



## Planning for the unthinkable

**We've been so focused on the financial crisis that we've neglected to pay attention to other issues, which, if left on the backburner, could upset the status quo. That's the view of futurist and business strategist Peter Schwartz.**

For one, Schwartz believes we could face “a high likelihood” of a food price crisis “sometime in the next few years” – not because he says, of a food shortage, but because of the nature of the evolution of the commodity markets.

“We've seen already in oil markets the same kind of phenomena ... And that is, when the buffer between the supply and demand gets too narrow, what you get are significant price movements. And what happens is, actually small perturbations in demand or supply produce large swings of the margin,” explains Schwartz, the former head of scenario planning at Royal Dutch Shell in London. Rice Paddy field and farmer - INSEAD Knowledge

Throw in to the mix a bad rice season because of a “cooler, drier year or two” and you will see rice prices rising four or fivefold.

The implications are even more profound. Schwartz says that where today people typically spend anywhere between 15 and 25 per cent of their income on food, it could go as high as 40 or 50 per cent, should the food crisis hit. That means that people will likely have to cut their spending on holidays or consumer goods.

Schwartz, however, is quick to point out that he's not

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stating unequivocally that there will be a food crisis. “Our goal is to do scenarios and look at the uncertainties and the elements that could surprise us ... We're not predicting a food crisis, but (saying) that we are vulnerable to it,” he told INSEAD Knowledge following a lecture on ‘Emerging Strategic Issues and Wildcards’ at Singapore's Civil Service College.

So how can we better prepare ourselves from unpredictable ‘black swan’ events which would have a major impact? Schwartz believes the answer is to think the unthinkable. That involves considering possibilities that are outlandish, implausible but highly consequential. The Asian tsunami, he says, is a prime example of such a black swan event whose impact could have been reduced somewhat had the right questions been asked.

The mistake was that people didn't believe it could happen again. “There was no reason to believe particularly that there would be another tsunami of any scale; the last one that we had any record of actually hit Japan in the 1920s.”

Yet of all the natural disasters, Schwartz says the tsunami was the one natural disaster that experts were most ill prepared for - simply because “nobody had really tackled a really big tsunami in a

really long time.”

“It is possible to think about those events, if one is sufficiently imaginative and asks the right questions, as opposed to trying to project trends based on the past.”

Schwartz believes that the single biggest reason we do not see these things coming is denial. “We don’t want to see it because it implies we’d have to do something differently if we took it seriously. And the financial crisis was a perfect example that where all the incentives for the leadership of the big banks were to keep on going ... Almost every bureaucratic system is vulnerable to that kind of mentality of ‘keep doing what you’re doing’ until it finally crashes.”

To better plan for the future, Schwartz says it’s important, first and foremost, to have diverse perspectives. “It really helps to have a multiplicity of perspectives, a diversity of points of view that really can collaborate and challenge each other and see things really quite differently.”

He also calls for a “suspension of disbelief” in order to experience an alternate reality – a reality where the impossible becomes the possible. Only then can we be ready to face anything head on – without it being too much of a nasty surprise.

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