



Workshop take-away template/example of a set of scenarios to be tracked and acted upon. The benefit to be derived is not in formulating the scenarios but in designing event triggers and executing their associated action plans. The flags that trigger action must each be owned by a single individual, accountable to one of the leadership team. These scenarios should be seen as part of the overall business strategy execution suite.



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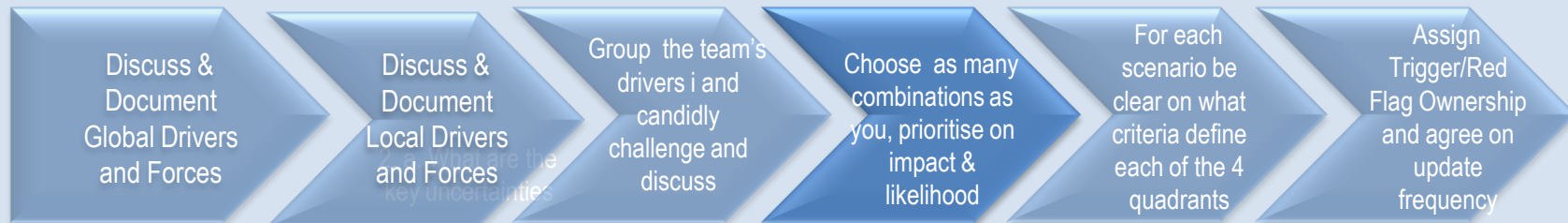
1. In some businesses Scenario Planning is redundant because their executive are so engaged, curious and proactive. They react quicker than the herd and although you will not find scenarios planned, the key actions in response to changes in the market are well executed. You are better to ask them what obstacles they require removing than for you to place an additional impediment before them.
2. Some businesses just have shorter time-horizons and more pressing survival priorities, so they claim.
3. And yet, these fragile businesses are the ones most at risk from changing circumstances.
4. One of our greatest technological advances is the inter-connectedness of economies and the free flow of capital. This perversely has introduced fragility to our world, and with it a greater necessity for business leaders to apply more energy and thought to risk management.
5. Be that as it may, many firms have neglected this at their cost, a cost which should be insignificant.
6. Some institutions have formal scenarios that take on fractal forms of life as Risk Capital and other Adequacy ratios are calculated at 7 in 10,000 and 1 in 200 year probabilities. Actuaries provide a very interesting input into scenario planning, involve one at some stage if you can.
7. So in fulfilling this duty an SME should consider:
 - Using the published and available work of people like Clem Sunter <http://www.mindofafox.com/site/home>
 - Invest time with a futurologist (start with the fascinating Ian Golding) <http://www.oxfordmartin.ox.ac.uk/research/>
 - Build on the work that is already available, such as the Global and SA scenarios supplied in this document
 - Rather focus on that which you have more control over, as provided in the last 2 scenario examples.

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Preparation – Assuming a whole new set of scenarios

1. Scenario planning is merely a tool for the SME leadership to be able to respond quickly to whatever changes the world imposes on your business.
2. It is generally a good strategy to be able to react quickly and adapt to circumstances, and the ability to “buy time” by not being caught unawares is a powerful differentiator between businesses.
3. Leading the business and managing risk is the responsibility of the SME leadership, and it is with this group that this competence should be initially developed.
4. Too often the larger business is included (a commendable notion but in this instance the executive team requires maximum engagement and minimum distraction.)
5. The process to be followed on the day should be agreed and communicated well beforehand
6. Give people plenty of time so they can spend some time thinking before the day
7. The session should advertise and reflect the culture of your business and the cohesiveness of the leadership team.
8. The session requires some degree of flexibility, but at least participants should know what to expect and what is required of them.
9. The output of the session and the delivery on committed actions subsequently speaks volumes about the maturity of business leadership.



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What are your Driving Forces that will Shape and Dictate the Future Globally?

The session might produce a collective view like this

- War in the Middle East, a Nuclear crisis, Israel with its back to the wall
- First Mover Advantage a consideration in Nuclear Detente between Pakistan and India
- Collapsed and Failed States become more numerous – Syria, Somalia, Pakistan , Zimbabwe
- China faces social crisis, restricting growth
- The decay of Europe, aging population, lack of vibrancy, protectionism,
- Huntington's Split Nation warnings come true on the USA
- Massive Fluctuations in Currency Exchange
- Fuel Supply/Energy Depletion
- Shift of global power – Rise of India and China
- Black swan - Pandemics
- Rebelling and Hostile Consumers and Customers
- Privacy Issues
- Power of the US Regulator
- Availability of Talent and Skills
- Sustainability/Green requirements
- Mobility of Disease and Impact
- Climate Chaos

Now discard the nonsense, and group the items, and then assign a likelihood to the collective outcome

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Driver Grouping	Various Drivers of Changes that might have impact
Political	Global, Regional and SA Government directives, funding policies, national and local organisations' requirements, institutional policy, political outcomes, power shifts, war and sanctions, Ideologies competing with Technocrats
Economic	Exogenous considerations such as the price of oil, independence of the Reserve Bank, Inflation, Taxation, Trade Barriers, Open Markets, Unemployment, Market Volatility
Social	Societal attitudes to education, particularly in relation to government directives and employment opportunities. Lifestyle changes, changes in populations, distribution and demographics, aging populations, uneducated youth, unfettered corruption,
Technological	Major current and emerging technologies of relevance for teaching, research or administration, access to information, cost of computing, bandwidth, disruptive technology
Legal & Regulatory	TCF, PEP, Retirement Age, Binder Regulation, push for Green Products, Subsidisation, BEE, etc
Environmental	Climate Change globally and water quality locally

The point is that there must be a full and free exchange of ideas and thinking between the leadership team. Max participation, minimal distraction. Be sure to discuss those of your input costs that are by sensitive to foreign exchange. You will find that technology discussions emerge a lot at this stage

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Good interaction will allow the list to be distilled and focus to be derived. It could result in something like this.

Our first scenario maps Globalisation-Fragmentation Against Low and High Economic Growth, you could use other combinations, and indeed should try them, even if they seem a peculiar combination.

Higher — **Globalisation vs Fragmentation** —
Lower

Low — **Economic Growth** — High

Higher — **Human Rights** — Lower

Low — **Automation** — High

Weak — **Political Leadership** — Strong

Low — **Social Stability** — High

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In this instance we have a view, but others are possible.

Globalisation is a proxy for relevance of the WTO, IMF, world bank, Nationalisation, Protectionism, depending on your industry, perhaps Technology would be better or a useful 2nd combination. In that case, Technology would include considerations such as, next generation wireless, costs of data, penetration of mobile devices, public acceptance of these technologies etc



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The tracking flags given here are a start but need refinement and certainly documenting on the frequency with which the owner will update them. The flags should be arranged in some order grouping lagging and lead in a meaningful way. Creativity is always useful, and proxies are a better measure than “official data”. For example, a good proxy for consumption in China, an indicator of growth, is number of container ships entering port, the average time taken to off-load cargo, port fees, instances of labour unrest, unemployment etc. This approach is applicable to local scenarios too and is encouraged.



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What are your Driving Forces that will Shape and Dictate the Future Locally?



The session might produce a collective view like this

- Nationalisation becomes a Political tool – mining collapses
- Wealth disparity Increases
- Availability of Talent and Skills
- Frustrated Youth
- Irresponsible Capitalism – Ground water pollution,
- The failure of BEE
- Mugabe dies and Zimbabwe descends into civil war
- RSA can no longer control its borders
- Radical rise in crime
- Failure of local government – the water crisis, the education crisis, the leadership crisis
- El Nino and El Nina 7 year cycles kick in
- AIDS orphans mature
- Endemic Corruption
- Rise of Local Green Movement
- Broken Political Promises fuel unrest
- Infrastructure Degradation – Transport and Water especially, after Electricity
- Education spend and quality
- Ambitious non traditional competitors
- Availability and Acceptance of Technology

Do the same as was done with the previous list.

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Two of the biggest drivers of our South African future will be the state of the Global Economy on the one hand and the manner in which the key issues of Education, Health, Employment, Inequality and Security are dealt with. These are Leadership imperatives. Nationalisation is a consequence of leadership failure.



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Try and make your scenarios:

- Provocative
- Memorable
- Practical
- Measurable
- Owned & Accounted for
- The topic of discussions elsewhere

Check the quadrants and the flags against these, are they

- Specific – clear and unambiguous
- Measurable – if no actual data then multiple trend indicator from a proxies
- Attainable – same source and measure of flag used consistently
- Relevant - the scenario flags should naturally emerge as topics of discussion
- Time-related – done reliably and consolidated every quarter or half-year

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Higher — **Acceptance of Technology** — Lower

The cost of devices drops, mobile devices standardise around convergent technologies, cost of data drops, coverage increases, penetration increases?

Vs.

Low — **Non-Traditional Competitor Appetite** — High

Customers with large captive customer bases, those with access to technology? I.e. MTN, IBM etc

and

Higher — **Industry Regulation** — Lower

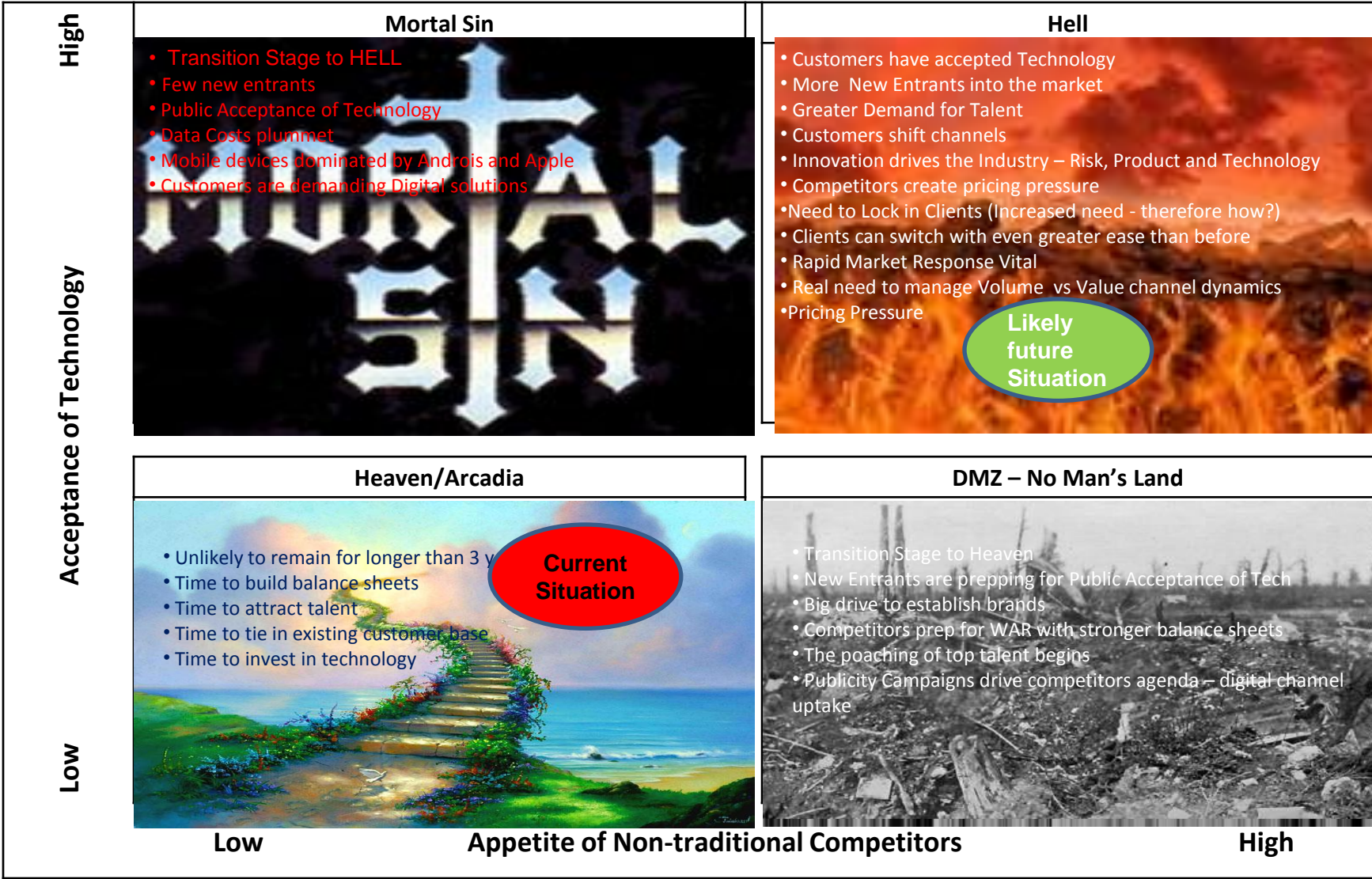
Will the Regulators impose more constraints and conduct more oversight on the industry?

Vs.

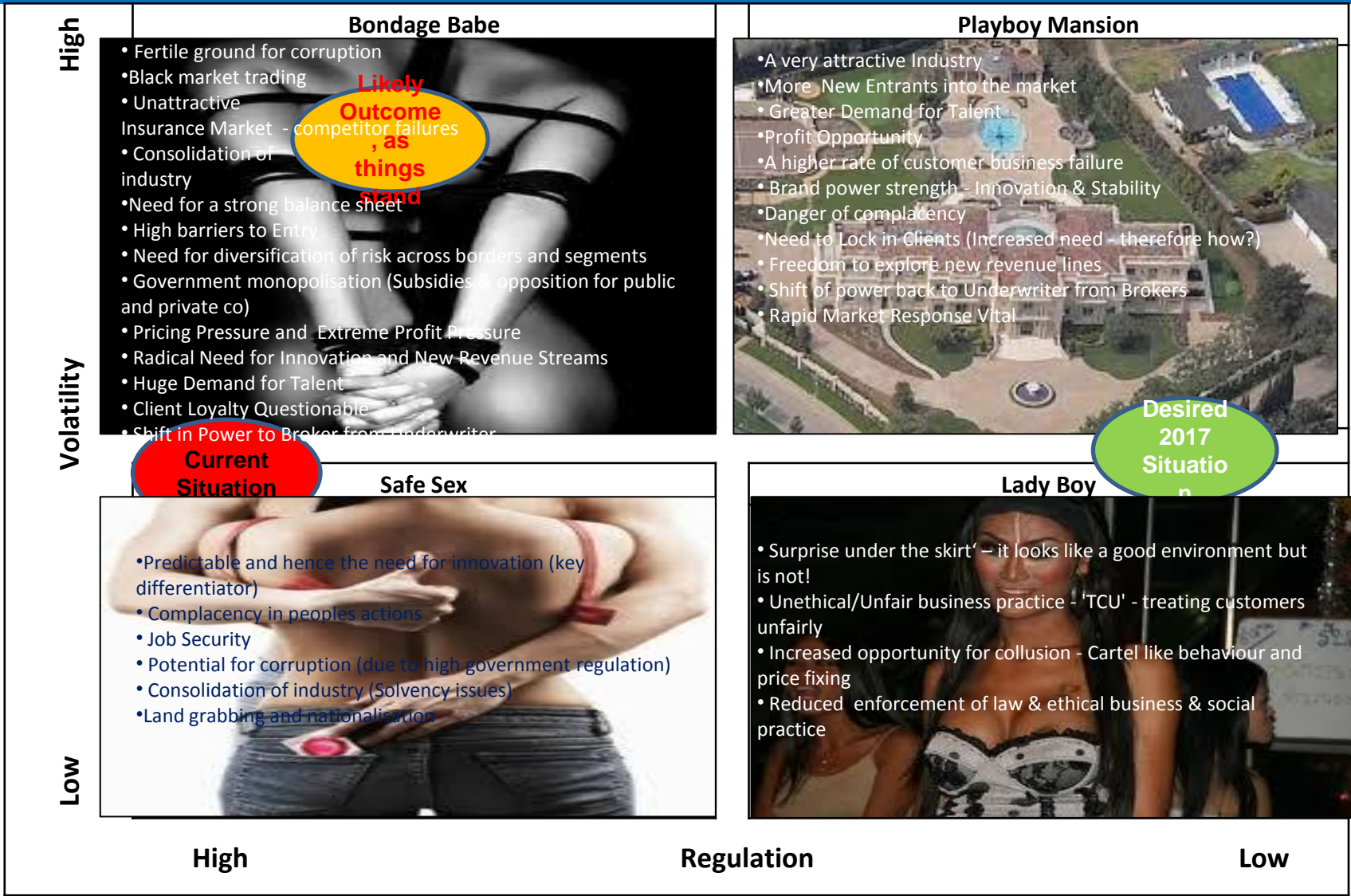
Low — **A World of Volatility** — High

Will we face volatility in terms of Exchange Rates, Commodity Prices etc?

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These are the types of topics you should expect.

Technology

- Life Insurance, Short-term Insurance, Health care – Any suppliers or participants in these industries might have a chat that starts off with the observation that the DARPA & Google autonomous vehicle tests have been incredibly successful. ½ million miles driven on public roads in urban and rural areas, with not a single accident!
- Predictions are that human error will be removed as a cause of traffic accidents. The technology relies on inter-car connectivity, and communication, allowing for far shorter following gaps between cars and at greater speeds. Road capacity can triple on existing infrastructure
- What will we do when the first blind person asks for car insurance?
- If they aren't expecting a crash, then why would they need insurance? Only 35% of cars on the roads are insured currently. There will always be theft, and other accident categories, can we increase rates of insurance somehow?
- So people will live longer, that will mess with the actuarial pricing. The leading cause of death for teenagers is motor vehicle accidents, accounting for between a third overall and up to a half of males in higher socio-economic homes.
- What will this do for our trauma units? Gun-shot homicides will take over as the leading cause of death,

Different and New Competition

- If Software becomes so important in cars, and accidents decrease, then what will happen to panel beaters and taxi drivers? Will they become unemployed? That can't be good!
- Do you think car manufacturers will move into providing insurance themselves, at point of sale?
- What would happen if IBM, which has a balance sheet bigger than many global banks, teamed up with Toyota and Volkswagen, and attacked the Insurance market.
- What would happen if a cellphone provider, with cheap communication costs, and millions of customers started proper retail banking and insurance? One with the customer base, the other with the software and balance sheet.
- OK then, if we predict that either Motor Manufactures or telecomms companies are going to move aggressively into Financial Services, what can we do so that our business can support them via a product or service?

Wacky and silly conversations should not be mocked. Allow people to think aloud and develop powerful thoughts!

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