

Planning for future success

Steve Tighe

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Article abstract

With market volatility as the business norm, managers are searching for a new approach to take their companies forward; a process specifically designed to seize opportunity from uncertainty; a process that can generate a new and distinct strategic outlook; a process that mobilizes the creative and entrepreneurial capabilities that lie within every organization. When done well, scenario planning presents such an approach. This article outlines four key success factors to improving the role and impact of scenario planning within the strategy development process. These factors are based on learning acquired over the past 15 years of practicing scenario planning from both within a large multinational corporation and as an external consultant to private and public enterprises.

Planning for future success

Four key factors to improve the impact of scenario planning on strategic design. By **Steve Tighe**

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With market volatility as the business norm, managers are searching for a new approach to take their companies forward; a process specifically designed to seize opportunity from uncertainty; a process that can generate a new and distinct strategic outlook; a process that mobilizes the creative and entrepreneurial capabilities that lie within every organization. When done well, scenario planning presents such an approach.

Scenario planning “is about freedom” declares Peter Schwartz at the beginning of his seminal text, *The Art of the Long View*.¹ It’s an opening statement that can seem bewildering to readers new to the field who might have expected a bolder description using words such as ‘prediction’ or ‘foresight’. But it’s true, scenarios are about agency. And at a time when more and more managers are feeling disempowered by increasing market volatility, scenario planning should be an essential methodology in every strategist’s toolkit.

Yet, this is not the case. Despite being used in business planning for more than 50 years and being purpose-built for developing strategy under volatile and uncertain

conditions, scenarios remain an underutilized corporate resource. A key to this lack of penetration is that scenarios have developed a reputation for overpromising and under-delivering: “We tried that, it was interesting, but nothing came of it,” declare frustrated and now-wary managers, who return to the conventional data sources and strategy processes they know and dismiss exploration of the future as a creative indulgence for less urgent times.

This article outlines four key success factors to improving the role and impact of scenario planning within the strategy development process. These factors are based on learning acquired over the past 15 years of practicing scenario planning from both within a large multinational corporation and as an external consultant to private and public enterprises.

The purpose of scenarios

Scenarios are detailed descriptions or stories of plausible future events and outcomes. They are stories “in the sense that they describe the evolving dynamics of interacting forces rather than the static picture of a single endpoint future.”² The word itself

derives from the performing arts where scenarios historically provided the supporting background to a scene. These scenarios would be pinned to the back scenery as a reference for the actors, outlining the broad plot and its series of actions and events. Today, scenarios in business serve a similar purpose: they provide a backdrop for decision-making.

In a business setting, scenarios are used to generate and explore the different future environments in which an organization may have to operate. These hypothetical backgrounds allow managers to consider their strategic positioning and objectives from different, future contexts. Scenario planning, then, is the process of developing strategic responses to these alternative futures.

The purpose of scenarios is not to predict the future or to get the future right, but rather to enable better decisions today,³ that will empower managers to shape the future they want for their organization.

Four essential tips for success

Mistrusted by those disappointed from previous endeavors and misunderstood by those unwilling to give it a try, the uptake of scenario planning continues to be hindered by common practitioner mistakes. To counter these obstacles, here are four tips to improving the relevance, application, and impact of scenario planning in business-strategy formulation.

Tip 1: It's called scenario planning.

Successful scenario projects are holistic in that they address each of the primary management concerns about the future, namely:

- **What's next?** What could the future hold for our business environment?
- **So what?** What does this mean for what we do? Where are the opportunities?
- **Now what?** What do we need to start doing? Unfortunately, too many scenario

practitioners have been content to operate in the relatively safe 'what's next?' phase of scenario planning, which is more focused on the scenarios than the planning that is ultimately what is relevant to the client. This is not surprising given that people are drawn to scenarios through an interest in understanding how the future could be different.

However, to be organizationally relevant, a scenario planner must move beyond any single-minded focus on 'what's next?' as quickly as possible. No matter how accurate your scenarios might ultimately turn out to be, any exercise fails if it merely leads your client to shrug 'so what?' and to take no action. Successful scenario planners take responsibility for driving action-oriented outcomes.

This means any scenario development should form part of a broader end-to-end approach to strategy or innovation that ultimately addresses the essential 'so what?' and 'now what?' concerns of management.

Tip 2: Push your scenarios to the limits.

The more challenging and different scenarios are from their base year, the greater the strategic benefits they deliver. To generate the original thinking essential for future success, executives need to overcome the mental barrier of being 'anchored in the present' first. Future scenarios that are significantly different to today are a terrific foundation for evoking such transformational insights because they force management to consider their strategic positioning and objectives from unique and diverse contexts.

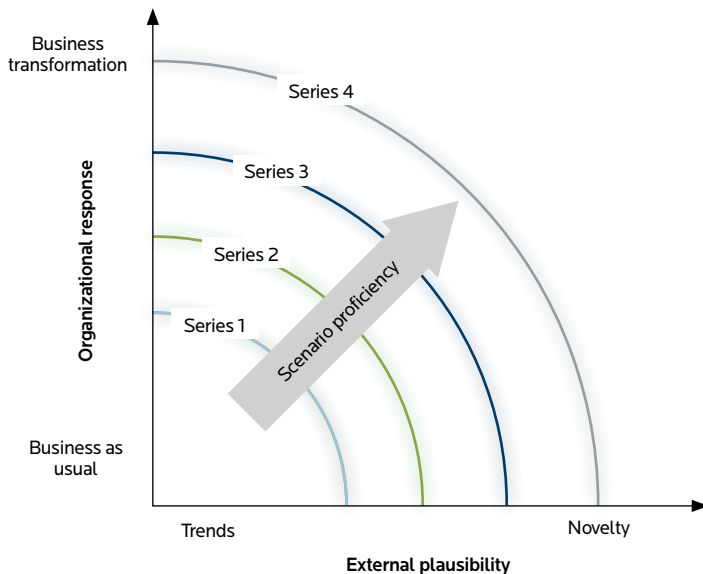
Accordingly, it is essential to extend your scenarios to their plausible extremes, to push the boundaries both within the scenarios and between the scenarios to ensure you cover the 'envelope of future uncertainty'. It is at these extremes, where genuine and plausible difference to today is achieved, that novelty resides. These

ABOUT THE AUTHOR

Steve Tighe is the former foresight manager at global brewer Foster's, and has worked with some of the world's leading companies, developing future scenarios for their industry and designing innovative strategies in response. Steve's first book, *Rethinking Strategy: How to anticipate the future, slow down change and improve decision making*, shows how to use scenarios to envisage what your industry and organization could look like in the future, and help prepare for what is to come.

steve@stevetighe.com.au

Figure 1: Building scenario competency



extreme futures should represent the plausible endpoints of a particular scenario stream. While the outermost outcomes may not necessarily come to pass, pushing your scenarios to the limits is a very effective method for generating original thinking and strategies.

Like anything, developing a tendency for extreme scenarios is a skill acquired through experience. It's only natural that as you begin using the tool, your early efforts will be closer to today's realities no matter how distant your scenario horizon. However, through repeated application, organizations can build their scenario-learning capabilities to extend consideration of plausible changes in the external environment. At the same time, managerial insight into what the organization could be in the future will also broaden (Figure 1).

As scenario competency builds with each exercise, the organization extends its consideration of plausible external developments and possible strategic responses.

“Like anything, developing a tendency for extreme scenarios is a skill acquired through experience.”



Extending your scenario thinking is not too hard. Time, reflection and systems thinking are your friends here. As you write your scenarios, take an iterative approach, and with each round of writing, reflect on your storylines to bring in more relevant factors or stakeholders, connected through the lens of plausible events and outcomes:

- If this were to happen, what else could occur?
- Who or what else might be impacted by these changes?
- How might people feel differently about our products or services in this scenario?

With each iteration, your scenarios should become more complete and further removed from today's realities, disclosing new insights along the way.

Tip 3: Scenario building is a participation sport.

How many people should be involved in a scenarios project? The answer is, as many as is practical. For some organizations, this might mean 12 participants, for others 90. The positive outcomes from maximizing participation in scenario planning include greater understanding of the resultant corporate strategy, greater belief in the strategic direction, and greater passion and buy-in for strategy implementation.

For too long, strategy has been treated as comprising two distinct components (development and implementation) carried out by two different groups of people – the thinkers do the thinking, the doers do the doing, and never the twain shall meet (Figure 2).

Figure 2: The separation of strategy development and implementation



Figure 3: Scenario planning is a participatory strategy process



Businesses have traditionally treated the activities of strategic design and strategy implementation as distinct, which has contributed to poor execution effectiveness.

Historically, the result of this approach has been poor strategy implementation due to a lack of understanding, belief, passion or buy-in. Broader participation in the development process overcomes these hurdles by creating an army of internal strategy advocates motivated to drive the results of their intellectual endeavors (Figure 3).

Strategic success depends on the integration of strategy design and implementation; they are not mutually exclusive.

Broad participation should also seek to optimize a diversity of perspectives, including a wide variety of experiences and demographics. In particular, involvement should include a mix of internal and external participants. Every organization has its own culture. This culture is then reflected in the people who work within the organization and the views these people hold.

Accordingly, a form of group think tends to subconsciously develop. If scenario participation is restricted to members of this group think, then the stories can lack the necessary novelty or exceptionalism mentioned previously. Including external parties who bring different perspectives to the table is an effective approach to overcoming homogenous thinking about the future.

Tip 4: Process facilitation and design are critical.

If scenarios are a participation sport, then you need a good umpire – someone to ensure the process runs smoothly. Yet, process facilitation remains largely absent from scenario texts. Of course, the common steps to developing scenarios have been well documented. However, the softer elements of facilitation and design – those aspects that can make or break a project, are just as critical.

As opposed to most corporate exercises, participants in a scenario-planning process are likely entering new territory, where they'll create strategy in a quite different way. Adding to this challenge will be the natural uncertainty people feel with regards to planning for the longer term. As an experienced practitioner, it's easy to forget how overwhelming it can be to think about what could happen over the next five, ten or twenty years. Most people in the room probably haven't confirmed their plans for the coming weekend.

For a facilitator, appreciating the lack of scenario experience and the feelings of doubt among attendees is critical. It places an emphasis on bringing everyone along at the same pace and not losing anyone along the way. Successful scenario building therefore relies on stimulation and structure to break down the complexity of the future: stimulation to ensure participants always have the resources (the prospective armory) to call on to envisage future developments; and structure to ensure logical flow, a process in which each step builds on the last and in turn provides input into subsequent activities.

As this stimulation and structure take effect, anxiety and uncertainty should give way to the sound of robust discussion as participants relax into the exercise and enthusiastically embrace being part of something different. This participatory understanding and enthusiasm should never be underestimated, for they are

an essential foundation for successful scenario planning.

Overcoming the obstacles

History tells us that volatile and uncertain conditions, the natural environment in which scenario planning thrives, is enough to generate managerial interest in the method. However, the ongoing perceived value of scenarios has previously not been sufficient to maintain this interest once conditions stabilized. So, if the current intellectual interest in scenarios is to translate into sustained corporate adoption, then practitioners must overcome the hurdles that have plagued their effectiveness thus far.

The four tips outlined in this article are offered as a remedy to these obstacles and for the purpose of improving organizational performance in an age of constant change. ■

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