

# Scenario Planning

## Overview

Scenarios are possible and plausible pictures of the future. They are created through a series of conversations, through which a group of people invent and consider several varied stories about how the world may turn out. Ideally, these stories should be carefully researched and full of detail, able to expose new understandings and some surprises. Scenarios are powerful tools for challenging assumptions about the world, and in so doing, they lift the barriers of our own creativity and understanding about the future.

The term “scenario planning” was originally coined by the RAND Corporation during and after World War II, as part of their corporate strategy. When Herman Kahn left the RAND Corporation, he set up the Hudson Institute and further developed the process, and went on to write a book called “The Year 2000” which was published in 1967. Since the late 60’s, the process has taken off as a tool and has evolved considerably from its origins.

Scenario planning as a process started with a paradigm of “predict and control”, where probabilistic scenarios were sketched out about the future. This paradigm as a basis for the process has changed significantly over the years, mainly due to the work of Pierre Wack at Shell in the 1970’s. Wack separated issues which were predictable from those which were uncertain, and worked with uncertainties and how they influenced various scenarios.

Nowadays, scenario planning then supports the notion that the world is inherently uncertain. Scenarios are used not so much as a tool for predicting the future, but rather as a process which challenges assumptions, values and mental models of various stakeholders about how uncertainties might affect their collective futures. By encouraging scenario planning processes at different levels of an organisation or community, old paradigms are challenged, and innovation encouraged through surprising possible stories of the future. Scenarios therefore help develop new and valuable knowledge.

By bringing multiple perspectives into a conversation about the future, a rich and multidimensional variety of scenarios are created. Scenarios encourage storytelling and dialogue between people who would not necessarily share their perspectives with each other. As Peter Schwartz points out: “Scenario-making is intensely participatory, or else it fails.”

### *Preparing for a Scenario Planning Process*

Before embarking on a scenario process, it is important to establish whether it is the right process to use, and in what context it would be most useful. Scenarios are generally used when the following conditions exist:

- There is a high level of complexity in a given situation which is difficult to understand
- There is a longer term (at least a few years ahead) focus required in looking into the future, and how to respond to it
- There is uncertainty about how the external environment will impact a particular situation
- There are resources available to invest in a series of conversations amongst different stakeholders over a period of time, and to distribute these scenarios extensively.

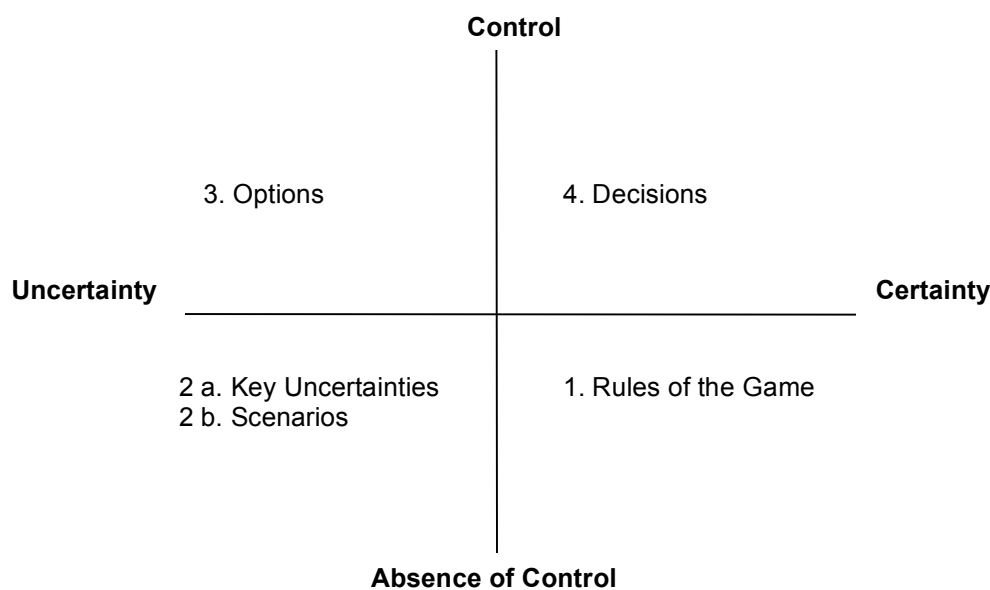
Scenarios can also be very broad and are not necessarily useful if the focus and purpose is unclear. Once a particular organisation or community has decided to use scenarios, the following questions will help make the outcome relevant to all concerned. The scenario-planning process can then be adapted to these specific needs:

- What is the purpose of this process?

- How many “players” need to be part of this process in order to view the necessary perspectives of the future?
- What parts of the external environment are important to focus on when considering these scenarios?
- Is there any level of control by any of the stakeholders of these external variables?
- What is the time horizon?
- Who is endorsing this process at a leadership level?
- Who needs to “buy-in” to the potential outcomes?

### *The Process*

There are *many ways* of developing scenarios. The process below is but one simple example of how to facilitate a scenario-building exercise, which considers the important principles of *uncertainty* and *control*. South Africans Chantal Illbury and Clem Sunter have mapped out this process for building a set of scenarios to consider for future strategy:



The horizontal axis represents the continuum of certainty/ uncertainty, and the vertical axis represents the continuum of control/ absence of control. All of the steps of this scenario process are numbered in order and move through the four quadrants highlighted in the diagram. The scenarios themselves are generally based on a set of different uncertainties which may play out in the future, and where there is absence of control by the “players” of the game.

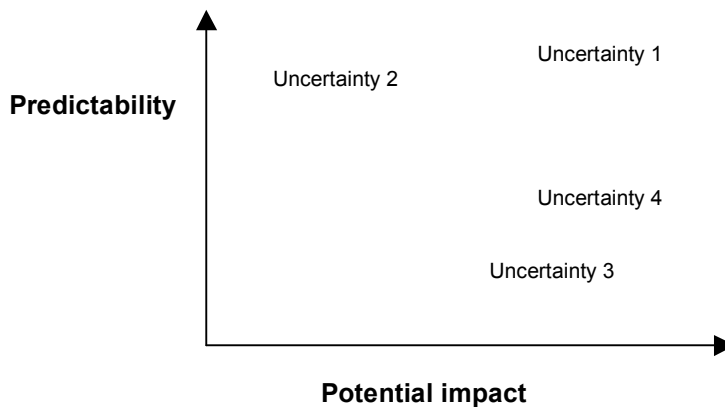
The steps of the process are explained as follows:

#### *1. What are the rules?*

In any given situation, rules of “the game” are certain, but not necessarily controllable. “The game” is a metaphor of the context being examined in the scenario process. It is important to firstly distinguish between the written and unwritten rules of the game. The unwritten rules can also be referred to as “tacit”, and are often socially constructed. By surfacing these unwritten rules, it is easier to better understand “the game”. On the other hand, written rules are often aspirational – they are aspired to by the organization, but not necessarily implemented in reality.

2. a. *What are the key uncertainties*

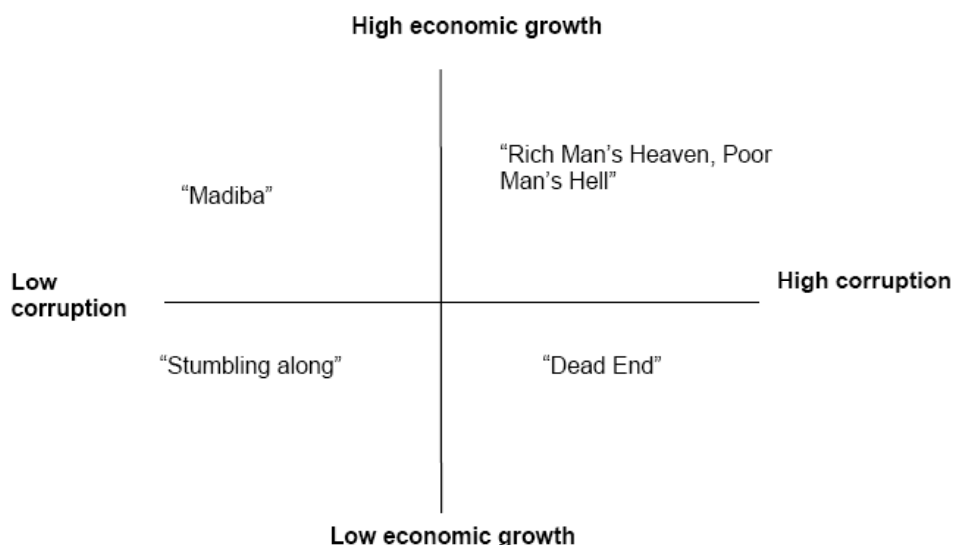
The next step in this scenario process is to map out the key uncertainties for the future. This is a highly creative step, where it is important to get multiple perspectives of what is uncertain. By mapping the key uncertainties in order of importance and level of uncertainty, the group can start to decide which ones to explore in more detail to start developing scenarios. The diagram below assists the process of prioritizing scenarios:



2. b. *Develop the scenarios*

As mentioned above, scenarios can be viewed as multiple pictures of the future. This glimpse can give participants an understanding of what is possible, and the motivation to plan towards their preferred scenario.

A useful technique to decide on the preferred scenarios is to expand on the key uncertainties by examining the possible outcomes of those uncertainties. For example, in a country context, one of the uncertainties might be economic growth. So the scenarios could explore the stories which would unfold if there would be high economic growth or low economic growth. To give a scenario a more multi-dimensional aspect, two key uncertainties could be explored – see graph below. Scenarios are developed to surprise us, and to bring to the surface possibilities we wouldn't normally anticipate for the future. This means it is important to base the scenarios on uncertainties which have low predictability and high impact (uncertainties 3 and 4 in graph above). The graph below is an example of scenarios which may be developed based on 2 key uncertainties.



### 3. Identify options for future action

Options are determined from the scenarios. The scenarios can be seen as the bridge between the key uncertainties and options – they help order a group process in a way that paints a set of vivid and detailed pictures of what is possible, and therefore the possibility to map out options to match each of these scenarios. It is therefore important that the scenarios are written up in a lot of detail, and explore all components of a given situation. This will assist the process of mapping out options of action for each scenario.

### 4. Make decisions

The final stage is to make decisions based on the scenarios and the options. Illbury & Sunter refer to George Kelley who introduces us to the “personal construct theory”. He claims that we make decisions based on our own interpretations of the world, which are informed by our experiences. If our experiences are cut off from those of others, we limit the decisions we make. Scenarios help bring these different experiences into pictures of the future through a dialogue, which in turn helps us make more informed decisions for the future.

## Applications

Scenarios have been used since the 1960s. Back then, the process was mostly used within companies to help them make more informed decisions about the future. Since then, the process has been more widely applied to social contexts with multiple stakeholder involvement. Scenarios have been used extensively all over the world in varied contexts from mapping out country strategies (Jamaica, South Africa, Botswana, Kenya and others), corporate strategies (Shell, Anglo American, OldMutual), as well as at multiple community levels.

### Case Example: Mont Fleur Scenario-Process, 1991, South Africa

In his book, *Solving Tough Problems*, Adam Kahane tells the story of facilitating the Mont Fleur Scenarios. In 1991, 22 key influential South African figures came together for a scenario-building process about the future of the country. It was shortly after Mandela’s release, when the future was very uncertain and divided.

The group attending included leaders from the left (ANC, PAC, National Union of Mineworkers, South African Communist Party), as well as their adversaries from white business and academia. They all saw the reality of South Africa from different perspectives. Participants included Trevor Manuel, Tito Mboweni and Vincent Maphai.

The group sat for a couple of days talking to each other. They met multiple times over a period of months, and talked through a number of scenarios. They eventually decided on four scenarios they found most plausible for South Africa. These scenarios were all based on the question of: “How will the transition go, and will the country succeed in “taking off”?”

The four, richly explained stories were based on bird analogies. Firstly, there was the *Ostrich*, where the white government sticks its head in the sand to avoid a negotiated settlement. Then there was the *Lame Duck* where the transition goes on for too long, trying to satisfy all parties and not succeeding. Thirdly, there was *Icarus*, where a black government comes to power and institutes a massive public spending policy which bankrupts the economy. Finally, the most positive scenario was *The Flight of the Flamingos*, where a successful transition takes place, and where everyone in South Africa rises slowly together.

From the group, the Flamingo scenario was unanimously agreed on as the best alternative. These scenarios were written up in a 25-page report and distributed widely through the media, and workshops all over the country. From these multiple engagements, the outcomes of Mont Fleur had a significant effect on the economic policy of South Africa. Many leaders and politicians have referred to these scenarios in various debates and discussions.

This process was so remarkably successful for four overarching reasons:

1. The timing was right – it was the window of opportunity to create a new future at the beginning of South Africa’s transition. There was much uncertainty and absence of control.
2. There was top political buy-in and participation at all levels.
3. The process itself built meaningful relationships and all involved bought into the scenarios, which also demonstrates excellent facilitation.
4. The follow-up was extensive – the stories were well written in detail, and communicated through mass media, television, and workshops. Many political speeches and strategy sessions referred to this documentation.

These scenarios proved to be powerful tools for both planning and debate, and are still spoken of over 10 years later. The Mont Fleur process highlights the impact of facilitated dialogue about the future, and the power of stories.

### Commentary

Many organisations work in an increasingly complex situation both internally and externally. When we are faced with complex systems, one of the key capacities that is needed is to be able to not only work from one point of view or frame of reference. Scenarios help us to work simultaneously with more than one perspective and story, and to take actions that make sense across multiple frames. The real power of the scenario planning process is the ability to bring many different stakeholders into a conversation about the future, thereby creating collective ownership of these sets of pictures, and building important relationships across differences.

The outcome of a scenario-building process can be useful in two ways:

1. The set of possible stories of the future help a group/ organisation/ community respond to that situation should the event arise. This is a more responsive interpretation of the process. The 4 scenarios chosen at the end may not have an order of preference (good or bad), but rather map out the positive and negative outcomes of all scenarios. This is typically an outcome of an organisation-specific process, where the primary purpose would be to respond in a more informed manner to situations as they arise.
2. A more proactive response would be to strive towards the scenario of choice, and map out strategies to help a group move towards that picture. Scenarios would therefore have an order of preference amongst stakeholders involved, and the most preferred scenario is the one to strive for. Peter Drucker once said: “The best way to predict the future is to create it”. Scenarios are a powerful way of moving towards a more desired future, as has been highlighted by the incredible outcome of the Mont Fleur scenarios. The process and examples we have used in this explanation demonstrates this view of futurist thinking.

### Resources

Hansen, M. et al. *What’s Your Strategy for Managing Knowledge?* In Harvard Business Review: 106-117

Illbury, C & Sunter, C. *The Mind of a Fox: Scenario Planning in Action.*

Schwartz, P. *The Art of the Long View: Planning for an Uncertain World.*

Van der Heijden, K. *The Art of Strategic Conversation.*

Kahane, A. *Solving Tough Problems.*