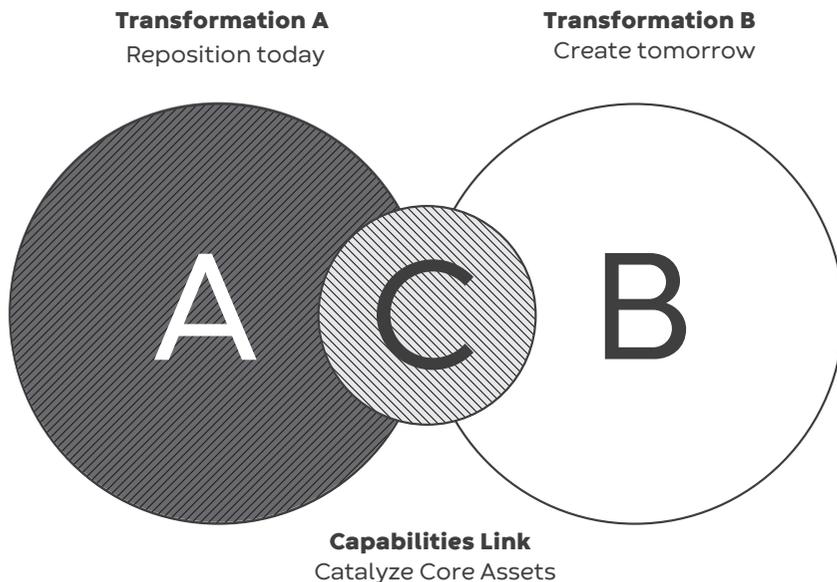
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## Dual Transformation

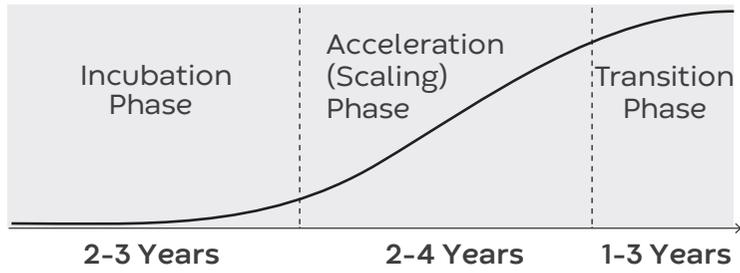
Many visionary future-back strategies call for both a repositioning of your current businesses and the creation of a new, beyond-the-core effort. To manage that, Innosight developed the concept of dual transformation, in which the core and new growth business are managed as both distinct and linked transformations, rather than as one monolithic effort. As noted earlier, this is covered in detail in the book *Dual Transformation*.

Transformation A is what you do in your core business to maximize its resilience into the future while generating sufficient cash to pay for new investments. Transformation B is your new growth platform, whether acquired or developed organically—or, most commonly, as a mix of the two. Leading,



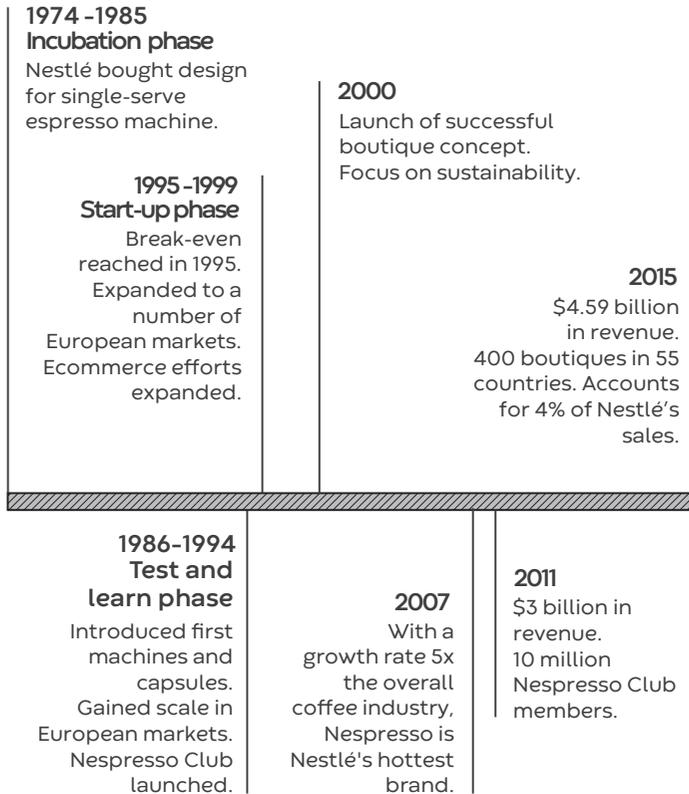
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## The Typical Timeline for a New Growth Platform



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## It Took Nestlé 25 Years to Learn How to Make Nespresso a Success



Note: Nespresso, of course, is an outlier; most initiatives don't take anywhere near this long to incubate and scale.

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## Leadership Framework

Leaders must toggle between present-forward and future-back thinking

| PRESENT-FORWARD                                                                                                                                                                                                             | FUTURE-BACK                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Leadership Focus:</b><br/>Near term<br/>Operations<br/>Execution</p> <p><b>Processes:</b><br/>Ordered<br/>Analytical<br/>Linear</p> <p><b>Decision Making</b><br/>Financial milestones<br/>Facts- and data-driven</p> | <p><b>Leadership Focus:</b><br/>Long term<br/>Exploration<br/>Envisioning &amp; discovery</p> <p><b>Processes:</b><br/>Organic<br/>Creative<br/>Iterative</p> <p><b>Decision Making</b><br/>Learning milestones<br/>Assumptions-driven</p> |

