

Scenario Planning: An Innovative Approach to Strategy Development

Author/Presenter: M. Conway (Swinburne University of Technology)

Introduction

Strategic planning is about developing a plan to implement strategy. It is not about planning strategically. As Mintzberg (1994:5) suggests, 'strategic planning' might well be an oxymoron. The need for organisations to plan and monitor activities in order to focus resources and effort and ensure future survival and growth has spawned an industry of practitioners, consultants and education programs. Planning practitioners have their own professional associations and have assumed a critical information role in organisations, consultants sell a wide range of strategic planning approaches and tools, and strategic planning is a core component of university business courses.

Strategic planning is a routine part of business practice, with an accompanying set of beliefs and protocols that underpin day-to-day practice. Yet, as Mintzberg (1994:7) indicates, 'planning lacks a clear definition of its own place in organizations'. The need to plan is generally accepted, but the resulting plans themselves are often not successful in driving implementation of an organisation's strategy. Indeed, 'while the need for planning has never been greater, the relevance of most of today's planning systems and tools is increasingly marginal'(Fuller, 2003:2).

Traditional strategic planning models are increasingly viewed as not producing strategy that can deal with complexity, uncertainty and rapid change in the external environment. While understanding the external environment and then determining strategy to enable the best 'fit' in that environment is acknowledged as a primary reason for planning, traditional models are decreasing in effectiveness. The apparent failure of corporate strategy even after extensive planning, and the inability of many organisations to read signals in the external environment, suggests that there is something missing from existing planning models. 'It may well be that the typical strategic planning exercise now conducted on a regular and formal basis and infused with quantitative data misses the essence of the concept of strategy and what is involved in thinking strategically'(Sidorowicz, 2000).

There is now some recognition that this missing element is the capacity to develop and maintain a systematic view of the future – a foresight capacity. Scenario planning is a futures methodology now widely used by organisations and governments to incorporate such a futures view into planning. While using scenario planning will introduce organisations to the value of exploring the future, selection of a methodology is only one part of the integration of a more comprehensive futures approach into strategy formation, decision making and implementation – that is, to develop and sustain an organisational capacity for foresight.

“Strategic planning” is usually defined as including all three steps of strategy formation, decision making and implementation – *thinking* about future strategy options, *deciding* on options, and *implementing* those options. Futures approaches naturally ‘belong’ to the *thinking* stage, but this only becomes apparent when strategic thinking, strategic decision making and strategic planning or implementation are defined as separate, but interrelated and overlapping domains. The separation also addresses Mintzberg’s definitional concern by placing some boundaries around the elements of the process, and clarifies the role and purpose of ‘planning’ as a distinct and valuable activity.

Integrating a futures approach into traditional strategic planning models in order to develop a foresight capacity requires not only an understanding of what a futures approach is - as opposed to only using a methodology like scenario planning - but also a fundamental re-conceptualisation of the strategic planning model itself. This paper therefore first explores that re-conceptualisation in order to develop an alternative planning model before discussing how the use of scenario planning provides an innovative approach to the strategy development stage of that planning model.

Planning and Strategy

The relationship between strategy and planning is complex and interdependent, but few works on strategic planning explore this relationship in any depth. Most strategic planning models assume that strategy making is just one step in a defined and well understood planning process, which results in the production of written plans that are then implemented by staff across an organisation. The purpose and role of each stage in the overall planning process, particularly the strategy development stage is, however, often not clear.

Understanding strategy development is important because organisations are at risk if strategy fails or does not take into account signals of change in the external environment. Mintzberg (1994:23-29) suggests that the process of strategy formation is often not understood, and describes how strategy is defined in a number of ways by different planning schools: as a plan, a pattern, position, perspective or ploy. Hodgson (2004) defines strategy for an organisation as ‘the way the leaders of that organisation fulfil its mission in the environment in which they find themselves.’ He goes on to say that ‘the environment includes all kinds of factors that need to be taken into account – technical, social, political and ecological – and it also includes the future, since missions have to be carried out over long periods of time’. Van der Heijden (1994:8) states that ‘strategy is about the future, and therefore involves uncertainty’.

The crucial issue is that the part about understanding the future is the least understood or analysed element of strategic planning. While including mention of the future and long term directions, traditional planning processes tend to focus on developing plans, and implementation of those plans, at the expense of the initial steps of strategy development and decision making. With a focus on documentation and implementation, consideration of future options as an input into formulating strategy does not occur in any systematic way over time. The line between planning elements therefore becomes blurred, as Mintzberg (1994:32) indicates:

A major assumption of the strategic planning literature ... is that all of these terms necessarily go together. [That is] Strategy formation is a planning process, designed or supported by planners, to plan in order to produce plans’.

Current definitions of strategic planning that include words describing consideration of the future as part of the process therefore tend to assume that existence of a plan will be proof that the future has been considered. In fact, what has usually happened is that the future has been written about, but not explored in any systematic way.

Strategy emerging from such traditional planning processes has been shown to be vulnerable to rapid and unforeseen changes in the external environment, with organisations simply unprepared to deal with that change. The resulting crisis management approach indicates that while consideration of the future might be written on

paper as a step in the planning process, there is little scrutiny of the future and its potential impacts on those organisations.

Hodgson (2004) suggests that without such explorations of the future to deal with possible uncertainties, strategic planning creates a default scenario: 'a future that validates the plan and this view of the future dominates ... decision making'. This is generally a satisfactory state of affairs until discontinuities and unexpected events in the external environment undermine the plan completely. Hodgson (2004) writes that 'we have to give a new meaning to strategy' which, this paper argues, needs to start with re-conceptualising the current strategic planning model to better understand how strategy development occurs, and how the future is taken into account in that process.

Why the Future?

Organisations today exist in environments that are changing rapidly and increasing in complexity. Traditional methods of interpreting and understanding those environments work well when the world is relatively stable, since futures can be extrapolated with relative certainty. The plan built around the default scenario is the result of these processes. When the default scenario fails, however, an organisation tends to enter crisis mode and becomes reactive. Thinking more systematically about the future and planning to deal with possible changes in the environment means that an organisation will have already considered and agreed on alternative strategies, and will therefore be better prepared to adapt to change as it occurs.

As already discussed, the term 'future' often appears in definitions and planning manuals. There is, however, little commensurate discussion of how the future should be explored, or what tools or methods to use to in this process that so the output can then be used to inform the development of strategic options and choices. While describing the need to be flexible to deal with future change, there is no discussion of how that flexibility is to be developed, nor how to explore the changes the future might hold. Flexibility seems to be defined as ensuring that a plan can be re-written quickly to deal with unexpected external events. The idea that a plan could include an assessment of what such unexpected events might be, how the organisation might respond, what information the organisation needs to be able to judge when those possible events appear to becoming a reality, and

incorporating those strategies into the plan from the beginning is not part of the traditional strategic planning worldview.

Most organisational and university planning frameworks are remarkably similar. For example, the Higher Education Funding Council for England (HEFCE) produced a good practice guide to strategic planning for universities in the United Kingdom in June 2000. It describes strategic planning as: ‘the part of the strategic management process which is concerned with identifying the institution’s long term direction. It is a continuous, cyclical activity with three main phases:

- planning – research and analysing strategy and plans, generating ideas and choices,
- documentation – documenting the plans,
- implementation and monitoring – taking action to achieve the agreed goals, and monitoring progress or non-achievement in order to adapt the future strategy.’

While HEFCE writes that the focus is long-term, there are no good practice guidelines for developing that long-term, future view for an organisation. The need for ‘the open generation of ideas and choices’ is highlighted, but the planning process is no different from others in that it generates:

- a long term plan – strategic or corporate plan – which includes overall strategy and sets out the long term objectives and how these are to be achieved,
- an operating plan or statement which distils the actions required in the year ahead,
- actions necessary to effect implementation, and
- monitoring reports and information which highlight progress or the lack of it’.

HEFCE point out the need for frequent review of a university’s direction because ‘unforeseen changes in the internal and external environment are inevitable and may require the objectives to be revised’, advising institutions that ‘there is no virtue in sticking doggedly to a plan which has been overtaken by events. It is essential for all institutions to retain the flexibility to adjust as circumstances change, so that they can exploit unexpected opportunities and respond to unforeseen threats’. *That is, be prepared to change your plan if something unexpected happens, not prepare for the unexpected during your planning process.*

Another example is that of Florida International University (FIU) which has defined planning as ‘the process of identifying the desired future for the University and determining what needs to be done to achieve that future’ (FIU, 2004). Their process *appears* more futures oriented as it defines three stages: a discovery stage that defines mission, core values, vision, factors in the external and internal environments that might impact future success; an analysis stage that focuses on issues that need to be addressed to determine the desired future and the institutional goals and strategies required for that future; and an operational stage that focuses on how to resolve critical issues and achieve goals. The documentation goes on to say that:

‘The structure is designed to produce the products needed to answer the questions identified in the process. We are starting by building on the University goals, philosophies, themes and challenges identified during the **past decade**. This approach maximises our ability to collect and analyze data, generate insights concerning the **current environment** of the University, and identify issues facing the University of the 21st century ... these insights will provide the basis for decisions concerning the **future goals** of the University’. (emphasis added)

While there is a discovery phase in this planning process - which might infer a futures focus- decisions about the future of the university are being made on analysis of the past and present. The process is data driven, but the data is about the past and present, not the future. There are no future “facts” – that is, facts that can be reduced to data - so there is no data collection about the future: the authority of the past is dominant. Insights about the future derived from data about the past and present do not take into account what might happen, only what has happened, and what is happening. This “futures” gap is a fundamental flaw in current planning approaches.

Data used in planning are mainly quantitative, suggesting an assumption that, following analysis, a single interpretation is possible. The result is a desired, preferred, or default future that has not incorporated any systematic collection of qualitative data, such as staff feelings, beliefs and values about the future. Staff are generally consulted to comment on a draft plan, and have opportunities to identify data elements (for example, performance indicators, critical success measures), but are not usually involved in providing formal input in possible futures for the university. The desired future will not therefore emerge from thoughtful consideration of a range of alternative futures – the data will suggest a single future.

The planning focus is also often an internal one, which does not place the university in its broader global context, even though environmental scanning has occurred and is documented. Plans usually focus internally on the future of the university, with few plans broaching the broader social responsibility a university might have for sustainability generally, and for future generations, in any formal way.

The strong focus on the past and present to determine future strategy in current planning processes becomes tenuous when considering Wilson's premise that 'all our decisions are about the future, but all our knowledge is about the past' (Wilson, 2000). It then seems obvious that consideration of the future, as well as the past and present, is an essential part of the planning process. Slaughter (2004:183-4) suggests, however, that even when organisations do open up their processes to include futures approaches and methods, "it remains the case that corporate approaches to futures tend to be epistemologically and ideologically naïve, take, for example, a particular corporate or cultural ideology as 'given' and missing altogether the many options for critical analysis and reconceptualization upon which lasting innovations may depend'.

Recognising the need to consider the future has only really become apparent as the external environment has become more volatile and uncertain during the last quarter of the 20th century. Exploring what might happen is critical when faced with such uncertainty, and current processes which are focused around the past and present do not provide the approaches, tools or methods required to understand the future. The challenge for planners today, then, is to identify approaches, tools and methods in order to integrate an identifiable and separate futures stage into existing planning processes. This challenge is already being addressed in organisations today but, as least in universities, Slaughter's statement that "late 20th century strategic planning has given way to what is now more commonly termed strategic foresight" (Slaughter, 2004:19) is somewhat optimistic.

The Emergence of Strategic Foresight

Strategic foresight is 'the ability to create and maintain a high quality and maintain a high quality, coherent and functional forward view, and to use the insights arising in organisationally useful ways' (Slaughter, 1999:287). A shared forward view will allow an organisation to do one or more of the following: detect adverse conditions, guide policy,

shape strategy, and explore new markets, products and services. As already discussed, the traditional strategic planning model often includes words about the future in its process, but the development of strategic foresight as an integral and critical step in that process in order to develop a better understanding of the future has not yet been achieved. That is, the need to develop strategic foresight as a core organisational capacity and to build that capacity over time has not been recognised.

Just as scanning and analysing the present and past external environment are defined as separate steps in planning, so scanning and analysing the future needs to be defined as a separate step, and tools and methods to facilitate that scanning need to be identified. One way to shift strategic planning towards strategic foresight is to re-conceptualise the traditional planning model as a three level, hierarchical process:

- strategic thinking
- strategic decision making
- strategic planning

Experts on strategic management, such as Mintzberg (1994) have characterized the essential difference between strategic planning and strategic thinking. In essence, Mintzberg says, strategic planning “has always been about analysis – breaking down a goal or set of intentions into steps, formalized those steps so that they can be implemented, and articulating the anticipated consequences or results of each step”. This is clearly an activity requiring thinking which is strongly analytical, logical, deductive and pragmatic in order to ensure that things stay ‘on track’.

“Strategic thinking in contrast” he says, “is about synthesis. It involves intuition and creativity” to formulate an integrated perspective or vision of where an organisation should be heading. It is generally intuitive, experimental and disruptive (Liedtka, 1998) and attempts to go beyond what purely logical thinking can inform. Because information about potential futures is always incomplete, the thinking required for success in this activity needs to be ‘synthetical’ and inductive, rather than analytical and deductive.

Foresight in an organisational context is best conceived and positioned as an aspect of strategic thinking, which is meant to open up an expanded range of perceptions of the strategic options available, so that strategy making is potential wiser. Strategic thinking is

concerned with exploration, often based on limited and patchy information and options, not the steps needed for implementation of actions, which is the realm of strategic planning.

The interface between these two activities is strategy development or strategy making, where a particular goal or objective is usually set or a decision made. Mintzberg, Ahlstrand and Lampel (1998) discuss 10 major 'schools' of strategy and their different assumptions and approaches. The 'cognitive' school is concerned with the 'mysterious process' of the actual creation of strategy. The focus is on assessing options, examining choices, making a decision, and/or setting a destination.

Strategic thinking is therefore about exploring options, strategy development is about making decisions and setting directions, and strategic planning is about implementing actions. All three are needed and vitally necessary for successfully confronting the strategic environment.

As Wilson (2004) suggests, 'there is little to be gained from developing a plan per se. There is everything to be gained from the thinking that lies behind the plan--and the action that follows it'.

The three level framework (Voros and Conway, 2002) can be viewed as a framework for implementing strategic foresight, as shown in Figure 1. This framework includes all elements of the current planning process and integrates futures approaches at the strategic thinking stage. It is the view – and hope - of the author that ultimately, strategic planning will be seen not as an inclusive process as it is now, but as the implementation stage of strategic foresight.

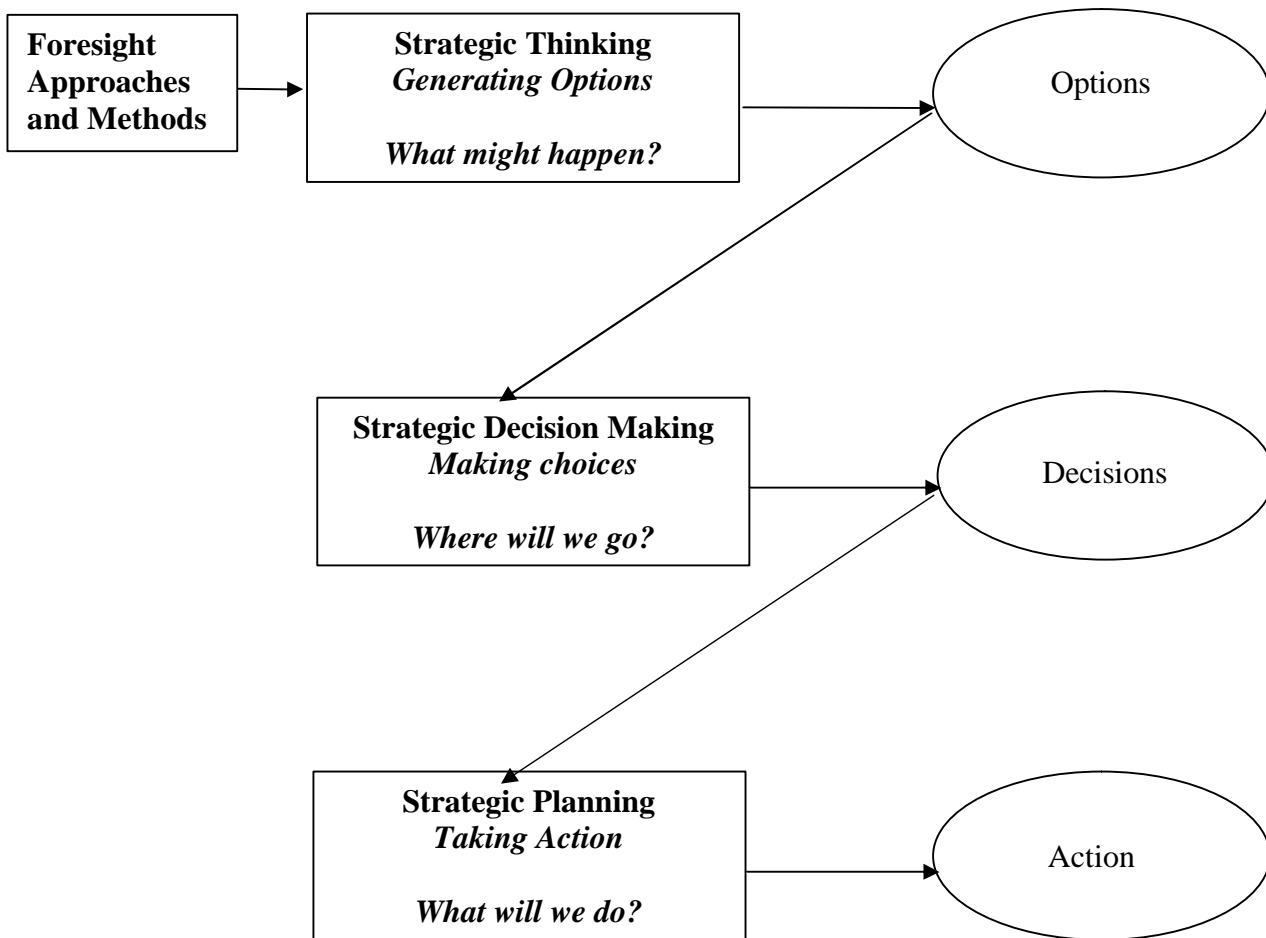


Figure 1: Three Level ‘Strategic Foresight’ Framework

This conceptualisation is one fairly simplistic interpretation of strategic foresight in organisations, but it makes clear that strategic planning does not disappear; it becomes a critical element in a broader framework that includes a step that will allow the future to be considered as an integral element in strategy formation. Strategic foresight can be positioned in an organisation as ‘an element of strategic thinking which informs strategy making, which directs strategic planning and action. Care [should be] taken to stress that it does not replace strategic planning but rather enriches the context within which strategy is developed, planned and executed’ (Conway and Voros, 2002).

So, how might a strategic foresight process be developed in an organisation? Or, more appropriately for this paper, how might strategy formation be re-conceptualised to include foresight?

Slaughter (1996) describes a five stage process for the development of social foresight which includes the development of foresight as a core competence across organisations. The five levels of development are:

Level 1: recognition of foresight as an innate human capacity: every individual has the capacity for foresight;

Level 2: immersion in foresight concepts: using foresight concepts and ideas to generate a futures discourse;

Level 3: using foresight methodologies: use of key methods to make foresight “real”;

Level 4: creating organisational niches: permanent, purpose built areas to focus foresight; and

Level 5: foresight at the social level: where long-term thinking becomes the norm.

Slaughter indicates that foresight is an innate capacity of the human brain, and that everyone holds the capacity to think about the future. Once there is this recognition, individuals can immerse themselves in futures concepts, methods and approaches, before they begin to use futures or foresight methodologies. Organisational niches need to be created to foster foresight in the organisation so that it becomes the norm internally and, finally, social foresight will be achieved when there are enough organisations in society using foresight.

Recognising that foresight is an innate human capacity of all staff in an organisation – that all staff think about the future on a daily basis - means that, in the planning context, all staff are capable of strategic thinking, not just the executive of an organisation. This is different from a traditional perspective that ‘strategic thinking is a process that takes place in the mind of the leader of an organisation’ (Sidorowicz, 2000), with the strategy taken to staff for consultation to secure ‘buy-in’, followed by documenting the strategy in plans which are implemented by staff by means of performance measures. There is an assumption here that including specific actions and measures in performance plans of staff will ensure successful implementation, which is not necessarily the case.

For organisations and staff to think about the future in their routine planning requires overt processes to be put in place that surface individual thoughts about the future, and then allow a collective consideration of those views. As Voros (2002) indicates, organisational foresight requires thinking to move from thinking within individual brains to thinking shared

among many, from implicit to explicit, from individual to collective, and from unconscious to conscious, before an organisation can begin to systematically think about its future and use subsequent insights in its strategy formation.

At this point, it is also important to recognise that all staff in organisations have their own particular worldviews, conditioned and developed over time. Unless staff are aware of these worldviews, and are open to having them challenged, moving foresight to an explicit activity in organisations is problematic. Following Snowden (2003:1), the influence of human agency in strategy development is often, despite appearances and an abundance of data, not rational:

“Humans do not make rational, logical decisions based on information input, instead they pattern match with either their own experience, or collective experience expressed as stories. It isn't even a best fit pattern match, but a first fit pattern match ... The human brain is also subject to habituation, things that we do frequently create habitual patterns which both enable rapid decision making, but also entrain behaviour in such a manner that we literally do not see things that fail to match the patterns of our expectations”.

Exploring the concept of worldview and its influence on strategic decision making is beyond the scope of this paper. The interrelationships among organisational power, personal ego and organisational rewards on such decision making can have both positive and negative impacts on foresight work, however, and cannot be underestimated.

Thinking about the future requires an understanding of futures concepts. Only when such an understanding is present can explicit futures methodologies, such as scenario planning, be introduced in an organisation. Traditional strategic planning processes are already equipped to analyse and understand the past and the present, which is essential, since such understanding provides the foundation for understanding the future. As Bell (2000) points out “the action that takes place in the present is what shapes the future” and, ‘understanding the present allows people to attain an orienting perspective to provide a basis for moving forward’. While understanding the present requires knowledge of the past, however, it must also be connected with the future:

‘There are two processes that are centrally involved in constructing the present: one is the interpretation of past experience; the other is the anticipation of possible futures. The two processes are not in opposition ... They are mutually reinforcing.’ (Slaughter, 2000).

Understanding the future requires its own set of analytical tools. Once the importance of linking past, present and future is acknowledged, organisations can use a range of tools and methods to explore their futures. This exploration can involve consideration of the level of depth at which they will operate: pragmatic, progressive or civilisational, and the type of methods they will use: input, paradigmatic, analytical or iterative (Slaughter, 1999).

Slaughter discusses in some detail the depth of futures work, and the current dominance of superficial ‘pop’ futures in much western work. Most organisations work at the pragmatic level, focusing on current issues. Choice of methodologies will depend on how effectively the organisation has engaged in a futures discourse, and which methods are most appropriate to analyse the organisation and its environments.

Further discussion in this paper of methodologies to drive implementation of strategic foresight will focus on scenario planning, but it is worth noting that a generic foresight process has been developed by Voros (2003) to provide a framework for understanding how foresight ‘fits’ into existing strategy formation and planning processes. The process is depicted in Figure 2.

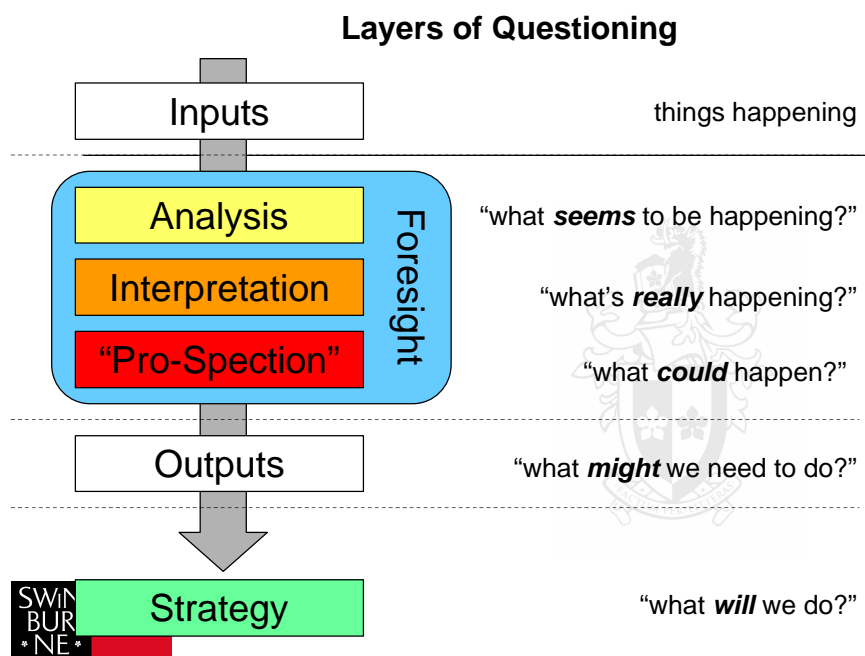


Figure 2: Generic Foresight Process

This process indicates that foresight in organisations is not all that new, and is really just a different and new term. Elements of a foresight approach are already in place and now need to be surfaced to include an overt futures view. Traditional strategic planning methods are usually focused at the analysis and interpretation stage of foresight, with the prospection stage either not included or not done in enough depth. It is adding the prospection stage and maintaining it over time that will develop and embed a strategic foresight capability in organisations. Scenario planning is one methodology that operates at the prospection stage.

Scenario Planning and Strategy Development

There is a large and growing literature on the use of scenario planning in organisations. Shell International is recognised for its pioneering work in the 1960s and 1970s, and the Global Business Network (GBN), based in California in the USA, are leading exponents of the methodology. Scenario planning, like any method, is not without its flaws and idiosyncrasies, but it represents a systematic, structured and easily grasped approach to exploring the future.

The aim of scenario planning, like any futures method, is not to predict the future, since that is impossible. Scenario planning integrates past and present information, and works with staff to interpret that information in order to explore future strategic possibilities for their organisation. The process generates scenarios, stories about potential futures, that are grounded in analysis and interpretation of information by staff, and agreement about key external drivers of change likely to be critical for the organisation.

Because scenario planning is strongly, but not exclusively, qualitative, and because individual reactions to the process will be influenced by individual worldviews, its acceptance as a valid process in developing strategy varies widely. The current focus in organisations on 'data driven decision making' creates a relatively hostile environment for the predominantly qualitative approach of scenario planning.

Scenario planning, or scenario thinking as termed by GBN, can be both qualitative or quantitative in its approach, depending on the particular organisation and the worldview of the leader and /or planner who is introducing it. Since the outcome of the initial stage of scenario planning is stories, however, those in organisations who are committed to, and

familiar with, quantitative inputs into planning processes, will find stories difficult to both accept and use to inform their thinking about potential strategies.

One of the common mistakes that undermines the efficacy of scenario planning is to finish the process with the scenarios themselves, which encourages a response along the lines of “well, that’s interesting, but so what?” or “fluffy and irrelevant”. Scenarios are only useful if they trigger a continuing conversation about the future, that starts with questions like “what if” or “if we did this, how would that roll out in one of our scenario worlds?”, or “is this robust across all scenario worlds?”. Scenarios aim not to predict the future for an organisation, but to open up the conversation that leads to decision making about which future strategies to pursue. Scenarios enrich that conversation, and challenge long held, often outdated assumptions about the organisation’s future, leading to the identification of potential options that may not previously have been visible.

Scenarios risk rejection, however, precisely because they do challenge assumptions and rely on the willingness of participants to test the relevance of their worldviews in a changing world. When an executive responds with ‘I don’t need to be told how to think about the future’, or ‘I think about the future everyday, and this process is an insult’, or ‘I’m happy with the quality of my strategic thinking’, one can be reasonably assured that the reaction is about the readiness of that person to open his or her worldview to challenge, and not the validity of the method. The point here is that the reactions of individuals to scenario planning in particular, and futures approaches in general, are valid as individual reactions. Scenarios, however, deal with the collective, not with the individual, and with the future of the organisation, not the future of the individual – even those these are all inextricably linked. Individual staff, therefore, must be willing to share their individual beliefs about the future, and to transcend their individual reactions to be able to explore organisational futures and develop a shared forward view that informs strategic decision making.

The imperative for planners introducing scenario planning, then, is to take great care in working with decision makers from the beginning to involve them in the development and implementation of the process in their organisation. The place of scenario planning and strategic foresight in the strategy development process must be clear from the beginning.

The Scenario Planning Process

Figure 3 below shows the basic, five stage, scenario planning process, as developed by the Global Business Network (GBN). This section draws on the GBN approach, as described most recently for the non-profit sector (GBN, 2004).

As indicated above, the development of the scenario stories occurs at Stage 3, so ending a scenario planning at this stage is premature, and negates the impact of the last two stages, which focus on action and implementation.

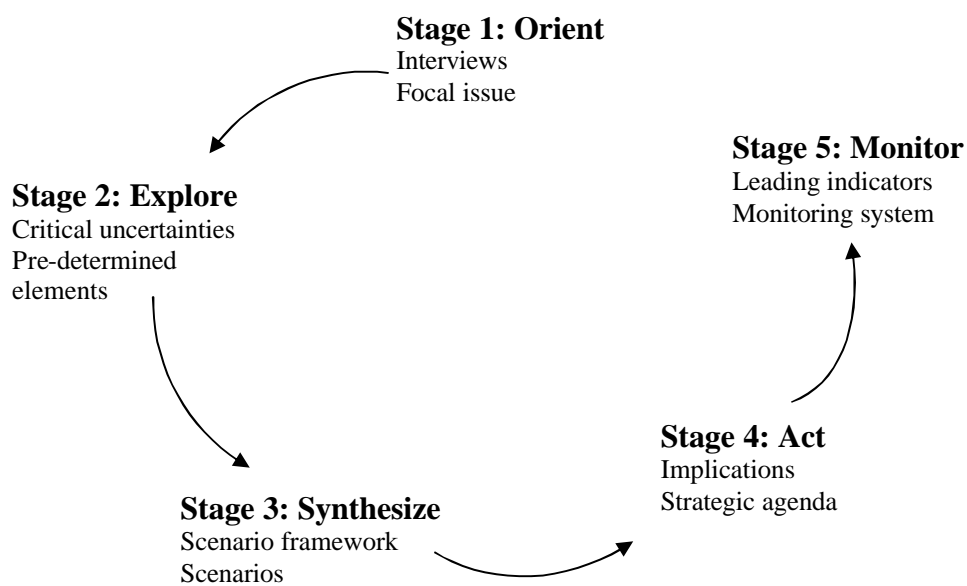


Figure 3: The Basic Scenario Planning Process
(developed by GBN, 2004)

Stage 1 begins with a series of structured interviews and discussions with key staff to find out more about challenges facing the organisation and the assumptions held by those staff about those challenges. It is often useful to include external ‘thought leaders’ at this stage to gain an outside perspective on challenges. At the end of this stage, there should be some clarity around the focus issue or question that will anchor the rest of the scenario planning process. Examples of focal issues for universities are:

Over the next 10 years, should our institution get smaller in order to get bigger?

How will student administration services be delivered in 10 years time?

How will the way undergraduate students expect to learn change over the next 20 years?

Stage 2 is about exploring drivers of change in the external environment that will affect the focal issue. Drivers of change relate to the education environment, or the external environment of any organisation, and the broader social environment, as shown in Figure 4.

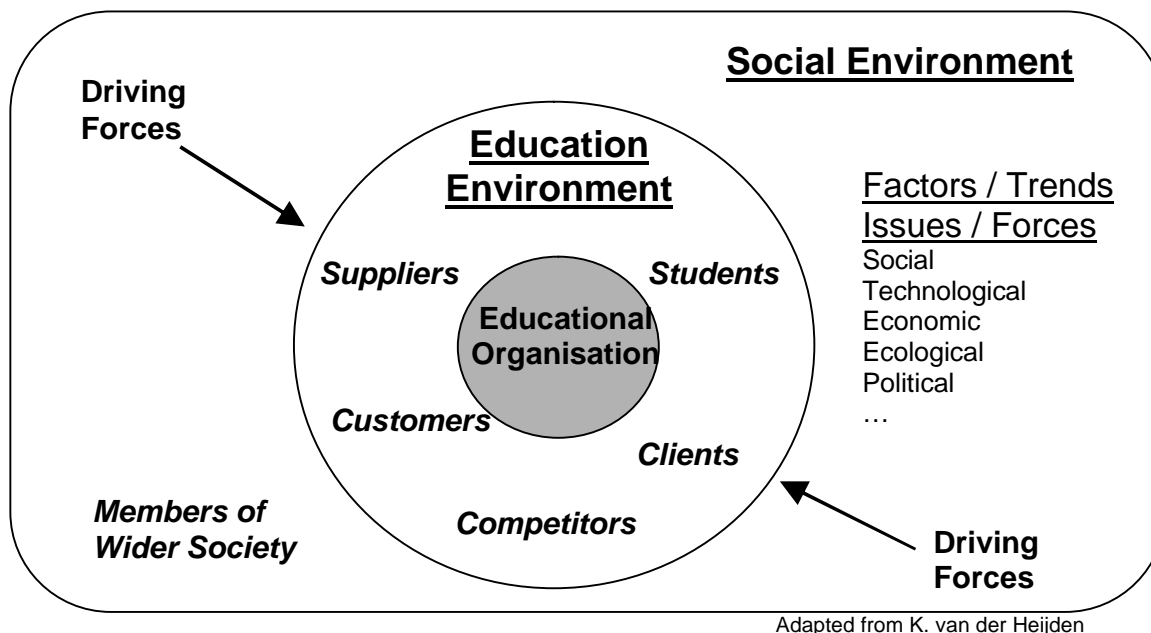


Figure 4: The Environments of an Educational Organisation

The purpose of this stage is to broaden thinking beyond the urgency and immediacy of the here and now, and to seek to identify those external forces that may have an unexpected impact on the organisation in the future. Such forces can be 'predetermined elements' in that their development and impact is relatively well understood over a given timeframe, such as predictable cuts in public spending and demographic shifts. Other driving forces are more unpredictable. These 'critical uncertainties' are likely to have a significant impact on the future of the organisation, but little will be known about their impact in the given timeframe.

Stage 3 is about synthesis and integration where the information, both qualitative and quantitative, gathered so far is used to create scenarios. Driving forces are prioritised in terms of (i) the degree of importance to the focal issue, and (ii) the degree of uncertainty surrounding the forces. The two or three key forces are the critical uncertainties that will inform the development of scenarios. This is a key point: scenarios are developed based on drivers whose future impact is uncertain, rather than drivers whose impact is known or reasonably certain, which are often already being dealt with in the here and now. The value of scenarios comes from exploring the unknown to determine its impact on the known. Stage 3 is an intensive, iterative step involving the development of a scenario

matrix, fleshing out the future worlds generated as a result, and creating narratives that describe how the focal issue would play out in each of those worlds.

Stage 4 deals with action. “The test of a good set of scenarios is not whether in the end it turns out to portray the future accurately, but whether it enables an organization to learn, adapt, and take effective action” (GBN, 2004: 30). This stage involves considering questions such as:

What if this scenario is the future?

What actions would I take today to prepare?

Are there actions I could take to create a desirable future, or to move away from a negative one?

Answers to these questions are termed ‘scenario implications’ and are used to look for implications that are present in all scenario worlds, or vary across worlds. The question to then ask is whether or not those differences highlight any strategic choices that will need to be investigated further. As the scenario worlds are explored over time, the resulting patterns and insights form the basis of discussion about the organisation’s strategic agenda – those priorities that will focus long-term action. The pre-determined elements identified during the scenario development stage can also be used to focus strategy. The outcomes of Stage 4 are the identification of implications that hold true in all scenario worlds, and the identification of predetermined elements that cannot be easily dismissed in strategy development. This stage is sometimes called ‘wind-tunnelling’ where possible strategies are developed and then tested in each scenario world.

During this stage, wildcards can be used to provide a ‘jolt’ to thinking and to generate more strategic options. A wildcard is a low probability, high impact event that would change the world – or the organisation – overnight. An example of a wildcard is “a terrorist attack on a major US city”. This wildcard was part of a ‘wildcard pack’ used in a scenario workshop at the author’s workplace on 11 September 2001. The time difference meant that participants in the workshop went home that night and watched the twin towers in New York collapse, and the world change overnight: an unfortunate but powerful example of the rationale for considering wildcards in strategy development.

Stage 5, the last phase, deals with continual monitoring of external drivers and trends to facilitate adjustments to agreed strategy. A monitoring system needs to include indicators that can be tracked to judge whether a particular scenario world is beginning to emerge, which means some of the implications begin to be more important than others, and some of the uncertainties begin to be pre-determined. Such indicators are a signal of impending significant change, and a clear sign that organisational strategy should be reviewed.

There are other scenario planning processes, and scenarios can be used in conjunction with other planning and futures tools and methods. All scenario work, however, integrates information about the external environment with the knowledge and expertise of staff. As such, it is a highly participative process and demands strong conceptual work of the staff involved in order to integrate what is often a disparate range of information, attitudes, and knowledge.

Decision Time

It is, however, not always appropriate to use scenario planning to inform strategy development. Using scenarios in an organisation which is not 'futures ready' will be an interesting process, but will result in little, if any, significant shifts in strategic thinking. All futures methodologies require participants to have open minds, and a willingness to suspend disbelief to see what emerges from discussions. Scenario planning is an approach very different from the way in which 'traditional' strategy development and planning is conducted.

The following decision tree (Figure 5), again adapted from GBN work, is a simple way to decide whether scenario planning is an appropriate tool for an organisation. It is important to note that it is probably better to not undertake a scenario planning exercise unless the answers to the questions in the decision tree are 'yes'. The risk of alienating participants from futures processes is high if they as individuals, and the organisation as a whole, are not 'futures ready'.

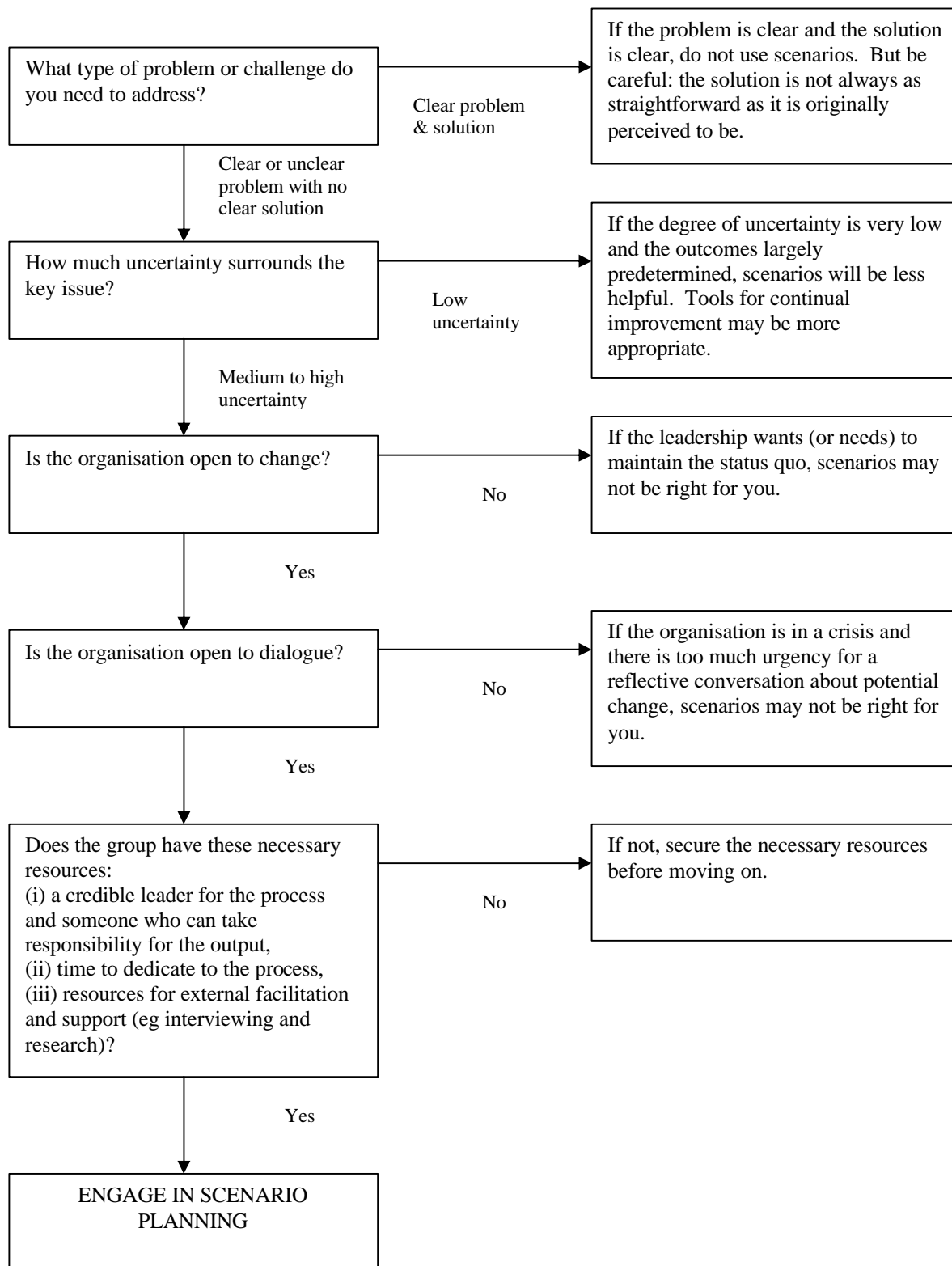


Figure 5: Decision Tree for Scenario Planning
 Adapted from GBN, 2004

Building Strategic Foresight

How then, might explicit foresight processes be merged with strategic planning to create strategic foresight, and subsequently create a process in which futures methodologies such as scenario planning are considered valid? Some suggestions derived from the literature follow.

- Initial work should be with staff in the organisation, as well as the executive managers. If all staff have the capacity to think strategically, organisations who tap into this ability by generating a futures discourse will develop, over time, a level of awareness or consciousness about how to think about the future in planning processes. Without this consciousness, any work on using futures methods and tools is likely to be less than successful.
- The organisation needs to understand its role in sustainability generally – that is, acknowledging a degree of responsibility for the planet and for future generations. (See Slaughter, 2000; Tough, 2000).
- Developing an understanding of the realm in which the organisation's strategy will be developed: pragmatic, progressive or civilisational is an important step. Is the organisation going to make an attempt to contribute to the civilisational challenge, or will it be pragmatic? Realistically, most planning will occur in the pragmatic area but, over time, an organisation could set its vision on a broader, more global agenda.
- The organisation will need to focus its foresight work – is it about helping the organisation develop its preferred future and documenting that in a plan, or is it about considering all potential futures, whether possible, plausible or probable.
- The use of a range of methodologies, both quantitative and qualitative, over time is also important. As the organisation becomes “futures aware”, more complex and challenging methodologies can be used. Starting with scenario planning, for example, can be valuable as long as it is not the only methodology ever used. All methods have flaws, and a range of methods will help ensure outputs are well-founded.

- Incorporating a more humanistic approach into planning will strengthen output as well. The “human factor” is critical for implementation, both in terms of ensuring success and being able to obstruct implementation. Building in roles of staff at the strategy formation stage as well as implementation may well help to improve chances of successful implementation.

Hines (2002:339) points out that evidence suggests that ‘using futures thinking and tools improves our decision-making and our lives, on a personal, organization, and community/social and global level’, but that changing an entire organisation and building the future into strategy formation, requires ‘an enlightened CEO and upper management that sees the need for this thinking. This, unfortunately, remains the small minority of situations’ (Hines, 2002:340). This remains a significant challenge for planners wishing to integrate a futures approach in their processes. As Hines suggests, the past is known and familiar, the present is about dealing with current problems and issues, while the future is unknown and unknowable.

Concluding Comments

This paper has discussed the need to re-conceptualise the traditional strategic planning model as strategic foresight in order to identify strategic thinking both as a separate realm of activity and as the organisational ‘home’ of foresight. Integrating futures approaches into planning means that a foresight capacity can develop over time, so that organisations can use strategic foresight rather than strategic planning to develop strategy. It then discussed a particular futures methodology -the scenario planning process - and its use in organisations.

Making better and wiser decisions about future directions and strategy today is a fundamental aim of strategic foresight. Increasing the depth of knowledge available to underpin decision making about strategy options by analysing a combination of past, present and future information can only strengthen the foundation upon which an organisation’s strategy is built. The evidence suggests that those organisations that embrace foresight will have successful strategy, while hindsight will indicate that a lack of strategic foresight was a major contributor to organisational failure.

Slaughter (1999:300) provides the final statement of a rationale for strategic foresight in organisations:

‘The near term future can be clearly understood by developing the right capacities, asking the right questions and nurturing the right people. The careful use of such resources provides organisational access to an evolving structural overview of the next couple of decades ... Organisations that participate effectively in this process will find a range of valuable outcomes: they will seldom be overtaken by change, they will not succumb to crisis management, they will find it easy to avoid problems and seize opportunities, they will develop long term vision and a kind of forward looking prescience ... strategic foresight can supply a coherent forward view that will be a cornerstone of organisational success in the 21st century’.

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