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HOTEL yearbook 2013

Scenarios for the year ahead

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How is your company visualizing its future business landscape?
Woody Wade on scenario planning in the hotel industry

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WADE & COMPANY

Wade & Company is a Lausanne-based consultancy that helps senior managers in the hospitality industry better understand how their future “business landscape” could change, affecting their competitiveness and creating new opportunities and challenges. Its scenario planning workshops give management teams a creative yet structured approach for envisaging alternative ways their future operating environment could realistically unfold over the next few years, depending on how current uncertainties develop. With these eye-opening insights, Wade & Company’s clients can maximize the flexibility of their strategic plans and be better prepared for whatever future dies arise. More info is at www.11changes.com.

Horwath HTL Hotel, Tourism and Leisure

HORWATH HTL

Horwath Hotel, Tourism and Leisure consulting are the world’s number one hospitality consulting organisation, operating since 1915. Horwath HTL are the industry choice; a global network offering complete solutions in markets both local and international. Through involvement in thousands of projects over many years, Horwath HTL have amassed extensive, in-depth knowledge and understanding of the needs of hotel & real estate companies and financial institutions.

Horwath HTL are the world’s largest consulting organisation specialised in the hospitality industry, with 50 offices in 39 countries. They are recognised as the pre-eminent specialist in Hotels, Tourism and Leisure, providing solutions through a combination of international experience and expert local knowledge.

HSYNDICATE

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With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea ‘ONE Industry, ONE Network’, Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate’s specific and context-relevant intelligence delivered to them when they need it and how they need it.

Exploring the terrain of 2023 in 2013

MORE AND MORE HOTEL COMPANIES ARE TURNING TO A TECHNIQUE CALLED SCENARIO PLANNING TO HELP THEM VISUALIZE HOW THEIR FUTURE “BUSINESS LANDSCAPE” COULD DEVELOP OVER TIME. ACCORDING TO **WOODY WADE**, AUTHOR OF THE RECENTLY PUBLISHED BOOK “**SCENARIO PLANNING: A FIELD GUIDE TO THE FUTURE**”, THIS CREATIVE YET LOGICALLY STRUCTURED APPROACH ALLOWS COMPANIES TO ENVISAGE ALTERNATIVE WAYS THEIR COMPETITIVE ENVIRONMENT COULD REALISTICALLY UNFOLD, ENABLING THEM TO SHAPE MORE FLEXIBLE LONG-TERM STRATEGIES TODAY.

Are you responsible for developing a strategy for your company’s future? If you are, then you already know that a solid plan needs to be based on a solid reading of the future. But you are surely also aware of a painful but relevant fact: it is impossible to know how the future will turn out.

So how do you resolve this dilemma? In a constantly changing world, is it possible to develop a picture of how your future business environment will look five or ten years in the future – a vision that you can have confidence in?

WHAT MANY SENIOR MANAGERS DO IN THIS SITUATION

In order to get a handle on the way the key elements of their environment will develop as the years go by, most companies rely, at least to some degree, on projections or forecasts of their key variables. Concocting a short-term plan based on short-term forecasts (“Here are our market projections for 2013, so what should we do next year?”) is relatively safe, and will probably yield acceptable results, barring some huge, unexpected change in your landscape. But if you are developing a strategy that aims to assure your continuing competitiveness a decade from now, relying on forecasts and projections may actually be dangerous.

Why? Not because the projections may be wrong! Inaccurate forecasts may lead you to make suboptimal decisions, but they are rarely so wrong that you risk going out of business because you based a strategy on them. No, the reason why relying on forecasts and projections is potentially dangerous is because they paint a *misleading picture of the future*. They imply that the future will simply be a mathematical variant of the way things already are today: i.e. take the current numbers, identify a trend line, extrapolate a few years into the future, apply another tweak or two, and – voilà! – you’ve created a picture of your business terrain ten years from now.

Or you *believe* you have, and therein lies the danger. By forecasting the key variables that matter to your business (such as market growth rates, prices, exchange rates, and so on), your gaze is fixed on a myriad of measurable details. All well and good. But could any of these variables be actual game changers for your business? Probably not.

Instead, if anything has the potential to cause profound change in your environment, and have a truly dramatic impact on your business over the next few years, it is more likely to be larger, more potent forces than any of these statistical details. Think about it. Was Kodak’s long-term success endangered because the value of the dollar changed by 20%? (Or 25%? Or 22.5%?) Did Blockbuster Video go bust because it didn’t project the growth rate in the number of VCRs in its markets? Did Nortel’s demise come about because of its inability to forecast interest rates accurately? No. Their fates hung on much bigger changes that emerged in their business landscape, such as technological innovations, new competitors, substitutes for their products, evolving social or political changes, shifts in consumer behavior, and so on.

It is huge, big-picture changes like these – not interest rate trends or foreign exchange rates – that have the potential to make you or break you. But like real earthquakes, these seismic shifts are rarely predicted – and they are certainly not captured in forecasts. Just the opposite: forecasts lead you to think things will continue like they are now.



Exploring the terrain of 2023 in 2013 cont.

SCENARIO PLANNING TO THE RESCUE

So what should companies do to develop an early-warning system that could alert them to possible big changes ahead? If it's not possible to forecast or predict them, is there at least some way to discern how the future lay of the land could look?

Yes. A fascinating approach to this challenge is called *scenario planning*. It is a structured process that focuses on the most critical uncertainties you will face – the ones that you and your strategy team identify as being the most crucial factors affecting your long-term ability to succeed. By imagining in detail the different ways those particular trends or forces could develop, the process allows you to generate the outlines of a range of different future scenarios, i.e. alternative business landscapes that could realistically unfold, depending on how those factors change.

Unfortunately, even though its step-by-step logic helps you visualize three or four different futures, scenario planning

Scenario planning is not a tool for predicting the future, but rather for exploring it

can't tell you which one will actually materialize. But that is all right; it is not meant to function as a crystal ball. Indeed, scenario planning is not a tool for predicting the future, but rather for *exploring* it; that is, for defining and describing realistic possibilities that you *could* be confronted with. Using this technique, you generate ideas about what could happen in your business environment if certain trends play out. Then, armed with these sometimes eye-opening insights, it is possible to recognize how each scenario – each future landscape you might find yourself operating in – could usher in a set of opportunities and challenges that are possibly unique to that particular business constellation.

OK, GOT THE SCENARIOS – NOW WHAT?

When you have defined what these opportunities and threats could be, you can ask yourself some probing questions about your readiness to compete if that scenario were to materialize:

- What issues, internal and external, would your company have to address in each scenario if you want to assure that you will be competitive? What capabilities would you need to master in order to thrive in each scenario? Are there specific skills or strengths you would need to beef up in your organization?
- Who could be your primary competitors in each scenario? Could the emergence of this scenario favor the entry of a new competitor – or even a new *kind* of competitor? Could some other disruptive market force appear? What might it look like, and how would you respond?
- What financial, marketing, operational, or human resources policies would serve you best in each scenario? How much would they cost to implement?
- Where should you put your priorities?

Thinking about the future in terms of alternative landscapes offers decision makers two significant advantages over conventional, put-all-your-eggs-in-one-basket strategy making. First, by recognizing that different futures are possible, you can build the needed flexibility into your strategic plans and ensure that your company has the suppleness and agility to be ready for more than a single outcome to materialize.

But scenario planning is actually more than just a planning technique. At the end of the day, it is also a powerful leadership tool. Why? Because if you want to make ambitious plans for your organization, and convince your team (not to mention your Board) to support your strategy, then a scenario approach demonstrates that you are not betting the company's success on a single future to unfold, but are anticipating a *range of outcomes* that could realistically come about, and you are preparing for them with a supple, adaptable strategy. That is surely the sign of a thoughtful, cautious yet ultimately confident leader. ■



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