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This present moment  
Used to be  
The unimaginable future

**Stewart Brand**

*The Clock of the Long Now*



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SWINBURNE  
UNIVERSITY OF  
TECHNOLOGY

## Scenario Planning: an Innovative Approach to Strategy Development

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27 September 2004



## Today

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- Consider the need to integrate thinking about the future into our strategy development.
- Explore how futures methodologies such as scenario planning can strengthen our strategy development.



## Who am I?

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- 25 years as a manager in higher education, 14 at Swinburne.
- Five internal re-structures led me to foresight in 1999.
- Interested in how we can use scenario planning in internal planning processes in universities.
- Enrolled in Graduate Certificate in Strategic Foresight.
- Practitioner focus.



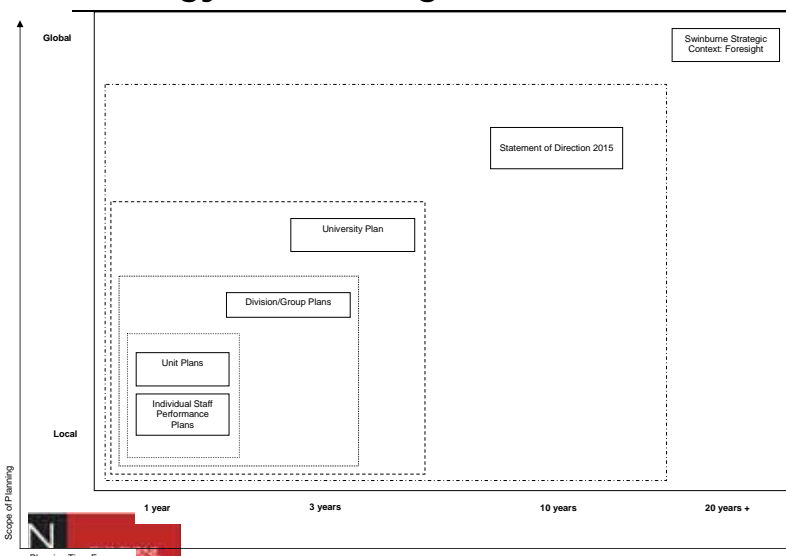
## At Swinburne



- Foresight as a planning approach and an academic activity:
  - Australian Foresight Institute (graduate programs in strategic foresight) [www.swin.edu.au/afi](http://www.swin.edu.au/afi)
  - Foresight and Planning Unit (now Foresight, Planning and Review) [www.swin.edu.au/corporate/fpr](http://www.swin.edu.au/corporate/fpr)
- Scenario planning workshops
- Swinburne Scenarios Project in 2002
- Strategic environmental scanning
- Developing external consulting function



## Strategy & Planning Framework



Version 4  
29 August 2003

## Next ...

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- Why this presentation?



## Current Planning Systems

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- Develop a single 'default scenario' – a future that validates the plan (Hodgson, 2004).
- Often lack the flexibility to deal with unexpected changes in the external environment.
- Usually do not include any processes for systematically exploring the future of the organisation.
- Tend to rely heavily on quantitative data, suggesting a single outcome, and dismiss validity of qualitative data.
- Miss potential innovation and strategic options because they do not challenge organisational assumptions and ideologies.



## Something is missing...



- While the need for planning has never been greater, the relevance of most of today's planning systems and tools is increasingly marginal (Fuller, 2003).
- It may well be that the typical strategic planning exercise now conducted on a regular and formal basis and infused with quantitative data misses the essence of the concept of strategy and what is involved in thinking strategically (Sidorowicz, 2000).
- A major assumption of the strategic planning literature ... is that all of these terms [strategy, planning] necessarily go together. [That is] Strategy formation is a planning process, designed or supported by planners, to plan in order to produce plans" (Mintzberg, 1994).



## Two Possibilities...



- Strategy development, decision making about which strategies to pursue and strategic planning need to be considered as separate and overlapping domains of activity.
  - Strategic planning is about developing a plan to implement strategy. It is not about planning strategically.
- The past and present are analysed and understood well in current strategy and planning processes. The future needs to be understood in the same way.



## Next ...

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- Why the Future?



## Terminology

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- Foresight: an overt capacity to think about the future.
- Strategic Foresight: organisational foresight.
- Futures: the broad academic field now developing globally; interdisciplinary and inclusive in its approach.
- Futurists: those who work in futures, either as academics, consultants (outside organisations) and as practitioners within organisations.
- Scenario planning: a futures methodology.



## Up Front...

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- The future is uncertain.
- Managers in organisations are rewarded for their certainty.
- Difficult – and potentially career limiting - to engage in a process which produces no certainty, and which takes up time otherwise available to deal with the imperatives of the here and now – ie what is certain.
- Current organisational worldviews about what is valuable – and current focus on data driven decision making - do not deal well with qualitative and 'subjective' information in that decision making process.



## Up Front...

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- We all think about the future: it is an innate and normal human capacity:
  - personally
  - professionally
  - politically
  - socially
- Futures work, and associated methodologies, is about developing that same capacity in organisations, and at the social – national/global – level.



## Why think about the future?

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"The future does not just happen to us; we ourselves create it by what we do and what we fail to do. It is we who are making tomorrow what tomorrow will be.

For that reason, futurists think not so much in terms of predicting the future, as in terms of trying to decide more wisely what we want the future to be."

Edward Cornish  
President, World Future  
Society



## Why think about the future?

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- The inescapable dilemma:

All our knowledge is about the past, but all our decisions are about the future.

Ian Wilson



## Why think about the future?



All our knowledge is about the past, but all our decisions are about the future.

What we don't know we don't know

What we know we don't know

What we think we know

What we know

Most of what we need to know to make good decisions today is outside our comprehension: we don't even know it's there.



## Why think about the future?



- The future is **not** pre-determined or predictable:
  - if it were, there would be no point in taking action today, because it would have *no effect* on the future.
- We have alternatives and choices.
- Future outcomes can be influenced by our choices in the present: we have a responsibility to future generations to make wise choices today.
- Decisions taken today will have effects years into the future – but in what sort of world?



## Why think about the future?



- It is increasingly difficult to discern trends and realities, and to make well-informed decisions today.
- **Full** information about the future is **never** available.
- It makes sense to try and understand what that future might be like before we act.
- We are good at learning from the *past*, we need to learn from the *future* as well:
  - we need to develop a 'history of the future' as we do a 'history of the past'.



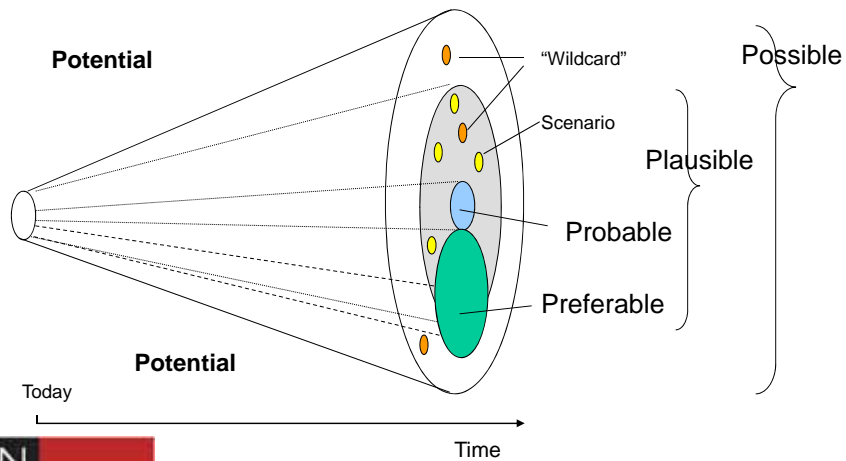
## Types of Futures



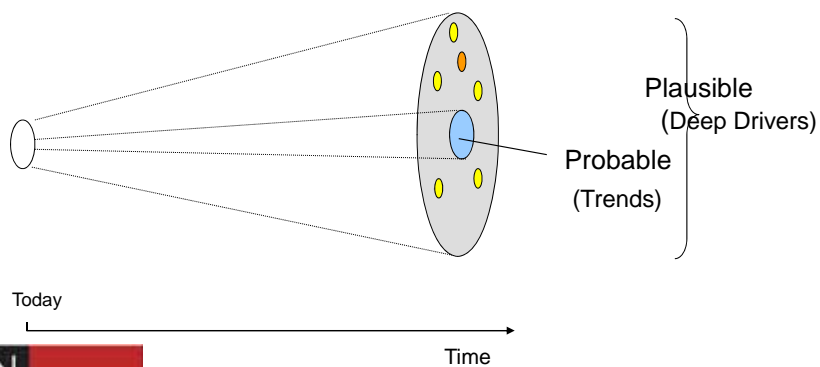
- Potential – all possible futures
- Possible - "might" happen (future knowledge)
- Plausible – "could" happen (current knowledge)
- Probable - "likely to" happen (current trends)
- Preferable - "want to" happen (value judgements)



# Types of Futures



# Types of Futures



## What Foresight is Not...

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- ***Foresight is not prediction!***

- The future cannot be predicted.
- The long term future cannot be forecasted with any certainty.



## What is Foresight?

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- A strategic thinking capacity which allows an organisation to better understand its potential **future** operating environments,
- and to use that information to inform and expand its thinking about potential future strategies,
- in order to make better informed decisions about action to take today.



## What is Foresight?

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- Developing a shared, 'forward view' of drivers of change in the external environment,
- to consider potential impacts of those drivers of change on the organisation,
- so that strategies can be put in place to deal with those impacts before they happen,
- so the organisation can be proactive, not reactive.



## What is Foresight?

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- Foresight is thinking about the future:
  - strategically (focus on the future, rather than today)
  - systematically (using a structured process)
  - creatively (freeing up thinking; not held back from constraints of today)
  - in a shared environment (sharing ideas, assumptions and concerns).



## Why Foresight?

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- The real point of any foresight work is to make sure that we don't get the future wrong.
- Foresight work is not about 'getting the future right' which is impossible, except by luck:
  - getting the future right requires *accurate, infallible predictive capacities*; whereas
  - a foresight approach focuses on *preparing an institution to adapt*.



## Developing Organisational Foresight

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- An organisational foresight capacity develops over time:
  - repeated immersion in futures activities, and
  - developing an understanding of futures concepts and methodologies.
- Getting people to agree to take time off from day-to-day activities and the urgency of the 'here-and-now' is one of the biggest challenges to building an organisational strategic foresight capacity.



## Next ...

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- Foresight, Strategy and Planning



## Developing Strategy

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- Strategy is about the future, not the past or the present.

But ...

- Future strategy is implemented today.



## Developing Strategy



- Linking of past, present and future is critical.
  - Action that takes place in the present is what shapes the future, and understanding the present allows people to attain an orienting perspective to provide a basis for moving forward (Bell, 2000).
  - There are two processes that are centrally involved in constructing the present: one is the interpretation of past experience; the other is the anticipation of possible futures. The two processes are not in opposition... They are mutually reinforcing (Slaughter, 2000).



## Developing Strategy



- Challenges
  - How to anticipate and interpret change in the external environment.
  - How to leverage that change into 'winning' strategies.
- Knowledge Questions
  - Do we have some sense of the different ways in which our environment and our market might evolve over the next five years?
  - Do we know which factors, or drivers of change, are most likely to dominate how our industry will evolve?
  - Do we know what our strategic and organisational responses would be if a future were to unfold that was distinctly different from the one anticipated by our current plan?

Adapted from Fahey, 2003



# Foresight, Strategy & Planning



Three inter-dependent but quite different elements:

## ■ Strategic Thinking

- *exploration*, intuitive, synthesising, creative, inductive, disruptive, incomplete/ambiguous info; generating options

## ■ Strategy Development

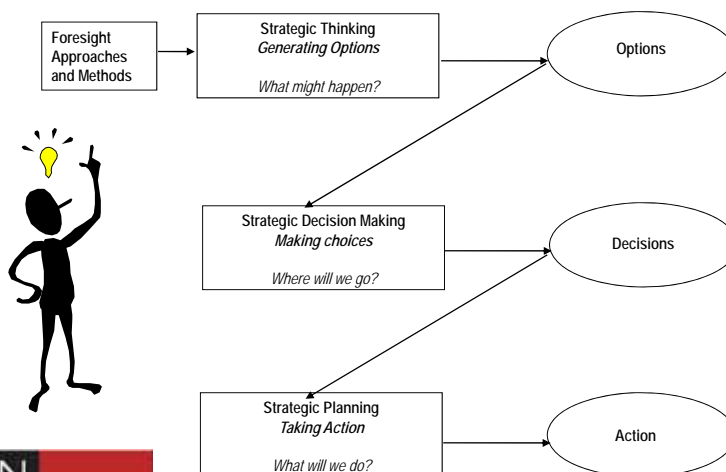
- *assessing* options, examining choices, making decisions and/or setting a destination or direction

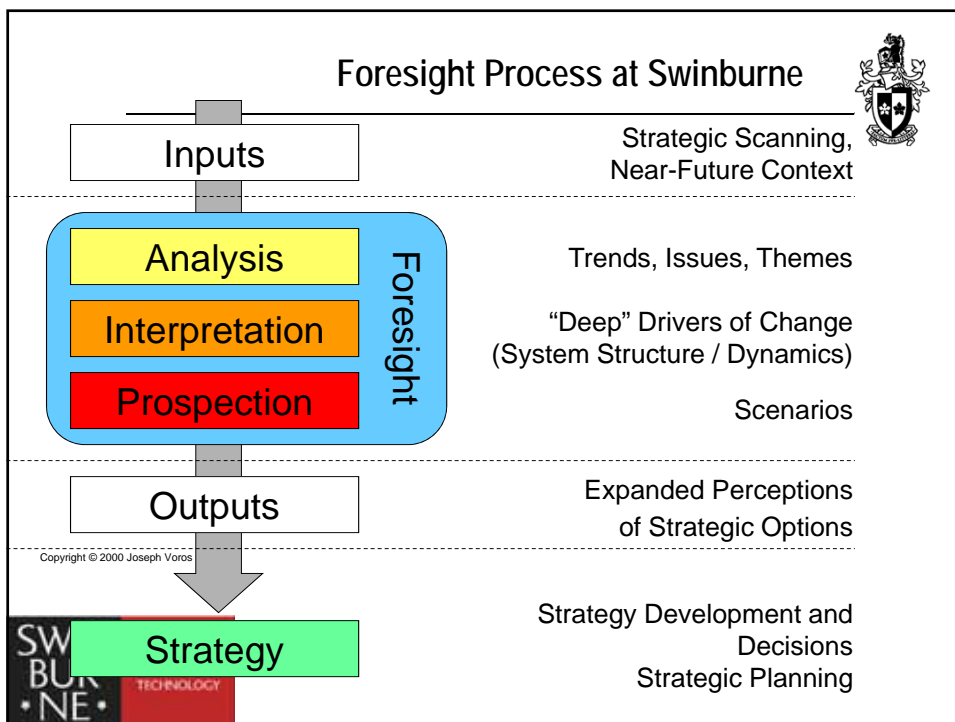
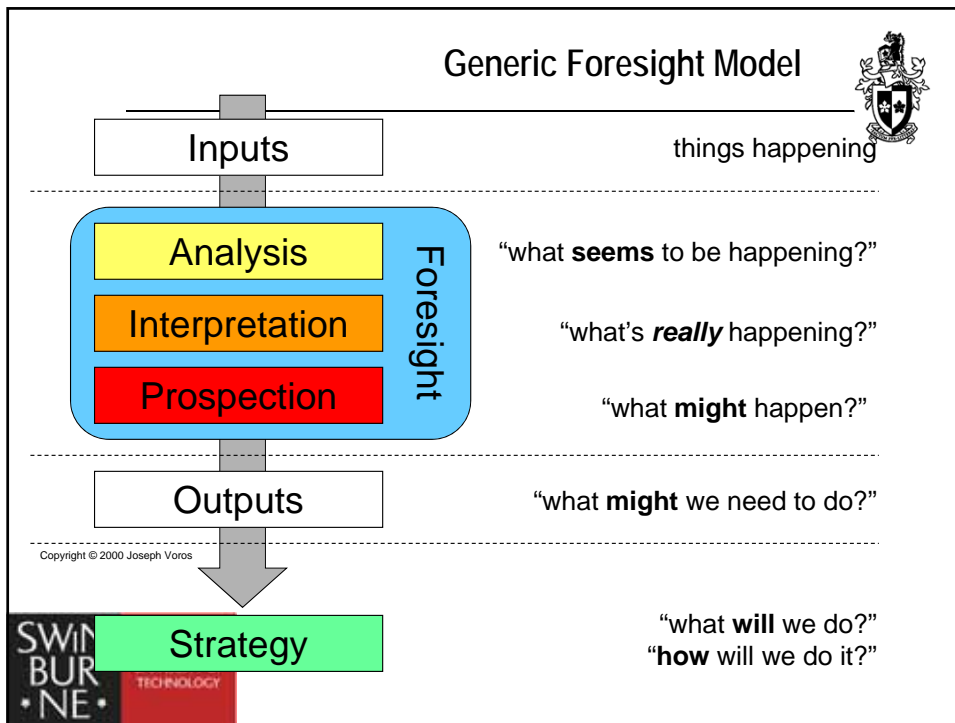
## ■ Strategic Planning

- *implementation*, analytical, deductive, making it happen, getting things done, pragmatic, "can do"; actions



# Foresight, Strategy & Planning





# The Future as a Strategic Landscape

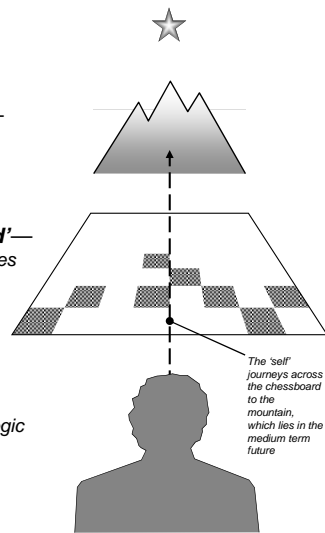


**'The Star'**—  
Our enduring and  
guiding social role

**'The Mountain'**—  
What we hope to  
achieve

**'The Chessboard'**—  
Issues and challenges  
we are likely to face

**'The Self'**—  
Our values and  
attributes as a strategic  
player



**The purpose of the organization**

- A "future-focused role image"
- Not completed or "used up"

**The strategic objective:**

- A compelling, relevant future
- BHAG—"Big Hairy Audacious Goal"
- A concrete, specific goal
- A challenge, but achievable

**The strategic environment:**

- Strategic implementation and tactics
- Threats and opportunities
- Actions of other strategic actors
- Driving forces
- Mapped and understood using scenarios

**Strategic identity:**

- Current reality
- Self-knowledge
- Strengths and weaknesses
- Values
- Preferences and experience



"Star, mountain, chessboard, self" image © 1999

Synthesys Strategic Consulting Ltd

# Strategic Foresight



- Remember, foresight is a normal capacity of the human mind.
- In organisations, the challenge is to take it from being an implicit unconscious process taking place in a single mind to being an explicit conscious process taking place in many minds.
- In other words, from implicit & unconscious to explicit & conscious and from individual to collective.
- In org<sup>ns</sup>, this requires explicit foresight processes be created to support existing strategic processes.



## Strategic Foresight

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- Always ask: Are our proposed strategies 'wise' when considered from a 'future' perspective?
- The Goal: to act with wisdom *in the present* — informed by a perspective from the *future*, not only the *past*.



## The Power of Worldviews

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- "Humans do not make rational, logical decisions based on information input, instead they pattern match with either their own experience, or collective experience expressed as stories. It isn't even a best fit pattern match, but a first fit pattern match ... The human brain is also subject to habituation, things that we do frequently create habitual patterns which both enable rapid decision making, but also entrain behaviour in such a manner that we literally do not see things that fail to match the patterns of our expectations."

Snowden, 2003



## The Challenge

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- The challenge for planners today is to identify approaches, tools and methods that allow an identifiable and separate futures stage to be integrated into existing planning processes.



## Next ...

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- Scenario Planning



## Scenario Planning in Context



- Scenario planning is a futures methodology.
- It is best used within a broader framework of structured thinking about the future – ie as part of the building of an organisational foresight capacity.
- It requires open minds, and a willingness to try an approach that is quite different to traditional 'strategic planning'.



## What are Scenarios?



- Scenarios are possible views of the world, described in narrative form (stories) that provide a context in which managers can make decisions.
- By seeing a range of possible worlds, decisions will be better informed, and a strategy based on this knowledge and insight will be more likely to succeed.
- Scenarios do not predict the future, but they do illuminate the drivers of change: understanding them can only help managers to take greater control of their situation.

Gill Ringland  
Scenarios in Business, 2002



## What are Scenarios?

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- Scenarios therefore are imagined futures, not forecasts, that demonstrate that current actions may lead to dramatically different outcomes.
- They do not come singly, as a forecast (the default scenario), but in sets of alternatives, or as different versions of the same driving forces.
- They allow us to handle uncertainty rather than to assume it away; to think about the unpredictable.



## Why Scenarios?

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I like them because they are, or can be:

- emergent,
- broad in scope,
- primarily non-mathematical,
- a learning/understanding approach (not predictive),
- subjective – beliefs, desires, actions, perceptions of people are important.
- a way of enriching our understanding of what is going on now and in the future.



## Why Scenarios? (The 'Chessboard')

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- Well developed and tested across government, business and education.
- Structured process to start 'consciously' thinking about the future and possible implications for strategy today (ie navigating the 'chessboard').
- A way of dealing with uncertainty:
  - information and knowledge about drivers of change and associated trends is voluminous, often very sketchy, and usually contradictory.
- A creative and shared process that allows time for reflection about the organisation and its future.



## Why Scenarios?

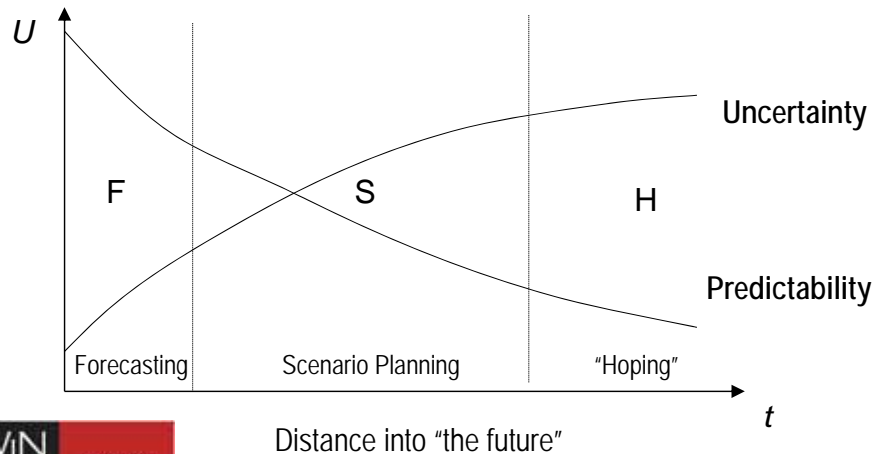
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- Scenarios strengthen a manager's strategic management tool box:
  - traditional methods focus on the past and the present
  - scenario planning focuses on the future



## Why Scenarios? (Ranges of Usefulness)



Adapted from K. van der Heijden

## Why Scenarios?



- "As a practice, scenario building today is synonymous with thinking broadly and freely about a problem, enlarging frames of reference and involving different worldviews rather than seeing a situation from a single perspective."
- Scenarios provide a framework for thinking about options and making sound decisions.



Ged Davis, Shell International Scenarios as a Tool for the 21<sup>st</sup> Century, Foresight Conference, University of Strathclyde, 2002

## When Scenarios?

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- Scenario planning comes into its own in situations of rapid change, incursions from international competitors, technological innovations, unpredictably shifting consumer tastes (resulting from increased exposure to global cultural information), and governments scrambling to update their outmoded policies.

ManyWorlds  
Grasping the Future: Comparing Scenarios to Other Techniques  
[www.manyworlds.com](http://www.manyworlds.com)



## Which Scenarios?

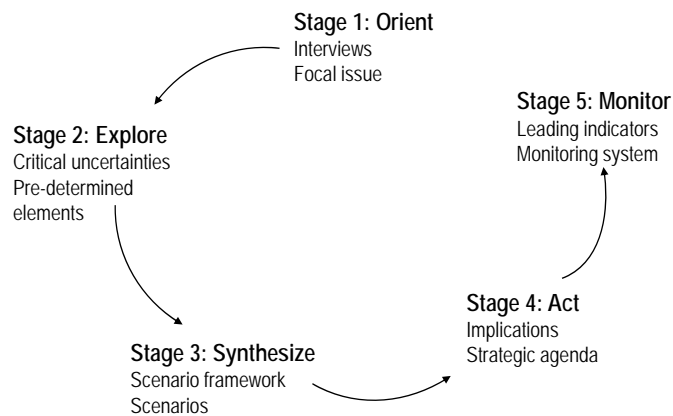
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- Focus of scenario work:
  - Vision driven scenarios – explore uncertainty.
  - Decision driven scenarios – determine best choice between already identified strategic options.
- Type of project will depend on organisational culture:
  - Leadership (upset the status quo)
  - Plan (stable environments)
  - Evidence (long term investment decisions)



# The Scenario Planning Process



Adapted from GBN, 2004

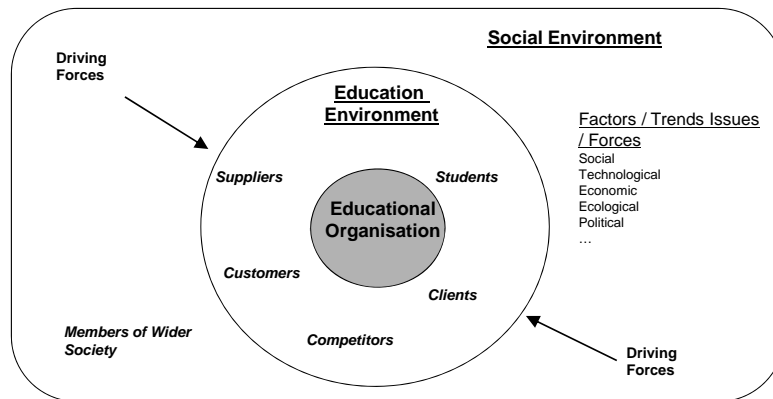
## Stage 1: Orient



- Interviews with internal and external stakeholders.
- Identify challenges facing the organisation.
- Identify assumptions about the future.
- Clarify a 'focal' question or issue to anchor the scenario planning process.
  - Clarify purpose of process and expected outcomes.



## Stage 2: Explore



The Environments of an Educational Organisation

Adapted from K. van der Heijden



## Stage 3: Synthesis



- Classify drivers of change.
- Focus on critical uncertainties.
- Build scenario worlds.
- Explore and develop those worlds in the context of the focal question.



## Stage 4: Action

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- Further exploration of scenario worlds, looking for options and potential strategies. Testing of options in scenario worlds.
- Using wildcards – low probability, high impact events – to provide a ‘jolt’ to thinking and generate more options.
- Choosing strategic options.



## Stage 4: Action

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- **Approaches to Strategy**
  - **Robust** - Perform well over the full range of scenarios considered - "*Blue Chip*"
  - **Flexible** - Keep options open and / or wait for as long as possible before committing - "*Hedging*"
  - **Multiple Coverage** - Pursue multiple strategies simultaneously until future becomes clear - "*Scattergun*"
  - **Gambling** - Select one strategy which works very well, but in only one or two scenarios - "*Bet the Farm*"



## Stage 4: Action



- “Bet the Farm” is the common default.
- In the absence of well-developed set of scenarios, single-point forecasting and/or a reluctance to allow uncertainty (ie. the “predict and control” mentality) leads to a (usually unconscious) projection of an “official” or default future, which is the one assumed to be coming ...
- This approach is functionally equivalent to (and an unconscious form of) the Gambling / “Bet the Farm” approach.



## Stage 4: Action



- Does your organisation’s existing strategy stand up to all of the future worlds presented in these scenarios? Where are the threats and opportunities?
- What and where are the gaps?
- What can you influence?
- Who wins? Who loses?
- What would your best responses/initiatives/options be and why?
- What does a successful university look like in each scenario?
- What would be successful, cross-scenario strategies?
- What would work regardless of the scenario?
- What would you do if you knew this scenario was going to occur?
- Are there actions I could take to create a desirable future, or to move away from a negative one?



## Stage 4: Action



- Strategist
  - To generate options
- Corporate manager
  - To makes choices
  - To set up a scenario watch
- Line Manager
  - Business plan wind-tunnel
  - Portfolio management
  - Pattern recognition
  - Market planning
  - Skills planning
  - Early warning signs



Ringland, Strategy and Leadership,  
31 (6): 22-28

## Stage 5: Monitoring



- Identify signals to tell you a scenario might be coming true, or might be less likely.
- Monitor over time, and adjust strategy early.
- Look for scanning sources at the periphery, as well as the mainstream (eg if youth is one of your priority areas, scan in areas where youth are 'operating' – music, film, books, language, hopes, beliefs, values).
- Consider integral scanning frameworks.



## Limitations of Scenarios



- Time consuming, and can be expensive.
- Difficult to convey value to those who were not involved.
- Value of scenarios usually only obvious in hindsight.
- Slaughter's criticism that scenarios do not take the internal perspective into account (integral futures and Ken Wilber: [www.swin.edu.au/afi](http://www.swin.edu.au/afi)).
- Perceptions and worldviews can be a limiting factor in understanding possible future states.



## Benefits of Scenarios



- Scenarios strengthen strategy development by integrating information about past, present and future.
- Scenarios can help you to imagine the consequences of different choices of decision / strategy in each of the different scenario "worlds" ...
- ... without having to live with the consequences of a wrong decision or strategy for the rest of your life!



## But ...



- Scenarios risk rejection because they challenge assumptions and rely on the willingness of participants to test the relevance of their worldviews in a changing world.
  - Individual reactions (I don't need to be told how to think about the future) are a reaction to a worldview challenge.
- Scenarios are about the collective, not the individual, and the future of the organisation, not the future of the individual (even though they are inextricably linked).



## Keys to Successful Scenario Planning



- Ensure commitment and support from CEO and Executive.
- Diverse inputs, both internal and external.
- Fact based and logic based discussion/analysis.
- Internally consistent scenario narratives.
- Avoid tendency to be over-confident – I know what will happen.
- Link to strategic planning and budgets.
- Focus on adapting and shaping future scenarios.
- Maintain an ongoing process to monitor and update scenarios.



## Some Underlying Principles



- Scenarios are only a means to an end (not the end game).
- Scenarios only add value if they are used in decision making processes.
- Refining scenario content not as important as refining substance of managers' knowledge and worldviews.
  - Challenge mental models
  - Dialogue changes nature of tacit knowledge
- Because it involves tracking indicators that have been identified, scenario planning is part of an organisation's continuing learning process.

Adapted from Fahey, 2003.



## Futures Work



- Using futures thinking and tools improves our decision-making and our lives, on a personal, organization and community/social and global level ... but changing an organization and building the future into strategy development requires an enlightened CEO and upper management that sees the need for this sort of thinking.

Hines, 2002.



## Future and Present

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*We shall not cease from exploration  
And the end of all our exploring  
Will be to arrive where we started  
And know the place for the first time.*

Little Gidding V  
*Four Quartets*  
T.S. Eliot (1943)



## A Final Word

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“The near term future can be clearly understood by developing the right capacities, asking the right questions and nurturing the right questions. The careful use of such resources provides organisational access to an evolving structural overview of the next couple of decades...Organisations that participate effectively in this process will find a range of valuable outcomes: they will seldom be overtaken by change, they will not succumb to crisis management, they will find it easy to avoid problems and seize opportunities, they will develop long term vision and a kind of forward looking prescience...strategic foresight can supply a coherent forward view that will be a cornerstone of organisational success in the 21<sup>st</sup> century.”

Richard Slaughter, *Futures for the Third Millennium*, 1999

