Global Trends: Drivers, Values, Implications, and Strategic Questions for Credit Unions

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Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process.

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*Progress is the constant replacing of the best there is with something still better!*

—— *Edward A. Filene*
We would like to thank CO-OP Financial Services for its generous support of this and other vital credit union research.
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The year 2007 was a good one for publishing about the importance of expecting the unexpected. Throwing cold water on the idea that algorithms could simply mathematize markets, stocks, trends, and the economy, Nassim Taleb, in his 2007 best seller *The Black Swan*, popularizes the old (and problematic) assumption that all swans must be white. Why must they? Because all the swans we’ve ever seen have been white. “Black swan” events, like World War I, the attacks of September 11, and (smaller, but closer to home) the failure of corporate credit unions, teach that unexpected and huge events are what move history, precisely because they are huge and unexpected. Only novice planners expect the future to flow predictably from the past.

So while the future is unknowable, that doesn’t mean we should throw up our hands. Author Andy Hines, a lecturer at the University of Houston’s Graduate Program in Futures Studies, uses this report to introduce four possible megatrends and encourage credit unions to plan around each. He recognizes the power of probability by ordering his scenarios, judging which seem most likely today and which seem least likely.

**What Is the Research About?**

Scenario planning is an approach that acknowledges the challenge of predicting with certainty what the coming years will hold. The “archetype approach” to scenario planning used in this study was popularized in military planning as an effective way to account for possible situations. In the military world, being somewhat ready for a number of disparate possibilities is immensely better than being decisively invested in a situation that never materializes. Credit unions, like all businesses, benefit by subjecting themselves to the same kind of strategic planning. The process is necessarily imprecise, but extremely valuable.

Unlike other approaches to scenario planning in credit unions, this analysis starts outside the industry with the external, macro environment and imagines the credit union implications based on those environmental trends. The analysis identifies important indicators for judging which of the scenarios will come true.

In this report, Hines presents four North American and global scenarios as possible next steps beyond the Great Recession. He addresses their correlations to society, technology, the economy, the environment, and politics and then explores the credit union implications of each:
• **Long Boom (continuation)**—The most familiar possibility shows the recession as a painful bump in the road, and soon domestic and international economies will pick up roughly where they left off. Steady long-term growth is the continuing norm; society and business look a lot like they have for the past 20 years.

• **Stagnation (collapse)**—The most dire scenario treats the Great Recession as a prelude to further recession and long-term stagnation. It is not an apocalypse, but it’s a world in which the economy and society do not respond to government intervention, and consumers and society slow down. Security becomes paramount.

• **Our Turn (new equilibrium)**—This exercise imagines a world in which the recession continues to be severe and is conquered only as emerging markets take the reins of the global economy, displacing the governments and consumers of the developed world.

• **Soft Path (transformation)**—Here environmental and social sustainability move from “nice to have” to “need to have” values as worldwide consumers fundamentally reassess priorities. Local products and services flourish in an environment that defines success and progress in sustainable terms.

**What Are the Credit Union Implications?**

All four scenarios are possible, although some are more plausible than others. Careful readers will suspend their disbelief to pick out relevant insights from all four situations. But the more important questions addressed by Hines revolve around the implications each scenario brings to credit unions.

In the hoped-for Long Boom scenario, credit unions will be hard-pressed to grow their businesses either to capture more revenue or to become efficient enough to compete on a cost basis. In this case, consolidation will have to continue and vendors and partners will have to support further growth.

In Stagnation, credit unions would likely withdraw and either hunker down or merge to eke out small advantages and market share gains. Succession planning is difficult as people cling tenaciously to jobs. Operations and IT focus on “just enough,” but the advantage is that the smaller local firm is seen by consumers as safer and more trustworthy.

The Our Turn possibility is perhaps the hardest to plan for, but it would entail the internationalization of many firms, perhaps even credit unions themselves, as newly confident foreign firms swooped into new markets. New systems, new relationships, and switching...
costs abound. If anything, competition becomes more fierce with the technology-enabled introduction of lenders from every part of the globe.

Finally, the Soft Path scenario may be the least likely, but it offers the most intriguing opportunity for credit unions in a world that prizes authenticity and community connections. Consumers focus their spending on fewer but higher-value goods, maintaining the need for consumer and mortgage lending. Collaboration is a root value for employees and firms.

None of these scenarios will become apparent overnight, and it’s unlikely that any coalesces in exactly the form described in this report. But good leaders must be open to the unexpected and nimble enough to thrive after the next Black Swan.
Andy Hines

Andy Hines is lecturer and executive-in-residence at the University of Houston’s Graduate Program in Futures Studies, bringing together the experience he earned as an organizational, consulting, and academic futurist. He is also speaking, workshopping, and consulting through his new firm, Hinesight.

Before that, he was managing director of Social Technologies (now Innovaro) and has served as an adjunct professor at the University of Houston since 2004. Hines enjoyed earlier careers as a consulting and organizational futurist. He was a partner with Coates & Jarratt, Inc., a think tank and consulting firm that specialized in the study of the future. He was also futurist and senior ideation leader at Dow Chemical with a mission of using futures tools and knowledge to turn ideas into new business opportunities. Before that, Hines established and ran the Global Trends Program for the Kellogg Company.

Hines is motivated by a professional hunger to make foresight practical and useful, and he believes that foresight can help deliver the insight that is so needed in today’s organizations and the world. His goal, he says, is to infect as many change agents as possible with this message. Thus, he has honed a skill set designed to make foresight more actionable in organizations.

In this pursuit, he wrote ConsumerShift: How Changing Values Are Reshaping the Consumer Landscape (No Limit Publishing, 2011), coauthored three books (Thinking about the Future: Guidelines for Strategic Foresight [Social Technologies, 2007], 2025: Scenarios of US and Global Society Reshaped by Science and Technology [Oak Hill, 1996], and Managing Your Future as an Association [ASAE, 1994]), and has one more in the hands of a publisher: Teaching about the Future: The Essentials of Foresight Education. He has also authored dozens of articles, speeches, and workshops. He received the 2003 Emerald Literati Awards’ Outstanding Paper accolade for best article published in Foresight for “An Audit for Organizational Futurists” and the 2008 award for “Scenarios: The State of the Art.” In the last year, he has appeared on several radio and television programs—including KRIV-26 News, talking about the future of libraries, and CBS’s Early Show, regarding a study MTV commissioned his team at Social Technologies to investigate: “The Future of Youth Happiness.” He also cofounded and is a former chair of the Association of Professional Futurists.
The future of credit unions is unknown, and an analysis of these unknowns through scenario planning can alleviate some pressures credit unions face. In scenario planning, the world is divided into four prospective cases: Long Boom, Stagnation, Our Turn, and Soft Path. The analysis projects different prospects for World 1, Affluent Nations; World 2, Emerging Markets; and World 3, Poor Nations.
Credit union leaders, planners, and staff are faced with potentially momentous changes. Even in cases of less significant change, there are still challenging strategic questions ahead. Regardless of how the current drivers play out, there are likely to be big decisions ahead that will dramatically influence the future of credit unions. This report suggests four potential economic futures, makes the case for each, and leaves it to the reader to decide which seems more or less likely. It then suggests the implications for credit unions and the accompanying strategic questions, and includes indicators to track which future or futures seem to be unfolding.

The broad structure of the economic future for the next decade or so is outlined in four future scenarios with implications for credit unions. Chapter 1 introduces the work and describes the scenario archetype method employed for exploring the future. Chapter 2 contains the bulk of the work. The four economic scenarios are outlined in a consistent format and followed by implications and indicators for tracking progress toward the scenarios. Chapter 3 looks across the scenarios to make comparisons and then draws conclusions.

About the Scenarios and the Archetype Approach

Imagine you are a military planner, with millions of lives potentially in your hands, and you are tasked with identifying next-generation logistics. Or, you’re responsible for a library and you have just learned about Google’s plan to scan and digitize every published book. Or, you are working in the financial industry in 2011 and you are wondering which way the economy is going to go. For exploring these kinds of questions, professional futurists frequently turn to scenario planning. Scenario planning was first used in the military and popularized in the commercial sector with Shell’s great success in using it to anticipate and prepare for the Arab Oil Embargo in the 1970s—greatly improving its competitive position as a result.
There are more than two dozen ways to create scenarios.1 This report uses the archetype approach. The basic idea is that in looking over several decades of scenarios and foresight work, four common patterns of change have consistently emerged. Thus, one way to do scenarios is to start with the present, apply the archetypal pattern, and describe the future that emerges. This technique has proved useful for exploring possibilities for how the Great Recession might play out with clients and continues to be appropriate as the recession has still not played out. Given the central importance of economic questions to the financial future, this approach is a great fit for exploring the future of credit unions.

Key to learning how the archetype approach works here is to get a clear picture of what is meant by “the system.” It’s the way things work. In this case, the emphasis is on the economic system. The current economic system was designed near the end of World War II at Bretton Woods. Although not fully operative until 1958, it gave us exchange rates, the International Monetary Fund, and the World

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**WHY SCENARIO PLANNING?**

**IT PROVOKES EXTRAORDINARY THINKING.**

Organizations are routinely most creative when faced with a challenging set of scenarios. Once the scenarios are accepted as possible futures, people begin to think outside the standard “what’s worked in the past” mind-set and develop truly transformative insights and ideas. A well-constructed, challenging scenario process can provoke an organization to rise to the challenge of extraordinary thinking.

**IT AVOIDS GUESSWORK BY MONITORING THE INDICATORS OF THE EMERGING FUTURE.**

Organizations almost invariably begin with the assumption that only one “most likely future” exists—and that it will unfold predictably. Scenario planning goes beyond that to identify a plausible range of future outcomes. It also identifies guideposts or indicators that tell you which of these futures is unfolding. This avoids guessing which future is emerging; instead, one watches the indicators. This ongoing intelligence approach lets you focus your attention accordingly, adjust strategies, and be ready to act.
Bank, among other things. In Figure 3, “the system” refers to the current economic arrangement that emerged from Bretton Woods.

Figure 3 suggests that the current system is “saved” pretty much as-is in Long Boom, falls apart in Stagnation (but nothing replaces it), is significantly reshaped in Our Turn, and is discarded in Soft Path. Three of the four potential scenarios ahead would look significantly different.

The scope of the scenarios is on the global future with an emphasis on the United States. To help deal with the scope, nations are sorted into three categories according to demographic status (is their population growth “under control”) and economic, human, and technological development:

- **World 1, Affluent Nations:** These are the technologically advanced and prosperous nations. With a population of about a billion, these countries produce most of the world’s advanced technology. World 1 includes North America, much of Europe, Japan, and countries such as Australia, Israel, and Taiwan.

- **World 2, Emerging Markets:** This is the vast middle, where resources more or less meet the needs of populations. Home to about 4 billion people, World 2 includes much of Asia, the former Soviet bloc, most of Latin America, and parts of Africa. World 2 is economically interesting, as it includes most emerging markets and high-growth economies. World 2 countries include China, Russia, Brazil, Indonesia, and scores of small countries. By 2025, World 2 nations will be home to about 5 billion people.

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**Figure 3: How the Recession Plays Out in Each Archetype**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>How the recession plays out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long Boom.</strong> The system moves forward along its current trajectory. It is “present trends continued”; usually considered most likely to happen.</td>
<td>Long Boom suggests only superficial long-term effects of the recession on the global economy and consumer life. The recession would be seen as a bump in the road, and things would get back to normal; the recession would be soon thereafter forgotten. The economy gets back its pre-recession momentum of steady long-term global growth.</td>
</tr>
<tr>
<td><strong>Stagnation.</strong> The system falls apart under the weight of “negative” driving forces.</td>
<td>Stagnation would obviously be the most severe outcome, lasting the longest and extending the deepest into the fabric of the global economy and consumer life. It is not an apocalypse or total breakdown, but more like a long and slow decline or stagnation, similar to what happened to Japan’s economy in the 1990s. It suggests an adjustment to a new reality that may alter the operating environment for the next decade or more.</td>
</tr>
<tr>
<td><strong>Our Turn.</strong> The system reaches a balance among competing forces that is significantly different from the current balance.</td>
<td>In Our Turn, the recession is a severe and protracted affair. The initial stimulus efforts, aimed at saving the existing global economic system, fail, thus the so-called double dip. A second round of coordinated efforts is needed to pull the global economy back from the brink, resulting in a more prominent role for the so-called emerging markets.</td>
</tr>
<tr>
<td><strong>Soft Path.</strong> The system is discarded in favor of a new one with a new set of rules.</td>
<td>In contrast to Our Turn, Soft Path does not try to save the existing system. World leaders see the economy teetering on the edge of a global depression and decide the existing economic system no longer works and has to be discarded in favor of a long-term “healing” of systemwide imbalances. A new economic ethos that is less focused on debt-based growth and consumption is slowly adopted.</td>
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</table>
• World 3, Poor Nations: This category is made up of the poorest parts of the world, including many African countries and places like Haiti and Afghanistan. Fast-growing populations, totaling about a billion, are mired in poverty and will reach about 1.6 billion people by 2025.

Within each of the three worlds, there is diversity within the countries. For example, World 2 countries are especially likely to have pockets of World 1 wealth and competency as well as World 3 poverty.

Another framework to introduce here is four types of consumer values that will be prevalent to varying degrees in each of the scenarios. The framework is explored in depth in ConsumerShift, but a brief summary is sufficient for our purposes here. Values are defined as “an individual view about what is most important in life that in turn guides decision-making and behavior.” Consumers will tend to center in one of the following four types of values, albeit with plenty of mixing and overlap:

• Traditional. Focused on following the rules and fulfilling one’s predetermined role, with priorities such as respect for authority, religious faith, national pride, obedience, work ethic, large families with strong family ties, and strict definition of good and evil.

• Modern. Focused on achievement, growth, and progress, with priorities such as high trust in science and technology (as the engines of progress), faith in the state (bureaucratization), rejection of out-groups, an appreciation of hard work and money, and determination to improve one’s social and economic status.

• Postmodern. Focused on the search for meaning in one’s life, with priorities such as self-expression (including an emphasis on
individual responsibility as well as choice), imagination, tolerance, life balance and satisfaction, environmentalism, wellness, and leisure.

- **Integral.** Emerging as the leading edge of values change, with a more practical and functional approach to employing values that best fit the particular situation, enabling one to pursue personal growth with an understanding and sensitivity to larger systemic considerations.

To help develop an understanding of what the scenarios look like, the STEEP context is provided. STEEP is an acronym used by futurists to describe the social, technological, economic, environmental, and political context. It provides an essential foundation for understanding what a scenario looks like.
This chapter provides an in-depth evaluation of the four scenarios and looks at the implications to credit unions, retail finance, and consumer banking. While Long Boom is the global economy getting back on track by using World 1’s technology, Our Turn allows World 2 to assert its power and lead the way. Stagnation is a long-term global slowdown that follows from economic failure, and Soft Path is steady-state economics with less emphasis on growth and more emphasis on sustainability.
Each of the four scenarios is characterized by the following:

- A summary.
- The drivers of change and consumer values that would pave the way.
- The underlying assumptions, in essence describing what would have to happen for the scenario to come true.
- Indicators, or what to look for in order to determine whether there is movement toward a particular scenario.
- Implications for retail finance and consumer banking and credit unions.

Long Boom

The Long Boom scenario follows the continuation archetype. It suggests that the overall long-term growth of the global economy will prove strong and resilient enough to overcome the Great Recession, which will eventually be seen as nothing more than a speed bump on the continuing road to economic growth and prosperity. Not long after that it would be largely forgotten. Things get back to normal.

Long Boom was first described by Peter Schwartz of the Global Business Network back in the 1990s in an article for Wired magazine and then later expanded into a book. He forecast a generation’s worth of prosperity, freedom, and a better environment for the whole world. This sustained growth would bring increasing prosperity for all, albeit some more than others. This growth and prosperity would be largely driven by advances in science and technology. He forecast five great waves of technology in particular: (1) personal computers, (2) telecommunications, (3) biotechnology, (4) nanotechnology, and (5) alternative energy. These waves would be capable of rapidly growing the economy without destroying the environment.

This scenario is most like today, in particular the time right before the Great Recession, which began in December 2007. It takes present trends and projects them forward into the future. Globalization
continues its spread. Technology drives growth and solves problems. For instance, futurist Ray Kurzweil applies his law of accelerating turns to suggest that “in 20 years we’ll be meeting all of our energy needs with solar.”

The big question around this scenario is how long rapid economic and energy use growth can continue without serious environmental consequences. In short, can science and technology deliver and save us? In this scenario, there are great opportunities in investing in high-tech growth. Venture capital flourishes, and the average investor, tantalized by the prospects of making it big, looks for ways to get involved. Investors are willing to carry debt, if necessary, to earn the bigger payoffs in the future. Conservative investment looks, well, old-fashioned.

**The STEEP Context**

So what does the Long Boom look like?

**Society**

Society is concerned with “keeping things going.” Blind eyes are turned to signals that might suggest otherwise. People are relieved to be able to go back to their previous consumption habits, but they are not thoroughly convinced. There is a bit of worry in the background, along with a feeling of having dodged a bullet. Gradually, the old confidence begins to return, and positive economic signs spur new rounds of spending—whether consumption or investment. Despite this anxiousness, or maybe because of it, there is an attitude that one has to be bold in order to secure one’s financial future. Traditional investments are seen as not providing enough return—only striking it rich will provide the desired security.

**Technology**

Technology is the savior in the Long Boom. High-tech prowess is the engine of the US and global economy. Investment in high-tech industries and high-tech education is important. The US advantage in high-tech education keeps the talent coming from abroad and keeps the economic engine humming. Breakthroughs in energy efficiency and conservation technologies provide hope that seemingly difficult environmental issues can be successfully dealt with. The challenge, as always with new technology, is separating the hype from the reality. Is another high-tech bubble on the horizon, or has a new economy arrived?

**Economy**

Increasing global economic integration continues as the preferred course. The rich countries—and individuals—get richer, but the
rising tide lifts all boats. Economic growth continues to be the principal concern. There is a continued search for investment opportunities that increase risk and volatility, as the “easy opportunities” are snapped up and more and more investors seek higher returns.

Environment
Lip service more than reality. Sustainability is talked about and is acted on as long as it does not significantly interfere with economic growth. The attitude is that technology can fix any serious issues. Those who raise the issues are worry warts who are seen as afraid of the future. The good news on the environmental front is that “green” or conservation technologies are hot with investors, and lots of exciting research is under way. But will it work?

Politics
The job of politicians is to remove the obstacles to economic growth and stimulate the economy. There is a weak, “playing catch-up” approach to regulation. The priority of growth means the seemingly successful approaches, even if questionable, will be allowed, and the mess will be cleaned up later. The economic dog wags the political tail.

Drivers
So, how do we get to the Long Boom? In particular, what does the consumer landscape look like in this scenario?

This scenario is driven by a more sophisticated consumerism in the affluent World 1 nations, which use their technological prowess to maintain global economic leadership. These evolving forms of consumerism continue to demand high rates of material goods production, in turn driving up demand for resources and energy, albeit accompanied by increasingly sophisticated approaches to efficiency and conservation.

Co-creation
Consumers are increasingly seeking opportunities to express their identity through the products and services they purchase, to the extent that they sometimes seek to participate in the design of products and services they really care about. One of the ways this shows up in retail finance is that customers want to be deeply involved in their investment decisions. They shop carefully and are looking for personal service. They prefer consulting-type advice over having decisions made for them. They are also looking for high returns and are willing to embrace risk in this quest, which will often require a great deal of hand-holding from their partners. They are less inclined
to make safe investments and are looking for help in navigating the world of higher returns, crafting a plan together.

_Diversified Brand Ecosystem_
In this scenario, a vastly increased range of products and services enables niche brands to flourish alongside established mainstream brands. Consumers are looking for brands that speak to them. They are turned off by one-size-fits-all approaches and messaging. They want to feel special, that they are being heard and understood. They will appreciate a wide range of choices and a financial partner that can help them navigate these choices and find the right one for them.

_It’s All About Me_
Consumers motivated by a desire for self-expression increasingly demand products and services with a personal touch, as they help express their identity. They will expect their financial services partners to take the time to get to know them and their particular needs. They will shop around for those who are willing to invest in a relationship with them, even though these consumers are not necessarily high rollers.

A super-rich class operates above day-to-day concerns, with their piles of money, private jets, and other luxuries. They have a sense of philanthropic duty, but their lifestyles are immune to daily economic realities. This is the scenario in which conspicuous consumption is perhaps the most “OK” from a social perspective, in that it provides the investment capital to keep the economy humming.

_Transparency_
Ubiquitous sensors and communication networks enable “smart everything,” including detailed product information and history, dynamic pricing, and a host of innovations that take advantage of the avalanche of information availability. These sophisticated consumers come to the doctor’s office armed with information from Internet and other sources and ask questions, rather than passively accepting the expert opinion. They will bring this same sensibility to financial experts—be ready for lots and lots of questions.

_Life-Shifting_
The implosion of traditional schedules and patterns continues as information and communications technologies enable doing things when they need to be done, not according to some preordained schedule. Consumers might be seen as somewhat unreasonable, demanding full attention when they want it. For financial services, it may mean rethinking traditional 9–5 workdays and moving to
rolling schedules, perhaps 24-7 availability and working when the work needs to be done. It will present great challenges to work-life balance, but it may provide flexibility that makes it a win–win, though the potential for being overloaded is there.

Richistan
As the popular book with this title suggests, a super-rich class operates above day-to-day concerns, with their piles of money, private jets, and other luxuries. They have a sense of philanthropic duty, but their lifestyles are immune to daily economic realities. This is the scenario in which conspicuous consumption is perhaps the most “OK” from a social perspective, in that it provides the investment capital to keep the economy humming. Average investors are looking for the big return; thus, they are less likely to object to what may be seen as obscene wealth in other scenarios.

Values
Modern values are the most prevalent values today, and they continue to flourish in the Long Boom scenario, with postmodern values on the periphery. Modern values are focused around achievement, growth, progress, and success. In particular, there is a high trust in science and technology as the engines of progress, and an appreciation for hard work, money, and the free market. A key goal is to improve one’s social and economic status. Some representative values in this scenario are the following:

- **Convenience.** Freedom from effort or difficulty.
- **Customization.** To build, fit, or alter according to individual specifications.
- **Efficiency.** Ability to do more with less.
- **Growth.** Increasing capacity of an economy to produce goods and services.
- **Luxury.** Indulgence in something that provides pleasure, satisfaction, or ease.
- **Technology orientation.** Technology is of primary importance.

Assumptions
Assumptions are the underlying beliefs about the way things work. They provide a kind of test for whether one believes in a scenario. If one accepts the assumptions, one will accept the scenario. Similarly, if one rejects the assumptions, one will reject the scenario. It is, however, completely reasonable to not necessarily agree with the assumptions but still see that they are plausible. In fact, sophisticated readers of scenarios will be capable of entertaining or engaging with a scenario that seems plausible, even if they don’t necessarily agree with
it. In other words, one may not completely buy it but sees that it has enough potential to be worth planning for, just in case it occurs. Those who believe that the Long Boom scenario is most probable will likely have the following assumptions:

- The recession ends and things go back to normal.
- World 2 emerging markets are more markets than competitors; that is, World 2 is seen as a great place to invest, and this offsets any increased competition from World 2 players.
- Global shipping costs are manageable.
- Resource costs are manageable.
- Environmental issues are manageable, chiefly through the application of technological innovation.
- Technology continues to advance rapidly and is the engine of global economic growth.
- Modern values are predominant, with postmodern values on the periphery.

**Indicators**

Indicators are milestones or guideposts that are likely to come to fruition if the world moves in a direction toward a particular scenario. Each of the four indicators suggests possible survey or tracking measures that could be instituted to monitor progress toward the scenario. The following indicators suggest a move toward the Long Boom scenario:

- Environmental protection is more lip service than real.
  - Is environmental protection less of a priority compared to last year?
  - Are organizations spending less on environmentally related issues compared to last year?
- Breakthroughs in science and technology that help extend the lifetime of the existing energy technology infrastructure.
  - Is more being invested in high-technology industries and venture capital funds?
  - Have there been significant advances in technologies related to extracting unconventional or difficult-to-reach petroleum energy sources (e.g., tar sands) compared to last year?
- Growing “divides.”
  - Are the skill requirements for jobs increasing significantly compared to last year?
  - Has the gap in pay between the top workers and the bottom workers increased over the last year?
## Figure 5: Long Boom Implications

<table>
<thead>
<tr>
<th>Category</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail finance and consumer banking</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Consumer borrowing and saving</strong></td>
<td>Borrowing continues at record high levels; caution is gradually tossed aside in search of the security that only high returns can provide. Even average investors are looking for a “big score” over steady, reliable returns.</td>
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<tr>
<td></td>
<td>Savings often consist of one’s “home” and all else is potential investment. The desire for big returns creates challenging times for those with high lending standards or for those who would be hurt by default. It favors big players who can take a hit and survive—counting on “too big to fail.”</td>
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<tr>
<td><strong>Consumption patterns</strong></td>
<td>Consumption is seen almost as doing one’s duty for the economy; people must consume to keep the economy humming. Advising “prudence” may appear old-fashioned and out of touch—people don’t learn their lesson from the Great Recession, which was seen as just a speed bump.</td>
</tr>
<tr>
<td><strong>Work habits</strong></td>
<td>People are willing to work longer and harder just to keep up; work-life balance is put on the back burner, creating intense pressure to generate returns that make it worthwhile.</td>
</tr>
<tr>
<td><strong>Mobility trends (mobile devices, apps, etc.)</strong></td>
<td>Personal service is required for newbie investors who know little about riskier, high-return vehicles. Technology helps people keep abreast of what’s happening, generates lots of questions that “humans” will have to answer, and creates issues regarding what to charge for and what’s “free.”</td>
</tr>
<tr>
<td><strong>Brick/mortar infrastructure (branches, ATMs, etc.)</strong></td>
<td>Significant reduction in brick-and-mortar to increase efficiency. Financial services workers are often on the road, visiting clients at their workplaces or in their homes. Cutting overhead is one way to provide increasing personal service. Customers will scrutinize operations to determine whether they are too costly—a beautiful, ornate building could be seen as “wasting my money.”</td>
</tr>
<tr>
<td><strong>Financial advice (human, algorithm-driven, etc.)</strong></td>
<td>Software programs that provide advice are available but lack the personal touch; most customers are unwilling to trust them. The challenge is to sort out the different levels of automation that different customer segments are comfortable with (and willing to support with their dollars).</td>
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<tr>
<td><strong>Regulation</strong></td>
<td>Regulation favors the strong players—the big banks—that really call the shots despite appearances of a level playing field. Regulators are in a weaker position and respond only after the damage has been done; large financial institutions maintain “too big to fail” status. This creates a challenge of finding an alternative positioning for smaller players, since head-to-head is futile.</td>
</tr>
<tr>
<td><strong>Credit unions</strong></td>
<td>Tough choices ahead: either drastic streamline to get big and stay competitive with those offering high-return vehicles, or a “retreat” to serving a shrinking base of conventional investors. “Getting big” requires alliances, consolidations, mergers, etc., which could be done, but does it cut into the essence of what a credit union is all about?</td>
</tr>
<tr>
<td><strong>Operations/Retail delivery of services</strong></td>
<td>Dilemma of either dealing with the pressure to relax standards to provide higher returns or maintaining standards and watching customers go elsewhere; or is it possible to create a portfolio of offerings that enable higher returns without sacrificing standards, perhaps by using product brands for different offerings (and maintaining a consistent credit union brand)?</td>
</tr>
<tr>
<td><strong>Lending and finance</strong></td>
<td>Dilemma of either dealing with the pressure to relax standards to provide higher returns or maintaining standards and watching customers go elsewhere; or is it possible to create a portfolio of offerings that enable higher returns without sacrificing standards, perhaps by using product brands for different offerings (and maintaining a consistent credit union brand)?</td>
</tr>
<tr>
<td><strong>Marketing/Branding</strong></td>
<td>Heavy investment in efficiency strategies; objective is to focus on cost-cutting.</td>
</tr>
<tr>
<td><strong>Collaboration/Vendors/Partners</strong></td>
<td>Key partners involve those providing the tech capabilities that enable reducing the need for physical infrastructure. If the decision is to “get big,” acquisition and consolidation become more necessary than collaboration, but present the issue of integrating new organizations/people/cultures.</td>
</tr>
<tr>
<td><strong>Succession planning</strong></td>
<td>Will likely require a big move to tap talent not overly wedded to the old, traditional ways and willing to make the tough choices to stay competitive; may be viewed by some as “cleaning house” and at odds with the core mission, unless a way can be found to balance the new and traditional.</td>
</tr>
</tbody>
</table>
- Debt rising.
  - Have organizations and individuals been taking on more debt over the last year?
  - Are average investors increasingly seeking to invest in high-risk, high-reward investment vehicles?

### Implications

Figure 5 explores the implications of this scenario across two principal categories: (1) retail finance and consumer banking, and (2) credit unions. Each of these in turn is divided into several subcategories. The categories are held consistent for each scenario to facilitate comparison.

### Stagnation

A collapse of the current system is plausible, but the most likely version is long-term stagnation, similar to what happened to Japan’s economy in the 1990s, a lost decade of economic decline. More and more Band-Aids and fixes are applied to the current system, but nothing seems to be working. There is a familiarity in this scenario in that the system is still more or less the same, but it is simply no longer providing the growth that people have become accustomed to.

The Great Recession is not an event, but the outcome. It becomes the way things are. People gradually make the psychological adjustment and accept that this is now the way things are. They become increasingly skeptical, if not hostile, to the latest plans to fix the economy. Calls for sacrifice fall on deaf ears. Consumers retreat from the global economy and fall back to doing it on their own. They put a much greater emphasis on local matters, where it is seen that they have at least some small influence. In a counterintuitive twist, consumers gradually adapt to the tough conditions. Life is not all bad, just different.

### The STEEP Context

#### Society

The social fabric is weakened, with distrust of government and big corporations high. The feeling is that “they got us into this mess, but they aren’t suffering.” It’s an “us against them” ethos. There is a lack of faith in the future and a sense of hunkering down. Consumers retreat from the global economy, where they can, and put more emphasis on the local. This inspires a renewed focus on local communities and neighborhoods.
Technology
The big emphasis in the technology realm is on security, both physical security and information security. The world is not seen as a safe place, and consumers are eager for security wherever they can find it. This is a world of safety and caution, not risk taking. In general, technology is seen as being at least partly responsible for the economic mess—creating more problems than it solves.

Economy
An understandable deep distrust of the global economic and financial system is in play. The system is seen as rigged against the average person and serving the rich and powerful. Where possible, consumers look to avoid being hooked into it. An alternative economy emerges at local levels. An interesting development is the emergence of barter-type systems and local currencies.

Environment
A general mood of insecurity has people focused more on the problems than on the solutions. Consumers recognize that there are indeed limits to growth, and they have been exceeded. They are skeptical of proposed technological fixes and are increasingly accepting the notion that the good old days are gone and a new era has emerged—one of less. The difficult news is that there is not enough money to take care of these problems.

Politics
Political leaders try again and again to restore confidence in the global economic system. They feel that if they could just restore confidence, growth could be restored. But it doesn’t work. Voters remove those who propose global economic and political cooperation as the solution. As nations gradually unplug from the global system, economic troubles only get worse.

Drivers
So, how do we get to Stagnation? In particular, what does the consumer landscape look like in this scenario?

This scenario is characterized by a sense of decline and lack of progress. Consumers are resigned to a life of less. They gradually withdraw from global concerns and focus their attention on what they feel is their sphere of influence: the local. As always, the human spirit proves to be resilient.
Living within Limits
There is a growing perception that future growth will be constrained by shortages of resources, whether economic or environmental. It started off with a general sense that things might not be getting better and eventually evolved to a point of recognition. Peak oil once sounded like an alarmed environmentalist slogan, but it’s now conventional wisdom. Financial strategies in this scenario are all about security, about maintaining the little that one has.

Is It Safe?
The intricacies of navigating today’s complex world have never been more daunting. Threats seemingly can emerge from anywhere, whether economic, environmental, criminal, or terror, driving a quest for greater safety and security. This fear pervades approaches to finances. Consumers don’t want to gamble, but they want to know that what they do have will be protected. They look to institutions that can provide that security, and big banks and financial institutions have lost their credibility with average investors. Small and local is an advantage in this scenario.

Continuum of Ownership
New models for ownership and use are creating new opportunities for the shared uses of goods and services. Resilient consumers begin adapting to the new economic realities. The lines between temporary possession and ownership are blurring as new models that blend access and ownership emerge, including the emergence of local currencies and co-ops. There are opportunities in this scenario for helping to set up and manage these alternative and in some cases off-the-grid type of arrangements.

Reaction against Info Overload
TMI (too much information) becomes a rallying cry against the perceived onslaught of web- and social media–inspired communications. Providing information is seen as risky, and consumers reel it in. Trust retreats from the virtual world to the physical. Consumers want to see and touch those they do business with. The online banking world is generally distrusted. People are much less willing to share any information, unless stringent security assurances are provided.

Values
Traditional values enjoy a renaissance. A back-to-basics attitude emerges as the most practical way to deal with the difficult economic
conditions. The long-term pattern in values change—from traditional to modern to postmodern and integral—reverses. This fits with one of the key exceptions observed in changing values patterns: In times of economic difficulty, people tend to revert back to what is known and comfortable. Tough times are not seen as good for experimentation. Thus, as economic times worsen, traditional values become more prominent. Some representative values in this scenario are the following:

- **Acceptance.** Act of assenting or believing.
- **Family orientation.** Family is of primary importance.
- **Protection.** Safety and security; freedom from unintentional or intentional harm.
- **Thrift.** Careful management, especially of money.
- **Tradition.** Customary pattern of thought, action, or behavior.

**Assumptions**
The assumptions one would have to judge credible for Stagnation to occur include the following:

- The recession is here to stay.
- Government and political leaders will be unable to find a way out of the recession.
- Security concerns trump all else.
- Local approaches are a viable alternative to increased globalization.
- People will get used to limits and learn to deal with them.
- Traditional values will provide the comfort that enables people to navigate tough times.

**Indicators**
The following indicators suggest a move toward the Stagnation scenario:

- Decrease in disposable incomes.
  - Are disposable incomes decreasing or stagnant?
  - Is there an increase in information and business services on simplicity, doing more with less, and do-it-yourself, especially in new areas?
- Increase in reuse of products.
  - Are recycling and related activities, such as reclamation, reconditioning, and refurbishing, on the rise?
  - Are extended-life products and warranties increasingly common?
- Bartering and alternative economies emerge.
  - Are alternative currencies increasing in the value of goods and services they account for?
  - Does global trade shrink?
- Crime, conflict, and terrorism increase.
  - Are signs of instability, such as crime and terrorism, increasing?
  - Is spending on security technologies increasing?

**Figure 6: Stagnation Implications**

<table>
<thead>
<tr>
<th>Category</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail finance and consumer banking</td>
<td></td>
</tr>
<tr>
<td>Consumer borrowing and saving</td>
<td>Borrowing is very low, both low demand and low supply. For savings, the competition is with “the mattress” in that distrust of financial institutions is very high, presenting the challenge of how to persuade consumers that it’s safe to trust their money to financial institutions.</td>
</tr>
<tr>
<td>Consumption patterns</td>
<td>People are forced to adjust their lifestyles to deal with less and live within their means. Cutting up credit cards is increasingly common; a sense of limits is clear as consumers downsize their lifestyles. Pay as you go is the new normal—creating a tough climate for lending.</td>
</tr>
<tr>
<td>Work habits</td>
<td>Work is tougher to come by and eagerly sought after. In general, employers seek to get out of the “burden” of providing benefits, and with governments being broke, this forces consumers to take care of themselves. This in turn opens up opportunities to provide advice and services.</td>
</tr>
<tr>
<td>Mobility trends (mobile devices, apps, etc.)</td>
<td>The use of mobile devices in the financial sector is largely restricted to the elite; the average person is afraid to trust the virtual world. A fairly dramatic reversal of the long-term trend to more online and virtual transactions is possible.</td>
</tr>
<tr>
<td>Brick/mortar infrastructure (branches, ATMs, etc.)</td>
<td>Existing storefronts survive, as people trust physical presence; very little new construction, but plenty of rehabbing and retrofitting. Distrust of online/virtual leads to a preference for dealing with the tangible and the personal; rebuilding trust with customer base becomes critical, which makes physical presence key.</td>
</tr>
<tr>
<td>Financial advice (human, algorithm-driven, etc.)</td>
<td>Human advice is preferred over machine, except among elites; huge gap between elites and “regular” customers.</td>
</tr>
<tr>
<td>Regulation</td>
<td>Efforts to stimulate the economy and the financial industry continue to struggle; consumers largely ignore incentives, and government stimulus efforts fail. The onus falls on rebuilding customer trust at the grassroots level.</td>
</tr>
<tr>
<td>Credit unions</td>
<td></td>
</tr>
<tr>
<td>Operations/Retail delivery of services</td>
<td>An overall lack of demand for financial services drives many organizations out of the business; those who survive must be willing to operate on thin margins. Consolidation and cost-cutting put the core strength of personal service at risk.</td>
</tr>
<tr>
<td>Lending and finance</td>
<td>Emphasis on securing the little savings available among consumers presents the challenge of minimal demand and razor-thin margins. There may be some innovative opportunities in enabling or facilitating new arrangements such as alternative currencies and peer-to-peer lending. There may also be an opening to help consumers with “other” benefits such as health or education, stepping into the gap left by organizations and government cutbacks.</td>
</tr>
<tr>
<td>IT</td>
<td>Little new investment, with emphasis on keeping existing systems running. The available investment goes toward security of the systems, part of trust building.</td>
</tr>
<tr>
<td>Marketing/Branding</td>
<td>Key is a patient outreach to promote the local and “personal customer service” message. Another obvious leverage point is that credit unions are seen as safer and more trustworthy than banks.</td>
</tr>
<tr>
<td>Collaboration/Vendors/Partners</td>
<td>Everything possible is done in-house—do-it-yourself ethos is pervasive, unless clear cost savings can be demonstrated with outsourcing.</td>
</tr>
<tr>
<td>Succession planning</td>
<td>Current staff will likely hang on as long as possible with the uncertain economic climate. It will be very challenging to plan for the future in this climate, even though a long-term perspective will be critical to navigate this difficult period.</td>
</tr>
</tbody>
</table>
Implications

Figure 6 explores the implications of this scenario across two principal categories: (1) retail finance and consumer banking, and (2) credit unions. Each of these in turn is divided into several subcategories. The categories are held consistent for each scenario to facilitate comparison.

Our Turn

Our Turn follows the new equilibrium archetype. As the global economic system has struggled to deal with the Great Recession, it turns out that the initial round of rescue measures and stimulus packages doesn’t work. In this scenario the affluent nations, such as the United States, Japan, and countries of the European Union, are unable to get the global economy going, and thus it eventually falls to the high-growth emerging markets to provide the needed stimulus. While the emerging markets were impacted by the Great Recession, their high growth rates continued and they became the new engines of global economic growth.

As a result, the global balance of power shifts to the World 2 emerging markets. Their rapid economic growth contrasts with stagnation among the affluent countries. They are increasingly willing to flex their newfound economic muscle, sometimes in ways that antagonize the affluent countries, now the former leaders of the world economy.

This scenario is great news for goods makers, as hundreds of millions of emerging market consumers enter the consumer economy for the first time. The expected “bubble” doesn’t burst, and there is a massive binge of consumer, government, and military spending. The attitude in the emerging markets is, “They got theirs, now we’ll get ours.” The growth is fueled in part by the interesting phenomenon of reverse brain drain, in which the best and brightest of the affluent World 1 nations are attracted by the money and opportunity presented by dynamic emerging market organizations. There are also fewer regulatory restrictions, which hamper advances in emerging technology areas in affluent nations, such as biotechnology and nanotechnology.

The Our Turn and Long Boom scenarios share a challenge: The rapid growth in the emerging markets has environmental consequences. The first priority is economics, and environmental and social issues are second. The sheer volume of consumption strains global resources and aggravates environmental issues. Another key challenge for the emerging markets is how to avoid antagonizing the
affluent nations, thus avoiding a potential trade war or even military conflict.

The STEEP Context

Society
The World 1 affluent nations are partly in denial and partly stunned at the shift in prospects. Their citizens are faced with the prospect of having to make adjustments and sacrifices, but realize that if they do, things can get back to some sense of normalcy. While emerging market societies are proud of their new position and power, there is a sense of relief among some World 1 consumers, along the lines of “let them deal with it; it’s their turn.” Others, however, don’t want to go as quietly and are continually lobbying against the “foreigners” and spurring a host of global conspiracy theories.

Technology
The World 2 emerging markets are seen as the new hotbeds of technological innovation and investors are flocking there. They are often victims of hype, but there is enough success to keep the interest high. Much of the technology is directed at sustainability, given the recognition that emerging markets can’t grow and consume at the same rate using the same technologies that World 1 countries once did without serious environmental consequences. So, efficiency and conservation technologies get a huge boost.

Economy
Where the United States once imposed austerity measures on others, it finds itself in the embarrassing situation of having to enforce them upon itself. “Too big to fail” institutions are rightsized, and the regulatory system is overhauled in order to put the regulators back in charge, often under the direct or indirect order of international groups with emerging market leaders largely calling the shots. Capital is tougher to access in the United States and the terms are less favorable; the global economy is where the action is, if one can get to it.

Environment
There is a great boom in green technology, as the emerging markets want to grow commensurate with their improved status, but they recognize the environmental consequences of unrestrained growth. If everyone in a megacity owned a car, they wouldn’t be able to move, and if the cars were gasoline powered, the smog would be horrific. Thus, sustainability becomes increasingly important for practical economic reasons.
Politics
Political realities catch up with economic ones. The United States and other World 1 powers recognize that they need the World 2 emerging markets more than those markets need the United States and other World 1 powers. They are forced to bow to the inevitable, but this will not happen without some hiccups. The severity of these hiccups may well determine the fate of global societies in this scenario. Will resistance be largely constrained to rhetoric, or will economic or military conflict break out?

Drivers
So, how do we get to Our Turn? In particular, what does the consumer landscape look like in this scenario?

The key drivers center on booming economic growth in the World 2 emerging markets. These nations are going through the transition that affluent nations went through a few generations ago. It is characterized by a tremendous energy and spirit of growth and achievement, of taking one’s “rightful” place in the world. The World 1 affluent economies do not suddenly shrink up and disappear; they just do not provide the dynamic sources of growth that the World 2 emerging markets do.

Consumerism
Hundreds of millions of people are entering consumer life for the first time. They are pursuing material goods acquisition with gusto. Being able to afford consumer goods is a sign to one’s peers that the individual has “made it.” It becomes important to be able to afford status symbols such as appliances and vehicles, albeit “green” ones. There will be great opportunities in setting up the financial infrastructure to support this boom and in helping first-time buyers navigate the consumer economy.

Emerging Markets Power
The BRIC (Brazil, Russia, India, and China) economies and the economies of their successors (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa [CIVETS]) will grow increasingly faster than those of the World 1 nations. For example, China recently passed
Japan to become the world's second-largest economy and will pass the United States within the next two decades in this scenario. It may turn out that CIVETS and other emerging markets could provide significant opportunities since so much attention is paid to BRIC.

**Global Middle Class**
The size of the middle class in the emerging markets continues to expand, from about one-third of their population in 1990 to about half in 2005, applying Indian economist Surjit Bhalla’s expanded definition to those earning between $10 and $100 a day. Literally hundreds of millions of people will be entering middle-class status. It will be important for financial services to recognize what is defined as middle class in different societies, as it is a relative term depending on local context and conditions, required flexibility, and customization.

**Rise of World 2 Knowledge Workforce**
The new middle class emerging in World 2 will not long be content with “cheap labor” kinds of jobs. At the same time, their governments recognize that building a more sophisticated economy is central to their long-term success. As consumers climb the ladder of development, their costs will increase, and they will be under the same pressure to improve their education and skill sets that is felt in the World 1 nations. Here again, the opportunities are not necessarily new to financial services, but new to these consumers, such as providing student loans and the like.

**Rise of Emerging Market Corporations and Brands**
Emerging market brands, such as Haier in China, Tata in India, and Cemex in Mexico, are already starting to shed their low-value reputations and establish themselves as serious global competitors. Financial services will experience that competition in both domestic and global markets. World 2 competitors will seek to expand their reach into World 1, and they will of course seek to capture the market in their home countries. And given their economic power in this scenario, they will indeed be serious competitors.

**Values**
Modern values are the most influential in Our Turn, but with more of an emerging market flavor. In particular, there is a strong sense of achievement and pride in World 2 economies’ raising their profile on the global scene. They are proud to be the engines of global economic growth and pay little attention to affluent nation proselytizing about the need to curb their huge consumption of energy and resources. They do it because it’s practical, and they resent the
preachiness of World 1 on the matter. Some representative values include the following:

- **Ambition.** Ardent desire for rank, fame, or power.
- **Change.** To experience or bring about alteration or transformation.
- **Growth.** Increasing capacity of an economy to produce goods and services.
- **Independence.** Freedom from the control, influence, support, aid, or the like, of others.
- **Luxury.** Indulgence in something that provides pleasure, satisfaction, or ease.
- **Technology orientation.** Technology is of primary importance.

**Assumptions**
The assumptions one would have to judge credible to believe in Our Turn include the following:

- Emerging markets lead the way out of the “double dip” recession and continue their explosive growth.
- Reverse brain drain (talent migrates from World 1 to World 2) helps build emerging market knowledge workforce.
- Relations between the worlds can be managed, and trade or military conflicts can be avoided.
- Required natural resources can be acquired at a low cost.
- Environmental issues can be tabled while green technologies are developed.
- Modern values are dominant in the emerging markets and set the tone for the global economy.

**Indicators**
The following indicators suggest a move toward the Our Turn scenario:

- Emerging markets continue rapid growth.
  - Has revenue grown in the emerging markets vis-à-vis home markets over the last year?
  - Has the proportion of customers grown in the emerging markets vis-à-vis home markets over the last year?
- Global climate change and other environmental issues worsen.
  - Have environmental issues, such as pollution, water availability, and species loss, worsened in the last year, particularly in the emerging markets?
  - Has investment in green technologies increased, particularly in the emerging markets?
Figure 7: Our Turn Implications

<table>
<thead>
<tr>
<th>Category</th>
<th>Implications</th>
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</thead>
<tbody>
<tr>
<td><strong>Retail finance and consumer banking</strong></td>
<td></td>
</tr>
<tr>
<td>Consumer borrowing and saving</td>
<td>More stringent criteria make it more difficult to loan, but money is available to loan; qualified borrowers are hard to find in the face of tougher standards. Increasing competition in home markets from overseas competitors, which are usually able to offer more favorable terms due to their economies being in generally better shape.</td>
</tr>
<tr>
<td>Consumption patterns</td>
<td>More restrained consumption in World 1 and explosion of consumption in World 2. Decisions must be made in terms of which customers to emphasize; may be possible to balance, but could be challenging to serve one group really well without alienating the other.</td>
</tr>
<tr>
<td>Work habits</td>
<td>Downward pressure on wages in World 1 as the global economy gradually levels differences. There are signs that it is encouraging revival of some World 1 businesses once lost to outsourcing or to export markets; at the same time, World 2 labor is getting increasingly expensive as they climb the ladder of development, making outsourcing less attractive. This could enable a revival of industries once thought obsolete and favor those knowledgeable about these industries.</td>
</tr>
<tr>
<td>Mobility trends (mobile devices, apps, etc.)</td>
<td>Continued growth in use of mobile devices, often integrated into global systems. Devices are increasingly globalized; less difference between national and international; global standards in full force; requires investment to upgrade to stay aligned with global markets.</td>
</tr>
<tr>
<td>Brick/mortar infrastructure (branches, ATMs, etc.)</td>
<td>Greater reliance on automation and less on physical storefronts, to save money in home markets; greater reliance on automation for new overseas players. Less latitude in lending—given the tougher regulations—lessens the importance of the personal element and favors automated approaches.</td>
</tr>
<tr>
<td>Financial advice (human, algorithm-driven, etc.)</td>
<td>Much greater reliance on automated programs; competition along local/national versus global players to some extent, but terms will often favor global players; could be some value in “buy local” type of appeal.</td>
</tr>
<tr>
<td>Regulation</td>
<td>Rules put brakes on debt-based spending and breed resentment against global systems, but it works and the financial system is saved, albeit with more rules and restrictions; consumers grudgingly go along.</td>
</tr>
<tr>
<td><strong>Credit unions</strong></td>
<td></td>
</tr>
<tr>
<td>Operations/Retail delivery of services</td>
<td>Significant pressure to cut costs and tie in with big global players that have a competitive advantage due to their stronger economies. Some organizations may find it difficult to deal with having to provide less service delivery in order to survive.</td>
</tr>
<tr>
<td>Lending and finance</td>
<td>More restrictions, often with terms set by global players, and at odds with “the way things used to work.” It puts credit unions in a difficult position of trying to maintain their identity but needing to change in order to survive.</td>
</tr>
<tr>
<td>IT</td>
<td>There is a need to get systems up to global standards and to get the talent needed to do this, as these capabilities become increasingly vital to success. There will be some switching costs involved as new economic powers are able to dictate standards to some extent.</td>
</tr>
<tr>
<td>Marketing/Branding</td>
<td>A potential revised message is about bringing customers into the new era and tying into the global economy, along the lines of “we’re the ones to trust” in navigating the complex new environment. The message could put more emphasis on strength in numbers rather than personal service.</td>
</tr>
<tr>
<td>Collaboration/Vendors/Partners</td>
<td>A key challenge will be working with new global partners and dealing with the accompanying cultural issues; may require some new training options.</td>
</tr>
<tr>
<td>Succession planning</td>
<td>There could be a difficult adjustment in being “forced” to accept leadership from parent companies, perhaps from different companies or cultures; may be difficult to continue with traditional leadership development paths.</td>
</tr>
</tbody>
</table>

- Rise in consumer economy/consumption.
  - Has vehicle ownership in the emerging markets gone up significantly over the previous year?
  - Has energy consumption in the emerging markets gone up significantly over the previous year?
• Reverse brain drain.
  ▪ Have emerging market organizations increased their recruiting efforts and increasingly attracted workers to go overseas?
  ▪ Have more workers left to work with emerging market organizations compared to last year?

Implications

Figure 7 explores the implications of this scenario across two principal categories: (1) retail finance and consumer banking, and (2) credit unions. Each of these in turn is divided into several subcategories. The categories are held consistent for each scenario to facilitate comparison.

Soft Path

Soft Path follows the transformation archetype. In this scenario, world leaders conclude that the current global economic system will be unable to keep up with its challenges, and thus it's time to craft a new economic system.

The inspiration for this scenario came most directly from the work of Amory Lovins and the Rocky Mountain Institute, in particular his work on energy efficiency highlighted in his book *The Soft Energy Path*. In Soft Path, people rethink their consumption patterns and their lives, as they recognize that unrestrained growth has run up against limits.

Sustainability moves from nice-to-have to being the central factor in economic and social life. Change is driven at the grass roots, but not from the voluntary simplicity ethos often projected; rather, it is driven by “enoughness,” a feeling that life has gotten out of control, and enough is enough. So, it’s about restoring balance—from ecosystems to economies to work-life balance.

This scenario is the most different from today. The “solution” to the Great Recession is to reinvent the economic system. Steady-state economic growth principles are introduced. Postmaterialist business models emphasize thoughtful, ethical, and experiential consumption.

Environmental impacts are recalculated as economic costs, and this shift has a big influence on changing corporate behavior.

Environmental impacts are recalculated as economic costs, and this shift has a big influence on changing corporate behavior. It provides incentives for dramatically reducing environmental impacts and increasing energy efficiency. Both of these developments are aided in large part by ubiquitous sensor networks at the core of a high-tech approach to monitoring environmental impacts. Technology is important to the Soft Path, but it plays more of a secondary role than
it does in the other two scenarios. In other words, social concerns come first, and technology serves society, whereas one could argue in the other two scenarios—to some extent at least—that society often serves technology.

A key challenge of this scenario involves the difficulty of transitioning to a new economic system. Some conflict exists between affluent nations and emerging markets, as this scenario is driven by affluent nations. Emerging markets gradually get the message that “going green” is a good business strategy, but it is difficult to preach environmentalism and conservation as their citizens clamor for the “good life” now within their reach.

The STEEP Context

Society
Affluent nation citizens, using the power of social networks and grassroots activism, demand change from their political leaders. People take matters into their own hands; they see the current global economic system as driving toward disaster and demand that sustainability take precedence. Socially responsible investing becomes a big opportunity. In general, consumers are looking for research help in scrutinizing investments and in making sure that the companies they are investing in, or buying products from, share their values and concerns.

Technology
Technology is not rejected, but technological approaches come under scrutiny. Technology is viewed as a tool that can be very useful, but it must serve society—not the other way around. Sensing, communication, and networking technologies are seen as vitally important for sustainability. Along those lines, technology is used as a tool for scrutinizing the behavior of organizations and government agencies, to make sure that they are walking their talk. In this regard, technology is seen as a useful adjunct to making investment decisions.

Economy
The old system is seen as dysfunctional and needing to be replaced. No more Band-Aids or piling on more regulations. It’s time to gather global leaders together and build a new system from scratch, albeit accompanied by a transition strategy. The key shift is to remove the emphasis on needing to grow, which led to debt-fueled overconsumption that created the mess. Also, national and global accounts are reconfigured to account for externalities.
Financial service organizations will be judged on their present as well as previous performance. Some consumers will be willing to do the research and determine whether an organization really believes what it says or is a Johnny-come-lately.

**Environment**
Attention to the environment is central and even takes precedence over economic growth. The view is that environmental disaster is ahead if present trends continue. Financial services will be looked to for providing advice to organizations about investment opportunities and how sustainable they are. To what extent can they provide viable green investments? It’s less about feel-good initiatives, such as recycling paper, or green credit unions, and more about funding green investments (though certainly no organization wants to be a “bad” green actor).

**Politics**
Grass roots have shifted the power balance between the governing and the governed. While formal political participation dipped, informal participation skyrocketed. The view was that the system was a waste of time, but social media technology would enable the coordination and participation that could make citizens’ movements powerful. And they were right! This grassroots power spills over into all the organizations they interact with. These citizens want to be heard, to have voting rights, to be represented on boards—to have a say. The good news, of course, is that they become powerful advocates for those who provide this.

**Drivers**
The Soft Path emerges from “below”; that is, it is largely driven from the grass roots by citizens who network and combine their strengths to make change happen. Rather than wait for a crisis to mobilize, they believe that things need to change and do it proactively. The movement is strong enough to compel business and political leaders to get in line.

**Empowered Individuals**
Consumers are using information access and tools to keep companies accountable and are increasingly taking on activist roles, including using that power to publicly out bad behavior, often using social networks for support. Financial services must recognize the power of not only the activist watchdogs but also the “ordinary” consumer, who can also generate positive or negative word of mouth.
Enoughness
Many people in the affluent countries have a sense of “having enough” and are fed up with the status quo. There is an acceptance and embrace of the need for limits. They feel their life is getting out of control and are acting to take it back. One aspect is financial planning. Many feel that their spending has been out of control; there is such a swirling array of things one “should” do. They will be looking for help in sorting out what is truly important for long-term financial health. They value long-term sustainable investing over short-term gains.

Integration of Virtual and Real
The virtual world is emerging as an increasingly influential complement to the real world, with distinctions between the two blurring. Virtual work is increasingly combined with visits to the office. Virtual objects can be made for the real world, and vice versa. These consumers will be willing to explore new technological approaches to investing and saving as long as the benefit is clear, and it’s not just technology for technology’s sake.

Localization
A general desire for connection has manifested in a preference for things local. Beyond getting to know the neighbors, these consumers are seeking to spend their money with local vendors as a means of investing in their communities. Accompanying this is a renewed emphasis on community livability over consumer-oriented sprawl. In contrast to Stagnation, however, there is not an explicit rejection of globalization. Global cooperation is seen as vital, and many individuals and even communities look to invest overseas in hopes of bringing up the standard of living of their fellow global citizens.

New Metrics for Success
Economic success has been the primary indicator of national success. New metrics are emerging to broaden the definition of success, such as the triple bottom line, which incorporates social and environmental considerations with economic ones. A few nations are experimenting with “happiness” measures. Financial services can expect an expanded array of success measures as well, for example, to what extent does an investment contribute to social well-being?

New postmaterial needs include a greater interest in experiences and in consumer choices that enable self-expression.
Postmaterialist Models
Many consumers in affluent nations have incomes that easily cover basic necessities, leading to diminishing emphasis on material goods consumption. New postmaterial needs include a greater interest in experiences and in consumer choices that enable self-expression. It may be that new financial instruments need to be developed to cover the expanding “experience” industry, such as financing a Habitat for Humanity or ecotourist trip.

Scaling Up Green
There is no single technological solution to pressing environmental problems. Rather, a combination of technological, economic, social, and political changes is necessary to ensure the scaling up of green technologies, such as government incentives for developing and implementing green technologies. A burgeoning financial market for green technologies emerges, with a particular need for skill sets—identifying and evaluating these opportunities—that can help scale local solutions across the globe.

Sharing
New models for ownership and use are creating new opportunities for the shared uses of goods and services. Information goods can be accessed via the cloud instead of being physically possessed. Timeshares are expanding across a wide range of goods, from jets to high-fashion dresses. And information exchanges enable more convenient sharing of goods, including arrangements such as local currencies. A need could emerge for coordinating and orchestrating these new financial arrangements, with local credentials likely to be at a premium.

Values
Postmodern values are the most influential in the Soft Path. These values are the most different of any of the scenarios. While they can be found in many areas, predominantly on the coasts and in major metropolitan areas, they truly flourish in this scenario—moving from the edge to the mainstream. These values put less emphasis on material goods consumption and more emphasis on sustainability, thus making for a sharp distinction from today and from the previous two scenarios. The postmodern is focused around the search for meaning in one’s life, with priorities such as self-expression (including an emphasis on individual responsibility as well as choice), life
balance and satisfaction, and wellness. Representative values include the following:

- **Appropriateness.** Suitably designed for the task at hand and user capabilities.
- **Authenticity.** State of being genuine; not false or an imitation.
- **Community.** Group of people with a common characteristic or interest living or working together within a larger society.
- **Experiences.** Collecting memorable activities instead of or along with material goods.
- **Simplicity.** Freedom from intricacy or complexity.
- **Smartness.** Innovations that increasingly shift information and decision-making burdens from the user to a device or service.
- **Spirituality.** Interest in and pursuit of the meaning and purpose of life.
- **Sustainability.** Reducing the human footprint on the environment while maintaining quality of life.

**Assumptions**
The assumptions one would have to judge credible to believe in Soft Path include the following:

- The recession causes people to rethink their consumption, consciously reducing it.
- Grassroots movements and social entrepreneurship flourish.
- New measures of success at all levels of government go beyond the triple bottom line of sustainability.
- Local products and services flourish.
- Licenses to operate granted by some communities that require organizations to give back to the community (e.g., B corporations).
- Rise of postmodern and integral values.

**Indicators**
The following indicators suggest a move toward the Soft Path scenario:

- Increase in ethical consumption (purchases based on values criteria).
  - Has there been increased investment in—and customer enrollment in—green technologies and alternative energy?
  - Have more of your customers switched to an alternative energy provider?
• Growth in grassroots movements.
  ▪ Is there growth in the number and power of grassroots organizations?
  ▪ Have political language and candidacies switched to Soft Path type of messaging?

• New economic measures include “external” costs and social concerns.
  ▪ Are environmental or social concerns being factored into activities to a greater extent compared to last year? (This could be reflected in an analysis of corporate annual reports or perhaps from watchdog groups.)
  ▪ Have organizations and local or state governments adjusted their economic accounting to include additional external or social measures over the last year?

• Local matters are increasingly important.
  ▪ Are B corporations or similar licensing schemes that require giving back to the local community emerging?
  ▪ Have more global businesses “localized” their operations and pulled back from global supply chains over the last year?

Implications
Figure 8 explores the implications of this scenario across two principal categories: (1) retail finance and consumer banking, and (2) credit unions. Each of these in turn is divided into several subcategories. The categories are held consistent for each scenario to facilitate comparison.
### Figure 8: Soft Path Implications

<table>
<thead>
<tr>
<th>Category</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail finance and consumer banking</strong></td>
<td></td>
</tr>
<tr>
<td>Consumer borrowing and saving</td>
<td>Investment and lending criteria to include more factors such as social responsibility and community impact. More consumers prefer to do business with those rooted in the community or committed to reinvesting in it. Strong adoption of consumer-driven approach, such as peer-to-peer lending schemes, presents new challenges for the industry (adapt or suffer).</td>
</tr>
<tr>
<td>Consumption patterns</td>
<td>Self-imposed decisions to do more with less. Greater value placed on some purchase/investment/borrowing decisions. More consumers will scrutinize who they choose to do business with; they may screen out many, but they are likely to reward those who “pass the test” of sharing their values. While they may spend more on offerings important to their sense of identity, they will be increasingly frugal in areas that “don’t matter.”</td>
</tr>
<tr>
<td>Work habits</td>
<td>Willing to sacrifice money for time. That is, in general, they would rather work less than earn more; this may require greater attention to long-term financial planning, as they can’t rely on simply continuing to earn more money. They prefer flexibility, setting their own schedules and not sacrificing for the corporate master; they will often have to handle their own benefits, again suggesting a need for help in managing their overall financial planning.</td>
</tr>
<tr>
<td>Mobility trends (mobile devices, apps, etc.)</td>
<td>Devices are used to provide convenience for routine purchases, but relationships and personal service remain valued for the higher “value-added” services/offerings.</td>
</tr>
<tr>
<td>Brick/mortar infrastructure (branches, ATMs, etc.)</td>
<td>Local physical presence is important, but there is still an expectation that local players are sophisticated enough to be tied to global virtual infrastructure; presents the challenge of balancing the local touch with global reach.</td>
</tr>
<tr>
<td>Financial advice (human, algorithm-driven, etc.)</td>
<td>Consumers will use automated information as entry-level information but will “go human” for the important decisions; technology is seen as a useful tool by consumers, but they continue to value human expertise.</td>
</tr>
<tr>
<td>Regulation</td>
<td>Regulation is strong at the global and local levels, with the emergence of strong local requirements the most novel development. Global regulation is also increasingly important; it is the national level that is largely disintermediated, as it is seen as a middleman not adding enough value. Local requirements could be at odds with global influences, thus presenting challenges of “who do we choose” in some cases.</td>
</tr>
<tr>
<td><strong>Credit unions</strong></td>
<td></td>
</tr>
<tr>
<td>Operations/Retail delivery of services</td>
<td>Local physical presence is important but must also be technically sophisticated and tied to the global financial backbone; greater emphasis on the local does not suggest a retreat from the global, presenting a “balancing” challenge.</td>
</tr>
<tr>
<td>Lending and finance</td>
<td>A key capability is being an enabler of approaches that give an increased voice to customers, including peer-to-peer and other sharing types of services. Transparency becomes a key operating principle; enabling meaningful participation (not just lip service) becomes a potential point of differentiation.</td>
</tr>
<tr>
<td>IT</td>
<td>Technology is in a support role, but the expectation is that it is there. Being local doesn’t mean being apart from the global system, as these consumers are also avid global investors as a way to support their sense of social responsibility; it may be that packaging together investment opportunities that support local communities around the globe provides a new source of business.</td>
</tr>
<tr>
<td>Marketing/Branding</td>
<td>Strong emphasis on building the community and relationships, combined with a global sophistication; community credentials become vital. Organizations appearing to be carpetbaggers will easily be outed by sophisticated consumers with their social networks.</td>
</tr>
<tr>
<td>Collaboration/Vendors/Partners</td>
<td>The core capability is in building and nurturing customer relationships and supporting the community. This gets top priority and suggests that all else can be done via collaboration; it requires a sharp understanding of what is essential to delivering the value and what is in more of a supporting role.</td>
</tr>
<tr>
<td>Succession planning</td>
<td>Very strong emphasis on building leaders of the future, with grounding and experience in the local community a key criterion, and most likely involving community stakeholders’ participation to a significant extent.</td>
</tr>
</tbody>
</table>
This chapter clarifies the differences among the scenarios by comparing how the drivers and values differ. It offers a guide to the strategic questions raised by the scenarios that credit unions will need to consider.
The most familiar scenario would be the Long Boom, which assumes a continuation of steady long-term economic growth until the interruption of the Great Recession. While this scenario becomes less likely as more time passes, it remains quite plausible that things could “get back to normal.” Technological progress keeps the Long Boom booming. Our Turn also preserves the existing economic order, albeit with a very significant twist. The affluent World 1 economies prove incapable of getting the global economy going, so the World 2 emerging markets must—and do—come to the rescue. So while the economic system is not fundamentally changed, it differs in a few significant ways: (1) the emerging markets are the new engines of global growth and exercise power reflecting their position, and (2) the economy becomes more regulated at the global level (also reflecting growing influence of emerging markets).

The global economic system also more or less stays the same—in shape at least—in Stagnation, but it essentially collapses and global leaders can either devise an alternative or get the current one moving again. Thus the days ahead are ones of slow growth at best and decline in most cases. Disenchantment with the global system leads to nations gradually disentangling from it, which only worsens the situation. The Soft Path avoids this fate by seeing the inevitable collapse ahead and taking proactive action to avoid it. Perhaps not surprising, this foresight is not driven by political leaders but emerges from the grass roots in the form of activist and citizen groups, who use “people power” to successfully demand change. This eventually leads to a global summit that effectively redesigns the global economic system—clearly the most radical of the potential scenarios in play.

Figure 9 provides a high-level comparison of how the scenarios differ. Figure 10 digs a bit deeper into the differences among the scenarios by comparing how the drivers and values differ.
Strategic Approaches for the Scenarios

The strategies required for each scenario are quite distinct. Organizations confronting the question of how to prepare might choose from the following approaches:

- **Bet the farm** (on one scenario): An organization may become convinced the world is heading toward one scenario and thus develop strategies that fit just that outcome. There is a high payoff for being right, but a huge risk in being wrong.

- **Robust**: Look for the common elements across the scenarios and focus on those in developing a strategy.


- **Hedge your bets:** In a case where there is great uncertainty around which scenario is most or more likely, strategies would allocate resources to cover each scenario equally.

- **Core-satellite:** In a case where one scenario seems most likely, most of the strategy’s attention and resources are invested there, with some small allocations to other scenarios, just in case.

The most common strategy in my experience is core-satellite. It is middle ground between the highly risky “bet the farm” and the more conservative “robust” and “hedge your bets.”

It is beyond the scope of this report to recommend a particular strategic approach, which is best decided in a workshop setting involving key stakeholders. It is, however, within the scope to suggest the strategic questions from each scenario that a strategy session should address.

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### Figure 10: Comparing Drivers and Values across the Scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Drivers</th>
<th>Values</th>
</tr>
</thead>
</table>
| Long Boom (Continuation) | Co-creation  
Diversified brand ecosystem  
It’s all about me  
Transparency  
Life-shifting  
Richistan       | Convenience  
Customization  
Efficiency  
Growth  
Luxury  
Technology orientation |
| Stagnation (Collapse)      | Living within limits  
Is it safe?  
Continuum of ownership  
Reaction against info overload | Acceptance  
Family orientation  
Protection  
Thrift  
Tradition |
| Our Turn (New Equilibrium)   | Consumerism  
Emerging markets power  
Global middle class  
Rise of World 2 knowledge workforce  
Rise of emerging market corporations and brands | Ambition  
Change  
Growth  
Independence  
Luxury  
Technology orientation |
| Soft Path (Transformation)    | Empowered individuals  
Enoughness  
Integration of virtual and real Localization  
New metrics for success  
Postmaterialist models  
Scaling up green  
Sharing       | Appropriateness  
Authenticity  
Community  
Experiences  
Simplicity  
Smartness  
Spirituality  
Sustainability |
Long Boom Strategic Questions

• How do we handle demands for high returns while maintaining traditional prudent advising standards—especially when competition is less prudent?

• At the risk of harming local, customer-centric approaches, should we team up with big global players in order to offer higher returns?

• How can we develop approaches and expertise for newbie average investors who want to participate in higher-risk/higher-yield activities but have no experience with them?

• Can we keep overhead low and maintain personal service levels?

• How do we maintain balance between providing personal service and taking advantage of increasingly sophisticated information and automated approaches?

• How do we avoid providing “free” personal service and advice only to see the sale go to competitors offering better rates/returns?

• How do we “staff up” talent with expertise in global high finance while maintaining a local touch?

Stagnation Strategic Questions

• How do we convince people to trust the system while it pays low returns?

• Can our tradition of “local” and “customer service” lead us to being seen as safer and more trustworthy than banks?

• How can we make money in a “pay as you go” world, where people don’t want or can’t afford loans?

• Can we develop new offerings such as managing benefits (retirement planning, perhaps health and life insurance) for people, as fewer and fewer get them from work, and governments are increasingly broke as well?

• How can we keep an existing physical presence despite pressure to cut costs?

• Are there any opportunities for us in alternative economic experiments, such as alternative currencies or peer-to-peer lending?

• How can we attract talented leadership in difficult economic times?

Our Turn Strategic Questions

• Where do we put the geographic emphasis of business: toward more favorable markets overseas (where we know less) or toward less favorable markets at home (where we know more)?

• How do we develop expertise in navigating the new global regulatory landscape?
• Should we tie in with new global players from emerging markets that have the clout to offer better terms?
• How do we counter the increasing competition in home markets from overseas competitors, which are usually able to offer more favorable terms—is being the United States and local enough?
• Should we invest in switching and integrating our systems into global infrastructure, or keep a strong local focus?
• How do we deal with the pressure toward greater reliance on automation and less on physical storefronts, both to save money in home markets and to provide greater reliance on automation for new overseas players?
• How do we deal with the cultural differences of new global partners, including potential pressure from global partners to change our leadership?

Soft Path Strategic Questions
• What types of social responsibility fit with “our” credit union; who are we and what do we believe in?
• How do we balance local friendliness with global sophistication?
• Can financial advice and services earn attention and value from consumers or are they seen as commodities?
• Where is the opportunity for credit unions in a time when consumers are being more careful about borrowing and consuming even though they have the means?
• How do we adapt our key marketing messaging that emphasizes our roots in the community and builds on our core capability of relationship building to deal with a more aggressive, activist “personality” in the client base?
• What role should we play, as consumers are more inclined to adopt local approaches, such as peer-to-peer lending schemes?
• Can we develop new products and services around self-employment and small business, which become increasingly common?
• How do we enable greater participation of clients in our decision making, including providing a say in developing our leaders of the future?


3. Clusters of trends reinforcing one another and influencing change in a common direction.

4. An individual view about what is most important in life that in turn guides decision making and behavior.


7. Global Business Network (www.gbn.com) developed this approach as part of its scenario training courses.
Global Trends: Drivers, Values, Implications, and Strategic Questions for Credit Unions

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