

Financial Services Industry
Environmental Scanning

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Wildcards On The Horizon

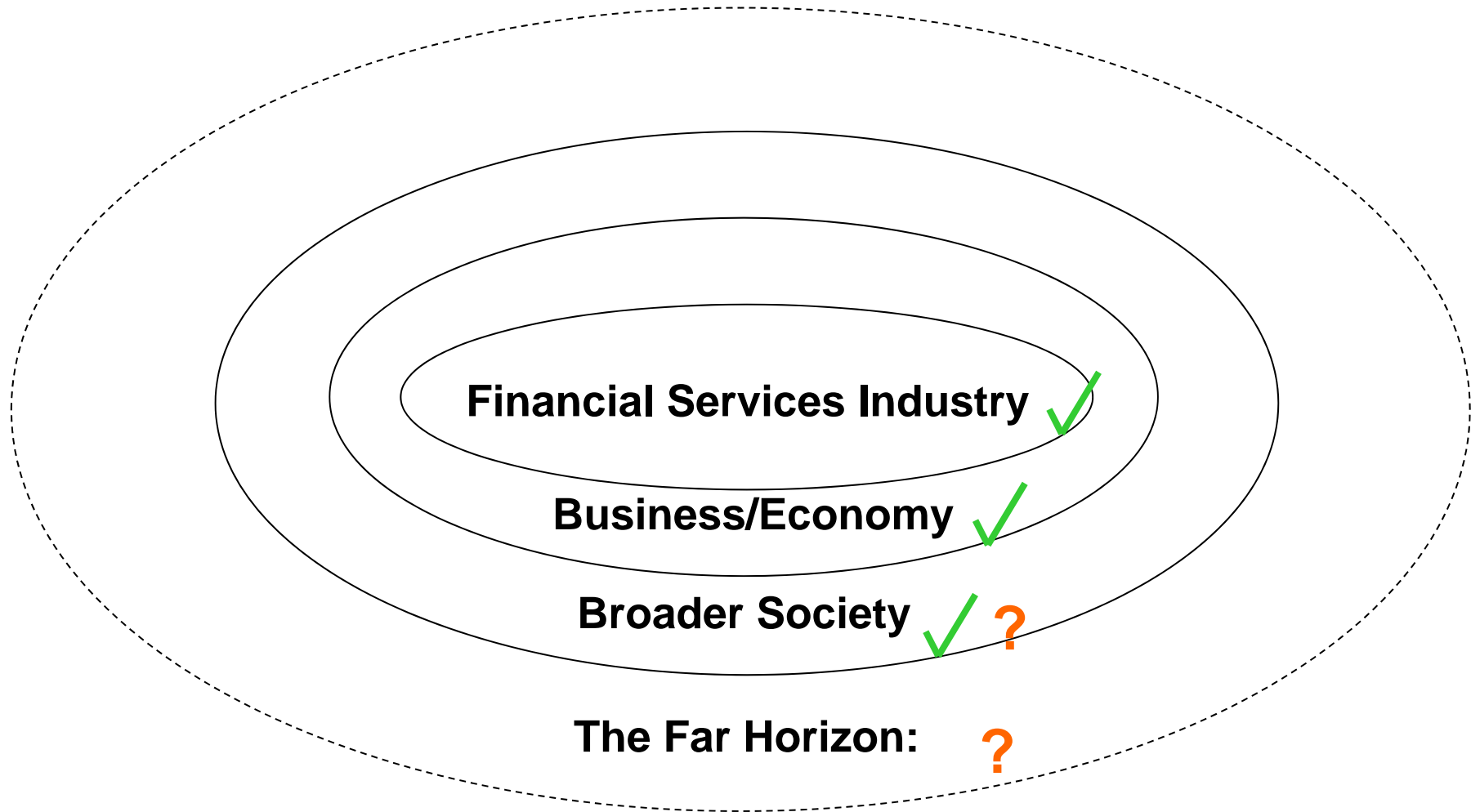
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Emergent Insight

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Contextual Scanning Framework



Progressive, worldview level and deeper – 10 year time frame

Tasks

- Critical review of ‘social’ trends and issues to inform:
- Scan for “emerging issues” and “wild cards” and provide:
- Brief identification of possible relevance to financial services industry

One day’s work – then present findings...

Approach

- 4Q, 8L
- Wildcards used to illustrate issues – not trends
- Keyword analysis of relevance to financial services
- Avoid using systematic complexity of scanning model, and trend analysis – no time =
 - “one-hit-wonders:” ‘One’ hit on the radar screen, but you’ll ‘wonder’ if its possible – only trend analysis will shed light

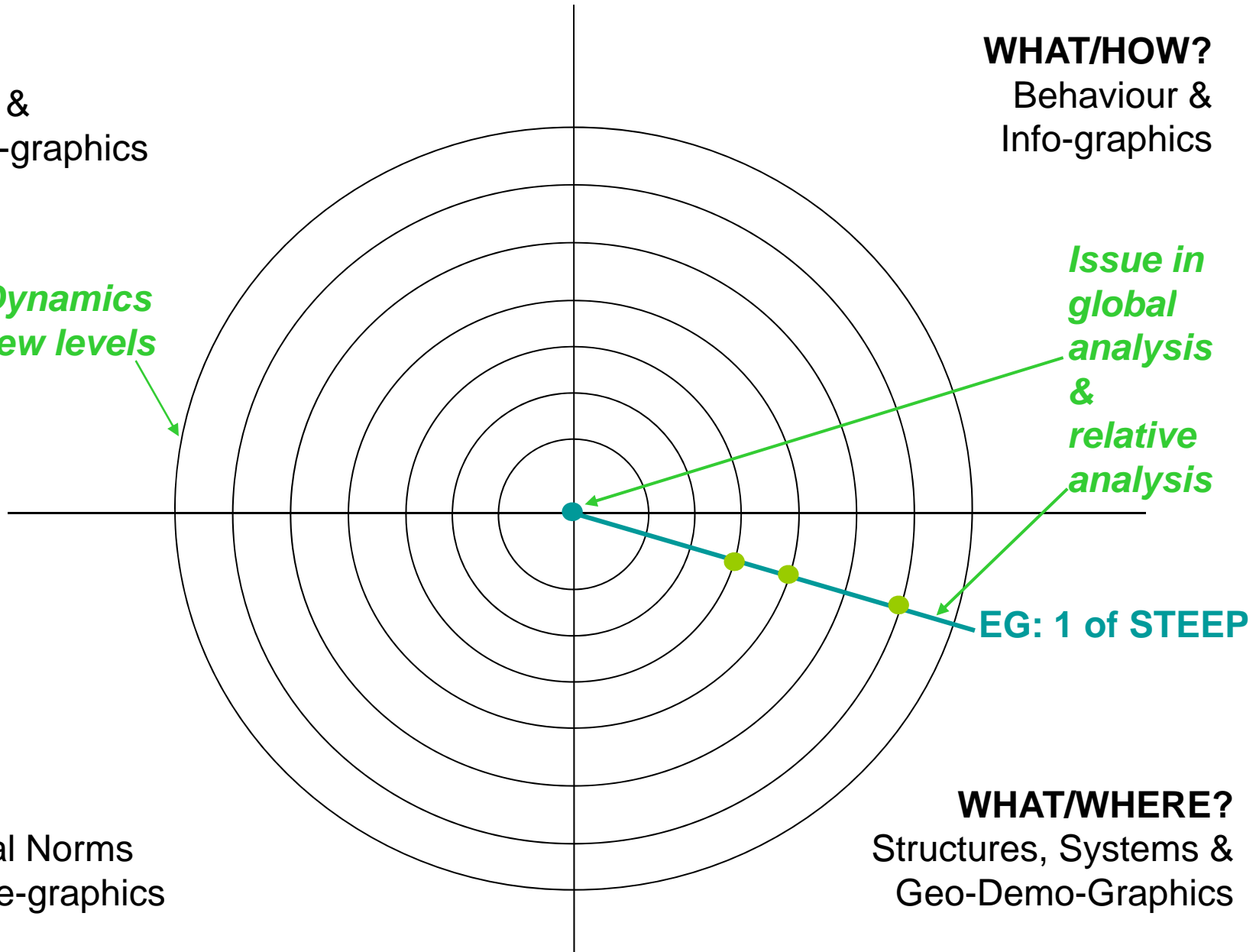
4Q 8L = Integral Scanning Framework

WHO?
Identity &
Psycho-graphics

WHAT/HOW?
Behaviour &
Info-graphics

*Spiral Dynamics
worldview levels
+ 2*

*Issue in
global
analysis
&
relative
analysis*



EG: 1 of STEEP

WHY?
Cultural Norms
& Value-graphics

WHAT/WHERE?
Structures, Systems &
Geo-Demo-Graphics

Spiral Dynamics

“Why” people do things: deep values create 'meaning frameworks' or worldviews

SD worldviews – reasoning “why”:

- Purple...because our CUSTOMS say it is so
- Red...because it suits ME right here, right now
- Blue...because it conforms to the RULE of law
- Orange...because it serves my STRATEGY and plans
- Green...because we have reached a CONSENSUS
- Yellow...because it is the most FUNCTIONAL approach

SD Worldviews & Money

- **Purple**... Um, whatever my family needs it for...
- **Red**... Got it? Spend it!
- **Blue**... What do the rules say? My church? My teachers? I'll follow the authority of my financial advisor.
- **Orange**... How much do I need to achieve my goals? Acquire my desired status symbols? Keep it making more for me? I'll do the research to find a good advisor if I'm busy, or go it alone because I know what's best for me.
- **Green**... I need to consider where it came from, and how to use it wisely and fairly. I'm likely to give most 'close to home and heart:' investing in the people and issues that matter to my networks.
- **Yellow**... I could buy a nice secluded property and work on what interests me and will benefit humanity. Or it could go into my activist interests, philanthropy and social entrepreneurial goals, or...so many options. Basically I know it will go towards meeting my needs, and then working for the betterment of society.

SD Worldviews as “Markets”

- Each SD worldview can be used to identify different financial services markets, or differences within an existing market
- Seeing financial services markets in SD worldview terms, provides insight into the different emerging issues, why they're important and how the markets will react to them or are creating them
- There are several core SD worldview 'markets' within Australia that are in transition
- Each is dominated by an age-cohort, yet includes a cross-section of ages
- The SD worldview transitions can be seen as the “deep currents of change” in relation to emerging issues

Worldview Market's Changes

The key market changes include:

- Growth in **Red** ...significant financial instability in lower socio-economic brackets, mainly young people 15-30 and some minority groups
- **Blue** to **Orange** transition is seeing:
 1. Some middle age people, disheartened with their economic situation and self management, revive **Blue** authority appeals – “Help me manage my money, I don’t think I’ll have enough”
 2. Many middle aged people are getting strategic **Orange** – “I’ll decide how to invest for my future, there’ll be plenty”
- **Orange** to **Green** transition is seeing many well educated, well off, 25-35 and 55-65 year olds moving to invest their money in family, community, special interests and activism. “I don’t need to make much more. If I spend carefully I can help others too.”
- On the horizon, emerging **Yellow** approaches to societal priorities in financial investment – an integration of each of the previous worldview’s efforts, refined by functionality of the self needs then society/ nation/ humanity. Some boomers but mostly 20-30 year olds

Similar Issues, Different Worlds

- The SD worldview markets in change, and their corresponding perception of life conditions, means:
 - Emerging issues and trends will look remarkably different to each market
 - Each market will respond differently
 - This presents distinctly varied pressures and opportunities for the financial services industry when relating to the different markets

Issues are...Wildcards

- Chosen to fit in one of the quadrants – who, why, what/how, what/where – on the basis of where they most *appear* to be **changing** – an issue identification with a ‘relative’ analysis to financial services
- Referenced to SD worldviews where most relevant
- Illustrative sampling of hits
- Presented as “Wildcards,” not full trends – A full trend analysis would involve noting how each issue appears in each quadrant, through time, as viewed by worldviews (for factor based issues) or created by them (for actor based issues)
- MOSTLY Blue/Orange perceived issues and languaging as this is a likely generalisation of the financial services industry – and your client: pragmatic, strategic, and equally influenced by tradition verses growth
- Posing Green and Yellow questions as provocations...

Who 1.

- **Market Demand** – An increase in socio-economic stratification, increases in immigration and continued prosperity – for most – leads to a wider, and more equally represented, range of worldviews – as different markets, and actors within existing markets. This stratification of worldviews demands financial services be tailored to their needs, responsive to their different reactions to issues and contextual factors, and presented in their very different reasoning styles. There is great potential for the some markets to get the wrong messages - and not like it at all. Are your products/services and communications ready for the pronounced differences? How might each market be reached (the means) differently?
- **Vanity Pays** – The American trend of offering tailored loans for cosmetic surgery, and other expensive health related services, at the point of ‘sale’ raises may Green and Blue ethical questions as Orange Boomers demand from financial services what may be a valuable income stream. Opportunity or PR headache?

Who 2.

- **Creative Economy** – The real professional talent these days is a healthy mix of Orange and Green – maybe even Yellow. As contractors in high demand, they're more discerning about where they live: the vibe of the community, its 'green' credentials, its cultural liveliness, and general quality of life. Often project based, some of them are used to being in a new city every few months. Money and status symbols aren't the biggest priority anymore. With these focuses, how will the financial services industry attract and retain their interest?
- **Pink Partners** – The Pink dollar in Australia has been important for a while. With new legislation from a conservative government, and a growing rejection of established financial services organisations as part of the same 'system' (rightly or wrongly), gay and lesbian and other non-traditional familial groups are seeking new tailored financial and legal services to cater to their life-long needs – is the flexibility in place? Are the services combined as a one-stop-shop? Are there staff available who relate to them and can be the personal face of the organisation?

Why 1.

- **Social Capital** – While traditional Blue religious attendance has lowered but become more fundamentalist, some Orange versions of traditional religions are growing rapidly – and they're focused on money. Is the financial services industry ready to 'wear the cultural clothes' of an extremely wealthy 'Hill Song' congregation? Are there opportunities to assist their large organisational functioning, their establishment of other church locations? While becoming a provider of preference for their communities?
- **Social Entrepreneurs** – In balance to the major rise of revamped belief, are people moving from Orange to Green. More focused on self development, new-age beliefs and interest based networks of affiliation, many new non-profit and social enterprise organisations are being formed, gaining coherency and a will to be activist. They are aware, however, of the increased legislated requirements for financial transparency, and concerned internally with the ethics of their financial management. A potential rise in stakeholder pressures, but also an opportunity to provide tailored financial services – management advice, organisational development through funding counselling, governance tutelage etc.

Why 2.

- **Cultural Contrasts** – While many Asian countries have become more westernised, with economic globalisation and significant increases in immigration, Australia is rapidly becoming more ‘Easternised.’ The cultural sees changing expectations of many SMEs and wealthy investors – a more collective decision making methods, an expectation to barter, mix-and-match offerings from any one company, and a preference for financial services that are ‘serving society’s greater good.’ Many SME’s are also networked in new ways – single operators connected to key ‘purchase powerful’ suppliers. In addition, there is a continued need for financial services consultants and providers in Asian countries like China. Whether it is a blue resurgence or a Green remodelling, the Orange way of doing things is increasingly rejected. Is the financial services industry ready to save face, show their social credentials and reach the customers? What if new Eastern financial services become established in Australia? Could the Asian country operations contribute good PR and internal education as well as to the bottom line?
- **Victim Chick** – Australia follows America with rapid increases in litigation. Companies, directors, managers and public liability policies end up in court with large sums attached. Under an unhealthy Orange victim mentality, how can the financial service industry best respond?

Why 3.

- **Digital Demons** – While all financial services providers have been acutely aware and response to electronic security concerns, in addition to the more common Orange opportunist scams and ID fraud/theft, a new breed of cyber criminals are having a significant impact. As digital security has gotten better, the hackers are older, wiser and necessarily more competent – the really nasty one's have achieved this because of a deep motivation – ideological in nature. Their attacks are more strategic, damaging and frequently accompanied by extensive media coverage which canvases their cause to an ever more sympathetic Green public. To make matters worse, the 'war on terror' has stayed true to its target: destabilising the 'West's' centre of gravity, its economy. This means the financial services and energy infrastructure are targeted most. Given constant interruptions to services, are the financial services organisations strategically positioned to defend themselves and maintain operations? Are they in a position to address the issues and concerns of the public that may quell the attacks?
- **Wealth Wonders** – As the boomers retire they either stay Orange and spend their wealth living it up, needing the current services to maximise their investment returns post-haste, and seek out more flexibility around superannuation, OR they decide in a Green fashion to invest their wealth in 'society' – the 60's hippies come alive again. This could lead to significant philanthropy donations and/or a rise in new philanthropists/trust funds. Is there further opportunity to tailor financial/legal/management services to assist in the establishment of the funds, while accounting for good governance, stable investment returns and other particular Green initiatives in how they should operate (consensus decision making, TBL, etc)?

What/How 1.

- **Global University** – 1. A rapid increase in specialist courses online/overseas and a user-pays approach to university in Australia leads to an increased demand for educational loans (for within Australia and overseas) and work-for-study agreements. 2. International students increasingly request Australian loans to attend Australian universities, with many seeking job-for-study-loan arrangements to commence post-graduation. Are there foreign currency hedging opportunities? New areas of conditional lending? Possible human resource development pathways for the financial service industry?
- **Entrepreneurial Subsidiarity** – Due to a Green youth rejection of working for large corporations and over a decade of committed entrepreneurial schooling in Australia, many 20-30 year olds seek to establish their own small business and new state and national business networks to secure economies of scale while retaining flexibility. A significant increase in micro-lending and start-up capital is demanded. Many Orange to Green boomers may re-finance to invest in their children. Are there added pressures for financial services? More risky but higher volume loans (lower 'quality' and return products)? A significant % of these enterprises do most of their B2B via a 'community based' 'bartering exchange,' managed via numerous connected websites, yet run at a local shire-size level for most sites. Is there a role for traditional financial services organisations?

What/How 2.

- **War Chest 1.** – The defence housing endeavour is the primary actual income source for the Australian Department of Defence. In the face of continued force deployments, ballooning costs for new infrastructure and equipment development, the Department of Defence is quietly shopping for new income streams. Is the financial services industry positioned to conduct analysis on the commercial support program, land holdings and infrastructure multi-purposes to be able to assist the growth of new income streams?
- **Mobility Imperative** – The ‘next wave’ technology, an “ever-where-net,” has become available, and expected, sooner than anticipated. The financial services industry has adapted to desk-top based online service provisions faster and more completely than anyone else. 1. Are there opportunities to partner with other industries in assisting their online establishment? Blue based government regulations are being mooted (is sufficient input to this process being developed?) in response to a growth in opportunistic Orange identity theft, fraud, and insecure and health conscious Green activism aimed at banning the technologies due to new research on detrimental health effects , ‘big-brother’ fears and spates of e-commerce disputes. Yellow adapts cautiously, while Red is left behind financially (tech-to-work micro-lending?).

What/How 3.

- **Contract Constraints** – Despite some reversal in outsourcing, many individual Orange and Green professionals (particularly at the beginning and the end of their working life) are contractors working largely from home – they are faced with increases in public liability and professional indemnity premiums (often tied to additional office contents insurance), and increasingly high paying but sporadic contracts. A growing activist Green/Yellow dissent is negatively targeting financial services, rightly or wrongly. They are in dire need of more flexible credit line conditions, more affordable insurance premiums and mortgage/bill payment security insurance – is this a TBL opportunity? Or another PR headache? Or simply another Orange opportunity?
- **War Chest 2** – Many Defence Force deployments are assisted by commercial ‘logistical’ enterprises, both going in and coming out, and with the rise in peace keeping and force deployments, more start up capital is required to purchase equipment overseas. Insurance is often a second thought. Given amply qualified ex-service people (both Australian and other nationalities), and they can attract suitable financial management expertise and seed-funding, these risky enterprises are positioned to earn significant profits. Are there financial services organisations that can bring the right expertise to these enterprises, here and abroad? Is anyone willing to invest and insure them?

What/Where 1.

- **New Government Sustainability** – A dramatic increase in government funding for establishing TBL practices and investment in ‘green’ enterprises is coupled with wide-sweeping regulatory frameworks for managing sustainability issues (water, carbon trading, waste/pollution reduction and making commodities of environmental protection in general), requiring certain industries use TBL and increased specificity in disclosure requirements of environmental information. Financial services and additional capital are demanded by Green entrepreneurs, young Orange seeing opportunities, and established Blue companies needing to restructure and re-equip in short time-frames. Regulatory implementation requires significant financial services input to become effective
- **Insurance legalities** – Terrorism disclaimer in insurance policies start winding up in court for questionable application by some financial services organisations – Blue government awaits for the court decision but launches enquires with possible tighter legislation to follow, Orange seeks to re-insure under clearer policies, Green begins activist scare campaign against need for insurance and demanding reduced premiums

What/Where 2.

- **Oz Terrorism** – Repeated terrorist strikes within Australia against financial institutions, energy supplies and major industries over a two year period leads to massive insurance payouts and breakdowns in financial services infrastructure. Green rushes to liquidate assets, Orange moves to quickly shift majority of investments into other areas and off-shore
- **IP Drip** – In the networked world more and more people are looking for ways to attract immediate payments for the use of their IP. In addition to the larger amounts being asked, the rise in blogging and related ‘personal publishing’ norms, many Orange, Green and Yellow individuals, or loose associations of friends, are seeking to make only cents or a few dollars per transaction. Tired of not making interest on their ‘pay-pal’ accounts and the like, many are looking for ways to put these steadily accruing but minor amounts of money to work for them right away. Many are prepared to ‘shop’ worldwide for the best options. But there are many security concerns and regulatory overlaps or gaps. With numerous small transactions each day per customer, but in a densely populated market, are Australian financial services in a position to offer an online automated service worldwide? How might the security and regulatory issues be handled for the customers satisfaction? Are there related online IP protection functions that could be tied into the financial services? Eg, limiting fraud through an online ‘back-to-base’ payment requirement?

What/Where 3.

- **Systems Insights** – Competitors in the financial services industry have secured dramatic market share over a couple of years. The success, apparently, involved integration management information systems based around the internal and market analysis of their proprietary ‘agent modelling’ software which combines actor, factor and issues analysis. Are there alternative ways to handle the operations and market complexity?
- **Oil Money** – OPEC switches to Euros...
- **Natural Nightmare** – Increased natural disasters within Australia and abroad lead Orange and Green to dramatically shift majority of investments into ‘green’ products and ‘services’ or liquidate their shares to invest elsewhere or in local enterprises. Are there enough ‘green’ options? Are the affected companies in a (asset based) financially secure position?
- **Mega Market** – A voluntary global free trade alliance is established. Around a dozen relatively free trading countries join, lead by the EU. Another dozen countries are very close to meeting the participation requirements. Under the agreement, individuals are treated as residents of each participating country for the purposes of trade and investment. It serves to rise the ‘cost’ of political management of trade, and many Orange, Green and Yellow investors spy new avenues of opportunity, yet along with some market turbulence and considerable Blue and Orange fears, significant welfare issues are also raised.

Trends?

- Are these wildcard issues really exemplifying trends? Will their causes increase, decrease or simply disappear?
- Key determinants are the market's worldview and actual v's perceived 'life conditions' (both actor and factor issues)
- Trend analysis would be required on these 'one-hit-wonders' to know if they should inform financial services strategy
- Most of the wildcards can be seen as illustrating issues – extremes that may fade, may brighten, or may change dramatically. Enough that a single point trend extrapolation may be misleading...

For now, the wildcards can serve as provocations for encouraging more strategic thinking, before planning and acting

Example References

- **Who**
 - Vanity Pays - http://www.ienhance.com/finance/medicredit_home.asp
 - Creative Economy – <http://www.ncsu.edu/iei/Creative%20Economy.htm>
 - Pink Partners - <http://www.sa.org.au/cgi-bin/index.cgi?action=displayarticle&id=74>
- **Why**
 - Cultural Contrasts - <http://www.aihw.gov.au/publications/aus/bulletin18/bulletin18.pdf> & [http://www.iiu.edu.my/iaw/shahuls%20writings/The_Emerg...jectives and Characteristics of Islamic Accounting.htm](http://www.iiu.edu.my/iaw/shahuls%20writings/The_Emerg...jectives_and_Characteristics_of_Islamic_Accounting.htm)
- **What/How**
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 - Mobility Imperative – <http://www.nextwave.org.uk/docs/summary.htm>
 - Contract Constraints – http://www.lawlink.nsw.gov.au/lawlink/professional_standards_council/psc_II.nsf/pages/PSC_aboutus_policies_insurancestandards
 - War Chest 2. – <http://www.defence.gov.au/cfo/csp/>
- **What/Where**
 - New Government Sustainability – <http://www.cec.org/calendar/details/index.cfm?varlan=english&ID=1831> & http://www.environmentbusiness.com.au/Datasheets/carbon_trading.htm
 - IP Drip – <http://www.ncsu.edu/iei/Creative%20Economy.htm>
 - Systems Insights - <http://www.essex.ac.uk/ccfea/>
 - Mega Market - <http://www.cis.org.au/IssueAnalysis/IA52/IA52.pdf>