

Scenario planning

What is it and why is it important?

Scenario planning is a formalized systematic process of visualizing (1) what future conditions or events are probable/possible and under current examination, (2) what their consequences or effects would be like, and (3) how to respond to, or benefit from, them. It combines a consistent approach with flexibility of situation to give greater confidence that a future issue will be managed effectively.

It allows for improved decision-making and risk management, cognitive flexibility, adaptability and resilience whether at an individual, team, or organizational level. Scenario planning provides a safe way to theoretically test response processes and decision-making, and position ourselves to be ahead rather than behind the decision-making curve.

The advantage of using scenario planning is that it helps avoid the daily habit business owners and managers may have of only considering future possibilities and risks in an inconsistent, unplanned, rushed manner. Scenario planning also accounts for unpredictable disruptions, unforeseen differences, previously unmet risks, and future eventualities ranging from the likely to the improbable.

How is it done?

While there are various scenario planning models, however, the following key questions apply to all of them:

1. What is a significant future specific risk to our enterprise – a future ‘reality’
2. What relevant assumptions (based on facts) are we making about that risk that we are confident of for the purpose of the scenario?
3. What critical uncertainties exist that we need to manage? (Keep it simple, no more than a handful)
4. What are the implications of the above to achieving objectives A, B, & C with regards to planning, decision-making, resources and personnel? (The objectives are specific to the business or enterprise in question: For example a specific revenue target, customer and staff retention, production and service delivery requirements)
- 5.

Who is involved?

Those involved will be key decision-makers and relevant technical/role specialists. The best methodology to use is to workshop an issue. This is a structured discussion using an independent facilitator to guide and organize the process and resources so that those involved can focus on the key issues, elements presenting and implications for the business. Recording

lessons learned, shifting policies and planning, and allocating roles and resources are critical to enable an appropriate scenario response.

It's helpful to use an independent facilitator so creativity is encouraged but balanced with independent scrutiny. An independent facilitator can ask questions, test assumptions, record critical information, summarise thinking, and manage relationships and time.

How can it be applied?

If we borrow from the Covid-19 pandemic response and go through the questions above as an example of scenario development our brief answers might be:

1. What is a significant future specific risk to our enterprise – a future 'reality'
 - *Business closure for a period of 6 weeks*

2. What relevant assumptions (based on facts) we are making about that risk that we are confident of for the purpose of the scenario?
 - *Continuation of payment of staff salaries and business standard overheads*
 - *No customer income*
 - *Suspension of all current projects unless able to be delivered through remote working options*

3. What critical uncertainties exist that we need to manage? (Keep it simple, no more than a handful)
 - *No guarantee of business re-opening after 6 weeks in the same manner in which business occurred at time of closure.*
 - *Viability of business as an ongoing enterprise once 6 week period finishes*
 - *Retention of staff*
 - *Retention of previous customers*
 - *Personal income*

4. What are the implications of the above to achieving objectives A, B, & C with regards to planning, decision-making, resources and personnel?
 - *\$ turnover*
 - *\$\$ turnover*
 - *Opening the business and generating customers orders and deliveries*

From this base information we can start to work through our scenario planning. The above might seem simple in hindsight but it's also foreseeable even if unlikely, and therefore very doable with some foresight too.

When can it be used?

Unfortunately we tend to see scenario planning as a nice to have luxury until we experience an event, and then we prioritise planning after the fact. To borrow from Covid-19 experience for most enterprises a global pandemic was likely formerly seen as probable at some stage but too distant to justify considering seriously. Scenario planning is relevant across probabilities, from likely to highly unlikely. It is a very useful tool to prepare for the improbable but critical events and improve planning, awareness, risk management and future enterprise resilience and survival.

What to watch out for?

When setting up the scenarios, avoid making the parameters too large and unwieldy to avoid getting paralysed by too many uncertainties. Also avoid short term thinking that might make any decisions prematurely outdated. And, in all cases, be sure to record all the lessons learned throughout the process.

For more information contact Jonathan Black, Chartered Organisational Psychologist.
jonathan@farsightglobal.co.nz or phone 027 231 0193