

PART I

Introduction

Chapter 1: Development of Scenario Planning

Chapter 2: Where Are We Now?

Chapter 3: ICL's Experience of Building Scenarios for Strategic Planning

Chapter 4: Linking Scenarios to Strategic Planning

Chapter 5: Scenarios to Influence Public Attitudes

Chapter 6: Scenarios for Learning

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Introduction

This introduction answers five questions:

- *How can this book help you?*
- *What is scenario planning?*
- *How is the book organised?*
- *Why did I write this book?*
- *What is new in the second edition and why?*

HOW CAN THIS BOOK HELP YOU?

You have opened this book because you have heard about scenario planning and want to know what it is and what it can do for you.

If I am a manager who is concerned to improve the chances of my business prospering in turbulent times, can scenario planning help? It helped

- Electrolux spot new consumer markets.
- Pacific Gas and Electric prepare for the earthquake in California.
- Shell to anticipate the fall of Communism in Russia and its effect on natural gas prices.
- Austrian insurance company Erste Allgemeine Versicherung anticipate the fall of the Berlin Wall and enter new markets in Central Europe.

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- Wiring and cable supplier KRONE develop 200 new product ideas.
- Morgan Stanley make decisions on its position in Japan.
- Unilever to decide on investment strategies for Russia and Poland.
- United Distillers (Diageo) to set market strategies for India, South Africa and Turkey.
- Guatemala and South Africa to defuse tensions and map a way forward.

The purpose of the book is to provide a straightforward account of scenario planning, accessible to people facing business decisions, as well as corporate planners and MBA students.

So it is intended to help:

- people who need to decide if, when and how to use scenarios. These could be line managers with a problem to solve, consultants or corporate planners.
- MBA and similar students, who want to understand what scenario planning is and how it is used.
- people who might not normally buy business books but are fascinated by the changes they see in their industry and the world.

WHAT IS SCENARIO PLANNING?

What is a scenario? Think of a scenario as a fairy tale or story.

Michael Porter defined scenarios (Porter, 1985) as:

“An internally consistent view of what the future might turn out to be – not a forecast, but one possible future outcome.”

We have defined scenario planning as:

“That part of strategic planning that relates to the tools and technologies for managing the uncertainties of the future.”

CONTENTS OF THE BOOK

This book is divided into four parts. Part I is “the book”. It is divided into a set of chapters intended to be read largely in sequence, or skipped by the expert on the topic covered.

In Part I, the first chapter is a guide to some of the history of the development of scenario planning. It starts by showing how scenarios, like any model of the world, are used to explore reality, with the same problems and opportunities. The way that scenarios have been used is explored through several eras: scenarios in the 1960s were used to raise public debate about issues of the day, such as nuclear war; they were picked up by corporate planners in the 1970s after the oil price shock as a way of “avoiding surprises”, but failed to live up to their promise so were used less in the 1980s, an era in which “planning has failed”.

Chapter 1 also explains some of the vocabulary: trend and cross-impact, and intuitive logics.

Chapter 2 is about where scenario planning is now. This chapter looks at two aspects of “where are we now”, *viz.* what is the current use of scenarios, and how is this likely to change? The published literature and our survey of The Conference Board Europe members suggest that organisations have mostly used scenario planning to help in anticipating specific threats, such as environmental pressures, political changes or industry structure changes. In information industries, businesses have also used scenarios to think through strategic options in light of changes in technological capability or in the regulatory environment.

The second half of the chapter looks at other forces for change, and asks the question: are we in a period of change that will be as extensive as the oil price shock? The futurists talk about a paradigm shift. We look at some of the changes that we can anticipate over the next decade.

Chapter 3 compares two scenario building projects in ICL that we completed two years apart. In both cases the intention was to link to strategic planning at HQ. In both cases we found that building the scenarios was a fascinating and mind-stretching project. In both cases communicating the scenarios in a useful form was a significant challenge. The sections on lessons learned cover these points.

Chapter 4 discusses using the scenarios – the scenarios built as described in Chapter 3 – in strategic planning. The analysis by SRI International of the potential ways of linking scenarios to strategy is used to provide a framework for four applications. These are:

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- applying the scenarios to information markets;
- a sensitivity analysis/risk assessment of an investment portfolio;
- linking scenarios to a PIMS and MA/C analysis; and
- using the scenarios to build a more robust strategy.

Chapter 5 focuses on the use of a set of scenarios to create a framework for a shared vision of the future, to promote discussion and build consensus, outside a single business entity. Looking at the similarities between organisations that report success in using scenarios, and the way in which for instance the South African or Guatemalan governments have used scenarios to create coherence, suggests the importance of communication via storyline and image. Other scenarios focus on public issues of the time: climate change, the growth of cities, changing consumer expectations.

This chapter provides an example of an event that used scenario thinking in a diverse group to drive out recommendations for actions, within a 24-hour timescale. This pattern has been successfully followed on a number of other occasions.

In Chapter 6 we discuss the learning aspects of some of the scenario projects and case studies described in the book; these aspects have been emphasised by many of the respondents. The chapter also describes three examples of events, working with scenarios to increase the capability of the individuals (rather than directly to link to policy or to business planning).

Chapter 7 summarises the book so far and reaches a few personal conclusions.

Parts II, III and IV are independent sections intended as reference material.

Part II collects together examples of methods and examples. The sections describe approaches and methods, and give case studies of organisations that provide help and/or methodology. The organisations/methods covered are:

- Computer-driven simulations, e.g. STRATX;
- European Commission
- French School

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- Generon Consulting
- Global Business Network
- International Futures Terra
- SAMI Consulting
- SRI
- UN American University
- Futures data

The purpose of these sections is to allow readers to expand their understanding of the terminology introduced in Chapter 1 through examples.

Part III gives examples of case studies. The purpose of these is to illustrate the range of approaches and working methods that have been used.

- Arts Management Association
- British Airways
- Cable & Wireless
- Electrolux
- Europe in 2020
- Finland
- KRONE
- Morgan Stanley Japan
- Pharma Futures
- Shell
- Surrey Vision 2020

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- UK's National Health Service
- United Distillers

Part IV is divided into sections that contain examples of scenarios, from ICL and elsewhere. The purpose of including these is to help the reader envisage the types of descriptions that have been produced, and understand what principles to build into scenario descriptions.

The scenarios are:

- Scenarios developed by ICL – Mark I
- Scenarios developed by ICL – Mark II
- Scenarios for the future of the telecoms industry
- The Hemingford scenarios
- Scenarios for the future of bioscience
- Scenarios for organisations in the twenty-first century
- Scenarios for Scotland in 2015
- Shell global scenarios to 2025
- The Challenge Forum global scenarios

WHY DID I WRITE THIS BOOK?

This book is the one that I would have liked to have had in 1993. That was when I took on the task of improving ICL's ability to predict the future – and create our future in the process. Before that, my career had been concerned with software, with services, with running businesses.

So I write as a general manager. I was not an expert in scenario planning when I wrote the first edition of this book. There are many experts in scenario planning who have been invaluable as I have learned. Many of these are mentioned in the text; others have helped or given their experience in the form of case studies. This book is intended to pass on some of the lessons I have learned from them.

Nor am I, I hope, unduly enthusiastic about the use of scenarios. I have found that using scenarios, in a number of environments, helps people to be more at ease with uncertainties and to feel more in control of their destiny. I have also found a number of environments in which scenario thinking has prompted new businesses, or confirmed other analyses. And in ICL, as the book describes, we used the technique to create images of the future as a precursor to recommendations and action planning.

The link to planning and action is important. Decisions have to be made and implemented. This is a book aimed at people who are faced with problems in the real world of today, looking at how scenario planning may be able to help them find better solutions.

A final comment: this book is very much designed to provide a way into scenario planning for a manager who has not come across the idea before in any detail. For the strategic context, or if this book whets your appetite, I would suggest the parallel book *Scenarios, The Art of Strategic Conversation* (van der Heijden, 1996).

WHAT IS NEW IN THE SECOND EDITION AND WHY?

The first edition of this book was written in 1997. At that time, although email was widely used, there was limited access to information electronically. Much of the information in the first edition was gathered through word of mouth and through networks – especially the Global Business Network. In this second edition, the information has been gathered by personal experience and contacts, by use of the web for up-to-date information, for instance on the organisations mentioned in Part II, and I have taken advantage of the information society that was a theme of the first edition.

Some of the new challenges facing organisations and society today are described in Chapter 2. Here it is worth mentioning the developments in biotech and nanotechnology (see the case study in Part III and the scenarios in Part IV,) climate change (see Chapter 5), and the increasing influence of the economies of China and India.

Another change has been the trend towards using scenarios that have been developed elsewhere. The Arts Marketing Association case study describes an event in which 150 people used scenarios to drive out a jointly agreed action plan.

Scenario development is also increasingly being used as a management development tool. In Chapter 6 there is a description of a management development event for young high flyers.

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In Part II, on methods and examples, about half of the organisations and methods featured have changed their focus, and new ones taken their place.

Part III on case studies includes most of the case studies from the first edition because the lessons are still valid, and adds a number of new ones, describing the use of scenarios in an NGO, leading to action plans, and in the public sector to create common languages and visions, leading into strategy.

Part IV, examples of scenarios, now includes scenarios on the future of biosciences and adapting to climate change, and the Shell global scenarios to 2025.

Throughout the book I have used an *italic, bold* script to indicate names of scenarios, as in ***Stagnation*** or ***Baseline***. *Italic* is used for quotations.