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Workshop: Predicting the Future



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Predicting the Future

The last ten years of steady economic growth have been dubbed the NICE decade by economists (Non-Inflationary Constant Expansion). The lives of many people improved (though by no means all), and in some cases were transformed, in both the developing and developed worlds. However, growth built on historically cheap debt, energy, food, labour and raw materials has faltered in the face of turbulence in the financial markets and the first effects of natural resource constraints leading to increased energy and food prices.

The consequences of the NICE decade will extend beyond the current economic problems and will force organisations to change the way they operate and conduct their business. Public sector organisations will not escape, in fact, the coalition government are clear that public services will be required to undertake significant streamlining whilst maintaining business as usual.

One common theme is the effects on the supply chain. Businesses (including public sector organisations) will need to find ways of meeting customers' needs and regulators' expectations with a supply chain which is affected by resource constraints. As sustainability becomes a significant business driver, business will need to consider where it purchases from and may need to source product closer to home to support its energy efficiency drives. This may become a more important factor than consumer demand for sustainable products. Interestingly the supply chain pressures remain as we move into a recession, even if consumer demand for sustainable products declines.



So how can business weather these storms?

Leaders and managers need to become competent and skillful at reading the signs of change in the future and predicting their impact on strategic planning and operations. These “predictions” should shape corporate objectives, risk management and decision making in a bid to keep the business on track.

This uncertainty and challenge means that business needs to act now to achieve the best possible outcome and prepare for more radical change. That change may not simply be structural as in the past with a change in the organisational management and name, but in more fundamental ways.

Predicting Business Futures

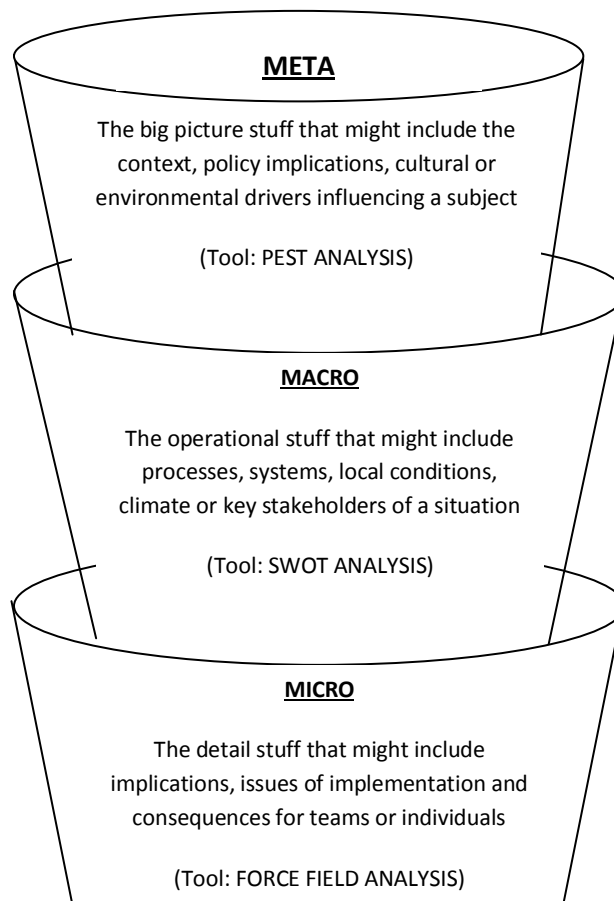
In order to predict future changes and their implications organisations must understand their environment. They need to build a territory map that analyses the key drivers of change, is able to identify significant milestones (to map progress) and can spot the safe and hazardous routes to reach their goal (identify and manage risk).

Meta, Macro & Micro Environmental Analysis

This model describes the different perspectives of environmental scanning/analysis:-

- Meta = strategic, high level perspective, broad scope, big issues and picture
- Macro = Tactical, medium level perspective, infrastructure and local conditions influencing the organisation
- Micro = Operational, low level perspective, detail, implications and immediate impact issues

Figure 1. Meta, Macro & Micro analysis



The visual presentation is important in this model as it illustrates the fact that meta analysis feeds into macro analysis, which in turn feeds into micro analysis. It helps people analysing situations to connect very complex issues together in a manageable way.

Environmental Scanning tools

There are a number of tools available that can assist in the environment scanning and analysis process. These include:

- PESTLE analysis
- SWOT analysis
- Forcefield analysis

PESTLE analysis

The simplest and most effective environmental scanning tool is the PESTLE analysis:

- **Political drivers** (government legislation, elections, local/professional powerbases)
- **Economical drivers** (employment, government funding etc)
- **Sociological changes**, (demographic changes that reflect population changes, health/social care, transport infrastructure etc)
- **Technological change**, (developments in healthcare, housing design, etc)

- **Legal Implications** (changes in legislation, impact on organisational risk etc)
- **Environmental drivers**, (sustainability, carbon footprint, physical environment etc)

Political	Economical
Sociological	Technological
Legal	Environmental

Whilst a PESTLE analysis is an effective tool for analysing external factors of an organisation a different tool is required to analyse the internal factors influencing organisation. SWOT analysis

provides information that is helpful in matching the organisations resources and capabilities to the business environment it operates within. It is an instrumental part of strategy formation and can give a well rounded view of the business environment when conducted with a PESTLE analysis.

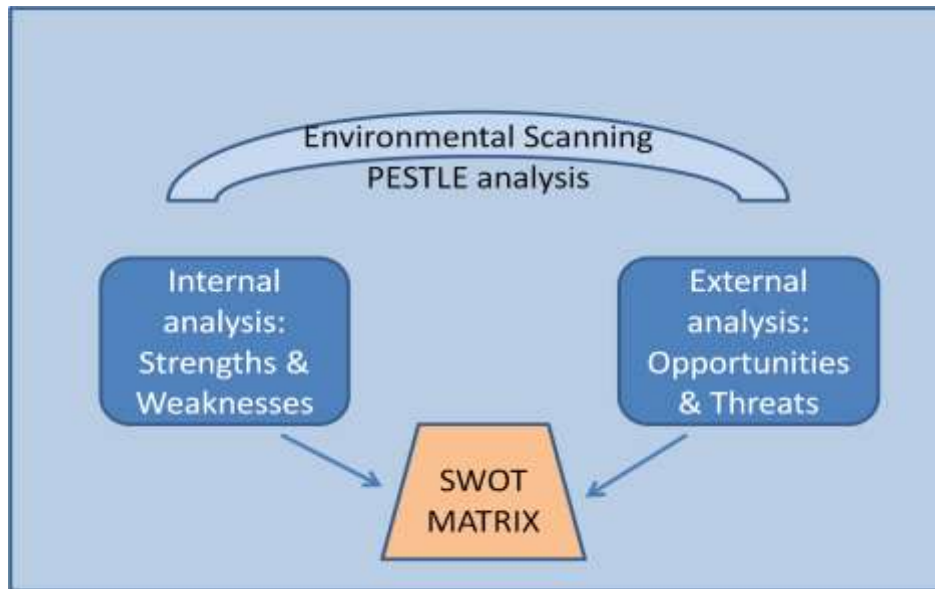


Figure 2: Swot analysis framework

Fig.2 illustrates the order of analysis that organisations should use when reviewing their environment. The PESTLE analysis should inform the SWOT analysis as the true implications of opportunities and threats cannot be understood without that context.

SWOT analysis

Strengths	Opportunities
Weaknesses	Threats

Strengths

An organisations strengths are its resources and capabilities that can be used as a basis for developing its performance and therefore, it's contestability. They may include:

- Reputation
- Expertise
- Intellectual capital
- Funding
- Models of care
- Management information
- Business processes

Weaknesses

The absence of certain strengths may be viewed as a weakness and may include:

- Poor reputation among key stakeholders
- High costs
- High staff turnover
- Poorly skilled workforce
- Poor management/leadership practice
- Inconsistent business practices
- Poor risk management
- Poor safety/quality record

Opportunities

The PESTLE analysis may reveal new opportunities open to the organisation to support its development and growth, these may include:

- New service need/unmet need
- New technologies or treatments
- Changing regulations
- Changing environmental climate (introduction of market economy)
- New ways of working

Threats

Changes in the external environment may present real threats or problems for the organisation and these may include:

- Changing demand or expectations
- Competition from other service providers
- New or changing regulations
- More ambitious targets
- Competing pressures for resources/reduction in resources

The SWOT Matrix¹

An organisation may not necessarily pursue more lucrative opportunities but take a measured view and try for a “best-fit” approach to balancing their strengths with the available opportunities. By balancing these factors the organisation is able develop effective strategies that deliver short term wins and long term gains.

Figure 3: SWOT Matrix

	Strengths	Weaknesses
Opportunities	S-O Strategies	W-O Strategies
Threats	S-T Strategies	W-T Strategies

¹ Swotmatrix.com

- **S-O Strategies:** pursue opportunities that are a good fit for the organisations strengths
- **W-O Strategies:** overcome weaknesses to pursue opportunities
- **S-T Strategies:** identify ways that the organisation can use its strengths to reduce its vulnerability to threats
- **W-T Strategies:** establish a defensive plan to prevent the organisations weaknesses from making it susceptible to external threats

	Strengths	Weaknesses
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Force Field Analysis

Force field analysis is a management technique developed by Kurt Lewin², for diagnosing situations. It is useful when considering the variables involved in determining effectiveness of a change management program.

The model assumes that in any situation there are both driving and restraining forces that influence any change that may occur.

Driving Forces

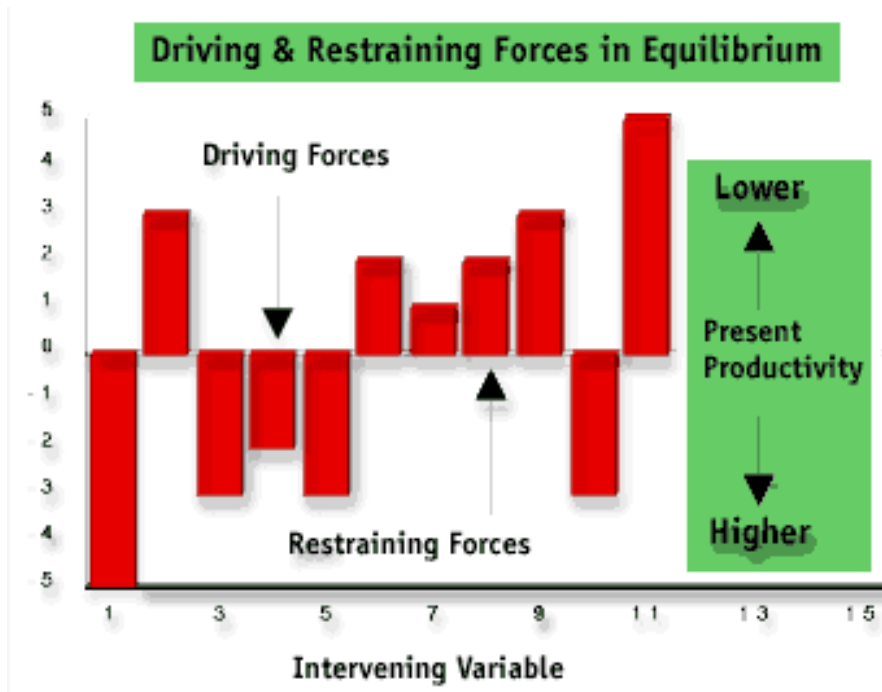
Driving forces are those forces affecting a situation that are pushing in a particular direction; they tend to initiate a change and keep it going. In terms of improving productivity in a work group, pressure from a supervisor, incentive earnings, and competition may be examples of driving forces.

Restraining Forces

Restraining forces are forces acting to restrain or decrease the driving forces. Apathy, hostility, and poor maintenance of equipment may be examples of restraining forces against increased production. Equilibrium is reached when the sum of the driving forces equals the sum of the restraining forces.

Figure 1. Force Field analysis

² Force Field Analysis Lewin K 1969



Equilibrium

This equilibrium, or present level of productivity, can be raised or lowered by changes in the relationship between the driving and the restraining forces.

Appendix 1 Environmental Scanning Tools

Some Examples for Micro and Macro Change Management Tools			
Basic Processes	Micro Tools	Macro Tools	Meta Tools
Diagnosis Processes	Different kind of questionnaires, Organizational Constellations, active listening tools, Time Lines, Organisational History / Mapping	Open Space Technology, Future Search, Appreciative Inquiry	PESTLE Analysis
Concept Building Processes	Visioning, creativity techniques (e.g. Walt-Disney-Cycle), Mindmapping	Project Cycle Management, Appreciative Inquiry, Scenario Technique	Strategy Maps
Psychosocial Change Processes	Various coaching techniques, Peer Mentoring, Meta-Mirror, working with hidden agendas, 6 Thinking Hats, Working with Limiting Beliefs	Open Space Technology, Future Search Conferences	Change management plan Forcefield analysis
Learning Processes	Dialogue, tools for self-reflection, mentoring	Formal training or on-the-job, Open Space Technology, Appreciative Inquiry	Whole systems thinking
Information Processes	Tools for recognizing and utilizing different thinking styles, Pacing and Leading	Public Relations Campaigns, Intranets, Stakeholder Forums	PESTLE Analysis
Implementation Processes	General management techniques	General management techniques, Real Time Strategic Change (RTSC)	PESTLE Analysis
Management of all Change Processes	General management techniques	General management techniques (e.g. participatory monitoring), TQM	Force field analysis