











Seeing and Working With Alternative Futures: Protecting Yourself from an Uncertain Future

Eric K. Clemons
clemons@wharton.upenn.edu
Information Strategy & Economics
The Wharton School
3 October 2018

Eric K. Clemons © October 2018













1

Context — Structure of The Course to Date

-  **Pattern Recognition** for rapid understanding
 -  The three **Newly Vulnerables**, for value creation and efficiency
 -  **Platform envelopment** as the transition to value creation plus value harvesting
 -  **Online Gateways** and facilitated search, for value creation plus value harvesting
 -  **MP3PP Gateways** for serious value harvesting
-  **Reframing**
-  **Analyzing Investments**, especially under uncertainty
-  **Scenarios** for managing strategic ambiguity
 -  Fastest way to recognize a pattern in a new problem
 -  Fastest way to understand critical issues in a new industry












2

Context — Scenarios

-  Scenarios as an aid for Pattern Recognition
-  Dealing with ambiguity and chaotic uncertainty
-  Impose a structure
 -  *You have two eights and the dealer wants your bet*
 -  Make a list of all the games you could be playing, since your play will be very different in different games
-  Replace chaos with an orderly set
 -  Understand *what* you might encounter
 -  Understand *how* you might encounter it
 -  Prepare a list of appropriate responses
 -  Recognize quickly and respond quickly
 -  Prepare for rapid recognition and rapid response
 -  Almost like *remembering the future*

3

Context — Scenarios

-  Scenarios for Pattern Recognition
-  Impose a structure on chaos
-  But embrace and work with your uncertainty!
 -  Vital need to impose structure
 -  Equally vital need to avoid illusion of certainty
-  Risks of driving a car at speed?
 -  The brakes fail (full off)
 -  Or the accelerator locks (full on)
 -  In my custom-modified governor-disabled turbo charged inter-cooler . . .
-  Rapid recognition and rapid response
-  Protecting yourself!

4

Context — Scenarios

- Work with history and identify the key drivers
- But avoid premature certainty
 - The day God called WalMart
- The strangely important role of believing something ***critically important***
 - ... and its ***opposite***
 - ... at the ***same time***
- The strangely important role of ***discarding*** out dated patterns, knowledge, and expertise
- Balancing history with discarding history is the key to both strategic and artistic creativity
 - From Guderian to Beethoven

5

Example — Scenarios

- Dramatic usage
 - 2001 — How will US respond to World Trade Center Attacks?
 - What will happen?
 - We had not yet responded ...
 - We certainly will respond
 - But it was still possible to say something about what will happen under different sets of actions

6

Example — Scenarios

- Predicting future of Middle East conflict in 2001
- The US will attack someone, and the US will win ...
- And then ...
 - Fighting an ***army or not?***
 - Fighting for ***economic objectives or not?***

7

Example — Scenarios

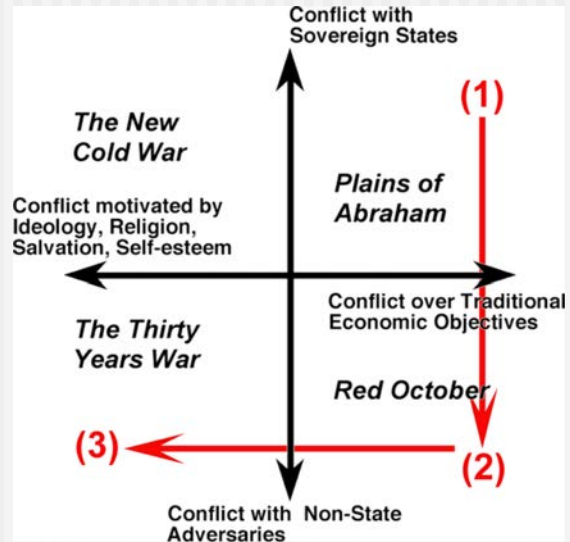
- Dream scenario, ***Plains of Abraham***
- Nightmare scenario, ***The Thirty Years War***
- And there is a certain magnetic pull drawing us towards the nightmare corner



8

Example – Scenarios

- From **good to bad**
- From **bad to worse**
- What **could have been done** earlier?
- What were the leading indicators?
- Why** was this a surprise?



9

Question-Driven Planning

- Scenarios **embraces uncertainty**
- Useful where data do not exist, where data cannot be helpful
- Data can **lie!**
- Does not start by trying to get data
- Instead, starts by asking **what data would be useful**, if only it existed!
- Remember when God called WalMart?
- What about planning for a expansion of the ZapMail™ data network?

10

Question-Driven Planning

Scenarios *embraces uncertainty*

London Stock Exchange in 1989 — What percentage of your shares are traded online, off the Exchange? But data can *lie!*



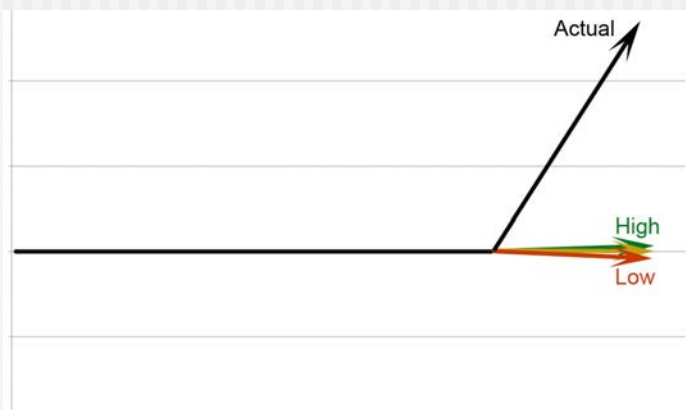
11

Question-Driven Planning

Scenarios *embraces uncertainty*

Not what data do you *have!*

What data do you *need!*



12

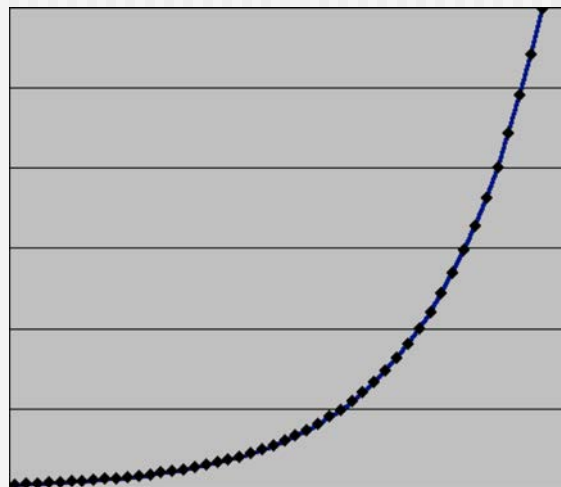
Consumer Goods in China

- Understand the market for luxury consumer goods in China
- Always start with uncertainties in consumer behavior
 - Not technology capability
 - Not technology cost
 - Not aggregate number of website hits
 - Not number of net users
 - Not number of ISPs

13

Consumer Goods in China


✘ Non-Consumer Factors



14

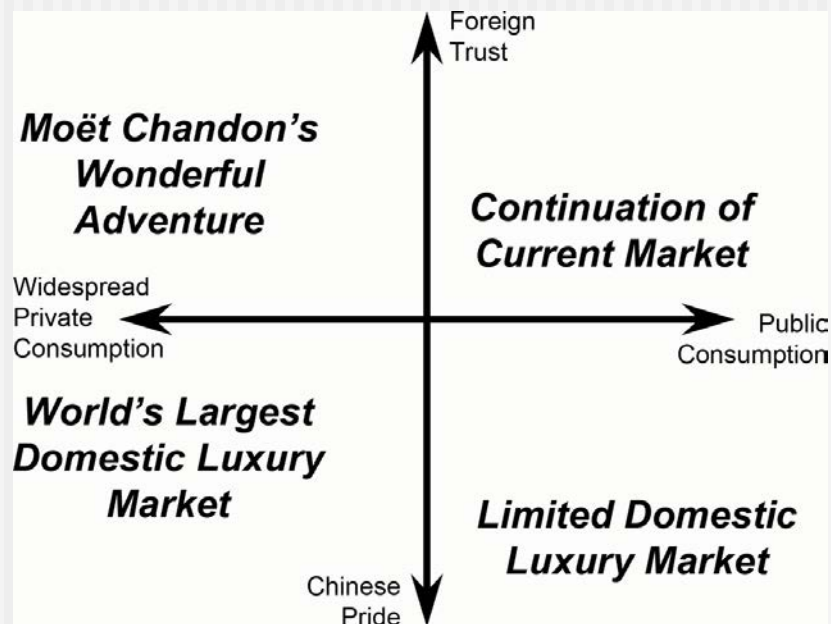
Consumer Goods in China

Consumer Behavior

-  Location of most consumption (Public Signal or Private Delight)
 -  Principally visible public consumption
 -  Larger market for consumption to yield private delight
-  Chinese Pride or Foreign Trust
 -  Chinese pride enables domestic luxury brands
 -  Lack of strong domestic brands leaves China as the world's low margin workshop







15

Resulting Scenarios



16

Resulting Scenarios

-  ***Moët Chandon's Wonderful Adventure*** — Great to be a foreign firm
 -  Official future because it is continuation of existing trends
-  ***World's Largest Domestic Luxury Market*** — Truly transformational for Chinese firms
-  ***Continuation of Current Market*** — More of the same
 -  This would usually be the official future
-  ***Limited Domestic Luxury Market*** — One small step for China










17

Resulting Scenarios

-  ***World's Largest Domestic Luxury Market*** — Truly transformational for Chinese firms
 -  How would we get here?
 -  How would you know it was starting to emerge?
 -  How does it affect exports?
 -  How does it affect retailers and restaurants?
 -  How does it affect Chinese manufacturers? How does it affect foreign manufacturers in China? Which would be best positioned?
 -  Why is it the Chinese government's favorite scenario?







18

Early Warning System

-  Receive and observe reliable early warnings
-  Recognize and **remember the future**
-  This can be **very personal**
 -  Remember the accelerator linkage!
-  **Rapid regret** is not enough!
-  Know in time to react
 -  Remember Victory Brewing — Know when it is time to get in
 -  Remember Fed Ex Zap Mail™ — know when it is time to get out!
 -  And wish me luck with Great Leap! — Finding your dream!

19

Conclusions

-  Scenarios provide an understanding of **drivers** ... Understand what causes individual scenarios to emerge
-  Structure your uncertainty
-  Structure your response to uncertainty
 -  Scenarios provide a set of **indicators** and warnings of what will emerge next
 -  So that you know which scenario is coming **in time to do something**
 -  This is the difference between **rapid recognition** and **rapid regret**

20