Think like a Futurist
The key to ensuring organisational success in an uncertain future

Part 2: Scenario Thinking and Design
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Strategic choice making becomes difficult in the midst of uncertainty. Scenarios provide us with a structured way of thinking through and making these strategic choices despite the uncertainty.

We live in a world of change, whether we consider the pace of technological advancement or political uncertainty it has become more difficult to perceive the future when critical decisions and choices have to be made. The trends and events that signal how an industry is evolving can be overwhelming, seemingly conflicting, and even paralysing, when taken on one-by-one. In part one of our Think like a Futurist series, we looked at the ten megatrends that the Centre for the Long View team at Monitor Deloitte believe could shape and influence the future.

In part 2, we consider the importance of scenario planning in terms of enhancing an organisation’s ability to tackle a diverse set of strategic business problems, many of which have become more challenging as the business climate becomes more complex, dynamic and uncertain.
What are scenarios?

Scenarios are rich, data-driven stories about tomorrow that can help organisations make better decisions today. They are not predictions about the future, but rather hypotheses that describe a range of possibilities for the future... imaginative narratives that stretch thinking, but are always plausible and logical.

Together, a set of scenarios forms an organising framework that can be used to make sense of conflicting or ambiguous market signals more holistically, both today, and as they appear over time.
Why should organisations use scenario planning?

Scenario design provides a flexible basis for strategic decision-making in the face of increasing complexity and uncertainty.

Scenarios are powerful planning tools precisely because the future is unpredictable. Good scenarios are plausible and surprising. They have the power to break old stereotypes, and their creators assume ownership and put them to work.

Using scenarios is like rehearsing the future, and by recognising the warning signs and the drama that is unfolding one can avoid surprises, adapt, and act effectively. Decisions, which have been pre-tested against a range of what fate, may offer, are more likely to stand the test of time, produce robust and resilient strategies, and create distinct competitive advantage. Ultimately, the result of scenario planning is not a more accurate picture of tomorrow but better decisions about the future.

Below, we outline six reasons why we believe organisations should be using scenario planning as a critical element in their strategic planning process.

1. Scenario planning enhances decision making ability under conditions of uncertainty:

Scenario planning provides a means for ordering perceptions about how the future may play out and determining what strategic decisions today offer the best chance of success tomorrow. Unlike traditional forecasting or market research, scenarios present alternative images instead of extrapolating current trends from the present. Scenarios also embrace qualitative perspectives that econometric models exclude.
2. **Scenario planning helps organisations continuously innovate in anticipation of market changes:**

Scenario planning challenges management to revisit its assumptions about its industry and consider a wider range of possibilities about where its industry may head in the future. Consequently, creating scenarios requires managers to question their broadest assumptions about the way the world works so they can anticipate decisions that might otherwise be missed or denied. This exploration results in a broader, more innovative view about future growth opportunities and risks.

3. **Scenario planning helps to create a more sustainable long-term strategy:**

Most strategic decisions are made based on the conditions that an organisation sees directly in front of it. However, the impact of many of these decisions may not be fully realised until a much longer time horizon has elapsed and conditions have changed – sometimes dramatically. As such, many decisions quickly become “legacy” choices. Scenario planning, in taking into account a longer-term view, produces more sustainable decisions.

4. **Scenario planning helps organisations develop the ability to think flexibly and creatively:**

The purpose of scenario planning is not to predict the most probable future. Rather, the objective is to develop and test strategic choices under a variety of plausible futures. Doing this exercise proactively – essentially, rehearsing for multiple futures – strengthens an organisation’s ability to recognise, adapt to, and take advantage of, changes in the industry over time.
5. **Scenario planning assists in the alignment of key stakeholders in support of a shared vision:**

Scenarios help relate and cluster trends and events together into broad patterns, organising them into logical, higher-level frameworks. These frameworks allow an organisation to address change more comprehensively – at the sources of the change – and align the perspectives of key decision-makers. Within the organisation, scenarios provide a common vocabulary and an effective basis for communicating complex, and sometimes paradoxical conditions and options. From a process standpoint, scenario planning has the additional benefit of promoting high levels of organisational learning and collaboration, which are not as deeply embedded in other strategic practices.

6. **Scenario planning gives organisations the ability to course correct their strategies in a more agile way:**

Leading indicators are early warning signs of potentially significant change that can be monitored in order to determine if a particular scenario is beginning to unfold. Leading indicators can be very obvious, like the passing of a debated piece of legislation, or quite subtle, like small signs of a gradual shift in social values. This monitoring allows an organisation to course correct their strategies according to which scenario is likely to play out.
How do you create scenarios?

Despite its story-like qualities, scenario planning follows systematic and recognisable phases. The process is highly interactive, intense, and imaginative.

Our scenario planning methodology is based on a proven scenario approach first employed by Shell. We have enhanced this method by using Artificial Intelligence capability to not only ensure more robust and unbiased scenarios, but also to accelerate the process whilst still ensuring wide organisation participation and collaboration.

It begins by isolating the decision to be made, rigorously challenging the mental maps that shape one's perceptions, and hunting and gathering information, often from unorthodox sources. The next steps are more analytical: identifying the driving forces (social, technological, environmental, economic, and political); the predetermined elements (i.e., what is inevitable, like many demographic factors that are already in the pipeline); and the critical uncertainties (i.e., what is unpredictable or a matter of choice such as public opinion).

These factors are prioritised according to importance and uncertainty, which are then constructed into two independent axes with extreme “end points” on either side. We then cross these axes into a 2x2 matrix which becomes the scenario development framework. These exercises culminate in three or four carefully constructed scenario “plots”.

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The Blockchain case study below illustrates this concept:

**Key issue**
The blockchain is a secure digital record of transactions – or in other words: the internet transmits information. The blockchain transfers ownership. It’s going to change the world.

**Key questions include:**
- Will the blockchain revolutionise the banking industry?
- How will transactions evolve as a result of the technology?
- How will privacy be protected against hackers?
- Will users trust the blockchain?

**Scenario design**

**Blockcracy**
- Blockchain technology has spurred the dawn of a new age
- Traditional systems move successfully to public blockchain
- New players enter the global market
- World is more digital, interconnected and technical

**Survival of the Biggest**
- Giant players represent competence, stability and access to the blockchain
- Processes (e.g., election, land registration) are made easier, more efficient and decentralised
- Removal of middle-man
- No fundamental change in the world

**One-eyed in the Kingdom of the Blind**
- Blockchain is considered a failure
- Massive problems with security and speed which could not keep up with demand
- Absence in technological standards
- Rise in cyber and digital crime (e.g., hacker attacks)
- Loss of confidence in established systems

**Niche Evolution**
- Technical limitations overtake widespread potential of blockchain
- Established institutions realise demand for change by users
- Trust in traditional institutions returns
- Niche industries use blockchain to dominate key parts of value chain and bring innovation to emerging markets

If the scenarios are to function as learning tools, the lessons they teach must be based on issues critical to the success of the decision. Only a few scenarios can be fully developed and remembered, and each should represent a plausible alternative future, not a best case, worst case, and most likely continuum. Once the scenarios have been identified and woven into a sufficiently perceptible narrative, it is important to understand their implications and the leading indicators to be monitored on an ongoing basis.
Using scenarios to stress test strategic choices

Scenarios should be used to stress test current strategies and prior decisions in order to provide clarity and confidence around whether to stay on course, or to make adjustments to specific strategic choices and options.

One can never have absolute certainty about the future, and hence the implications of the strategic choices you have made. Wind tunneling helps to identify those choices that are "safe" despite the uncertainty, and those that you may need to hedge against due to higher levels of uncertainty.

This process also provides optionality, for example an organisation may decide to defer a particular choice until there is more certainty, or make incremental choices to keep options open until there is enough certainty to make the bigger strategic decision.
So, now what?

This is the exciting part! The scenario, crucial and rich as you may have defined it, is merely a reference frame of the potential context within which your organisation must thrive.

What is the impact of the scenario on your perceived competitive advantage or differentiator? What is the impact on your competitors? How should you respond? With your scenarios well defined, your organisation’s response is actually proactive, since it is applying action (through the decision or choice of response) to the plausible scenario before it manifests.

**What scenarios will manifest in your industry?**

In the following parts of our Think Like a Futurist series, we illustrate scenarios that could impact various industries, and the potential role the megatrends could play.
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