

**A New Insights Lecture on
“Emerging Strategic Issues and Wildcards”**

**by Peter Schwartz, Cofounder and Chairman, Global Business Network;
Futurist and Business Strategist**

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Schwartz opened by outlining the key points of his lecture, namely to describe possible surprises and emerging issues that could affect Singapore, and the methodologies and techniques we could employ to be better prepared to cope with these surprises and emerging issues in the future.

Surprises and Emerging Issues

Schwartz noted that the world was structurally more vulnerable to surprises now than ever before, because of the growing interconnectedness between economies and communities. Citing the financial crisis as an example, Schwartz said that everyone had initially assumed the crisis would be confined to the US banking sector. No one realised that it would become a global financial crisis because we had not understood the magnitude of global interconnectivity.

While surprises could present a threat (such as the swine flu), they could also create opportunities. For example, the development of the Internet had led to inexpensive mobile devices such as USD 100 smartphones, which allowed even the poorest people in the world to effectively communicate with the global community. Furthermore, there were no surprises that could not be anticipated. However, it was difficult to convince leaders to act in advance of events. Successful prior experience was often a barrier to anticipating surprises, as it was not necessarily a good guide to the future, but prevented leaders from accepting the need for policy changes.

Schwartz highlighted two emerging issues that could have an impact on Singapore. First was the concept of **freenomics**, as explained by *Wired* editor Chris Anderson in his book “Free”, which was being distributed on his website for free. Building on falling marginal costs of production due to improving technology, freenomics described a situation where the marginal cost of some goods had essentially fallen to zero. Although producing the first item of a “knowledge product” (such as Anderson’s book) could cost a significant amount, the cost of producing and distributing subsequent units of the book in a digital form was essentially zero. This presented both a challenge and an opportunity to Singapore. Because Singapore’s value proposition was in knowledge goods, Schwartz suggested that we needed to start thinking about how to capture the value of knowledge in the digital era.

The second was the probability of a food price shock. As the world became richer, food consumption per capita increased, particularly the consumption of rich, energy-intensive foods such as red meat. The dynamics in the food-commodity business were beginning to resemble activity in oil markets in the 1970s. Tight margins due to little excess capacity caused large price fluctuations in response to changes in demand. These fluctuations were exacerbated by large hedge funds involved in commodity speculation. Schwartz also noted that we were facing an imminent threat to the rice supply, as unfavourable weather during this year’s rice-growing season was likely to result in low yields. Based on this historical

analogy and emerging conditions, we could now see the potential for a food crisis (especially for small, food-importing nations like Singapore), even though there was no worldwide shortage of food. As a result, food-importing countries could find a large portion of their national incomes going toward their food supply.

Underlying Principles

Schwartz suggested several reasons for our continued inability to prepare for surprises. First of all, emerging issues tended to be complex. However, we continued to extrapolate from present trends, without fully understanding the interactions and relationships between different factors. We often did not understand the 2nd or 3rd order impacts of an issue. At the same time, we frequently did not have the right information, did not understand the relevance of information that we did have, or failed to ask the right questions.

In response to these challenges, we should take a **comprehensive, systematic and disciplined** approach to understanding emerging issues. Governments and business were already making horizon scanning efforts around the world. Many such efforts were in small countries that would be badly affected by a failure in planning. The more successful of these efforts also involved worldwide consultation and collaboration to ensure a wide range of perspectives were considered.

Schwartz described two connected approaches for strategic planning: **scenario planning** and **developing emerging issues**. Focusing on the latter, since Singapore was already familiar with the former, Schwartz described the study of emerging issues as both a science and an art. It required us to be systematic and rigorous, but at the same time, to be creative and diverse. He suggested the following principles as a framework for developing emerging issues that mattered to Singapore:

- **Get diverse perspectives.** The most common reason for not seeing the future is denial.
- **Be ruthlessly curious.** Good strategists should have a strong desire to know more about the world.
- **Collaborate to develop ideas.** Collective efforts are more likely to be able to parse the most difficult issues. We need to ask uncomfortable questions and challenge one another's assumptions and ideas.
- **Embrace ambiguity.** Many realities are highly ambiguous, and multiple interpretations are possible.
- **Challenge conventional perspectives.** We need to move beyond the obvious and the status quo, and make imaginative leaps in considering the future.
- **Imagine the unthinkable.** Technology constantly introduces new challenges and new opportunities.

Some of the possible emerging issues that could severely impact Singapore included:

- **Climate-induced Migration:** Many low-lying countries in the region are potential disaster areas if the sea levels continue to rise. Singapore is likely to see migrants from countries such as Indonesia, Bangladesh, and countries along the river deltas (e.g. of the Mekong or Irrawaddy Rivers).
- **Singapore Bypassed:** In the past, Singapore has been a centre of interest for economic activity in the region. However, if the world's attention shifts to a new location (e.g. Shanghai or other Chinese cities), Singapore may no longer be able to attract or retain talent.
- **Small-scale Nuclear Power:** If technology changes, we may want to reconsider the nuclear possibility because energy is a major vulnerability for Singapore.

Guiding Decision Makers

Schwartz opined that the most important elements for an emerging issues programme were organisational commitment, core capabilities, and systematic processes. In his view, it was important to train civil servants to do the right kind of thinking. While the institutional framework for strategic thinking continued to evolve, we should ensure that civil servants learned to ask the right questions. It was also important to “find the right people” who had the capacity to think strategically, and teach them how to gain acceptance for their proposals and ideas. If proposals met with resistance, strategic thinkers should know how to reframe the proposal, and change the way decision makers were engaged. It was also important to have **good timing** in presenting new ideas, to achieve a **suspension of disbelief** in public service leaders. This would create the opportunity to change their mindsets.

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Notes taken by:

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