

SCENARIOS

Without uncertainty

Possibility cannot exist

For certain

Possibly

Scenario planning is a critical technique used by futurists and organisations as part of the strategic planning process.¹

Strategy involves developing an action plan to achieve significant aims. By definition our aims exist in the future, as they define coordinates which differ from where we are located in the present.

While our aims may be certain and unchanging, the same cannot be said of the context they exist in. The complexity of the operating environment and the wider world means that it is impossible to know for certain what the environment will be like when we reach our aims.

Which means a multitude of scenarios are possible.

Given the almost infinite range of factors that can vary between setting and reaching our aims – from our customers' needs to our competitors' actions, our personal circumstances to society's priorities – the exponential combination of these almost infinite factors means it is beyond impractical to invest the time researching and planning for all possible scenarios.

As a result many organisations fail to consider or plan for even a limited range of possible scenarios.² Meaning their strategic plan also has a high risk of failure, given that the one certainty is that the future operating environment will differ from the present.

Scenario planning provides a structured framework for reducing this overwhelming complexity of possibilities into a defined range of options, designed to increase the resilience of the resulting strategy. Giving structure and clarity to the unknown by defining possible to preferable scenarios, informing the capabilities and strategies required.

Possible Scenarios

The future can be thought of like a cone.³ With the present being the tip of the cone. A single point of reality. Complete certainty.

At the other extreme of the cone are possible futures. Forming the base of the cone. Ideas and scenarios that we do not necessarily think will be likely but can see might conceivably be possible.

As the cone of the future extends infinitely even further forward in time, rather than being the base of the cone, possible scenarios can also be thought of as a slice through the cone.

Beyond this are preposterous scenarios – impossibly possible futures. Too preposterously unlikely to be able to convince others or ourselves to invest time in contemplating. Which if you do manage to, this then automatically recategorises them as being admittedly possible rather than preposterous.

Plausible Scenarios

Exploring a diverse range of possible futures will identify futures that are considered plausible. Where the description of what might happen not only sounds possible but also seems plausible. This means while not infinite in number, there are still an exponentially large range of plausible futures you could consider. Far too many to fully explore or methodically consider.

So how many should you consider and looking how far ahead?

The determinant is based on how our minds and team dynamics work. Given that it is a stretch to focus on or juggle more than three things at once,⁴ I advise extending the boundaries slightly further (given we are narrowing down from infinity) to a consideration set of four plausible scenarios.

Sets of four map well to our default view of the world, from the shapes of our rooms and windows to the shape of our screens and presentations. This aspect ratio also matches to how we navigate through space, with the compass-like aspect of a quadrant allowing you to map the relationship of the scenarios on vertical and horizontal axes.

These axes depend on what you think are probable.

Probable Scenarios

If you have ever had to produce a business plan you know how much time and effort is involved in successfully producing a single agreed coherent plan.

Yet the discipline of scenario planning suggests that you should be planning for multiple possible scenarios. Realistically these are unlikely to be created and then referred to, unless those involved feel that the scenarios being planned for are probable.

All organisations face complex challenges that can be foreseen no matter how unlikely they might seem. From pandemics to data theft, we know the seemingly unthinkable can happen.

Mapping possible scenarios on probability axes can help you structure your thinking and the resulting strategies. Given you are reducing an almost infinite range of complex dynamics down to just two, there are no right or wrong choices or best set of axes to use.

*Strategy in Action***SCENARIO PLANNING**

When quadrant mapping a set of four probable scenarios, the axes to use depend on the nature of your organisation and the environment you are planning in.

If your organisation's strategic priority is to take a macro view of planetary and societal shifts, your axes might map the dynamics of individualism vs collectivism and evolution vs revolution. Then each quadrant maps an alternatively probable scenario – from sustainable local economies to technological global disruption.

Or if developing a strategic plan for a specific team or business unit, your scenario planning axes might map two critical dynamics in your market. One dimension might be potentially shifting customer values – from cost-driven to environment-led. While another dimension might be evolving industry dynamics – from digital fragmentation to platform consolidation.

The aim is not to determine which scenario is correct or to ensure you arrive at a set of four equally probable scenarios.

In fact it is not even about the scenarios.

It is about the breadth of thinking and conversation that scenario planning creates and the resulting strategic strength.

The dimensionality of the axes and resulting quadrants expand the breadth of your thinking. Avoiding groupthink by forcing everyone to elevate their thinking to a bigger picture view, above the trees to gain a wider view of the wood – and beyond.

Preferable Scenarios

Dependent on the objectives of the scenario planning, I often advise working with a ten-year time horizon:

- Far enough ahead into the future, to provide scope for common three-to-five-year strategic horizons.
- Close enough to the present, that it is not inconceivable to imagine what life might be like then.
- Short enough out, that as a point of reference we can reflect back on what has changed over the past decade and then project those shifts further forward.

Ultimately the aim is to arrive at a preferable scenario – which reflects your future vision for the organisation. Describing what the organisation and your customers' lives might look like when you successfully reach your strategic goals.

While also knowing that life does not always work out the way we want. So the probable scenarios enable the organisation and your strategy to adapt through changing conditions.

Redefining what is possible.

Shaping what is preferable.

CHAPTER SUMMARY

- Scenario planning provides a framework for exploring the future.
- Possible scenarios explore futures that potentially might happen.
- Plausible scenarios describe futures that could conceivably occur.
- Probable scenarios identify futures that seem relatively realistic.
- Preferable scenarios reflect your future vision with goals reached.