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## Strategic Foresight and Firm Performance: A Review of Literature

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### **Abstract:**

*Firms are always looking for ways to improve their performance. The winning card can be held by those who seek to innovate, accomplish, and maintain performance. As a result, understanding and evaluating firm performance in a continually changing environment is crucial. As a result, management teams and scholars have always been interested in evaluating firm performance. Strategic foresight capability plays a vital role in generating and developing new ideas, as well as managing future issues, according to the belief that strategic foresight is critical for survival and success in business. Environmental scanning, strategic selection capability, network ties, and integrating capability are some of the relevant bits and pieces that can be used to construct a coherent image of the future that management should identify and pick. Firms typically scan the environment to comprehend external sources of change and, as a result, design effective actions that will secure or strengthen their future position. The operations in the Firm that deal with discovering an optimum option for change in the Firm's performance are referred to as strategic selection. Firms in business-to-business markets must design methods for interacting with both customers and suppliers inside the business network, and network relationships have major significance for them. Integrating capability is critical for disseminating, reproducing, and preserving information throughout the organization. The objective of the study was to look at the influence of strategic foresight on firm performance. A conceptual framework was created that can be used to evaluate strategic foresight based on strategic orientation. Strategic foresight and Firm performance are the two constructs.*

**Keywords:** Strategic foresight and firm performance

### **1. Introduction**

The concept of firm performance is fundamental to businesses because profit making is the primary goal of business organizations (Olanipekun, Abioro, Akanni, Arulogun, & Rabi, 2015). The majority of businesses are looking for ways to improve their performance in any way they can (Ben 2014). Firms, that strive to innovate, achieve, and sustain performance, can hold the winning card. As a result, competing in a constantly changing environment is critical for understanding and monitoring firm performance, and assessing firm performance has long been of interest to management teams and researchers (Gavrea, Ilies, and Egerean, 2011). Furthermore, measuring firm performance is a key issue for academic researchers and practicing managers in today's economic environment (Gimbert, Bisbe, & Mendoza, 2010).

Firm performance is defined as an organization's ability to meet its financial and non-financial objectives (Arokodare & Asikhia, 2020). It is a combination of financial and non-financial indicators that provide information on the degree to which the firm's aims and outcomes have been met (Egbunike & Okerekeoti, 2018). Performance measurement is essential for any firm's effective management (Demirbag, Tatoglu, Tekinus, and Zaim, 2006), and process improvement is impossible without monitoring the consequences. As a result, improving firm performance necessitates measurements to determine the extent to which the utilization of firm resources affects firm performance (Gadenne and Sharma, 2002).

Strategic foresight, as a result, has emerged as a key logic in the management of firms in volatile environments over the last decade (Sarpong, 2011). It highlights the ability to (re)construct past and current potentialities and restrictions into productive outcomes, highlighting the genuine difficulty of generating and sizing sustainable value that competitors might otherwise overlook (Cunha, Palma and Costa 2006). In broad terms, it is defined as the creative reorganization of relevant information into meaningful future-oriented knowledge in environments of rapid change and open uncertainty (Amsteus, 2011; Bodwell and Chermack, 2010; van der Duin and den Hartigh, 2009). It has been related by a number of academic researchers to firm learning and inter firm performance differences (Kaivo-oja et al, 2018; Sarpong, 2011 and Amsteus, 2011). As a result, there has been a proliferation of different conceptualizations of what constitutes strategic foresight, as well as subtle definitional inconsistencies and a lack of theory development in the topic (Patvardhan, 2013).

In a world where interventions can't be planned ahead of time, there's been a clear movement toward seeing strategic foresight as a continual way of thinking about the future in the Firm, rather than just an occasional intervention (Amsteus, 2011). Strategic foresight from the standpoint of practice, thus, reorients strategic foresight as the consequence of competent Firm players' creative activities and doings in their everyday situational practices (Sarpong, 2011). As a result, strategic foresight in the form of strategizing is viewed as something that firms do rather than possess.

Some management concepts provide specific techniques which can help firms survive and better perform under such conditions. Among them, one predominant is the strategic foresight approach that explores possible future scenarios to cope with uncertainty (Iden, 2017). In that sense, strategic foresight surpasses forecasting activities which typically aim at predicting the most probable future (Rohrbeck and Schwarz, 2013). Such strategic intelligence is the foundation for conscious decision making and increased innovativeness (Rohrbeck and Gemunden, 2011) to generate a competitive advantage (Rohrbeck and Kum, 2018) and increase profitability (Barreto, 2010). To develop a model for strategic foresight in this study, a model that represents the multifaceted nature of firm strategic foresight is suggested that concerns four levels of capabilities which are environmental scanning, strategic selection capability, network ties and integrating capability.

Environmental scanning is the process of acquiring and analyzing data regarding events, trends, and relationships in an organization's external environment in order to help management plan the organization's future course of action (Choo and Auster, 1993). Organizations scan the environment for external sources of change in order to design effective actions that will secure or strengthen their position in the future. They scan to detect dangers and opportunities, improve long- and short-term planning, and gain a competitive advantage (Sutton 1988).

Strategic selection capabilities are organizational competencies that allow a firm to systematically evaluate the business environment and deploy its limited resources to seek a desired future (Zott, 2003). The operations in the organizations that deal with discovering an optimum alternative for change are referred to as strategic selection. Strategic selection is made up of three variables: analyzing, visioning, and planning.

Some of the most important sources of competitive advantage for a focal firm are network ties (Uzzi, 1997). They provide one-of-a-kind and difficult-to-replicate resource combinations embedded in these relationships (Zaefarian, Henneberg, & Naudé, 2011). This has significant implications for firms operating in business-to-business markets, as they must devise strategies for collaborating with both customers and suppliers within the business network (Day, 2000). As a result, a company's ability to change the composition of its relationship portfolio in response to changes in the larger business network has strategic implications for its performance.

Integrating capabilities are critical components in the firm's distribution, reproduction, and preservation of knowledge (Cepeda and Vera, 2007). Teece (2007) defines them as an organization's current knowledge base, coordination, and leadership. They are the three major variables that make up integrating capabilities.

## 2. Statement of the Problem

Firms and the issues they deal with are more numerous and more tightly coupled than they used to be in the past. In environment of uncertainty these disruptions are more common, and their consequences fail to predict (Buehring and Bishop, 2020). Strategic foresight is a requirement for the continued existence of firms operating in the foreseeable near future (Paliokait *et al.*, 2014). In contexts of accelerated change and genuine uncertainty, it is broadly defined as the creative reorganization of relevant information into meaningful future-oriented knowledge (Paliokait *et al.*, 2014).

A number of researchers have linked it to organizational learning, innovation, ambidexterity, and inter-firm performance differences (Andriopoulos and Gotsi, 2006; Amsteus, 2011; Bodwell and Chermack, 2010; van der Duin and den Hartigh, 2009). Nevertheless, there has been an explosion of numerous conceptualizations of what constitutes strategic foresight, coupled with subtle contradictions in definitions and a lack of theory development in the field (Amsteus, 2011; Patvardhan, 2013). Adegbile *et al.* (2011) postulates that despite a number of research studies done on this construct, strategic foresight is an elusive concept with varying meanings to different individuals or organizations. Absence of agreeable definitions regarding strategic foresight, have led to attempt by many scholars to conceptualize 'strategic foresight' of which some have overlapped (Amsteus, 2011). How researchers define strategic foresight varies extensively for instance, while some theorize it as a processor method (Fahey and Randall, 1997; Rohrbeck and Gemunden, 2011), others have gone to the extent of unpacking it as a social practice that takes place in everyday organizing (Cunha *et al.*, 2006; Sarpong, 2011).

Several research studies on strategic foresight have been conducted by various Scholars. Hassanabadi (2019) conducted research in high-tech SMEs in the United Kingdom on strategic thinking, organizational foresight, and strategic planning. The goal of this study was to look into the role of strategic planning in mediating the relationship between strategic thinking, organizational foresight, and firm performance in SMEs in the high-tech (Telecommunications, Information Technology, and Software Development sectors with firm performance) sector in the United Kingdom. The results showed that adopting strategic planning as a mediator between organizational foresight and SMEs' performance was ineffective. Daniel (2013) conducted a qualitative study on foresight techniques and their impact on financial performance in four manufacturing enterprises in Sweden's business-to-business setting. The goal of the study was to see if and how strategic foresight methods affect a company's financial success. The foresight maturity model was used to examine the company's foresight practices and compare them to financial success. Findings of the study revealed that foresight practices are very contextual, and establishing a clear relationship between how foresight practices effect financial performance is difficult and requires more research. However, there were trends in foresight methods that influenced financial performance. These patterns suggested that foresight activities and financial performance have a

positive relationship. However, the research was conducted on industrial enterprises and high-tech SMEs in the United Kingdom, a developed country.

There are various reasons why researchers should be interested in strategic foresight. Despite the fact that strategic foresight and foresight approaches are well-known and have long been used in practice, strategic foresight as a concept is relatively new and focuses on incorporating forward-looking strategies into strategic decision making (Cuhls 2003; Cunha *et al.*, 2006). According to Rohrbeck *et al.*, (2015), theoretical and empirical foundations on management and actualization of strategic foresight as organizing catalysts are lacking, and more research is needed. As a result, this study will conduct a systematic assessment of existing literature in the field of strategic foresight in order to develop an encompassing definition of the concept, as well as identify strategic foresight viewpoints, dimensions, and metrics. Finally, the literature assessment will result in the creation of a theoretical model that may be used for future empirical studies.

### 3. Conceptual Literature

#### 3.1. Concept of Strategic Foresight

Strategic foresight is the process of combining historical data, predicting methods, and scenario planning, as well as collaborating with cross-functional experts, to create various depictions of possible business futures. It is not traditional planning in the traditional sense, but it is distinguished by the 'cultivation of experience, intuition, minority views, and contrary thinking' that allows for a systems-view and sense-making (MacKay and McKiernan, 2009).

Strategic foresight, according to Dator (2019), is the process of imagining different futures in which the external corporate environment may evolve. Strategic decision makers can anticipate many future possibilities and outcomes by thinking about diverse possibilities through the formulation of future scenarios based on trends and uncertainties (Muhammad, Daim, and Antonie, 2013). As a result, by presenting numerous and hypothetical descriptions of the future, the strategic foresight component avoids prediction. As a result, strategic foresight falls within the category of scenario development, a subset of projection techniques. Scenarios are future stories that depict realistic future scenarios, each of which ends in a different future state. A variety of scenario technique typologies was published in the 2000s.

The purpose of strategic foresight, according to Hayward (2003), is exploration rather than decision support, the process is intuitive rather than formal, and the material is complicated rather than simple. Paliokaitė, Sarpong and Pačėsa, (2014) looked at nearly two dozen different techniques to scenario creation. They categorised it as a judgmental approach linked to guiding visualization, as pioneered by Oliver Markley (Oliver, 2008) in their eight-category typology.

Strategic foresight is a systematic assessment of the long-term future of science, technology, and innovation (STI) and their potential impacts on society, with the goal of identifying the scientific research and technological development areas most likely to influence change and produce the greatest societal benefits (Van and Hartigh 2009). To be able to tackle future difficulties proactively, strategic foresight is required for any forward planning or policy effort. It systematically accumulates anticipatory intelligence from a variety of knowledge sources and connects it to today's decision-making (Wilkinson and Roland, 2013).

Anticipatory intelligence aids policymaking by facilitating a continuous and collaborative approach to comprehending the present in all of its complexities, examining various alternative futures, and forging a shared path forward that takes into account the perspectives of various stakeholders (Carabias & Haegeman, 2013). Scanning the environment for new events and drivers of change, then employing appropriate approaches to foresee the evolution of change, its ramifications for the organization, and the most effective responses, or decisions, in dealing with ambiguity, is what strategic foresight is all about (Vecchiato and Roveda, 2010). It is the use of future-oriented design concepts to collaborate across disciplines to generate visions that will drive and achieve an organization's strategic goals.

##### 3.1.1. Perspectives of Strategic Foresight

A firm's strategic foresight is defined by a viewpoint based on its ability to scan the environment, which entails a systematic and ongoing assessment of important driving forces of change in the firm's external environment (Paliokaitė *et al.*, 2014). Relevant past and present data, as well as future estimates in the external environment, are collected and compiled for further study through the scanning process (Amsteus, 2008). This viewpoint encompasses the interaction and impact of political, economic, social, technological, and competitive forces on the firm's external environment's dynamism and change (Amer *et al.*, 2013). The industrial Firm theory emphasizes the importance of these forces in defining a firm's competitive position and survival chances. Theory holds that these core external factors determine the achievement and sustainability of competitive advantage (Grant, 2013; Tirole, 1988). Environmental scanning is suggested to be one of the most important strategic foresight practices and capabilities (Vecchiato, 2015).

The other perspective is the networking ties and firm strategic adaptiveness, as well as its overall performance (Paliokaitė, 2013). Accordingly, such networks facilitate the recognition of market and technological opportunities that enable firms to effectively adapt their products/services in line with market demands (Paliokaitė *et al.*, 2014). It's of the view that developing network ties enhance firms' product/service adaptiveness. However, when the hostility and dynamism of the external business environment is so intense, the value of networking to firms' ability to strategically adapt their products and services would diminish.

Another perspective is the integrating capabilities scenario processes (Schwartz, 1991). In these perspectives, strategic foresight is seen as an open learning process in which the organization reflects upon its business and strategy against the background of different future scenarios. Based on these scenarios, future opportunities and threats are identified. This mainly involves externalization and the challenge of existing paradigms, which lead to feed-forward learning: 'The purpose is to explore an as yet unexplored problematic situation. Deciding an intervention is not part of this

foresight project. Instead, we aim for sensitizing, reframing, surfacing assumptions, making sense, 'seeing', anticipating (Van der Heijden, 2004).

Another perspective is planning and visioning. The deployment of organizational resources and expertise for envisioning and goal-setting that support the organizational image in the future (Paliokait *et al.*, 2014) is referred to as planning and visioning. Planning and visioning eliminates unpredictability and informs smart decisions and actions for the business (Amsteus, 2011). Planning and visioning as foresight activities have been linked to high performance in studies (Hideg *et al.*, 2014; Paliokait, 2013). Planning and visioning, it is suggested, will have a direct positive impact on enterprises' ability to strategically adjust their products and services to market needs.

Analyzing is the next perspective. This perspective of foresight capability entails interpreting collected data from the external environment to make sense of potential future conditions and alternative future pathways (Paliokait *et al.*, 2014). It entails examining current contingencies and projecting the analysis into the future by evaluating future courses of action a degree ahead of time (Amsteus, 2011). During this analyzing process, techniques, such as scenario analysis, real options analysis, trend analysis, simulations, and econometric techniques are commonly used (Jannek and Burmeister, 2007; Vecchiato, 2015). Analysis techniques are critical for making sound, informed decisions about current and future actions (Amsteus, 2011).

### 3.1.2. Dimensions of Strategic Foresight

Strategic foresight in the form of strategizing is viewed as something that organizations do rather than something that they possess. The everyday organizing practices and micro-interactions between organizational members, according to Tsoukas and Chia (2002), are important for understanding the future and establishing organizationally appropriate solutions to deal with organizational stagnation. Strategic foresight, according to Paliokait, Sarpong, and Pasa (2014), is a multi-dimensional construct that includes environmental scanning, strategic selection capabilities, network links, and integrating capabilities.

The dimension of Environmental scanning refers to the practice of learning about events and trends in the organization's surroundings in order to recognize market and technical opportunities (Danneels, 2008). It's difficult to know which external resources are most likely to assist innovative products that are relevant to existing or emerging markets because of competitive and technological uncertainties. As a result, firms require external/environmental scanning skills in order to identify relevant sources of external knowledge (Teece *et al.*, 1997). Firms might use external scanning procedures to identify and recognize new and developing industries and technology (Danneels, 2008). The ability to detect chances for innovation is fueled by such intelligence. Environment scanning is the most studied sub-component of strategic foresight (e.g., Ansoff, 1987; Becker, 2002; Daheim and Uertz, 2006; Rohrbeck, 2008, 2010).

One of its distinguishing qualities is the time horizon, which is defined as the time scale of environmental scanning focusing on various horizons ranging from short (up to one year) to long (up to ten years) (up to 30-50 years in the future). More academics agree that organizational foresight is most useful in the long and medium term. For instance, in the managerial foresight scale proposed by Amsteus (2011), managers are asked to take into account future conditions, plans and objectives that are at least 2 years in the future. Others, on the other hand, emphasize the significance of foresight in short-term planning because the scanning system contains intrinsic blind spots that require forethought to scan on a regular basis (e.g. Day and Schoemaker, 2005). According to Rohrbeck *et al.*, (2009), scanning for diverse time horizons allows organizations to discover changes at different phases of their development, making it easier to construct complete strategies to respond to them. Corporations reported having various strategic planning (and thus scanning) processes for different time horizons, according to Rohrbeck (2010)'s multiple case studies on international companies.

Another essential component is depth of scanning, which is defined as a broad scope of environmental scanning that includes areas that appear to have little current significance to the firm but could result in disruptive developments that are difficult to detect and plan for. The depth of a firm's scan (and the type of information gathered and fed into an organizational foresight process) is defined by how deep (at how many different levels) it goes. Reger (2001) and Rohrbeck (2010), for example, distinguish between present business, neighboring business, and white spaces, the latter being places that appear to have no current significance to the firm but potentially foster disruptive changes that are difficult to recognize and plan for. Many scholars also describe depth (sometimes called scope) as political, technological, consumer, and competitive environment segments (e.g. Becker, 2002; Jain, 1984; Rohrbeck, 2010).

Environmental scanning can generate a lot of new data but the tricky part is to select the knowledge that is valuable, to determine the ramifications for action and choose a preferred future scenario. Companies must acquire and filter technological, market, and competitive information when new opportunities are first found in order to determine the consequences for action (Cepeda and Vera, 2007).

While analysing is useful for generating alternative futures, visioning and planning are necessary for selecting the preferred future and feeding it into the strategic and activity planning. Visioning helps create a preferred future that imaginatively captures organisation's values and articulates the unique contribution that frames the organisation's view moving forward. This capability is linked to a systematic visioning process and specific methods that help communicating the long-term aspirations and creating an agreement on organisation's vision throughout the organisation (Bishop *et al.*, 2007; Grim, 2009). Planning is strategic in ensuring that people, skills, and processes support the vision. There is a plethora of organisational routines which are deployed to ensure good planning, from strategic and activity plans to rigorous measurement of business performance against goals and objectives. In summary, the quality of planning helps moving from visioning to acting.

The second dimension of strategic foresight is the strategic selection capabilities. The organizational processes involved in finding a preferred alternative for organizational change are referred to as Strategic selection capabilities (Zott,

2003). First, firms need to analyze external knowledge. Many of the organizational foresight studies suggest that analysis of the accessed information is a key element in organizational foresight processes. For example, the managerial foresight scale by Amsteus (2011) takes into account what part of the facts on the past, potential future conditions, plans and targets are analyzed by managers. As suggested by Grim (2009), it also helps considering the organizational activities involved in determining a preferred alternative for organizational changes are referred to as the Strategic selection dimension (Zott, 2003).

Therefore, strategic selection capability are described as organisational routines driven by analysing, visioning and planning, all determined to identify and sustain the preferred alternative for organisational change. Foresight methods often suggested for strategic selection are scenarios that help increasing the communication capacity of foresight results (Rohrbeck, 2010). Participation in the method, as in road mapping (Phaal *et al.*, 2004) and the production of results that are easily communicated, as in the scenario technique, which produces an alternative future that is transparent and easy to be understood by outsiders and hence easy to communicate (Mietzner and Reger, 2005; Van der Heijden, 2005). Since the time for interpreting weak signals is shorter in high-speed businesses, communication capacity is very critical, and responding swiftly will be possible only if insights have been produced with the participation of relevant stakeholders from diverse viewpoints (Rohrbeck, 2010). When an organization uses these strategies on purpose, one should anticipate strategic foresight to be ingrained in its strategic management procedures.

Developing network linkages is another dimension of strategic foresight. Firms can share information with important players in the business environment by developing network linkages. Competitors, customers, suppliers, and politicians are just a few of the stakeholders (Peng and Luo, 2000; Wu, 2011). Such networks also aid businesses in positioning themselves strategically as well as adapting their products for optimal performance (Moreno and Casillas, 2008).

Firms must choose relevant external sources of information wisely because of the time lag of approximately 18 months between the initial discovery and the publication of the patent, (Lichtenthaler 2002). Rohrbeck (2010) suggested that companies operating in high clock-velocity environments cannot rely entirely on traditional sources of information on technological change, such as patent data. Companies in high-speed sectors should rely increasingly on personal networks or research collaborations with industry partners and research institutes to acquire information (Fleming *et al.*, 2007). Access to information on market demand and innovation is one of the key advantages of these agreements (Hochberg *et al.*, 2007). Being more connected is linked to improved innovation performance (Fukugawa, 2006). Collaboration between enterprises and external stakeholders (e.g. governmental studies, industrial associations, chambers of commerce, or technology platforms) can be used to improve smaller companies' foresight activities and generate economies of scale, according to Battistella and Toni (2010) and Jannek and Burmeister (2008). Using external sources usually necessitates foresight approaches such as trend research, media and publishing analysis, patent and technology analysis, and expert involvement, such as Delphi surveys, expert interviews, and expert panels (Becker, 2002; Daheim and Uertz, 2006; Rohrbeck, 2010).

Weak tie and strong tie sources are two types of external sources. This classification stems from Granovetter's (1983) sociological theory of weak links, which argued that weak relationships, rather than strong ties, are better for gaining access to new knowledge. Strong (weak) linkages were related to a dense (sparse) structure by Granovetter. Much of the information circulating in the system is redundant when multiple players interact often and intensely in a dense structure. Strong tie sources are information sources with whom firms often have a large number of social contacts in their day-to-day work (e.g. suppliers, customers). External sources of information with whom corporations normally have limited contact but can supply fundamentally fresh information are referred to as weak tie sources.

Battistella and Toni (2010) argue that it is beneficial to cultivate each external sub-network in order to have more and varied sources of information. It is critical to build linkages between units responsible for generating new goods and units (as well as external networks) with complementary assets needed to commercialize the innovation in order to respond to discontinuous change. Innovator management study has looked on a similar phenomenon. It has been demonstrated that groups that operate together for a long time reduce their communication and collaboration with external colleagues with time (Katz and Allen, 1982). Businesses that have a history of working in isolation should be aware of this hazard and devise strategies to support the creation and maintenance of external networks. It is critical to build linkages between units responsible for generating new goods and units (as well as external networks) with complementary assets needed to commercialize the innovation in order to respond to discontinuous change. Innovator management study has looked on a similar phenomenon. It has been demonstrated that groups that operate together for a long time reduce their communication and collaboration with external colleagues with time (Katz and Allen, 1982). Businesses that have a history of working in isolation should be aware of this hazard and devise strategies to support the creation and maintenance of external networks.

The fourth dimension of strategic foresight is the integration of capabilities. The integration of the derived future-oriented, knowledge-based information into the organization's process, future technological platforms, and new product development plans is referred to as integrating capabilities (Paliokait, Sarpong, and Pasa, 2014). The pursuit of these idealized ideals necessitates the dedication of resources and talent that are typically dispersed throughout the company. To fully maximize the potential of this knowledge, it is necessary to build one's own knowledge base, which will allow it to (re)organize the research and exploitation of identified opportunities and limits in the context of the current contingencies. The organizational strategy, climate, and architecture for integrating resources to create and extract value from opportunities are referred to as the integrating dimension (Teece, 2007).

Once external knowledge has been found and chosen, integrating capabilities are critical for disseminating, duplicating, and keeping it within the organization (Cepeda and Vera, 2007). As a result, integrating capacities is a critical

enabler of foresight success. Several academics have indicated that cultural barriers are preventing the adoption of foresight results in their empirical studies. For example, Rohrbeck (2009, 2010) identified a lack of top management using future insights and a lack of inclination/motivation to think about the future; a lack of incentive to think about the future, as well as a reward and career system that is blind to foresight; and internal stakeholders' limited attention and current controlling systems. He also claimed that if a company can encourage its personnel to be open to external knowledge and efficiently disseminate it throughout the organization, it will be able to maintain a competitive advantage in times of rapid change (Rohrbeck, 2010). According to Day and Schoemaker (2005), the most significant barrier to the diffusion of foresight insights is a lack of readiness to collaborate across functions.

A study by Vecchiato and Ravena (2010) suggests that for developing an effective response to change managers have to change their mental models. The study's central idea is that managers' ability to make completely logical judgments is restricted by the amount of knowledge about concerns, opportunities, and events in their corporate environment that they can actually acquire, process, and disseminate. Indeed, mental models may promote stereotypical thinking and stifle problem-solving creativity (Vecchiato and Ravena, 2010). Day and Schoemaker (2005) stated that managers' 'peripheral vision' may be improved by their willingness to listen to scouts and external sources (since most insights come from outside the organization) and to test and dispute core assumptions (Day and Schoemaker, 2005; also applied by Rohrbeck, 2010).

The innovation studies that have tried to resolve the innovator's dilemma (Christensen, 1997; Hegarty and Hoffman, 1990) how to cope with the necessity of development around a core of technologies and at the same time always renew the enterprise's activities point out the managers' role. Employee resistance and conflicts regarding how to obtain and assemble resources can be overcome by effective leadership - corporate values, effective communication, and reward systems help determining the channels and types of knowledge that are tolerated and encouraged (e.g. Rohrbeck, 2010). Day and Schoemaker (2005) emphasize the leadership's role and commitment in facilitating the forward-looking culture and encouraging peripheral vision by providing incentives (rewards or bonuses) to reward wider vision, communicating meaning and values, and allocating the necessary resources. As a result, leadership refers to the extent to which senior management promotes an open-minded company culture. The likelihood of embedding strategic foresight grows with top management commitment, as does the visibility and relevance of forward-looking, as well as the ease with which results and recommendations are implemented (Day and Schoemaker, 2005; Rohrbeck, 2010).

Effective coordination methods are required for effective integration of new knowledge. The capacity of formal and informal communication, which explains the function and effectiveness of communication in the dissemination of knowledge and future insights, is characterized as coordination (Rohrbeck, 2010). Coordination processes have been found to improve resource transfer speed and efficiency (Verona and Ravasi, 2003). According to Rohrbeck (2010), organizations with informal communication skills have a solid track record of surviving and succeeding in times of discontinuous change despite having deficits in formalized processes. He claimed that in a company with strong coordination capabilities, every employee is expected to create and maintain formal and informal networks with other units, and information is readily transferred across functions and hierarchical levels, and different departments' operations are properly coordinated. It is critical to build linkages between units responsible for generating new goods and units (as well as external networks) with complementary assets needed to commercialize the innovation in order to respond to discontinuous change.

### 3.1.3. Adoption of Strategic Foresight in Strategic Management and Outcomes

According to Barad (2018) and Hambrick & Fredrickson (2005), strategy is a set of decisions that directs a company's path to its objectives. The purpose and vision of a corporate strategy are important supporting aspects, but they are not part of the plan itself (Watkins, 2007). Similarly, while an organization's external environment is not part of its strategy, it does provide valuable insight on how to position itself in a competitive market. Furthermore, the plan excludes internal processes and structures. They do, however, consider industry study, consumer or market trends, environmental projections, competition analysis, and an assessment of internal strengths, weaknesses, and resources as important parts of strategic analysis. As a result, strategy is described as a centrally integrated, externally oriented notion for achieving our goals (Hambrick & Fredrickson, 2005).

Many firms that regularly participate in scenario planning exercises increase their strategic foresight potential, which boosts their innovation performance (Vecchiato and Roveda 2010). However, the specific impact of strategic foresight on innovation performance is uncertain, and this factual claim is met with some doubt (Cuhls and Johnston, 2008). The creation of an ideal innovation strategy, according to Alkemade *et al.* (2007) and Fink *et al.* (2005), is a function of good strategic foresight. We may reasonably conclude that strategic foresight has the potential to effect innovation performance in context if it results in the development of important future-oriented information that shapes the management of identified trends and technologies.

Future dangers and opportunities have been the focus of strategic-issue management (Ansoff 1980), i.e., the identification of specific Strategic issues. As a result, it is typically characterized by a restricted and focused outlook on certain future challenges. On the other hand, strategic foresight aims to paint a more expansive and open vision of the future. It also blends concepts, methodologies, and tools to support strategic decision-making and begins planning and innovation activities in organizational environments. In an organizational and strategic setting, foresight has three fundamental duties, according to Burmeister *et al.* (2004): strategic decision-making, long-term competitiveness security, and ongoing reinforcement of an organization's ability to adapt and innovate. It has been illustrated in extant empirical literature that corporate resources as knowledge management, strategic foresight, capabilities among others have potential to enhance the capacity of value creation in an enterprise with the ultimate payoff of fostering firm performance

(Kinyua, 2015; Thangaru & Kinyua, 2017; Kimaru & Kinyua, 2018; Kyengo, Muathe & Kinyua, 2019; Gatuyu & Kinyua, 2020; King'oo, Kimencu & Kinyua, 2020; Mugambi & Kinyua, 2020; Muthoni & Kinyua, 2020; Ong'esa & Kinyua, 2020; Odhiambo & Kinyua, 2022).

### 3.2. The Concept of Firm Performance

The concept of firm performance has gained increasing attention in recent decades, being pervasive in almost all spheres of the human activity (Neely, 2007). Firm performance is a subjective perception of reality, which explains the multitude of critical reflections on the concept and its measuring instruments. Thus, firm performance is confounded with notions such as: productivity, efficiency, effectiveness, profitability, and competitiveness, etc. (Whooley, 1996).

According to Lebas (1995), firm performance is future-oriented, designed to represent the unique characteristics of each organization/people, and based on a causal model linking components and products. He defines a 'successful' business as one that will achieve the management coalition's goals, rather than one that has already accomplished them. As a result, business performance is influenced by both capability and the future.

According to Rolstadas (1998), an organizational system's firm performance is a complicated relationship encompassing seven performance criteria that must be met: effectiveness, efficiency, and quality, as well as productivity, work quality, innovation, and profitability. The achievement of the criteria given above, which might be considered performance targets, is directly tied to firm performance. According to Rolstadas, a precise definition of firm performance cannot be developed since it is dependent on seven performance factors that cannot be properly defined.

According to Neely (2007), 'firm performance should be defined as the sum of work impacts because they have the strongest association with the business's strategic objectives, customer satisfaction, and economic contributions.' According to the author, company performance must consider both inputs (effort) and outputs (results) (the result of the effort put in). Performance is defined as the 'sum of the effects of work' in this definition. When all of a company's efforts are directed on attaining its goals and satisfying its customers, it is said to be performing well. However, objectives and customer satisfaction are difficult to quantify.

#### 3.2.1. Measuring Firm Performance

In the literature, there are three basic techniques of measuring organizational performance. The first is when a single metric is chosen because the relationship between that metric and performance is believed to exist (Hawawini *et al.*, 2003). The researcher utilizes multiple different measures to compare analyses with different dependent but identical independent variables in the second technique (Baum & Wally, 2003; Peng, 2004). The third method involves the researcher aggregating dependent variables and assuming convergent validity based on the measures' correlation (Cho & Pucik, 2005). Accounting measures, financial market measures, mixed accounting/financial market measures, and subjective indicators of organizational performance were all classified by Rowe and Morrow (1999). The justification for these approaches hinges on whether the precise measures employed meet the theoretical, statistical, and psychometric assumptions stated (Goerzen & Beamish, 2003).

Accounting metrics are the most widely used and widely available means of assessing an organization's performance. The vast evidence demonstrating the relationship between accounting and economic returns supports their adoption (Danielson and Press, 2003). The correlation between accounting and economic rates of return was determined to be over 0.75 by Jacobson (1987). As an example of accounting measures, consider the following: Earnings before interest and taxes (EBIT) and cash flow from operations. A metric of cash flow from operations are used to see if cash flow differs considerably from earnings. Net operating profit plus noncash expenses minus noncash sales is how it's calculated. Earnings before interest and taxes (EBIT) operational profit is a basic accounting statistic that is frequently recorded on financial statements. This is the profit of the company, which is calculated by subtracting revenues from costs of goods supplied, as well as administrative and selling costs. Interest and taxes that the company must pay are not taken into account while calculating EBIT.

Financial market-based indicators, most notably shareholder return, are the primary instrument for describing organizational performance in the strategy, economics, and finance literatures. The most important feature of these indicators is that they are forward-looking, implying that they represent the discounted present value of future cash flows (Fisher & McGowan, 1983). They also better include intangible assets than accounting data (Lev, 2001), which is important for people interested in resource-based and knowledge-based views of the organization. Earnings-per-share (EPS) and Jensen's alpha are two instances of these metrics. The standard metric of corporate value is earnings-per-share (EPS). The  $\alpha$ -coefficient from the CAPM is Jensen's alpha. Jensen's alpha is a measure of a company's excess return over the risk associated with its activities. That is, it captures remarkable good or bad performance in a one-of-a-kind way. The most common reason for these policies is that businesses are tools of shareholders.

The advantage of mixed accounting/financial market metrics is that they can better balance risk, which is often overlooked by accounting measures, against operational performance difficulties, which are frequently overlooked by market measures (Varaiya, Kerin, & Weeks, 1987). Balanced scorecard and cash flow per share are two examples of these metrics. The balanced scorecard is a framework that brings together numerous indicators aiming at financial performance, internal company operations, consumer viewpoints, and innovation and learning, according to Danielson and Press (2003). The goal is to make it possible for businesses to develop a comprehensive performance measuring system. The cash flow from operations minus preferred stock dividends is divided by the number of common shares outstanding to get cash flow per share. This is a calculation of the cash flow generated by each share.

Subjective measures refer to a dimension of performance that is relevant to the organization; that is, subjective judgments may be made by members of the organization, such that performance judgments are internal, such as those

obtained from manager surveys, or they may be based on external stakeholders, such as consumers or regulatory agency inspectors. Despite the fact that these measurements are external, they are rarely subjected to independent assessment (Kenneth, Meier, Lawrence and Toole, 2013).

#### 4. Literature Review

A comprehensive review of the immense body of appropriate theoretical and empirical review was carried out as guided by the significant construct in this conceptual review. This segment, thus, presents the theories that support the construct of strategic foresight and firm performance as well as related empirical literature.

##### 4.1. Theoretical Review

Two theories namely, Resource-Based View Theory and Theory of the Firm were reviewed as presented in the preceding section.

##### 4.1.1. Resource-Based View Theory

Penrose's resource-based view theory, which he developed in 1959, is one way to analyzing the origins and persistence of superior performance that is consistent with the premise that superior performance reflects underlying efficiency disparities across organizations (Demsetz, 1969). Penrose (1959) proposed that the organization's resources, which it owns, deploys, and uses, are more essential than the industrial structure. The Resource Based View examines and evaluates organizational resources to determine how businesses create long-term competitive advantage. The RBV focuses on the concept of hard-to-copy company characteristics as sources of superior performance and competitive advantage. Businesses can establish and retain competitive advantages through utilizing precious, rare, inimitable, and non-substitutable resources, as well as utilizing these resources and competitive advantages for greater performance.

Firms differ in their ability to control, access, or organize productive resources (Teece, 1982); factor market conditions provide one explanation for the emergence of these differences (Wernerfelt, 1988); and differences in resources, factor market conditions, and organizational abilities at least partially explain performance differences among close competitors (Wernerfelt 1988; Kogut and Kulatilaka, 2001). These phrases together imply that management can play a constructive role in leveraging, accessing, or developing scarce resources in a way that allows businesses to capture some of the values they create for society.

Successful companies in the past pursued a 'resource-based strategy of collecting important technological assets, typically reserved by a protective posture to intellectual property,' according to Teece & Pisano (1994). This 'resource-based strategy' was founded on the notions of the 'Resource Based View,' which aimed to demonstrate that a company's capacity to manage internal resources is the source of competitive advantage (Das & Teng, 2000). Firms differ in terms of their resource base, according to the argument, because some resources are unique to them and cannot be easily replicated. Competitive advantage is mostly due to its inimitability (Das & Teng, 2000).

At least two key definitions of traits that signify the worth of a resource or capability may be found in the conceptual literature. These concepts are largely compatible with statements indicating that the worth of a resource is related to the extent to which it enables the firm to conceive of and adopt uncommon tactics that improve efficiency and effectiveness (Barney, 1991). The first of these definitions stresses a resource's efficiency qualities and denotes a resource's or a resource bundle's value in terms of technical fitness or productivity. Helfat and colleagues (2007) define resource value in terms of technical fitness, or how well a capability serves its intended purpose when its cost is normalized (divided).

A second definition emphasizes how disparities in expectations can influence future possibilities. This perspective outlines the traits that characterize a resource's worth as a scarce factor that 'embeds complicated alternatives on future opportunities' and allows 'a corporation to acquire a competitive position in the marketplace' (Kogut & Kulatilaka, 2001). This definition recalls Rumelt's (1987) emphasis on the difference between ex ante costs of resource acquisition and ex post value of resource implementation, as well as the concept of evolutionary fitness, or how well a dynamic capability enables an organization to make a living by creating, extending, or modifying its resources' (Helfat *et al.* 2007).

The acceptance of these two broad definitions reveals three benefits of providing a specific definition of resource value. First, these definitions imply that the optimal level of analysis for resource-and capability-based logic is at the resource level, rather than the company level (Barney & Mackey, 2005). Second, the availability of various definitions suggests that empirical tests of the underlying theory could be refined further. The use of a clear definition, third and most importantly, decouples the notions of resource value and performance outcome by outlining how resources effect current or future cost or perceived benefits separately from setting pricing and distributing value among stakeholders. Conceptually, the importance of this decoupling is illustrated by work that identifies situations where increases in productivity diminish performance (e.g., Lippman & Rumelt, 2003). The theory underpins the construct of integrating capability, strategic selection capability and strategic foresight.

##### 4.1.2. Theory of the Firm

Managerial theories of the firm were developed by Penrose (1958), Cyert and March (1963) and William and Monson and Downs (1965). It is one of the theories that conceptualize a firm (Holmstrom and Tirole, 1989). It tries to explain why businesses exist and what a business is. It describes why enterprises are organized into firms, as well as the relationships within the firm and between the firm and the external environment. The earliest theory of why businesses exist was founded on competitiveness based on process innovation (Drejer, 2004). Firms were later described as administrative entities that are collections of historically determined diverse productive resources, and that their value



creation is based on the utilization of the resources rather than the simple possession of the resources (Bloch and Finch, 2010). The amount of value created is determined by how the resources are deployed. Firms must continue to develop expertise and innovate in order to grow.

Firms require more entrepreneurial and leadership skills, in addition to managerial skills because the former allows them to run an existing venture, whereas the latter brings about change and create advantage. Firms were later described as administrative entities that are collections of historically determined diverse productive resources, and that their value creation is based on the utilization of the resources rather than the simple possession of the resources (Bloch and Finch, 2010).

This theory was chosen as a key component of the research for two reasons. The first is the ongoing dispute among economists, which focuses on the following issues: the existence of the company, its size, and its structure (Stramaglia, 2010; Foss, 2000; Ricketts, 2008). The foundation for the firm's existence, limits, internal organization and coordination, capital structure, management role, knowledge development, entrepreneur role, and external coordination between firms was laid by a diverse range of theoretical contributions to this idea. The second reason is that existing literature focuses on various elements that influence company performance and life cycle, as well as how fundamental micro-economic and macro-economic aspects modify the operational framework and environment, resulting in some degree of unpredictability in firm growth (Stramaglia, 2010). The theory underpins the constructs of firm performance.

#### 4.2. Empirical Literature Review

Asser, Waiganjo and Njeru (2018) conducted a study on Influence of dynamic environmental scan practices on performance of commercial based state parastatals in Kenya. The study used a cross-section survey research design with a population of fifty-five (55) commercially based state parastatals as the target population. The study used a sample of forty-eight (48) commercially based state parastatals. The study's respondents included CEOs, Finance Managers, HR Managers, and Finance Managers from each of the sampled commercially based state parastatals. Data was gathered using questionnaires and interviews. Regression models were created, and hypothesis testing was performed using standard F and t tests. The study revealed that dynamic environmental scan practices have a significant positive influence on performance, which means that state corporations that respond to a dynamic and hostile environment will have a competitive advantage.

Bayode and Adebola (2012) justified 'the impacts of Strategic Environmental Scanning on Organization performance in a competitive business environment' by studying Nestle Nigeria Plc and Cadbury Nigeria Plc in Strategic Environmental Scanning and Organization Performance in a Competitive Business Environment. The sample size study included 70 management workers from Nestle Nigeria Plc and 70 management staff from Cadbury Nigeria Plc at their respective corporate offices in Lagos. A total of 140 people were selected as the sample size in both organizations. The opinions of the selected respondents were elicited using a standardized questionnaire, and the data was analyzed and interpreted using regression and coefficient of correlation analytic methods. Hypothesis 1 has a coefficient of determination ( $R^2$ ) of 0.297, indicating that strategic environmental scanning and organizational performance have a significant relationship. Variations in strategic environmental scanning are responsible for 29.7% of the variance or change in effective organization performance, according to the study. In Hypothesis 2, the coefficient of determination ( $R^2$ ) was 0.301. It meant that external environmental elements account for 30.1 percent of the variance or change in organization productivity, meaning that external environmental forces have a positive impact on company performance. Hence, using strategic environmental scanning to assess external environmental forces (opportunities and threats) helps capturing the opportunities and the avoidance of risks, resulting in increased profitability for the firm.

Laura, Xhevrie, Luis, and Alessandro (2014) did a study on Strategic Capabilities and Performance: An Application of Resource-Based View in Italian Food SMEs. They investigated the impact of SME capabilities on performance by identifying the significant ones that play a leading role in achieving a competitive advantage. Using a Structural Equation Model, the researchers examined 67 food SMEs in Lombardy, a region in Northern Italy. The findings revealed that marketing, network, and innovation capabilities have a positive impact on performance. According to the study, process innovation should be used in SMEs to implement incremental innovations. Furthermore, adopting appropriate pricing policies and operating a proper consumer targeting assist SMEs in performing well, especially if they spend time acquiring information about the market and the other supply chain agents. Strong vertical relationships, in addition to facilitating information flow, allow SMEs to control each stage of the chain and monitor product quality.

Imbambi (2017) examined the Influence of strategic capabilities on competitive advantage of sugar companies in western Kenya. The specific objectives of the study were: To assess the influence of human resource capability, to determine the influence of technology capability, to establish the influence of material capability and to assess the influence of financial capability on competitive advantage of sugar companies in Western Kenya. The study used a descriptive research design with 727 senior and middle level managers from six sugar companies as the target population. A questionnaire was used to collect primary data. To establish the relationship between dependent and independent variables, logit regression, correlation, and hypothesis testing were used. There was a significant positive relationship between technology capability, material capability, and competitive advantage, according to the findings. The study findings indicate that technology and material capabilities under the firms' control are critical for achieving competitive advantage, and that government regulatory policy determines the extent to which sugar companies in Western Kenya enjoy competitive advantage.

In an empirical investigation of network-oriented behaviors in business-to-business markets, Sabrina, Thornton, Stephan, Henneberg and Naudé (2015) were interested in the extent to which network-oriented behaviors affect firm performance directly and/or indirectly. They tested the hypothesized model with a dataset of 354 responses collected via

an online questionnaire from UK managers whose organizations are involved in business-to-business marketing in either the manufacturing or services sectors. Four key findings are presented in the study. First, a firm's network-oriented behaviors influence the development of customer- and competitor-oriented behaviors. Second, they promote relationship coordination with the network's key business partners. Third, it has been discovered that effective management of the firm's portfolio of relationships can mitigate the positive impact of network-oriented behaviors on firm profitability. Finally, proximity to end users magnifies the positive impact of network-oriented behaviors on relationship portfolio effectiveness. They came to the conclusion that a firm's interaction behaviors in relation to an embedded network structure are key mechanisms that facilitate the development of critical organizational capabilities in dealing with business partners.

Maina, Marwa, Muruku and Riro (2016) did a study on network relationships and firm performance, an empirical study of Kenyan Manufacturing Firms. The study employed a descriptive design and focused on firms in Kenya's manufacturing sector. Data was collected using self-administered questionnaires from a sample of 132 manufacturing SMEs registered with the Kenya Association of Manufacturers in Kenya (KAM). Multiple regression analysis was used in the study to determine the relationship between the variables. It became clear that network structure, governance, and content all have a positive and significant impact on firm performance. The study's findings revealed that network structure has a positive and significant impact on firm performance. Ties are formed through the structure, resulting in the embedding of firms in networks of external relationships with other organizations. Firms can gain strategic positions in networks through network structure, which can improve the flow of resources.

Vaidyanathan and Zuoming (2020) carried out empirical study on The Effect of Internal and External Integration Capabilities on the Performance of Professional Service Outsourcing (PSO). The study investigated how a PSO firm's external knowledge integration with global clients, internal integration across various functional units, and the synergistic effects of these factors all work in tandem to improve PSO performance. Using survey data from 192 Indian professional service providers, a conceptual framework was proposed and empirically tested, drawing on organizational learning theory and the knowledge-based view. According to the study, both external and internal integration have positive effects on performance, and a well-balanced integration structure can generate a significant synergistic effect of external and internal integration.

Suntichai, Eldridge, and Freeman, (2012) did a study on Investigating the relationships between internal integration and external integration and their impact on combinative competitive capabilities. The study looked at the interaction of internal and external integration, as well as the causal impact of that relationship on competitive capabilities in Thai automotive suppliers. A hybrid model for competitive capabilities was also tested in order to confirm the configuration of competitive capabilities through external integration. Structural equation modeling was used to investigate the theoretical model. Internal integration has a positive relationship with external integration, according to the findings. In order to transform internal resources and build the firm's capabilities, supplier integration, in particular, necessitates a high level of internal integration. A high level of product quality achieved through internal and external integration leads to increased delivery capability.

#### 4.3. Proposed Theoretical Model

Theoretical model is imperative in helping reveal the relationship between independent variables, moderating variables, mediating variables and dependent variable. In the case of this independent study, a theoretical model was proposed that illustrated the relationship between strategic foresight and firm performance. This relationship is demonstrated in the chart marked as Figure 1.

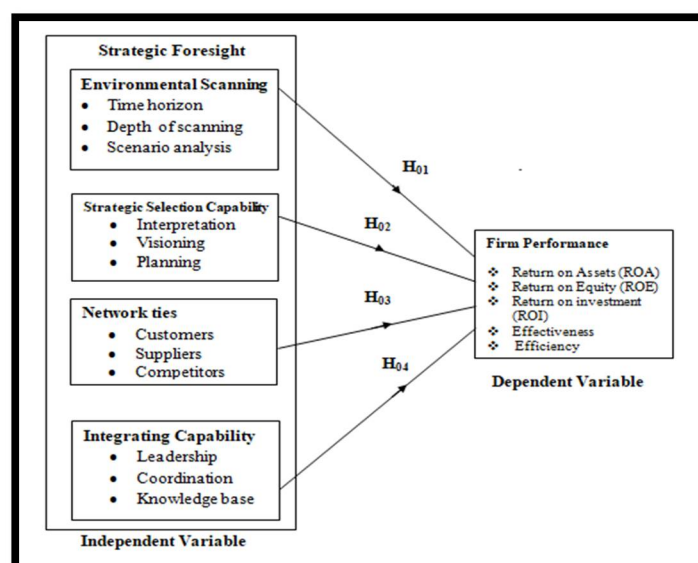


Figure 1: Proposed Theoretical Model

Source: Author (2022)

Strategic foresight is the independent variable in the proposed model, and firm performance is the dependent variable. Environmental scanning, Strategic selection capability, Network ties, and Integrating capabilities are used to measure strategic foresight in this study. Environmental scanning is regarded as an important strategic foresight practice and capability. The systematic examination and analysis of the external and internal environments to identify key forces, technologies, key rivals' postures, and organizing processes that drive change is known as environmental scanning. This foresight practice and capability enables businesses to collect the data necessary to understand the dynamics of their industry and quickly adapt their products or services to changing market demands.

Strategic selection capabilities, as organizational competencies, enable a company to evaluate the business environment systematically and deploy its limited resources to achieve a desired future. Firms can share information with relevant stakeholders in the business environment by establishing network ties. Firms can use networks to position themselves proactively and strategically, as well as to adapt their products/services for maximum performance. Integrating capabilities, which embrace an organization's current knowledge base, coordination, and leadership, are critical components in the firm's distribution, reproduction, and preservation of knowledge.

Strategic selection capabilities, as organizational competencies, enable a company to systematically evaluate the business environment and deploy its limited resources to achieve a desired future. Creating network ties allows businesses to share information with relevant stakeholders in the business environment. Networks enable businesses to position themselves proactively and strategically, as well as adapt their products/services for optimal performance. As they embrace an organization's current knowledge base, coordination, and leadership, integrating capabilities are critical components in the firm's distribution, reproduction, and preservation of knowledge.

## 5. Conclusions

This independent study examines the relationship between strategic foresight and firm performance. The primary goal of this study was to recommend the best theoretical model for illustrating the relationship between strategic foresight and firm performance. This independent study assessed the characteristics of strategic foresight, including its parameters, and understands how they affect firm performance by reviewing theoretical and empirical literature. This study's guiding principles and theories were based on Resource-Based View Theory and Theory of the Firm.

An appropriate theoretical model is proposed in the study, which aids in illustrating the relationship between independent variables and dependent variables, which include strategic foresight and firm performance. Environmental Scanning, Strategic Selection Capability, Network Ties, and Integrating Capability were identified as fundamental dimensions of strategic foresight that have the potential to impact firm performance in a review of existing literature. Similarly, a literature review identified Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI), Effectiveness, Efficiency, and Repeat Purchase as appropriate indicators for measuring firm performance. The study's propositions, in addition to enriching the empirical and theoretical literature on strategic foresight and firm performance, serve to guide scholars in the field of strategic management on prospective studies with the potential to impact organizational and managerial performance in a variety of industries and sectors.

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