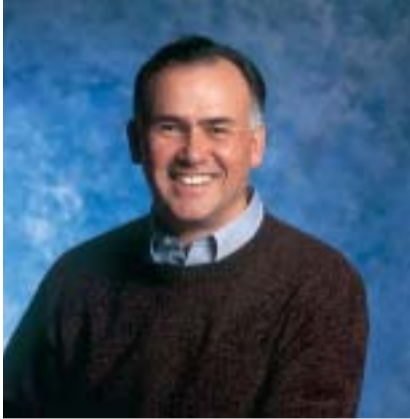


THE CLARION CALL



What If....

The clarion is a musical instrument of the Renaissance. Renaissance music brought people together, helped solidify communities, and reflected optimistically upon the future. In ensemble, Renaissance musical instruments were a powerful metaphor for the notion of community, combining diverse sounds to create focused, harmonic melodies of enduring brilliance. The clarion symbolizes our commitment to simplifying organizational management and helping businesses build dynamic, sustainable, organizational communities for the future.



Bill McKendree, President

One of the most important qualities of leadership is the ability to project a clear vision of the future. To be able to confidently predict what tomorrow will bring while preparing for possible opportunities and guarding against potential threats. However, in light of recent events, is it possible to demonstrate such leadership when the future has become so seemingly unpredictable?

Scenario Planning is an established management tool that seeks to shed light on future possibilities that are obscured by uncertainty. At The Clarion Group, we have found that the skillful application of Scenario Planning increases leadership capacity and enables organizations to be more agile and resilient in the face of dramatic change.

As a thoughtful, proactive framework, scenario thinking applies the power of creative thinking to the analytical process of strategic planning. It examines both deeper, intangible considerations such as mindsets, assumptions, hopes and fears, as well as quantitative, measurable factors such as environmental drivers, risk analyses, and forecasts. It also allows for the unpredictability of chance while recognizing the power of choice.

The Clarion Group takes an integrated, interdisciplinary approach to Scenario Planning. We bring our capacity for expansive thinking to every client project, as well as our deeper understanding of the behavioral and cognitive skills necessary to apply the tools and models. The result is a more meaningful experience and a greater acceptance on the part of our clients' organizations.

Roy Maurer, a senior advisor at The Clarion Group, articulates our approach to scenario thinking in this issue of The Clarion Call. It offers a glimpse into the process we undertake with clients.

We hope you enjoy considering "What If..." and, as always, we welcome your feedback.

Awakening to a New Day

A subtle shift is emerging in the psyche of American business. Our collective thoughts gravitate to 9/11 as a catastrophic turning point, but tremors such as Enron and SARS also have split ugly cracks in the surface of our once familiar landscape. We now live with heightened awareness that we may awaken from our sleep tomorrow in a world that is a very different place from the one we know tonight.

It is the degree of difference that is significant to business leaders.

Incremental change is the fabric of life in an organic world and is to some extent manageable. Annual forecasting tools are adequate for a range of predictions within acceptable degrees of certainty. But when corporate results are tossed about by wildly fluctuating external factors, investing shareholder capital feels more like betting your life's savings on the Wheel of Chance.

A Risky Game of "What If..."

The nature and magnitude of recent threats blur the distinction between personal fear and business anxiety. Could anyone have predicted the convergence of catastrophes that created such an overnight vacuum of demand in travel as to cause entire airlines to fall from the financial skies? How could it be that the world is so different... and so suddenly?

An instinctual drive toward survival and a heightened alertness in the face of danger run deep to the human core. Climbing up out of the shock of it all, we ask, "Why couldn't I see this coming?" and "What else is waiting out there in the future for which I am unprepared?"

At the same time individuals re-examine their beliefs about the security of life in their personal realm, business leaders are opening up to the possibility that long-cherished corporate assumptions about "the way things are" just might be worth a second look.

If security and survival is the paradigm, perhaps businesses can draw a lesson from Darwin: "It is not the strongest of the species that survive, nor the most intelligent, rather it is those most responsive to change." Surviving in the game of "What If..." is all about anticipating change and responding with agility and speed.

Take a Spin at the Wheel

Scenario Planning is a valuable technique used by business leaders to expand thinking around decisions that involve complex future choices. It is particularly helpful in identifying the larger leaps of change — both potential risks and unseen opportunities — that lie outside our normal range of vision. At The Clarion Group, we work with clients to facilitate the conceptual thinking needed for effective Scenario Planning.

Cognitive decision-making experts tell us that the human brain struggles mightily to free itself from unrecognized but powerful assumptions cemented in experiences from our past. Yet, traditional business planning models are based on past performance. Comprehensive data collection and objective analysis can be severely impaired when next year's strategic plan is grounded in a methodology that incrementally adjusts past years' results.

Some individuals seem to require the shocks in life to knock them back on their heels and set them straight. Businesses, on the other hand, cannot afford to be set back. Executives have a responsibility to develop the behavioral skills and organizational capacity needed to identify limiting assumptions and anticipate future risks and opportunities.

Scenario Planning is a systematic approach that can be learned and applied proactively. In taking clients through the process, we create a customized design to meet each organization's unique need, yet the elements are built on a common framework.



Framing the Question

It is essential to start by getting very clear about the growth opportunity, strategy or business decision in question. This foundation is necessary to assure that the expansive exploration to follow will ultimately result in pragmatic, actionable conclusions.

The Way Things Are

In order to evaluate or suspend our deeply ingrained assumptions we first need to see them clearly. This is a time to be objective and detached about all the current frames of reference that shape or limit the business.

Critical Drivers

A first step in expanding outward is to identify environmental factors that most critically impact the business. To be considered here is a wide range of economic, political, legal, demographic, technological, and natural environmental factors. Visceral indicators of critical drivers are things that cause business owners to lose sleep such as fluctuations in interest rates and proposed legislation.

High Uncertainty

The Scenario Planning discipline is most useful in uncovering possible relationships between highly unpredictable factors that collectively lead to larger leaps of unexpected change. Smaller, more predictable changes should receive adequate attention within the normal planning cycle. In Scenario Planning, we focus on high impact factors that are also characterized by high uncertainty.

Imagine the Future

This is where Scenario Planning unleashes the creative side of our brains. We've assembled all the necessary pieces, now it is time to imagine how the world in which we operate might suddenly rearrange itself around us if something unexpected happened. What if SARS spread again? What if the economy flipped upside down from inflationary to deflationary? What if geo-political conflicts pushed us into isolationism?

Innovation and discovery is serious work. The capacity to see things differently draws upon parts of the brain's neurology not typically favored in the sequential logic and fact-based analytics of business planning. But even in groups where creative or divergent thinking is not the norm, we apply proven methodologies to facilitate the kind of associative process needed.

Our experience shows that when we explore "What if..." a sense of natural order or compelling stories often emerge around the business opportunity as lived out through three to four possible future scenarios. If not, it can be helpful to place seemingly unrelated pieces of the puzzle into alternative organizing frameworks, like option trees or multi-factored matrices, to uncover meaningful patterns.

Continued on back page

Scenario Planning is a collective process that encourages tough questions and stimulates expansive thinking about what the future could be.



Awakening to a New Day *continued*

Transform Insight into Action

The end goal of Scenario Planning is a range of thought-provoking possibilities that stretch the collective brain trust of the organization and enable it to assess the robustness of its strategies. Scenarios may reveal that the business is fragile, vulnerable to slight changes in its environment. Or, they may indicate that certain products should be developed because they could be successful under many different scenarios.

Examples of Possible Insights



Downside Risk

Scenario Planning may reveal potential risks that expose a business to great vulnerability. Totally unseen, these can take a company under. The farther in advance risks are identified, the more possible it is to plan alternative courses of action to avoid or mitigate the impact.

- A recent combination of market losses, sustained low interest rates, and tax law changes has altered investor demand for financial planning products. Financial Services companies are smart to expand their capacity to monitor leading indicators.
- Prior to 9/11, few companies took seriously the risk of physical proximity to potential terrorists' targets.



Upside Potential

Another way companies benefit from Scenario Planning is by uncovering totally new growth opportunities.

- SARS forced retail giant Wal-mart to quickly adopt new communications technologies to replace its annual 500 purchasing trips to China. Long term, innovative communications firms are likely to profit as the experiment was successful in cutting expenses.



Stress Test

Scenario Planning also can be viewed as a "stress test" to evaluate existing strategies or growth opportunities under consideration. Is it robust enough to hold up strong under a wide range of possible futures? Or is it very fragile; vulnerable to even small variations from plan? If you are forced to make a tough choice between two equally attractive opportunities, you might want to put your money on the horse that runs well under all track conditions, muddy or hard.

- Building a luxury hotel on a remote island where success is totally dependent on a combination of air travel and non-essential pleasure use is a "fragile" strategy in today's environment.

- Building a multi-functional hotel situated in the crossroads of a busy vacation and business area, accessible both by air and road, would be more safely supported by a wide range of future scenarios.

Scenario Planning is a collective process that encourages tough questions and stimulates expansive thinking about what the future could be.

Sometimes companies are surprised at the level of creativity and enthusiasm employees bring to the process. At The Clarion Group, we have seen many examples of extraordinary contributions in the work place when the inner motivations of business leaders are personally aligned with the needs of the organization as a whole.

We all have our private concerns about where the future may lead, and many seek to make a difference. To be part of a company led by people with the courage to think openly and deeply about our collective futures can be both a source of comfort and inspiration.



Expanding Horizons



ROY MAURER is a senior advisor with The Clarion Group.

His approach to scenario thinking is an exercise in creative expression where his energy and passion show through. With an innate capacity to think expansively, Roy works with clients to explore issues from multiple perspectives while adhering to frameworks that inspire long-term, visionary planning.

Together with other members of The Clarion Group, Roy shaped our Scenario Planning frameworks into customized tools and facilitates their use with our clients. He has the courage to question assumptions and apply critical analytics to help clients expand their horizons.

With a background in psychology as well as business (MBA, M. Div, BA Psychology), Roy brings a depth of insight about the nature of the human experience.

His integrated approach is characteristic of The Clarion Group and contributes to the successful implementation of ideas through skillful leadership behaviors.



Our clients value what we offer them. Call us at 860-232-3667 so that we can discuss your needs and put you in touch with satisfied business leaders who have worked with us.



The Clarion Group, Ltd.