



Scenario Planning that Leads To Success



Scenario planning isn't the same issue as strategic planning; basic strategic planning tends to address the accidents of the day, such as the decision to reduce inventory because of a downturn in the economy. Scenario planning looks at what's going to happen tomorrow. It's focused on understanding what the future will look like, so that CEOs can build their organisations accordingly.

With scenario planning, I encourage business leaders to imagine not just one, but a variety of future possibilities. When I meet with CEOs and other senior executives, I share with them, "Take your imagination out of the corral and let it fly!"

Scenario planning is an outstanding learning tool - a way to learn about the future through a deeper understanding of the major driving forces affecting all of us today. In a group setting, executives engaged in scenario planning exchange knowledge and ideas, constructing a selection of "future stories" that expand their understanding of the current business environment and broaden their perception of future events.

"Driving forces," the most significant trends likely to affect the larger world generally represent four categories:

- Society - Demographics, lifestyle changes, etc.
- Economics - Industry changes, competitive forces, changes in workforce, etc.
- Politics - Electoral, legislative, regulatory
- Technology - Innovations, etc.

Written by Colin Thompson, iCEO # 49200

Contact us!

Phone: **+44 207 193 0187**

Email: **ceo@ceo-worldwide.com**

Website: **www.ceo-worldwide.com**

Within this overall grouping are predetermined elements (large-scale forces that are relatively stable and predictable, such as population demographics) and critical uncertainties (forces that we can't predict, such as natural disasters, shifts in consumer tastes, new products devised by the competition, and so on).

The goal in scenario planning isn't to create one specific future. Instead, by drawing attention to key drivers and exploring how they push the future in different directions, planners create an array of possible 'futures' - resulting in the ability to make crucial decisions today

Scenario Planning: The Process

The basic approach in scenario planning is two-fold:

- Know your core competencies. The starting point for any future thinking is knowing your strengths as they exist right now. Know as well your organisation's strategic advantage in the marketplace.
- Identify forces and trends. Has your company taken the time to seriously pinpoint forces that affect your financial performance - now and in years to come?

In some industries, the driving forces are obvious for example, the dominant influence of political and environmental sentiments on the forest industry. In the coming years, what if the environmental lobby becomes stronger or, conversely, less influential?

I strongly urge participants to think out-of-the-box. A key to this approach is giving people a fundamental change to think about. "A good example is the Internet, which facilitates communication to and from any locality in the world," "Now we don't need central meeting spaces any longer. How is your business different when all your customers and suppliers, as well as your competition, is in the same room and can talk to each other at the same time?"

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Other guidelines to constructing scenarios:

- Look for patterns - As you devise different versions of the future, look for common threads and/or underlying similarities.
- Tell a story -- Convert apparently random scenarios into plausible, coherent stories.
- Imagine, don't predict - Don't confuse scenarios with predictions.
- Test the impact -What are the consequences for your company of each different scenario?
- Break free of stereotypes - Use scenario planning to challenge inbred or conventional assumptions.

Also I suggest defining a timeframe for each scenario. Some events may occur in 20 years, some in two. But you cannot work with indefinite, open-ended scenarios. (Creativity without any boundaries is chaos.).

The next step is determining how many scenarios to develop - one, three or five. Five is the ideal number, although the disadvantage is that this is expensive, complex and time-consuming. A smaller, agile company should pick three and get going.

Who should participate in these planning sessions? The approach is carefully selecting individuals who bring different assets to the process. This might include:

- People with a comprehensive knowledge of the company and its competitive environment
- Men and women with varied roles inside the organisation, particularly upper management
- Department managers, especially those involved in research and development

People of different ages

Suppliers, strategic partners and major customers.

I suggest to clients that they include new company employees as part of the

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CEO Worldwide Ltd - 9 Queen's Yard - White Post Lane, London E9 5EN, ENGLAND

scenario-planning group, regardless of the positions they've been employed for. Usually they can be trusted to come up with provocative new ideas.

Also, I advocate expanding the make-up of the team to include outside consultants and, when appropriate, industry specialists. These individuals provide a valuable objective view and don't come burdened with the "baggage" of being employed by the organisation.

What emerges, is a range of choices that identify potential threats and opportunities - many of, which might otherwise go unnoticed by company management, focused obsessively on the organisation's present-day situation.

Benefits of Scenario Planning

The goal of scenario planning is opening up the mind to hitherto unimaginable possibilities, while at the same time prompting business leaders to question their own basic assumptions about how the world really works.

As a result of imagining different scenarios, the organisation can more readily recognise warning signs as they unfold. By rehearsing different versions of the future, business leaders are better prepared to handle new situations as they arise. They've already examined options for actions that offer effective strategies for the future.

Other benefits of scenario planning:

- Inspires a sense of urgency about the future
- Promotes proactive leadership initiatives
- Offers a forum for CEOs and senior management to communicate their vision to different stakeholders.

By postulating different views of where your business is headed, you gain a sharper sense of the environment you're working in now; it's a great way to avoid being overly conservative in your thinking. You don't want to limit your organisation's potential in today's competitive marketplace.

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Through scenario planning, a business can take these pro-active steps:

- Identify internal and external factors currently affecting organisational performance.
- Draw company employees into a shared vision of the future.
- Devise contingency plans to respond appropriately to external changes.
- Challenge long-held internal beliefs.
- Incorporate the effects of change into long-range planning.

As a result of scenario planning, people within the company generally feel more confident about the future, There's less fear about what lies on the horizon. Instead, employees feel more empowered and flexible as events unfold around them.

Telling Stories

An essential component to looking ahead is the ability to "tell a story," A good story is plausible and consistent; it also serves to challenge the business leader's current assumptions about the marketplace.

You can plan a scenario for any part of your business, from processes and systems to customers and the competition. In each case, the story should be designed to offer answers to certain 'What if?' questions.

An effective "future story" also offers these advantages:

- By highlighting future warning signs (i.e., a competitor's technological innovation or a sudden drop in the stock market), a business can avoid surprises and be better prepared to adapt and act effectively.
- New strategies derived from future stories have the potential to create distinct competitive advantages.
- Generate ongoing high-level discussions about the future.
- I suggest starting with a frighteningly basic question: How would you plan for the five-year failure of your organisation?

Ask people in the company how they might go about destroying the business, Employees won't believe you're serious, so they won't think they actually have to do any of the things they propose. As a result, they won't limit themselves, and

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will give you their best ideas. After all, in their minds, the exercise is just fun. They will suggest all kinds of possibilities and that's exactly what you want!

In this manner, the CEO and senior management can learn what employees think is working and what isn't working in the business - and what the company is doing right now in both categories.

What makes scenario planning such an effective tool is that it tells many compelling stories. This is a way to gauge current reality and a way for people to find meaning in the daily tasks they perform for your organisation.

What the Future Might Look Like

Thinking about the future means asking yourself some tough questions. But the value lies in anticipating change before it happens - rather than mindlessly reacting to whatever comes at you next.

CEOs should look at the amount of time their senior executives spend examining current and future trends in their industry, as opposed to worrying about this year's budget shortfalls or allocations. Do they, in fact, think at all about what the marketplace will look like five or ten years from now? If so, are they working together on a coherent, shared vision of that future?

A forward-looking organisation must devote resources to projecting new core competencies, new product development, new industry alliances and so on, This isn't the same as restructuring and reengineering. This is consciously and deliberately exploring the outermost boundaries of what may lie ahead.

Toward that end, I suggest asking questions like:

- Who will our customers be five years from now?
- What channels will we use to reach these customers?
- Are our short-term priorities aligned with our long-range goals?
- What will constitute our competitive advantage?
- What will make us unique?
- Are we aware of new competitive threats on the horizon?
- Does senior staff have a commitment to altering the business model as

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changing times demand?

- Is our change mandate driven by our competitors' actions or by our own unique vision of the future?

The answers to these questions will tell you a lot about who you are today. It will also give you a better sense of the type of resources you'll need to commit to imagining your organisation's future.



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About the Author Colin Thompson

Colin Thompson is a former Colin is a former successful Managing Director of Transactional/Print Manufacturing Plants, Document Management/Workflow Solutions companies and other organisations, former Group Chairman of the Academy for Chief Executives, Non-Executive Director, Mentor – RFU Leadership Academy, Mentor - Coventry University, Mentor - The Chartered Institute of Personnel and Development, helping companies raise their `bottom-line` and `increase cash flow`. Plus, helping individuals to be successful in business and life in general.

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CEO Worldwide Expert File

Author of several publications, research reports, guides, business and educational models on CD-ROM/Software/PDF and over 1000 articles published on business and educational subjects worldwide. Plus, International Speaker/Visiting University Professor.

www.cavendish-mr.org.uk

www.colinthompson.org.uk

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