

Working with Scenarios: Planning in uncertain times

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Scenario thinking, foresight and risk identification

- Organisational thinking on risk requires both internal risk audit and management, and understanding of the future external environment in which risks will emerge
- Probability forecasting techniques seek to identify the most likely set of future conditions in order to inform present day planning
- Predictive planning around a 'most likely' future exposes the organisation to risks from unanticipated events
- Lack of any futures-based planning exposes the organisation to even greater risks through myopic 'business-as-usual' thinking
- **Scenario thinking supports planning for anything that might feasibly happen, without resort to 'science fiction'**

Aims of 'scenario thinking' (Cairns et al., 2006)

- To enable groups of affected individuals to engage in joint consideration of 'critical uncertainty' – i.e. risk – that they face in the future
- To explore the 'limits of possibility' for the future conditions and outcomes that might prevail in relation to that critical uncertainty
- To examine the complex array of political, economic, social, technological, ecological and legal (PESTEL) factors that will determine these future conditions
- To integrate ideas from all relevant sources: from factual data and scientific research, media presentations and political propaganda, to individual perceptions and opinions in order to fully understand the range of risks

Aims of scenario thinking

- To apply an approach of 'intuitive logics' (Jungermann and Thuring, 1987) to make sense of complexity and ambiguity in terms of possibility and plausibility
- To explore the interrelationships between multiple factors in terms of cause/effect and chronology and to realise that the possibilities are not unlimited
- To understand that whilst the future is largely unpredictable and unknown, it is also largely knowable and understandable
- Not to predict 'the future', but to better understand the present in terms of risk exposure
- To provide a framework for better informed decision making on risk management strategies

Inputs to scenario analysis

- Quantitative/Factual
 - Scientific research outputs: health, climate, air quality, etc.
 - Data and statistics: demographics, consumer purchasing, trade patterns, resource consumption, etc.
 - Predictive modeling: econometrics, forecasting, etc.
- Qualitative/Subjective
 - Media reports: informed, opinionated, opinion-forming, behaviour-affecting
 - Political propaganda: party political documents, pressure and activist group publications and actions
 - Public opinion: individual values, beliefs and behaviours
- To provide a means of understanding interaction between quantifiable/measurable risks and human behaviour and action

Parties to scenario analysis

- Involved decision makers as key actors in process – bringing expert knowledge and informed opinion
- External ‘remarkable people’ (van der Heijden et al., 2002):
 - to challenge internal myopia and ‘business-as-usual’ thinking
 - to provide creative insights and reduce possibilities of ‘groupthink’
 - to bring external expertise into the context of the organisational problem, making it context-specific and relevant
- **Considering the impact of events and actions for the ‘broad’ range of affected stakeholders** (Freeman and Reed, 1983)

Working with scenario method

- Adopting a 'round robin' approach, where each member gets to present a single relevant idea in turn, with individuals dropping out as ideas are exhausted
- Accepting and agreeing that no idea can be challenged or excluded on the basis that it is 'wrong' or 'nonsense'
- Allowing only questions of clarification, such as 'Why do you think that...?', 'What would happen if...?', 'Who do you think would...?'
- Holding a truly democratic forum that invites creativity, innovation and fresh ideas
- **Reducing risk from non-disclosure or exclusion**

Stage 1 – Setting the scenario agenda

- What is the key ‘critical uncertainty’ facing the organisation over the next 5-10 years?
 - What is currently causing inaction and inertia in the organisation?
 - What confusion exists that prevents a unified focus on organisational strategy and action?
 - What keeps *you* awake at night?
- As a group, agree the single most important issue that causes uncertainty about the future and define it in a few words
- Discussion that elicits shared understanding of the most critical risk facing the organisation in the future

Stage 2a – Determining the ‘driving forces’

- Individually, consider the ‘driving forces’ – political, economic, social, technological, ecological and legal factors – that will impact the issue
- Elicits the full range of individual viewpoints on the broadest range of factors that might impact the issue
- PESTEL framework forces economists to think beyond economy, lawyers to think beyond law.... IT ‘geeks’ to think beyond techno-futurist fixes to all!



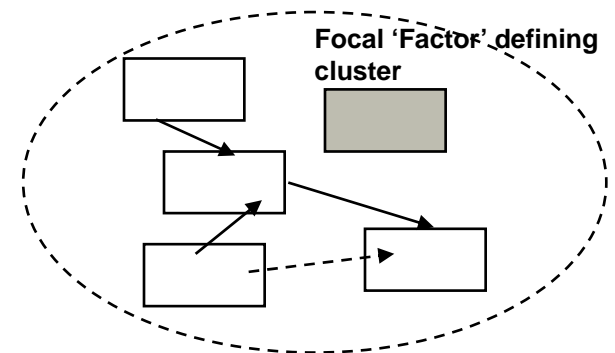
Stage 2b – Discussing the ‘driving forces’

- As a group, use the round robin approach to discuss each member’s most critical driving forces
- Ensure that you have a shared understanding of the nature of the driving force
- Consider your individual views on possible impacts and outcomes of these, not necessarily agreeing on what these might be
- **Shared understanding of ‘what’**
- **But, not necessarily of ‘why’**
- **Or ‘to what effect’**



Stage 3 – Clustering the driving forces

- How to deal with dozens, possibly hundreds of driving forces? – selectivity vs. inclusiveness
- ‘Cluster’ the driving forces through discussing linkages of cause/effect or chronology
- ‘Name’ the clusters in order to identify a small number of ‘higher level factors’
- There is no one ‘right’ answer and forces can be moved around to make the best sense
- **Reduction without selective exclusion**



Stage 4 – Defining the cluster outcomes

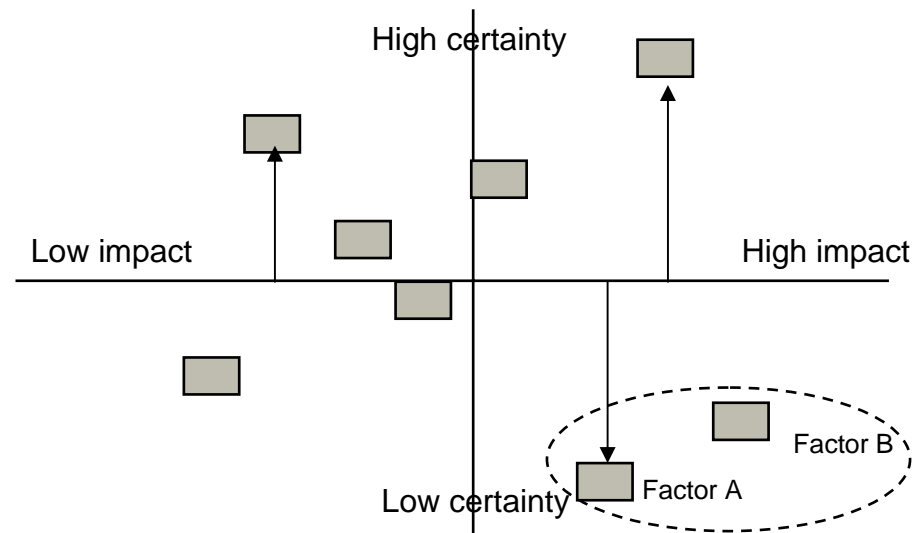
- For each of your identified factors, brainstorm your perceptions of two very different ways in which the factor might evolve over the next decade or so
- Think broadly about how you would describe the resultant outcomes – in terms of society, environment, economy, etc. – to a complete stranger who knows nothing of the issue or context
- ‘Limits of possibility and plausibility’



Stage 5 – The ‘impact/uncertainty’ matrix

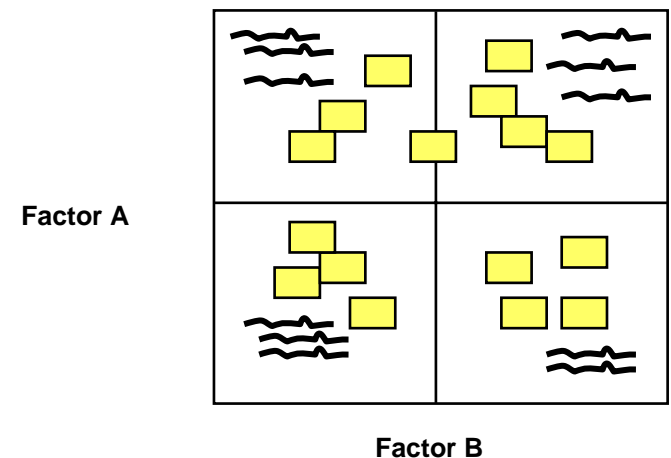
- Select the two factors (A and B) that combine the greatest perceived impact on the core issue with the greatest uncertainty as to *what* that impact will be
- Remember that we may be highly certain that a factor will have impact – e.g. summer climatic conditions – but highly uncertain as to what that impact might be – bushfire season 2012?

- Focus on uncertainty and impact
- Maintaining breadth of thinking on context



Stage 6 – Scoping the scenarios

- Consider the ‘best’ (A1 and B1) and ‘worst’ (A2 and B2) outcomes for factors A and B over the period
- Brainstorm descriptors of four futures defined by their possible interactions (A1/B1, A1/B2, A2/B1 and A2/B2)
- Consider where all other cluster outcomes from Stage 4 fit, making sense of their interactions
- Add additional notes to provide ‘rich descriptions’ of four possible and plausible futures
- **Creating the ‘big picture’**



Stage 7 – Stakeholder analysis

- Whilst a ‘shareholder’ has a purely financial interest in the organisation, the ‘stakeholder’ is defined ‘broadly’ as:
 - ‘Any identifiable group or individual who can affect the achievement of an organization’s objectives or who is affected by the achievement of an organization’s objectives’ (Freeman and Reed, 1983: 91).
- Affects can be political, economic, social, technological, environmental, legal.... or illegal!
- Consider the reach and impact of organisations such as Wal-Mart, Vodafone, eBay, Greenpeace, etc.
- **How do we address stakeholder issues in scenario thinking?**

Stage 7 – Stakeholder analysis

- What if changes are indicated in one scenario that disrupt the status quo?
 - Do current decision makers initiate them?
 - If not, will they be happy to support them?
- Do other parties decide to exercise their power and intervene?
- Do interested others form political alliances with dissatisfied power brokers in order to seek to gain power?
- **Developing a rich understanding of who does what, when, to and with whom, and to what effect**

Stage 8 – Developing the scenarios

- Develop the storyline that links each possible future back to the present
- Build logical chains of causality and chronology through strategic conversation of events, actions, people, etc.
- Combine comfort of the known with discomfort of what has not been considered
- Engage the audience through the medium of presentation and strength of content
- **Provoke further questions and investigation**

Stage 8 – Developing the scenarios

- It is likely that one scenario will represent thinking on the future of ‘business-as-usual’
- But, that this will be challenged in others
- These may provide the ‘environmental jolt’ (Meyer, 1982) that provokes challenge to ‘business-as-usual’ thinking
- **Surface previously unrecognised business risks in the external environment**

Presenting the scenarios

- Presentation of key points from scenarios:
 - What are the critical uncertainties in the future?
 - What is the range of possible and plausible outcomes?
 - What is the logic for how these outcomes might unfold?
 - Who are the key players and affected parties?
 - What are the major issues that need to be addressed by decision makers now in order to mitigate risk in the future?

Summary of scenario thinking

- It enables group sense-making in relation to complex and ambiguous problems
- Scenarios are *not* predictions of likely futures
- They offer insights into a range of possible and plausible futures
- Primarily, they present ways of better understanding the diversity of the present
- **Using scenarios to support innovation whilst managing risk in the present:**
 - What are the key opportunities and threats in the external environment?
 - What are the current strengths and weaknesses within the organisation?

Obstacles to scenario thinking

- The desire for 'certainty', and discomfort with ambiguity
- Hierarchical resistance to the democratic conversation
- Refusal to acknowledge the validity of knowledge and opinion that challenges accepted norms
- Myopia and narrow-mindedness



Scenario thinking as a way of being

- Actively seeking alternatives to the 'usual'
- Considering the broadest range of factors that can impact any situation
- Managing risk through opening up possibilities, not closing them down
- Embracing uncertainty and ambiguity
- Seeing the world through the eyes of others



Scenario thinking for a sustainable future....

- Broadening the scope of our thinking to consider the overall implications of individual scenario storylines for society at large:
 - Where are we going?
 - Is this development desirable?
 - What, if anything, should we do about it?
 - Who gains and who loses, and by which mechanisms of power?

(Flyvbjerg, 2001: 60)



Thank you



References

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