



FOUR SCENARIOS TO STRESS TEST YOUR STRATEGY

HOW DIGITAL DISRUPTION MIGHT CHANGE THE BUSINESS WORLD BY 2025

By IMD Professor Michael Wade

IMD

Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11

Fax: +41 21 618 07 07

info@imd.org

www.imd.org

Change has been relentless since the turn of the millennium, and the pace of change is only expected to accelerate as we move into the next decade.

Several factors are contributing to this acceleration, from the increasing speed of innovation and technological change, to the rise of new digital players, as well as shifting consumer preferences. Unstable socio-political and economic environments further complicate the picture, as inter-connected markets, sectarian violence, mass migrations, and other events make economies more exposed to crises and financial shocks.

This uncertainty means that today's business leaders can no longer accurately predict the future to drive strategy and decision-making. At best, they can envision multiple future scenarios and build their organizations to be adaptable to changing situations.

Through workshops hosted at IMD in the fall of 2015, academics and industry stakeholders have jointly come up with four plausible but different visions of the world in 2025.

Scenario 1: The Global Bazaar

This is perhaps the one most similar to the world as we know it today. Markets are global, industry boundaries are blurring, and the Internet is ubiquitous. This is a future of continuous change, where revenue streams are unlocked by new technologies, business-friendly regulation, and an open geopolitical environment. However, fluid markets and a hypercompetitive environment mean that corporate volatility is extremely high, making it difficult to sustain performance consistently over time.

Executives should expect customers to become harder to engage and less loyal. Value is co-created through shifting relationships with multiple channel partners. Complex information flows have to be managed in real-time across company boundaries.

Coming to terms with operating in the Global Bazaar may mean going against established management practices, and is thus likely to require extreme agility and deep cultural change.

Scenario 2: Cautious Capitalism

In this scenario, the open global business landscape is challenged by a shift in the digital behavior of consumers, who become more concerned about the lack of control over their personal data. They are shocked by weekly stories of personal, professional, and financial damages due to data theft. This shift triggers new competitive dynamics; companies that want to maintain revenue streams need to collaborate and create secure ecosystems. Trust becomes a source of competitive advantage.

Growth in cybercrime – already predicted to cost businesses \$2 trillion a year by 2019 – triggers a debate around surveillance, hacking, and data collection. As consumers learn how businesses are tracking them online and monetizing their personal information, they demand improved privacy. They are less likely to click on online advertisements, use unknown apps, and they disable location tracking.

This scenario is good news for established brands with long track records, who can leverage the desire for safe, trust-based, long-term relationships. Partnering with traditional businesses or well-established brands may be the best way for newer digital players to acquire and retain customers.

Scenario 3: Territorial Dominance

Markets become increasingly regionalized, industries exist in discrete silos, and the public is skeptical about online initiatives. Consumers desire a simpler, more local lifestyle. The international environment is more complex, as many countries return to protectionism. Local industry regulation is tightened, leaving little room for cross-industry innovation. Economic growth is stagnant, and companies have to focus on efficiency gains.

Big regional companies with government support will dominate in this business landscape, while entrepreneurship is scattered and marginal. Success requires a focus on tradition, local tastes, and distinct sectoral competence. We will see very little of the industry blurring or globalization that characterize the first scenarios.

Scenario 4: Regional Marketplaces

The world is divided into regional clusters, each following its own rules in trade, business policy, and Internet governance. Governments are fostering innovation in their own regions, and protecting local players from international competition. In such a business landscape, innovation is local, products are regionally tailored, and multinational companies are strongly challenged. Regions are dynamic and progressive, but increasingly divergent from one another.

Business leaders must grapple with the fact that a regional power's regulatory or policy changes could challenge their company – for instance, a government could demand that tech companies hand over their source code in return for permission to operate.

Particular strategic concerns are likely to include economies of scale, as a regionalized market will make this considerably harder to achieve; supply chain concerns such as regions mandating that foreign firms work with local suppliers; and the high cost of entry (or exit) when attempting to compete against politically-connected domestic players.

Need for agility

While all four of the described scenarios are plausible, we cannot know which, if any, eventually becomes a reality. What is clear, however, is the need for current executives to build organizations that are sufficiently agile to compete in whichever scenario emerges. Today, more than ever, it is essential to understand market shifts in order to navigate uncertainty, respond quickly to change, and ensure business sustainability.

This is an edited extract from [The Business World in 2025: Four scenarios to stress test your strategy](#), by Giulia Trombini, Cisco Corporate Strategy Office; [Mike Wade](#), IMD Business School; [Stephan Monterde](#), Cisco Corporate Strategy Office; [Christiaan Kuun](#), Cisco Corporate Strategy Office; [John Garrity](#), Cisco Government Affairs; and [Ivy Buche](#), IMD Business School.

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