

The background is a solid blue gradient. At the top, there are several wavy, horizontal lines in shades of light blue and cyan, creating a sense of movement or a horizon line.

Scenario Planning

An Overview



Scenario Planning

**Scenario Planning is NOT about Predicting or Forecasting
what will happen in the Future**

**It's about Being Prepared for whatever happens in the
Future**



Scenario Planning History

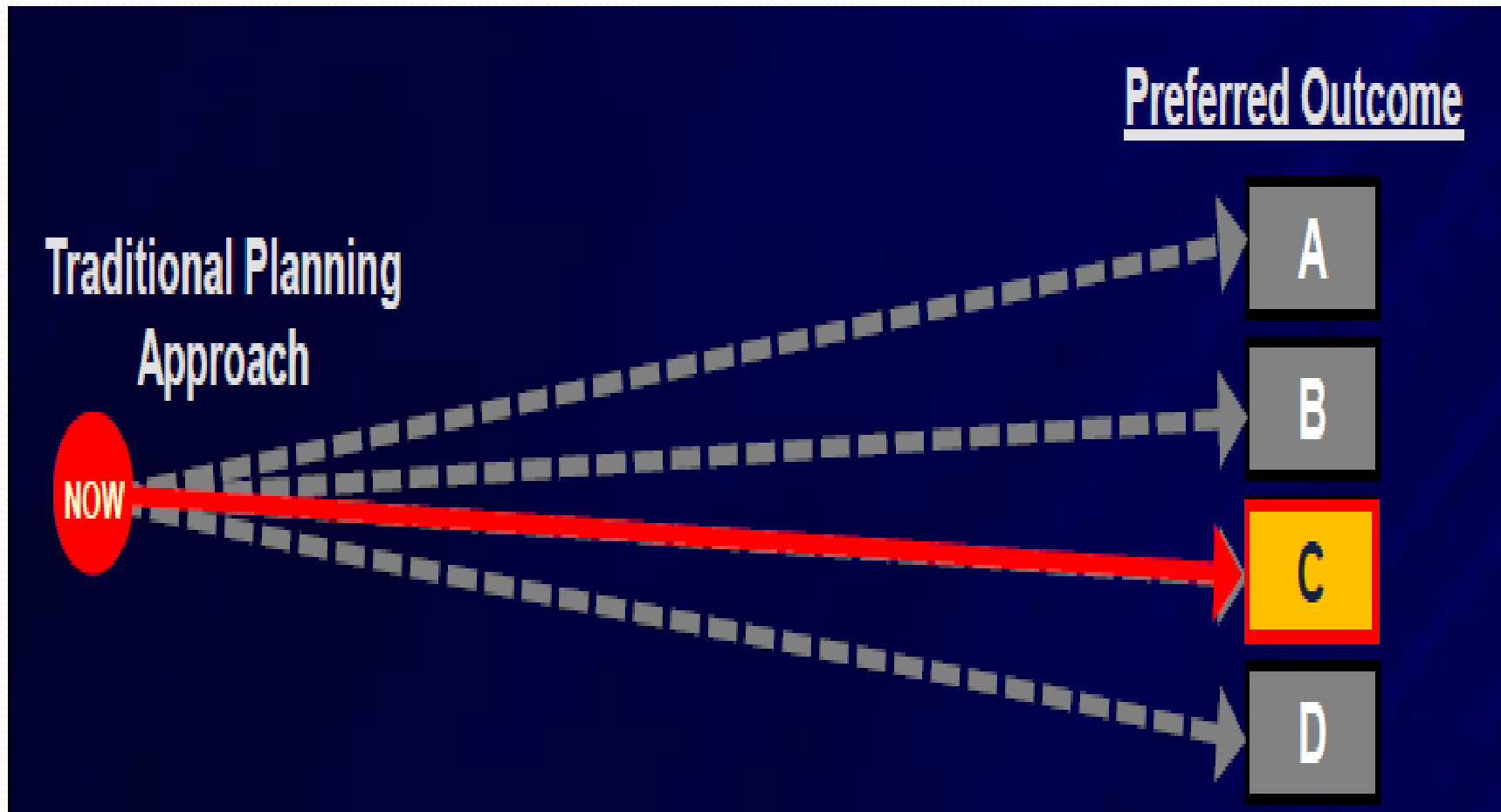
- Used by the Military since the 1940's to analyze military operations in conflict
- Shell Oil (Royal Dutch/Shell) in the 1970's
 - Abandoned traditional forecasting methods (narrow view of the future)
 - Developed plausible scenarios of future oil supply and pricing
 - Greatly improved its competitive position in the industry during the oil crisis that occurred in late 1973
- In the last 40 years has become a popular strategy for many of the top world organizations



Traditional Planning

- Limited perspective – “viewing with blinders”
- Often assumes the future will look much like a continuation of past trends – projects “more of the same”
- Forecasts a single, most likely outcome
- Examples of past assumptions:
 - Arizona’s average growth rate over the past several years will be a good approximation of future growth rates
 - The Colorado River has produced an average of 15 maf for the last 100 years – so it will always produce that volume

Traditional Approach

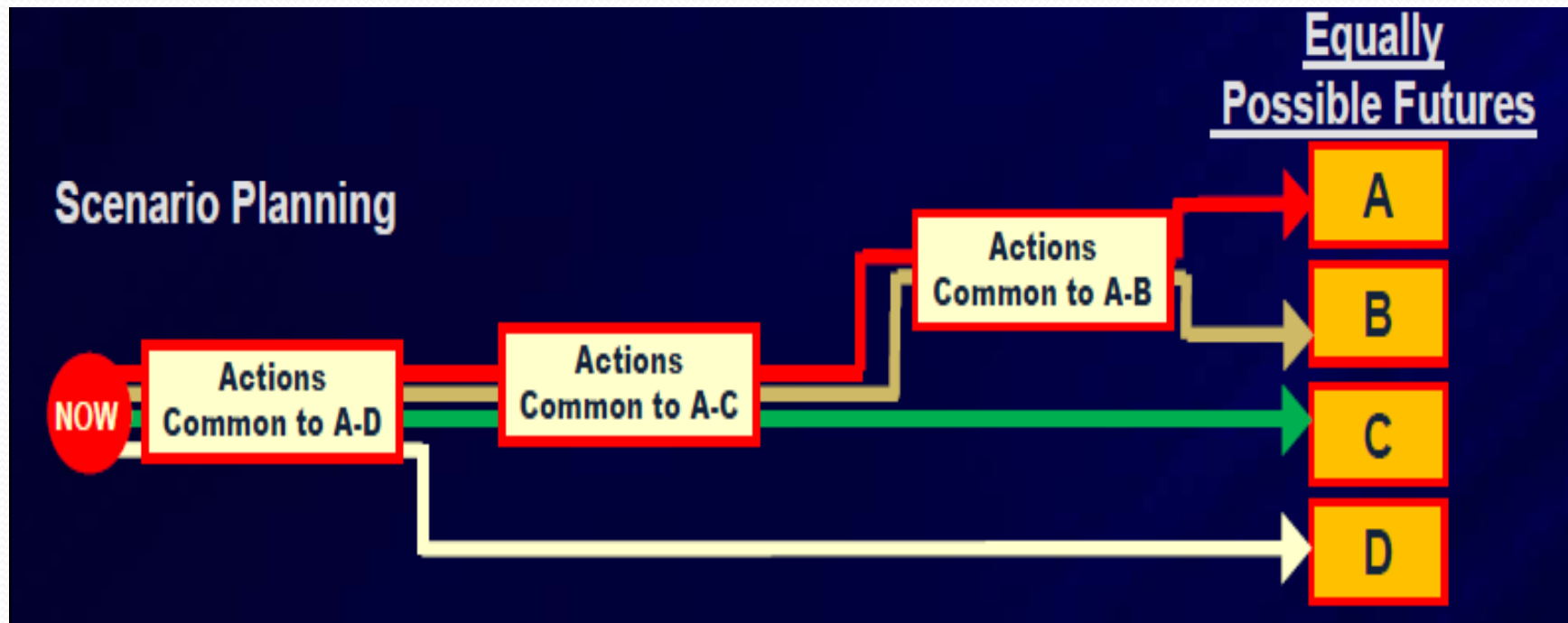




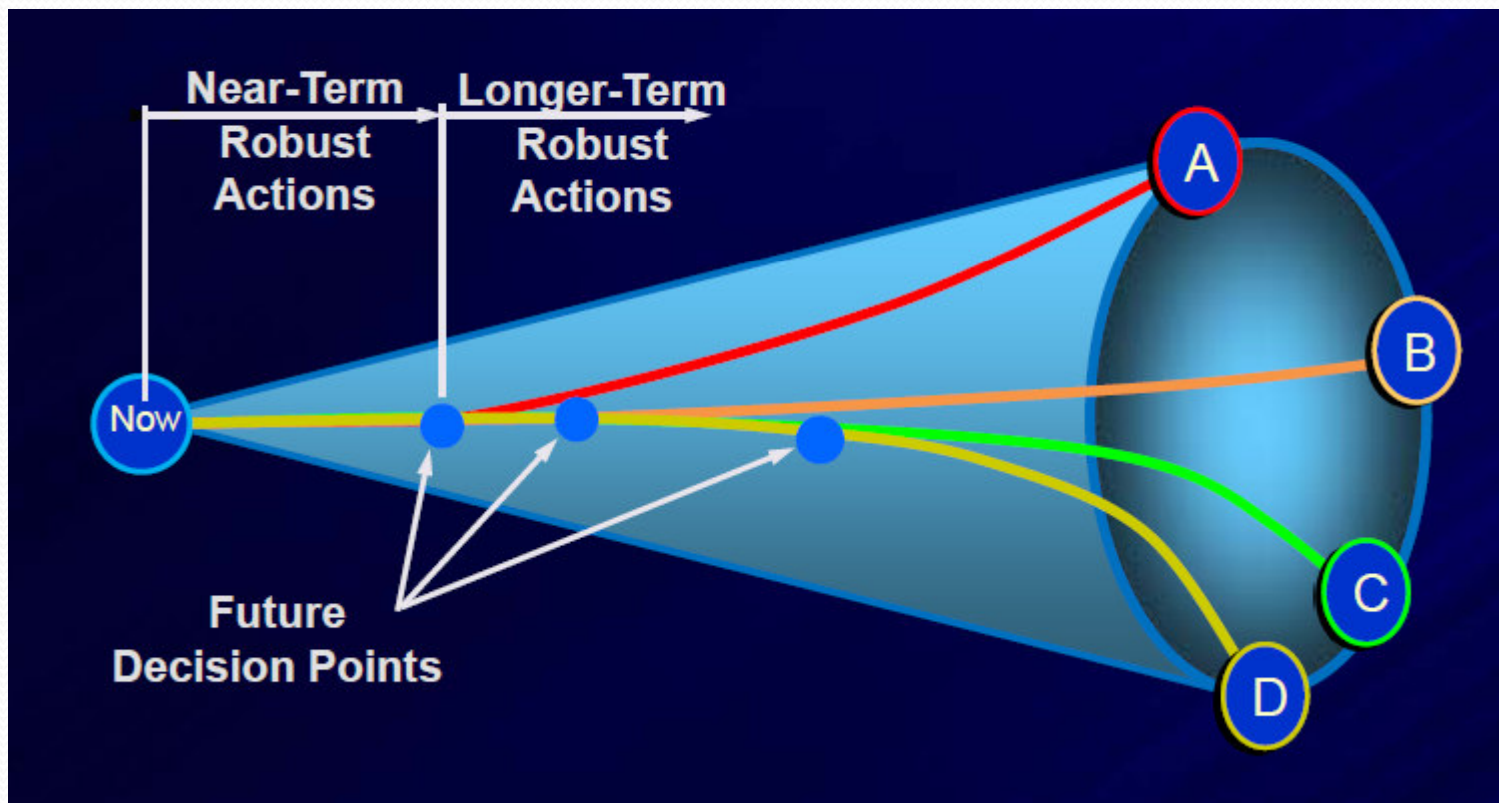
Scenario Planning

- Captures a wider range of possible futures (even those that may not seem possible today)
 - For example, in the past who would have projected....
 - Arizona's population growth would nearly come to a halt due to the economic downturn?
 - The yield of the Colorado River could be impacted by climate change effects?
- Identifies common elements associated with those futures
- Develops strategies for actions which will result in “low regret”
- Establishes future decision points where adjustments to action plans can be made in response to certain “sign posts”

Scenario Planning



Scenario Planning Cone of Uncertainty





The Scenario Process

- Scenario planning is a highly imaginative and interactive exercise, however, it is also systematic and iterative
- The Global Business Network (GBN) identifies five phases:
 - Orient
 - Clarify the issues through structured interviews of members of the organization and frame the focal question.
 - Explore
 - Explore the driving forces that could shape the focal question including both those that are known and changeable as well as those that are uncertain and unpredictable.



Scenario Planning

➤ Synthesize

- Combining the driving forces into a framework usually constructed from a couple of the most critical uncertainties. This will be a platform on which to explore future possible outcomes of the focal question.

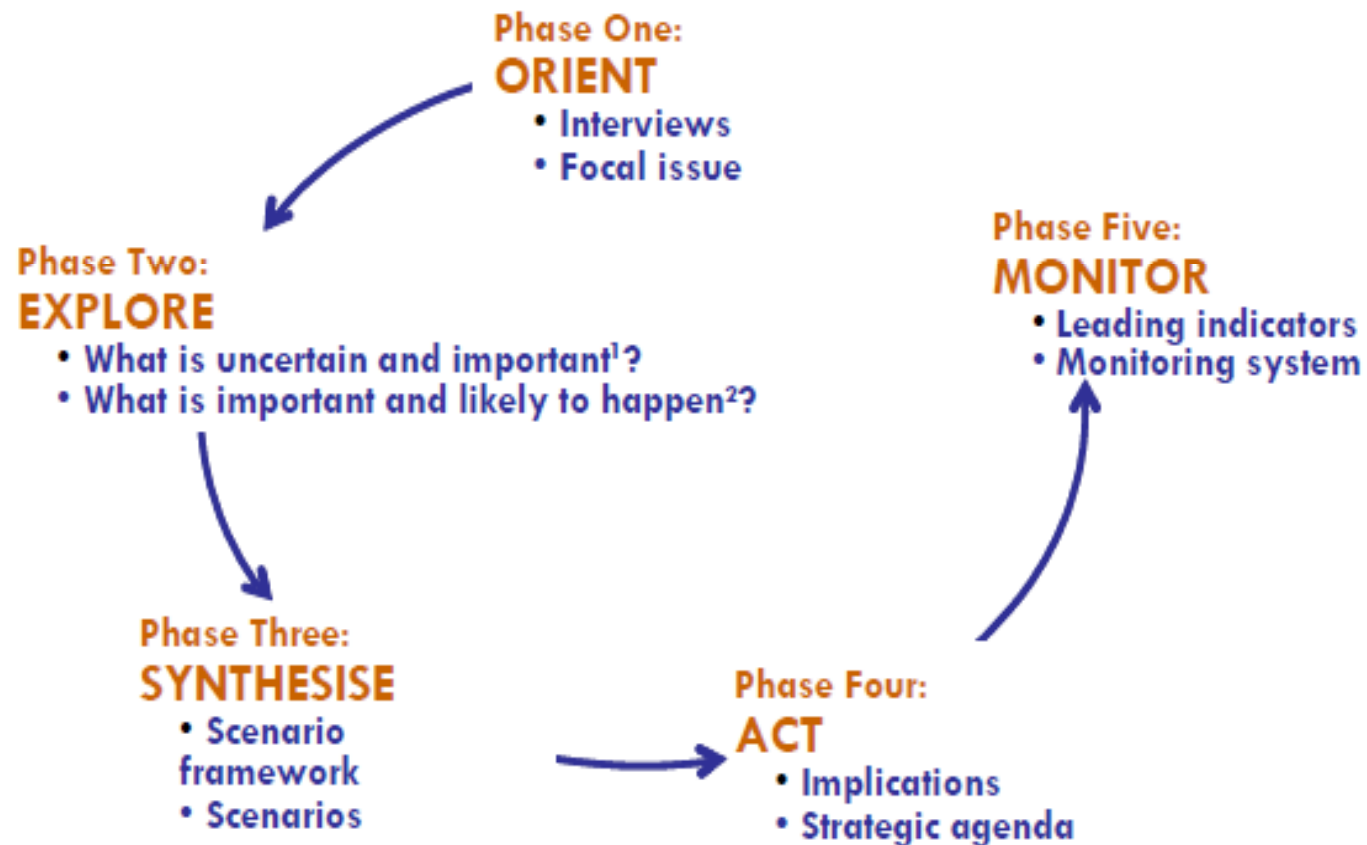
➤ Act

- This phase uses the scenarios to inform and inspire action. Good scenarios do not portray the future accurately but rather allow an organization to learn, adapt and prepare for the future.

➤ Monitor

- Set mechanisms to track indicators and adjust.

The Scenario Planning Process





Summary

- Provides a “strategic” planning framework
- Applies to dynamic planning environments where many things are in motion and uncertainty is high
- Prioritizes critical planning uncertainties
- Promotes developing a “consensus” vision of emerging future challenges and opportunities
- Increases flexibility and preparedness
- Enhances an organization’s capacity to adapt to uncertain change



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