



MATT RANEN

SCENARIO PLANNING & STRATEGY

SCENARIO PLANNING 101

How it works:

The five step scenario
planning process



Executive Summary

- Scenario planning is an outstanding way to generate and prioritize strategic options in the face of growing business uncertainty
- Scenario planning is more than an analytical exercise—it's a process that provides leadership with valuable experiential inputs
- The scenario planning process involves two phases: an initial phase facilitating divergent thinking and a second phase focused on action and priority-setting
- To optimize ROI, the process should be designed to engage leadership and secure their buy-in to the insights developed at each major step along the way
- Outputs of the scenario planning process vary depending on time, budget, and organizational needs, but are actionable and designed to align your organization to drive toward strategic goals

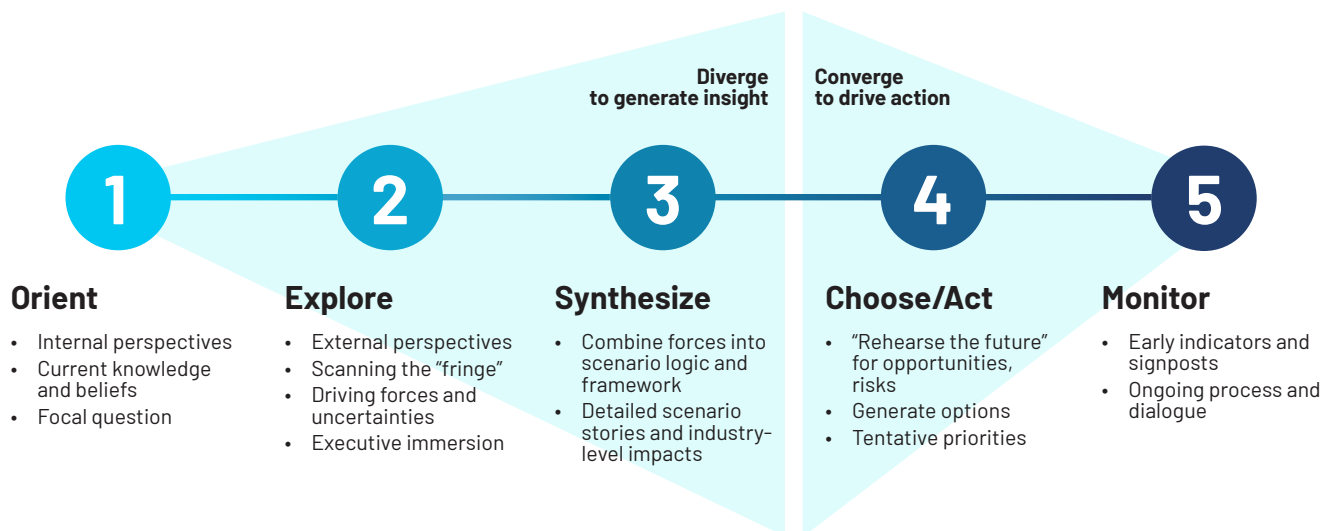
Scenario planning combines art and analysis to drive action

Scenario planning isn't just an analytical exercise. It's a process—one that guides leadership on an important journey filled with experiential insights.

The 5-step scenario planning process begins with the **divergent phase**, designed to stretch your organization's thinking and inspire new possibilities. The last two steps comprise the **convergent phase**, where leadership sets priorities and turns its learning into actionable paths forward.



The scenario planning process



Beliefs, assumptions, blindspots



1

Orient

Identify your organization's deeply held beliefs, readiness to navigate change, and most critical strategic questions to answer during the scenario planning process.

In this step, your team will get a firm understanding of the "official future" that's driving planning decisions today, as well as clarity around the business issues and time horizon the scenarios will need to address—creating a strong foundation and focus for the scenario building process. Typical activities include internal interviews and review of existing reports and planning documents.



2

Explore

Immerse leadership in the deep forces that have the potential to dramatically change the trajectory of your industry.

In this step, you will review shifts in the social, technological, economic, environmental, and political (STEEP) context for your industry and organization. With leadership's input, you'll prioritize those with the greatest potential impact and acknowledge critical uncertainties—unknowns that might change your industry's trajectory in one direction or another. Activities can include interviews with experts outside the company and industry; reviews of articles, reports, and other resources to look for early signs of change; and workshops to educate leadership and other stakeholders on forces driving change. As a result, you get an understanding of the broader landscape of issues that will

shape your scenarios—and leadership is encouraged to open up their imagination and start exploring the boundaries of change.

Artificial intelligence

Augmented reality

Blockchain

Autonomous vehicles

Protectionism

Geopolitical realignment

Immigration policy

Social media

Data and surveillance

Income distribution

Definitions of community

Climate change

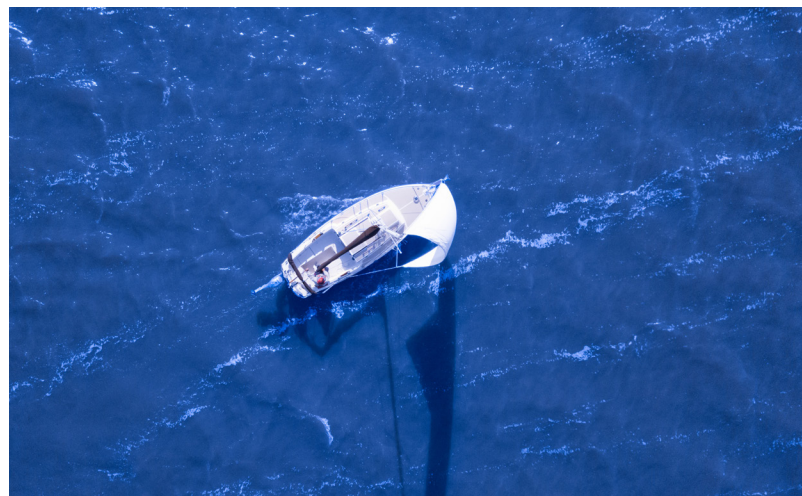
Materials science

Urbanization

Genetic engineering

Demographics

Wellness and healthcare



Developing good scenarios

Part art and part science, scenario development is highly creative and collaborative, but designed to make sure there is a clear set of assumptions and logic to each story told. Good scenarios challenge conventional wisdom and are divergent—in that each suggests a different strategic context—but at the same time, are plausible and address the specific business issues and time horizon identified in the first step of the process. Visually and emotionally compelling communications of your scenarios will help drive greater understanding and responsiveness.



3

Synthesize

Turn all the learning you've done into multiple stories about what the future of your industry might look like.

In this step, you will create stories, or scenarios, that show how forces and uncertainties might interact and evolve to create surprisingly new conditions in the world—and in your business's competitive landscape. Typical activities include creative work sessions, multiple rounds of writing and editing, reviews with key stakeholders to get buy-in, research to validate scenario plausibility, and the creation of communications documents. The outputs should describe the overall logic for and high-level differences between your scenarios in a simple framework, as well as a set of detailed stories that describe the world and your industry in various possible futures.



4

Choose/Act

Rehearse your strategy under various scenarios to understand potential risks and opportunities, and align on a strategic response.

In this step, you will stress-test a current or proposed strategy to see how it might play out under different scenarios, and identify new opportunities arising from changing conditions. Specific activities vary but can include implications workshops and subsequent decision-making meetings, modeling options under different scenarios, and targeted research to support different strategic directions. At this point, some organizations turn what they've learned into a portfolio of side bets alongside their current strategy—hedging against possible futures where that strategy would be less effective. Others initiate a much more complete strategy overhaul, changing direction more dramatically.

“Strategy is a portfolio of bets made against the future”



“The real voyage of discovery consists not in seeking new lands but seeing with new eyes”

— Marcel Proust



5

Monitor

Regularly track changes in the external environment through the lens of the scenarios.

In this step, you'll identify signposts and early indicators to track over time and establish a process for evaluating whether to take action when they indicate that conditions may be changing. Activities include ongoing team dialogue around signposts and early indicators of change, and core team sessions to monitor the ongoing relevance of the scenarios. This is an essential, ongoing part of the process. Ideally, scenarios will become a core part of your regular strategic discussions—with leadership, functional and line managers, and even board members.

Tailoring the process to your organization drives scenario planning success

It's important to think through how your organization might best implement the scenario planning process. Putting more time and budget into scenario planning will result in higher quality outcomes—but because there's always pressure to minimize executive meeting time and get to results quickly, you'll probably face tradeoffs at every step. Take care not to strip down the process so much that it loses the potential to make real impact. And make smart decisions about tradeoffs by considering the following questions:



What will it take to stretch your organization's thinking?

During the divergent phase, including more people in the process—especially people from outside the company—can help expand the list of forces of change and uncertainties to consider. Having senior decisionmakers participate in workshops can deepen their understanding and open them to the potential impact of new ideas. Be prepared: Persuading colleagues to accept the power of forces outside their area of expertise can require some degree of explanatory content, quantitative data, and/or case studies.

What will it take to get decisionmakers to take action?

The more time decisionmakers spend studying and debating scenarios and their implications, the more they'll see their own fingerprints on the work. And

the more open the dialogue during the process—in workshops or other meetings—the easier it will be to identify assumptions and gain alignment on the best path forward.

How broad an audience do you want to reach?

Investing in production value for work products—e.g., for visuals and storytelling that quickly convey both the rational and emotional aspects of the scenarios—helps people understand and use them effectively, even if they didn't participate in the scenario development process. And creating detailed documentation about the process can help convince skeptics of the credibility of a set of scenarios.

Identifying the minimum level of process your organization needs to make the work stick is an important part of doing scenario development right, and generating real returns on the investment.

Scheduling the scenario planning process

Scenario planning is ideally an ongoing process, with continuous monitoring of signposts and early indicators and regular check-ins over time. Initial projects typically take one of the following forms:

A 3- to 4-month engagement

to map out detailed scenarios, then generate a prioritized list of options and risks which can be integrated into a larger, comprehensive strategy process

A 6-month engagement

to more fully develop and align around a portfolio strategy based on additional research, analysis, and dialogue

A 1- or 2-day workshop

to inject new thinking into a management team and introduce the concept of scenario planning to the organization, before committing to a more robust process



In an era of relentless change and disruption, it pays to develop the strategic flexibility to respond confidently to a variety of potential futures. Scenario planning can help you better see and plan for challenges and opportunities, whatever your business—but it has to be done right, with a well-defined process tailored specifically to your organization.

[Learn more at mattranen.com.](http://www.mattranen.com)



MATT RANEN

SCENARIO PLANNING & STRATEGY

www.mattranen.com