

# Create the Future State

By Rich Horwath



**F**riends congratulate me after a quarterly earning's announcement and say, 'Great quarter!' I say, 'Thanks, but that quarter was baked three years ago. Today, I'm working on a quarter that will happen three years from now.'

—Jeff Bezos, Founder, Amazon

Are you working on a quarter that will happen three years from now? How about three weeks from now? Three days? If you're like the majority of leaders, the answer is no. In fact, 63 percent of leaders surveyed said they do not have a plan with a time horizon greater than one year, and half of leaders don't have a formal plan for this year!

You wouldn't trust a pilot without a flight plan, and you wouldn't trust a physician without a treatment plan for your affliction. Why then would we trust a leader who isn't capable of or disciplined enough to set a plan for the future of their business?

The best leaders I've worked with have a plan for their current business, and also dedicate time to thinking about the future state of their business—how they would like to be positioned for the next 3-5 years. The common retort here is: with so much change happening, we couldn't possibly know where the market or our business will be in 3-5 years. Sure you could—you just haven't given it much thought because you're too busy managing the day-to-day activities.

I've developed a concise yet thorough process for helping leadership teams think through the future state of their business, and prepare accordingly. The Future State Process takes a methodical approach to answering the following questions:

**1. Where are we today?** An underrated and untapped activity is to have your executive team talk about the current state of the business: what's working, what's not, and why. You'd be amazed at the different assumptions and perspectives on what's happening and why that result from discussing the current context of the business. I developed a tool called the Contextual Radar to assist executive teams in creating a picture of the "As Is" state of their business. The Contextual Radar facilitates conversation around what the individual leaders of the executive team are seeing with the market, customers, competitors, and company.

**2. What challenges should we solve?** Research on creativity and innovation indicates that to maximize productivity, it's helpful to establish parameters for the pursuit of new value. In this step, we use a simple formula to identify the most relevant customer pain points or challenges and then generate a range of potential solutions. For example, the company Mirror created a business worth \$500 million they sold to Lululemon by following this formula and

answering three questions:

- 1) Why do I have to go to a gym to exercise with an instructor?
- 2) What if we brought the gym to your home?
- 3) How could we combine the professional instruction of a gym with the convenience of an in-home workout?

They created "the nearly invisible home gym" housed in a sleek 52 x 21 inch reflective screen with a companion app offering expert instruction from certified trainers. The Mirror's advanced camera technology and customized playlists enables users to compete for points or connect with friends to exercise and track results.

**3. What can we do differently?** In watching the development and introduction of new products and services across many markets, it's astonishing how often new offerings converge with the competition. Competitive convergence occurs when we fail to create any meaningful and relevant differentiation from the competition. To excel, or achieve excellence, means "to deviate from the norm." Doing the same normal things in the same normal ways as the competition is a great way to bury your business in a tomb of mediocrity, leaving your offerings to battle it out on price.

In this step, we think about current market norms and identify deviation from those norms in ways that customers might value. For instance, the norm in the auto industry has included two primary options for regular use of an automobile: buy or lease. Volvo was one of the first companies to deviate from this norm by offering an all-inclusive automobile subscription service characterized by no down payment, one flat monthly fee, no end of lease fee, and the inclusion of insurance. Volvo also provided ease of use with online or mobile app sign-up, fast delivery within a few weeks, and the ability to upgrade to a new car after twelve months.

**4. How can we do things differently?** Former Apple CEO Steve Jobs said, "Creativity is just connecting things." One of the great untapped

sources of growth and innovation in your business is the reconfiguration of your current offerings into new sources of customer value. To facilitate this conversation, I developed a framework called the Strategy Spectrum to visually lay out an offering's current components, alongside some new ones, and then mixing and matching combinations.

For instance, a traditional financial services company might consider mixing and matching current offerings with new ones to come up with the following combination: Offering financial education to college students on campus in mobile units using a video game format to begin developing a relationship founded on value.

**5. What new value can we provide?** A huge source of frustration for sales reps and account managers is having to continually go back to customers with nothing new. To innovate is to create new value for customers, and many organizations fail to innovate because they refuse to get off the activity treadmill and dedicate time to creating new value for customers. An exercise I developed to help executive teams think and talk about opportunities to create new value is the Value Mining Matrix. In this exercise, we return to the core of value: customers and needs, by methodically reviewing both current and potential options.

In one strategy workshop using the Value Mining Matrix, a medical device company considered a potential customer as the entire operating room of a hospital, rather than just the specialty surgeon their current product was used by. In doing so, they opened up a path to a holistic approach to servicing the operating room staff that was not being addressed by the market. Five years later, this idea was transformed into a nearly \$100 million piece of business.

**6. How should our business evolve?** This final step of the Future State Process coalesces the insights from the previous exercises into a focused area of customer need. This need is then used to seed the future business model by identifying how the business will create, deliver, and capture value in 3-5 years.

It's easy to become addicted to the adrenaline-inducing fire drills and flurry of activity that happens on a daily basis. It's easy to fixate on today's issues, this week's finish line, and this quarter's numbers. But, if you're a senior leader, easy is not good enough. Pick your head up, stare into the distance, and squint to see it. Is it starting to come into focus? Yes, there it is...your future. Do you like what you see?



*Rich Horwath is the founder and CEO of the Strategic Thinking Institute where he facilitates strategy sessions for executive leadership teams, coaches individual leaders to reach their strategic potential, and has helped more than 100,000 managers develop their strategic thinking skills through live workshops and virtual training. He is a **New York Times** and **Wall Street Journal** bestselling author on strategic thinking, including the new groundbreaking strategy graphic novel, **StrategyMan vs. The Anti-Strategy Squad: Using Strategic Thinking to Defeat Bad Strategy and Save Your Plan**, which was awarded "Best strategy book of 2018." Rich is a former Chief Strategy Officer and professor of strategy and has appeared on **ABC, NBC, CBS, and FOX TV**. His work has been featured in publications including **Fast Company, Forbes, and the Harvard Business Review**. To view more than 200 resources on strategic thinking and planning and sign up for the free Strategic Thinker newsletter, visit [www.StrategySkills.com](http://www.StrategySkills.com)*