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# FUTURE STATES

F O R U M

FUTURE ASYMMETRIC THREAT

**JULY 12, 2012**

**DINNER DISCUSSION HIGHLIGHTS**

We discussed the **future of asymmetric threat** and how organizations can prepare today for the uncertainty of tomorrow.

The traditional borders between war and peace, states and individuals, and military and civilian considerations are becoming increasingly blurry. State, non state, and commercial competitors alike are utilizing asymmetric means to overcome commercial, technological, and, in the case of government, institutional and military advantages. Threats such as cyber-attacks, intellectual property theft, insertion of counterfeit goods into critical supply chains, and terrorism are forcing seemingly disparate public and private sectors to intersect in ways never before imagined. The roles of these actors are forcing both sectors to take a far more integrated approach to global risk management and resolution.

We asked questions such as “**How are wide spread misinformation efforts and the internet creating significant global supply chain vulnerabilities for U.S. firms and suppliers?**”

On July 12<sup>th</sup>, Toffler Associates hosted a dinner with leaders from both public and private sectors to discuss the future of asymmetric threat. This report is a summary of our discussion. Please note that it is not a transcript, but rather a “rendering” that condenses, eliminates, expands, and recombines some areas of discussion to illuminate themes that we believe emerged. Any errors in the interpretation or nuances are ours.

We posed several questions to initiate the conversation:

- **How will continued attempts by nations to control information and access to information degrade the ability of U.S. commercial and government organizations to strategically plan for global operations?**
- **What is the potential that a competitive commercial action is perceived as a threat by a State?**

Participants shared a wide range of views on multiple aspects of threat, risk, opportunity and innovation, and the potential ways for US public and private entities to leverage innovation to improve their posture. Over the course of the evening, several primary themes emerged:

- Threats are easily discussed and imagined, yet **identifying and defining threats have become increasingly difficult due to the speed with which society operates**
- **Threats no longer take weeks or months to impact businesses, brands, or organizations;** globalization has changed a ‘slow bleed’ into a ‘decapitation’. **Consequences can be nearly immediate.**
- The volume of information and the velocity with which it travels has **drastically shortened analytic and decision making cycles**, for leaders at all levels **and has great decreased the window of time in which to react effectively.**
- Risks and threats are no longer clearly quantified; **large amounts of misinformation clouds analysis, increases uncertainty, and leaves organizations unable to both precisely and accurately define threats as they emerge.**

The evening's discussion explored the myriad of definitions, facets, and aspects that constitute asymmetric threats in the 21st century. The fundamental question proposed was, “**Are asymmetric risks and threats changing?**” The answer was clearly, “Yes.” Though the types of threats—supply chain, reputation, rouge actors, terrorism, corporate espionage, hacking, and others—are not so different than those from 20, 30,

or even 50 years ago, however the interconnectivity, exposure, immediacy, and consequences are vastly different.

The current "Information Age" has connected markets, cultures, and corporate shareholders in ways never before imagined, making consequences exponentially more complex. Missteps by State and Non-state actors still carry consequences as they did before, but the speed and complexity of the repercussions of these mistakes are difficult to anticipate or quantify. Social media and the democratization of information sharing has put the mistakes of individuals, organizations, and countries on the global stage in near-real time. Such widespread and immediate access to information poses greater risks and opportunities for organizations in the 21<sup>st</sup> century, **requiring agile leadership, rapid decision making, and detailed contingency planning at all levels.**

As society rapidly develops technologically, each advancement presents increased risk to asymmetric threats from malevolent actors. **An increasingly mobile workforce, cloud computing and social networking all has the ability to optimize workforces and organizations; however they also expose significant vulnerabilities.** Discussion focused on the newfound interconnectivity of markets and industries on a global scale, and how events are no longer "containable" within a single location or market. Whether an oil spill, natural disaster, labor issue, product failure, or even personal indiscretion, **each event now has distinct potential global impact that is difficult to anticipate and could prove catastrophic in areas that, just 15 years ago, would have been unaffected.** Senior leaders and planners who could previously make linear assumptions on impacts and expect to contain or control information must now be able to make more complex, nuanced, and culturally informed decisions. Leaders must now understand the impact that their actions might have in distant locations, on disparate groups, in adjacent markets and business functions, and on their company and brand in general. While **we have made great developments in terms of technology and global operations, each of these developments has resulted in exposure to previously unimagined catastrophic risk.**

**The rise of the non state actor is nothing new to society or US interests, however the ability of these actors to reach, influence, and affect markets and populations presents an entirely new dynamic to threat and risk mitigation.** Multinational corporations, malevolent actors, political activists, hacker groups, and ordinary citizens alike can broadcast messages, shape information, and present immediate challenges to U.S. interests worldwide. We discussed the ability of corporations acting on behalf or under the influence of nation states to take advantage of misinformation, to leverage loopholes and time gaps in regulatory statutes or emerging laws, and to circumvent U.S. laws leveraging various communication mechanisms and adversely impact U.S.

markets and interests. **The access presented by a globally connected society allows for messages to reach mass audiences, facts and information to be distorted, and for reputations, relationships, and statures of nation states and organizations alike to be crippled nearly instantaneously.** While Chinese corporations such as Huawei and ZTE are current and oft cited examples, Russian and Chinese energy companies, Iranian banks, and many others represent the growing power of the multinational corporation.

Additionally, the ability of individuals and groups to influence mass audiences with speeds and impacts not previously seen has presented unique challenges to strategic planning – corporately, militarily, and politically. Terrorist organizations, individuals acting as state proxies, rouge actors, and other malicious players can quickly spread information, and more troubling misinformation, about corporate, military, or government actions long before official public affairs departments can counter the message. Not only do government and corporate organizations lack the speed to counter these messages, but also the local and cultural knowledge to establish trust. False claims about corporate activities, political motives, military operations, or distorted public statements immediately impact organizations due to the wide reach of the internet and the globally network society within which we live. In previous generations, organizations would have ample time to prepare statements, offer solutions, or provide counter points. Today, however, they lack the time; more than that, however, they lack trust. Without cultural and “on the ground” understanding of how local populations will react to specific acts, corporations and governments must recognize that they can no longer “control the message;” instead, these organizations should focus on resiliency and building trusted networks in the markets in which they operate.

Discussion continued about the volume of information readily available, and the velocity with which it moves across the globe. In previous generations public entities had the time to craft a response and develop strategies that could mitigate or capitalize on actions; now that those responses need to be immediate, and those strategies need to be anticipatory. It is impossible to predict all possible outcomes, however **organizations and countries must build strategic frameworks that provide general guidance on how to operate in given situations, and they must hire personnel who are making decisions in complex operating environments, even in the absence of perfect information.** The U.S. military has seen both the positive and negative impact of this reality during its more than 10 years in Afghanistan. The actions of a few bad actors on the ground can serve to undo years of strategic improvement; in turn, the innovative approach and cultural sensitivity of a soldier in a village can create lasting trust among people despite deep-seated cultural differences. **Organizations must anticipate potential risks and consider the future consequences prior to taking action, or they risk suffering potentially unrecoverable damage to their brands and reputations.**

**Participants generally agreed that one of the fundamental questions focused on the notion of risk versus resiliency.** Participants explored whether it was important for an organization recognize every individual threat or be resilient enough to withstand the effects of failing to identify and mitigate said threat. **Most felt that the most important aspect of organizations as they respond to threats was resiliency.** We explored the importance of mitigation programs and the ability to immediately react and address threats as they are realized, and to execute contingency plans or responses in near real time. Brand, reputation, relationship, intellectual property, supply chain, infrastructure and countless other risks require detailed mitigation and response plans, including messaging and decisive actions. **Critical to the success of such plans is an organization-wide understanding and appreciation for not only the complexity of the operating environment, but also the myriad of threats** presented every step of the way. There are no longer isolated incidents. Military accidents, corporate missteps, security breaches, and private internal messages retrieved from hacked devices are immediately presented on a global stage, and organizations must be agile enough to react and reach target audiences immediately.

Finally, the subject of risks versus opportunities was discussed, highlighting the fact that while society was experiencing a massive increase in complexity and reach of risks, each risk presented exploitable opportunities for organizations. The old adage **“No risk, no reward,”** came to mind as participants discussed new market access, increased customer intimacy, broader partnership opportunities between public and private sector organizations, and an **environment ripe for entrepreneurialism.** Globalization and technology has presented organizations with an unprecedented opportunity to interact with stakeholders, customers, and geographically diverse employees in ways never before imagined. **The ability to reach globally to connect to emerging markets, expanded customer bases, and to operate a global organization presents massive opportunities for organizations.** Critical to exploiting these and future opportunities will be the design and management of organizational **programs capable of responding and counteracting real time threats and risks, while simultaneously managing a myriad of complex stakeholder relationships.**

As the group wrapped up the evening's discussion, it agreed that there are a myriad of challenges surrounding asymmetric threats and risks, and highlighted critical areas of focus:

- **Risks are no longer limited to regional or markets, they transcend traditional boundaries and can have massive cross market effects**

- Organizations should focus on improving the **capacity to respond to risks both internally and externally**, rather than trying to identify every threat which may exist
- While every technological and societal advancement presents increased risks to organizations, **each new threat presents opportunities to organizations which must be realized**
- **Organizations need to view proper risk mitigation as an investment, and not a cost.** Early risk mitigation efforts and investment can save millions in the long run. A reactive approach to risk management, in the information age, is a risk in itself.

## Conclusion

**Recognizing the difference between risks and opportunities is paramount for successful organizations, as is the speed with which it can act.** Real time information gathering, threat recognition, and decision making capabilities are essential to every organization in today's society. The volume and velocity with which information travels presents a difficult challenge for organizations to consume, consolidate, and analyze, but we must recognize that precision does not always translate to accuracy, and there will always be unknowns. **Organizations must be able to make decisions with missing or imperfect information, and be prepared to fail.** Failure can be managed. Public perception has become a tool for adversarial actors and has become a critical variable in the definition of risk, and must be addressed as such. While countless challenges exist, organizations are becoming increasingly proactive, and we left the event feeling optimistic about increased opportunities for growth and partnerships, and a deeper respect for risk.

**Too often organizations find themselves inundated with the “urgent” tasks of everyday operations, they do not have time to tackle the “important” task of managing risk.** Successful organizations in the future will see risk management less as a cost to be avoided and more of an investment to be carefully analyzed. In the complex, interconnected world of the future, one small step can quickly have catastrophic ramifications for strategies, brands, even lives. Organizations often look to the expertise of objective third parties to help them insure both tangible and intangible assets, but they rarely see the intrinsic value of objective views on managing risk. **Anticipating the implications of various strategies, the possible outcomes and ramifications, various branch strategies to mitigate risk or capitalize on opportunities – that is the true value of a partner.**



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## TOFFLER ASSOCIATES

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Toffler Associates is a strategy consultancy, helping leaders build the extraordinary organizations of tomorrow. We serve as a catalyst for change for clients with tough problems to solve, creating impact through knowledge of the forces of change that will shape the future.

To accomplish this, we employ a collaborative approach to guide clients in the development of Knowledge Age business strategies. Our **Future Proof<sup>SM</sup>** business consulting service provides clarity by identifying the risks and opportunities that may lie ahead, enabling leaders to implement the changes necessary to create value, to sustain growth and to succeed in future operating environments.

We work with public-sector clients, such as federal agencies, the intelligence community, associations and educational institutions, to develop and implement ways to use resources more effectively and to build lasting public trust. We work with private-sector clients, like those in the transportation, aerospace, chemical, advanced materials, information technology and defense markets, to create and execute strategies that drive top-line growth.

We find daily inspiration in working with commercial enterprises and government agencies that are creating something that really matters to people, clients who are trying to make a difference in all of our lives. Our purpose is to help them achieve that. It is the passion that unites our firm as one community.





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