

# OVERVIEW OF SCENARIO PLANNING

BY LANGDON MORRIS, INNOVATIONLABS

Senior executives are always trying to get insight into the future so they can make better strategic decisions, and they know that they face some difficult challenges in doing so. There are many traps and pitfalls that await them:

- There is the danger of groupthink, the tendency for people to agree with others in a peer group without critical thought.
- There is the possibility of tunnel vision, looking too narrowly at the future and missing important elements that happen to lie outside of the tunnel.
- And there are risks associated with relying too much on predictions, which, when they don't come true, render carefully-prepared plans useless, or worse.

Even the concept of strategic planning has itself come under heavy criticism. As Mintzberg pointed out, “planning” implies an analytical framework, while “strategy” requires synthesis, and the misfit between the two leaves a process that is ineffective, or even counterproductive.

Recent surprises on the national and global scene have shown just how badly our plans can go awry, and only reinforce just how important it is to have an effective process to anticipate the future while avoiding the cognitive traps.

Which is where “scenario planning” comes in.

This approach, pioneered at Royal Dutch Shell in the 1960s, offers a different way to think about the future. Instead of attempting predictions that will determine our plans, we use this process to explore risk and reward profiles of possible futures that may emerge. We then make plans to accommodate a wide range of possible future outcomes, looking always for strategies and actions that confer the greatest advantage in multiple possible futures. Scenario planning is a very useful tool that helps to bring alignment to a management group around the key issues and challenges they face in the short, medium, and long term futures.



## HOW IT WORKS

The process generally goes like this. Participants work in teams of about 4 - 6 people, and follow a series of written instructions that guide them through a series of learning steps. Having many teams working in parallel enables each individual to participate more fully, and gives the group as a

whole a broader range of findings from which to draw at the end.

The teams begin by examining the key trends and driving forces by studying a detailed set of materials that were prepared in advance. This is an immersive and engaging process that enables them to discuss the topics that matter the most.



These may include issues such as the evolution of your industry, retailing or B2B issues, consumer trends, social media, education, government regulation, health, as well as broader social and economic trends such as economic growth and consumer confidence. We will work closely with your Innovation Team to identify all the themes and topics that need to be explored, and then prepare the materials accordingly.

We often create a gallery space to provide a work environment where a lot of this information can be put on display, which helps everyone to see the bigger picture and connect the individual trends into larger, more meaningful patterns.

After assimilating the trend information, the participants then identify a pair of big and important issues that have a lot of impact on the future, but which are also highly uncertain. Each team models its issues by preparing a 2x2 matrix, and exploring what life would be like in each of the four resulting worlds that have been defined.

The process helps each of us to identify the key trends that we must pay attention to, so that as things change we notice what's important, we get early warning, and can make the appropriate changes in our plans. It's therefore not an activity of prediction, but rather a deep discussion about the big picture: what's driving change, and how things *could* go.

It also helps to build stronger and more relevant conversations among the participants, because they have talked through the big ideas together and have a strong basis for future dialog.

What's important here is that we're *not* trying to predict future, but rather we're exploring what would likely happen across a wide range of possibilities across many sectors of the economy and society. That way, as the social and economic situation changes, and as markets move, we've hopefully already thought about the consequences for us, and we can make the right decisions more quickly.

The last, and more important step of the scenario planning process is the exploration of strategic options. The idea is to identify the strategies that will work best for our organization in each of the four different scenarios that each team has identified. This helps us to understand that while some strategies will be effective in only one set of future conditions, others will work in a wider variety of futures. Understanding the difference between these two types of strategies enables us to avoid strategies that might trap us in the future.



We see that all this is important to nearly every company for a few reasons. First, thinking through the driving forces of change will help us to target research projects toward the opportunity areas that are likely to offer

the greatest promise. It will also help us to design an ideal innovation portfolio by ensuring that we are targeting an appropriate range of future market possibilities. And the dialog itself will promote a high degree of shared understanding among all the participants, providing a strong foundation for the organization to move forward in better alignment.

## LEARNING ABOUT THE FUTURE



Scenario planning can be done with senior executive teams, and it can also involve larger groups.

One of the pioneers of the scenario planning methods, Arie de Geus of Shell, once commented that, “Learning faster than your competition is the only sustainable competitive advantage,” and the scenario process is a powerful learning tool for everyone in the organization, and thus potentially an important source of competitive

advantage.

## RENEWAL OF INNOVATION

In the innovation process we practice at InnovationLabs, we suggest that it’s necessary to have a strong linkage between strategy and innovation, and the scenario planning activity enables organizations to forge a tight connection between these two.

We also use scenario planning activities to help companies develop their own innovation portfolios, and the result is usually a much stronger set of ideas and projects going forward.

InnovationLabs has led successful scenario planning projects in many fields, including health care, the energy industry, financial services, consumer goods, education, and aerospace.



...

### RESOURCES:

- Peter Schwartz. *The Art of the Long View*.
- Henry Mintzberg. *The Rise and Fall of Strategic Planning*.
- [http://en.wikipedia.org/wiki/Scenario\\_planning](http://en.wikipedia.org/wiki/Scenario_planning)
- Langdon Morris. *The Agile Innovation Master Plan: The CEO’s Guide to Innovation*.
- Adam Kahane. *Solving Tough Problems*.

InnovationLabs is one of the world's foremost innovation consultancies, recognized by business leaders globally as experts in innovation, collaboration, and strategy. We work throughout the business, government, education, and non-profit sectors to enable our clients to achieve the highest levels of innovation and collaboration in order to achieve significant competitive advantage.

We typically engage a group of participants in a dynamic workshop environment where they explore a wide range of background materials, engage in deep and meaningful discussions about the key trends and drivers of change, model a range of possible futures, and then discuss the key strategic consequences of the emerging future.

Our approach is participatory and highly focused. We often conduct extensive research to prepare for a workshop, and then facilitate the process through carefully defined stages of work. We set up an environment for learning and discovery that invariably results in new insights and increased clarity about the future for all participants, and about the decisions our client organizations must make to successfully meet that future.

Scenario planning is a fun, engaging, and extremely productive way to plan for the future.



**INNOVATIONLABS**  
Where Innovation Happens

**InnovationLabs LLC**  
[www.innovationlabs.com](http://www.innovationlabs.com)  
5 Fife Road  
Wellesley, Massachusetts 02481 USA  
Email: [LMORRIS@innovationlabs.com](mailto:LMORRIS@innovationlabs.com)  
Tel: 1 925 980 6711

Photos included here were taken during client sessions.