

The integrated use of scenario planning in strategic management by South African-based multinational companies

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requirements for the degree of Master of Business Administration**

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ABSTRACT

Dealing with the uncertainties of the global business environment has become a challenge for companies. This is especially the case for multinational companies operating in a number of geographical areas, each having their driving forces and uncertainties to consider during the strategic planning process of the company. Increased global uncertainty led to companies understanding the importance of identifying and mitigating against these uncertainties. This research report aims to establish whether multinational companies based in South Africa utilise scenario planning as an integral part of their strategic management framework.

The research was conducted in the form of interviews with thirty (30) respondents from multinational companies based in South Africa, consisting of ten (10) open-ended questions to gain an understanding of whether each company has a formal strategic management framework in place; to understand what the process of this framework involves, as well as to ascertain whether scenario planning forms an integral part of this framework.

The analysis of the interview data established that all the respondents identify the importance of dealing with uncertainties in their business environments. The majority of the respondents utilise the PESTLE and Porter's Five Forces models to identify uncertainties within the external and internal business environment of the companies. The companies further rely on external experts such as economists to assist them with understanding current and emerging trends within the global, regional and local business environments. Respondents also rely on their risk management processes and sensitivity analyses of their financial plans in an attempt to understand and mitigate against uncertainties.

The research established that only three (3) of the thirty (30) respondents use scenario planning as an integral part of their strategic management framework. The research report therefore concluded that multinational companies based in South Africa do not utilise scenario planning as an integral part of their strategic management framework.

DECLARATION

I, Coenrad Marais Nel, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Coenrad Marais Nel

Signed at Johannesburg

On the day of 2011

DEDICATION

This Research Report is dedicated to my lovely and supporting wife Adele, and my loving children Jan-Hendrik and Este.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to investigate the integrated use of scenario planning as part of the strategic management framework for multinational companies based in South Africa. The report examines the strategic management framework utilised by the multinational companies and the use of scenario planning as part of their strategic management framework.

1.2 Context of the study

In the challenging, turbulent and highly dynamic world, it is important that companies are able to understand and react to the changes in the environment. Some of these changes include the following: demographic shifts, new rivals, new technologies, new regulations and other environmental changes within the markets they operate in (Day and Schoemaker 2005). The credit crisis and the subsequent downturn in world economies forced companies to review the forecasting techniques they utilise to identify changes within their business environments (Ryan 2008). Companies are therefore forced to understand the nature of their markets and to be aware and responsive to changes in the business environment as a whole (Richards, O'Shea and Connolly 2004). Godet and Roubelat (1996:2) state that in modern societies, anticipation is imperative to any company because of two main factors, namely:

- The acceleration of technical, economic and social change which necessitates long-term vision for the organisation, and
- The factors of inertia inherent in organisational structures and behaviour

According to Ryan (2008), companies are beginning to incorporate forecasting, sensitivity analysis and contingency planning, to assist management in having a wider view of the future as opposed to the historic monocular view of their environments. Underestimating uncertainty within the environment in which companies operate in can lead to the development of strategies that neither

defend against the threats nor take advantage of opportunities (Courtney, Kirkland and Viguerie 1997).

Companies are choosing scenario planning above other forecasting tools since the majority of forecasting techniques available to companies are focussed on finding the most probable future, rather than focussing on identifying strategic decisions that will be sound for all plausible futures (Richards et al. 2004). Scenario planning explores alternative plausible futures rather than trying to predict a specific future outcome (Schoemaker 1995; Van Der Heijden 1997; Faber et al. 2007).

Schoemaker (1995:27) asserts the following:

Scenario planning attempts to capture the richness and range of possibilities; stimulating decision makers to consider changes they would otherwise ignore (Schoemaker 1995:27).

According to Faber, Idenburg and Wiltling (2007), scenario planning is useful to the management of a company as it acknowledges the inherent unpredictability of the future. The scenario planning process is put forward by some strategists as a strategic tool to assist companies with understanding alternative futures that the company might face based on the uncertainties and driving forces that companies face in the changing business environment.

1.3 Problem statement

This research sets out to investigate the integrated use of scenario planning in the strategic management framework of South African based multinational companies. It will explore whether multinational companies based in South Africa formulate strategies based on alternative future views of the external and internal environment in which the company operates.

1.4 Significance of the study

The fundamental challenge for managers of multinational companies is knowing whether their strategy can be extended or adapted for the business environment in other countries (Wright, Filatotchev, Hoskisson and Peng 2005). The every day environmental reality in which businesses operate in is full of unexpected changes and discontinuities which make any long-term forecasting technique difficult and often worthless by the time it is produced (Bood and Postma 1998). Bood and Postma (1998) suggest that increasingly, managers are substituting other forecasting techniques with scenario planning.

The study fills a gap in addressing the strategic management framework of multinational companies based in South Africa and the role of scenario planning in the strategy framework of these companies. There are numerous studies of multinational companies based in countries other than South Africa (Luo 2001; Wright et al. 2005; Wright, Van Der Heijden, Burt, Bradfield and Cairns 2008). For the purposes of this research, no other identifiable research on this topic in relation to multinational companies based in South Africa was found.

The study results may provide guidance to managers of multinational companies to provide them with a better understanding of changes required to their strategic management framework. The results may further assist in providing tools for managers of multinational companies in how to utilise scenario planning in the strategy formulation process within an uncertain business environment.

1.5 Delimitations of the study

The study only addresses the strategic management framework for multinational companies based in South Africa and is only applicable to the Republic of South Africa. The study excludes all other countries and geographical areas. Further the study only covers the strategic management formulation phase and does not include the implementation and monitoring phases of strategic planning or the implementation of proposed solutions in the research report. When interpreting the results of this study, it should be noted

that the sample was taken from only multinational companies based in South Africa. In other emerging markets the factors impacting on the strategic management framework and scenario planning may vary.

1.6 Definition of terms

The following terms are used in the research report:

- Strategy – a comprehensive and integrated plan designed to ensure the objectives of the company is achieved (Mintzberg 1987).
- Scenario – an imagined sequence of events, especially any of several detailed plans or possibilities (Coates 2000).
- Scenario planning – a tool for identifying the basic trends and uncertainties in the business environment that the company operates in and allowing the manager to construct a series of scenarios to assist in decision making during the strategy process (Schoemaker 1995).
- Multinational companies – cluster of corporations or other legal entities operating in several diverse countries globally and tied together in ownership by a single legal entity (Adarkar, Adil, Ernest and Vaish 1997).

1.7 Assumptions

The following assumptions have been made in this study:

- a. The number of respondents to the survey will be adequate to gain data for the research report.
- b. The respondents who were surveyed had adequate knowledge, experience and insight into the strategy formulation of multinational companies based in South Africa and that the information conveyed by them was and is reliable.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The literature review section of the research report will focus on the key concepts relevant to the study. The first area of review looks at the history of scenario planning while the second looks at scenario planning techniques, and focuses on the concept of scenario planning. The second area of review focuses on the role of scenario planning as part of the strategic management framework of companies. The literature review will be concluded with an overview of the key concepts.

2.2. Scenario Planning

2.2.1 Historical perspective of Scenario Planning

Scenario writing techniques were first developed in the 1950's by Herman Kahn and Antony Wiener at the Rand Corporation, an independent research institute with close ties to the United States Department of Defence (Van der Heijden 1997; Chermack, Lynham and Ruona 2001; Peterson, Cumming and Carpenter 2003; Schwarz 2008). According to these scholars, the intended purpose of scenario writing techniques were to combine detailed analyses of new weapon technology with imagination, and produce reports as though they might have been written by people in the future (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008).

The originator of scenario planning, Herman Kahn founded the Hudson Institute in the mid-1960s, which specialised in writing stories about the future to help people consider the “*unthinkable*” (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008). He gained most notoriety for the idea that the best way to prevent nuclear war was to examine the possible consequences of nuclear war and to publish the results widely (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008).

Around the same time, Stanford Research Institute (SRI) began offering long-range planning for businesses that considered political, economic and research forces as primary drivers of business development (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008).

In the seventies, the Royal Dutch Shell Company developed scenario writing techniques and it is this version that is most commonly associated with what we refer to as scenario planning, as they connected scenario writing techniques with strategic planning (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008). The Royal Dutch Shell Company had a major success in their scenario planning during the 1970's when the Yom Kippur war broke out- the oil prices plummeted and the company was prepared for the eventuality (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008).

During the major recession and corporate staffing reductions of the 1980s, the use of scenario planning declined. However, during this time, Royal Dutch Shell continued to have success through two more oil incidents and slowly, other corporations such as General Electric began to cautiously re-integrate the application of scenario planning (Van der Heijden 1997; Chermack et al. 2001; Peterson et al. 2003; Schwarz 2008).

2.2.2 Defining Scenarios and Scenario Planning

According to Mietzner and Reger (2005) the term scenario describes a fuzzy concept that is used and misused with various shades of meaning. Goodier, Austin, Soetanto and Dainty (2009:2) describes a scenario as:

A storyline comprising a range of interconnected and uncertain future events and their possible consequences (Goodier et al. 2009:2).

Scenarios fall into two major categories namely: the *“exploratory scenario”* which is constructed on past and present trends leading to a potential future

situation; and a “*normative scenario*” which is constructed on the basis of different visions of the future (Godet and Roubelat 2003:8).

In terms of defining the process of implementing scenarios in management, this is commonly referred to as scenario planning and can be defined as:

A strategy tool that does not focus on accurately predicting the future, but is part of a planning process that constructs a number of possible future situations which could be plausible (Schoemaker 1995:25).

Whereas Van Der Heijden (1997:1) defines scenario planning as follows:

For an organization, the scenario process offers a way of thinking creatively yet systematically about possible future environments, and of developing strategies and then testing them for these environments (Van Der Heijden 1997:1).

According to Chermack (2007), the nature and intent of scenario planning is focussed on bringing about change within a company, specifically challenging the assumptions and expectations of management pertaining to the uncertainties of the future. The focus of scenario planning is to obtain an understanding of the dynamic forces driving change within the business environment and which can potentially challenge the strategic paradigms of the company (Schoemaker 1995; Van Der Heijden 1997; Schwarz 2008).

By utilising scenario planning, a company can improve their internal flexibility to respond to environmental uncertainties (Schoemaker 1995; Van Der Heijden 1997; Schwarz 2008).

2.2.3 Process of Scenario Planning

There are a variety of approaches to implementing scenario planning in organisations as is demonstrated by the academic and practitioner studies (Schoemaker 1993; Schoemaker 1995; Van Der Heijden 1997; Coates 2000; Chermack et al. 2001; Illbury and Sunter 2001; Korte and Chermack 2007;

Ryan 2008; Gustke 2009). The methods proposed are all very similar and in most cases the differences between the approaches are defined by the number of steps involved in the process.

In this research, the author makes use of the ten (10) step process as defined by Schoemaker (1993:197), namely:

STEP 1: Define the issues or decisions the scenario planning team and management wish to understand better in terms of time frame, scope and decision variables. Review the past information to get a feel for the degrees of uncertainty linked to these issues or decisions.

STEP 2: Identify the major stakeholders or actors who would have an interest in these issues, both those who may be affected by it and those who could influence matters appreciably. Identify their current roles, interests and power positions. This step will typically include a competitor, customer and industry analysis, as well as review of the strengths and weaknesses of the company.

STEP 3: The scenario planning team then compiles a list of current trends or predetermined elements that will affect the variables of interest, and needs to briefly explain each including how and why it exerts an influence. Some authors suggest that the scenario planning team constructs a diagram to show interlinkages and casual relationships between these current trends and predetermined elements.

STEP 4: Identify key uncertainties whose resolution will significantly affect the variables of interest to you. Briefly explain why these uncertain events matter, as well as how they interrelate.

STEP 5: Construct two forced scenarios by placing all positive outcomes of key uncertainties in one scenario and all

negative outcomes in the other. Add selected trends and predetermined elements to these extreme scenarios.

STEP 6: Next assess the internal consistency and plausibility of these artificial scenarios. Identify where and why these forced scenarios may be internally inconsistent in terms of trends and outcome combinations.

STEP 7: Eliminate combinations that are not credible or impossible, and create new scenarios (two or more) until you achieved the internal consistency. Make sure these scenarios bracket a wide range of outcomes.

STEP 8: Assess the revised scenarios in terms of how the key stakeholders would behave in them. Where appropriate, identify topics for further study that would provide stronger support for your scenarios, or might lead to revisions of these learning scenarios.

STEP 9: After completing additional research, re-examine the internal consistencies of the learning scenarios and assess whether certain interactions should be formalised via a quantitative model.

STEP 10: Finally reassess the ranges of uncertainty of the dependent (i.e. target) variables of interest, and retrace steps 1 through 9 to arrive at decision scenarios that might be given to others to enhance their decision making under uncertainty.

The scenario planning process is graphically represented in Figure 1, The scenario method (Godet and Roubelat 1996:11).

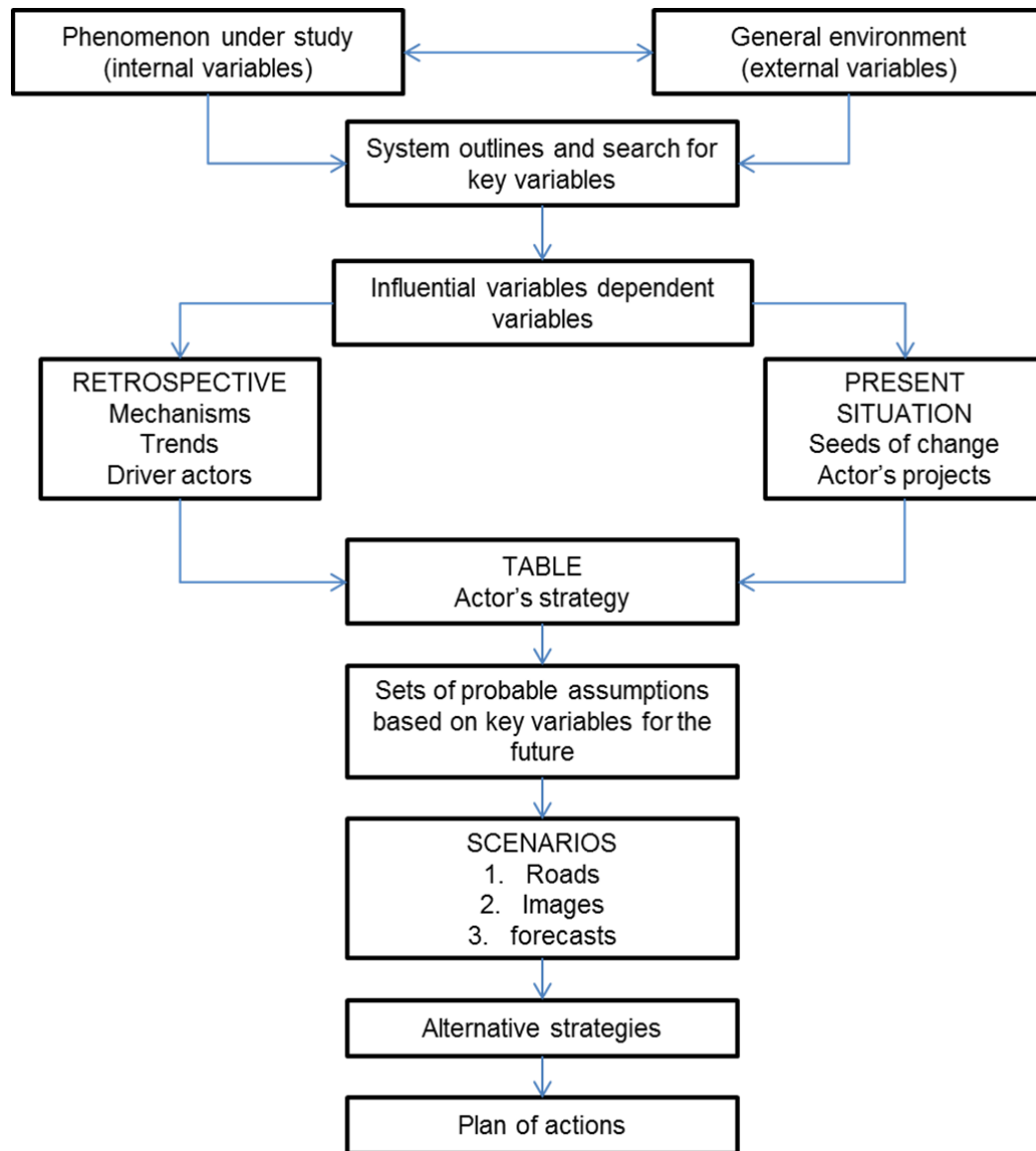


Figure 1: The scenario method (Godet and Roubelat 1996:11).

A popular metaphor for understanding and thinking through the scenario planning process is the “*Iceberg*” metaphor (refer to Figure 2). The Iceberg Metaphor (Chermack et al. 2001:17) relates to when events that occur in the external environments are only the tip of the iceberg, i.e. the part that people can easily see and identify. However, under the surface or rather the tip of these events, there are trends and factors that lead to these events occurring. The purpose of the scenario planning process is thus to assist the management of a company to better identify the trends, patterns and changes in the factors

that will assist the management of a company to identify alternative futures (Chermack et al. 2001).

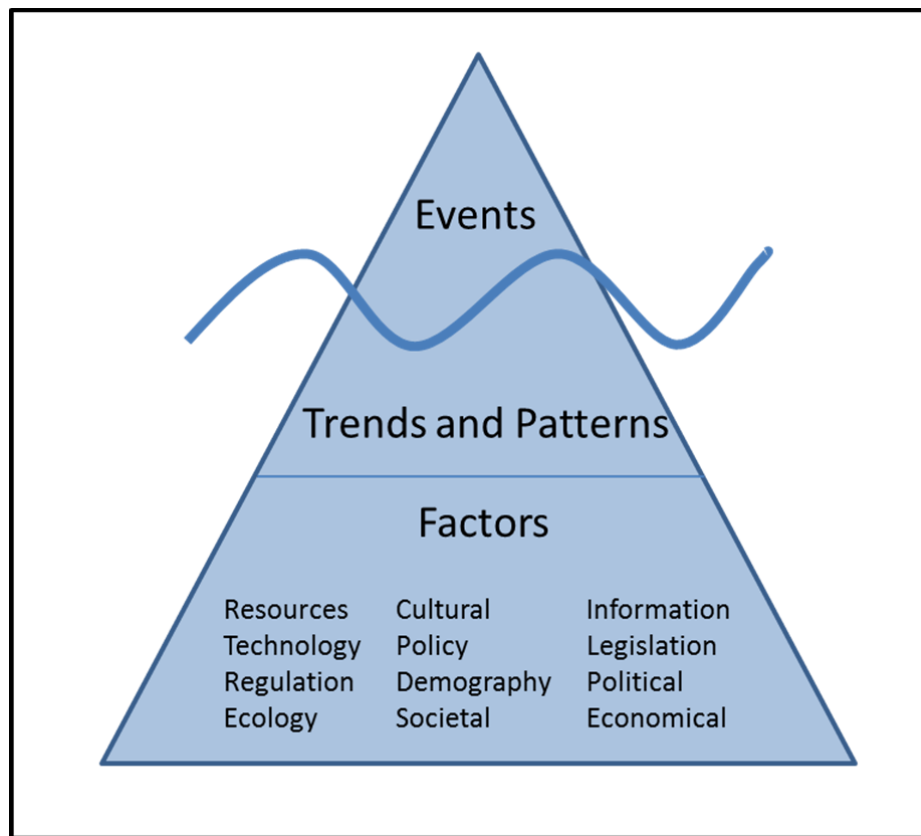


Figure 2: The Iceberg Metaphor (Chermack et al. 2001:17).

2.2.4 Effective Scenario Planning

Van Vliet, Kok and Veldkamp (2009:2) and Wilson (1998) as cited in Mietzner and Reger (2005:233), identified the following criteria to evaluate the quality of scenarios:

- Relevance of the scenarios to the management and staff in the company to address the uncertainties, concerns and needs.
- Credibility of the scenario and how plausible is it to the company and the business environment.
- Legitimacy of the scenarios.

- Creativity of the scenarios in challenging the current views of management pertaining to the future.
- Differentiation in scenarios and not just variations on the same theme.
- Each scenario should facilitate decision-making.

According to Coates (2000:6) a company that effectively utilises scenario planning has three things in common, namely:

- A plan linked to the scenario planning process and outcomes from the process.
- Effective monitoring systems which allows the company to track the reliability of the plan as well as the key uncertainties and driving forces that may influence or trigger an alternative scenario and thereby requiring the management of the company to review their strategic plans. This enables a company to move from a reactive to a proactive state.
- The third and probably the most important aspect of an effective strategy is the buy-in of the management and the company's staff in the scenario planning process.

According to Dortmans and Eiffe (2004) the measure of effectiveness and success for scenario planning is not the capacity to accurately predict the future, but rather to anticipate and leverage change within a company to adapt, mitigate and take advantage of the changing business environment. The criteria and considerations for effective and successful scenario planning will be incorporated into the investigation in the context of multinational companies operating in South Africa as shown in Chapter 3 and the related appendices.

2.2.5 Using Scenario Planning

According to Schoemaker (1995) and Van Der Heijden (1997), companies can use scenario planning if they are faced with the following conditions:

- The level of uncertainties within the business environment in which the company operates is high.

- The industry sector in which the company operates has experienced significant changes or changes are expected in the near future.
- Historically the company had one or more costly surprises arising from changes and uncertainties within the business environment in which the company operates in.
- The strategic management process within the company is not effective and the level of strategies within the company is not adequate to introduce new opportunities for the company or mitigating the threats that the company might face within the business environment.
- Strategy planning within the company produces multiple strategic options and the management of the company is not in agreement about the prioritisation and implementation of these strategies.
- Competition within the company's industry sector is utilising scenario planning as an integral part of their strategic management framework.

Scenario planning can further be used in virtually any situation that the decision maker within a company needs to imagine or relate to possible changes within the future. It can also be used in terms of understanding how to adjust strategies to cover the potential uncertainties of the future (Schoemaker 1995). According to Coates (2000), the use of scenario planning in the business community has become popular due to the world becoming more complex and at the same time it presents larger elements of unfamiliarity to the management of companies.

Mietzner and Reger (2005:224-225) highlight that the use of scenario planning intends to provoke strategic thought in the company by removing obstacles to creative thinking and further aim to:

- Anticipate future threats and opportunities that the company might face.
- Foster strategic thinking and learning within the company.
- Facilitate the art of strategic conversation within the company.
- Enable the company's management to envisage a future state.

- Challenge or dispell assumptions within the company's management about the *"official future"*.
- Developpe multiple futures based on optimistic and pessimistic projections of past events.
- Create a rallying point for the company.
- Provide the leadership of the company with new initiatives or alternative directions.
- Create options for the company's leadership for decision making.
- Create frameworks for a shared vision of the future to influence organisational and individual behaviour within the company.
- Create an internal or external communication channel that transcends organisational boundaries, time and space.

2.2.6 Scenario Planning in Multinational Companies

Multinational companies operating across a number of countries are faced with complex conditions in terms of geography, political and economic conditions. It is this characteristic that is likely to make scenario planning a useful management tool. Many authors (Coates 2000; Goodier et al. 2009) suggest that multinational companies frequently develop global scenarios to enable them to handle uncertainties of global economics, political factors, social factors such as war among others. Coates (2000) further recommends that different business units of the multinational company ought to develop localised scenarios for their market which are then converged into or part of the global corporate scenarios.

2.2.7 Common pitfalls in Scenario Planning

Schoemaker (1998) identified common pitfalls with the use of scenario planning by companies. He divides these pitfalls into two categories namely: process and content. For this author, process pitfalls refer to the way that scenario planning activities are conducted and content pitfalls refer to problems with the quality of inputs into scenario planning activities.

Among the process pitfalls identified are:

- The failure of getting top management support from the company in utilising scenario planning.
- The company not using enough contributions from outside the company such as economists, regulators, customers, suppliers, etc. during the scenario planning process.
- Imbalance between the interaction and involvement of the company's strategy department and the departmental or business unit managers in the company. The question of who is ultimately responsible for the implementation of the strategy developed during the scenario planning process comes to the fore.
- Unrealistic expectations from the management of the company in terms of the outcome of the scenario planning process. It is critical for the managers of the company to understand the extent to which scenario planning is concerned with the long term and that the future cannot be extrapolated from the past, and finally that although basic trends can be identified there still remain key uncertainties that cannot be predicted accurately but only explored during the scenario planning process.
- The risk that the team involved in the scenario planning process develops too many different scenarios. Ideally the scenarios created should be less than five.
- Although the time investment from the management of the company towards the scenario planning process is not unlimited, a number of scenario planning exercises fail due to not enough time dedicated to the process. It is critical that the management of the company is willing to invest time for the scenario planning process.
- Failure by the company to link the scenario planning process to existing processes within their company. It is critical that the scenario planning process is linked to the strategic planning process as well as the budgeting process in the company.
- The failure of making the scenario planning process relevant and credible to the rest of the company, especially the people involved in the strategy implementation process.

In terms of content pitfalls, Schoemaker (1998) identifies the following:

- Failure by the scenario planning team to apply a long enough timeframe for the scenario planning process. These timeframes for scenario planning processes are typically in the high-end of the medium-term and long-term planning category, namely five (5), ten (10) or twenty (20) years depending on the industry and the type of company.
- The inability of the scenario planning team to look wider than just their industry, market and region during the process to identify key uncertainties and driving forces.
- Focussing too narrowly on current and emerging trends leads to a limited range of key uncertainties and driving forces during the scenario planning process, which therefore leads to a limited amount of outcomes for the company.
- The scenario planning team having a limited view of the uncertainties and driving forces during the scenario planning process or alternatively having "*Tunnel vision*". It is therefore critical that the company utilises external resources such as the expertise of economists to give them an idea of the current and emerging trends within the business environment in which they operate.
- The failure of the scenario planning team to consider the underlying factors that impact on common factors for the company such as interest rates, etc. It is critical that scenarios explore the underlying drivers of such factors, which also lines up with the fact that companies need to use external resources to assist them in understanding these driving forces.
- The scenario planning process failing in the company due to not challenging the existing mental frameworks and mind-sets of the company's management during the process. It is important that the scenario planning process assist the management to think outside the box.
- Failure of to make the scenarios relevant and dynamic enough to explain an alternative future to the rest of the organisation.

Kippenberger (1999:33) identified the following issues that can arise from especially the senior management team in the company, namely:

- Lack of commitment and no continuity through the view from management that a single scenario exercise means “*we’ve done that, so you can put it away now*”. Scenario planning needs to be a continuous process within the company.
- Persuading managers who like to work with certainty that they have to work with “*might be*” situations and still take the scenario planning exercise serious.
- The desire from management to argue about the detail, the numbers and the quantification issues rather than address the real questions being raised by the scenarios.
- “*Turf protection*” by the managers if the scenario outcomes seem to threaten particular activities, i.e. defensive behaviour.
- The desire by “*strategy formulating*” managers to avoid perceived loss of face by trying to show that their strategies will work in all scenarios.
- The danger of the scenario really challenging existing strategies which may face rejection by those who created it in the first place.
- The managers attempting to avoid confronting a future threat or risk, which is especially evident if team members seek comfort by dismissing scenarios as “*only something that may happen*”. The purpose of scenario planning is to create alternative futures for the company, which may be outside the mental frameworks of the managers.

In order for a company to successfully implement the scenario planning process, they need to be aware of the common pitfalls associated with implementing the process, as well as the potential reactions and resistance from some of the members of the management team.

2.2.8 Benefits of Scenario Planning

The benefits of scenario planning for a company according to Venable, Qing Li, Ginter and Duncan (1993) are that it encourages strategic thinking from the

company's management since the consideration of the scenarios lead to a response from the management team. According to Schoemaker (1995), scenario planning allows for a broader envelope to be drawn around uncertainties within the business environment.

Scenario planning further eliminates surprises to the management team since it allows them to understand the key driving forces of the environment that the company operates in. Although scenario planning is not aimed at achieving an accurate prediction of the future, it does assist management in reducing some of the uncertainty that the company faces (Venable et al. 1993).

Scenario planning also improves the overall communication and discussions between the management of the company, as well as between business units and departments as the scenario planning process is aimed at combining individual and group thinking about the future (Venable et al. 1993). The scenario planning process further serves as the input to the strategic plan of the company since scenarios are generated, discussed and adopted to develop specific strategic alternatives to address the alternative environments outlined and created in each scenario (Venable et al. 1993).

Well-constructed scenarios serve as inputs to the strategic management framework of the company. Since scenarios are created, discussed and adopted by the management of the company, it is through this that specific strategic plans can be developed to address each scenario identified and prioritised (Schoemaker 1995; Van Der Heijden 1997; Chermack 2007; Gustke 2009). These alternative futures created during the scenario planning process serve as the foundation for the formal planning process in the company (Venable et al. 1993).

Scenario planning further allows the management of the company the opportunity to move from a reactive state to a proactive mind-set within their business environment. This occurs because the management of the company is forced to look ahead in every direction within their business environment (Gustke 2009).

Scenario planning further assists the management of a company to challenge deeply rooted cultures, beliefs and obstacles since it allows for organisational learning. This organisational learning equips management to strategically adapt quicker to changes within the business environment (Van Der Heijden 1997; Ryan 2008; Gustke 2009).

According to Coates (2000), none of the benefits of scenario planning can be realised within a company unless that company has the willingness to change. Further, the willingness to change must be supported and continually reiterated by the management of the company (Coates 2000).

2.2.9 Critique of Scenario Planning

Chermack et al. (2001) suggests that limited expertise is one of the reasons that make scenario planning unavailable to many companies. This is so because of limited knowledge of the scenario planning process which not only results in information with no real substance or use, but also potentially leads to management and other role players not considering the complete scenario planning process as useful (Chermack et al. 2001).

Scenario planning can be an expensive effort, as it requires a substantial investment of resources, not only financial but also in terms of the time and effort of the company's executives and top management (Ryan 2008; Wright et al. 2008; Visser and Chermack 2009). Without adequate support, buy-in and the investment of time in the scenario planning process by the management of the company, the process is a wasted effort and will die a natural death (Coates 2000).

Resources are not only utilised during the initial scenario creation process. For companies to maximise the benefits of scenarios, it is necessary for the company to regularly test the validity of the scenarios by reviewing whether these are plausible. Further, it is important to ascertain whether the importance rating of key uncertainties and driving forces during the initial scenario planning process are still valid (Gustke 2009).

Scenario planning is also often misunderstood by people in the companies and is often confused with traditional forecasting processes utilised during budget preparation meetings, sales forecasting meetings, etc. (Gustke 2009). Scenario planning aims at describing what *might* happen and not what *will* happen (Marchais-Roubelat and Roubelat 2008). The credibility of the scenario planning process is further destroyed through the ineffective inclusion of the scenario planning documents as an integral part of the company's on-going strategic planning and budgeting process (Van Der Heijden 1997; Gustke 2009).

Further to the critique above, the scenario planning process can be limited through the inability of the company's management team to step outside of their mental frameworks. This leads to an uninteresting and relatively limited range of future possibilities which influences the credibility and relevance of the scenario planning process to the company (Gustke 2009). The process then appears to be an unnecessary waste of time for the management and other team members of the company (Coates 2000).

2.2.10 Forecasting versus Scenario Planning

According to Raspin and Terjesen (2007:4), forecasting differs from scenario planning in the following ways, namely:

- Forecasting focuses on a dominant view of the future market and business environment whereas scenario planning offers multiple and alternative views.
- In general, forecasting relates directly to the achievability of the next one to three years of sales and forecasting, whereas scenario planning is aimed at five years or more.
- Forecasting leads to the development of a single strategic plan based on the single dominant view of the current and emerging trends within the company's market and business environment.
- Scenario planning is much more of a qualitative descriptive method opposed to forecasting which is financially oriented and based on the current financial situation of the company.

- Forecasting is created within an intensive short term effort by the management of the company versus the extensive investment of time by the management of the company during the scenario planning process.

Raspin and Terjesen (2007) further state that the true power of scenario planning might not be directly related to forecasting, but they assert rather that the true power of scenario planning lies in the value of interpreting the environment, and that well-constructed scenarios help managers of companies to develop their “*sense-making*” skills by framing and reframing the business environment in which they operate. According to Mietzner and Reger (2005) scenario planning should provide companies with various possible futures and not forecast the future.

2.3. South African Scenario Planning Framework

There is a very influential scenario planning approach developed by local strategic planning consultants Clem Sunter and Chantell Illbury. Their jointly developed scenario planning framework, called the “*Foxy Matrix*” aims to assist companies with scenario development.

The proponents of this approach claim that their matrix enables companies to align and combine the scenario development and strategic conversations about the future (Ilbury and Sunter 2001). The process of mapping out a set of scenarios for a company to consider future strategies are indicated in Figure 3, The “*Foxy Matrix*” (Ilbury and Sunter 2001).

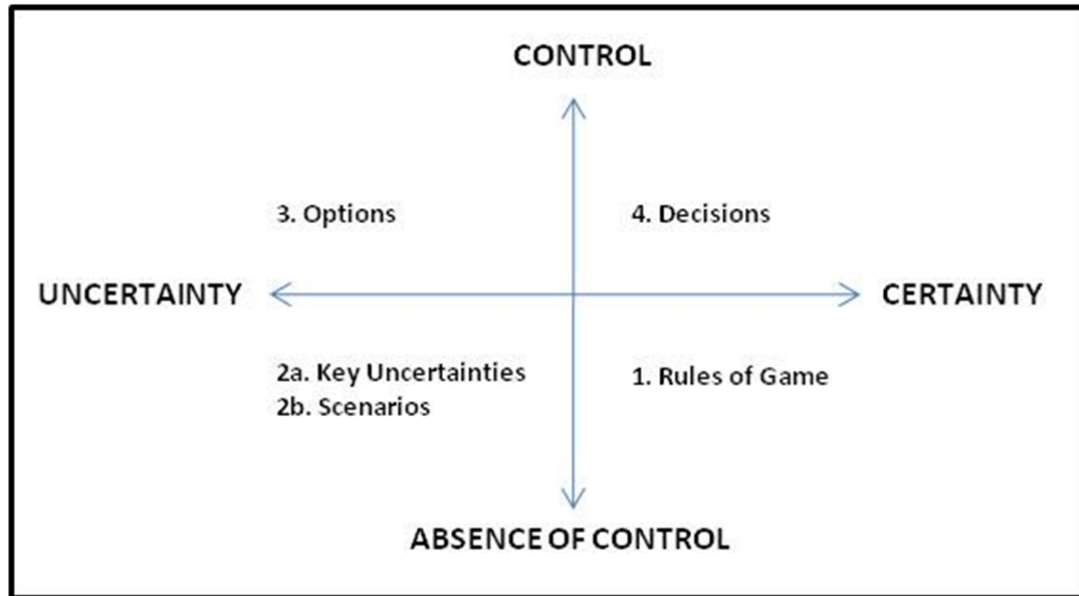


Figure 3: The “Foxy Matrix” (Ilbury and Sunter 2001).

When companies use the “Foxy Matrix”, they start the process in Quadrant 1 (Rules of the Game) and work clockwise towards Quadrant 4 (Decisions) (Ilbury and Sunter 2001). It is necessary to consider each quadrant individually:

Quadrant 1: Rules of Game

The rules of the game refer to the certainties within the environment in which the company operates over which they have no control. In other scenario planning documents it is also called the “*predetermined elements*” (Ilbury and Sunter 2001). It is critical for a company to understand the changes within the world as a whole, the country or countries in which the company operates, the market which they serve and the company's future competitive position within these markets over the chosen time horizon (Ilbury and Sunter 2001). Factors to consider during the review of the “*predetermined elements*” are societal, technological, economic, environmental, political and regulatory (Godet 2000; Peterson et al. 2003; Khanna, Palepu and Sinha 2005).

Quadrant 2a: Key Uncertainties

The key uncertainties are also referred to as “*driving forces*” - these are uncertainties or unknown forces impacting on the environment in which the business operates over which they have no control (Ilbury and Sunter 2001). These key uncertainties need to be ranked by the scenario development team and whittled down to the most critical and highest impact of uncertainties (Ilbury and Sunter 2001).

Quadrant 2b: Scenarios

Plausible and relevant scenarios are developed from these key uncertainties identified by the scenario development team (Ilbury and Sunter 2001).

Quadrant 3: Options

Following on from the scenarios developed in Quadrant 2b, the scenario development team needs to identify options presented to the company by each scenario and uncertainty (Ilbury and Sunter 2001). The formulation of options is crucial and allows the company to operate with a higher level of control in an uncertain environment (Ilbury and Sunter 2001).

Quadrant 4: Decisions

This is the phase in which strategic decisions are made by the company, based on the preferred scenario and the preferred options developed relating to this scenario (Ilbury and Sunter 2001).

Using the “*Foxy Matrix*” enables companies to establish the driving forces and key uncertainties within their business environment so that they can develop strategies that will mitigate and take advantage of opportunities and threats that

they might face in terms of their business environments (Illbury and Sunter 2001).

2.4. Scenario Planning and Strategic Management

In a dynamic and complex world economy, with increased globalisation of companies beyond their traditional business boundaries, strategic management is a vital process in securing a competitive advantage for any company (Khanna et al. 2005).

2.4.1 Strategic Management

Strategic management according to Louw and Venter (2006), is concerned with the development of effective strategies that balance a company's resources and capabilities, values and goals with its external environment. In so doing, the management of the company establishes a clear strategic direction for the company and a means of achieving this strategy in the long-term. This achievement can take place through the implementation of a chosen strategy in such a manner that the company's entire structure, as well as its decision-making and activities are integrated to achieve effective performance (Louw and Venter 2006).

Within the global competitive arena, a company cannot only rely on a budget-oriented or forecasting-oriented planning method to survive (Mintzberg 1987; Mintzberg, Lampel and Ahlstrand 2001). It is critical for a company to implement a strategic management framework to define strategic objectives in line with the internal and external changes that the company is experiencing (Khanna et al. 2005).

The strategic planning process typically includes defining the vision, mission and objectives of the company, conducting an environmental scan (both internal and external of the company), formulating a strategy, implementing the strategy, and a continuous evaluation, control and assessment of the strategy against the actual business operating conditions to ensure that the company remains on track with their long-term objectives (Eisenhardt and Sull 2001).

The aim of a strategic management framework is to generate a competitive advantage for the company, and the success of this process will be determined by how well the company implements strategic management principles (Mintzberg 1987). According to Louw and Venter (2006), the strategy of a company can be deliberate, intended but unrealised or emergent, and can exist on different levels within the company namely corporate, business unit or functional unit.

Companies utilise a number of strategic tools during the strategy formulation process. The most prominent of these is the SWOT analysis. This analysis requires that the company identifies its strengths and weaknesses through an internal analysis of the company, as well as the identification of the opportunities and threats that the company faces within their industry space through an external analysis (Simkin and Cheng 1997).

Companies further utilise the PESTLE (political, economic, socio-economic, technology, legal and environmental) analysis method to review the external macro-environment in which the company operates in. Utilising this method enables companies to identify factors over which they have no control, but it could drastically impact on the business activities of the company should the management of the company not understand and align their business strategy (Mintzberg 1987; Simkin and Cheng 1997; Mintzberg et al. 2001). This becomes a complicated process for a multinational company since the macro-environment has some similarities across countries although the majority of the factors are often unique to a specific country (Khanna et al. 2005). The strategic plan needs to incorporate some of these aspects at a country business unit level, and be aligned with the overall objectives of the corporate globally (Adarkar et al. 1997).

According to Prahalad and Hamel (2003) a company's competitiveness in the short-term is derived from the price or product attributes of their current products. However, the real sources of long-term competitiveness are derived from management's ability to empower businesses to adapt quickly to changing opportunities and threats from and in their competitive environment. It is therefore critical for the company to develop a strategic architecture that will

make resource allocation a transparent priority of the company or organisation. This will, in turn provide the management of the company with a framework for allocation decisions in reaction to the changes within in their competitive environment. According to Javidan (1998), a company benefits from incorporating a systematic and methodical analysis of its resources, capabilities and competencies in their strategic planning process.

Scenario planning has become a popular strategic planning tool, mainly due to the increasing complex business environments in which companies operate and the associated uncertainties from the changing environments (Schoemaker 1995; Schwartz 1996; Van Der Heijden 1997; Schwarz 2008; Visser and Chermack 2009).

2.4.2 Scenario Planning and Strategic Management

According to Faber, Idenburg and Wilting (2007) the scenario planning process offers explorations rather than predictions, therefore making scenario planning a useful tool for strategic planning and anticipating on future developments. Scenarios serve as a common set of assumptions around which strategic planning can take place (Venable et al. 1993). As the management team develop specific strategic alternatives to address each of the environments outlined in the scenarios, these alternatives serve as the inputs to the strategic plan and the foundation for the formal planning process (Venable et al. 1993).

Grant (2003:499) proposes a generic strategic planning cycle (Figure 4 below), which, despite differences between companies' terminology used and their planning processes, indicates scenario planning as a tool within this strategic planning cycle of a company.

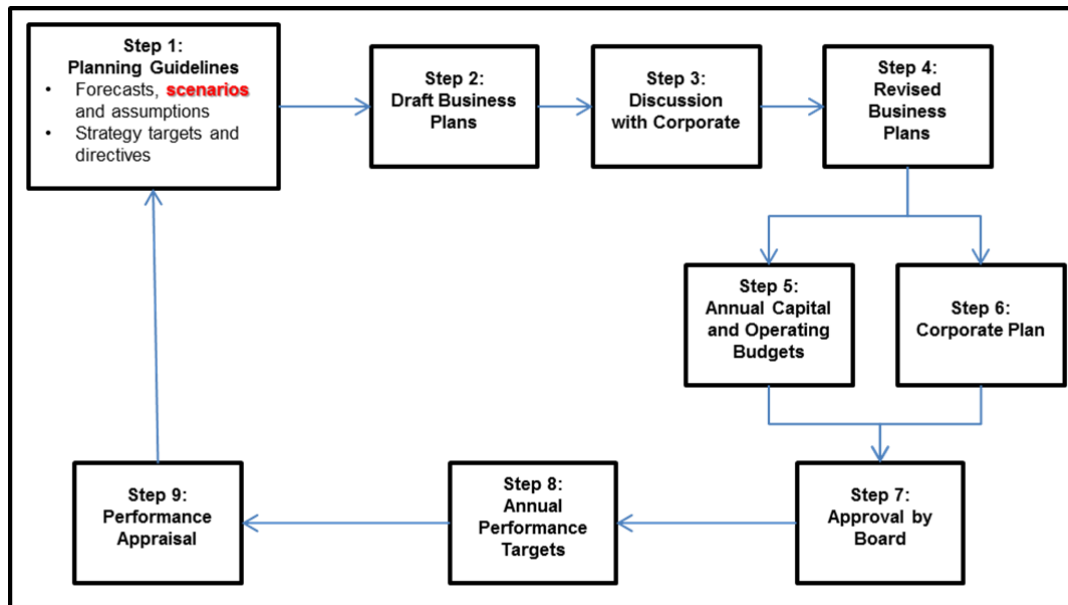


Figure 4: The Generic Strategic Planning Cycle (Grant 2003:499).

Van der Heijden (1997:2) states that “the scenario planning approach to strategy is one of the most powerful tools available to management for carrying out this responsibility”, but the process requires the management of the company to be continuously and actively involved.

2.5. Conclusion of Literature Review

In essence, the strategy of a company concerns the company and its environment. Effective strategies are important to value creation for all stakeholders and the strategy of the company provides direction, focuses effort of the resources and provides consistency to the company (Schwarz 2008). Strategy is not something cast in stone at the beginning of a year by the management of the company, but it is a working and living plan that the organisation utilises to respond to changes within their industry’s environment (Van Der Heijden 1997). The formulation of the strategy is just as critical as the execution, implementation, and assessment and control of the strategy (Mintzberg 1987; Mintzberg et al. 2001).

In order for strategies to be effective, management needs to develop a robust strategic management process that will give the company a sustainable

competitive advantage in the long-term (Louw and Venter 2006). Whatever the strategy decided on, it is critical that the strategy fits the company and gives them a competitive advantage that boosts the performance of the company by adding value for all stakeholders (Mintzberg 1987).

The management of the company also needs to implement a method of dealing with the great degree of uncertainty that is present in the global market place currently (Coates 2000). According to Courtney, Kirkland and Viguerie (1997) the traditional approach to strategy lies in the assumption that by applying a set of powerful analytic tools, executives can predict the future of any business accurately enough to allow them to choose a clear strategic direction. This tends to break down when the environment is so uncertain that no amount of good analysis will allow them to predict the future (Courtney et al. 1997).

The different levels of uncertainty that confront managers requires a new approach to strategy. Scenario planning therefore forms a critical part of the tools used in the strategic management framework (Schoemaker 1993; Schoemaker 1995; Courtney et al. 1997). There are a number of processes described by practitioners and academics on how the scenario planning process must be conducted and what the steps are. However, considering the majority of the scenario planning approaches, the only real variance is the amount of steps included in the process. This is similar to the process explained in the *"Foxy Matrix"* (Illbury and Sunter 2001), which is widely accepted as a South African scenario planning process. In order for the management of the company to fully benefit from the process, it is required that senior management commits resources, as well as their own time to the process, and that the scenario planning team steer away from the process and content pitfalls identified by Schoemaker (1993), as this will impact on the relevance, plausibility and credibility of the scenario planning process. The failure of the management team to commit to the scenario planning process will lead to the overall failure of the scenario planning process.

The scenario planning process enables the management of a company to develop strategies that will suit a number of different future scenarios that the company might face in the market. Further, it is critical that these scenarios are

associated with certain triggers / points that will enable the management of the company to identify possible changes in the strategy of the company to suit the associated changes in their industry (Schoemaker 1995; Van Der Heijden 1997; Peterson et al. 2003).

In light of the compelling evidence on increasing use of scenario planning and its potential importance for multinational companies, this research will now explore this issue in the specific context of South Africa.

The research question arising from the literature review and the context is as follows:

Research Question:

Do multinational companies based in South Africa utilise scenario planning as part of their strategic management framework?

The findings on this research topic will shed light on an important aspect of management practice of companies operating in South Africa.

CHAPTER 3: RESEARCH METHODOLOGY

This section of the research report outlines the qualitative research methodology, the research design and the research instrument that was used during the undertaking of this project. The research methodology section of the report will also address the collection, the analysis and the interpretation of the data. The section will also outline the validity and reliability of this research report.

3.1 Research paradigm and design

The study used qualitative methodology to explore the integral use of scenario planning as part of the strategic management framework for multinational companies based in South Africa.

A qualitative research methodology was selected because it has the following strengths (Johnson and Onwuegbuzie 2004), namely:

- data is based on respondents' own categories of meaning;
- is useful for in-depth studying of a limited number of cases;
- also useful for describing complex phenomena;
- enables the researcher to conduct cross-case comparisons and analysis;
- provides an insider's viewpoint i.e. an understanding and description of respondent's personal experience of a given phenomenon;
- can help in describing phenomena as situated and embedded in local contexts and;
- data is usually collected in naturalistic settings.

The study followed an in-depth gathering of data based on respondents' own interpretation of strategic planning frameworks used in their multinational companies. The study further sought to understand the use of scenario planning in their strategic management frameworks. It therefore leverages the strengths of the qualitative research methodology.

Data was collected using semi-structured face-to-face interviews which lasted at least one hour. The face-to-face interviews enabled the researcher to take advantage of social cues from the participants (e.g. voice and body language). With the permission of the respondents, a tape recorder was used during the interviews to record the responses from the respondents to the open-ended questions (refer Appendix A).

This process enabled the researcher to have an accurate record of the interview for the formulation of a detailed transcript without having to detract the researcher's attention during the interview by recording detailed responses, which is in line with the recommendations from Opdenakker (2006) on qualitative research.

3.2 Respondents

The study collected data from thirty (30) decision-makers of multinational companies based in the South Africa. All the respondents were at executive level and based at multinational companies operating in South Africa. The respondents were identified and selected based on their current roles and responsibilities within the firm, namely: Chief Executive Officers, Strategy Executives and Business Development Executives, as well as their willingness to participate in the study.

Respondents were requested to participate in an interview scheduled to suit the time and place of the respondent's choice. In cases where the original candidate was not available, the researcher requested a suitable respondent to participate in the interview.

The research instrument was an interview protocol consisting of ten (10) open ended questions (see Appendix A). As shown, the first section of the questionnaire was aimed at collecting data on the current strategic management framework used in the company and it further sought to explore the impact of the multinational strategy on the formulation process of the company. The second section of the questionnaire was aimed at obtaining an understanding of whether scenario planning was utilised by the company during

the strategy formulation process and what the respondent's view was on the use of scenario planning as a part of the strategy formulation process. The final section of the questionnaire was aimed at obtaining an understanding whether the respondent would make changes to the current strategic management framework of the company and whether these changes would include the incorporation of scenario planning.

The advantage of the interview questionnaire was that it offered the respondents an opportunity to view their own views on the strategic planning framework used in their respective multinational companies. The potential disadvantage in terms of confidentiality was overcome through naming the respondent A through to Z and the final four (4) as AA, BB, CC and DD (refer to Appendix C).

3.3 Data analysis and interpretation

Following the interviews, transcripts were prepared from the recorded responses and the field notes compiled by the researcher. The data analysis procedure applied on the detailed transcripts was in line with the three concurrent flows of activity described by Miles and Huberman (1994), namely: data reduction, data display and conclusion.

The patterns and themes identified from the detailed transcripts were coded in the data reduction process, and tabulated in a matrix (refer to Appendix C) which represents the respondents' views of the themes being investigated. These were in line with the recommendations of Miles and Huberman (1994). Once the matrix had been completed, the inferences and conclusions were made from the major points of interest from the different respondents and were offered as comparisons. These comparisons were contrasted to highlight the major themes and trends emerging from the data analysis in line with Miles and Huberman (1994).

3.4 Limitations of the study

The study explored a specific management practice as implemented by multinational companies based in South Africa. These findings are not generalisable although the insights can shed light on a significant aspect of management practice in multinational companies based in South Africa.

3.5 Validity and reliability

3.5.1 External validity

External validity is concerned with the ability to generalise from the study to a larger population (Kalof, Dan and Dietz 2008). The research design seeks to explore a specific management practice in a narrow context and does not aim for generalisation. However, the findings are interesting and significant because they serve to establish whether South African management practices and management practices of firms operating in South Africa are in line with general patterns outside of this country.

3.5.2 Internal validity

Internal validity ensures that the data collection process is uniform. This study ensured the internal validity of the data through a consistent interview approach by utilising a research instrument consisting of ten (10) open-ended questions (refer to Appendix A). The study further drew appropriate conclusions from the data collected, through data reduction, data display and conclusions (Kalof et al. 2008).

3.5.3 Reliability

Research is considered reliable if similar findings are revealed consistently in repeated applications of the research (Kalof et al. 2008). In the context of this research, reliability has been affected by the subjectivity of the respondents.

However, efforts were taken to maximise reliability through a well-formulated research design prior to the start of the interviewing process.

3.6 Conclusion

Data was gathered from thirty (30) respondents through one-hour-long interviews using ten (10) open-ended questions (refer Appendix A). These questions were aimed at obtaining an understanding of what the respondents' strategic management framework consisted of and how the multinational strategy formulation was handled within this strategic management framework. With each interviewee, the interview further aimed at establishing whether scenario planning formed an integral part of the multinational company's strategic management framework. This aided in gaining an understanding of the respondent's view of the scenario planning process, as well as whether the respondent would want to change anything related to the strategic management framework used within his or her company. Further, the research was interested in establishing whether the multinational company would be open to including scenario planning in the future.

The interviews were recorded with the permission of the respondents and detailed transcripts compiled from these recordings. Through data analysis and reductions, themes were identified. The results of this process will be presented in Chapter 4 of this research report.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

This chapter starts with a description of the demographic profile of the respondents who were interviewed during the data collection phase of this research. This is followed by a presentation of the results. The chapter concludes with a summary of the results. Refer to Appendix C for Data Matrix utilised for data reduction and conclusions.

The results are presented in four (4) themes, namely:

- Strategic management framework
- Scenario planning and strategic management
- Dealing with uncertainty
- Clem Sunter's *"Foxy Matrix"*

4.2 Demographic profile of respondents

In total, thirty (30) executives of multinational companies based in South Africa were interviewed; the profile of these executives in terms of their roles and responsibilities is provided in Table 1 below:

Table 1: Profile of respondents

Description of respondent type	Number interviewed
Chief Executive Officers	12
Executive Directors	5
Executives	13

Table 2 provides the scope of industries represented by the firms from which the thirty (30) respondents were drawn. The respondents represented eleven (11) industrial sectors in total.

Table 2: Industry profiles of respondents

Description of Respondent's industry type	Number interviewed
Banking and Financial Services	4
Chemical and Petrochemical	4
Construction	3
Food and Beverage	1
Logistics and Supply Chain	5
Manufacturing	3
Mining	4
Pharmaceutical	2
Pulp and Paper	1
Retail	2
Telecommunications	1

The respondents interviewed represent the correct profiles of decision makers in the company. The respondents were selected from a wide spectrum of industries represented in South Africa, thereby removing bias from one industry type.

4.3 Strategic Management Framework

All thirty (30) respondents reported having formal strategic management frameworks in place within their companies. These results suggest that strategic management frameworks are commonly used for strategy development activities in multinational companies.

All the respondents reported that their strategic management framework generally consist of the following activities, namely:

STEP 1: Identification and review of the company's vision and mission statements for alignment to future business activities for the company.

STEP 2: Conducting an environmental scan of the company's external environment.

The respondents interviewed reported that their companies review the global environment for changes, current trends and emerging trends. There was generally an indication of heavy reliance on external experts, such as economists, to inform the companies of these changes and trends. The external experts used by the respondents are generally associated to the company through existing financial and banking services. Respondents from the financial and banking services industry relies on their own internal resources.

In addition to undertaking reviews of global trends, companies often undertook local review of the region or countries in which they operate. All the respondents emphasised the importance of regional and/or country management to be well informed of the environment in which they operate, as emphasised by Respondent C (2010), who stated: *"They are closer to their markets"*.

The respondents reported that their companies undertook analyses that covered factors such as: political, technological, social, regulatory, economic and environmental changes and trends. An overwhelming majority of respondents utilise PESTLE Analysis; 8 out of 30 respondents referred to this activity as establishing the *"Rules of the Game"* in line with Clem Sunter and Chantell Illbury's *"Foxy Matrix"*.

For the respondents, the aim of the environmental scan is to determine the key uncertainties that the company might face within the business environment.

STEP 3: Review and analyse the changes and trends within the industry sector and market in which the company operates.

Most of the respondents reported that their firms undertake competitor analysis and customer analysis as part of this process. The most common technique used in this step was the Porter's Five Forces model for the review of the industry, market and competitor changes and trends.

STEP 4: Conduct a SWOT analysis to review the strengths, weaknesses, opportunities and threats that the company faces within their business environment based on the changes, trends and factors identified during the environmental scan, competitor analysis, customer analysis and industry analysis.

STEP 5: Conduct a product portfolio analysis to review and identify potential growth and expansion opportunities within the current product portfolios and any new product developments to align the resources of the company with the changes, trends and factors identified.

STEP 6: Develop a strategic plan based on the activities above.

STEP 7: Link financial plans to this strategy with a major focus on resource allocation.

Review of resource allocation is focused on, especially capital allocation to support growth and expansion activities. The availability of capital to expand the business opportunities were highlighted by all the respondents as one

of the most important strategic objectives of the executive management of a company.

In terms of how these strategic management processes were implemented, the most typical approach was for senior executives to take the lead and draft guidelines that were then cascaded down within the companies. The strategy and the financial plans are rolled up within the group from the different business units, divisions, country operations or regional operations to formulate a Group strategy.

This process is summarised as follows by Respondent E (2010) who is an executive in the pharmaceutical industry:

“So we start with a typical environmental analysis, what's going on around us, it is more outwards, and we gather economic data and we look at the market and the competitors. We do all the usual Porter's Five forces and SWOT analysis. So the corporate strategy is unravelled and then we look at people and processes, systems, etc. and we set broad goals for the company and the business units take those broad goals and they push it right down all the management levels to come up with strategies that fit the broad goals” (Respondent E 2010).

The decision making process in the majority of the companies saw combined strategy and financial plans being reviewed by Group Executive teams before being submitted to the Company's Board of Directors for approval.

In addition to having very similar general processes, the strategic management frameworks of all the companies surveyed had a number of features in common. For example, all the firms adopted planning horizons that are typically three (3) to five (5) years rolling. The exception to this finding was in the pharmaceutical and mining industries in which the planning horizon is five (5) to ten (10) years, due to the different regulatory and capital investments that these companies need to consider. All the respondents did however stress the importance of considering the medium-term as well as the long-term planning horizons within their strategy development process.

4.4 Scenario Planning and Strategic Management

Thirteen (13) respondents reported using scenario planning as an integral part of their strategic management framework. However, when asked to explain the scenario planning process, it was established that only three (3) of the thirty (30) respondents utilise the scenario planning process as defined in the literature review. From the remaining ten (10) respondents, two (2) refer to financial forecasting as scenario planning, and the other eight (8) respondents refer to scenario planning as considering the *“Rules of the Game”* as scenario planning, but only utilise the *“Rules of the Game”* portion of the scenario planning process introduced by Clem Sunter and Chantell Illbury as environmental scanning tools. In other words, they do not use the rest of the scenario planning process referred to as the *“Foxy Matrix”*.

The three (3) respondents that utilise scenario planning as an integral part of the company's strategic management framework represents only 10% of the total respondents interviewed.

Advanced Use

One (1) of the respondents that reportedly makes use of scenario planning as an integral part of their strategic management framework, utilises the complete *“Foxy Matrix”* process of Clem Sunter and Chantell Illbury. The other two (2) respondents use a more detailed technique that is similar to the conceptual process described in the literature review.

Although the respondents refer to two different scenario planning processes, there was a great deal of similarity across the three (3) advanced applications of scenario planning. It was found during the analysis that the processes described only differ in the number of steps identified by the respondents. The scenario planning processes utilised by the respondents are:

- The first action is to establish the key factors or certainties within the business environment over which the company has no control.

This is done on various levels - country, regional and global. The factors considered are: societal, technological, economic, environmental, political and regulatory.

- Establish the key uncertainties that the company are facing in their respective business environments. These key uncertainties are ranked in order of importance by the executive team, so that the most important key uncertainties for the executives are identified.
- Develop scenarios related to these key uncertainties, and in total four (4) scenarios are developed by the team. The respondents then compile narratives based on these scenarios.
- Develop actions and options available to the company for each of the scenarios developed and also include the certainties or predetermined elements contained in these scenarios.
- Make strategic decisions based on the chosen scenario and also to identify key indicators which the company monitors on a monthly basis. This monitoring phase helps to establish whether the chosen scenario is still in play or whether one of the other alternative scenarios developed are coming into play for the company.

The advantages and benefits of using scenario planning, according to the advanced users of scenario planning are as follows:

- brings a structured approach to the overall strategy development process of the company.
- challenges the executives and managers in the company to think and act outside of their normal mental frameworks.
- broadens the scope of the strategic management framework.
- enables companies to better identify trends and key uncertainties within business environments
- facilitates improved insight into the external business environment rather than having to assess the environment through the more traditional PESTLE and SWOT analyses methods.

- detailed scenario plans enable companies to react faster to changes, trends and key uncertainties identified within their business environment.

According to the three (3) respondents, the implementation and use of scenario planning is very difficult at the beginning. In addition, they indicated that a lot of work needs to be done to convince and obtain the buy-in of the entire executive team in the process of scenario planning. As an illustration, Respondent B (2010) stated the following:

“Well I need to be honest with you, when you are in a bull market, your appetite to look at scenarios is far lower and your ability to implement it effectively and regularly in the business is far lower” (Respondent B 2010).

It was noted that all of these advanced users had a dedicated strategy department within their companies that facilitates the processes related with planning. Two (2) of the advanced users do so, on the basis of a directive from the European majority shareholder. The other respondent used to be a consultant conducting scenario planning exercises before joining the multinational company as head of the strategy department.

Limited Use

As previously reported, a total of seven (7) respondents only use the “*Rules of the Game*” portion of Clem Sunter and Chantell Illbury’s “*Foxy Matrix*” for environmental scanning (note one (1) respondent uses the complete process). These respondents do not use the rest of the scenario planning process as defined in the literature review. The respondents view the “*Rules of the Game*” as a very helpful tool to them during their strategy development process.

However they do acknowledge that they do not view the rest of the “*Foxy Matrix*” as value adding and highlighted same corresponding advantages as the Advance users of scenario planning, namely:

- challenges the executives and managers in the company to think and act outside of their normal mental frameworks.
- broadens the scope of the strategic management framework.
- enables companies to better identify trends and key uncertainties within business environments
- facilitates improved insight into the external business environment rather than having to assess the environment through the more traditional PESTLE and SWOT analyses methods.

The respondents further acknowledged that they would not consider implementing the rest of the “*Foxy Matrix*” within in their strategic management frameworks.

No Use

Twenty (20) respondents do not use scenario planning in their strategic management frameworks. This reluctance was attributed to the following factors:

- the long timeframe required to complete the process and,
- the need for a commitment of resources to the process, especially from the executive team of the company.

This lack of enthusiasm for scenario planning is illustrated by Respondent X (2010) who reflects the following on his experience with a scenario planning exercise, namely:

“At that (beginning) stage it was extremely interesting, we thought it was going to be a simple exercise, but it was almost an impossible task. In the end we kind of took a broad view, the world is going to be better or worse, but I think we would still be arguing about the drivers and the relationships. If we did not decide on this route we would probably still be busy with the process” (Respondent X 2010).

The respondents interviewed generally do not consider scenario planning as adding value and do not see a need to implement scenario planning in their current strategic management framework. Respondent N (2010) stated: “That is how we run our business and there is no need for the blue sky stuff”. Scenario planning was perceived to be a distraction that would deflect focus from actual results and running their businesses.

Some respondents also referred to the different stages of the company’s lifecycle they currently find themselves in as a reason for not using scenario planning. The views expressed from the different respondents were however inconsistent, with one respondent considering his company to be too young and another respondent regarded his company as being too mature, for example:

“We are also far less structured strategy and scenario planners than entrepreneurial since we are a young company, only 3 years old” (Respondent AA 2010).

“The industry is very mature so the options in terms of the different scenarios are concerned with in the broader industry are settled and there are no huge scenario changes that might take place” (Respondent I 2010).

This section has shown that based on respondents’ interviews, scenario planning is not utilised very enthusiastically, if at all.

4.5 Dealing with uncertainty

All thirty (30) respondents reported that they had made attempts to consider and understand the uncertainties in their business environment in their strategic management framework. The respondents further stated that understanding the uncertainties that the company faces is critical for successful strategy development and implementation. In order to deal with uncertainties in their business environments, the majority of respondents utilise PESTLE and Porter’s Five Forces models to establish uncertainties related to the following

factors: political, technological, social, regulatory, economic, environmental, industry, market, competitors and customers.

The respondents further utilise external resources such as economists to assist them with understanding uncertainties, challenges, trends and changes that might be faced within the business environments. The external resources used by the respondents are typically part of their existing financial and banking services. These external resources however tend to focus on economic changes, with special focus on forecasts of the dynamics in the larger economies of the United States of America, Europe, China and India. The forecasts also take into account the potential impact of the forecasted changes on the South African economy, as well as the other geographical areas that the company operates in or are considering to enter as part of their strategic growth objectives. According to Respondent H (2010), it is “critical to get the understanding of the economist’s view of the international economic environment”.

The external experts do not give adequate information to the respondents on other aspects like societal, political, technological and regulatory factors that may also impact on the companies through the business environments in which they operate. In order for the respondents to overcome the uncertainties within the other geographical areas in which they operate in, a very high level of reliance is placed on the information sharing and transfer from the local management team within the geographical area to the executives of the group company.

The respondents further rely on sensitivity analyses of their financial budgets and plans in order to try and understand what the impact would be of changes in exchange rates, revenues and costs, etc., should these occur. A number of respondents also refer to stress testing their financial plans.

According to the respondents, risk management processes ought to form an integral part of a strategic management framework, as this process assists them with mitigating risks that they might face. The respondents however focused on the high impact high probability events. They further also acknowledged that

they do not place enough emphasis on medium and low probability events but those with a high impact on the company. This can be referred to as “black swan” or “wild card” events. One (1) respondent stated that the only change they want to incorporate in their strategic management framework in future is the risk management process.

All the respondents reported an interest in techniques that would assist with predicting and understanding potential “black swan” or “wild card” events within the business environment. All the respondents referred to the impact of the global banking crisis and the volcanic ash cloud over Europe in April 2010 that halted the air transport industry. Some of the respondents are implementing risk management processes as an integral part of their strategic management framework to try to understand the impact of risks that have a lower probability of occurring but, should they occur, would have a high impact on the business. Examples of these include: the collapse of the Chinese Economy, war in the Middle East and Asia, collapse of the Euro zone, etc. Although the respondents are trying to identify these events and the impact of these events on their businesses, they are uncertain of how to include these in their strategic management framework.

The majority of the respondents feel that while these discussions are intellectually stimulating, they are not in favour of including these in their strategies. It is worth noting that the respondents using scenario planning include these events, and try to mitigate some of these events. Even in these firms, the respondents move cautiously about the extent to which they have effectively developed action plans.

Overall in this sample there is no real understanding of how to include “black swan” or “wild card” events within strategic management frameworks. Therefore, the majority of the respondents are of the view that they will deal with these events as and when they occur.

4.6 Clem Sunter's "*Foxy Matrix*"

Considering the three (3) respondents in the sample that use scenario planning, only one (1) makes use of the entire "*Foxy Matrix*" process within their multinational company. The other two (2) respondents who make use of scenario planning are using an approach that is more detailed than the "*Foxy Matrix*". These two (2) respondents do not refer to their process as in any way linked to Clem Sunter and Chantell Illbury.

In addition, eleven (11) respondents reported that Clem Sunter or Chantell Illbury had previously conducted presentations on the use of the "*Foxy Matrix*" at their companies. The respondents all believed that the approach led to a very intellectually interesting discussion, but that they do not view the process as value adding to their companies. Seven (7) respondents are still using the process, and even then the application is limited to the development of the "*Rules of the Game*" for the purpose of conducting an environmental scan of the industry and business environment in which they operate.

Four (4) respondents that encountered Sunter's approach did not continue to utilise the process as part of their strategic management framework, citing concerns around the time occupied through the process, especially of busy executives of the company that are tied up in the process. Responses to the scenario planning process as defined by Clem Sunter are as follows:

"Frankly I think most people get turned off with that kind of Clem Sunter process, we don't sit down and dream about the future" (Respondent J 2010).

"I think if you are Clem Sunter and you look at the world and you have no direct responsibilities, scenario planning is great. This is because no one really has to take a great decision at the end of it. You put it out there and people can take it for what it is worth" (Respondent X 2010).

Generally the respondents view the "*Foxy Matrix*" as an intellectually interesting discussion but do not see any value adding aspects to it for their companies.

4.7 Summary of the results

The sample of respondents all had a formal strategic management framework in place however they rely on different methods to identify and manage uncertainties within their business environment. The preferred methods include PESTLE and Porter's Five Forces, which are used to scan the environment to identify uncertainties and factors that might impact their business. All the respondents further confirmed the importance of understanding changes and trends that emerge within the business environment. However, the majority of the respondents rely on external experts, such as economists to inform them of changes and trends within the local and global markets. These external experts tend to focus only on economic factors such as the exchange rate, commodity prices, growth rates, etc. and do not adequately inform the company about other factors such as societal, technological or political.

In order for the respondents to understand the impact of the economic changes on their business, they all rely on conducting sensitivity analyses or stress testing of their financial budgets and plans. The sensitivity analysis is primarily related to upward or downward fluctuations in the exchange rates, revenues and costs.

Majority of the respondents reported that risk management forms an integral part of the strategic management framework within their respective companies. Through the risk management system these firms identified risks with a high probability of occurrence and a high impact on the business. This allows the executives of the company to establish action plans to mitigate these risks, should they occur. However, after the global financial crisis, some of the respondents are also looking at items that have a medium or low probability of occurrence which have the potential to have a high impact on the business in an effort to further reduce the uncertainties in their business environments. Overall these are still limited to the Banking and Financial services sector.

In the sample, three (3) respondents stated that they use scenario planning as an integral part of their strategic management framework. These respondents reported that a key benefit of utilising scenario planning is that the process

challenges the existing mental framework of the executives and managers within their companies. Further, the respondents suggested that it assists with “thinking outside the box” about the alternative futures that the company might face.

The respondents further stated that scenario planning brings a more structured approach to strategy development and that the scope of the process is also broadened. According to the respondents, the other benefit of scenario planning is that it enables the company to react faster to changes within their business environments. It must also be noted that the respondents who use scenario planning all have a dedicated Strategy department that drives the complete process within their companies. Although the three (3) respondents highlighted the benefits of using scenario planning, one (1) of the respondents previously worked as a consultant who facilitated scenario planning sessions before joining the multinational company. The other two (2) respondents are using scenario planning due to a directive from their majority shareholder based in Europe.

The respondents who were or are not using scenario planning in their strategic management framework generally view the process as not adding value to their current strategy development process.

From the research data it was identified that only 10% of the respondents utilise scenario planning as an integral part of their strategic management framework. These findings suggest that multinational companies based in South Africa do not use scenario planning as an integral part of their strategic management framework.

CHAPTER 5: ANALYSIS OF THE RESULTS

5.1 Introduction

This chapter provides a detailed analysis of the findings in Chapter 4 and relates these findings to the literature review presentation in Chapter 2. The findings are organised according to the following themes, namely:

- Implementation of Strategic Management Framework
- Scenario Planning and Strategic Management
- Dealing with uncertainty
- Clem Sunter's *"Foxy Matrix"*

Each of these identified themes will be reviewed in more detail.

5.2 Implementation of Strategic Management Framework

As discussed in Chapter 4, all the respondents have a formal strategic management framework in place. This framework consists of the following common steps, namely:

- Review and alignment of vision and mission of company.
- Conducting an environmental scan of the external business environment to review global, regional and local changes and trends that will impact on the company.
- Review of changes and trends within the company's industry and markets, as well as competitors and customer analysis.
- Review of the company's strengths, weaknesses, opportunities and weaknesses.
- Review of current product or service portfolio, as well as a review of identified new product developments. This step also includes the review of resource allocation, especially capital allocation.
- Developing a strategic plan that is linked to the financial plans of the company.

The steps identified by the respondents are in line with the findings of Louw and Venter (2006). They established that the process of strategic management is concerned with the development of effective strategies that balance the company's resources, capabilities, values and goals with the changes, trends, opportunities and threats within their business environment.

The strategic management frameworks are all aimed at finding a balance between the company's resources, especially capital allocation, and the changes, threats and opportunities that the company identify in the external environment in which they operate. The availability of capital to expand the business opportunities were highlighted by all the respondents as one of the most important strategic objectives of the executive management of the company. A possible reason for this would be the global financial crisis, which forced a number of companies to look internally for capital opposed to having the ability to readily obtain capital from financial institutions, which was the case before the financial crisis. This is similar to the findings of Ryan (2008).

Another aspect identified is that the respondents do not only rely on the development of financial plans in their company but they link the overall strategic management framework with the financial planning process. This is in line with the findings of Mintzberg et al. (2001), that within the global competitive business arena, a company cannot rely on budget-oriented methods alone to survive.

The respondents further acknowledged the importance of focussing on the implementation and review of the strategy on a continuous basis, and not only on the development of the strategic plan alone. The majority of the respondents highlighted the fact that having a strategy on paper is one thing but to successfully implement that strategy is the key to success.

The respondents further acknowledged that companies need to develop the ability to react faster to changes within their business environments, and that this, according to the respondents is only achieved through continuously reviewing your plan with the actual business conditions. Eisenhardt and Sull (2001) also highlighted the importance of the strategic management framework

of a company consisting of the formulation, implementation and continuous evaluation, control and assessment of the strategy against the actual business operating conditions. This is done to ensure that the company remains on track with their long-term objectives. This is also supported by the findings of Khanna et al. (2005).

The respondents also reported the importance of using the strategic management framework not only to establish a clear direction for the company, but also to communicate the strategy clearly to all their stakeholders. The literature review also highlighted the importance of effective communication and creating an understanding of the company's strategy with not only the employees of the company, but also the shareholders and other stakeholders like suppliers, etc. (Mintzberg 1987; Khanna et al. 2005; Louw and Venter 2006).

It was also noted during the research that multinational companies listed on the Johannesburg Stock Exchange (JSE), place a high degree of focus on being transparent with their strategies. An understanding of the company's strategy is critical to ensure that investors have confidence in the long-term success of the company and to ensure that the company retains its ability to generate capital to support their strategy. This was especially emphasised by firms in the Banking and Financial Services industry post the Financial Crisis, as well as by the multinational companies in the Construction industry. The Construction industry saw the majority of their growth come from the infrastructure development projects for the Soccer World Cup in South Africa in June 2010. After the completion of these projects, there is no real indication of any other immediate infrastructural upgrades of this nature in South Africa. This forces a number of the multinational companies in the Construction industry to look at entering other geographical areas to assist with their future growth. Simultaneously, this adds to increasing uncertainty in the Construction industry. This is similar to the findings of Khanna et al. (2005).

The increased focus on expanding their footprint, combined with the sensitivity around capital allocation for the company, is leading to an increased focus towards understanding the changes and trends within their business

environments. This means that environmental scanning of the external business environment, including their relevant local and global competitors was considered by the respondents to be a critical part of the strategic management framework. Eisenhardt and Sull (2001), as well as Khanna et al. (2005) established the importance of a company to implement a strategic management framework to define their strategic objectives in line with the external changes, trends and factors that the company could potentially face.

The respondents all reported that they have a strategic management framework in place that is adequate in their opinion. None of the respondents identified a need to change or modify their existing strategic management frameworks.

5.3 Scenario Planning and Strategic Management

As discussed in Chapter 4, the use of scenario planning can be divided into advanced use, limited use and no use.

Advanced Use

Only three (3) respondents or 10% of the respondents interviewed, utilise scenario planning (as defined in the literature review) as an integral part of their strategic management framework. This is in contrast to the research findings that scenario planning is becoming more popular for companies dealing with uncertainties in the changing and complex business world (Schoemaker 1995; Richards et al. 2004; Day and Schoemaker 2005; Ryan 2008).

The respondents, who are using scenario planning, highlighted that a major benefit of it is that it challenges the mental framework of the management team. According to the respondents, scenario planning further facilitates decision making within the company. The view is that the management of the company assists in identifying not only the key uncertainties in their business environment, but also identifies the key driving forces that shape their business environment. This is in line with the findings of Venable et al. (1993). The respondents further felt that

scenario planning allowed their companies to move towards a more proactive state within the business environment, in other words, it allows that they do not only react to the changes as they occur. This is similar to the research of Van der Heijden (1997).

The three (3) respondents further acknowledged that scenarios are critical inputs to their strategic management framework. This is similar to the findings on the benefits of using scenario planning highlighted during the literature review (Chermack 2007; Gustke 2009).

Respondents also highlighted the importance of the continual review of the scenarios during the year, and all three (3) respondents have a quarterly review of the scenarios by the Executive Committee of the company, which is similar to the findings of Schoemaker (1995) and Van Der Heijden (1997). The other observation during the interview process and the analysis of the interview data indicated that the multinational companies that utilise scenario planning as an integral part of their strategic management framework have a dedicated Strategy department, with an Executive leading this function within the company. This, in my opinion, is one of the major contributing factors to the respondents using scenario planning.

The respondents also highlighted the challenges that the company faces in the implementation of the scenario planning process, especially when the executive team of the company is content with the way they formulate strategy in their company. This is further supported if the markets and economy are in a healthy state. According to the respondents, the company's executives are far more open and receptive to the scenario planning process when the company is suddenly faced with a changed or negative business environment, like in the case of the Global Financial Crisis. This is similar to the findings of Ryan (2008).

An aspect identified during the interview transcript analysis is that two (2) of the respondents using scenario planning are from the Banking and Financial Services industry. According to them, scenario planning is now

utilised within their companies primarily due to the global financial crisis during 2008 and 2009, which is in line with the findings of Ryan (2008). This is however not similar to the other respondents interviewed who are also from the Banking and Financial Services industry. On further discussion during the interviews, the respondents also acknowledged that the scenario planning process was implemented on a directive from the majority shareholder located in Europe.

The third respondent using scenario planning used to be employed by the Global Business Network (GBN) (Van Der Heijden 1997). This company specialises in the implementation of scenario planning globally, and he is currently heading the dedicated strategy departments within the multinational company.

Two (2) respondents conduct the scenario planning process in a general way, making use of the generic ten (10) steps as identified in the literature review (Schoemaker 1993). The third respondent utilises the “*Foxy Matrix*” developed by Clem Sunter and Chantell Illbury (2001). Although two different processes were explained during the interview process, the only difference between the two processes is the amount of identifiable steps within the process explained.

Limited Use

The other eight (8) respondents only utilise one of the steps of the scenario planning processes defined in the literature review, which is to establish the “*Rules of the Game*” in terms of the “*Foxy Matrix*” (Illbury and Sunter 2001), and they do not actually formulate alternative futures that the company might face. This step is predominantly utilised to assist the company in understanding the uncertainties, changes, trends and opportunities that are present within the changing business environment in which they operate.

The respondents using the “*Rules of the Game*” portion of the “*Foxy Matrix*” (Illbury and Sunter 2001) acknowledged that the benefits are that

the environmental scanning for the executives of the company are a lot more structured and that the mental framework of the management team is challenged. The limited use of the *“Rules of the Game”* allows the respondents to also widen the scope of their current strategic management framework. The respondents further feel that this process allows them to be a lot more effective than with the PESTLE and Porter’s Five Forces models. They further view the establishment of the *“Rules of the game”* as a vital step in their strategy formulation process, although they do not consider implementing the rest of the *“Foxy Matrix”* (Illbury and Sunter 2001).

No Use

One of the main reasons reported by the respondents for not using scenario planning at all or to any degree, is that the process is viewed as time consuming. The respondents further feel that the scenario planning process is not value adding to their companies, if one considers the investment of time and money in the process. This critique against the use of scenario planning is similar to the critique highlighted in the literature review (Venable et al. 1993; Van Der Heijden 1997; Visser and Sunter 2003; Ryan 2008; Wright et al. 2008; Visser and Chermack 2009).

Two (2) respondents also referred to the different lifecycles that the company finds itself in as the reason for not using scenario planning. In the literature review it was identified that scenario planning is used for addressing future uncertainties in the business environment in which the company operates in and that the use of scenario planning is not related to a specific stage in the company’s lifecycle (Venable et al. 1993; Van Der Heijden 1997; Visser and Sunter 2003; Ryan 2008; Wright et al. 2008; Visser and Chermack 2009).

It was noted that the respondents who do not currently use scenario planning do not see a justification, need or value to implement scenario planning as part of their strategic management framework. This is in

contrast to the views expressed by the three (3) respondents who do in fact use scenario planning.

It must however also be noted that a major contributing factor to multinational companies not using scenario planning as part of their strategic management framework, is due to a lack of knowledge, exposure to the process and a basic understanding of the scenario planning process. This was highlighted by respondents referring to the sensitivity analysis and stress testing of their financial plans to generate different financial forecasts which is dependent on key factors such as the exchange rate, commodity pricing, etc. changing, as scenario planning. This is creating financial scenarios which establish the impact of some variables. However, it is not scenario planning that can determine alternative futures for the company operating in their business environment, as defined in the literature review (Schoemaker 1993; Godet and Roubelat 1996; Schwartz 1996; Van Der Heijden 1997).

5.4 Dealing with Uncertainty

All the respondents acknowledged the importance of understanding future uncertainties in the business environment in which they operate. This is similar to the findings of Schoemaker (1995), Van der Heijden (1997) as well as Visser and Chermack (2009). From the interviews it was identified that the respondents overall use environmental scanning, sensitivity analysis and risk management as the primary processes to deal with uncertainties, trends, changes, opportunities and threats that the company may face in the changing business environment. Let us review each of these processes in more detail.

5.4.1 Environmental Scanning

The respondents identified environmental scanning as a critical part of their strategic management framework to deal with the uncertainties that the company faces. These are similar to the findings of Mintzberg et al. (2001), Khanna et al. (2005), as well as Louw and Venter (2006). The majority of the

respondents primarily use the PESTLE and Porter's Five Forces models to identify the uncertainties in their business environment. These are in line with the findings of Simkin and Cheng (1997). Eight (8) of the respondents utilised the "*Rules of the game*" (Ilbury and Sunter 2001) to identify the key drivers and critical uncertainties in their business environment. The respondents however acknowledged that they require assistance with understanding the business environment in terms of changes, trends, uncertainties, opportunities and threats that the company face. The respondents therefore rely heavily on external resources such as economists for their expertise, to inform them of the changes, projections and trends within in their business environments on a global, regional and local level.

Although the companies obtain valuable information about the business environment globally and locally, the main focus of the external resources are on changes and forecasts in the economic conditions, especially the possible impacts of changes within larger economies like China, India, United States of America and the European Union. The multinational companies therefore tend to focus only on the economic factors and the other factors like social, political, technological and legal which are not adequately considered within the strategy development of the company.

Focussing primarily on economic factors and not adequately considering the other elements of the PESTLE analysis, is in contradiction to the findings of Mintzberg (1987), Simkin and Cheng (1997), Mintzberg et al. (2001), and Louw and Venter (2006), which all established the importance of considering all factors that could impact on the company's business environment. The necessity of considering the factors associated with the increasing complex and changing business environment was highlighted by Schwartz (1996), Van der Heijden (1997) and Schwarz (2008).

5.4.2 Sensitivity Analysis

All the respondents acknowledged that they rely on sensitivity analyses or stress testing of their financial plans to understand the impact of uncertainties on their businesses. The common factors that are manipulated during the

sensitivity analysis and stress testing are: exchange rates, growth rates, revenues and costs. Although financial scenarios are created, the process is limited to forecasting the financial position of the company, should one of the economic conditions change, whether negatively or positively. It must be stressed that the creation of the different financial scenarios, as some of the respondents call the process, is not scenario planning as defined in the literature review (Schoemaker 1993; Godet and Roubelat 1996; Schwartz 1996; Van Der Heijden 1997).

This method although justifiable in business, only focuses on changes and trends with the economic environment, and other factors like social, political, technological and legal, that are not adequately considered within the strategy development of the company. The use of sensitivity analysis and stress testing by companies to understand variances and impacts of economic factors on their financial plans are in line with the research from Ryan (2008).

5.4.3 Risk Management

All the respondents feel that risk management processes have become an integral part of the strategy development process. The respondents further acknowledged that incorporating risk management processes can assist them in identifying and mitigating not only the inherent business risks, but also the uncertainties that the company faces in the business environment in which it operates. This is in line with the research findings of Ryan (2008).

The concerns raised by the respondents are that although risks with a high impact low probability are identified, these are rarely considered when the company is reviewing the high impact/high probability risks in conjunction with their strategy development process. The respondents further acknowledged that they do not know how to include events with a high impact/low probability into their strategic management framework. This is especially concerning to them if one considers the impact that global financial crisis had on the international economy, and further the impact that the occurrence of the 2010 volcanic ash cloud over Europe had by halting the overall air transportation industry and thereby impacting on the European economy.

A number of the respondents highlighted the need for their companies to review the overall risk process to ensure that they also consider some of the “black swan” or “wild card” events that have a medium to low probability of occurring but will have a high impact on the company and the overall business environment. This is similar to the findings of Day and Schoemaker (2005).

5.5 Clem Sunter’s “*The Foxy Matrix*”

Only one of the respondents use the “*Foxy Matrix*” process (Ilbury and Sunter 2001) as a comprehensive approach. This is in clear contrast to the popularity of Clem Sunter and Chantell Ilbury’s book (2001). Twenty two (22) of the respondents acknowledged that they do not utilise the “*Foxy Matrix*” (Ilbury and Sunter 2001) in any manner or form, although a number of them have read the book or have attended a presentation by Clem Sunter and Chantell Ilbury.

Seven (7) respondents acknowledged that they have had Clem Sunter and Chantell Ilbury presenting the use of the “*Foxy Matrix*” (Ilbury and Sunter 2001), but none of these respondents have implemented scenario planning as an integral part of their strategic management framework. These respondents rather rely on the insight of Clem Sunter and Chantell Ilbury on possible changes within the world, as opposed to having an interest in the scenario planning process.

Although Clem Sunter and Chantell Ilbury made scenario planning a buzzword within industry and also succeeded in getting a number of attendees to the presentations, the “*Foxy Matrix*” has not found a place in the strategic management framework of multinational companies based in South Africa.

Only one (1) respondent or 3% of the respondents interviewed, use the complete “*Foxy Matrix*” process. In general it is my view that the majority of the respondents do not understand the process.

5.6 Conclusion

All the respondents acknowledged that they do have a formal strategic management framework within their companies. However, only three (3) respondents utilise scenario planning as an integral part of this framework, which equates to 10% of the respondents. This finding is in contrast to the findings in the literature review, that scenario planning is becoming a more popular method for companies to deal with uncertainties (Schoemaker 1993; Godet and Roubelat 1996; Schwartz 1996; Van Der Heijden 1997; Schwarz 2008; Visser and Chermack 2009).

The respondents further acknowledged the importance of identifying the key uncertainties within their business environment. Nineteen (19) respondents rely on the PESTLE and Porter's Five Forces analyses for environmental scanning to establish these uncertainties. Eight (8) of the respondents utilise the "*Foxy Matrix*" developed by Clem Sunter and Chantell Illbury to establish the "*Rules of the Game*", but only one (1) respondent indicated utilising the complete process for scenario planning.

All the respondents rely on sensitivity analysis and risk management processes to assist them with identifying key uncertainties in their business environment. However, the respondents focus predominantly on changes and trends within the economy, like changes in the exchange rates, commodity pricing, etc. This only assists the companies in identifying key uncertainties from economic factors, and other critical factors like social, technological, political, environmental and regulatory changes or trends which are not reviewed and captured in the strategy development process of the companies.

The respondents who utilise scenario planning reported that the process challenges the existing mental frameworks of the company's executives. They further, in the interviews indicated that scenario planning brings a more structured approach to their strategy development process. The respondents also acknowledged the difficulties with implementing scenario planning within their respective companies and that it is critical to obtain buy-in from the executive team of the company. The respondents utilising scenario planning

have a dedicated strategy department in place to implement the scenario planning process. The literature review indicated that scenario planning is a popular technique employed by companies to deal with the uncertainties of the complex and changing business world in which they operate.

The results from the research however indicate that this is not the case and only 10% of the respondents utilise scenario planning. The conclusion of the research is therefore that scenario planning is not an integral part of the strategic management framework of multinational companies based in South Africa.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The findings of the research are summarised in this chapter, and recommendations are put forward for multinational companies to utilise scenario planning as an integral part of their strategic management framework. The chapter ends with recommendations for further research.

6.2 Scenario planning not in common usage

This report sought to explore and investigate whether multinational companies based in South Africa use scenario planning as an integral part of their strategic management framework. Four themes were used to organise the investigation and the conclusions arising in each of these will be reviewed here.

Strategic Management Framework

The research suggests that among multinationals operating in South Africa, formal strategic management framework is in common usage. The strategic management framework utilised, generally consists of: determining the vision and mission of the company; an environmental scan of the internal and external business environment linked to a review of the industry; market and competitors as well as the strengths and weaknesses; opportunities and threats that the company face within their business environment. Based on the steps above and an analysis of each company's product portfolio and resource allocation especially capital allocation, the executives of the company develop a strategic plan. Therefore the conclusion was that all the respondents included in the research do have a strategic management framework in place.

Scenario planning and strategic management

This study has established that there is only rudimentary implementation of scenario planning among multinationals operating in South Africa.

Some elements of scenario planning, namely the environmental scanning, or establishing the “*Rules of the Game*”, and financial forecasting are used, but comprehensive and sophisticated use of scenario planning is far from widespread.

It would appear from the findings of this study that executives do not implement scenario planning because it is regarded as too time consuming and costly. Of the firms that did have best practice approaches to scenario planning, this was the domain of a dedicated strategy department within their companies. Only when this specialist resource was available was it introduced as suggested by global best practice.

Dealing with uncertainty

Although the firms reported very little current usage of scenario planning, there was great interest and acknowledgement of the importance of dealing with uncertainty within the business environment in which they operate, as well as the importance in understanding the local, regional and global factors that could potentially impact on their business environment. However, the firms appear to be content to rely on older and less sophisticated techniques such as PESTLE and Porter’s Five Forces models to identify uncertainties. There was also a high tendency to “*outsource*” management of uncertainty with a great reliance on external experts such as economists to assist them in identifying current and emerging trends and factors within their business environment.

Rather than a wide range of uncertainties, companies among those investigated in this study used risk management processes and the sensitivity analysis of their financial plans in terms of exchange rate

variations, etc. to form an integral part of the company's process to deal with and understand the impact of uncertainty on their business.

There was a very limited use of scenario planning to deal with uncertainties by creating alternative futures based on the key uncertainties and driving forces that the company has identified.

Clem Sunter's "Foxy Matrix"

Despite the popularity of the books and seminars, among multinationals operating in South Africa there is very limited application of Clem Sunter's *"Foxy Matrix"* for scenario planning process.

Many companies have encountered the Illbury and Sunter framework, but have not continued to implement these models. The results also suggest that multinational companies regard the view of Sunter and Illbury around the alternative futures for South Africa and World in higher regard than the *"Foxy Matrix"* and thereby rather utilising them as an external resource to assist them with dealing with uncertainties.

6.3 Recommendations

This research report has produced findings that are likely to be relevant to executives and managers operating in South Africa.

This study has shown that the understandings of scenarios, as well as the benefits of utilising scenario planning, are not well understood by managers. It is therefore recommended that the management of multinational companies develop an understanding of the need for industry foresight techniques to identify and mitigate the uncertainties that come from the complex and changing business world in which these companies operate. The benefit of scenario planning as a foresight technique is that the mental framework of the management in the company is challenged. This forces them to think outside of the box about possible alternative futures that the company faces within a structured approach.

It is further recommended that the managers of multinational companies develop an understanding of factors that can impact on their organisation, and that these factors are not limited to economical, industry and competitor factors. There are other factors like societal, political, technological, regulatory and legal factors that will impact on the business, which is critical for the management of a company to understand. Obtaining an understanding of all factors that could impact on the business will assist managers to also better deal with uncertainties and key driving forces within the business environment in which they operate. This will assist the companies to be more proactive and could further lead to an increased competitive advantage for the company.

6.4 Suggestions for further research

Suggestions for further research would include the investigation of the understanding of industry foresight techniques by the executives of companies, and how the foresight techniques vary between South African owned multinational companies and foreign owned multinational companies operating in South Africa. Further to this it is also suggested that the foresight techniques utilised by multinational companies based in South Africa are investigated, as well as the factors impacting on multinational companies that are considered during the formulation of their strategy, and whether the use of external resources on other factors like social, technology and legislation will assist multinational companies in broadening their foresight scope.

6.5 Conclusion

The literature review indicated that companies are trying to understand the uncertainties from the complex and changing business environments in which they operate. This is required for them to be in a more proactive position to changes than in a reactive position, should something occur that disrupts that environment. Scenario planning is put forward as one of the primary techniques for companies to deal with the future uncertainties that they might face. The importance of developing alternative plausible and credible futures assists the

management of a company to develop their strategy to mitigate the risks identified and act on the opportunities identified.

This study found that despite compelling academic and practitioners' evidence from other countries, the implementation of scenario planning among multinationals operating in South Africa is very rudimentary. The results show conclusively that that scenario planning does not currently form an integral part of the strategic management frameworks of multinational companies based in South Africa. There are a few advanced users of scenario planning that acknowledge and report significant benefits but these are significantly overshadowed by executives who have no inclination towards the inclusion of scenario planning as part of their strategic management framework. This study indicates that for the majority of firms operating in South Africa scenario planning is considered as adding no value to their companies, especially when considering the time and money the process would take to implement.

This is despite the interest and acknowledgement of the importance of understanding and dealing with the uncertainties within their business environments. Environmental scanning technique, sensitivity analysis and risk management processes are to deal with uncertainties. These processes are handled by external resources such as economists who although familiar with traditional economic factors are not able to systematically assess societal, technological, political and regulatory factors that also have an impact on the company.

The conclusion of this research report therefore is that multinational companies based in South Africa do not use scenario planning as an integral part of their strategic management framework.

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APPENDIX A

Letter to Respondents

Dear Respondent,

I am completing a Masters in Business Administration (MBA) at the University of Witwatersrand's Wits Business School (WBS), Johannesburg. My MBA research report investigates the importance of scenario planning as part of the strategic management framework for multinational companies operating in South Africa.

I would be grateful if I could schedule a one hour interview with you to gather research data. My areas of interest include: understanding the process utilised in your company and your opinions on the usefulness and/or relevance of scenario planning. All information provided will be confidential and non-attributable to a specific company and will not require you to disclose any detailed strategic plans for the future. The final research report will be for academic purposes only.

I understand that you are extremely busy, and would therefore be available to meet with you at a location and time of your convenience.

Your contribution would be greatly appreciated.

Thank you for your kind assistance.

Yours sincerely,

Marais Nel

Actual Research Instrument

Interview Questions

- Is there a formal strategic management framework at [Company Name]?
- If yes, please explain what the strategic management framework at the company entails?
- How is the multinational nature of your company included in the strategic management framework at the company?
- How are global and local considerations included in the company's strategic management framework?
- Is scenario planning part of the strategic management process in your company?
- If yes, please explain what the scenario planning process at the company entail?
- How is the scenario planning process included in the strategic management process?
- What is your view of scenario planning as part of the strategy formulation process?
- How would you improve the strategic planning framework for the future?
- How would you include scenario planning in the strategic planning process for the future?

APPENDIX B

Consistency matrix

Research question: The research seeks to investigate the integrated use of scenario planning in the strategic management framework of South African based multinational companies to formulate strategies based on alternative future views of the external and internal environment in which the company operates.

Research Question	Literature Review	Hypotheses or Propositions or Research questions	Source of data	Type of data	Analysis
Do multinational companies based in South Africa utilise scenario planning as part of their strategic management framework?	Chermack (2007) Chermack et al. (2001) Coates (2000) Godget (2000) Godget and Roubelat (1996) Illbury and Sunter (2001) Korte and Chermack (2007) Peterson et al. (2003) Schoemaker (1993) Schoemaker (1995) Schwartz (1996) Schwarz (2008) Van Der Heijden (1997) Whaley (2008) Wright et al. (2008)	Do multinational companies based in South Africa utilise scenario planning as part of their strategic management framework?	Full interview data	Primary data: responses from interviews Secondary data	Data reduction Data display Conclusion drawing / Verification (Miles and Huberman 1994)

APPENDIX C

Data Analysis Matrix

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's "Foxy Matrix"
A	Yes, formal strategic management framework Annually planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning Not include scenario planning in the future	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. "What if?" analysis on industry and competitors	No
B	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	Yes Scenario Planning part of strategic management framework	Scenario Planning Schoemaker - eight step process Sensitivity analysis financial plans in terms of scenarios created Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's "Foxy Matrix
C	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning Not include scenario planning in the future	Use PESTLE Sensitivity analysis on financial plans – exchange rates, drop in revenue, etc. Use external resources for economic data – global, regional and local	No
D	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	Yes Scenario Planning part of strategic management framework	Scenario Planning Schoemaker - eight step process Sensitivity analysis financial plans in terms of scenarios created Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
E	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 to 10 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning View financial forecasting as scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Use external resources for economic data – global, regional and local	No
F	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning Not include scenario planning in the future	Use PESTLE Sensitivity analysis on financial plans – exchange rates, drop in revenue, etc. Use external resources for economic data – global, regional and local	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
G	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning Not include scenario planning in the future View scenario planning as forecasting	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, drop in revenue, etc. Use external resources for economic data – global, regional and local	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning
H	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning View scenario planning as forecasting	Use PESTLE Sensitivity analysis on financial plans – exchange rates, etc. "What if?" analysis on industry and competitors, revenue, etc. Use external resources for economic data – global, regional and local	No Had presentation with Clem Sunter and Chantell Illbury but not implemented

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
I	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 to 10 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning View financial forecasting as scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Use external resources for economic data – global, regional and local	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning
J	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 to 10 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Trend Analysis Sensitivity analysis on financial plans – exchange rates, etc. Use external resources for economic data – global, regional and local	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
K	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 5 to 10 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Trend Analysis Sensitivity analysis on financial plans – exchange rates, etc. Use external resources for economic data – global, regional and local	No
L	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Sensitivity analysis financial plans in terms of scenarios created Risk management forms an integral part of the strategic management framework Use external resources for economic data – global, regional and local	No Had presentation with Clem Sunter and Chantell Illbury but not implemented

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
M	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Sensitivity analysis financial plans in terms of scenarios created Risk management forms an integral part of the strategic management framework Use external resources for economic data – global, regional and local	No Had presentation with Clem Sunter and Chantell Illbury but not implemented
N	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Internal data and trend analysis	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
O	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning View financial forecasting as scenario planning	Use PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No
P	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
Q	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning
R	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
S	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No
T	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
U	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No
V	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
W	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning
X	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No Had presentation with Clem Sunter and Chantell Illbury but not implemented

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
Y	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use "Rules of the Game" of Clem Sunter for environmental scanning Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	Not complete process only use "Rules of the Game" of Clem Sunter for environmental scanning
Z	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
AA	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No
BB	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning View financial forecasting as scenario planning	Use Porter's Five forces and PESTLE Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No

Respondent	Strategic Management Framework	Scenario Planning and Strategic Management	Dealing with uncertainty	Clem Sunter's <i>"Foxy Matrix"</i>
CC	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	Yes Scenario Planning part of strategic management framework	Scenario Planning Clem Sunter's <i>"Foxy Matrix"</i> Sensitivity analysis financial plans in terms of scenarios created Risk management forms an integral part of the strategic management framework	Yes
DD	Yes, formal strategic management framework Annual planning cycle and monthly review Planning horizon of 3 years Guidelines top down and strategy divisions and countries roll up into Group strategy No changes to framework	No scenario planning	Use Porter's Five forces and PESTLE Trend Analysis Sensitivity analysis on financial plans – exchange rates, etc. Risk management forms an integral part of the strategic management framework	No

