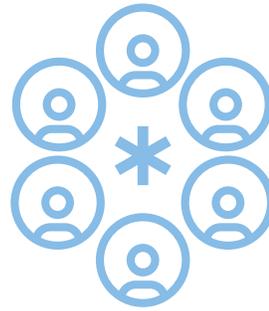


# FRAMING

# THE



# FUTURE

A GUIDE TO STRATEGIC FORESIGHT

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# \*WHAT IS STRATEGIC FORESIGHT?

**“MY TAKEAWAY IS THAT STRATEGIC FORESIGHT IS REALLY ABOUT LONG-TERM STRATEGIC ADVANTAGE.”**

- MARTIN BRADY, EXECUTIVE DIRECTOR,  
SCHOOLS INSURANCE AUTHORITY

**“Strategic foresight”** is a bland term for a great idea: to look into the future and figure out what’s coming, so you can be ready.

Strategic *foresight* is different than strategic planning.

- › Strategic *planning* looks at what you’ve historically offered to members and asks, “How can we do this a little better, faster or more efficiently? How can we improve or expand upon what we’re currently doing?”
- › Strategic *foresight* looks 10 or 20 years into the future and asks, “What will our future pool members value? What kind of products and services will our members need, and how can we best serve them?”

Strategic planning is great if your environment is stable and unchanging. Strategic foresight is better when you’re facing “VUCA” – volatility, uncertainty, chaos and ambiguity.

## HOW DO PUBLIC ENTITY POOLS USE STRATEGIC FORESIGHT?

AGRiP members use strategic foresight when they want to anticipate the future, innovate new products or services, or strengthen their membership advantages.

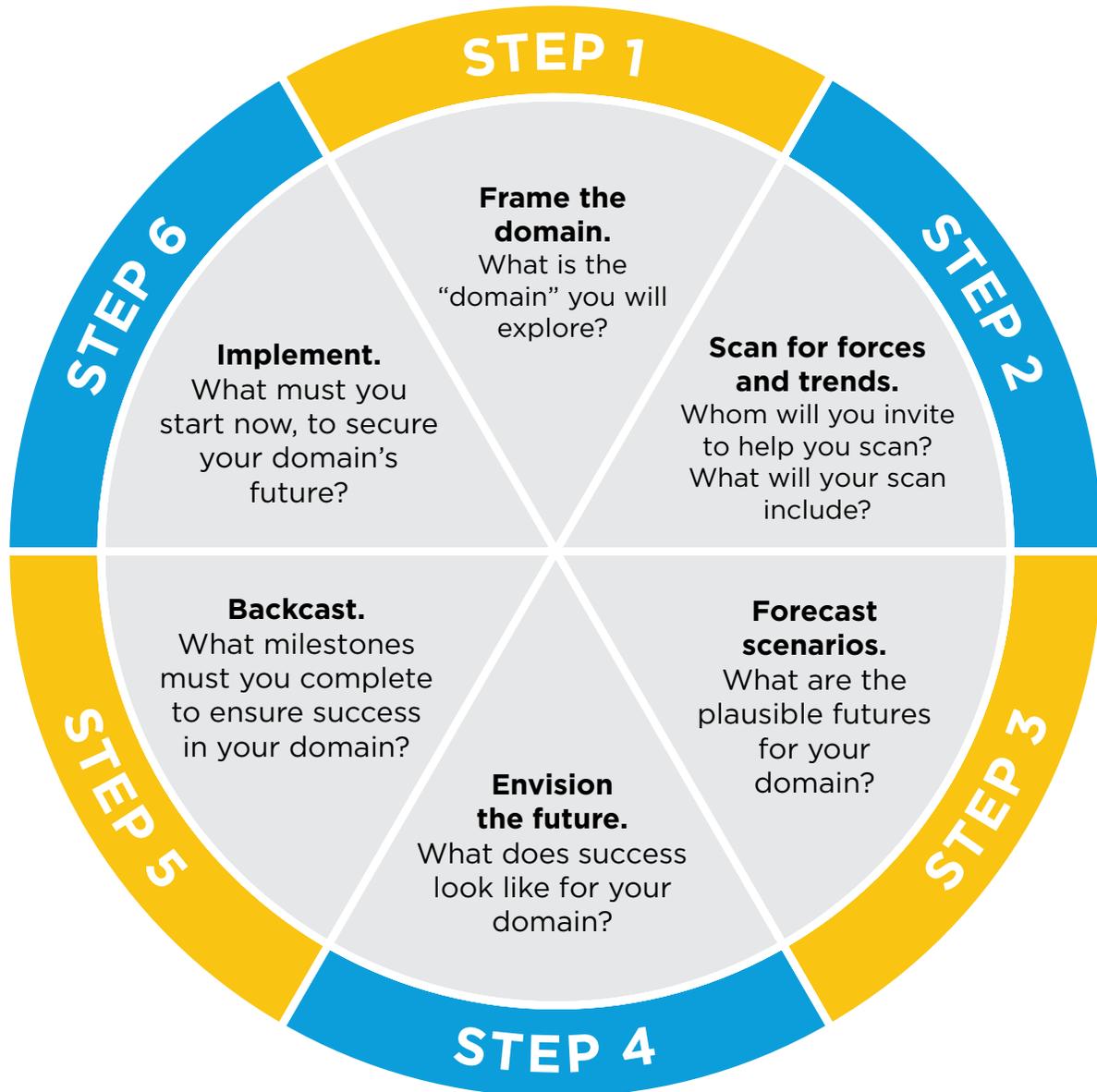
Some pools have used strategic foresight as part of an annual Board planning meeting. Others have used it to guide work on a very important or targeted project (like starting a new line of coverage).

One AGRiP pool of public schools wanted to anticipate the impact charter schools could have on their members and their pool. Should the pool expand to cover charter schools, or not? The pool used a strategic foresight process, including trends analysis and scenarios, to determine the impact of either choice.

Strategic foresight has six steps: Frame the domain; Scan for trends; Forecast scenarios; Envision the future; Backcast; and Implement.

Strategic foresight gives your pool a long-term strategic advantage because it helps you focus on what's coming next, not what has happened in the past.

## 6 STEPS OF FORESIGHT RECAP



## \* STEP 1: WHAT FUTURE?

The first step in strategic foresight is to define the future you want to explore for your pool or for a specific pool initiative you want to bring focus to. Futurists call this “framing the domain.”

You’ve heard, “Measure twice, cut once?” A similar precaution is relevant here: if you spend a little extra time in Step 1, the rest of your foresight process will be more manageable. Biting off too large a foresight project can lead to burn out.

To frame your domain, think carefully about these two components:

- 1. The subject of your inquiry.** What specific areas do you want to explore? Some common pooling domain examples include future needs within a specific line of business (medical costs in workers’ compensation, catastrophic weather impacts within property coverage, changing benefits needed for health pool coverage), changing membership dynamics or needs, shifting business dynamics like distribution methods or technology, or another force that will impact the pool’s future.
- 2. The time horizon you want to explore.** Three and five year time horizons are usually too short for a foresight project to be truly strategic. Ten years is better. Twenty years is ideal. Twenty years is long enough to stretch people’s thinking, and is also the length of a generation. If you are examining the future of your pool twenty years from now, you are working in a truly strategic way.

## HOW DO POOLS FRAME THEIR DOMAINS?

A cohort of pooling experts from within AGRiP's membership, called "SuperForecasters," applied strategic foresight to some specific pool challenges. Here's a sample of their domains:

The future of K-12 public education delivery in California by 2026

The future of regional health care delivery in Washington State by 2021\*

The future of tort reform by 2026

The future of pool-to-pool service delivery by 2021\*

The future of pool staffing by 2026

The future of the risk management profession in 2046

\*Note: These domains were shorter than ten years due to the rapid changes already taking place within them.

## \* **STEP 2: TRENDS NOT OPINIONS: BASING YOUR FUTURE ON FACTS**

We engaged in a telling exercise at AGRiP's 2016 CEO & Senior Staff Institute:

Attendees jotted down all the trends they believed would impact their pools in the next 10 years - one trend per piece of paper. After a few minutes, there were piles of trends at each table!

Then, we announced a twist. Attendees were asked to review every trend they identified, keeping only the ones that met these criteria: (1) The trend must be increasing, decreasing, or changing in some fundamental way and (2) it must be documented by a credible source.

One by one, trends were disqualified and discarded. In the end, well over 50 percent of all the original "trends" were tossed aside as opinions. Attendees quickly recognized the importance of this lesson about trend research and authentication.

**IF WE - AS LEADERS OF OUR POOLS - ARE  
BASING DECISIONS ON OUR OPINIONS AND NOT  
FACTS, WE MAY NOT BE HELPING OUR POOL."**

**- DEBORAH CALLAHAN, WASHINGTON SCHOOLS RISK MANAGEMENT POOL**

All people, not just pool leaders, rely on mental shortcuts, opinions, hunches and "gut instinct." Most of the time, these quick, intuitive and informal algorithms that our brains use to generate answers work out pretty well. But sometimes, hunches and opinions aren't enough.

Step 2 of the foresight process is important to engage deeper, unbiased thinking.<sup>1</sup> And, Step 2 might take longer than you initially anticipate. Researching trends to be sure they're valid, verifying a trend's direction, and creating a solid list of trend citations can be a lot of work – but it's important work that pays off in terms of outcomes. Just like we illustrated in that exercise at the CEO Institute, a trend should be:

- Identified as increasing or decreasing
- Documented by or from a credible, external source

When you're looking at trends, you're looking outside of your pool at all that's going on around you. Don't worry at this point about whether or how the trends you identify will have an impact on your pool or its membership – just be sure they're real trends and not opinions.

What trends should you explore? We recommend using a “STEEP” approach to identify trends:

<b>Social Trends</b>	Examples: consumer behavior, demographics, religion, lifestyles, values, media, advertising.
<b>Technology Trends</b>	Examples: innovation or advances in communication, energy, transport, research and development, patent regulations and life-cycle of products.
<b>Economic Trends</b>	Examples: interest rates, tax rates, international trade, savings, inflation, subsidies, availability of jobs and entrepreneurship.
<b>Environmental Trends</b>	Examples: ecosystem factors such as water, wind, food, soil, energy, pollution and environmental regulations.
<b>Political Trends</b>	Examples: political stability, regulation of monopolies, tax policies, price regulations, consumer protection, jurisdiction and trade unions.

<sup>1</sup> Read “[Understanding Bias in Decision-Making](#)” in AGRiP's Intelligence.

Bonus! AGRiP members can download a deck of STEEP trend cards likely to have applicability to all public entity pools (and providing a good illustration how to write and cite a trend).

[https://www.agrip.org/assets/1/6/FINAL\\_AGRIP\\_TRENDS\\_MAR62017.pdf](https://www.agrip.org/assets/1/6/FINAL_AGRIP_TRENDS_MAR62017.pdf)

**A great role for the pool’s Board of Directors might be to brainstorm possible trends within STEEP categories. Remember though, trends must be validated – so just because a possible trend is identified by the Board does not make it a trend the pool needs to keep on the radar screen later in the foresight process.**

## HOW DO POOLS USE STEEP?

Janet Selby is Executive Director of the North Bay Schools Insurance Authority in California and one of AGRiP’s “SuperForecasters.” When she applied STEEP to her domain —the future of K-12 public education delivery in California by 2026 —she did a “STEEPL” analysis instead. She added L for the legal trends affecting her domain, because of changes in policy and funding for K-12 education at the national and state level.

Once you’ve identified your domain’s STEEP trends, we recommend sorting them based on two factors: their impact on your domain (low to high) and their certainty (from uncertain to completely certain). Then, transport the trends that are “high impact” and “completely certain” to the next step.

## \*STEP 3: MORE THAN ONE FUTURE

You probably know the film *Back to the Future* where Marty McFly is sent back in time to 1955, where he meets his future parents in high school and accidentally becomes his mother's romantic interest.

But do you know why that film was made? Because one of its writers, Bob Gale, wondered if he would've been friends with his dad if they had been peers in high school.

It's interesting to think, "What if..." And in Step 3 of the foresight process, you get to do that.

- › What if... your pool faces a significant, plausible disruption?
- › What if... your pool chooses to ignore STEEP trends?
- › What if... your pool catches a few lucky breaks?

Strategic foresight helps you imagine the array of futures that could exist within your domain area, and to prepare for any of them. Using some of the validated trends from Step 2, you can develop several scenarios for the future of your pool or your project domain.

## HOW DO AGRIP MEMBERS USE SCENARIOS TO IMAGINE THEIR PLAUSIBLE FUTURES?

One health pool completed a STEEP trends exercise with their management staff and prioritized several trends they thought would be most impactful within their pool and its membership. At the Board's annual strategic planning meeting, small groups of Board members and staff working together created a handful of scenarios that they felt were plausible, relevant, and would be challenging for their future:

- › A massive cyber breach that compromised the pool's security and member-specific data.
- › Increased competition from a major national commercial insurer entering the state, with simultaneous pressure and competition from increasing regional healthcare delivery systems.
- › A pandemic health crisis impacting over 50 percent of the pool's insured population.

The exercise helped to identify important pool vulnerabilities and market opportunities.

## HOW DO POOL BOARDS USE SCENARIOS?

Although building scenarios can be useful at both the Board and staff level, it's a particularly valuable exercise to consider as part of a pool Board's strategic planning process. Scenario building can help a Board stay engaged and consider plausible futures they might not otherwise identify in the pool's trajectory.

Building multiple scenarios based upon a set of selected trends will help you identify the spectrum of possible futures your pool could face. All the scenarios you build should meet three critical criteria:

- 1. Plausible** - it should be reasonable to assume the scenario could actually happen.
- 2. Relevant** - the scenario should be connected to things the pool is doing or exploring, or to things that others in the industry are doing or exploring.
- 3. Challenging** - the scenario should test the pool's status quo or demand something more from the pool (or the industry) than is currently demanded.

If you're new to scenarios, here are several types to get you started:

**The official future.** This is sometimes called your "baseline" scenario. It assumes your pool will proceed along the path it's been on for some time. If your pool is risk-averse, this scenario assumes you'll continue to be risk-averse. If your pool is an early adopter of technology, make that part of your baseline scenario. This is your "business as usual" scenario.

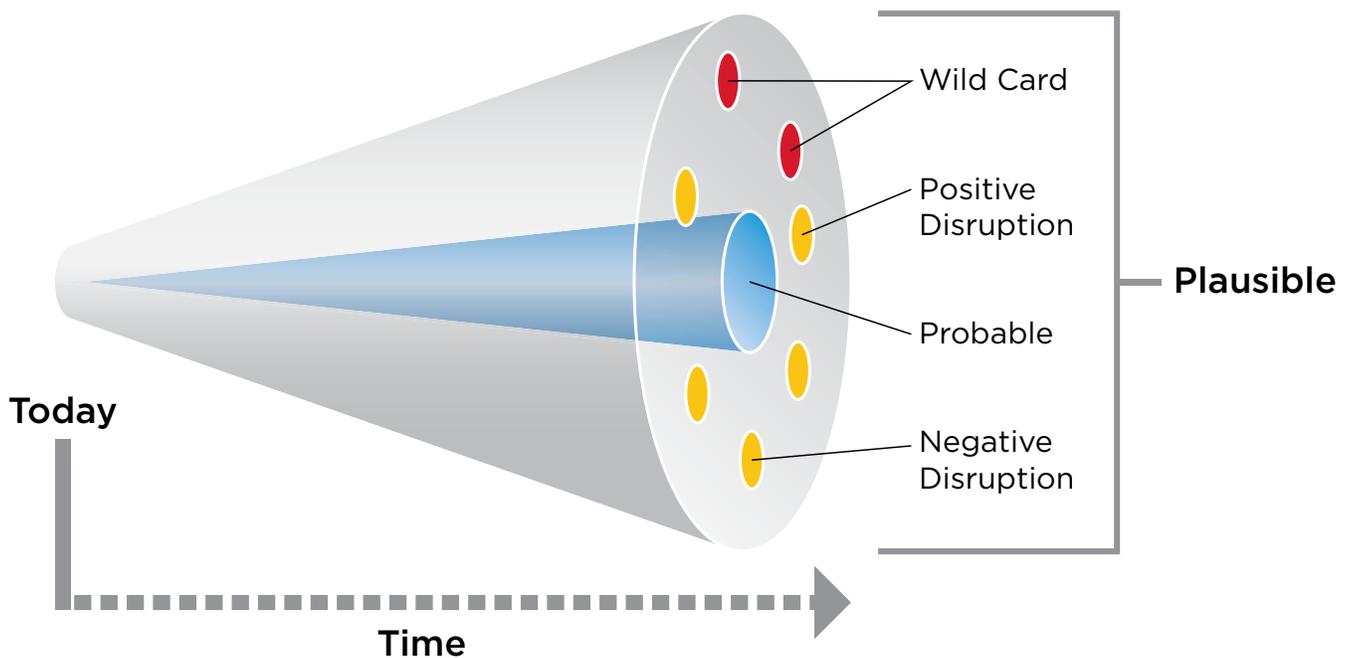
**Watch and wait.** After considering trends likely to impact your pool, what happens if you watch and wait, doing nothing to respond to trends? [Note: if "watch and wait" is your pool's traditional response to changes in the industry, then this scenario is the same as your "official future" and you shouldn't do both.]

**Negative disruption.** Ask yourself, "What plausible disruption could happen that would have a negative impact on our domain? Disruptions are usually events that happen to your domain from an outside influence (e.g. a change to a law, a competitor moving into your market). However, negative events can also be internal (e.g. someone on the pool staff arrested for illegal activity). Regardless of whether you choose an internal or external disruptive event, it must be plausible.

**Positive disruption.** Similar to the negative disruption above, what positive disruptions could impact your domain?

**Blue sky.** Writing a blue-sky scenario in which your domain catches several lucky breaks can be useful. Imagine you secure the right talent, the right legislation, the right loss trends, and more. What kind of scenario can you envision?

## DESIGNING SCENARIOS: CONE OF PLAUSIBILITY



The Cone of Plausibility is a tool used in foresight to help users understand that the scenarios they develop need to fall within upper and lower limits of plausibility. If your scenarios aren't plausible, they won't be credible with your audience. Boards and management teams should ask themselves, "What scenarios are plausible?"

## \* **STEP 3B: TRANSFORMATIONAL FACTORS**

After you've completed your scenarios, the future begins to come into view. In Step 3b, lay your scenarios side by side and ask:

- › What issues or factors show up in two or more scenarios?
- › Which of these things are within our pool's control or sphere of influence?
- › Which of these things, if we managed them well, would mitigate risk or help us gain an advantage in some way?

The issues or factors that meet these criteria are your pool's transformational factors. Because they are common among multiple plausible futures, and because you can influence them to at least some degree, concentrating on these factors will help your pool no matter which possible future turns out to be closest to your actual future.

In other words, if you focus on these transformational factors your pool will be well positioned for success.

## WHAT TRANSFORMATIONAL FACTORS WILL AFFECT YOUR POOL?

Dubrakva Romano and her team at the TASB Risk Management Fund have considered several disruption scenarios that could impact their pool. When asked to identify the transformational factors that would help TASB Risk Management Fund control its destiny, three emerged as most important:

Better teamwork (internally, with members and partners)

Data mining

Reinventing the pool's "Why"

The TASB pool, while successful by industry standards today, senses the future will be less certain and the pool must reinvent itself now to be ready for a new generation of members and new competition. By focusing on these three overlapping issues, TASB Risk Management Fund knows it can be successful in any future scenario.

## \*STEP 4: DEFINING OUTRAGEOUS SUCCESS

With your transformation factors identified (Step 3b), your future will become even more clear.

You've heard of vision statements, right? Well, in foresight, you're not working towards a single "vision" like the ones you're familiar with. Instead, you're working to identify *one vision for each transformational factor you identified in the previous step*. So, if you identified three factors like in the pool example, you'll identify three visions of success.

To define your pool's vision for each transformational factor, ask the team working on your chosen domain this important question:

**WHAT WOULD OUTRAGEOUS SUCCESS  
FOR THIS FACTOR LOOK LIKE IN [INSERT  
SELECTED DOMAIN YEAR]?**

You'll generate a bunch of ideas that you can turn into a single vision statement for each transformational factor.

## HOW DO YOU GO FROM BRAINSTORM TO VISION?

In the previous step, a pool identified three transformative factors, including teamwork. Here's how Step 4 might look for that same pool.

### **What would outrageous success in teamwork look like, in 2036?**

- › We'd be selected as a best place to work in our state for 7 years in a row!
- › There would be strong formal and informal communication channels throughout the organization, crossing all departments and all levels of staff.
- › Our management team would all have some cross training, so we could fill in for each other.
- › Our employees would not leave us to go work for a private insurer who competes in our market.
- › Our members would view us as an extension of their own operations - we'd be viewed as part of our members' teams, too.
- › We'd have strong, long-lasting partnerships with subject matter experts and service providers who completely understood our membership mission and focus, and could add even more value for our members.

### **Our vision for teamwork in 2036**

- › Our pool will be a Best Place to Work, recognized for its high levels of trust and collaboration among employees, members, and partners.

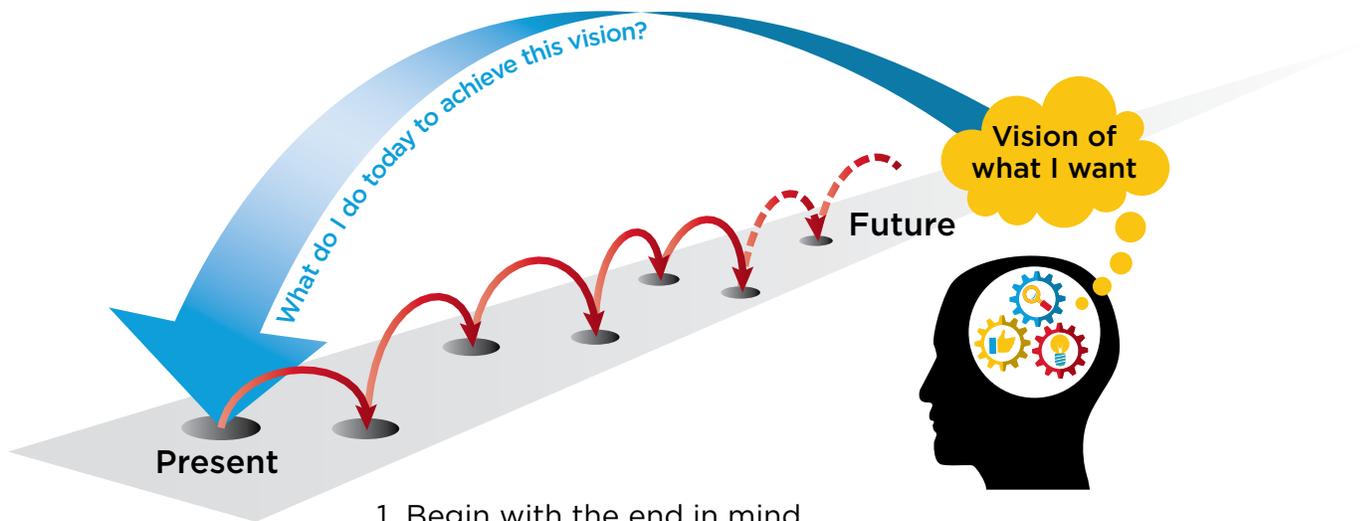
When you identify three to five transformational factors for your pool's selected domain, and cast a vision based upon ideas for outrageous success in each transformational area, you end up with a pretty awesome set of aspirations.

## BEST PRACTICES IN POOLS

Be sure as you work through brainstorming outrageous success and visions, you continue thinking of ways to include your pool's Board of Directors at key points throughout strategic foresight. A good exercise for the Board might be defining outrageous success for each transformative factor. And, the resulting vision statements are a good checkpoint for the Board to measure pool performance toward goals, over time.

## \*STEP 5: BACKCASTING – MOVING FROM THE FUTURE TO THE PRESENT

The next step is to work backwards, from the future to today, in an exercise called “Backcasting.”



1. Begin with the end in mind
- >2. Move backwards from the vision to the present
3. Move step by step towards the vision

Starting with the vision statement you created for each transformational factor, and working backwards to today, create a list of milestones your pool will have to reach to achieve each vision. The first milestone you list should be closest in date to your vision. So if you have a 20-year vision, your first milestone might be 15 years from today.

Continue to work your way backwards from the future into the present. Depending on your vision and timeline, milestones might not be evenly spaced. The closer you get to today's date, the easier it might be to define more specific and shorter time delineated steps. For example:

<b>Our vision</b>	<b>By 2036, our pool will be a Best Place to Work, recognized for its high levels of trust and collaboration among employees, members, and partners.</b>
<b>Milestone #5</b> (15 years from now)	<ul style="list-style-type: none"> <li>› We'll celebrate our tenth year in a row of being a "Best Place to Work."</li> <li>› Our pool's employee retention (not including retirements) will be 90 percent or higher.</li> <li>› All member growth and retention metrics will be defined and targets will have been met for at least five consecutive years.</li> <li>› Member committees will be robust and active, with frequent applications for committee participation and at least 80 percent attendance.</li> <li>› Key partnerships including actuarial review, independent financial auditors, independent claims review, medical management and bill review, nurse case management services, and litigation management will be contracted with outcome measures, performance standards reported annually, provisions for regular RFP, and comparisons based upon both cost and service delivery.</li> </ul>
<b>Milestone #4</b> (10 years from now)	<ul style="list-style-type: none"> <li>› We'll celebrate our fifth year in a row of being a "Best Place to Work."</li> <li>› We'll have fully defined all membership growth and retention metrics, with two years of data collection and refinement complete. Data measurement toward goals will begin this year.</li> <li>› We'll have completed the transition of contracts for independent claims review and litigation management to define and include outcome measures.</li> </ul>
<b>Milestone #3</b> (7 years from now)	<ul style="list-style-type: none"> <li>› We'll celebrate our second year in a row of being a "Best Place to Work."</li> <li>› We'll have fully defined all membership growth and retention metrics, and will be ready to collect data starting next year.</li> <li>› We'll have completed the transition of contracts for medical management and bill review, and nurse case management services, to define and include outcome measures.</li> </ul>
<b>Milestone #2</b> (4 years from now)	You get the idea! Keep going...
<b>Milestone #1</b> (1 year from now)	

## MILESTONES IN HISTORY AND IN FUTURES

Milestones were first used in the Roman Empire as part of their road network. They were usually stone obelisks. Today, we know them more commonly as mile markers, but they serve a similar purpose: to provide reference points along a road, to reassure travelers that the proper path is being followed. In foresight, we create milestones in the future for the same reasons the Romans did: to point to our path, our vision, and to ensure that we're following the right path. Of course, in foresight it is often necessary to adjust our future milestones as conditions change.

## \*STEP 6: THE FUTURE STARTS TODAY

When you've completed backcasting and identified your milestones, you're ready to implement!

For most pools, this is the easy part. Pools are experienced planners: identifying objectives, strategies, and tactics and reporting quarterly, semi-annual and annual results. Some pools use Peter Drucker's MBO (Management by Objectives), or George T. Doran's SMART goals (Specific, Measurable, Assignable, Realistic, and Time-related). Others might implement with a more home-grown approach.

Whatever your typical implementation style, the point is to get started while you have some momentum and enthusiasm.

### WHAT ELSE DO AGRIP MEMBERS DO IN STEP 6?

If your pool really wants to step up its foresight game, implement ongoing monitoring tools to scan your environment for changes that could impact your visions.

At one pool in California, the senior leadership team is creating a dashboard of internal and external indicators that will be monitored regularly to help measure whether the pool is on- or off-track with their visions. This monitoring is critical for course correction and recalibration. Plus, the pool is staffed with data heads who love spreadsheets and graphs, so it's right up their alley to implement dynamic tools they geek out on.

# \* RESOURCES

The following resources may be helpful to AGRiP member pools learning about strategic foresight and applying it to their environments.

### ***Superforecasting: The Art and Science of Prediction***

This book was used in AGRiP's SuperForecaster cohorts, to help participants understand the cognitive and behavioral techniques that make everyday folks great forecasters. The book is based on the results of the Good Judgment Project, <https://www.gjopen.com/>

### ***Thinking, Fast and Slow***

This award-winning book by Nobel Prize winner Daniel Kahneman explains our cognitive biases and how we think and choose.

### **The CIA Intelligence Manual**

A great compendium to *Thinking, Fast and Slow* available at <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/psychology-of-intelligence-analysis/PsychofIntelNew.pdf>

### ***The City of the Future***

Presented by Ari Popper and his team at SciFutures, this book is a wonderful example of scenarios that meet the three-fold test: they are relevant, plausible, and stretch the reader's vision.

### **Journal of Future Studies**

JFS is a globally-oriented, trans-disciplinary refereed journal. Its mission is to develop high-quality, futures-oriented research and thinking, based on the evolving knowledge base of Futures Studies / Foresight. See <http://jfsdigital.org/homepage/>

### **SCENARIO**

SCENARIO is the award-winning magazine on trends, ideas, visions, and possible futures established in 2010 and is developed by futurists from the Copenhagen Institute for Futures Studies. Visit <http://www.scenariomagazine.com/>

### **Thriving in Uncertainty: Making Your Pool Future Ready**

This AGRiP publication was our initial work in the area of pooling foresight and includes four foresight activities pools can easily implement. Ideas range from hosting a conversation about the trends impacting your pool at your next board meeting to inviting the executive leader and a Board member from another pool to participate in your pool's strategic planning meeting. Read the publication at [http://www.agrip.org/assets/1/6/Thriving\\_in\\_Uncertainty.pdf](http://www.agrip.org/assets/1/6/Thriving_in_Uncertainty.pdf)

### **Understanding Bias in Decision-Making**

This AGRiP *Intelligence* publication identified four types of cognitive bias, and how they may impact your pool or its ability to create forecasts. See [http://www.agrip.org/assets/1/6/Intelligence\\_Understanding\\_bias\\_in\\_decision\\_making.pdf](http://www.agrip.org/assets/1/6/Intelligence_Understanding_bias_in_decision_making.pdf)

### **Rebecca Ryan**

Rebecca is serving as AGRiP's resident futurist and works individually with many public entities around the country. She has taught foresight to pool CEOs and senior staff and leads strategic foresight projects for pools, cities, Chambers of Commerce, economic development entities and others. Contact [rr@nextgenerationconsulting.com](mailto:rr@nextgenerationconsulting.com) or 888-922-9596.