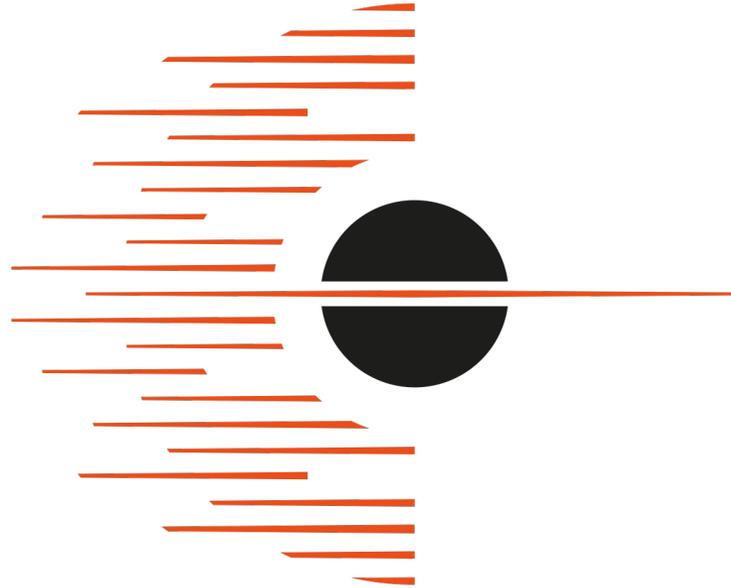


EVENT HORIZON

S T R A T E G I E S



Managing Geopolitical Risks Through Strategic Foresight

Dr. Peter Scoblic | July 13, 2021

The Challenge

How can we best formulate strategy given the uncertainty of the future?

Frank Knight: Risk vs. Uncertainty



“The practical difference between the two categories, risk and uncertainty, is that in the former the distribution of the outcomes in a group of instances is known (either through calculation a priori or from statistics of **past experience**), while in the case of uncertainty this is not true.”

American Economic Association

From Dichotomy to Continuum



Two Approaches

Foresight (imaginative) vs. Forecasting (predictive)

Strategic Foresight

Strategic Foresight

*The deliberative use of **imagined alternative futures** in order to better sense, shape, and adapt to the emerging future.*

The Limits of Imagination

“One thing a person cannot do, no matter how rigorous his analysis or heroic his imagination, is to draw up a list of things that would never occur to him.”

—Thomas Schelling

So, What Do We Do?

*Organizations can use a disciplined process to cultivate imagined futures—i.e., **scenarios**—to improve strategy, avoid or adapt to surprise, and navigate the uncertainty of the future.*

Fundamentals

Definition

Scenarios are a set of manufactured futures for a user with a pre-specified use—and they are used.

Assumptions

The future is unpredictable (epistemology). There are many possible futures (ontology). We can influence the future (agency).

What Scenarios Are Not

They are not predictions. They are not exhaustive or mutually exclusive. Scenario planning is not contingency planning.

Components of Rigorous, Plausible Scenarios

Driving Forces of Change

Driving forces of change shape scenarios. They have a high impact on the future operating environment, but their value is unknown.

System

System describes the relationships between elements of the scenario. Without system, a future world is just a collection of dynamics that might contradict each other.

Story

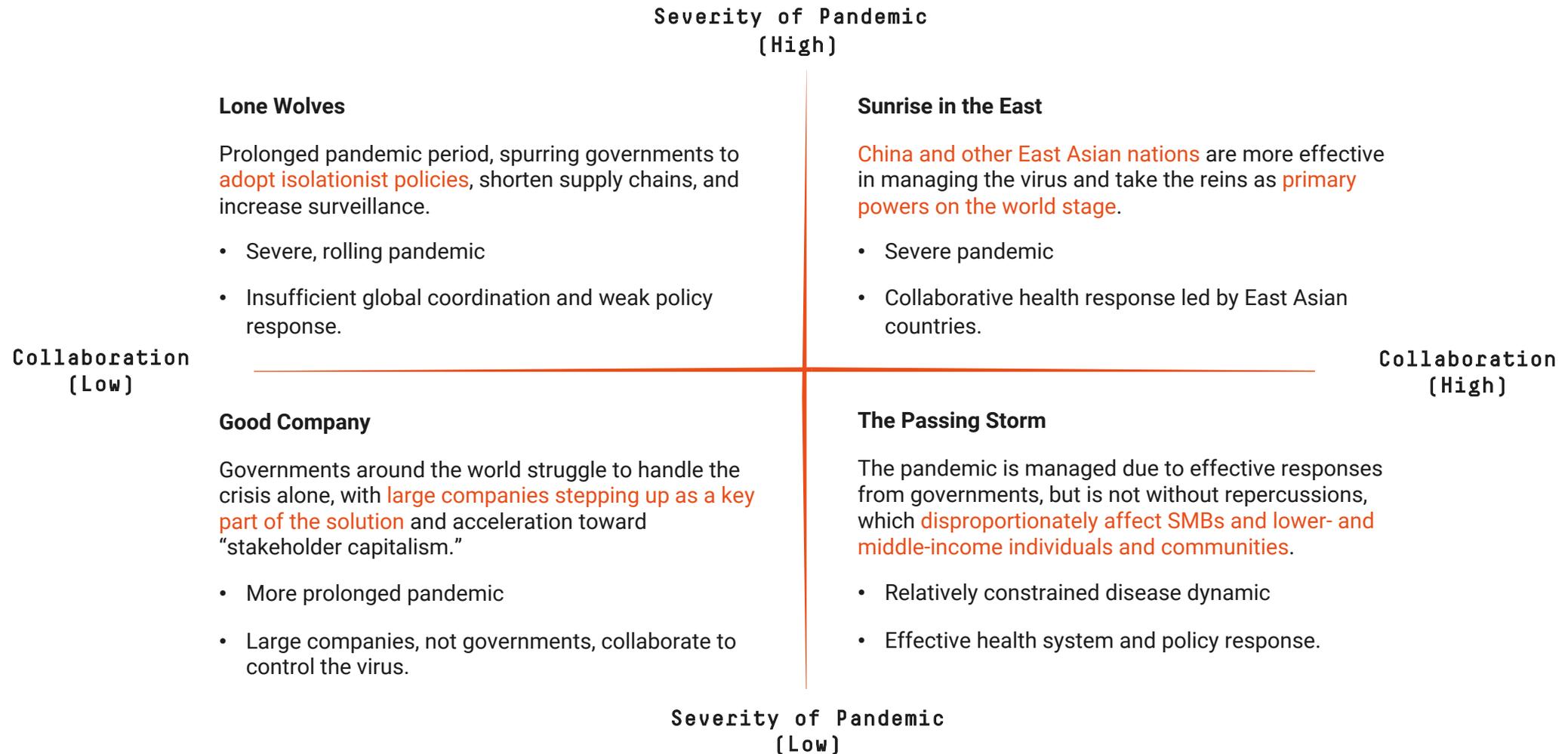
Stories make scenarios recognizable from signals in the present. If we can't chart a path from *now* to *then*, we have not constructed a plausible future.

Example

Deloitte/Salesforce

- **Level of Collaboration within and among Countries** (marginal or significant?)
- **Severity of Pandemic** (lower impact or higher impact?)

Deloitte/Salesforce Example (Adapted)



Enhancing Foresight with Forecasts

A Culture Shift

Foresight \neq Forecasting



Foresight + Forecasting

The IARPA Tournament

- 2,400 volunteers.
- 400,000 probabilistic forecasts on 500 geopolitical questions.
 - “Will the euro fall below \$1.20 in the next year?”
 - “Will the president of Tunisia flee to exile in the next six months?”
- Questions must pass the “Clairvoyance Test.”
 - “Will I fall in love?”
 - “Will I marry Jane Smith by this time next year?”
- Compute a “Brier Score.”

The Results

- Year 1: Top 2% of forecasters had an average Brier score of 0.25—significantly better than chance.
- Top 2% of forecasters outperformed CIA analysts with access to classified information by 30%.
- Probabilistic prediction is possible even in highly uncertain domains—like geopolitics.

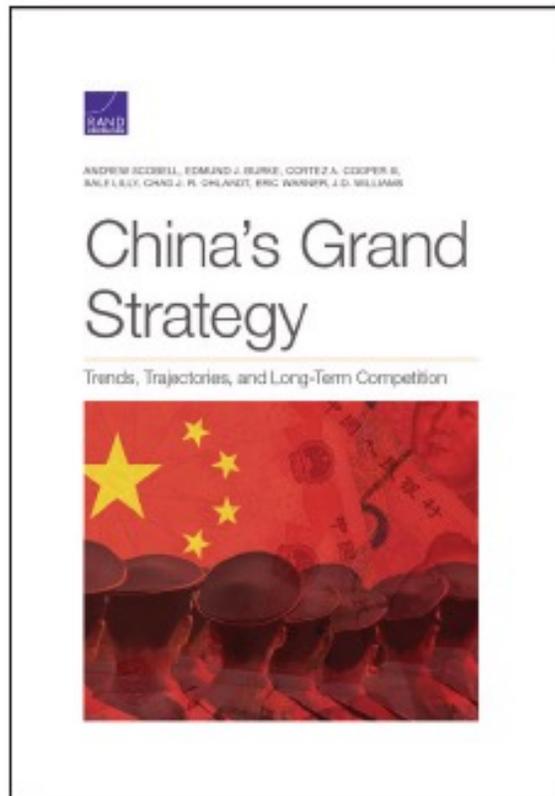
Limits on Decision-Making

- Both foresight and forecasting have limitations.
 - Forecasts may offer too narrow a glimpse of the future.
 - Scenarios may offer too sweeping a panorama.

Question Clusters

- Forecasting questions create “signposts” indicating what sort of future we are headed toward.
- Questions must pass the Clairvoyance Test, so there is no wiggle room about whether a signpost has been passed.
- Selecting questions for their diagnostic value decreases confirmation bias.
- The diversity of questions prevents overweighting a potentially unimportant signpost.
- Forecasting events provides an advance early-warning system.

An Example: China 2050



- **“Triumphant China”** dominates the world stage in most domains, with a modern military and an innovative economy.
- **“Ascendant China”** is the preeminent power not only in Asia but in other regions, as well.
- **“Stagnant China”** foresees the country’s economic growth stalling and then falling, with concomitant social unrest.
- **“Imploding China”** experiences a crisis of existential proportions, in which domestic instability undercuts international influence.

An Example: China 2050 (continued)

- “On December 31, 2020, will the PRC exercise de facto control over Itu Aba island in the South China Sea (which is currently under the de facto control of Taiwan)?”
- “Will China’s GDP growth in 2023 exceed 10 percent?”
- “Among African audiences, when will the China Global Television Network have higher weekly viewership than Voice of America?”



Closing Thoughts

- Scenarios can improve strategy by moving us out of ignorance and putting boundaries around uncertainty.
- Forecasts can improve decision-making by moving us from uncertainty toward risk.
- Scenarios sometimes paint too broad a portrait of the future.
- Geopolitical forecasts sometimes give us too narrow a glimpse of the future.
- Question clusters provide valuable clues to emerging future scenarios, allowing us to combine foresight with forecasting.

