Flag-spotting with Clem Sunter
Scenario Strategist: The World and South Africa beyond 2016 - The latest flags, scenarios and probabilities

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Background

As Clem Sunter, the well-known scenario planner and futurist, put it at his recent talk at the UCT Graduate School of Business in Cape Town, looking at the future ‘like a fox’ with sharp eyes and in-built agility is vital for success. Scenario planning is not just gazing at the future for the sake of it, according to Sunter. It is important to look at various scenarios and consider the impact and probability of each. To do this, Sunter advocates flagwatching; spotting potential dangers or threats that influence the probability and impact of various scenarios that may materialise. He stresses the importance of a flexible approach and the fox’s instinct to interrogate false assumptions.

Well known for his work in the 1980s and early 90s on laying out future scenarios for South Africa (the high road and the low road) Sunter’s perspective is clearly a global and systemic one. At the UCT event, he shared what he sees as being key flags, both for the global and the South African context. Business these days is fast-moving and much of what happens is beyond a person or company’s immediate control. Staying ahead of the pack can be challenging, especially in the current tough global circumstances.

Sunter’s skill in recognising and raising flags is clear and much of his prominence comes from a letter written to George Bush prior to 911, warning him to heed religious flags pointing to a war of beliefs that could, and ultimately did, result in terrorist attacks on the USA. Sunter is quick to point out that thinking like a fox may allow one to identify possible scenarios, but not necessarily the details or nature of the scenario, or the timing.

From a commercial perspective, understanding and working with the flags that are relevant to your business and industry is vital. Once this is achieved, you can reach a good understanding of the possible scenarios this may bring and, most importantly, the impact of each scenario can be outlined. The question that remains to be answered is, “Am I going to do anything about this?” This is relevant at a personal, business and even academic level.

Sunter points out that global economic growth is unlikely to increase in the foreseeable future. In such a climate, the ability to understand and leverage the strengths of your business becomes even more important. Our Business Value Model™ is designed to address vital aspects of the business cycle, structure and effectiveness.
The BVM utilises the following logic:

- The realisation of specific business benefits (such as operating profit, top-line revenue and market share),
- are dependent on the creation of customer delight (loyal and satisfied customers),
- which is a direct result of the delivery of value added products / services by high performing people who work in a fit-for-purpose work environment (organisation capacity with respect to business process, organisation structure, human capital, information flow and technology),
- who are led and managed by capable, competent and credible leadership towards a common goal and strategy that address the dynamics of the competitive landscape in an innovate manner that builds the business brand and reputation.

For the purposes of this article, we have explored how insights gained from Sunter’s talk apply to various aspects of your business, using the BVM.

**South African Flags**

Below are a number of key flags to watch in the South African context:

- **Corruption and crime** – An all too familiar red flag that holds the spotlight daily in this country. Sunter cites the strength of our constitution and the constitutional court as a pivot point for recent events that are bringing in a green glow.

- **Quality of infrastructure** – Vital for any thriving private sector is a solid platform on which to build business. Sunter jokes about driving on “what’s left of the road” rather than on the left of the road. There is a way to go before this flag goes from red to green, but he sees Brian Molefe’s stewardship of Eskom as indicative of this shift.

- **Inclusive leadership** – The ability to bring divided peoples together was one of Mandela’s biggest gifts and Sunter points out that, sadly, we are probably more divided as a nation now than we have been since 1994. With the obvious lack of inclusive leadership at the helm of the country, he also believes we may have to wait for a new generation of leaders born after the struggle who are not bound by their history, before this flag turns green.

- **Pockets of Excellence** – A valuable green flag, that points to some of the world-class businesses, schools and institutions we have. It is possible to live a world-class life in South Africa, if you have the money to do so. As long as these quality institutions continue to be replicated rather than dumbed down, this will remain a positive and valuable indicator.

- **Entrepreneurship** - 80% of new jobs in the US are now created through entrepreneurship, which can transform an economy. Yet we are slow in this country to facilitate the success of these small businesses. Getting out of the township or home-base and into mainstream business is an arduous task, fraught with red tape. Sunter states that the key measures for success here are the number of entrepreneurial businesses that are created and remain successful each year. He encourages us to celebrate successes and uses our own local hero and rocket scientist, Siyabulela Xuz, as an
example. Siya has gained international recognition (NASA named a minor planet after him) and after a prestigious international education has returned home to find ways of storing energy in micro fuel cells.

Global Flags
From a global perspective, Sunter emphasised the importance of the following flags:

- **Religious flag** – A cloudy flag that makes the news almost weekly, with the focus on responding to the physical, rather than addressing the on-going war of beliefs (bombings in Brussels and ISIL, to name a few). There are no alternate ideas being offered here and in some cases it drives investment down (e.g. in the Middle East).

- **Red flag** – Putin’s annexure of Crimea in 2014 was a game changer here, resulting in American and European sanctions, and now the Russian economy is failing. Although Putin has high approval ratings at home, Russians are angry about the decline of the Rouble and the sagging economy. There is some concern that this combination of economic misery and likely depression echoes the circumstances that preceded the discontent that allowed Hitler to rise in Germany, following the great depression. Again, a cloudy flag that could result in multiple scenarios.

- **Grey flag** - An ageing global population is translating into declining growth rates in the world economy. Our lifespan has almost doubled in the last century (from 46/50 in 1900, to 83/84 in 2000). Currently, half of the USA’s federal budget is spent on the aged, and hospital beds are in short supply in the UK, as geriatric patients are occupying them. One upside is that Africa, with its median age of 19, is being seen as a new target market for the world.

- **Anti-establishment flag** – As the gap between the middle class and super rich now rivals its 1910 status, there is a growing sense of anger. As Sunter says, “when the middle class is angry, things change”. This is most evident in the areas of finance and governance, with exposés such as the Panama papers and Volkswagen emissions. If you depart from your ethical path, there are huge consequences.

- **Green flag** – With clearly rising global temperatures (Australia now seeing temperatures over 50°C), increasingly frequent extreme weather conditions and half a metre rise in the sea level in the last 50 years; this is a gradual threat. Even although experts agree on a 95% probability that man-made global warming will continue, the global response is slow, even one of disbelief.

- **Porous borders** – We are currently experiencing migratory patterns akin to those in the Middle Ages, with entire groups of people shifting location. The Syrian refugee crisis and droves of people desperate for a better future are exerting huge pressure on borders. This is a cloudy flag that is polarising opinion. Whilst Germany has welcomed one million Syrian refugees, Turkey is being offered EU membership if they send their migrants back home. One of the biggest threats in this context is the transfer of crime and terrorists across borders.
Flag-spotting with the Business Value Model

Using our Business Value Model, we have looked at how the various flags may affect your business and how they may be reflected in the challenges you are currently faced with.

Business Strategy

Businesses of all sizes will be feeling the effects of current “hard times” and this is unlikely to change soon. Sunter emphasised the need for ingenuity in developing a more resilient and robust economic model that maximises economic freedom for all. This is equally relevant to the private and public sectors. Entrepreneurial thinking that can transform the environment, and a solid strategic planning process for things outside your immediate control are avenues to explore here. Scenario planning as a skill still sits on the fringes of business and academia, despite the value it can add in this respect. At this level both global and local flags play into an arena where issues such as drought, the influx of immigrants and the age of the workforce may have a significant impact on your business or industry. Keep an eye out to ensure that your business is building and maintaining its own infrastructure and, wherever possible, open your doors to entrepreneurship in its many forms.

Organisational capacity

Ensuring that your organisation is designed and resourced to deliver on the strategy you have crafted is vital; think of this as part of your internal infrastructure flag. Businesses can no longer afford to support inefficient structures that are not in service of the business outcomes they are aiming for. This is a place where the design and structure of your business can enable pockets of excellence to develop, thrive and ultimately grow into a culture to be nurtured into the future.

People performance

Sunter echoed the thoughts of a delegate (who questioned the current world of work and need for jobs) in taking thinking beyond viewing people merely as units of production. In the face of high unemployment, a new paradigm is required here. He also highlighted the need for academic institutions to start teaching skills for the jobs of today, not yesterday. The practice of using the grey flag by engaging those with experience to help develop, guide, coach and mentor those who are starting out in their careers and advancing their own development is one we have seen on the rise.
Customer delight

“Nobody goes to the game reserve to watch the game rangers, they go to see the animals”, Sunter remarked to a wave of laughter. He was talking of our obsession in South Africa with politics and watching politicians, but the clear message was to focus on what you are doing or wanting to achieve. Business is no different; if your customers don’t love what you are doing, what are you doing? Products and services that don’t showcase pockets of excellence will become increasingly costly, both reputationally and financially. This is where the rubber hits the road for most businesses, signalling success or failure.

Business benefits realisation

Taking care of each aspect of your business, from strategy, leadership and culture, organisational capacity and people performance through to customer delight, will ensure that you realise the benefits of your business, create success and add value. These aspects are systemically linked. In leveraging the thinking and agility of a fox, seeing the flags relevant to your business and industry and the scenarios they may form, plotted against the Business Value Model, will enable you to draw valuable insights and assess the impact these may have. Next, false assumptions can be interrogated and the impact of the scenarios assessed before you decide what, if anything, you are going to do about it, either personally or professionally.

Game changers

South Africa is clearly at a crossroads and Sunter views this one as an economic crossroads similar in significance to the political one we faced in the early 1990s, which could benefit from a similar, but economically focussed CODESA. A key factor would be the downgrading of our economic status. However, current events have shown that the constitution and the constitutional court still prevail in what is a volatile commercial, leadership and political arena.

There are, however, a few flags that Sunter earmarked as possible game changers in the current global downturn. The first is the possibilities for transformation that a true entrepreneurial environment can bring. It is in growing a business from one to ten people, or from ten to a hundred, that the economy can show real growth.

To do this however, Sunter claims we need to really enable small businesses, economically, legislatively and practically. We also need to stop our obsession with watching politicians and start really celebrating our successes. Why is Siyabulela Xuza being championed by Michelle Obama, and yet remains relatively unknown in South Africa?

The other flag that holds huge potential is the technology flag. This could certainly change the world if we see the much needed revolution in the energy sector. Elon Musk, another of our greats, who was born and went to school in South Africa, is making significant inroads in this arena. It is a critical factor for the future of the South African economy.

Final remarks

In urging us to consider the flags that are currently changing the game in our areas, Sunter cautions that in the world of business, games change frequently.

This article reviewed both global and local flags and how they might impact or play into your current business activities. We welcome your thoughts and questions in this regard.
WHAT IS HAPPENING IN THE WORLD AND WHY SHOULD IT CONCERN ME?

- Climate change
- Weapons of mass destruction
- Water crisis
- Large scale involuntarily migration
- Severe energy price shock

WHAT IS HAPPENING IN AFRICA AND WHAT MAY IT MEAN FOR MY BUSINESS?

- Dwindling confidence in the ruling party
- Volatile economic environment
- ICT divide
- Poor public education system
- Unemployed

WHAT IS HAPPENING IN SOUTH AFRICA AND HOW MAY IT IMPACT ON OUR STRATEGY?

- Climate change
- Weapons of mass destruction
- Water crisis
- Large scale involuntarily migration
- Severe energy price shock

HOW IS THE CONSUMER CHANGING OUR BUSINESS?

- The attention economy
- ME marketing and the individual
- Storytelling
- Mobile supremacy
- Organised mass

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