



Scenarios for a Difficult Time

October 2001

A GBN Tool for Strategic Conversation

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Why Scenarios Today?

- The established and tested tool for uncertain times
- Enable us to make meaning of the current situation—and *think the unthinkable*
- Frame and clarify key uncertainties; antidote to paralysis, hyperbole and overload
- Integrative and inclusive process to stimulate constructive dialogue

Some Critical Uncertainties

Prolonged

Messy

Spreading

Nature of Conflict



Brief

Incisive

Contained

Divisive

Entrenched

Fearful

Social Psychology



Inclusive

Engaged

Confident

Critical Uncertainties – Continued

Deep
recession

Slow
recovery

Fragile

Economic Conditions



Shallow
recession

Swift bounce
back

Resilient

Incoherent/ineffective

Global institutions
less valued

Gov't, NGOs & private
sector antagonism

Localism/Regionalism
prevailing

Global Governance



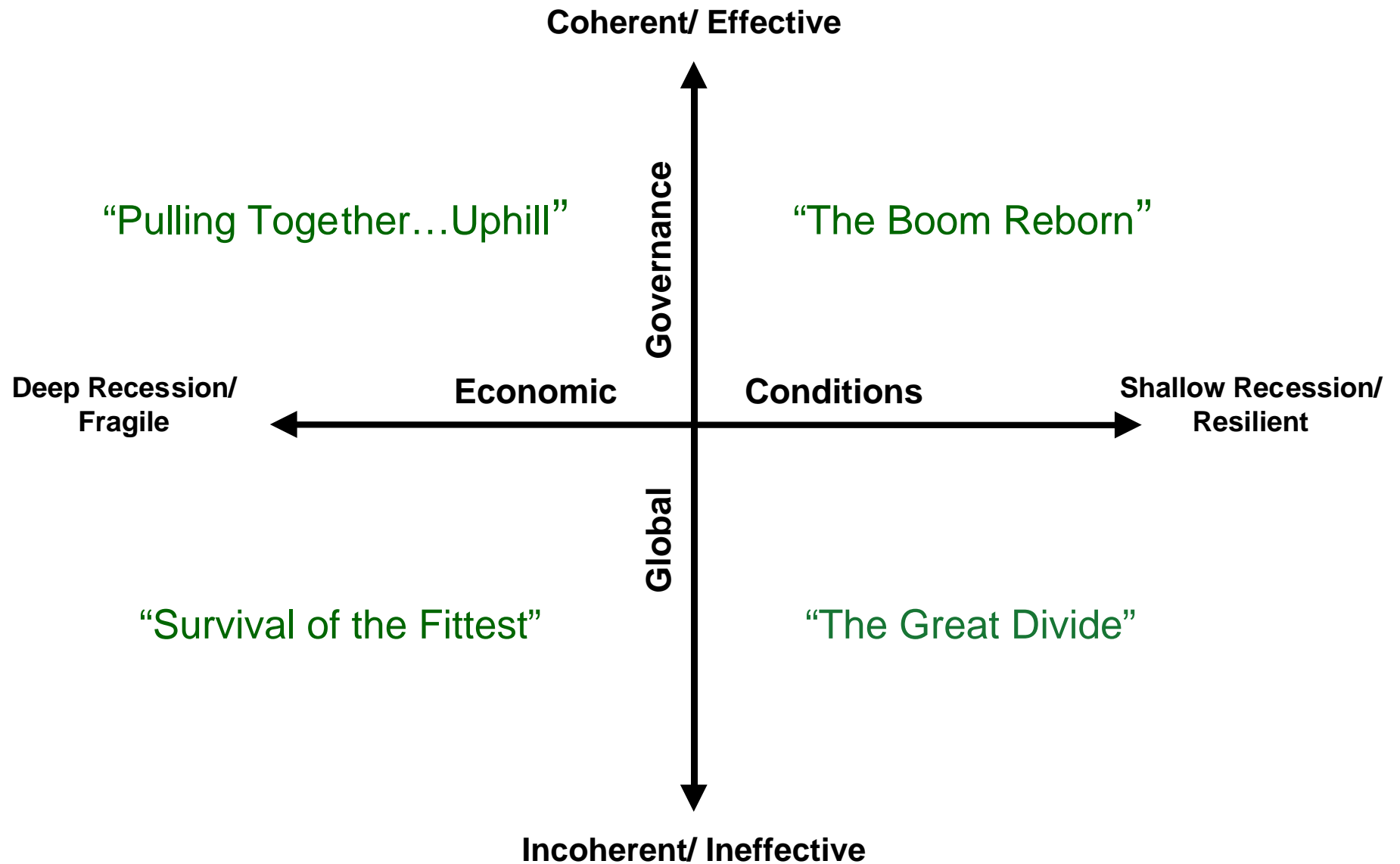
Coherent/effective

Global institutions
more valued

Gov't, NGOs & private
sector partnership

Globalism prevailing

A Sample Matrix



How might these worlds unfold over the next three years?

- Each of these worlds could potentially be our future
- The following slides are *examples* of how this could happen
- You may wish to enhance these with your own, better, ideas...

Scenario 1 – Survival of the Fittest

Fragile

Economic Conditions

- Despite early successes in Afghanistan, the “war on terrorism” spreads messily across many countries
- Anti-American sentiment increases, initially in Islamic countries but quickly evident in much of Europe as well
- Bio-terrorist attacks in US provoke “go-it-alone” military responses
- Massive upheaval in several key Middle Eastern countries, serious disruption of oil supplies
- Global cooperation declines, rise of nationalism and tribalism
- Further travel-related atrocities in many parts of the world seriously impact and impede global business
- Increasingly fearful public in America and elsewhere hunkers down, compounding economic gloom—many businesses perish
- A vicious cycle of attacks, isolationism, and economic decline drive division, confusion and despair; by summer 2004 there is no clear path forward

Incoherent

Global Governance

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Scenario 2 – The Great Divide

Economic Conditions

Resilient

Global Governance

- Military action grows in scale and scope, quickly reaching Iraq and the Sudan, and dwarfing diplomatic and humanitarian efforts
- Very small scale and ineffective terrorist actions are just enough to keep the “war” alive—but it looks increasingly like a “crusade” by a rogue superpower, especially after the accidental bombing of a refugee camp
- The UN’s vocal concerns about the US overestimating the terrorist threat and overreacting are ignored; global cohesion decreases, with even the major European powers distancing themselves from the US
- Increased defense and security efforts, and the fizzling out of terrorist actions, lead to a diminished sense of physical threat, and growing consumer confidence
- By spring 2002, financial institutions and business corporations have improvised their way through the inconveniences to trade, proving the resilience of the market economy
- By fall 2002 developed economies have bounced back quite strongly, and (only with significant US assistance) major oil producing nations remain fairly stable—for now; however, the developing world struggles
- By summer 2004, the world is badly fragmented though intense national security measures make most places safe. Businesses are the main global entities—but are viewed with increasing hostility by regions left out of these economic good times. New troubles surely lie ahead...

Incoherent

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Scenario 3 – Pulling Together...Uphill

- The “war on terrorism” is a prolonged, messy, fraught affair, dragging in most nations as participants, willing and unwilling
- Infrequent, unpredictable, and diverse terrorist attacks occur in many parts of the world...
- Triggering and sustaining anxiety and caution amongst businesses and citizens, and causing a deep and prolonged economic slump
- However, a growing sense that “we are in this together” drives unprecedented intergovernmental cooperation and the establishment or expansion of several global institutions. For example, Interpol’s annual budget increases from \$30 million to \$30 billion.
- While these measures do enhance security and lead to partial resolution of Middle Eastern tensions related to Palestine, they do little to assist a fragile and recession-prone global economy
- By summer 2004, a significantly more united world ponders two seemingly intractable problems: How to minimize the reach of highly networked but numerically small groups dedicated to the overthrow of “modernity,” and how to get a failing economy back on its feet

Coherent

Global Governance

Fragile

Economic Conditions

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Scenario 4 – The Boom Reborn

Coherent

Global Governance

- Incisive military strikes combined with successful humanitarian and diplomatic interventions lead to a relatively contained conflict
- Sporadic global terrorist activity provokes coherent responses (inclusive of Muslim countries), and a revitalized UN increasingly replaces the US as key architect of a new, inclusive world order
- Public confidence in governments and a growing sense of cohesion help smooth the way to economic recovery
- Global public/private partnerships proliferate as business corporations review their social role in a new environment
- Massive aid and development initiatives compound economic growth and global distribution of wealth and opportunity
- By summer 2004, the global economy is more inclusive, culturally sensitive and resilient than ever, and we seem to be achieving global governance without a global government.

Economic Conditions

Resilient

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What Might These Scenarios Mean?

- Each scenario holds different implications for businesses
- Consider each one in turn, and *believe that it is the future*:
 - What are the biggest changes and challenges you will face?
 - What should you do differently? How do you succeed?
- To start with, here are some very generic implications...

Some Business Implications?

Fragile

Economic Conditions

“Survival of the Fittest”

- Safety of employees, security of physical assets, protection of communication infrastructure all become core business priorities
- The global industrial production and distribution system is enormously disrupted; production starts to return much closer to points of consumption
- Immigration restrictions make it harder for businesses to secure foreign talent
- Consumers go “back to basics” and stop spending on luxury goods and non-essentials, but local services devoted to community-building and security increase rapidly
- *Cost control, cost control, cost control!*

Global Governance

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Some Business Implications?

Economic Conditions

Resilient

Global Governance

“The Great Divide”

- Interregional protectionism and tariffs increase, encouraging greater emphasis on trading regions like NAFTA and the EU
- American multinationals adopt a much lower profile in non-western states. Joint ventures with local companies proliferate
- Consumer goods companies start to rebrand mature products that seem “too American, too Western”
- Energy efficiency and use of alternative energies become business priorities to reduce long-term dependency on uncertain oil supplies
- Innovation, market development, product development are even more regionally differentiated and skewed towards developed economies
- *Bad times are still ahead—start building alliances and establish goodwill wherever you can.*

Incoherent

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Some Business Implications?

“Pulling Together...Uphill”

- The “transaction costs” of doing global business increase, as security and surveillance measures impose new burdens
- More conservative business portfolios essential
- PR and public sector partnering become crucial strategic skills
- Travel substitutes like videoconferencing become increasingly important, especially in North America and Europe
- Lean organizational structures and flexible workforces required
- Longer-term planning and reporting horizons adopted—quarterly results less significant than long-term positioning
- *Stick to the knitting, be a good citizen, participate in the political dialogue*

Coherent

Global Governance

Fragile

Economic Conditions

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Some Business Implications?

Coherent

“The Boom Reborn”

Global Governance

- Those who stay with their globalization strategies reap huge benefits, but...
- New times require emphasis on new skills—e.g., cross-cultural know-how becomes critical; stakeholder (not simply shareholder) management and partnering competencies are key
- Technological innovation is tempered by more explicit ethical and social considerations
- Governmental and NGO investments provide new opportunities for companies to innovate appropriate business models and products for the poorest markets in the developing world...
- While consumer demand in the developed economies migrates increasingly towards experience and self-fulfillment rather than consumption of more and more physical goods
- *Embrace a new global role that combines economic and social dimensions—and diversify your talent pool*

Economic Conditions

Resilient

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Some Robust Implications?

Perhaps some of these implications are true in every scenario?

- Safety of employees, security of physical assets, protection of communication infrastructure all become core business priorities
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- Energy efficiency and use of alternative energies become business priorities to reduce long-term dependency on uncertain oil supplies
- The “transaction costs” of doing global business increase, as security and surveillance measures impose new burdens
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Coming Back to the Present

- Within 6 months we'll be much clearer where the world is heading
- Until then, ALL these scenarios are possible—and each requires different strategies
- So, can we:
 - Be sufficiently flexible to flourish regardless?
 - Discover strategies that work in all scenarios?
 - Carefully track where the world is heading?
 - Establish contingency plans and diverse options?
 - Be prepared to ACT early as the future unfolds?



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