

Futures Thinking

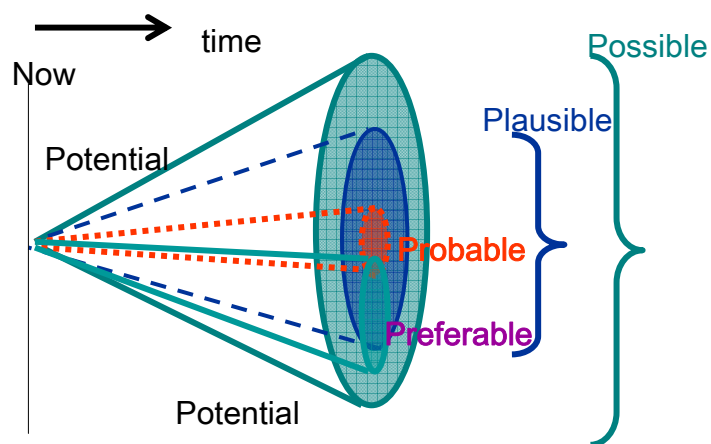
Kate Delaney

July 2008 Waikato Futures Symposium:
Creating a Sustainable Economic Future for the Waikato



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... types of future



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Anachronistic assumptions?

- Look at planning and budgeting practice in many businesses (and government agencies) -- they can work relatively well under the following conditions
 - Change is relatively predictable
 - i.e. linear with respect to cause and effect
 - Unintended consequences are minimal
 - or can be controlled or effectively ignored
 - Feedback is low or negative
 - so you have dampening effects and things do not spin out of control
 - The rate of change in the environment is not going to exceed the rate of change in the organisation



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What if we
are increasingly confronting a world
that does not obey this set of
rules?



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More interconnected

- Our global interconnectedness makes it **harder** for governments **to predict and intervene** in social and economic problems
 - E.g. hurricanes on the West Coast of America raise the price of petrol in the UK
- **Cause and effect** are no longer close in time and space



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Emerging systemic risk

- Many of the phenomena that we face no longer change in simple, predictable ways – we often find ourselves challenged by **complex phenomena**
 - Maybe they never did, but the world in the past was less complex, less interconnected, and more forgiving of mistakes and miscalculations.
- We live in a world characterised by **emerging systemic risks** that arise through the interactions between complex social, technological, environmental, and economic systems.



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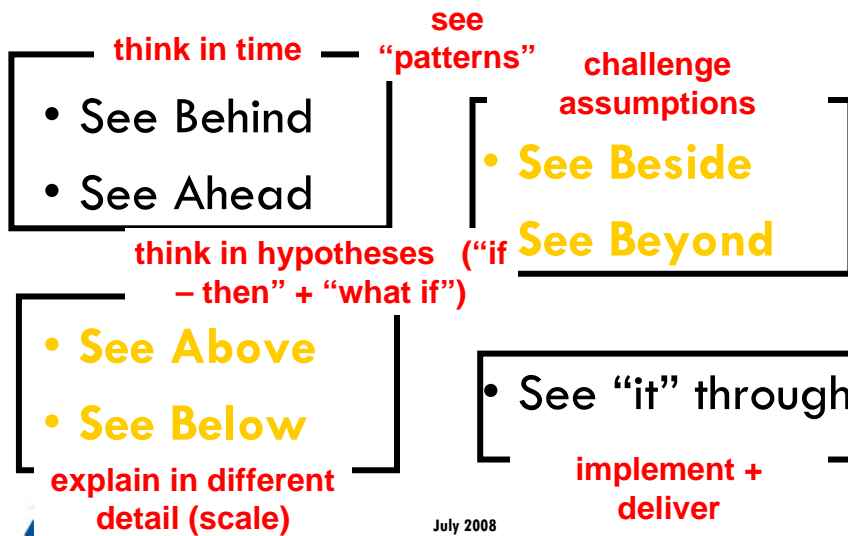
Long-term, strategic thinking important

- Countries which have most dramatically improved their economic and social performance over the past thirty years such as Finland, Sweden, Singapore, Taiwan and Denmark have all invested heavily in strategic, long-term thinking



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Strategic thinking (Mintzberg)



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Strategic thinking (2)

- Mintzberg argues this kind of strategic thinking is a combination of formal and informal learning that requires the powers of judgment and intuition to analyse shifts in the environment and produce new perspectives, insights, and catalysts for action
 - to arrive at a deeper understanding of the world in which your organisation operates, and to use that understanding to inform your strategy and improve your ability to make better decisions today and in the future



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Futurist's approaches

- Environmental scanning
 - Environmental scanning is a concept from business management by which businesses gather information from the environment, to better achieve a sustainable competitive advantage. To sustain competitive advantage the company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises
- Scenario planning (later)



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Environmental scanning

Spot change early



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Swindon UK



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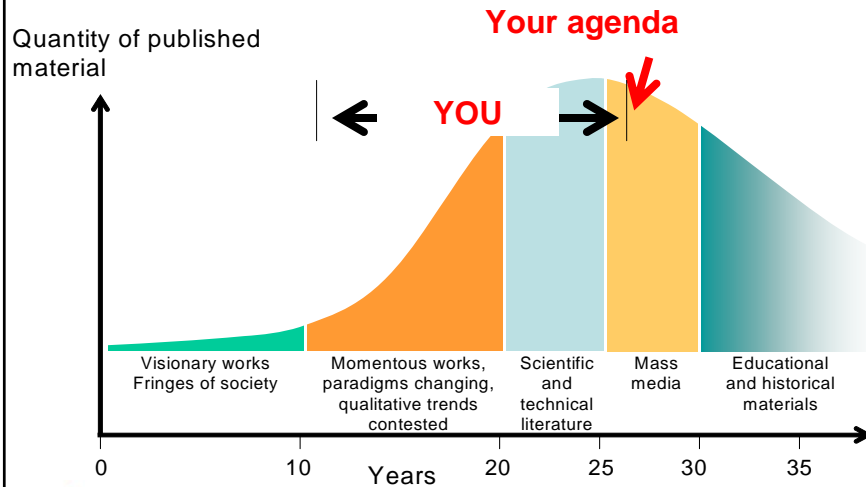


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Environmental scanning



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Six Rules for ~~Accurate~~ Effective Forecasting

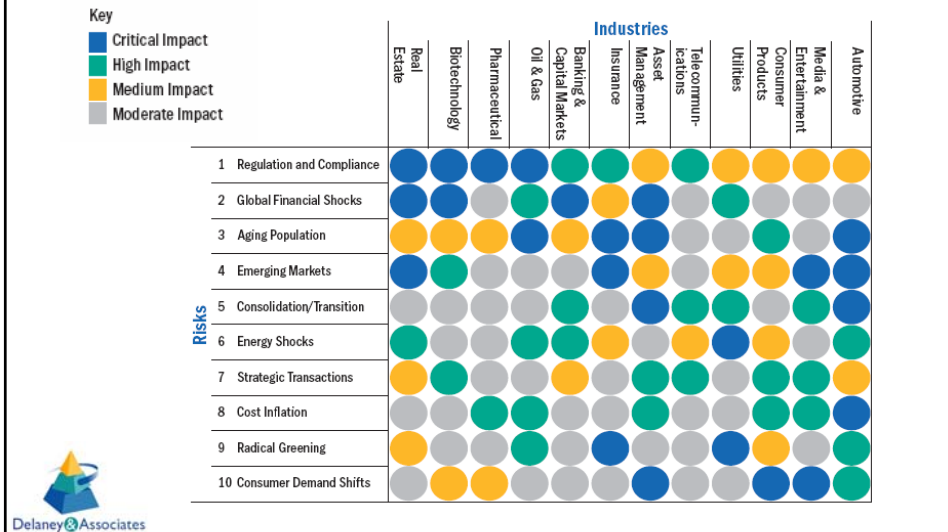
by Paul Saffo

- Rule 1: define a cone of uncertainty
- Rule 2: Look for the S Curve
- Rule 3: Embrace the things that don't fit
- Rule 4: Hold strong opinions weakly
- Rule 5: Look back twice as far as you look forward
- Rule 6: Know when not to make a forecast



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A view of the “2008”10 most important strategic risks across the sectors (Ernst & Young + Oxford Analytica, 2007)



SIGNPOSTS TO SUCCESS FOR NEW ZEALAND'S PRIMARY INDUSTRIES (MAF 2008)

- The project set out to identify the external drivers likely to impact on the agriculture, food and forestry sectors, and in the biosecurity setting, over the next two decades.
- The 6 key drivers of change identified from the global scenario database were:
 1. Global warming, climate change, and extreme weather
 2. Energy cost and supply
 3. Geopolitical power shifts, and international trade and investment
 4. Ecosystem degradation, and water quality and availability
 5. Demographic shifts
 6. Technological advances



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Scenario planning

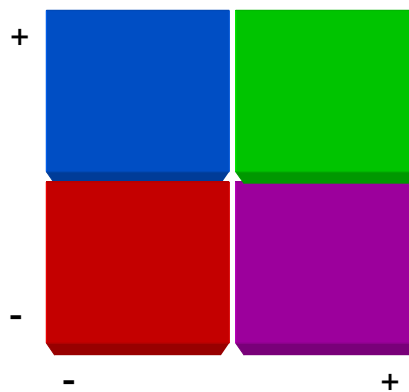
strategic thinking approach



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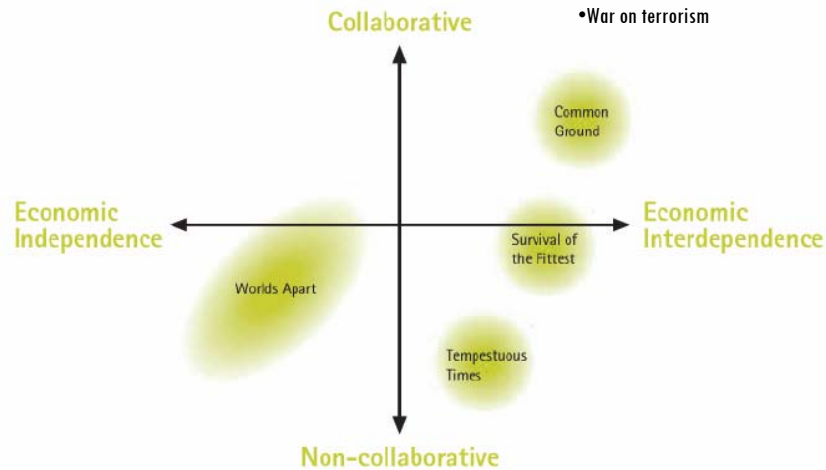
Building scenarios

- Easy way to start building a scenario is to make a four square matrix
- Start with something low in the lower corner, something high in the upper and outer corners
- See if they fall into four different kinds of stories



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Business in a fragile world (Accenture, 2002)



- Rise of anti-globalisation movement
- Global economic slowdown and recession
- War on terrorism

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Shell energy scenarios

- [Scramble and Blueprint](#)
 - 8 ½ minutes
- Video on http://www.shell.com/home/content/aboutshell/our_strategy/shell_global_scenarios/video/scenarios_video_020408.html



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Business in a world of water (WBCSD, 2006)

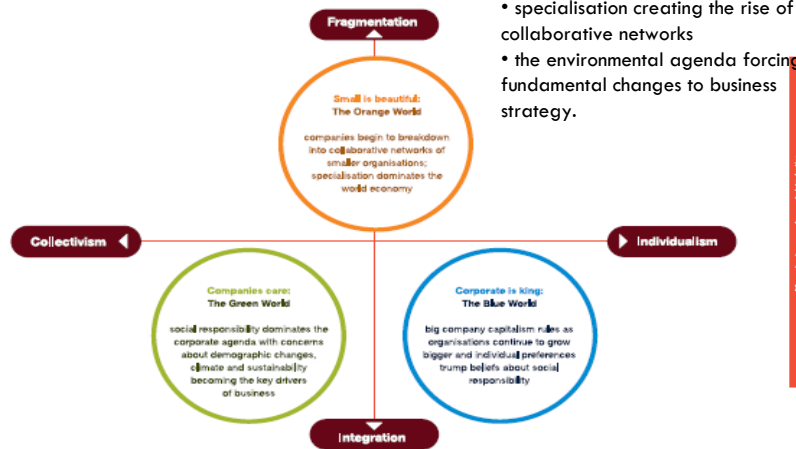
A Scenario Overview			
Scenario	More jobs per drop Hydro	Allocations to meet all needs Rivers	Blue, green and virtual water Ocean
Water Challenge	Efficiency (more drops for less and more value per drop)	Security (quantity and quality for all)	Interconnectivity (taking the whole system into account)
Business Challenge	Innovation	Social license to operate	Business role in water governance
The 5 Key Themes	<ul style="list-style-type: none"> Hard times in huge towns Huge opportunities High-stakes innovation Hydro economy Beyond legacy systems 	<ul style="list-style-type: none"> The security deficit Two sides of the river The trust deficit Access and equity Political reallocation—local solutions 	<ul style="list-style-type: none"> Unintended consequences Global Fair Water Movement The tipping point Accountability tools Networked global water governance

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Managing tomorrow's people (PWC, 2007)

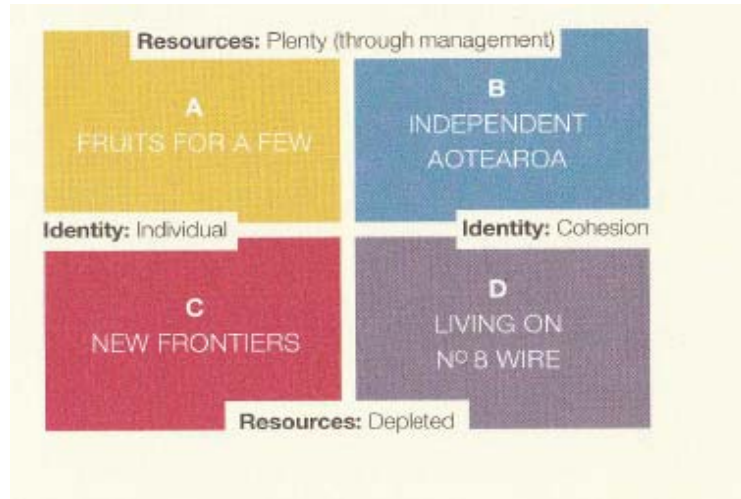
2020: three worlds



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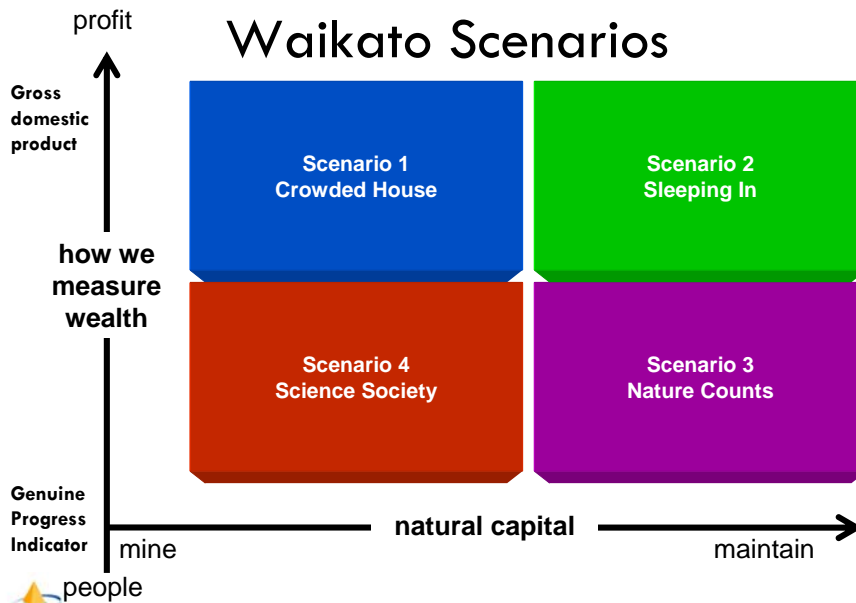


Four Futures for New Zealand (Landcare, 2007)

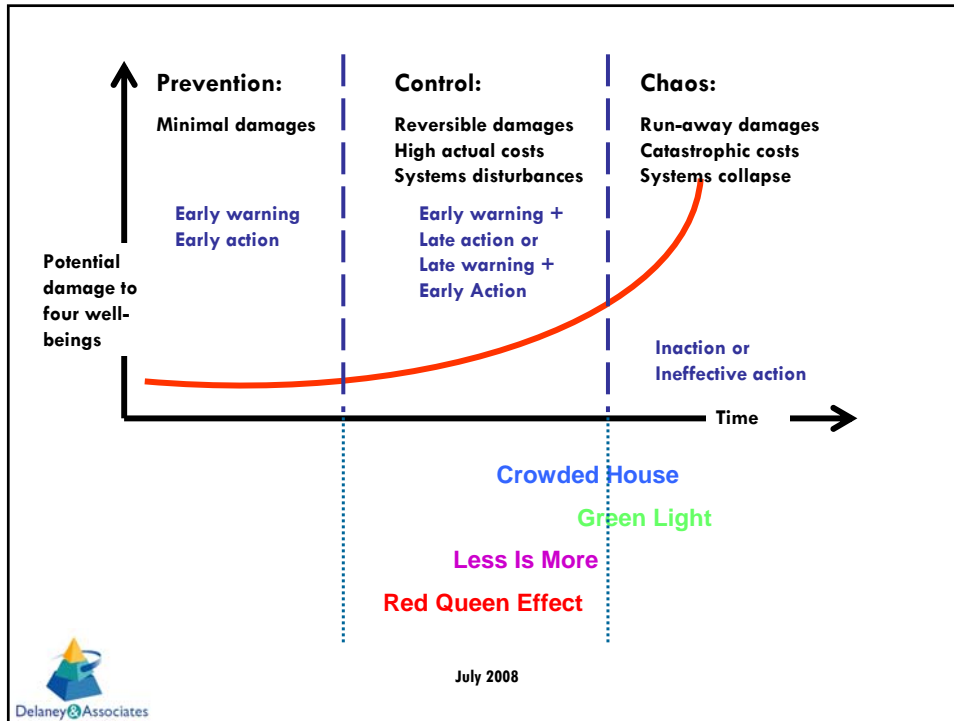


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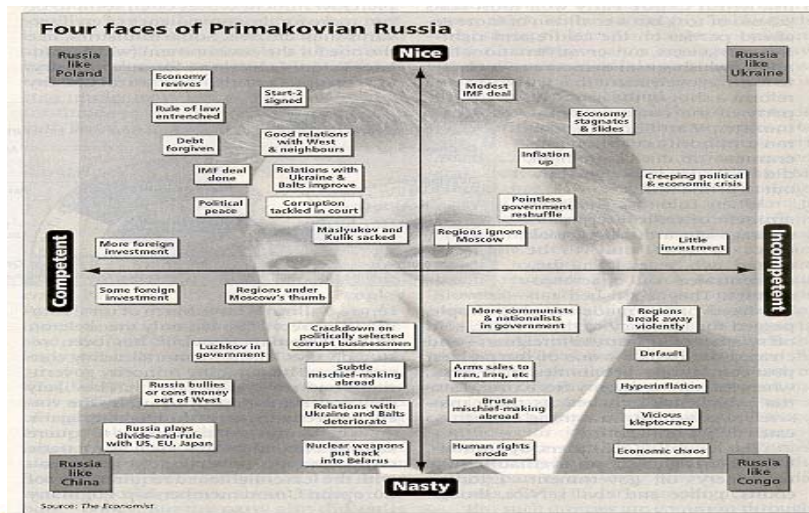
Waikato Scenarios



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Scenarios - indicators



So what?

- The status quo is not an option when:
 - Old perceptions have lost their validity, while new ones are possible
- Asking “What if?” in a disciplined way allows you to rehearse the possibilities of tomorrow, and then to take action today empowered by those provocations and insights
 - enable new ideas about the future to take root and spread across an organisation helping to overcome the inertia and denial that can so easily make the future a dangerous place



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So what? (2)

- An economy operating under different conditions can exhibit very different behaviors than those commonly assumed
 - Such differences may occur in the nature of economies of scale, rates of return (positive, rather than negative), rewards for first movers, and lock-in effects for technologies



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So what (3)?

- From a governance standpoint, as our world speeds up, a much higher premium is put on our ability to provide early warning and couple that with early and focused action
 - A failure in one or both of these areas—early warning and early action—can lead to significant and often irreversible social and economic consequences



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