



Scenario Planning Techniques

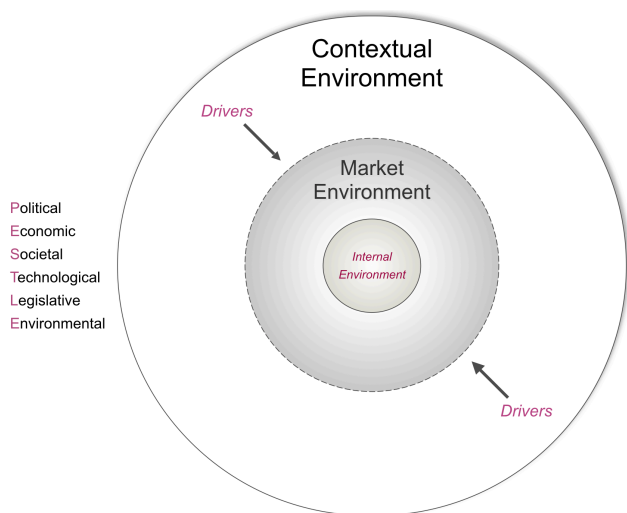
Part 1: Driver analysis

Driver analysis is used to identify the external **P**olitical, **E**conomic, **S**ocietal, **T**echnological, **L**egislative and **E**nvironmental drivers (PESTLE) that are shaping the future business environment.

Purpose

Organisations need to think about three different environments. Two of these - the internal environment and the market environment – are where most day to day business decisions are made. The third, the contextual environment, defines everything outside the business's current interests.

There is plenty going on in the contextual environment, but it generally isn't that important for the organisation in the short to medium term. In the longer term, however, some drivers in this environment will result in change in the market environment and create new opportunities or new threats for the business. These are the drivers which are most likely to form developments in the third horizon.



Looking to these drivers helps organisations identify signals, anticipate change and rehearse the decisions they might need to take to adjust strategic direction.

Process

Driver analysis is a three step workshop process: STEEP

1. Brainstorm what the drivers are
2. Map the drivers
3. Use the map for further analysis

Brainstorm the drivers

20 minutes

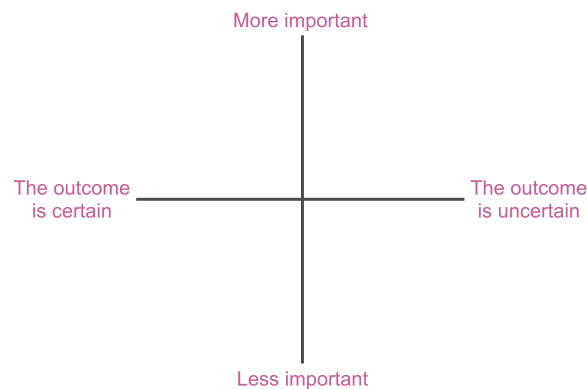
1. Invite participants to work in small groups (say 4-6)
2. Introduce PESTLE and ask the group to discuss the external forces that are driving change
3. Brainstorm drivers onto post-it notes; one trend per post-it. Ask participants to put everything down – quantity is better than quality at this stage



Map the drivers

20 minutes

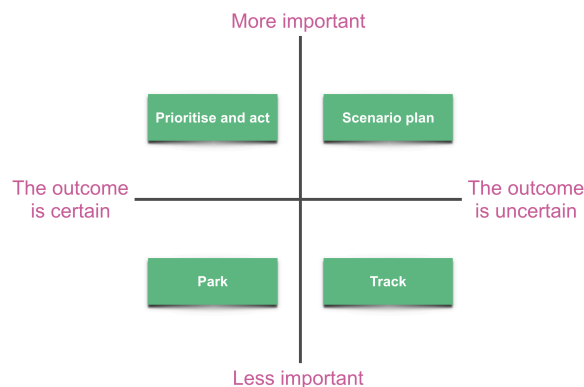
Invite the group to map the drivers on the following matrix according to their importance to the organisation (or its areas of strategic interest) and how certain the outcome of the driver is:



Use the drivers map for further analysis

As required

Each of the four quadrants provides a different way to think about drivers:



Drivers in the top left quadrant - **prioritise and act** - are predetermined elements, drivers which have a high impact on the organisation and a certain outcome. Discussion of these should relate to what that outcome is, when and how it will impact on the organisation and how the organisation should respond.

Drivers in the top right quadrant - **scenario plan** - are strategic uncertainties, drivers which have a high impact on the business but an uncertain outcome. They are used to develop scenarios and to stimulate discussion about possible future impacts on the contextual environment and how the organisation might need to adapt its plans to respond.

Drivers in the **track** quadrant are ones which seem less important at the moment but which are worth keeping an eye on – they might have a high impact on the business in the future.

Drivers that have a certain outcome but low impact can be **parked** – that is, they are not relevant or important for the future.



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Part 2: Creating the axes of uncertainty

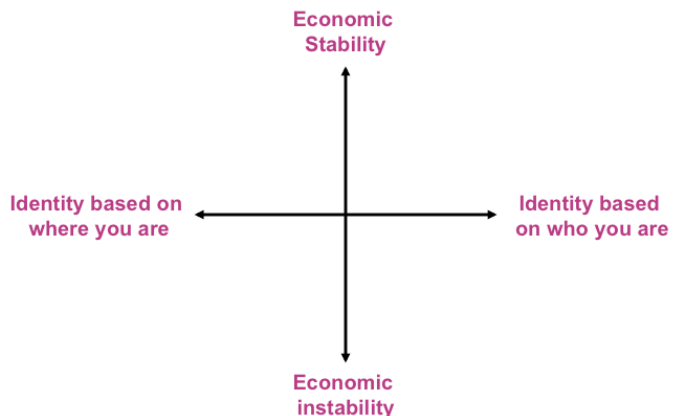
Overview

The scenario matrix is a 2x2 that is based on the most important - the critical - strategic uncertainties that define the future and that provides the logic framework for creating the scenario narratives.

Participants select a number of critical uncertainties from the driver analysis exercise and refine them by describing the nature of the uncertainty and how it might play out in the future.

Participants then prioritise the refined uncertainties – now called *axes of uncertainty* – according to which are most important for the business and which offer the most relevant strategic insight. Following discussion and negotiation, participants select two axes to create the scenario matrix.

The outcome of the exercise is the scenario matrix but the process of agreeing it is equally important since it allows participants to examine drivers of change in more detail and to explore individual and shared perceptions about how the future might develop.



Process

The process has four steps:

1. Identify the main axes of uncertainty
2. Create a shortlist
3. Describe the dynamics of uncertainty
4. Agree the matrix

Identify the main axes of uncertainty

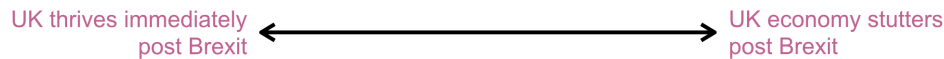
30 – 40 minutes

Participants create axes of uncertainty by selecting a range of critical uncertainties from the driver analysis and describing the nature of the uncertainty and how it might play out in the future.

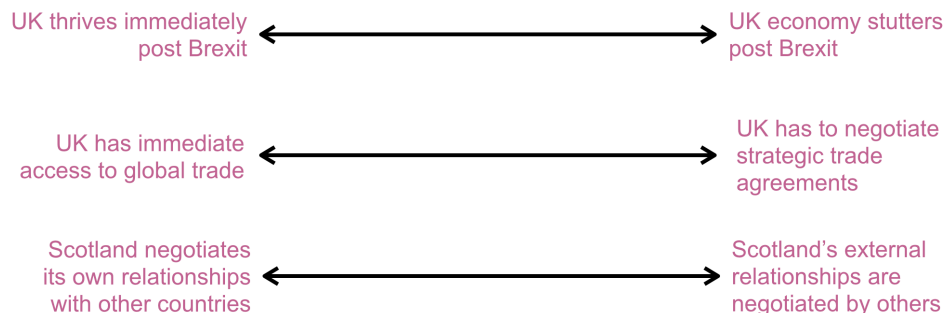
The optimum number of axes to develop at this stage is 10-12 but can be varied according to the number of participants. A good approach is to divide participants into (say) 6 groups and ask each group to identify 2 axes. There may be some overlap of ideas.



Axes are identified by describing alternative outcomes for how the critical uncertainty might play out. For example, a driver entitled **Brexit** might relate to uncertainty over whether the UK will thrive immediately post Brexit or whether it will take some time to find its feet:



Participants should explore different interpretations and outcomes for each driver and choose the one that best describes the nature of the uncertainty:



Ideally, participants should try to avoid describing 'good' outcomes and 'bad' outcomes. This is not always straightforward.

Create a shortlist

20 minutes

Once each group has identified its axes, they should share them in plenary and all participants should vote on four to shortlist for the scenario matrix.

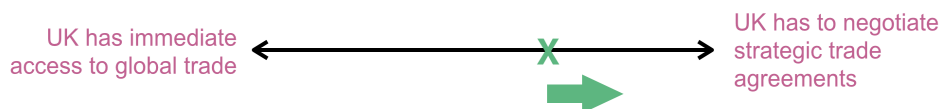
Describe the dynamics of uncertainty

20-30 minutes

This stage can be left out if the group is short of time.

Participants work in groups and review the four shortlisted axes to explore and describe the dynamics of uncertainty. This involves agreeing

- where the world sits now relative to the two ends of the axis (marked with a cross)
- what forces are acting on it and the current direction of travel (marked with an arrow)



Participants then share and discuss the results in plenary.

Agree the matrix

20-30 minutes

The group agree through conversation and negotiation which two axes of uncertainty will create the most interesting or valuable scenario matrix. It may help the decision to draw up a couple of alternative matrices and briefly explore what the scenarios will look like.

The only rule for choosing the matrix is that the axes must not be similar to each other or different versions of the same uncertainty.



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Part 3: Writing scenarios

Overview

The purpose of the **scenario process** is to identify important strategic uncertainties surrounding the business and to gather different thoughts and perspectives on their causes and possible outcomes. The **scenario narratives** are stories that explore what these outcomes might be and what they might mean for the business and the strategic decisions it might face.

Scenario narratives developed in a workshop setting are necessarily brief but, with the right trigger questions, stimulate discussion that provides significant insights into the alternative futures and the distinct challenges and opportunities each presents.

There is plenty of scope for creative approaches to writing scenarios, both in the workshop and beyond. The approach set out here is effective but not prescriptive.

In general, the scenarios should be set a reasonable distance into the future (say 10-15 years).

Approach

The approach has four steps

1. Describe the contextual environment
2. Describe the market environment
3. Create a timeline of events
4. Name the scenario

Generally, workshop participants break into four groups and each group develops one scenario. Ideally, each group is given a worksheet to develop their responses to the questions.

Describe the contextual environment

Groups describe four broad aspects of the contextual environment. This needs to be customised to the group and the axes in play, but might (thinking about the future of the UK, for example) be structured along the following lines:

1. Describe the global economic environment in the future
 - What are the main economic drivers in play?
 - Is the global economy growing or flat?
 - Where is the main economic power in the world?
 - How open is the global economy?



2. Environmental issues

- Is energy widely available?
- Are food and water widely available?
- What is the impact of climate change?
- Do societies care about low carbon living?
- What are the consequences for lifestyles and consumption?

3. Trade conditions

- Where are the strong markets?
- Where are the main economic and trade alliances?
- How has technology changed production?
- What creates value for business?

4. Business competitiveness

- What drives business competitiveness?
- How do successful businesses compete?
- What role does technology play in consumer choice
- How do businesses keep consumer loyalty?

Describe your market environment

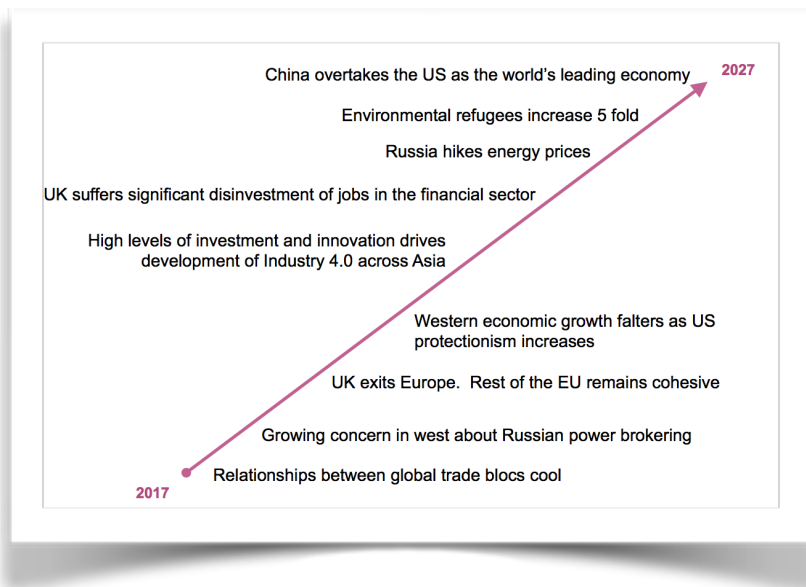
Groups consider the characteristics of the market environment in the scenario and explore opportunities and threats for their organisation. This might be a business, a university or a third sector organisation.

1. What are the UK's strengths? What are its weaknesses?
2. What kind of [organisations] are creating value? Are they innovative? Where does investment come from?
3. What kind of society does the UK have? Is it caring? Is there a sense of community or are its citizens mainly concerned for themselves?
4. What do people aspire to? How do they achieve it?
5. What are the strategic opportunities for [your organisation] in the scenario?
6. What are the strategic threats to [your organisation] in the scenario?
7. Overall, is [your organisation] winning or losing?
8. What do you need to do to sustain your long term success?



Create a timeline of events

Scenarios are often stronger if they describe a timeline of events that lead to the future rather than only describe the scenario 'endstate'. Constructing timelines is a good way to build the dynamic of the narrative and participants should identify 8 - 10 key events that need to happen for the scenario to unfold:



Timelines are also a good way to present a scenario set.

Naming scenarios

Each scenario should have a descriptive name. It should be compelling, memorable and provide a sense of the storyline.

