



Regional Key Competencies

- a way to manage structural changes [AT6]

What's Going to Happen? – a simple guide to scenario planning





This Paper is a brief guide to Scenario Planning - it aims to provide an overview for those interested in what it is, how it works, & who uses it. It serves as an introduction to the publication '*Scenario Planning Manual - a working guide to the use of scenario planning*'.



1 What's Going to Happen?

This question can often be the first thing that we ask in a time of change or transition. When looking back, we can often see ways in which, had we been prepared for what was coming, the consequences could have been limited, or even turned to our advantage – but by then, of course, it's too late. Is there any way that we can be prepared for the future before it arrives, and in knowing what alternative futures might be opening up, are there ways in which we might influence what is happening around us? Well, a technique called 'scenario-planning' may provide one possible solution.

The soul of every non-profit leader is full of hope. Indeed, creating a better future is the fundamental mission of many great civil society organizations. Scenario thinking is therefore an essential part of the twenty-first century toolkit of every non-profit leader who believes, along with anthropologist Margaret Mead, that one should 'never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it's the only thing that ever had' – 'What If' 2-3



2 What is Scenario Planning?

Scenario planning is a way about thinking about what the future might look like. Scenarios are ‘stories’ about the future which embody the way in which key factors and trends that are evident today, may combine to effect the context in which we have to live and work. Identifying what these scenarios are helps you think about the uncertainties that you may have to face in the short, medium and long terms, and as such is a tool to help develop strategic thinking. Exploring those futures will help you to understand the potential risks and opportunities in different ‘futures’, and help you to be more prepared for tomorrow. The world is not a static place, and scenario planning, even if it cannot predict the future, can help us to understand how to live in that world, and how to manage change.

If this sounds far fetched, vague, or just unlikely to be of help, the scenario planning process is a well-developed, and structured exercise. It originated with the US military after World War II in order to explore different possible global strategic situations. In the 1960's the concept spread to industry, and was notably used by Shell (which was able to anticipate the Arab Oil Embargo of the early 1970's), as well as national governments or smaller groups functioning in civil societies, like local organisations of small business (add Suffolk Small Business). Here, we are going to explore the basics of the principal method of scenario planning, with the aim of giving you enough information to have a go. It also outlines some variations on the process, the principal pit falls that you might encounter, and gives some case studies on the uses that scenario planning has been put, as well as a section outlining useful resources and websites.





3 How to do it

You've decided that you might want to do some scenario planning, but how is it done? If you look to the 'Resources' section, you will find a range of publications, websites, downloadable information (much of which is free), the critical and most useful ones clearly marked. But most of the methodologies have key features in common, and it is familiarity with those features that will allow you to understand the essentials of how Scenario Planning is done, and to approach the materials indicated with greater confidence. For more complex Scenario activities, a facilitator is recommended, but the material presented here, and in the resources indicated, will give you enough information to have a go at a simple scenario exercise yourselves, and to decide whether investing greater time and money will bring you benefits. The is the most commonly used scenario planning methodology and the simplest to get to grips with, is the 'scenario mix' or scenario 'matrix', and is the starting point of any taster exercise that you may wish to engage in. As we shall see, the matrix simply allows you to plot the way in which two drivers for change may effect the environment in which your organisation finds itself functioning in the future, and gives you a range of four alternative futures to consider. We have divided the process into five steps, and by following these steps you will be able to ran a basic event, that none-the-less should give you a range of thought provoking results:

Step One:

The first step is to identify who needs to be involved. Initially, who do you need to have involved in the process to ensure that any outcome has any significance? In this booklet, we are envisaging a 'DIY' scenario event, in which you will explore the potential that scenario planning might have for your organisation, if done more systematically, and with more resource. You need to ask yourself: who, in your organisation, makes, or influences, such decisions? Without these people present – let's call them 'strategic thinkers' - you will probably have a fun day, but the outcomes will not be significant. With them present, you have the chance to influence their decision-making, and how they explore strategic options for the future. In larger exercises, where more of a scenario planning 'process' is envisaged, it is usually a good idea to ensure that your pool of 'strategic thinkers' is wider than your organisation; so identifying key *external* stakeholders helps to give your exercise greater depth.

Step Two:

Having identified this group, you need to do some preliminary thinking. You need to identify a particular theme that is of strategic interest to your organisation. This is an important aspect of planning a scenario exercise, and the stage at which you are most likely to run into serious problems, because you are trying to identify underlying aspects of the context within which your organisation is working that may drive change in the short, medium and long terms. Thinking about fundamentals in this way requires the ability to separate the day-to-day from deeper, more long-term issues. In scenario planning terms this is referred to as 'inside out thinking', in which, instead of focusing upon the organisational level, you start by trying to identify the 'drivers' of change at a much broader level. Your group of strategic thinkers should be of assistance in this process, and it's worth asking them the question: 'Which factors do you think are the most significant for driving change in the context that we work?'

These drivers should be large issues that have a bearing upon your organisation or issue, like the state of the economy, the state of the environment, the relationship of the state to its people, or the nature of international relations. The way in which these factors develop in the future should have a clear implication of the environment in which your organisation functions. For an educational institution a clear



factor of interest may be government policy, and the degree of government interest in developing educational opportunities that that policy context indicates, for a business a critical factor might be the impact of globalisation, and for a community organisation an important area of concern might be the willingness of people to donate money or time to supporting causes that they feel passionate about. The important thing about these drivers is that they should have two clearly defined poles. The economy may, for example, be strong, or it may be weak. The international situation may be defined as one of prevailing co-operation, or of increasing competition. These 'drivers' can be conceptualised as 'continuum' as illustrated on figure 1, below:

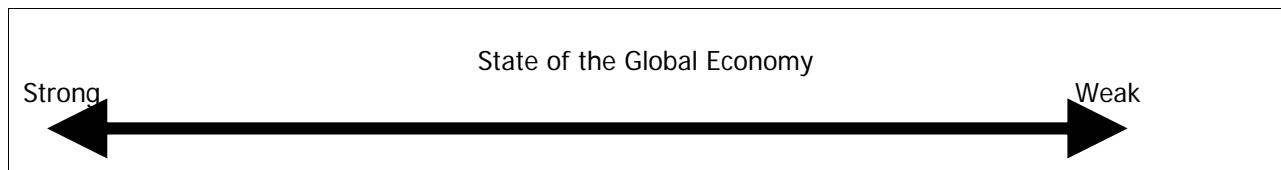


Figure 1: A Continuum of Uncertainty

Step Three:

Steps Three to Five form the basis for a Scenario Planning Workshop for your strategic thinkers, and will probably take a full day to complete. From the discussions that you will have had with your strategic thinkers in Step Two, you are likely to come up with a list of factors (likely to be many more than the two that you require). This gives you material for a first stage of group work. It is probable that some of your factors can be collapsed together. Uncertainty about oil, technological issues, availability of funding, for example, might all be collapsed into one driver, that of 'the economy'. Others, the fragmentation of society and social values or the relative strength of government versus the citizen, for example, might be aligned together under the heading 'Civil Society'. It may also be the case (indeed, if you are talking to a range of individuals with differing opinions, this is likely) that you will end up with more than two driving forces, even when you have amalgamated those that group together naturally – this indicates that you require more than one scenario planning exercise, or perhaps two groups working on different aspects of the future. It may even be that you require a slightly different approach (see Figure 4, in the 'Variations on the Basic Process' section).

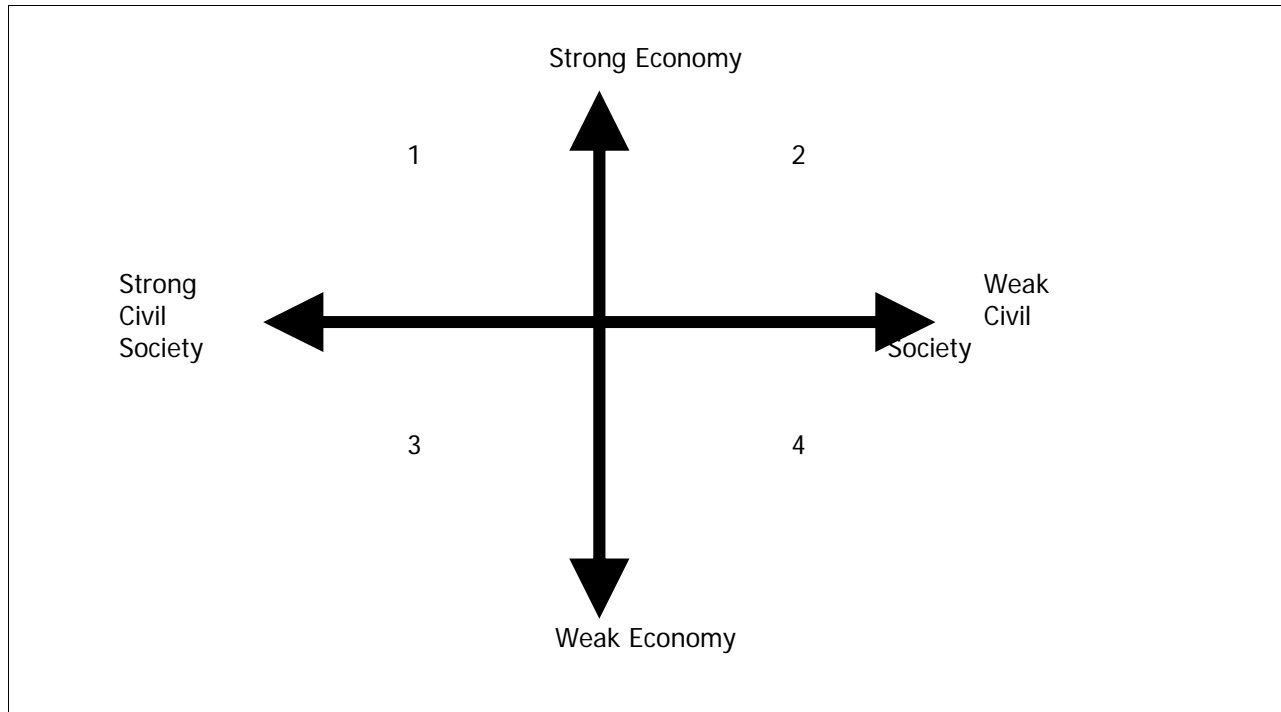


Figure 2: An example of a scenario Matrix

Then take your two issues, and present them as an axis, as on figure 2 below. This allows you to create four 'spaces' in which your two drives each combine, but in each space they combine in different ways, giving you four different potential outcomes of the interplay of your two factors. Figure 2 creates a scenario matrix from two underpinning factors, the strength of the national economy, and the health of civil society, that may impact upon the context within which a voluntary sector organisation may have to function.

The four quadrants of the axis each represent a different way in which these two factors may relate to each other. Quadrant 1, for example, represents a possible future where both Civil Society and the Economy are strong. Quadrant 3, however, creates a 'space' in which we might image a world where Civil Society was strong, but the economy was weak.

Step Four:

The next stage of the Scenario process is to envisage the world which each quadrant will create, and to attempt to represent this in a small textual statement. These statements should be used to populate your matrix, as in the example on figure 3. It helps to identify the concept that each quadrant has helped to generate by naming the world that is envisaged. Here, quadrant 2 had been explored, and populated with a future called 'Corporellion'.



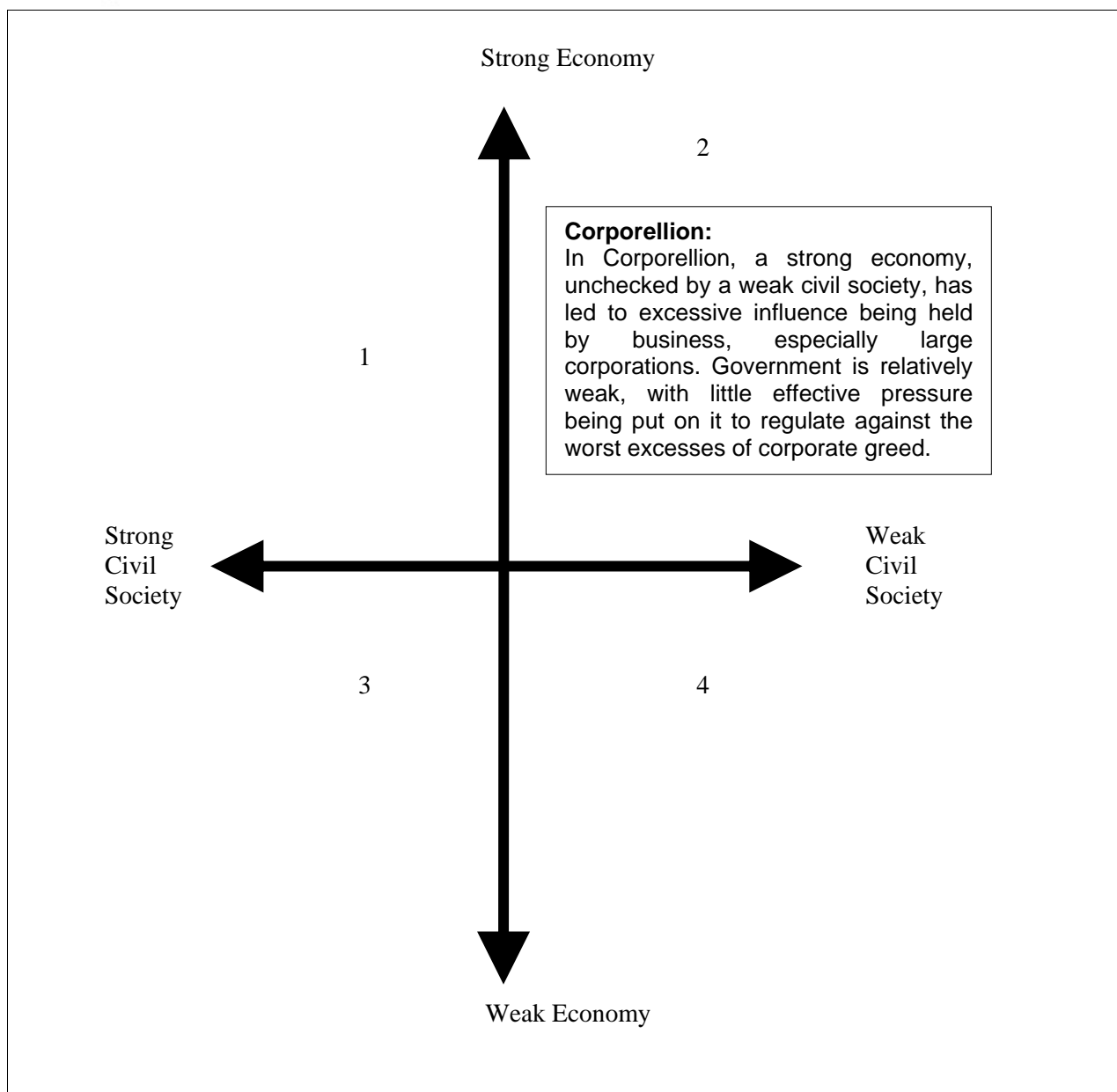


Figure 3: An example of a scenario Matrix being populated

This process gives you a broad framework of what the future might look like, structured by the interaction of two significant drivers for change. It gives you and understanding of how the world may evolve, depending upon how each of those drivers for change plays out in the medium term (say up to about 25 years in the future). You now have your scenarios. Here it is important to remember that scenario planning, whilst good to encourage a sense of strategic thinking, and good in terms of being aware of potential risks to the organisation for which you work, is not a way of predicting the future. It's benefits are as much in how it helps to develop an organisational culture that is aware of change in the shifting world 'outside', and is flexible and responsive, as it is about preparing to face specific occurrences (although Contingency Planning, or 'Wild Cards' are slightly different, and to a degree and exception to this – see Section 4).



Step Five:

With your scenarios outlined, each possible future needs to be considered in the light of your organisations aims, and objectives – or perhaps even more starkly, simply in your organisations ability to function effectively, or even to simply survive. How can these aims and objectives (including organisational survival) be moved forward in each of the varying futures? Are any of the techniques/methodologies/strategies that you come up with applicable in other quadrants? The end result of this process might resemble an action plan for each possible future, with a range of options common to some, or even all of the quadrants.

Should you choose to act on your scenario planning activities, the more common an action is in your different 'alternative future' action plans, the more certain you will be that that action is a valuable one. At the very least, discussing the options for action over a given subject, but in the structured framework of the scenario matrix, should give you a better idea of how to move forward, to achieve your goals, or perhaps to abandon ideas that are not really working.

Scenario Planning Step by Step

Step One: Identify a key group of strategic thinkers that will give you insight into the wider context of your organisation, and be able to use what they learn through scenario planning to influence future strategic thinking.

Step Two: Ask your strategic thinkers the question: 'Which factors do you think are the most significant for driving change in the context that we work?'

Step Three: Identify two principal drivers from the factors established in Step Two, and use them as the two axis in a 'scenario matrix'.

Step Four: Imagine the four worlds that the interplay of your drivers would create. 'Populate' your matrix with short textual statements that outline the key features of each world.

Step Five: Identify how your organisation would respond to each of the four alternative futures that the scenario matrix has helped you to generate. Identify any actions that appear appropriate for more than one alternative future – if you are going to act on the results of your scenario planning process, prioritise these!

4 Variations on the Basic Process

There are variations in this basic process, designed to meet specific needs. There are 'Shake-up' scenarios that are aimed at challenging assumptions about the world, or about the specific environment in which an organisation is operating, that are driving actions but which are, in fact, at odds with reality. There are 'Reconciliation' Scenario's where different groups have different values that are deeply entrenched – such a scenario might begin by exploring what common ground exists (i.e. establishing that 'actions have consequences'), and then exploring the consequences for both groups, of particular courses for action, through scenario planning. 'Cohesion' scenarios work in environments where there is agreement about basic values, or the key factors effecting organisation, but where that shared understanding has not led to general support for a particular courses of action. Although each individually valuable in different circumstances, these variations can also be viewed as a process – a



shake up scenario to challenge entrenched views and heighten the sense that there is more thinking to be done, a reconciliation scenario to reach a common view of what the real context for an organisation actually is, and finally a reconciliation style scenario to reach agreement on what the new direction of the organisation should be. Another possible variation is crisis and contingency planning, or 'wild cards'. This approach revolves around considering your organisational response to a specific, unexpected event, or a 'wild card'. From a contingency planning point of view, this might involve asking the question 'what would we do if the price of oil doubled over night?' and is a way of considering likely shifts in your organisational context. Wild cards can also be used to add a layer of complexity to the matrix approach used in basic scenario planning, in which you might ask such a 'what if' question, but consider how the consequences of your wild card might play out differently in the four worlds that your matrix has helped you to create.

There is an alternative to using a matrix approach, which may be of assistance if two clear drivers that can be used to form your matrix axis do not emerge. This entails envisaging your organisations expected or official future – what you are expecting and/or are planning for. Then, by applying the drivers of change to this expected future, you can see how such change might influence the likely future that your organisation will experience (see figure four).

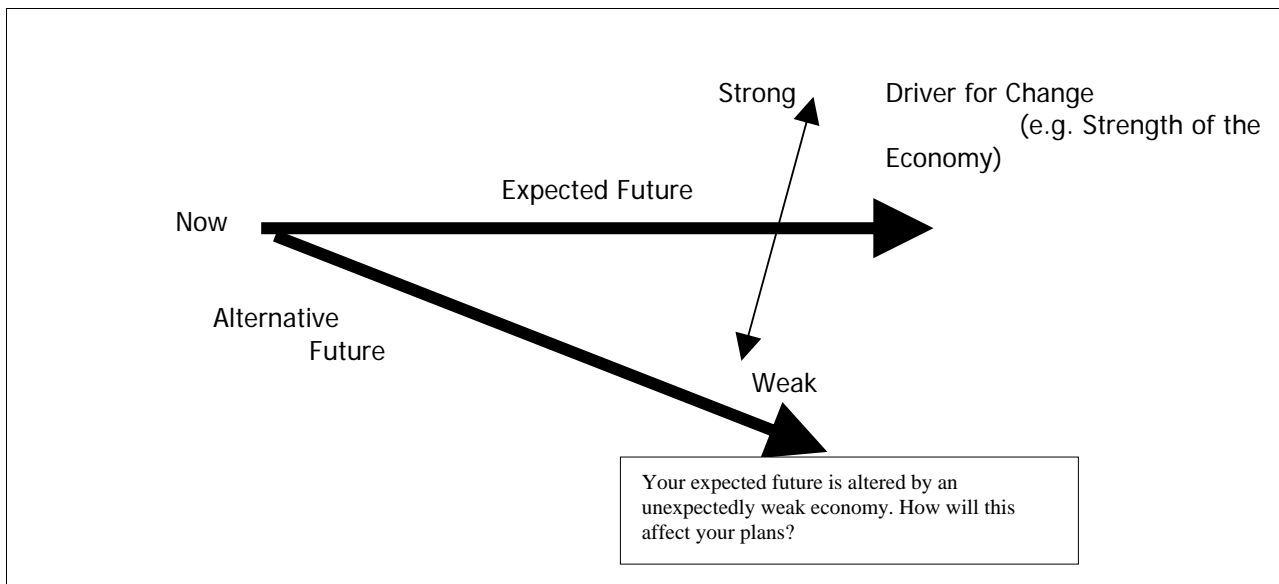


Figure 4: Expected vs Alternative Futures

By combining different sets of drivers and considering their joint influence on your expected future you can create alternative futures that are shaped by the possible areas of change that you have identified.

5 Common Pitfalls

There are a handful of key common pitfalls that scenario-planning exercises can fall into, and, if you are considering undertaking such an exercise, you should keep them in mind.

- 1) You should avoid treating scenario planning as an attempt to forecast the future – this is *not* the aim of the exercise. You are trying to identify the range of different paths that the future



might take, and in doing so be prepared for the different direction that trends might take. You are learning to think about how to deal with an uncertain future, not trying to remove the uncertainty through prediction.

- 2) Scenarios are generated by taking two factors, and using them as axis. Choosing the correct factors for the axis is critical, of the scenarios that you generate will tell you nothing of use about your organisation (but see also the next point).
- 3) The axis that you use need to be 'graduated'. In the example put forwards when exploring the scenario matrix Civil Society is graduated between weak and strong. You need to avoid creating an axis that, although identifying a factor of importance, doesn't really express the different paths that that factor might take. Graduating Civil Society from 'good' to 'bad', for example, is a value judgment and might mean different things, to different people, where as 'weak' to 'strong' indicates two different poles of a spectrum of possible futures.
- 4) The scenario ought to be global, or perhaps national, in scope – it is an attempt to establish a broad context within which your organisation has to function, even if that organisation is a small one.. The factors that you choose for your axis must be broad, long-term trends. Anything that is a local factor, or that is subject to sudden change is very difficult to use in a broad based, medium term scenario planning exercise. An example might be the price of oil – clearly crucial to, say a haulage company, but too specific, and variable to be easy to use. Broadening this to 'the economy' helps, and graduating from stable to unstable is a better expression of this in scenario planning terms that 'the price of oil running from high to low'. If your concern lies with a particular event that concerns you (a sudden rise in oil prices is a good example of this) using 'Wild Cards' within a broader based scenario planning exercise is probably more fruitful (see section 4).
- 5) If the scenario planning process is to be of value, you need 'buy in' from those who can make a difference, like senior executives. If this isn't the case, you will have an interesting day, but it won't have any impact in terms of informing the way in which strategic thinking is conducted in your organisation.
- 6) Potentially the most difficult problem of all is that scenario planning needs people who are not only 'strategically aware', but also are people with imagination. Scenarios designed without sufficient imagination often do little more than confirm the pre-conceptions/prejudices/fears of the organisers and/or participants.

6 Scenario Planning in Action

We live in an uncertain world where change is the only constant. No one can guarantee what the future holds. As a small player in the global arena, Singapore is not in a position to dictate events in the world around us. Thus, even more so than other countries, we must actively think ahead so that we can be better prepared for change, rather than become a marionette of chance and circumstance.

The Singapore Planning Office (2003)

Scenario planning is being employed by a growing number of organisations of many different kinds. From the corporate world, examples include large multinationals like Shell, but also collaborative groups like those represented in the Suffolk Small Business Project. It has also been used at a national level, to consider the future context within which a nation state (Singapore) may have to operate in the future,



and at trans-national level to consider Asian wide scenarios for policy makers relating to natural resources and the environment. Scenario planning has also been used by OECD to consider the relationship between the tertiary educators (and the institutions within which they are based), and wider society ten to twenty years in the future in OECD countries. In the military sphere, NATO have considered the impact of scenarios for defence planning and it has been used to explore the relationship between human and technology, and the likely implications of this for military planners. Full reports of many of these exercises are listed in the 'Resources' Section.

7 Resources and Further Reading

Web Resources, Project Reports.

MILLER, R (2003) *The Future of the Tertiary Education Sector: Scenarios for a Learning Society* (WWW) http://www.simul-conf.com/oeed_japan/documents/Future_of_universities.pdf [Accessed 22nd September 2005]

THE NAUTILUS INSTITUTE (2001) *Asian Environmental Scenarios* (WWW) <http://www.nautilus.org/archives/enviro/scenarios.html> [Accesses 22nd September 2005]

Singapore Strategic Policy Office (WWW) <http://app.spo.gov.sg/> [Accessed 22nd September 2005]

SMART, J (2005) *Human Performance Enhancement in 2032: A Scenario for Military Planners* (WWW) <http://accelerating.org/articles/hpe2032army.html> [Accessed 22nd September 2005]

VAN DER VEER, J (2005) *The Shell Global Scenarios to 2025, The future business environment: Trends, Trade-offs and Choices.* (WWW) http://www.shell.com/static/royal-en/downloads/scenarios/exsum_23052005.pdf [Accessed 22 September 2005]

Web Resources, How to do it.

FLOWER, J (1997) *Spinning the Future* (WWW) <http://www.well.com/user/bbear/change12> [Accessed 22nd September 2005]

GLOBAL BUSINESS NETWORK et al (2004) *What If? Thinking for Nonprofits* [Wiley] (WWW) http://www.greatvalley.org/pub_documents/2005_1_6_11_45_58_Art%20of%20Scenario%20Planning.pdf [Accessed 22nd September 2005]

Metabridge – *Facilitating Management Thinking* (WWW) <http://www.metabridge.com/index.htm> [Access 22nd September 2005]

Masters of Change – *The Process Iceberg* (WWW) <http://www.mastersofchange.com/ice.htm> [Accesses 22nd September 2005]

The Challenge Forum – (WWW) <http://www.chforum.org/index1.html> [Accessed 22nd September 2005]



The Manager.org – Strategy – Scenario Planning (WWW)

<http://www.themanager.org/Knowledgebase/Strategy/ScenarioPlanning.htm> [Accessed 22nd September 2005]

Value Based Management.net – Scenario Planning (WWW)

http://www.valuebasedmanagement.net/methods_scenario_planning.html [Accessed 22nd September 2005]

Further Reading

FAHEY, L. and M. RANDALL, R (1998) *Learning from the Future*. [Wiley]

HAMMOND, A (1998) *Which World? Scenarios for the 21st Century* [Shearwater]

KLEINER, A (1996) *The Age of Heretics*. [Doubleday]

RINGLAND, G (1998) *Scenario Planning – Managing for the Future*. [Wiley]

SCHWARTZ, P (1991) *The Art of the Long View – Planning for the Future in an Uncertain World*. [Doubleday]

VAN DER HEIJDEN, K (1996) *Scenarios – The Art of Strategic Conversation*. [Wiley]

VAN DER HAIJDEN, K et al (2002) *The Sixth Sense – Accelerating Organisational Learning with Scenarios*.

