

Scenario Planning

A Brief Overview

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GBN Global Business Network

Member since 2010

Scenario Planning: An Introduction

The use of scenarios—telling stories about what the future might be like—is probably as old as humankind. When applied to strategic thinking, as it has been by successful organizations for the last 20 years, a set of scenarios is a tool for ordering one’s perceptions about alternative future environments in which today’s decisions might play out.

The scenario process plots a course between *prediction* (denial of uncertainty) and *paralysis* (too much uncertainty). The purpose is **not** to predict the most probable future. Instead, scenario thinking can prepare organizations and individuals to be responsive to the full range of opportunities and challenges. As a result of scenario planning, organizations create and “own” a framework and vocabulary for planning that makes for radically more effective planning and action.

Scenarios help us think more flexibly about the future, so that we can react more quickly to a changing world.

Scenarios encourage innovation and creativity by asking us to consider surprising possibilities and requiring that we think further out into the future than we normally take the time to do.

Scenarios are a risk management tool that encourages us to imagine what might happen if our expectations for the future do not come true.

Scenarios provide a framework to create alignment and make learning “stick” as it occurs.

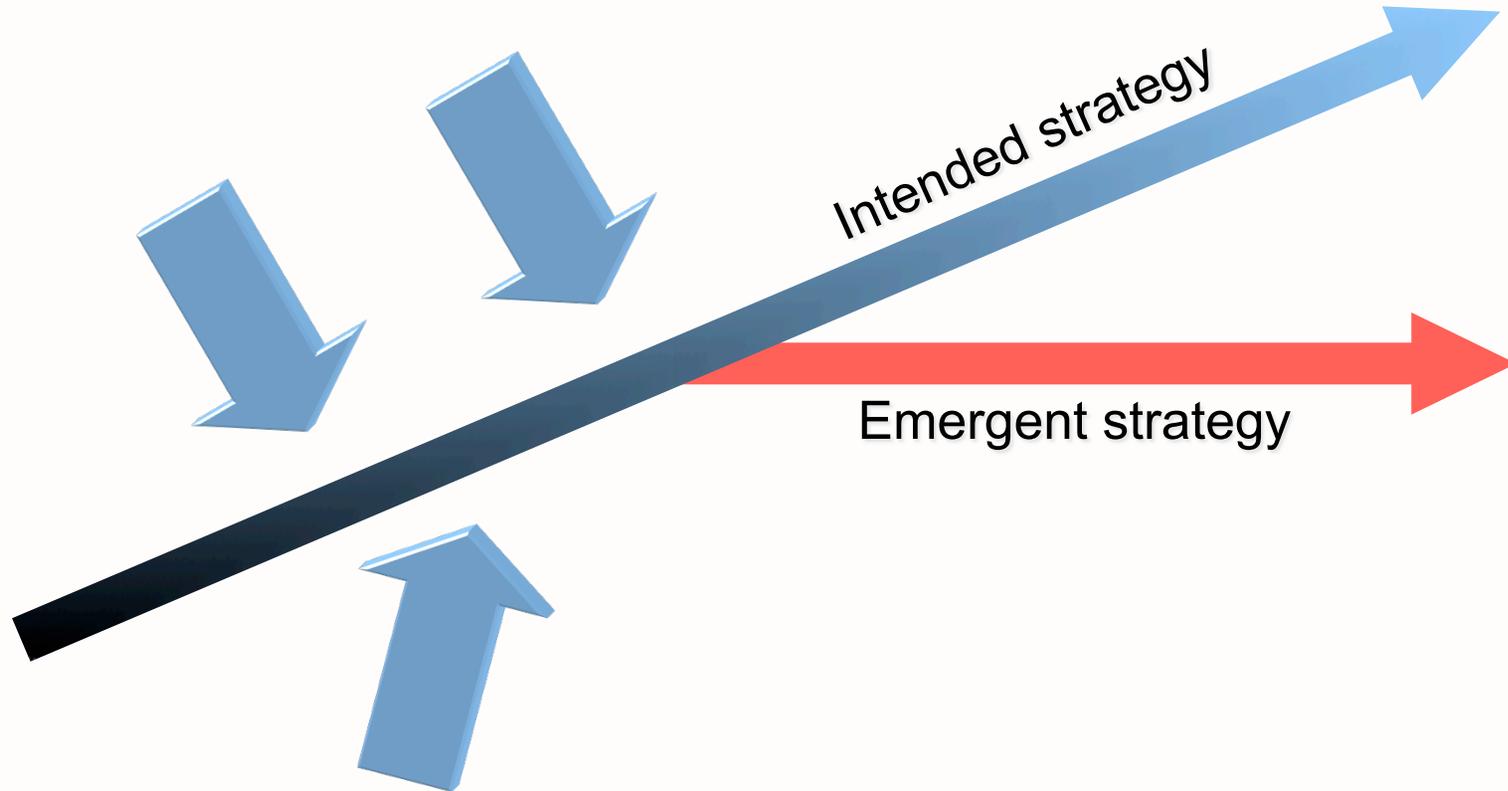
Scenarios help divergent voices-- and separate units-- come to alignment creating coordination and cross-pollination, rather than conflict.

Scenarios help us to wade through the sea of uncertainties that surround us to identify those few differences that truly make a difference.

...Once we have created a set of scenarios, we have a framework and a vocabulary for an on-going strategic conversation-- we can navigate into the future more effectively.

Strategy: What We Experience

Business environment forces



Scenarios help us manage the future that actually emerges... which is never the future that our plans anticipate

The Elements of Strategy

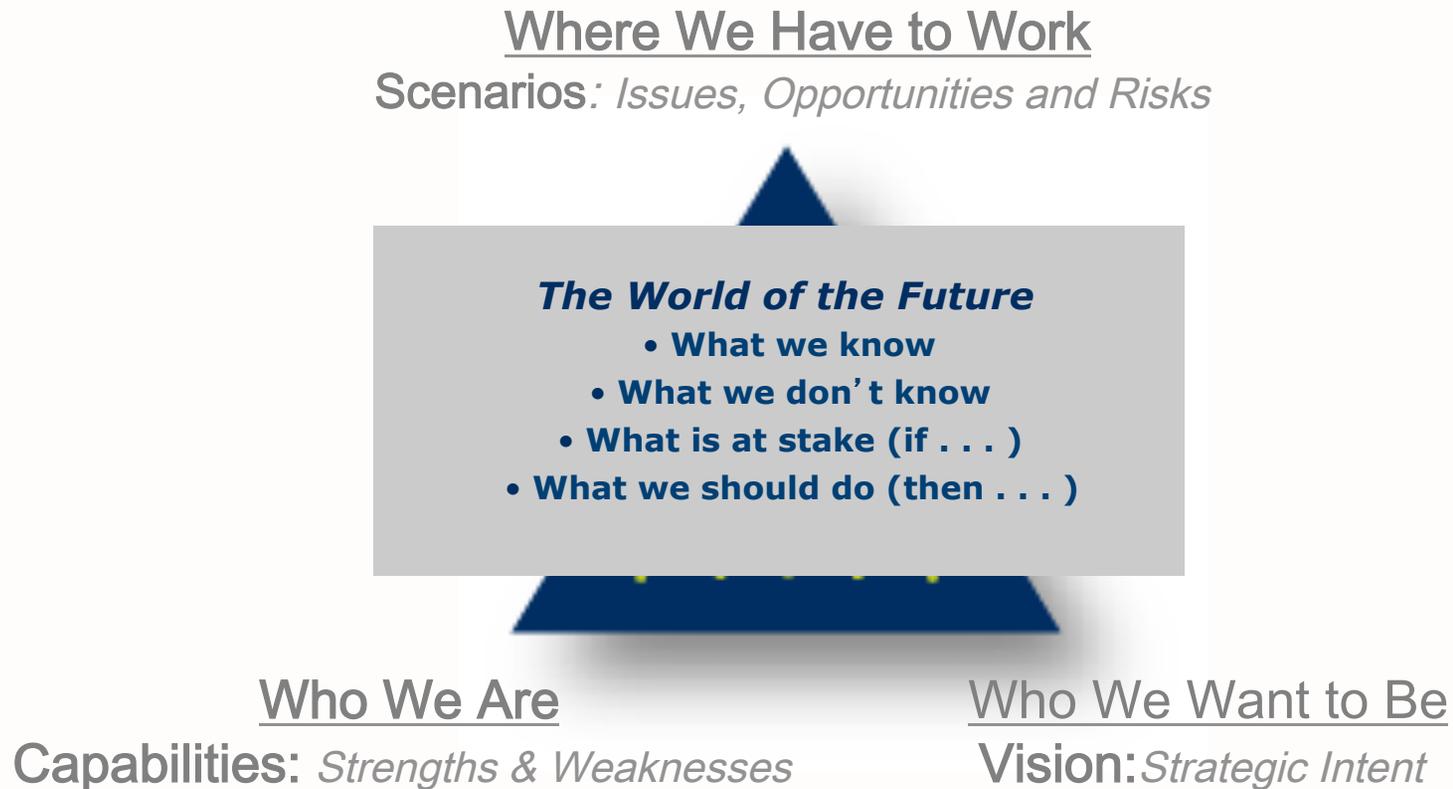
Scenarios inform and illuminate traditional planning



Scenarios work alongside other strategic planning techniques to assure that strategy accounts for-- and takes advantage of-- the environment in which it has to work

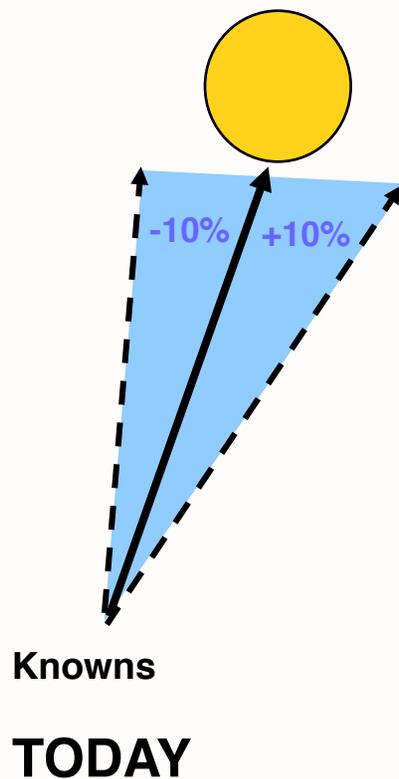
The Scenarios and Strategy

Scenarios contribute to strategies that are both more robust and more effectively contingent

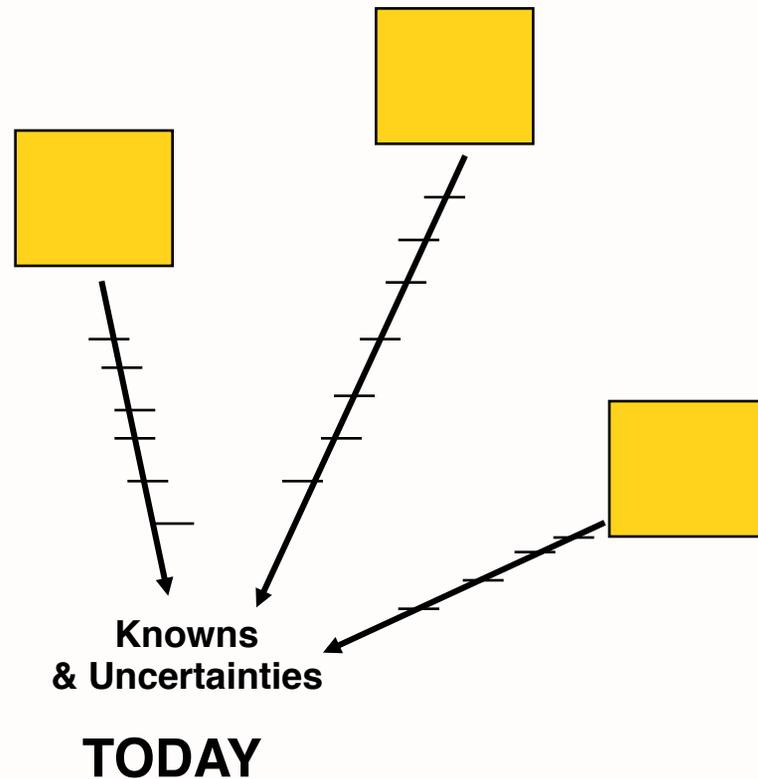


Scenarios compensate for the flaw in most forecasting: The inability to see the ways in which the future may *not* be an extension of the present...

Forecast Planning
Planning for One Future



Scenario Planning
Planning for Any Future



Some Major Applications of Scenarios

Strategy

- Creating/refining vision
- Framing strategic issues and defining strategic imperatives
- Reaching a decision on a specific strategic issue or question
- Creating a framework and vocabulary for ongoing strategic conversation

Innovation

- Identifying new products, services, and white-space opportunities

Investment

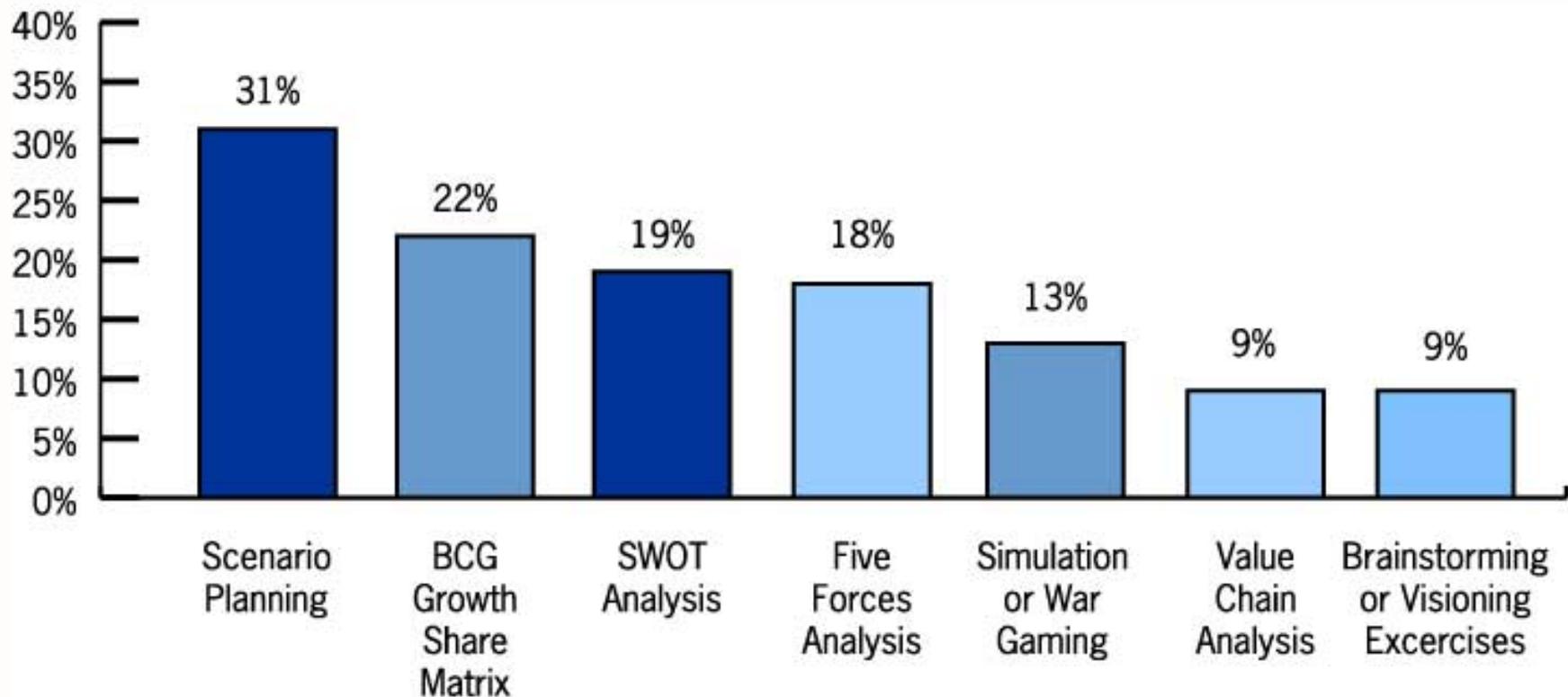
- Identifying opportune sectors, categories, targets
- Vetting investments, portfolios, approaches

Thought Leadership

- Convening a group of clients/constituents to create a shared framework-- a map of the future-- that can then be used more effectively to market to and serve those clients and others

Scenario thinking has become an important tool for corporate strategy

Most Commonly Cited Strategy Tools



Source: Corporate Strategy Board Member Survey
Corporate Strategy Board analysis

Scenarios Are...

Stories built around a methodically constructed plot

A tool for identifying strategic options in the face of long-range uncertainty

A framework and a vocabulary for an on-going strategic conversation

A Good Set of Scenarios Are...

- **Plausible** stories
- **Relevant** to the question at hand
- **Divergent** from one another
- **Challenging** to our assumptions about how the future will play out

Scenarios are *not* predictions

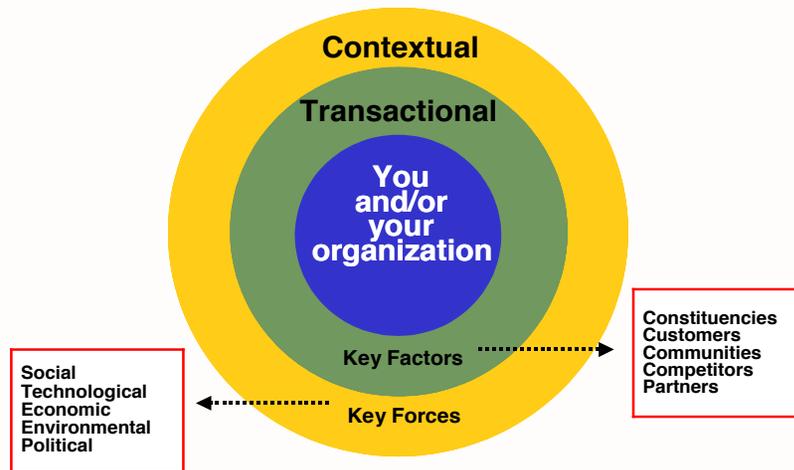
Scenarios are important for the conversations they spark and the decisions they inform.

“The task is not so much to see what no one yet has seen, but to think what nobody has yet thought about that which everyone sees.”

- Schopenhauer

How are scenarios created?

Scenario thinking is a rigorous process of envisioning multiple plausible futures in order to improve the quality of today's decisions and strategies. The fundamental approach is "outside-in" thinking. Most individuals and organizations are surprised by discontinuous events because they spend their time thinking about the areas over which they have the most control and with which, the most comfort: their own field or organization. They think from the inside—the things they can control—out to the world they would like to shape. Outside-in thinking starts with understanding the external dynamics and environmental factors and drivers that may affect your work in expected and unexpected ways. It allows for strategies to emerge that might not have been visible if one only looked for the world one would like to create. Here's a picture of "outside-in" thinking:



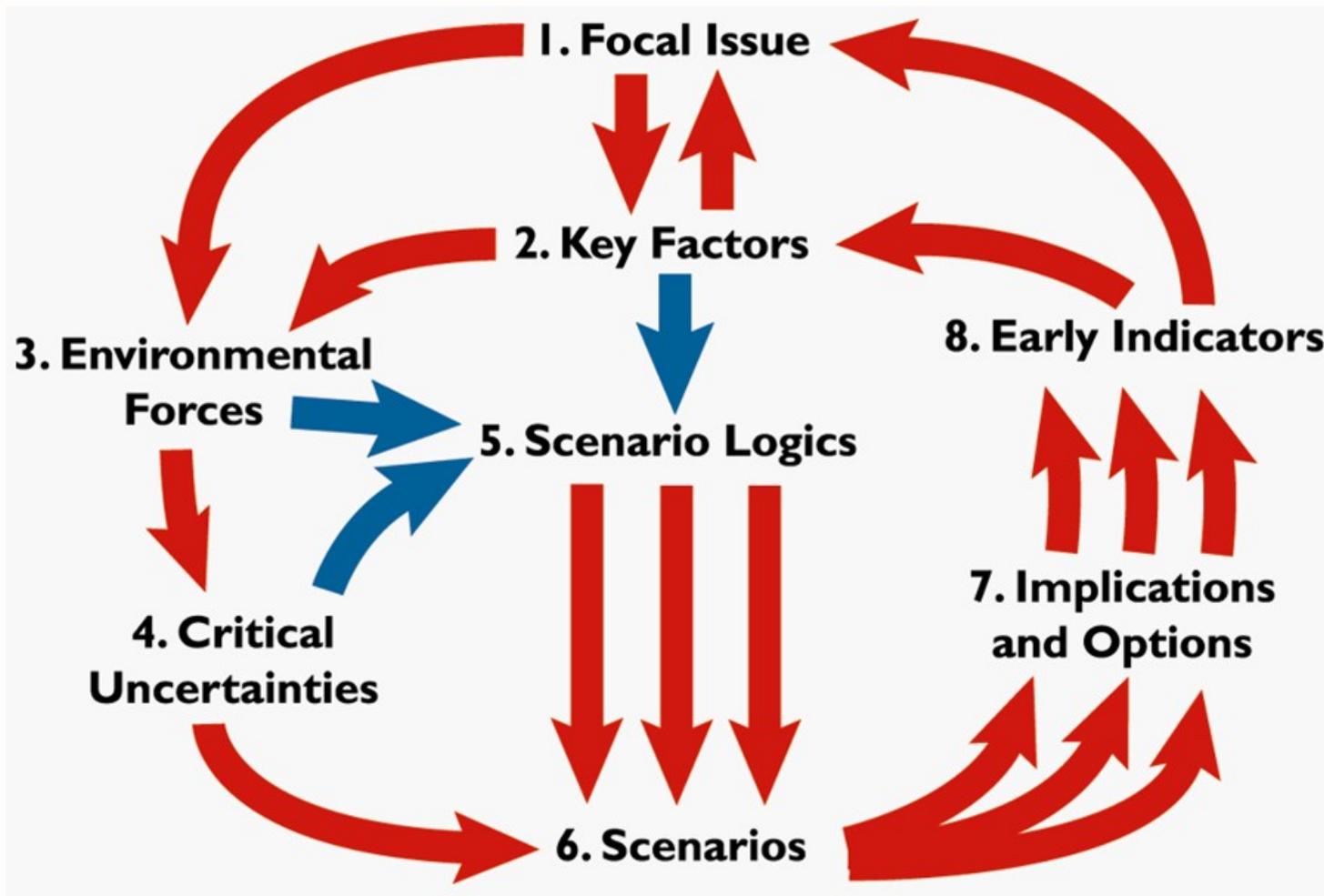
Doing outside-in thinking by using scenarios usually begins by framing the decision to be made or the issue to be explored. Sometimes, scenario projects are very specific and ask questions such as "Should we make this acquisition?" or "Should we enter this market?" Sometimes issues are more general, such as the many projects we have done exploring the changing nature of a company's market, or the one recently completed for a major media organization: "where might the opportunities be for a content a decade from now, and how do we capitalize on them?"

The process then identifies driving forces, including social, economic, political, and technological factors-- pre-determined elements, such as demographic patterns already in the pipeline; and critical uncertainties, unpredictable dynamics such as public opinion or the state of the economy. These are then prioritized according to both importance and uncertainty.

These exercises usually culminate in three to four carefully constructed scenarios—a small number because only a few scenarios can be fully developed and remembered. Each represents a plausible alternative future-- not a best case, worst case, and "most likely" continuum. The test of a good scenario is not whether it portrays the future accurately, but whether it enables an organization to learn, adapt, and make better decisions.

Once the scenarios have been fleshed out and woven into a narrative, the next step is to identify their implications for the organization and its focal question. This can take a number of forms depending on the needs of the organization. In some cases, the scenarios are used to guide a specific decision, while in other settings they are used to generate ideas, frame new areas for exploration, or accelerate organizational learning.

Scenario Planning Process



Heminge & Condell provides corporate strategic counsel and venture design services to corporations, not-for-profit institutions, and governments worldwide. H&C serves a broad and varied range of organizations on specific assignments, and is involved in on-going ways through its Chairman, Lawrence Wilkinson, with a group of companies that he has helped create. H&C's principals have expertise earned through over 50 years of combined experience in strategic and entrepreneurial work in the worldwide. H&C also draws on a network of distinguished thinkers, managers, entrepreneurs, and designers. H&C was named for the Seventeenth Century publishers of Shakespeare's First Folio.

Lawrence Wilkinson is Chairman of Heminge & Condell (H&C), and Co-Founder of Global Business Network (GBN), a pioneer in the development and application of scenario planning. Through H&C, Lawrence is involved in venture formation work, and as a director and counselor to a number of companies that he helped create, among them: GBN (now Deloitte Center for the Edge), Oxygen Media, *Wired*, Ealing Studios, Design Within Reach, Public Bikes, Particle Therapeutics, and Broderbund Software. At the same time,, Lawrence continues to offer strategic counsel to a number of corporate clients, NGOs, and governments around the world. Named a "Jedi Knight of Innovation" by *Fast Company*, Lawrence is a widely consulted and cited authority on strategic issues, and is active in a variety of not-for-profit organizations.

His clients have included Wiley, Pearson, The Bodleian Library/Oxford University, University of California, the Walt Disney Co., NBC-Universal, Pixar, BBC, EA, NPR, Google, The Capital Group/AFD, PharmaFutures, Humana, GE, Ford Motor Company, Apple, Microsoft, IBM, Intel, Accenture, Proctor & Gamble, ATT, UPS, The Coca-Cola Co., Ford, British Telecom, the World Bank, the World Economic Forum, The World Trade Organization, and the governments of the United States, the United Kingdom, Singapore, and Mongolia. (A more complete list of clients at www.HemingeAndCondell.com)

Lawrence co-founded GBN in 1987, and served as its President through 1998; he remains "of counsel" as a Network member and strategist. GBN has been central to the development and spread of the Scenario Planning technique, an approach to addressing very large decisions and long time horizons that has become a critical component of organizational and project planning worldwide.

Lawrence serves as Director and Advisor to Ealing Studios, Ltd. Ealing, which celebrated its Centennial in 2002, is the oldest continuously-operating film studio in the world. Lawrence served as Vice-Chairman of Oxygen Media, Inc., a cable television programming service that he co-founded in June of 1998 with partners including Geraldine Laybourne, Oprah Winfrey, Carsey-Werner, and Disney, providing a cable television service reaching over 80 million households in the U.S. and award-winning web services www.oxygen.com and www.oprah.com. He co-conceived the company, and led Oxygen's planning and formation. Lawrence also helped form, then served as Director and Chief Architect of Wired Ventures, the partnership that built and managed *Wired* Magazine, *Wired Digital/HotWired*, and other ventures. And he helped form and served as a director, of Design Within Reach, Colossal Pictures, Broderbund Software, Public Bikes, and a number of other companies.

Lawrence has authored and edited numerous publications and Harvard Business School case studies ranging from *Public Broadcasting in the U.S.* (Harvard Business School Press) to *The Cambridge Milton* (Cambridge University Press). He is the author of *How To Build Scenarios* (*Wired*, 1995) and of *The Future of Shopping* (forthcoming). He has produced and executive-produced numerous television programs, multimedia titles, and feature films, including the award-winning *Crumb* (Sony Pictures Classics). He also has contributed regularly to general and business periodicals and national television, cable, and radio business news programs, including *Wired*, *Backstage*, *Business Times*, *Nightly Business Report*, and *The Wall Street Journal Report*. His articles and essays have been anthologized in a number of collections, most recently in *Strategy Bites Back* (edited by Henry Mintzberg, et al., Pearson/Prentice-Hall, 2006). Lawrence is a frequently featured speaker at business and industry meetings, has taught on the faculties of The World Economic Forum's annual Davos Summit, the Microsoft CEO Summit, the Salzburg Global Seminar, and at various business and graduate schools, and has served as a McKinsey Prize judge.

Lawrence graduated with honors from Harvard Business School, Oxford University, and Davidson College.