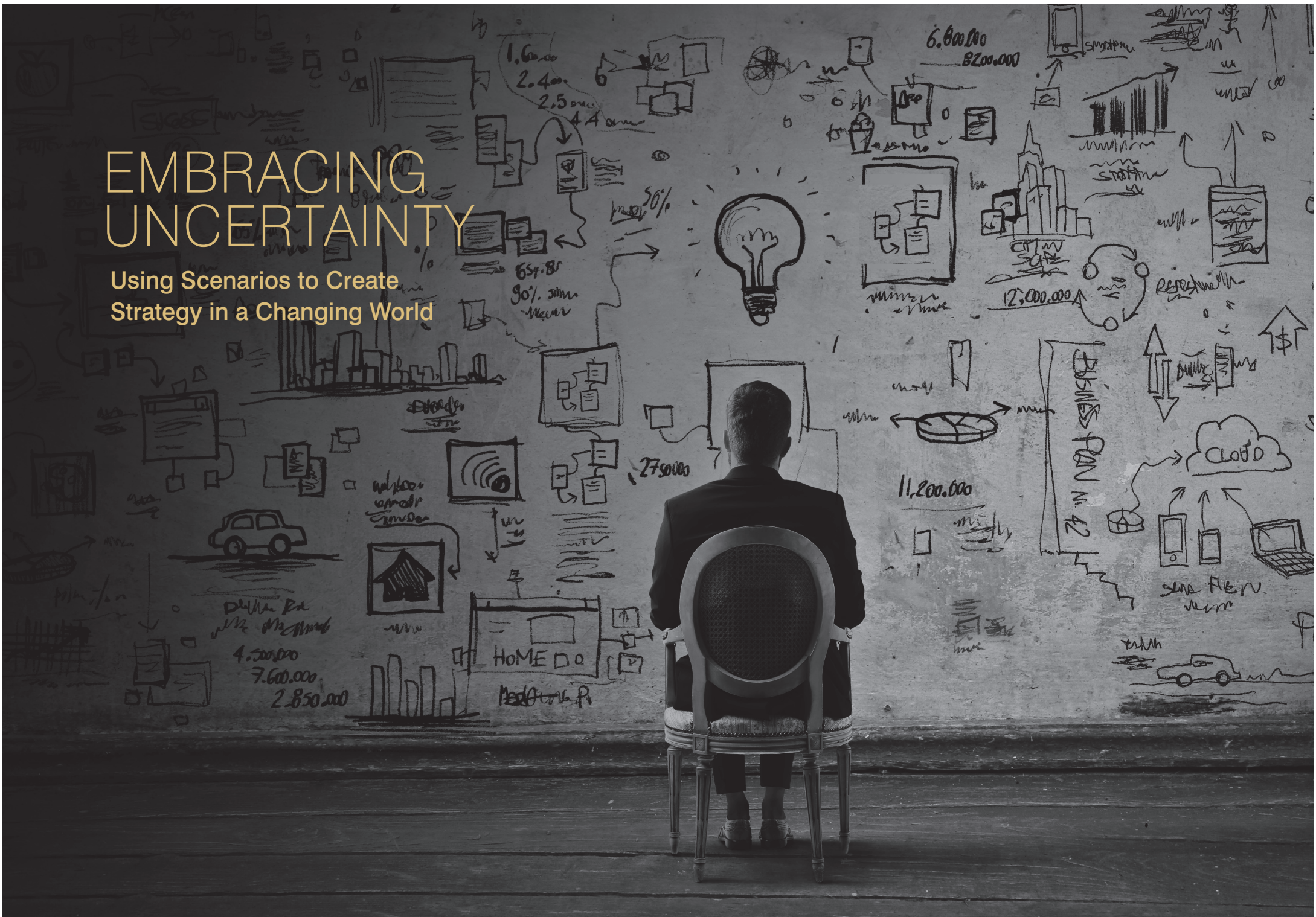


# EMBRACING UNCERTAINTY

Using Scenarios to Create  
Strategy in a Changing World





## THE END OF AN ERA

**It's often said that we live in VUCA (Volatile, Uncertain, Complex, Ambiguous) times - but this term doesn't really describe the full extent of it. What we're experiencing is actually the end of an era. The turbulence that we all feel is the transition from old world to new: the structures of our worlds being stress-tested and re-created in new ways. Absolutely everything is in play, it's an extraordinary moment in human history. What tomorrow will look like is anyone's guess.**

There are many more waves of disruption to unfold, each of which will be significantly more powerful than the internet and mobile disruptions which have already seen off some

of our biggest companies. Some will be driven by technology of course, but this isn't just a technology revolution, we're also seeing fundamental changes in society, politics, and the economic system.

For organisations and individuals involved in strategy development this changes everything. The future can no longer be predicted with any certainty; there are now many different possible future scenarios that might eventuate for any organisation, whether in business or Government. To be effective therefore, strategy in organisations needs to actively consider multiple scenarios, and most importantly, it must *embrace uncertainty*.



# THIS IS THE ERA THAT WAS

**In his book *Homo Deus*, Yuval Noah Harari says “In 2016 the world is dominated by the liberal package of individualism, human rights, democracy and the free market”. He calls it “modernity”.**

Since the Second World War we in the developed western world have had the luxury of decades without war, increasing prosperity, access to publicly-funded education and healthcare, increased health and longevity, improved urban spaces, high levels of employment, and pensions when we grow old. As Stephen Pinker says we really have never had it so good.

There has been a sense of optimism among the general population, the idea that things will just keep getting better and better. We are all on an unstoppable progression to individual self-fulfilment. Perhaps our system of liberal western democracy and capitalism might just be the answer to the question of how society can best organise itself for the wellbeing of its people?

Ideological concepts like left and right wing are reducing in importance as over time we have become economically capitalist and socially liberal. And the political left hasn't known how to respond to all of this apparent stability - there is nothing left to fight for and so it has sort of given up and died. Centrist politics and policies are the order of the day.

In this world we, the people, had a fair deal with the Government - we paid (reasonable) taxes, and the Government took care of us if we're sick, old, or out of work.

We had a deal with our employers (whether private or public sector) - turn up for work every day, do a 'good job', and in turn they offered us long-term employment, stability, healthcare, and the opportunity for self-betterment.

We believe in fairness and equality. A gradual shift of economic, social, and political power and rights to women, LGBTI, the black community, is seen as an inevitability, even though progress towards equality might be slow in places.

We were mostly moving towards atheist/secular because who needs God when you can have material possessions instead?

And we were following our leaders to a globalist ideal – the virtues of free trade, the unhindered movement of people, governments working together to meet mutual needs which reduces the incentive for disputes and wars. Educated liberals start to see themselves as citizens of the world, and of course we all love a foreign holiday.

# WHY NOW?




## **This begs the question why are we seeing so much change right now, and all at once?**

It's certainly true that technology is forcing change, suddenly and dramatically making such processes as democracy, work/life balance, and inter-generational equity take on new, transformative meanings.

But it's also true to say that many of the underlying forces at work aren't sudden at all: some have been staring us in the face for quite some time.

Above all else, it is simply that change is the nature of all things, and we were due a change. We just happen to have front row seats as the heavens collide and the Renaissance of our times forces change in all areas of life and business.



# THE UNDERLYING INFLUENCES AT WORK

**It's often said that it's hard to make sense of change in the moment, and it's certainly true that the long-term implications of current events can be very hard to predict in a precise way. But what we can do is observe the key underlying forces that affect the environments in which we live and work, and we can do this in a structured way. We view these forces through the following lenses: Nature, Society, Politics, Economics, Culture, and Technology.**

Our role in this is not to make value judgements, we are simply observing what is taking place in order to create better strategy in our organisations: when we can see and understand change in our external environment today, we can begin to create scenarios for tomorrow, and from this we enable our organisation to develop strategy and to make choices.

Noting how tumultuous the world is right now, here is our take on the most important underlying forces that are driving change, and which are already leaving their mark on the world.

## **NATURE**

### **Climate Change**

Whether you believe climate change is true or not, and whether you believe it's created by humans or not, isn't the point. It's now incontrovertible that humans are taking more from the earth than they are putting back, and the fear of the world we're moving in to as a consequence is playing heavily in the collective psyche. The ideological structure inside which we have been living - that human needs are prime, that capitalism trumps the environment - is broken and will led to a realignment of how we think, how we live, and how we do business.

### **Energy Leadership**

Democratic governments world-wide have proved their inability to take true leadership roles within their electorates on renewable energy policy and it is deeply ironic that China, the mega un-democracy, is leading the way, not for altruistic reasons but for economic ones.

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## **SOCIETY**

### **Intergenerational Friction**

When are the baby boomers going to hand over the reins? We now have four generations in society, in the workforce, who all have very different value systems, and the youngest of these are looking at the current system and asking what's in this for me? Gen Xers have tried to make the system work for them, with limited success, but the Gen Ys and Millennials have very little interest in preserving the status quo because with rising house prices and fewer jobs coming, the system isn't working for them in the same way that it's working for those at the top of the pyramid. The tension in the system is between the BB - who are using all their might to hold the system up - and the new generations who frankly want to tear it down. This tension will continue until the BB are out of the workforce and make up less of the population.

### **High Anxiety**

People are more lonely than they've ever been, more anxious, stressed, and depressed. The cult of individualism of the 80s and 90s, the rise of

materialism, the decline of religion, family, and community, are all key factors. Add to that the rise of the network society in which the more connected you are, the lonelier you become. We are being increasingly disconnected from the natural world too, and there is a sense that, despite all our wealth, no-one is sure what really matters anymore. This is already driving change, as people start to re-form communities, whether this be at a local level or online, or based on identity, interests, or politics.

## **POLITICS**

### **Let's Party**

There's much less centrism in all nations, what we're seeing is voters going hard left and hard right. Voters react to uncertainty and fear in different ways - some fall back on classic authoritarian leaders (Trump), others go left. The organised right-wing feels more emboldened now to make its presence felt - witness the KKK in the US and organised fascist groups in the UK and Europe. But we're also see a resurgence of the left - not the old left, but a new left and a very radical left. The shock defeat in the US of the Chair of the House Democratic caucus by the young Alexandria

Ocasio-Cortez who advocates policies that are radical by US standards wasn't a one-off, it's a sign of the times. This is a new left that embraces identity politics, and working class issues. There will be immense political friction in the system for some time as a consequence of this move by voters away from the political centre.

### **Troubles in the USA**

America is in deep trouble and Trump, at least for a while, is unavoidable. But the real story is more fundamental: How will these 'post-truth' times and the blatant Russian hacking of elections affect American democracy? And how far will the Republican party be allowed to go with its programme to dismantle some of the fundamental structures and democratic functions of Government? Add to this the many years of systemic race inequality, the caustic divide between left and right, and we don't see America being stable for considerable time. This will continue to affect all of us.

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### **The End of the European Dream?**

Europe is tearing itself apart over immigration, and what to do about Brexit. Will the European dream simply crumble? If Trump continues to be a destabilising force in the international arena, this leaves a significant vacuum. Given that Europe cannot depend on a strong partner in the USA, and the increasing global power of China, the European powers will need to find a way to sell the value of a united Europe to sceptical populations, and find a way to stick together. If they cannot, the old European powers will become relics of an old time: truly the end of a long era of European domination - not just empire, but the values of the enlightenment that have been so fundamental for so long.

### **Political Vision and Leadership**

Governments and political parties who ought to be steering populations through all this VUCA-ness have literally nothing to offer. There is a dearth of intelligent contribution from any parties or individuals that might shine a light in the world, and offer a way through the complexity. As ever, politics deals with the machinations of day to day power, not the long-term health of nations, and we are poorer for it. That politicians have nothing to say about job creation, education, health, in a technology-focussed world, of fewer jobs, is notable. Our sense is that this could lead to a resurgence of People Power - organised community groups and single-issue campaign groups, as people begin to realise that they can no longer depend on Government to defend their interests.

### **The Future of Democracy**

Who will protect democracy? How can we be sure that democracy is safe? Trump has made his admiration of autocrats and dictators clear, and if successfully re-elected in 2020 these tendencies could become more pronounced, putting enormous pressure on the US constitution. With Xi Jinping in power in China for life, and Putin having absolute power in Russia, this would mean a large question mark over the global democratic ideal. It seems apparent that democratic elections in both the US (Trump election) and the UK (Brexit vote) have been hacked by a foreign power, and it's interesting that neither of these have become major issues. The big question here is whether populations will rise up in defence of democracy if needed.

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## **ECONOMICS**

### **The Class Divide**

Working-class issues are coming to the fore once more. It's becoming apparent that economic prosperity isn't being shared equally, and that the working class has in fact been left behind for decades. This group has seen no benefit at all from booming house prices and rising wages, has been entirely excluded from the digital and entrepreneurial boom. In fact with Government austerity measures the norm for many years now, many have seen their standards of living dropping. The disadvantages of the working class are once again seen as structural in nature, fundamentally contradicting the philosophy of upwards social mobility that was once seen as a happy by-product of the modern capitalist economy, and creating a social divide that promises ill. It has been very unfashionable to talk about class since the 90s - we expect more discussion around class than we have had for some time.

### **Money Money Money!**

Capitalism is eating itself. Trickle-down economics, the economic theory so loved by the right, clearly doesn't work, capitalism is in fact generating huge wealth inequality, which has the potential to be a destabilising affect for society and economies. And if the robots finish off good jobs, who will be left to buy products and services? How will Capitalism reinvent itself?

### **Globalisation Schmobilisation**

Globalisation where are thou? How will the collision between the big corporations and national governments and community interests play out? The jury is out on this. Capitalism is designed such that money always flows to the biggest profit. With populations rejecting migration we could be going back in time - where money can move easily but people cannot.

## **CULTURE**

### **Identity Politics Versus the 'Old White Men'**

This dynamic is one of the main arenas where intergenerational tension plays out. Gen X-ers thought that if they played the game the system would deliver more equality over time. The Gen Ys, Millenials, Black Lives Matter, the #metoo movement aren't prepared to wait any longer and are forcing change. These groups will get more active and more organised, and this will continue to create significant tension - the 'Old White Men' in power won't give up easily.



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Without a change in approach from the corporate world, the contract between business and society is effectively broken and will need to be renegotiated.

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## **TECHNOLOGY**

### **AI OK?**

The robots are coming for us - the looming middle-class jobs apocalypse, courtesy of AI. This gloom and doom narrative is very present in people's minds, and is serving to exacerbate the sense that the future might in fact be worse for many people, not better. This is a big change in the public psyche.

If worst-case scenario plays out, it would fundamentally break one of the tenets of modernity - that the business world is somehow invested in the public good - which would in turn trigger a need to renegotiate the contract between business and society.

### **The Silicon Valley, Wall St Bromance**

The relationship between Silicon Valley and Wall Street is one of the biggest forces of our time. For these giant behemoths, nothing less than total world domination is acceptable, and Wall Street loves it. National governments who don't yet see the tax being paid, and local communities who see local businesses being decimated, not so much. The ethics questions around some of these companies are now being openly discussed: Is technology making people more unhappy? Do we like what they're doing with our data? How confident are we that they will do the right thing by humans when we move into the world of AI? This will undoubtedly create significant ongoing tension.

### **Blockchain Blues**

Technology has upended many of our established industries, business models, and killed companies who have been part of the fabric of our world for so long we never thought we would see the day they died. In our view we've only just seen the start of this - AI, cryptocurrencies, blockchain, and other tech innovation will bring a fresh round of disruption that will finish off all those companies that haven't made the transition from old world to new. Unless national Governments, companies, and communities react to this threat, we can expect this trend to continue.

# SO WHAT?

**The key driver of strategic planning in the Post-Trump and Post-Brexit era is simple. Any plan that does not anticipate alternative futures is a bad plan.**

## **TRUE LEADERS NEED FORESIGHT**

In such a dynamic world it is very easy to get caught off-guard by a change in the external environment - what if you're a US farmer who is suddenly caught in the US trade war with China? Or a UK company suddenly exposed to major risk if the UK crashes out the EU with no deal? What if you're running a State Government treasury where GST policies or the revenues from Stamp Duties is suddenly transformed?

It is now vital that organisations develop the capability to understand what is happening in their environment in order to interpret where there is risk and where there is opportunity.

## **STRATEGY MUST ANTICIPATE ALTERNATIVE FUTURES**

Organisations must reshape their strategic planning activity so that it maximises anticipation of alternative futures and minimises the surprises the future may have in store for us. In less dynamic times, where the future could to some extent be predicted, strategy was fixed - there was a 3-5 year plan to which everyone in the organisation was working.

In these times, a fixed strategy just won't cut it. The alternative is scenario planning, where organisations anticipate and plan for multiple possible scenarios. This creates organisational capacity and capability that goes way beyond resiliency: it enables an organisation to fully *embrace uncertainty* and to *thrive in chaos*.



# SCENARIO PLANNING METHODOLOGY

## **EMBRACING UNCERTAINTY**

For the last 50 years, approaches to strategic planning have been inspired by the pioneering work of Hermann Kahn, Pierre Wack, Adam Kahane and Peter Schwartz. And for the last thirty years in Australia the torch of scenario planning has been carried by the Neville Freeman Agency led by Oliver Freeman.

At its heart, scenario planning engages with the key influences shaping the external environments in which organisations operate and assesses their role in delivering alternative futures. Scenario planning is not about predicting the future. It is about not getting the future wrong. And it welcomes uncertainty as the key driver of these futures.

The history of the dynamic events that are shaping the environment in which our organisations seek successful and sustainable futures, may be clustered into three groups: Organic Changers, Tipping Points and Game Changers.

### **1. Organic Changers (Trends)**

Here we recognise the key influences that have grown in importance, step by step, building on a starting point some time back and gradually becoming more and more important. The rise of, variously, the BRICS; ICT; Globalisation; climate change; social inequality and skewed wealth distribution are just some of these. These events are like clauses, separated by commas, in an ongoing narrative about the future.

### **2. Tipping Points (Redirectors)**

These are those events that appear to be part of the Organic Changers group but which suddenly catapult a qualitative change in the environment in which we operate. Brexit is a recent example. Others include the Turkish referendum on democracy, the rise of Social Media; the price of natural resources. These events are more like clauses separated by semi-colons as the story about the future lurches towards a new paragraph.

### **3. Game Changers (Disruptors)**

These are the events that mark the end of an era. The true disruptors that come from left field and surprise most of us. In the last thirty years these include the dismantling of the Soviet Union; the global power of Microsoft/Apple/Amazon and Google; 9/11; the tech-wreck of 2002; Donald Trump; Harvey Weinstein. These events herald new stories about the future, and are like full stops ending the narrative of a previous era.

Scenario planning engages with trends, redirectors and disruptors head on so we can better imagine what the future may hold in store for us. And by creating alternative futures, it delivers a framework for testing the strength of strategic planning implications and options not just in the future but today.

# ABOUT THE AUTHORS



## ABOUT OLIVER FREEMAN

The Neville Freeman Agency is Australia's leading scenario planning consultancy.

We help clients to use scenarios, as carefully crafted pictures of future worlds, to link the uncertainties of the future with the decisions they have to make today.

- ▲ Australia's leading scenario planner
- ▲ Co-author of FUTUREVISION (pub November 2012) with Richard Watson
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## ABOUT JANE MARSHALL

Jane worked in small digital start-ups during the heady days of the first dot com boom in London.

Since then she has spent 20 years leading innovation and change in large corporates.

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**Embracing uncertainty is the only way to create  
resilient strategy for today**

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