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## Using Planning Scenarios to Create the Future

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### *Scenarios Reveal Our Possible Futures*

The world alters on a moment's notice. What was once clear and consistent becomes murky or obliterated -- gone from our description of current reality. Dramatic change makes the future uncertain. Uncertainty is now a given. Scenario planning teaches us to live in and learn from uncertainty by helping us see, but not predict exact futures. Each scenario is "an imaginative leap into a possible future."

Scenarios help you plan for tomorrow from understanding the future is composed of current decisions in response to forces at play. If planning is "anticipatory decision making" or "learning from the future," then scenario planning improves the quality of learning and future-creating decisions. Better current decisions yield less uncertainty and a clearer future.

The future is yet to occur, but is being invented as we speak. Scenarios are one tool for how you invent the future. Scenario planning requires you to hold several stories of possible futures in focus at the same time. Scenarios are not predictions, but ways of organizing themes and actions into different possible futures. You have a conversation with your future by engaging each scenario, knowing the future most likely comes from aspects of each one.

### *Practical Benefits of Scenario Planning*

Leaders, organizations and communities learn:

- How to live in the new reality of uncertainty and do so better and better – reduces blindsided-ness
- How to create a future plan shaped more by external dynamics than a projection of the past
- How to break the old pattern of doing "the same old stuff" by being open to new thinking and new rules actually creating the future
- To align strategic moves to those in the marketplace
- Faster than competitors, what is going on in the external environment
- How to rehearse and prepare for the future that might be coming your way – contingency and "what if" questions as part of normal practice
- How to open a conversation with the emerging market dynamics and when to adapt to market changes

### *Scenario Planning is not Rational Planning*

Historically, planning was an event and a product – the written plan. Producing the plan required following a rational and sequential process of mission, goals, strength, weaknesses, threats and opportunities. This process was limited to linear considerations and what you chose to analyze at those moments in time. The plan was too often an extrapolation of the past with a bit of the current and future thinking drawn from threat and opportunity analysis.

Scenario planning is dynamic and continuous. It never ends. You are always in a conversation

with the future. Each conversation, with each scenario produces clarity and a strategic decision. Scenario planning is evolutionary planning. It is dynamic, continuous, circular and integrative. Scenarios are always producing insights and opportunities for learning and change.

Scenarios place the emphasis on listening to and analyzing the external forces. It produces strategic thinking and plans less historically oriented and much less internally driven. Uncertainty, more than certainty, is ruling as change evolves as the norm.

In the early seventies Royal Dutch Shell in the UK engaged in rational strategic planning. In one such session a leader asked: "What if there is no more oil?" A possibility few leaders had considered in the linear rational plan underway. The no oil question opened the possibility to a second possible future. Scenario planning as a practice was born at Royal Dutch Shell and practiced there today.

### *Scenario Elements*

Scenarios are scenes depicting possible futures. A scenario constructs a plot and logic outline for a "what if" story. Scenarios are "future histories" or ways of seeing the future mapped backwards. A scenario is a hypothesis of what might occur if and when, certain future elements interact. A scenario is more about what is possible and less about how to do it.

In scenario planning, each possibility represents a distinct future. Each scenario becomes a plot outline for a play yet to occur, but you know could occur. Every scenario conceived can occur. A scenario must be possible. Thus, a dose of reality must be evident.

Each scenario is loaded with enough sensory detail so one can see, touch, and taste its essence. Conceive each scenario as a source of learning so action taken forges overall strategy and initiates implementation. Thus, a scenario is like an achievable dream both full of the imagination and grounded in the practical.

Scenario building is most shaped by external business drivers—the forces of markets, opportunities, and threats impacting the organization. This market focus forces scenario planning to bring the outside environment into the inside of the organization.

Scenarios help us answer basic leadership questions:

1. What keeps you up at night?
2. What are the key drivers of staff performance? How to prioritize work efforts?
3. What forces in the environment will slam us?

### **Scenarios Come in Four Sizes**

A scenario is sizeable as:

- Global, considering the whole world
- Industry specific
- Integrating two or more industries
- A local or regional market or geography

Thus, the "size" of your scenario determines the scene you build.

### **The Logic of Plots**

Each plot evolves from a different logic. The distinct logic behind each plot integrates the most important uncertainties in the forces and trends. One way to develop plot logic:

- Reduction -- things are less than they are now
- Status quo --the current course holds
- Incremental change occurs
- Breakthrough and a new order is forged

Another way to develop plot logic:

- Winners and losers
- Challenge and response
- Evolution

Scenarios have to be conceived to foster "creative tension" among them. In building scenarios, it is best to conceive them as

integrated possibilities as presented in the two examples above. The point is to expose people to the reality of uncertainty. Teach uncertainty as the new given. Break the spell of applying historical blinders.

### *Integrating the Use of Scenarios with Strategy*

Strategy is a future line of thinking and inquiry that yields advantage and results. A test of effective strategy is how much changed in the thinking and the rules, which got you where you are today. To be effective, you change the thinking and rules for both the enterprise and the industry in which you do business.

Scenario planning has at least two different methods. The first method: Choose to navigate through all scenarios. This is full scenario planning as originally practiced. The second method modifies scenario planning: Select the most likely scenario and discard the rest. If you select the second method, establish ties back to the other scenarios for purposes of learning.

Scenarios are not the product of a single event, like a planning retreat. But rather, they need constant attention to and refreshing of the content. Scenarios are not static—they either become sharpen or get dull depending upon the forces at play and your readiness to keep them alive as possibilities. As you immerse in diverse scenarios, look for common ground emerging from all. The common ground serves as the source for strategic action.

In scenario planning, there is a constant tension between the external demands of markets and forces and the internal domains of capacity and resources. Being a good strategist demands you hold conflicting ideas in your mind and still act decisively. The tension is part of the story of inventing the future and getting results.

Although scenario planning is an outside/in rather than inside/out process, you have choices about if and when, to act on what you know. The outside world could look dismal under one scenario and the inside relatively rosy under another. The

organization may elect the rosy scenario for now, because you or the markets are not ready for the change. On the other hand, the organization may decide to pursue the dismal external scenario because the timing is right.

In the early stages, the scenarios are more like sketches or scenes than fully developed plot outlines or scripts of the play. It takes time to evolve a scenario to come alive as a useful source of insight.

Scenarios require multiple phases:

1. Naming names and assumptions
2. Researching the substance of each
3. Building and fleshing out
4. Using, debating and learning from scenarios
5. Refreshing each scenario

Our minds train to plan linearly. Omit options. Remove uncertainty. Ignore anomalies. Our minds are trained to silent out of the box questions like: What if there is no more oil? Scenario planning demands we do the opposite of our training.

Do not close on a narrow list of scenarios too quickly. Stay in the creative tension of multiple scenarios. Teach uncertainty. Ask what if questions; open minds. Open hearts. Go beyond the comfort zone into tension and chaos. When the tension is heated, narrow the field to two or four possible scenarios. Less than two yields little uncertainty to teach and more than four are too complex to do anything effective. Hold the chosen ones for conversation and craft strategy from the insights that result.

### *The Phases of Using Scenarios to Create the Future*

#### **One: Naming Names and Assumptions**

Focus on the plot and logic behind it.

1. Name the scenario: Give it a distinct image or memorable name so it stands

out, e.g., Darth Vader (for the reduction in scope?)

2. Describe in detail the best and worst of current external reality of the organization?
3. What major assumptions shape this scenario? Which assumptions must you bust? What new assumptions are to be stated?
4. What major themes will organize this scenario?
5. Describe the future plot outline of this scenario: Paint a picture of what would be in place fifteen years from now, when the scenario actualizes? (Tell it as a story mapped backwards; focus mostly on the projected occurrences and not much at all on what you will do or the “how-to’s” )

## **Two: Research the Substance of Each Scenario**

You are setting the stage for writing scenarios. Answer the questions to inform the narrative.

### *Examine External Dynamics First*

1. Who is the customer or client? Present a profile.
2. Describe the competitive marketplace under this scenario? What market trends are most driving this scenario?
3. What other major external forces are driving the scenario? Consider both threats and opportunities.
4. What “big” outcomes will be pursued under this scenario?
5. What are the potential disasters, which will come to be, if this scenario is manifested?
6. What are the uncertainties that come with this scenario? (Uncertainties are factors over which you exert little influence.)

7. What indicators in the market or competitive landscape will tell you this scenario is unfolding?

### *Examine Organizational Implications Second*

Caveat: The heart of a scenario must be externally focused. In these questions, attend to the internal implications of the external future just described.

1. What are the consequences of this scenario for the organization? Adverse? Affirming?
2. What does the organizational structure look like under this scenario?
3. What kind of capacity and know-how will be required with this scenario? What is currently possessed? What must be acquired? From partners? From new R&D?
4. What will keep you awake at night about this scenario coming to be?
5. What first big action would be taken to act to manifest or temper this scenario?

## **Three: Building and Fleshing out Scenarios**

Phases one and two establish the ground for writing scenarios. Each scenario crafts a plot based on logic. Caveat: A well written, useful scenario will take several months and many drafts to write.

1. What is the focus or focal point? State it.
2. What are the driving forces? Make a list of each of the following forces:
  - Most certain?
  - Most uncertain?
3. Select the most important, uncertain forces. Take one to two sentences to describe each

uncertain force. (Note: the certain forces are listed so you can put them aside to focus on the uncertain forces.)

4. Develop the scenario logic and plot for the story to unfold.
  - Logic is your argument for the story.
  - Let go with your storyline: Remove constraints. Build in uncertainty. Be wild, but plausible. Evoke a future possible set of truths. A scenarios intent is pull off blinders regarding assumptions and views.
5. Flesh out plot so it tells a story that could be true and possible.
  - Develop one to two page stories with imagination, logic, data, and passion.
  - Note: Where will you need more data?
6. What are the implications of this scenario? Remember the focal point! (Refer to organizational implication questions in section two of this paper.)
7. Name the story with a memorable title.
8. What additional perspective from other sources will be required:
  - Big organizational outcomes you are pursuing?
  - Implications of the scenario, as seen by others?
  - Data to help flesh it out?
  - Feeling tone; the heart of the matter?
9. Finish the scenario as a working draft that sets the stage for continued refreshment and continuous learning.

#### **Four: Using, Debating and Learning from Each Scenario**

Hopeful you choose the full scenario route. More work, but richer rewards. Updating scenarios become an agenda item for every leadership meeting.

Some ways of working to consider --

1. Hold each scenario as possible and dig inside to extract insights
2. Look for the common ground among them
3. Craft strategy that navigates among the richness of them all
4. Identify what is actionable across all of them
5. Determine what actions to take to alter adverse consequences (in the face of questionable oil supplies, car makers have developed technology for hybrid cars and energy professionals made solar effective.)
6. Identify what is learned, especially what to do differently

#### **Five: Refreshing the Scenarios**

Scenarios are constantly evolving -- not written once at a retreat and put away. In some ways, a scenario is the unfinished novel.

1. Constant observation of the external world
2. Data gathering and analysis becomes continuous
3. Read works from other disciplines
4. Read articles from counter intuitive magazines that challenge your assumptions
5. Step inside the heart of a big customer to figure out current expectations and benefits
6. Hold conversations with the future, even when it feels weird

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