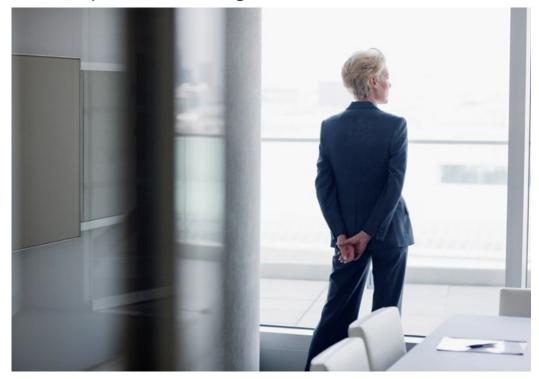# Techniques for looking into the future

In the following piece, we explore horizon scanning and consider various approaches for thinking about the future – and the uncertainties that come with it. It is for audit leaders and auditors alike. We look at why it is important and walk through four practical methodologies.

Future thinking can be analytical, observational and goal oriented. It can also be creative and intuitive.

All attributes you would associate with a good internal auditor.

Skip ahead to 5 takeaways on future scanning.

Why is this important to me?

There are four forms of 'sight': oversight, insight, hindsight and foresight.

They are all important aspects of being a great internal auditor.

We focus here on foresight, engaging in critical thinking about long-term developments; being a futurologist!

Foresight is about exploring and modelling possible future outcomes. Some organisations will have specialist teams dedicated to futurology, others will do it ad hoc as part of strategy and risk management exercises.

Internal audit may get involved in running workshops, participating in stress tests or providing assurance over how they are carried out. While predicting the future is unlikely to be accurate, working through potential risks (threats and opportunities) in a safe environment is better than waiting for surprises in the real world.

To look ahead is to:

- explore future developments
- anticipate risks - threats and opportunities
- considers factors for and against change
- analyse data, trends and expert information
- prepare and take action.

Foresight is important for risk-based auditing. Providing assurance that risk is being managed within a defined risk appetite also requires understanding of how that risk and the environment in which it sits might evolve. Facilitating a future-orientated workshop may form part of an audit or support risk management activities.

Foresight is also important when developing the internal audit strategy, for example matching future trends and risks with training plans rather than playing catch up.

Five takeaways

1. Looking to the future is not trying to predict it
2. Scanning is not the same as searching
3. Group diversity stimulates thinking
4. Challenge what you do and focus on the 'so what'
5. It is hard work and outputs might not be warmly received (sound familiar!)

Techniques for looking to the future

We take a look at four future-orientated methodologies: horizon scanning, trend analysis, scenarios and the Delphi technique. Internal auditors can use them when looking at internal audit strategy or to facilitate others to systematically examine the future. The approaches can be used individually or combined.

Horizon Scanning

While this may be familiar, take a moment to see if you can improve how you do it.

At the outset it is important to set an objective and timeframe – for instance *the potential domestic and overseas impact in the next five years of new regulation 'xxx.'* Such impacts should be on behaviours together with the broader environment and sector.

There are essentially three stages to horizon scanning.

1. **Research**. Gather intelligence from a wide variety of sources such as academics, government, international organisations, researchers, scientists, media, trade and non-governmental organisations. To avoid data overload it is good to be concise when structuring and sharing data.

There must be no prioritisation, opinion casting or subjective analysis at this stage.

It is a good idea to have more than one person gathering information as it promotes diversity of thinking, mitigates against unconscious bias and shares the workload.

2. **Analysis**. This stage involves assessing the information, looking for what is constant, what is new and what regularly changes. This determines what is important in ranking the emerging issues in relation to urgency to address or strategic importance.

Analysis can be simple or use techniques like system maps and causal loop diagrams.

Questions to ask before proceeding could include:

- What threats and/or opportunities (risks) does the issue present not just to our organisation but our wider stakeholders and society?
- How might these manifest within our time horizon?
- Who can help us fill our known gaps in evidence/knowledge/information?

3. **Action**. The final stage is to encourage and/or mobilise the right people to monitor situations or take action as appropriate.

Ideally horizon scanning is a continuous process.

Ideally it is a group activity.

That said, being practical it's better to do it ad hoc and on your own than not at all.

> **Idea**! If all team members share one piece of insight on a weekly basis they can be collated for discussion at regular team meetings. Sometimes there may be nothing to progress, other times there may be the beginning of a new audit, a training need or risk to discuss with stakeholders in the organisation.

Trend analysis

Possibly the most straightforward forecasting approach, as it extrapolates historical data into the future while taking into account potential events, is trend analysis. This technique can be used for a variety of events including political, economic, social, technological and also value-orientated changes. It is important to consider multiple trends and how they interact.

Simplistically the basis of the extrapolation assumes a steady state which can then be used to estimate the impact of events. Using different types of trends can be helpful in futurology, for example identifying cycles in a pattern or trying to work out at which point in time an extrapolation will 'snap' and plateau or fall away.

Market research is based on trend analysis. All organisations operate in markets with customers regardless of sector.

Scenarios

One of the most well-known approaches and often used in business continuity workshops. When writing scenarios, the outputs from trend analysis or horizon scanning are often used as the basis of the potential situation.

Scenarios enable participants to look at an issue from multiple perspectives. They are a good way to assess the drivers, push/pull factors that might influence outcomes. Workshops enable the scenario to be played out or debated through different lenses of expertise.

A good futures scenario should focus on a core dilemma, a driving force such as:

- a defined new opportunity or threat
- a consensus
- a trend.

Using this basis, the writer then isolates the most important uncertainties to develop a range of plausible scenarios. Be wary as writing can be constrained by experience, unconscious bias, personal morals or lack of imagination; scenarios can be challenging, outside the box and unconventional.

Scenarios might be written as stories, as a personal recollection or as a history. It can be helpful to create a story board before writing the scenario to capture all the key elements to be included.

A well written scenario will:

- set the context, perhaps building on outputs from brainstorming, horizon scanning or trend analysis
- motivate participants into action
- provide enough mental challenge without being overwhelming
- use conversational language
- use visuals, bring situations to life, tell a story, define characters etc.

Delphi method

This is useful alternative to brainstorming when you have a pool of subject matter experts, particularly where they are geographically dispersed or operate at different levels in the organisational hierarchy.

The aim of the approach is to enable expert opinion to form a consensus whilst avoiding bias.

It is a structured, iterative process using facilitated anonymous questionnaires.

Each iteration (usually three) builds in the participants' earlier responses along with the group position which allows for modification and adaption of the next response.

While commentary is permitted to explain responses it is not the same as a group discussion.

Response times dictate the pace of the process; protraction may mean results are of no value.

Here are four simple steps to Delphi:

1. Identify the question and devise questions to generate answers. These questions form the questionnaire.
2. Identify experts to answer the question. Individuals answer independently and return to central coordinator.
3. Coordinator analyses, revises questionnaires, possibly generating new ideas or confirming consensus and reissues to participants.
4. Process is repeated until consensus is agreed, narrowing down to areas of concern for resolution not reopening areas of consensus.

In addition to being a futures method, there may be occasions when this is a useful tool for gaining consensus during an audit where time allows. The anonymity to remove bias is well suited to the objectivity of the internal audit process and draw out subjective points that might be withheld where there are negative cultural factors.

Key strengths	Key weaknesses

Horizon scanning	• Develops an understanding of the drivers of change. • Encourages thinking at the edge of current thinking and assumptions. • Good for policy makers to anticipate and respond to future needs. • Gains lead time for developing strategies. • Helps assess trends to support scenario planning.	• Resource intensive to get everyone in the room together • Potentially confrontational
Trend analysis	• Evidence based • Good where lots of data and history is available • Artificial intelligence can be utilised	• Unlikely to discover the unexpected/unknown
Scenarios	• Visualisations/Stories open the mind to new possibilities • Blends divergent and convergent thinking • Useful preparation for handling new situations	• Can be time consuming to prepare • Under pressure participants may not perform well
Delphi method	• Mitigates against unconscious bias/perceptions of people and their opinions • Highly structured to focus on group decision or consensus • Allows for people to be geographically dispersed	• Can be protracted • May leave unresolved issues

In summary

All the futures methodologies will generate the wrong answer. Rarely does the future unfold in the way we predict, there are too many variables. What they do provide is a clue as to what might happen in certain circumstances. The things to watch out for that you might otherwise overlook.

Internal audit deals with uncertainty all the time. Taking time to look at the future in a structured way can make it a little easier to deal with when it becomes reality.

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Additional reading

Futures Toolkit, Government Office for Science (including Delphi and Scenarios)

A practical guide to horizon scanning, Institute of Risk Management

Horizon scanning toolkit, Cranfield University and Waverley Consultants

Systems Mapping, Open University

Delphi Technique, Student Resources