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Introduction to Scenario Planning

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

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The Purpose of Scenario Planning

Scenario planning provides a means for ordering perceptions about how the future may play out and determining what strategic decisions today offer the best chance of success tomorrow.

Scenario planning challenges management to revisit its assumptions about its industry and consider a wider range of possibilities about where its industry may head in the future. This exploration results in a broader, more innovative view about future growth opportunities and risks.

Importantly, the point of scenario planning is not to predict the most probable future. Rather, the objective is to develop and test strategic choices under a *variety of plausible futures*. Doing this exercise proactively—essentially, rehearsing for multiple futures—strengthens an organization’s ability to recognize, adapt to, and take advantage of, changes in the industry over time.

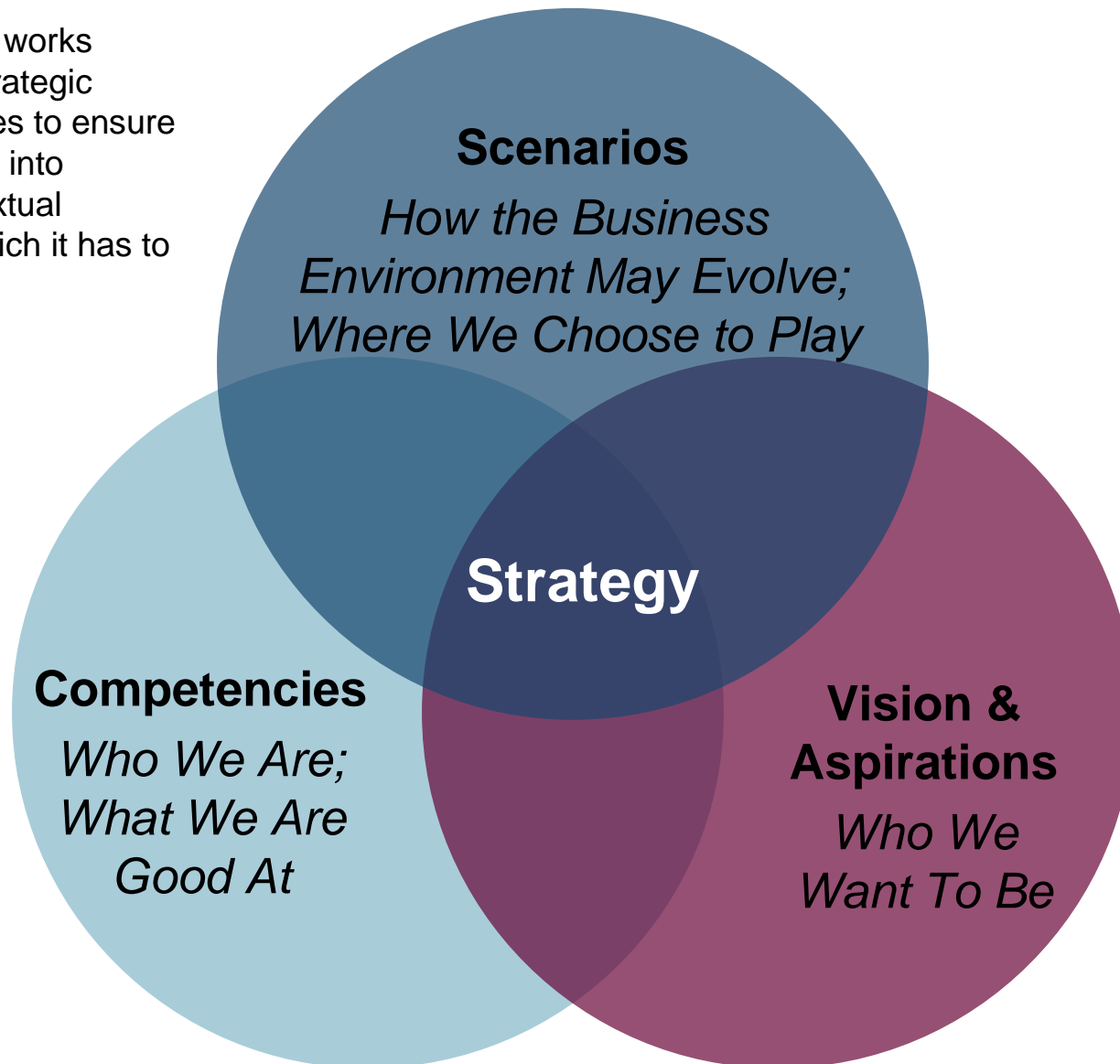
From a process standpoint, scenario planning has the additional benefit of promoting high levels of organizational learning and collaboration which are not as deeply embedded in other strategic practices.

The Reinforcing Benefits of Scenario Planning



The Role of Scenario Planning Within Business Strategy

Scenario planning works alongside other strategic planning techniques to ensure that strategy takes into account the contextual environment in which it has to succeed.



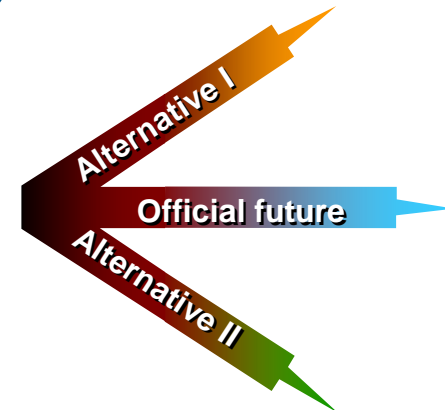
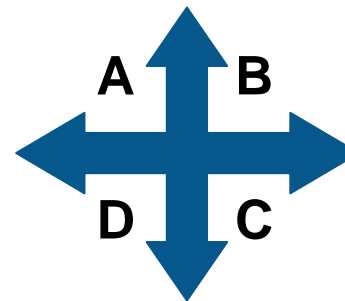
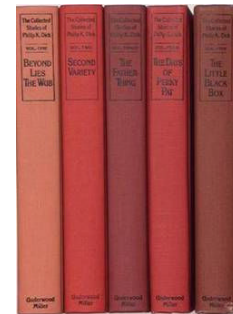
What Are Scenarios?

Rich, data-driven, **stories about tomorrow** that can help you make better **decisions today**

Hypotheses that describe a **range of possibilities** for the future—not predictions

Imaginative narratives that stretch thinking, but are **always plausible and logical**

Together, a set of scenarios forms an **organizing framework** that can be used to **make sense of** conflicting or ambiguous **market signals** more **holistically**—today, and as they appear over time



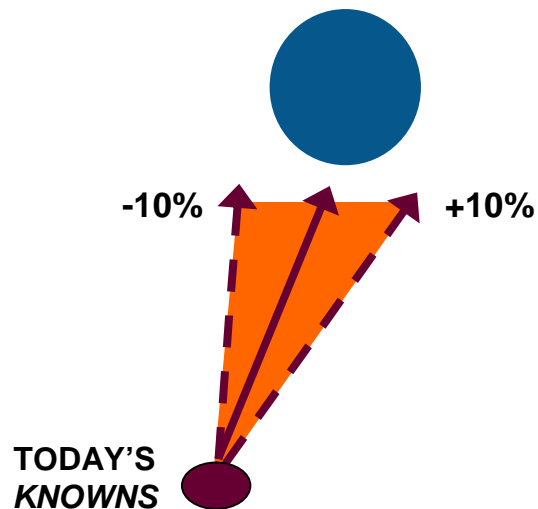
Scenarios Overcome the Tendency to Oversimplify the Future

By Planning for Multiple Futures

Scenarios avoid making single, falsely confident predictions based on today's model or view of the world. Rather, they consider multiple hypotheses for how the model might evolve along more varied dimensions. Scenarios build on what is known, but also incorporate the uncertainties and yet-to-emerge issues that may have as much of an impact as the known trends. Each scenario considers a different set of outcomes for these uncertainties, allowing them to be managed proactively.

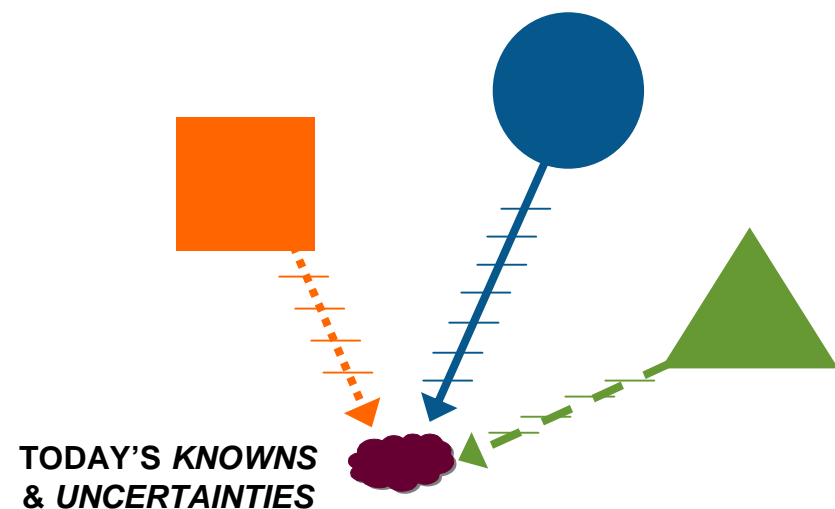
Forecast Planning

Planning for **ONE** Future

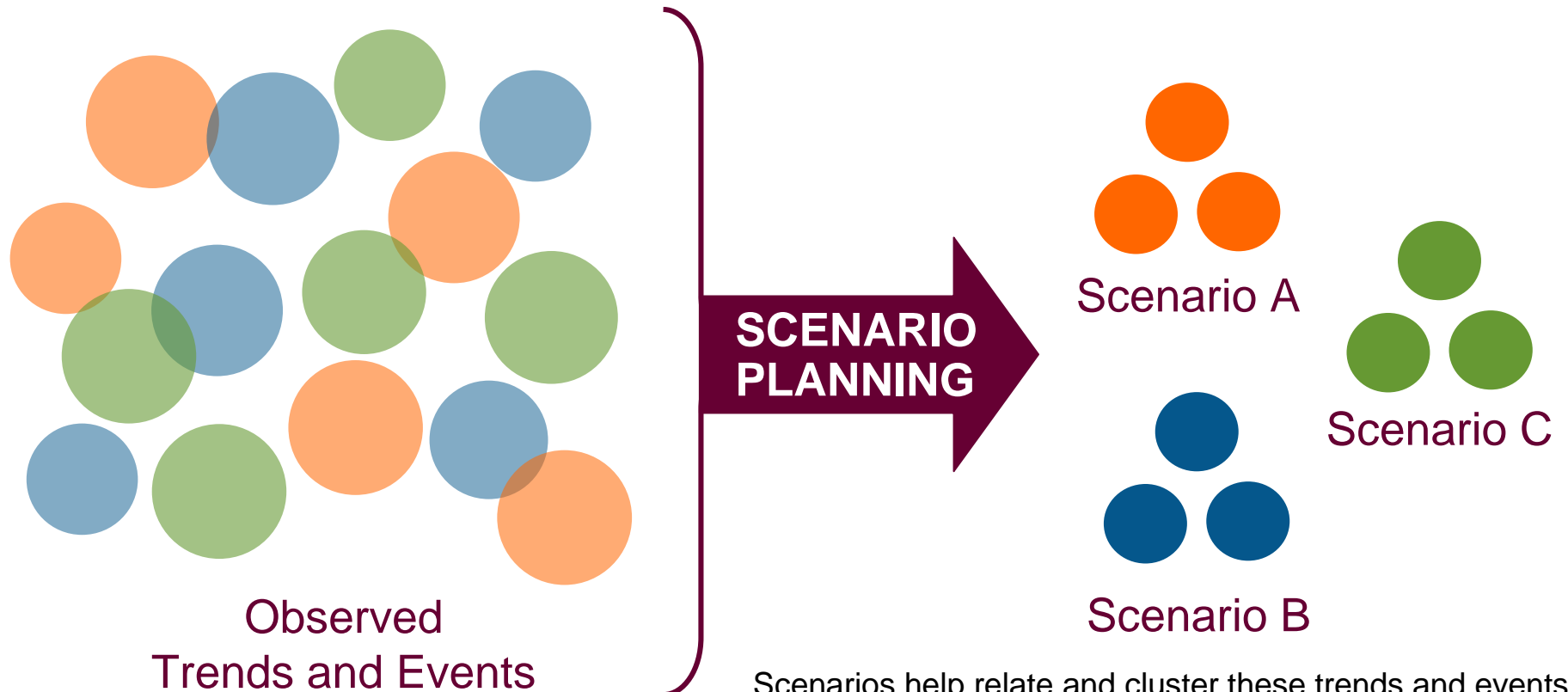


Scenario Planning

Planning for **MULTIPLE** Futures



Scenarios Help Sort Through Complexity by Identifying Patterns of Change, Enabling Us To Act More Explicitly and Holistically



Observed
Trends and Events

The trends and events that signal how an industry is evolving can be overwhelming, seemingly conflicting, and even paralyzing, when taken on one-by-one.

SCENARIO
PLANNING

Scenario A

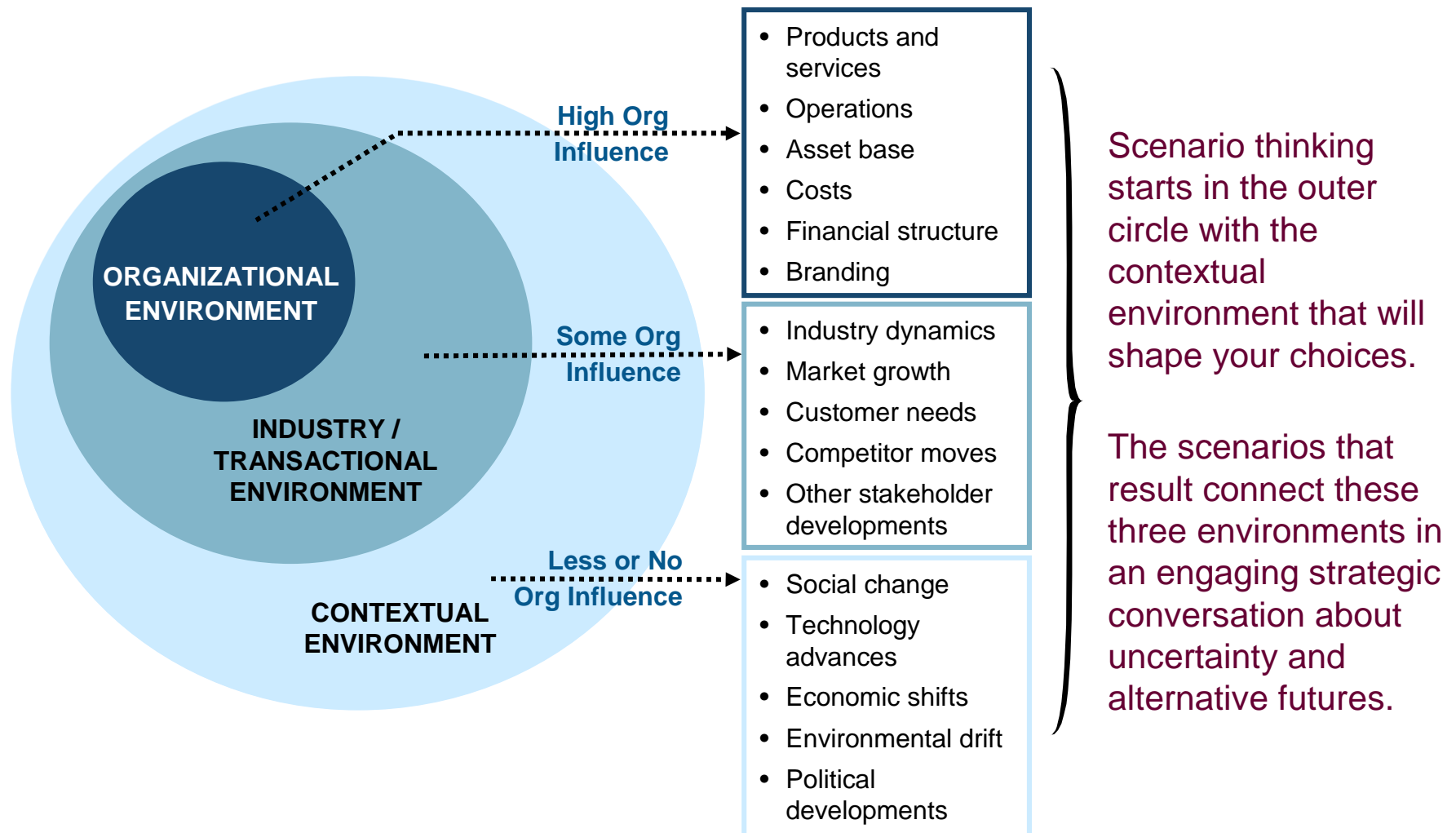
Scenario C

Scenario B

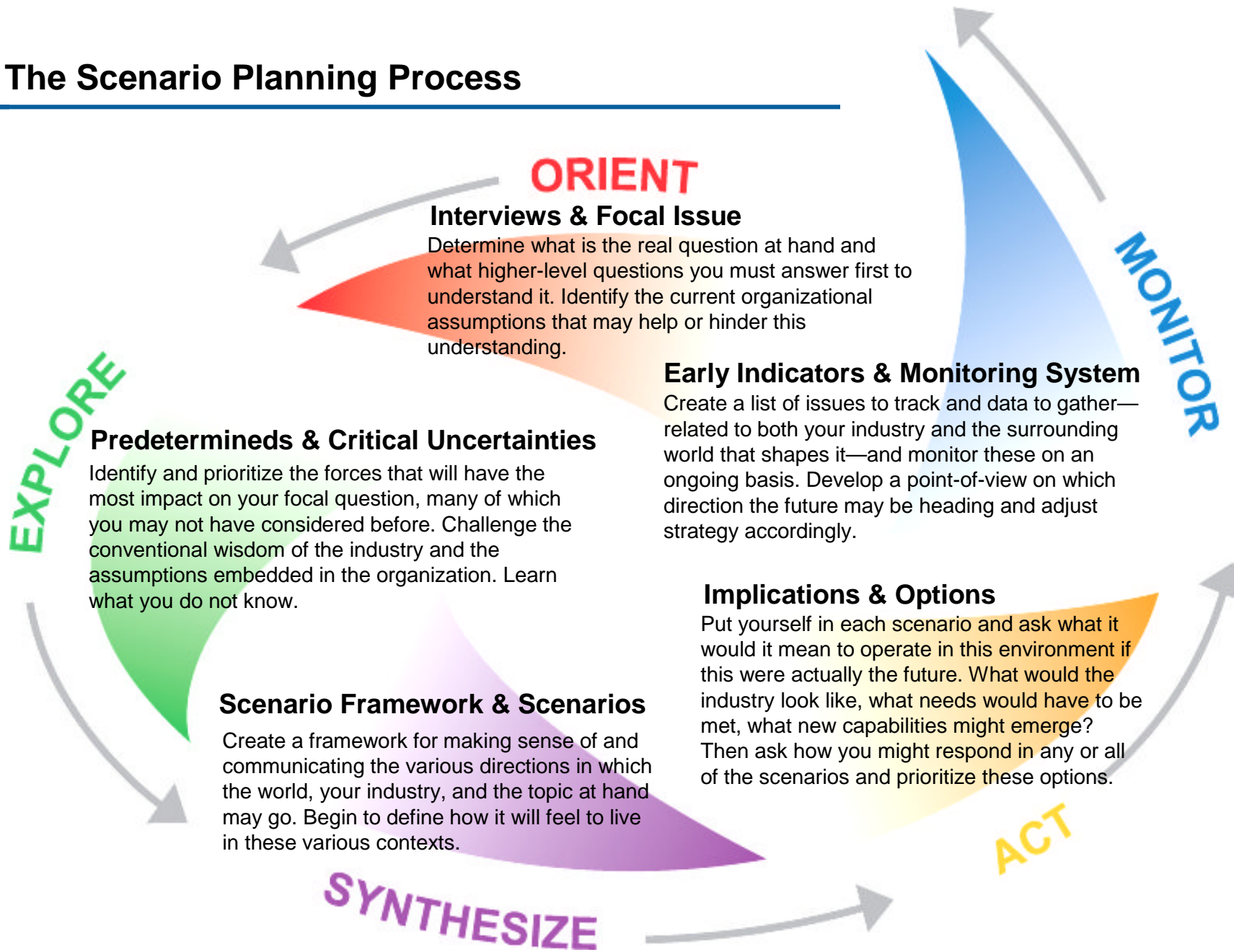
Scenarios help relate and cluster these trends and events together into broad patterns, organizing them into logical, higher-level frameworks. These frameworks allow an organization to address change more comprehensively—at the sources of the change—and align the perspectives of key decision-makers.

Scenarios are Created Through an “Outside-In” Approach

Scenario planning begins with an “outside-in” view, in order to identify and plan for the external influences and uncertainties that will have a significant impact on the company’s choices.



The Scenario Planning Process



Applying Scenario Planning to Key Business Problems

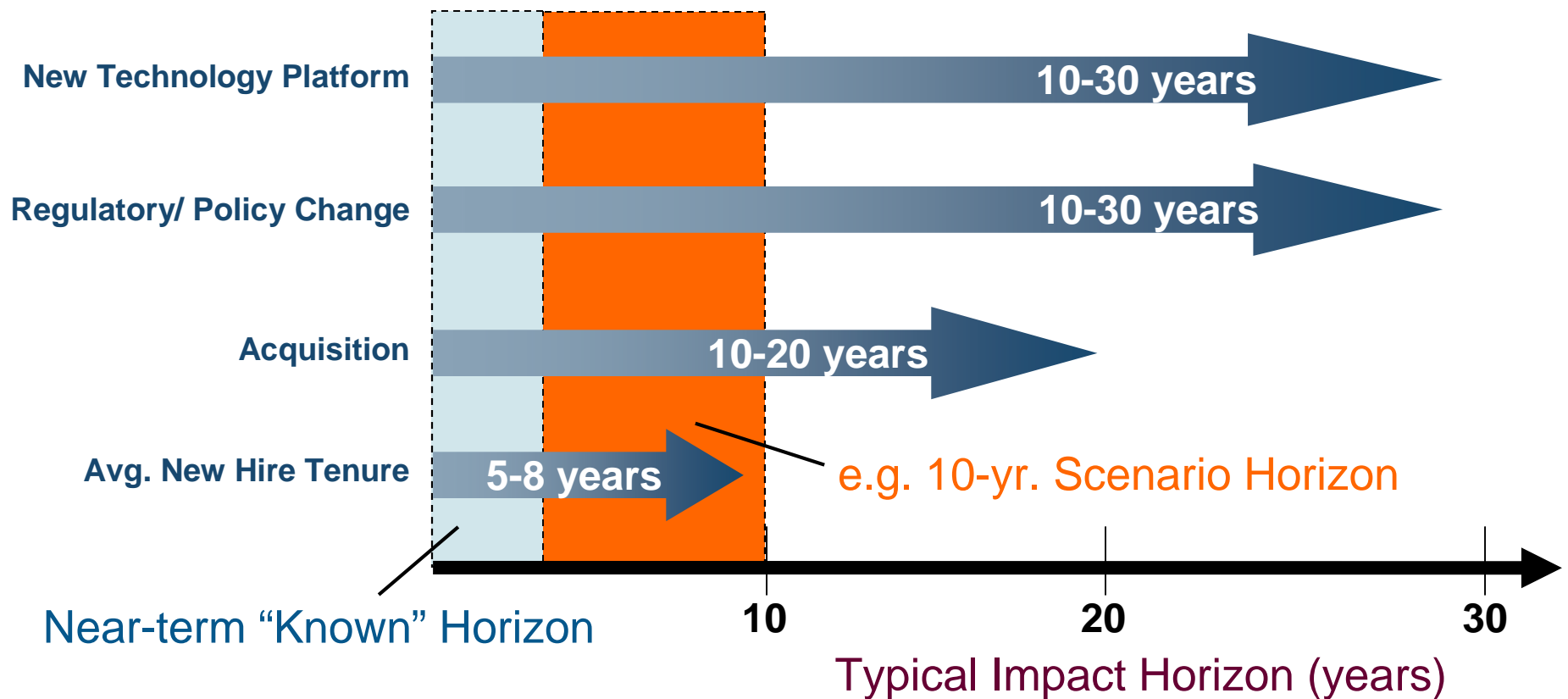
Scenario planning can greatly enhance an organization's ability to tackle a diverse set of strategic business problems, many of which have become more challenging as the business climate becomes ever more complex, dynamic, and uncertain.

The Applications of Scenario Planning

- **Creating More Sustainable Long-Term Strategy**
- **Making Strategic Decisions Under Conditions of Uncertainty**
- **Continuously Innovating in Anticipation of the Market**
- **Developing Organizations That Can Think Flexibly and Creatively**
- **Aligning Key Stakeholders in Support of a Shared Vision**

Using Scenario Planning to Ensure Sustainable Choices

Most strategic decisions are made based on the conditions that an organization sees directly in front of it. However, the impact of many of these decisions may not be fully realized until a much longer time horizon has elapsed and conditions have changed—sometimes dramatically. As such, many decisions quickly become “legacy” choices. Scenario planning, in taking into account a longer term view, produces more sustainable decisions.



Summary of the Key Concepts of Scenario Planning

Focal Issue or Question: the issue or question that the scenario thinking process seeks to address.

Mental Map (or mental model): a set of assumptions that in aggregate becomes a framework for how a person or group interacts with the world and their business environment. Mental maps are usually implicit, i.e. often unstated.

Official Future: the explicit articulation of a set of commonly held beliefs about the future environment that a group, organization, or industry implicitly expects to unfold. Once articulated, the official future captures an organization's shared assumptions—or mental map.

Driving Forces: forces of change outside your organization that will shape future dynamics in predictable and unpredictable ways. Driving forces can be either predetermined elements or uncertainties.

Predetermined Elements: forces of change that are relatively certain within the relevant timeframe, such as population aging. It is a given that predetermined elements will play out in the future, though how they interact with and impact other variables remains uncertain.

Critical Uncertainties: unpredictable driving forces, such as public opinion or the state of the economy, that will have a big impact on the contextual environment and/or market conditions but whose outcomes are highly uncertain or unknown in the planning timeframe. The various combinations for how critical uncertainties may unfold form the basis of a divergent set of scenarios.

Scenarios: stories about how the future environment for your organization or issue might unfold.

Scenario Implications: insights that capture the learning from scenarios by asking what challenges and opportunities would the organization face if it were operating in each one, and what options would make most sense in response.

Leading Indicators: signs of potentially significant change that you can monitor in order to determine if a particular scenario is beginning to unfold. Leading indicators can be very obvious, like the passing of a debated piece of legislation, or quite subtle, like small signs of a gradual shift in social values.

Wild Card: an unexpected event, like a revolutionary discovery or a global epidemic, that could require a change in strategy. Wild cards help surface new uncertainties and different contingent strategies for future action that may not emerge from the more logical structure of a scenario framework.

About GBN

Global Business Network, a member of the Monitor Group, is at the center of scenario thinking and the management of future uncertainty

The Practice

- Founded in 1987 by former members of Shell Oil's famous Group Planning team
- The most significant source of thought leadership on scenario planning
- The largest, dedicated scenario planning practice in the world



Past & Present Members & Client Organizations



Twenty years of scenario planning experience across a wide range of industries

- 150 of the top Fortune 500 companies
- Highly influential government agencies
- America's largest private foundations

What GBN Brings to the Scenario Planning Process

Process...

Proven methods and frameworks that allow for creativity, broad participation, and out-of-the-box thinking, yet also provide structure that ensures explicit outcomes

Refined **facilitation** that is comfortable with ambiguity and able to uncover the entrenched positions within an organization

A **co-learning orientation** in project design that focuses on client immersion and developing client capacity for ongoing inquiry

Content...

A **broad, outside perspective** that challenges the client's conventional wisdom about its industry and the contextual world that shapes it

Qualitative research skills that tap into non-traditional sources and methods to spot trends before they are widely visible

Cutting-edge knowledge and curiosity that is exploratory in nature

A **network of "remarkable people,"** provocative thinkers across multiple disciplines who help us anticipate and interpret broad emerging issues and trends

**“Scenarios are stories.
They are works of art, rather than
scientific analyses. The reliability of
(their content) is less important than
the types of conversations and
decisions they spark.”**

—Arie de Geus*, *The Living Company*

***GBN Network member and former corporate planning director for Royal Dutch/Shell, in charge of business and scenario planning. Shell pioneered the application of scenario planning to the business world.**