

Scenario Planning

Knowing the Unknowable, Thinking
the Unthinkable

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As baseball Hall of Famer and social philosopher, Yogi Berra, might say, “the future isn’t what it used to be.” Although leaders and followers have always wrestled with changing organizational environments, both internal and external, today’s leaders and those aspiring to lead face change at an ever-accelerating pace, wielding increasingly significant consequences. To navigate successfully through the roiling seas of change, leaders are well advised to take a long hard look into the future. An awareness of the major trends in progress and their confluence is the first essential step. Envisioning alternative futures scenarios is the next. Finally, planning to capitalize on anticipated future opportunities, avoid potential catastrophic losses, and steer their organizations successfully into the future is the final critical step, and primary objective and a critical function of leadership.

The Extreme Future

Researchers, scholars, and commentators that study future trends are in general agreement that the future, the way our world will be ten, twenty or fifty years from now will be extremely different from the world we are experiencing today. Many major trends are evolving that will be the drivers of radical and enduring change in the future. Leaders must understand these trends and acknowledge the potential impact on their organizations.

The Next Fifty Years

Futurist Richard Watson, in his book *Future Files: A Brief History of the Next Fifty Years*, anticipates five very significant trends and enduring drivers of

change that will dominate over the next fifty years: **The ageing of the western populations.** This demographic shift will affect all aspects of life and business: taxation, pharmaceuticals, healthcare and recreation, and medical research and development to name a few.

The political power shift westward. Emerging markets, like India and China, will become global hubs for capital and important centers of evolving innovation; and the growing demand for natural resources in these markets will affect worldwide supplies.

Greater global connectivity. Greater connectivity resulting from advances in technology coupled with increasing globalization will change the way people live, work, and think; the results will be increased productivity accompanied by information anxiety and loss of privacy.

The impact of GRIN, (genetics, robotics, internet, and nanotechnology). Machines will dominate the future and, technologically, nothing will seem to be impossible and the benefits may be substantial; the convergence of GRIN and artificial intelligence could result in intelligent, self-replicating machines.

Continuing environmental issues. The sustainability of the environment, the resultant investments by governments and corporations, and radical changes in attitudes and behavior of individuals and organizations will be a continuing theme.

These trends are affecting organizations and leadership decisions today. Any one of these trends will have a significant impact on the future that leaders will face. However, the combination of any two, or the convergence of all five, exponentially expand the potential futures through which leaders will have to navigate. Watson views these five trends as long-lived, extending over the next 50 years. Another futurist and author, James Canton, in *Future Smart: Managing the Game-changing Trends That Will Transform the World*, reiterates Watson's beliefs and adds a few more trends into the mix of the immediate future

The Next Twenty Years

Canton agrees with the long-term megatrends discussed above. To Watson's five Canton adds several more specific trends that will significantly affect global societies, organizations and individuals in the immediate future, the next 20 years:

The post-oil economy. The solutions, or lack thereof, to the current and growing global energy crises will affect every aspect of life.

The composition of the next workforce. The global workforce will become more multi-cultural and will be required to embrace innovation to become, or remain, competitive.

Organizational and personal security. The increasing threats from terrorists and criminals will redefine risk in the near future; risks to personal and organizational safety, including both human and financial capital will increase.

The clash of cultures and ideologies. The shift from western influence to eastern influence will have an impact on national and organization competitiveness and governmental philosophies; the demand for global resources will impact governmental policies; and the continuing sharp distinctions between major global religions will add to the tension of these dynamics.

The future of the individual. The benefits of some of these trends will impact the health, longevity and productivity of the global population; the shift from the west to the east will be characterized as

the old vs. the young; and the clash of cultures will spawn a potential struggle for human rights, liberty and freedom.

Leaders are faced with many elements of these trends today, and some will be faced tomorrow. What both Watson and Canton emphasize, however, is that the magnitude, longevity and impact of these trends may be greater and longer than is imagined today. Leaders that are aware of these trends can prepare for and possibly influence those trends; they can avail themselves of opportunities and avoid potential disasters. Awareness of the possible futures that leaders will face is the foundation for leading in the future. Imaging the multiple future environments that leaders and organizations may encounter provides the basis for leadership and decision-making today. Scenario planning is the tool that will help free leaders of a focus on today and will facilitate envisioning tomorrow.

Scenario Planning: Envisioning the Extreme Future

Traditional strategic planning tools developed over the past forty years, such as Porter's five forces analysis, value-chain analysis, SWOT analysis and portfolio analysis to name a few, provide leaders with the basis for near-term and intermediate-term operational planning. However, these tools tend to extrapolate the specific known trends and competitive environmental factors that are currently impacting the organization into the immediate future. This extrapolation may provide leaders and their organizations with a rough forecast of the immediate future, based on what is currently known. This forecast may or may not be the future that leaders and their organizations will ultimately experience. The future will be influenced by the yet unknown. Scenario planning will provide leaders with a glimpse of that unknown.

Knowing the Unknown: The Scenario

Scenario development and planning is a process that provides leaders and their organizations a glimpse into the future. More specifically, it provides leaders a glimpse into the multiple alternative futures that may be possible. It is not forecasting.

Scenario planning is creating a glimpse of possible alternative futures by searching for the unknown trends that may create future environments in which leaders and their organizations may encounter.

Specifically, what are scenarios? Bill Ralston and Ian Wilson, in *The Scenario Planning Handbook: Developing Strategies in Uncertain Times*, define scenarios as “stories of possible futures.” Note, that the emphasis is on futures, plural. Because of the uncertain nature of change multiple alternative futures scenarios are required to address a full range of possibilities. Each scenario is designed to connect the present with multiple possible futures as a continuing, evolving story. As a story the scenario embraces a narrative quality. Each should have a plot and storyline, and each should address specific trends and countertrends, and the relationship between trends, potential events, and the organization. Furthermore, as a story, scenarios become a powerful organizational communication tool, and the basis for organizational development, strategy creation and decision-making.

The creation of future scenarios will allow leaders to make decisions in the broader context of rapid and continual change that their organizations may experience because of the future trends discussed above. As authors Ralston and Wilson point out “scenario planning is most useful when shifts (emerging trends) are most threatening and uncertainty is at its peak.” Ralston and Wilson also believe that scenario planning makes its main contribution to an organization’s success by enabling leaders to turn uncertainty into a source of competitive advantage.

Thinking the Unthinkable

Creating scenarios allows leaders to deal with uncertainty. It also allows them to learn to address the unexpected, to think the unthinkable, and to prepare for it. Furthermore, it provides leaders and organizations the opportunity to “develop the flexibility, resilience and speed of response” required to succeed in rapidly changing and uncertain environments. In general, scenario planning assists leaders in creatively anticipating multiple possible future environments and events that could evolve

from developing trends that could impact their organizations. It also allows leaders to assess the associated risks and opportunities imbedded in each potential future. Lastly, it provides a basis for anticipating the potential timing of significant changes in their environment. An awareness of the potential futures provides leaders with the opportunity for proactive leadership rather than reactive crisis management.

Boldly Go Into the Future

The future trends that are currently evolving and those that are not yet contemplated provide today’s leaders with a future full of uncertainty and risk. Leaders can extrapolate their way into the unknown future, or they can influence the future. By developing scenarios of alternative futures leaders enhance their organizations’ flexibility, resilience and speed of response that is required to succeed in rapidly changing and uncertain environments. These enhanced capabilities can provide leaders with significant future opportunities and minimize the potential of devastating surprises and loss. Scenario planning can generate the boldness to address alternative futures head on with focus, insight and confidence to know the unknown, think the unthinkable, and lead accordingly.



About the Author

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