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## **Scenario Planning Approach to Strategic Management of Small Travel Business in Malaysia**

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### **Abstract**

Scenario planning, an alternative strategic management tool, has given a new meaning and dimension to the way strategy should be thought, discussed and implemented in organizations. This paper introduces scenario planning in the way the turbulent world should be better managed by looking for possible futures and not predicting the only future. No matter how rational strategic planners are, the complexity of the business environment would still leave the planners guessing of their planned and predicted future. This study undertaken using scenario planning technique by looking at the future of the small travel business in Malaysia. The three plausible scenarios discovered were 'stormy weather', 'blizzards' and 'occasional shower'. The study recommended that strategic options available for the businesses were 'differentiation', 'new services', 'diversification and mergers/acquisition'. These options are applicable for all scenarios.

**Keywords:** Scenario planning, strategic management, entrepreneurship, small travel industry, management imperfection, evolutionist, revolutionist

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### **INTRODUCTION**

In recent times, change has become an ultimate issue for organizational survival. To keep abreast with the latest in products, designs and innovations of competitors and incorporating a copycat strategy is not the recipe for long-term success. Only organizations that have the ability to scan the environment effectively with a shared mental model, leading to innovation within can see success and profit potential in the long run. This is the field of strategic management and scenario planning, an alternative tool to strategic management, ensures long-term sustainable survival of an organization. Many strategic planners have found scenario planning as crucial part of strategic management for envisioning the future by producing plausible multiple futures (scenarios) (Van der Heijden, 1996).

## **Failures in Organizational Practices**

A failure to envision seeing the micro and macro environment of an organization has by and large been the root cause for ineffective strategic planning. The three main reasons that have been identified to blind the organizations are:

### *Operational ineffectiveness*

Operational ineffectiveness is one of the causes for low profitability in organizations. Companies that are able to get more out of their inputs, by way of eliminating waste, employing advanced technology, and motivating employees, stand to have higher profitability than competitors because they are able to reduce operating costs. However, not all efficiency models and theories need to be employed and organizations have a choice on their preference. For example, 'zero-defect' can be introduced as a Total Quality Management principle because it leads to efficiency and overall lower expenditure in costs, but then again it is one that a company can live without.

It must be emphasized that although operational ineffectiveness is one of the contributors for failures in organizational processes, it does not, however, drive a company out of competition, at least in the short term. There is a false assumption in organizations that operational activities are a part of strategy. It is certainly an essential element in organizations but however, its ineffectiveness is not the root cause for organizational failures.

### *Business Successes*

Strategic management rethink is more in need for successful companies than those who are struggling. Successful companies are in danger of suffering from strategic failure in times of rapid change (Wack, 1985). Because of their success story they will be locked into strong assumptions and therefore their procedures and policies will be hard to change. In other words, change is not in the agenda. For an instance, IBM, the dominant in the mainframe computer market, failed to envision the growing market for personal computers (Kay, 2001). However, the fact remained that they were the best in mainframe computing. It was their position in the comfort zone that led to their absence in organizational learning coupled with lack of environmental scanning. Had they been open to change, IBM could have very well been the market leader in personal computers as well.

### *Over dependence on forecasting*

Forecasting is important in businesses, especially in situations when an industry is in a state of slow incremental change. However, the limitations of forecasting are overlooked by organizations that emphasizes on these figures for their business development decisions. If the past is a good indication of future, businesses can never fail. The answer seems simple, the predictions went wrong, but the question then arises, "Can one or two years of failed predictions bring down a business?" Perhaps not, but the lead-time taken to rectify the situation may be the cause. The oil crisis of 1973 is a perfect example. Since the industry was used to an exponential growth of 6 per cent annually, oil companies maintained their capacity expecting the same level of growth. The demand started falling in 1973 and the industry took 2 years to

discover that anything at all happened and then a further 6 years to work out the real impact of the crisis (Van der Heijden, 1996)

Forecasting requires identifying what is to be forecasted. The fact that the forecaster always decides in advance what he is going to forecast is crucial (Van der Heijden, 1996). The mental model shuts out the unexpected environmental factors that may influence the figures. Secondly, the lack of communication amongst senior and middle management regarding the process in which the forecast results were obtained. Implementers of strategy are given the figures to act upon. Thus, they do not really 'buy' the idea (the forecasted results) because they were not a part of the team that established it. Thus, there is no ownership to the problem at hand.

For a certain time period, forecasting could be used for decision-making purposes. On the other end, there is a time period beyond which no predictions or scenarios can be constructed due to extremes in unpredictability and uncertainties (Van der Heijden, 1996). This is the area that is called 'Hope'. Scenario planning comes in between Forecasting and Hope. Consequently, the long-term survival of the firm will depend on the innovation arising from the entrepreneurial vision of the management team.

It can be clearly seen that strategic planning provides the answers for long term planning. Before discussing the advantages of scenario planning, the two prominent and well respected schools of thought will be discussed, the Rationalist and the Evolutionist schools of thought.

## **REVIEW OF LITERATURE**

### **Rationalistic School of Thought**

The basic underlying assumption in the rationalistic school is that there is one best solution and the strategist(s) must attain to get as close as possible to this outcome. Since there is only one answer, anyone given the right resources, will attain this result. As a consequence, the internal processes of the planning team and their perspectives are irrelevant. This is the fundamental area of difference that makes scenario planning different from the rationalist (Van der Heijden, 1996).

Very few strategists explore or question the mission statements. It is likely that its origin dates back to the entrepreneurial visions of the founders. The success stories that followed over the years made them comfortable enough not to question the mission statements. If the planners are living in a turbulent world, then change may be inevitable even in its mission statements. However, organizations only think of a change in times of crisis. British Airways 'World's Favorite Airline' slogan was born after a new CEO was recruited. This only happened when the airline was faced with many problems and issues were pointing towards a complete change.

The next step in the process, the SWOT analysis is crucial and important. It is expanded as 'strengthens', 'weaknesses', 'opportunities' and 'threats'. The first two is established from the internal factors prevailing in the company and the last two are the results of environmental scanning. It is important to mention that SWOT is also incorporated in scenario planning processes.

The next in the strategy process is 'selecting the best strategic option'. As mentioned earlier, the rationalistic school goes in search of the 'ultimate future'. In

order to do this, forecasting is made of the business environment against which various strategic options are evaluated. After judging what the future will look like, the forecasted utilities are compared with the options. The one with the highest utility is the preferred strategy. It is here that Scenario planning completely disagrees with the rationalistic school. In the corporate world today, rationalistic approach is well and alive and through its usage companies have indeed moved forward from their earlier positions, however, there have also been major failures (Mintzberg, 1994).

The major disadvantages that are commonly found in strategic management literature are as follows:

1. Everyone thinking rationally will arrive at the same conclusion.
2. A wrong prediction of the future can be costly.
3. The individual mental models and thought processes of the individuals in the planning team is irrelevant.
4. Forecasting is used as one of the basis for long-term judgments.

### **Evolutionists School of Thought**

The evolutionist school of thought (Mintzberg, 1994) works under the presumption that strategy can not be entirely planned. The winning strategy is influenced by erratic environmental changes that constantly must be monitored and incorporated in a company's strategy by constant check and balance. Thus, time should not be spent in search of the ultimate future.

Unlike the rationalistic school, where managers are assigned with power and control over the predicted future, the evolutionist gives no control and disembowels managers. However, it appreciates consensus-reaching attitude and emphasizes on communication.

Some disadvantages of evolutionist school of thought are as follows:

- No clear agenda for management team for planning purposes.
- If learning is only through experience, then management cannot be a taught subject. The work of consultants and the mind of a strategist are irrelevant.
- Because there is no clear-cut strategy, there is likelihood for organizations to be involved in 'fire-fighting' on irrelevant issues.

Between the two extremes of rationalist and evolutionist schools of thought, enters scenario planning, making a neat fit to fill the vacuum left behind. While it argues that there can be no clear-cut agenda (ultimate future) like the one proposed by the rationalistic school, it also rules out evolutionist school on the basis that the future is not all-together unpredictable. As mentioned earlier, scenario planning exercise results in multiple futures that are all equally plausible.

## **Scenario Planning as the Alternative Strategic Management Tool**

Scenario Planning is a process of strategic management that prepares managers in organizations for possible futures. These futures, which are called as scenarios, may or may not unfold in reality in the same manner as predicted; however, those will provide valuable options that may favor all the circumstances that can possibly befall on a firm. The options can range from doing nothing at one extreme to strong expansion policies in another. The idea is to get the management to face any scenario.

Scenario Planning was initially transported from Shell International and gained much popularity in Europe and The United States. It has also gained attention in many parts of Asia (Van der Heijden, 1996).

A strategic planning team has dual objectives in any organization i.e. self-development (through institutional/organizational learning) and organizational survival (through decision making). The latter can only be achieved if the strategic planning team understands itself prior to making any attempts to scan the environment in which it operates. Thus, Institutional learning is a starting point for strategic management.

### **Institutional learning**

Institutional learning is much more demanding than individual learning (Geus, 1997). Organizations today have created departmental segregation of work, which acts against institutional learning. Marketing department is interested in marketing activities and production is only interested in producing. What about people who head these departments? Are they involved at strategic levels to make the entire organization think in a holistic direction?

The failures in these organizations have been largely due to the inability to recognize change well before hand. Once in crisis, everyone in the organization feels the pain. The need for change then becomes clear, but the problem in late recognition is the organization is left with little time and few options (Geus, 1997). One of the ways in which Shell International's management triggers institutional learning is through scenarios (Van der Heijden, 1996).

## **METHODS**

The research methods undertaken in the study of the Malaysian small travel business was by MBA students of the University of Strathclyde. The planners<sup>1</sup> performed this task in 1996. Since a long term view is needed for scenario planning, a 10 year period was chosen for the study. The author himself acted as the client for the travel industry. A seven member team was involved for the whole process of scenario planning. Using a matrix, strategic options were placed in terms of the favorable and unfavorable elements. The small travel business chosen for the study was in Malaysia.

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<sup>1</sup> In this study, planners are the participants who conducted the scenario planning process

The scenario planning steps undertaken in the study were:

**Client Interview:** In this stage, the client acting as the person on behalf of small travel business provided the information about the industry.

**Elicit of agenda:** The Business owners were interviewed for their views and perceptions about the industry.

**External driving factors and internal forces:** External environment driving forces and internal factors facing small travel businesses were explored by the team.

**Business Idea:** Using the information obtained, a business idea was generated which diagrammatically explains the business model and revenue generation stream of the business.

**Value Creation:** The creation of value for small business emerged as a result of discussion and reiterations.

**Scenario Development:** Impact predictability chart was created on the plausible futures that can unfold. This involved the establishment of scenarios and writing up of story line for each scenario. The non-plausible scenarios were discarded after discussion and iterations.

**Option Generation:** The strategic options available for each were discussed and agreed.

## **RESULTS AND DISCUSSION**

The scenario planning exercise conducted by the planners revealed valuable insights into the small travel business options for 2006. After a thorough thought processes and brainstorming sessions, the planners developed Internal and External issues for small travel business (Exhibit 1 and 2).

These internal and external issues made possible the creation of a business idea, which details out the revenue model and the positive and negative feedback loops for the business (Exhibit 3).

The planners had discussions about the values that are most significant for small travel businesses and this gave rise to Value Creation (Exhibit 4). This set the scene for the impact predictability chart (Exhibit 5), in which variables which had high or low impact and the levels of its predictability was discussed, iterated and reiterated. The planners revisited these variables until they were satisfied of the outcome. Four scenarios emerged (Exhibit 6), 'sunshine state', 'occasional showers', 'blizzards', and 'stormy weather'. Each of these scenarios had a story line. After much deliberation, 'sunshine state' was ruled out as the non-plausible scenario such as environmental protection/better international image and more ethnic integration/reducing racial tension was ruled out as the unlikely scenario.

The question of how an organization would position itself in each of the scenarios should any one of which unfold became the next important issue. The strategic options generation (Exhibit 7) was created. This revealed the various strategic options that small travel businesses have in terms of business survival for the future.

These strategic options were then placed on a matrix (Exhibit 8) to give more meaning in terms of the advantages or disadvantages of its implementation in reference to each scenario. The conclusions were made that there were four strategic options available for the small travel businesses to face the future. 'Differentiation, 'new services' and 'diversification' were the most prominent options for the small travel businesses and also were favorable in all scenarios. The last strategic option, merger/acquisition was regarded as favorable only in the 'Stormy weather' scenario.

### **Exhibit 1: Internal Issues for Small Travel Businesses**

#### Change management

- Staff mind-sets
- Attitudes of employees

#### Tax benefits

- Inbound tours entitled for part exemption

#### Growth through expansion-Mergers/Acquisition/Alliances

- Develop relationship with other small businesses
- Create relationships with foreign travel agents
- Alliances with coach/limousine service
- Growth limited to standing on own
- Formulate strategies to absorb other ethnic races
- Develop relations with UK/Europe/US/Australia

#### Market focus-customer

- Need for corporate customers
- Focus on ethnic population
- Focus on tour not just tickets
- Diversify into other markets
- Create inbound market opportunities

#### Filling gaps

- Personal relationships
- Key man in business is usually the business loyalty
- Direct ticket delivery
- 24 hour reservation service
- Diversification to other routes and offer diversified products
- Creative tour packages
- Commonwealth games- focus media attention

#### Perception of service offered

- Inbound travel service
- Customer perception by name of travel business
- Business mainly for individuals
- Limited destinations

- Limited business scopes due to ethnic origin

#### Bargaining power

- Direct touch with customers
- Maintain good relationship with airline and big travel agents

#### Business service

- Small size and so limited growth
- No bargaining power because of small size

#### Barriers

- How to create barriers and protect present business?
- Creation of funds

#### Fund management

- Insufficient funds to accommodate corporate clients
- Cash flow problems
- Working capital issue
- Fund raising for future expansion

The following step is the external environment analysis or External Scenario Agenda for small travel businesses. These are in detailed in Exhibit 2.

### **Exhibit 2: External Issues for Small Travel Business**

#### Economic policy

- Business cycle-GDP
- High economic growth
- Exchange rate increase in Singapore
- Economic slowdown
- Who pays for growth?-savings scheme
- Increasing downturn leading to racial tension

#### Infrastructure

- Cheap accommodation
- Transport infrastructure-major developments
- Poor B&B accommodation

#### Association of Southeast Asian Nations (ASEAN) cooperation

- Malaysian free trade block partner
- Increasing ties with neighbor countries
- Future ASEAN trend in leisure/business travel
- Formation of free trade zone

#### Increased regulations

- Future regulation and increased bureaucracy
- Changes in ABACUS (reservation system)-new regulations

- International Air Transport Association (IATA) places further constraints

#### Ethnic bias

- Bumiputra owned agencies continue to win all government contracts
- Political/cultural stability in question
- Corruption in Government and increased favoritism
- Religious fundamentalism restrict flow of information technology

#### New airline products

- Airlines issuing tickets directly to passengers
- Cheap fares- tickets dumping
- Airline tour packages become well received
- Airline frequent flyer programs strengthens airlines' direct sale to passengers
- Economy class tickets are also issued by airlines

#### Tax policy

- 0% tax on computers
- Will tax benefits for inbound tourism last forever?

#### Travel opportunities

- Commonwealth games in 1998
- Technology decreases corporate travel such as because of video conferencing, and so on
- Changes in human desire to travel

#### Travel restrictions

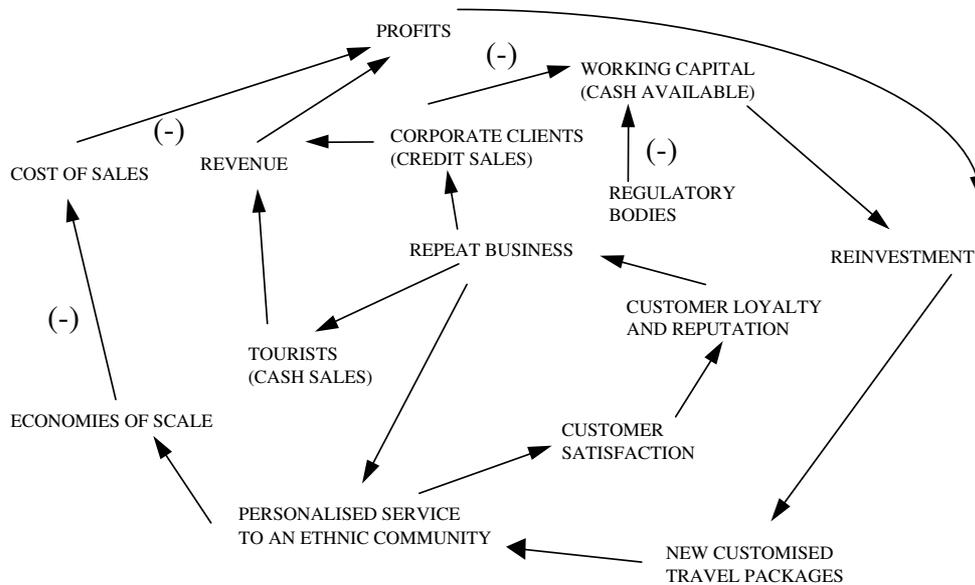
- Revision 2020- how will small business fit into the country's vision?
- Public patronization to Bumiputra owned travel companies
- Visa requirements for travel to and from Malaysia
- Visa restrictions imposed for those countries concentrated by the small business

### **Exhibit 3: Business Idea**

Upon analyzing all the issues brought out thus far, the planners created a Business idea (Figure 1) for a small travel business. Having explored on the strengths and weaknesses facing small travel businesses this was made possible. The Business Idea is as shown in Exhibit 3. It is only logical to explain this business idea in words, so that it does not leave chances for the reader to confuse issues.

The 'personalized service' provided by a small business gives rise to customer satisfaction which leads to their loyalty and repeats business and enhances the personalized service again. Since Malaysia has three main ethnic origins such as the Bumiputras, Indians and Chinese, it would be better to concentrate on an ethnic community and provide personal service to that community). This completes a positive loop.

On the other hand, the ‘personalized service’ also leads to economies of scale, in a sense that it leads to cheaper cost of production for the exact nature of personalized service such as concentration in tours to Hong Kong and service to the Chinese community through this the profits are increased and the extra revenue brings forth reinvestment in new customized travel packages that again enhance personalized services.



**Figure 1.** Business Idea (Exhibit 3)

The Repeat business increases sales of air tickets and tours (cash sales from individuals) and that in turn boosts revenue that increases profit, which becomes available for reinvestments. Also, the repeat business encourages corporate clients (credit sales) which although boosts revenue, it decreases working capital (credit period being offered to clients is greater than those given by the airline). This is the negative<sup>2</sup> feedback loop which explains a drawback in the business.

The regulatory bodies like IATA have given many pressures for travel agents in the past and they are likely to continue to do so. Most of these pressures are financial in nature and so it would affect working capital adversely. Based on the business idea, a value creation model was created detailing the important elements that would make the small travel businesses survive in the future.

<sup>2</sup> The sign in the parenthesis indicates a negative feedback loop

#### **Exhibit 4: Value Creation**

**1) Personal service:** small firms are often better at it. It is easier to keep track of a manageable number of clients and send greeting cards and anniversary cards. This would create a personal friendship with the company.

**2) Specialized knowledge of the travel sector presently in concentration:** If a small travel business is concentrated on tours to Hong Kong, then it should maintain its expert field and develop it.

**3) Uniqueness in customer support:** The unique customer support can only be provided by a small firm and that large ones will not be able to provide efficiently. Also, airlines can not provide efficient customer service as good as what a small travel business can provide.

**4) Personal reputation and brand image:** The idea is to exploit the name of the travel if that is the image, but if this does not exist then value must be created through highly imaginative tour packaging, customer service and so on.

**5) Flexibility of product/service:** It was discovered that large travel companies could not afford to have flexible tour itineraries and their tours are very often rigid and not changeable. Small travel businesses can take this opportunity and make special arrangements with overseas partners to provide flexible tour choices. It would be advantageous if they can offer tour departures for a minimum number like 2 for example.

#### **Exhibit 5: Scenarios Development**

The two dimensions identified were Ethnic integration and racial tension and Environmental protection and International Image (Figure 2). The planners tried to describe the range of possibilities or outcomes of each dimensions by means of two opposites. Firstly, it is performed by looking at the two extremes of each dimension (in opposite of high/low and low/high) and secondly, in combinations of the extremes. The combinations identified were:

**1) Sunshine state:** More environmental protection/better international image and more ethnic integration/reducing racial tension

**2) Occasional showers:** More ethnic integration/reducing racial tension and less environmental protection/ poorer international image

**3) Blizzards:** Less environmental protection/poorer international image and less ethnic integration/increasing racial tension

**4) Stormy weather:** Less ethnic integration/increasing racial tension and more environmental protection/better international image

The planners spent time on discussing the cause and effect and the plausibility of these scenarios. It was unanimously concluded, after much iterations, that the Sunshine state scenario is not plausible. The reason behind the decision was that, in

times of increasing international image, which could arise out of environmental protection, ethnic integration/reducing racial tension was not considered plausible, or in other words, we did not see this necessary in the eyes of the Bumiputras.<sup>3</sup>. The planners came to the conclusion that government would continue to support the Malay community and this will only, over a period of time, increase the racial tension and divide the people. The need for racial integration would then be of little concern even to them. As such, Stormy weather was foreseeable but not Sunshine state.

<p>CHANGES IN MALAYSIAN GOVERNMENT FISCAL POLICY</p> <p>INTERNATIONAL TRAVEL RESTRICTIONS</p>	<p><b>MORE PREDICTABLE</b></p> <p>AIRLINE CONGESTION AND OVERSUPPLY INFORMATION TECHNOLOGY IMPLEMENTATION</p> <p>MALAYSIAN GOVERNMENT INFRASTRUCTURE SPENDING MALAYSIAN GOVERNMENT ECONOMIC POLICY</p>
<p><b>LESS IMPACT</b></p> <p>TRAVEL TRENDS LEISURE SECTOR</p>	<p><b>MORE IMPACT</b></p> <p>INTERNATIONAL RELATIONS TRAVEL TRENDS CORPORATE SECTOR</p> <p>TRAVEL AGENCY INDUSTRYTRENDS ETHNIC STABILITY AND INTEGRATION</p> <p>ENVIRONMENTAL PROTECTION AND GREEN ISSUES</p> <p><b>LESS PREDICTABLE</b></p>

**Figure 2.** Impact/Predictability chart

**Exhibit 6: Scenario Construction**

Exhibit 6 shows the scenario construction in a diagrammatic form. The planners reached another important process, the creating of story lines. Based on the three agreed scenarios -‘occasional showers’, ‘blizzards’, and ‘stormy weather’- stories were created bearing in mind the pre-determinants (Figure 3).

*Stormy weather*

In this scenario, the country as a whole progress but there is some unfavorable situation for the travel and tour operators. The airlines, seeing a great potential in domestic and international markets, seizes the opportunities and makes direct contact with passengers. Since the standard of living of the country improves, corporate go to airlines directly. Thus, the entire industry becomes reorganized.

This story line reveals that the travel industry would do well but the travel agents; especially the small ones are likely to go out of the scene. By far, this may be a good scenario in the country’s point of view, but certainly not for small travel businesses.

<sup>3</sup>. The highest portion of Malaysian population who are Muslim by religion

The country as a whole takes a good shape and foreign investments flows. But due to increased labor shortage there are immigrant workers and they start traveling to their homelands. The entry visas imposed by the Malaysian government on many Asian countries could be relaxed and this will lead to boom in tourism industry. There are also an increased number of middle class people who demand expensive tour and leisure packages.

However, the terrorist fears in Asian countries, may affect tourism inflow into the Asian region. This could be tackled well by relaxing entry visas for many Asian countries and tourism would still boom.

On the contrary, because the country is performing well economically, government and its people do not think about ethnic cohesion. On the side lines, during the 10 year horizon, this tension is likely to be mounting, but will cause little impact on the citizens. Towards the fall of 2006, however, foreign countries will start making comments on the racial discrimination in the country. This would indeed have long-term repercussions but is however not likely to happen within the 10-year tenure.

The airlines take over the travel and tourism industry and small travel businesses go out of business. They either have to merge or be taken over by the larger ones who are likely to have the capacity to sustain and fight with the airlines. Thus complete reorganization in the travel sector could take place.

### *Blizzards*

The blizzards scenario is the worst set scenario amongst all of them. The country's strong prescriptive direction once again brings forth bad image and this time fails to learn its lesson and continues to show favor to the Bumiputra community. This increases the racial tension and the minorities become unsatisfied and fragmented.

Malaysia's Ignorance in regards of green pressures affects the country economically. The damage is the worst for the country and tourism industry inclusive. Deforestation is continued in the early part of the 10 years, ignorance of environmental pressures leads to international sanctions on Malaysia. The inflow of foreign investment falls dramatically and the infrastructure development eventually falls.

In the mean time, the ethnic population is not very happy with the treatment and the favor shown to the Bumiputra community and so the racial tensions mount. ASEAN co-operation with Malaysia diminishes and the sanction on Malaysia brings forth scarcity of food. Economy tumbles and Malaysia loses years of sustained economic growth. Ethnic Chinese get very disturbed and start making investment overseas, perhaps to China. Government's fiscal policy fails and recession is set in motion. The standard of living of the Malaysian people dips down and the need for travel evaporates.

By the fall of 2006, the government could handle internal conflicts as a major issue before attempting to put the country's inward investments back on track, otherwise multinationals and governments will not feel safe to place their money in Malaysian soil. Therefore, the period taken before the economy could grow and reach its present stage may be well over 10 or 15 years. The recovery will be extremely

slow because international image have to improve before investors' confidence can be boosted.

<p><b>SCENARIO A: STORMY WEATHER</b></p> <p>End state, a culturally and segmented community but with good international standing</p>	<p><b>MORE ENVIRONMENTAL PROTECTION AND BETTER INTERNATIONAL IMAGE</b></p> <p><b>SCENARIO B: SUNSHINE STATE</b></p> <p>End state, a racially harmonious Society with good international standing and favorable trading and business conditions</p>
<p><b>LESS ETHNIC INTEGRATION AND INCREASING RACIAL TENSION</b></p> <p><b>SCENARIO C: BLIZZARDS</b></p> <p>End state, a diffuse and socially disparate community, with poor international relations and few allies in ASEAN community</p>	<p><b>MORE ETHNIC INTEGRATION AND REDUCING RACIAL TENSION</b></p> <p><b>SCENARIO D: OCCASIONAL SHOWERS</b></p> <p>End state, a strong domestic community but a poor international image and isolated as an environmentally insensitive nation</p> <p><b>LESS ENVIRONMENTAL PROTECTION AND POORER INTERNATIONAL IMAGE</b></p>

**Figure 3.** Scenario construction for 2006

*Occasional showers*

In this scenario, the country ignores the pressure groups and international green organizations to protect the environment and as a result, Malaysia gets a poor image. Since international image is of utmost importance for tourism, the industry will be shaken up. This would slowly erode all further international activities like investments, exports, imports, etc. Thus, the country will be in search of ethnic integration because co-operation amongst citizens will then become the only mode of survival and advancement.

As the country's image becomes questionable in the earlier period of the 10 year horizon, along with it, the intense travel industry competition will also be on the increase and eventually make the travel business survival also questionable. This scenario is basically pre-empted by the government's refusal to 'green' pressures. Today, it is seen that many organizations in western countries talking about Malaysia's cutting down of forests in the East Malaysia and the government of Malaysia has always snubbed such organizations from making such statements. Presently, Malaysia is justifying the reason for the deforestation and a continuity of this attitude would only lead to damage in the country's image, which eventually happens in this scenario.

Also, during the course of this period, inflation will be on the increase, mainly resulting from lack of foreign investment and income through tourism. Malaysia's strong prescriptive direction is expected to lead to regional economic and political domination and thus failure of co-operation with ASEAN.

As the country goes further in turmoil, IATA imposes additional restrictions on travel agents which further damage the industry. As foreign investment lowers for Malaysia, investments into China accelerate. The Chinese community starts emigrating for greener pastures and also making investments in China. Many capital-intensive industries move out and start making investments in China. Towards the close of 2006, the Malaysian economy starts trembling and the government finally starts looking into environmental issues. But by then the damage to the travel industry could be severe and the whole industry rationalizes. During this 10-year horizon, the travel companies who may end up surviving could be those who concentrate on low cost travel alternatives with bed and bread accommodation.

### **Exhibit 7: Option Generation**

The planners created four main strategic options such as ‘providing new services’, ‘diversification’, ‘product differentiation’, and ‘mergers and acquisitions’ (Figure 4) that a small travel business could exploit.

On a stand-alone basis for each scenario, some of these strategic options may be welcomed and some may not, but scenario planning is interested in a portfolio of options. In other words, an organization should choose to undertake an option(s) only if they seem favorable in totality. No matter what becomes reality, the business would have already chosen those options that are most suitable for all the predicted futures. Some of them however, may be more favorable than the others in the different scenarios. Figure 5 shows the option matrix. The more pluses indicate increased advantages and more minuses do not necessarily mean disadvantages, it could be termed as decreased advantages.

The option-matrix tells us that all of the first three options such as differentiation, new services and diversifications are positive in nature and are favorable in all of the three futures (scenarios).

Merger/acquisitions option is favorable only in the ‘stormy weather’ scenario, where the story line predicted the airlines to take-over the travel trade and eventually collapse small businesses. Therefore, this option is expected to be exercised only when the future unfolds and the business foresees this scenario taking place. However, if the ‘stormy weather’ scenario is foreseen after the 10 year tenure, the first three options would, by then produce positive results and make the last option redundant.

**PROVIDE NEW SERVICES:**

24 HOURS RESERVATION SERVICE  
 EMIGRATION-EMIGRATION SERVICE  
 INFORMAION SERVICE TO CORPORATE CLIENTS

**PRODUCT DIFERENCIATION:**

TARGET BUDGET TRAVELLERS  
 DEVELOP OWN BRAND TOUR PACKAGES  
 TARGET OTHER ETHNIC TRAVELLER GROUPS  
 INTRODUCE NEW OUTBOUND TRAVEL LOCATONS

**DIVERSIFICATION:**

OPEN BED AND BREAD ACCOMODATION  
 OFFER INBOUND TOUR PACKAGES

**MERGERS AND ACQUISITION:**

'BUY IN' ETHNICALLY DIVERSE TRAVEL AGENCY  
 FORM TRAVEL GROUP WITH SIMILAR SIEZED FIRMS  
 INCREASE BRANCH COVERAGE  
 SETUP OWN BRAND TRANSPORT COMPANY, E.G. TAXIS, COACHES

**Figure 4.** Option generation

Scenarios \ Options	STORMY WHETHER	BLIZZARDS	OCCATIONAL SHOWERS
<b>DIFFERENCIATION</b> 1. Focus on ethnic group 2. development brand tour packages 3. introduce new outbound locations	+++	+	
<b>NEW SERVICES</b> 1. Emigration-emigration services 2. 24 hours reservation services 3. Inbound tour packages	++	+	+
<b>DIVERSIFICATION</b> 1. Bed and bread accommodation 2. offer inbound conferencing service to corporate clients	+	++	+
<b>MERGER/ACQUISITION</b> 1. Forming umbrella organization 2. Buy-in agency Expansion 3. Setup transport firm	+	--	-

**Figure 5.** Scenario options matrix

## CONCLUDING COMMENTS

The business choices revealed by the planners for 2006 for small travel businesses were 'differentiation', 'new services', 'diversification' and 'mergers/acquisition'. With merger and acquisition being unfavourable in blizzards and occasional showers scenario, all other options are positive for all scenarios with exception of 'differentiation' revealing that it makes no difference (blank cell in 'occasional shower' column) in the 'occasional shower' scenario.

This paper has shed light that through scenario planning as a strategic management process, the planners arrived at a consensus on the future through an elicitation process. The future for the small travel business is now simplified with the four business choices and these were discovered after several iterations of the various elements in the scenario planning process.

The travel businesses can now embark on all of the business choices without fear of which scenario would unfold in the future. The first priority of business choices undertaken should be those that are favourable to all the scenarios. Since it is seen that 'new services' and 'diversification' should be the first priority of business choices, these are favourable irrespective of the scenario. Differentiation can also be undertaken as a first priority along with 'new services' and 'differentiation' since it does not harm the organisation should the 'occasional shower' scenario emerge. Merger and acquisition should be regarded as the last choice since it favours only one scenario marginally (stormy weather) and does not favour in the other two scenarios.

This paper has revealed that future cannot be predicted in the exact form but possible futures can be viewed and discussed until the planners are convinced on its plausibility. The turbulent and volatile world that businesses operate in today makes it impossible to pinpoint the exact future and making an attempt to obtaining one is a risk that organizations cannot afford to take.

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