

## INTRODUCING SCENARIOS

**Barbara J. Heinzen, PhD**

13 Gray's Inn Square  
London WC1R 5JP UK

Tel: (0171) 404-2027  
Fax: (0171) 831-9032

revised, October 1995

### Background & Training

Beginning in 1984, I spent several years working with Shell's Group Planning Department after I finished my PhD at the School of Oriental & African Studies. At Shell I was trained in the use of scenarios in strategic thinking. Since then I have been associated with many of the 'graduates' of Shell's Group Planning department and have watched the evolution of the technique over the past ten years.

However, it is not a technique that is widely used or understood outside of Shell -- although the practice is growing. It is also quite difficult to explain simply, being something that is better demonstrated than described. What follows is therefore a brief description of how (and why) the practice has evolved into its present form. I will then conclude with a few ideas of how one might 'experiment' with scenarios in an effective way.

### Scenarios as an Intellectual Product

As a technique, scenarios began as an intellectual product -- a fairly sophisticated analysis of what is currently shaping the business environment of the next 5, 10, 20 years. This analysis was based on the understanding that

- a) some things are inevitable (a country's population age structure can be well predicated, for example),
- b) some things are highly uncertain (the political regime in Russia or the openness of the European Community to East European trade), and
- c) some things will have greater impact in the future than they do now (new technologies, for example).

In a good scenario analysis, these three elements -- the predetermined, the uncertain and the key driving forces -- are identified and studied for the way they might interact over a given time period. In the oil industry, we used 20 years, but different industries have different time frames.

In studying the interaction of these elements, one quickly realises that several different futures are possible. For example, I currently have on my desk a book by Dan Yergin and Thane Gustafson titled *Russia 2010* which proposes two scenarios for Russia: "The Russian Bear" - a military dictatorship and "Chudo" - a Russian economic awakening. Other scenarios could no doubt have been written. These were written by CERA (Cambridge Energy Research Associates) and reflect their concerns. Scenarios written by a consumer products company in Budapest, for example, would reflect different concerns, and a different working out of the balance of forces.

### **Scenarios as a Collaborative Learning Process**

In the early days, most scenarios ended as this CERA Report has done: with a beautifully published book and a strong intellectual argument creating two-three equally plausible stories, each of which is internally consistent. However, in Shell it was discovered that the stories themselves did not change the way people behaved. Beautiful books were not enough. Therefore, the writers of the scenarios began to present the stories with even more beautiful view-graphs, videos, and brief discussions. But this, too, had limited impact.

Realising that lectures (even with pictures) are a poor communication tool, workshops were begun to engage managers in understanding how the different business environments came about and how they would affect managers' plans for the future. These, however, tended to follow the publication of scenarios and it was quickly realised that managers' attention should be engaged even earlier. Therefore, before starting any scenario research, scenario writers first spoke with the managers to discover what were the important issues and worries facing them. These discussions created "a natural agenda" for the scenario work so that when the stories were presented the managers recognised the issues that were being addressed.

In some cases, managers also participated in developing the scenario thinking during joint workshops of writers and managers. By this stage, managers were not only shaping the initial questions, but helping to form the scenario conclusions. Since much of the thinking took place in collaborative workshops, these also served to develop shared thinking, a common language and thereby increased capacity for rapid responses to changes in the business environment. Evolving from that development, there are now those who see scenario work as largely a "learning process", in addition to its more academic origins as studies and books.

### **Scenario and Business Strategy**

Even where managers did not participate in the development of scenario thinking, they did participate in considering what options were open to them under the different kinds of business environments. A variety of exercises now exist for helping managements to think through the consequences for their businesses of different scenarios. At the same time, in Shell, the rules of the game were changed: managers were told that any proposed investment would be tested against Group Planning scenarios. If the investment was robust under these different environments, it was more likely to be approved.

## The "Top of the Line" Approach

As someone who has watched and even shaped in a modest way the evolution of scenarios over the past ten years, I see merit in both the "learning process" and the "intellectual product" of scenarios. However, it can be an expensive undertaking since there are three important stages of work:

First, I believe firmly that no scenario work should begin without first 'setting the natural agenda' in discussions or interviews with management. This can involve a fair amount of 'consultancy' time, if it is done well. However, even a superficial round of phone calls is better than no discussion at all.

Second, even without involving managers, good scenario research is expensive in its own right and the most stimulating scenarios are created by asking questions for which there are no immediate answers; so some research is almost inevitable and writing is a time-consuming business if it is to be done well.

Third, once the scenario work is completed (preferably in collaboration with managers), it is important to spend time considering business options under the different environments. This can be a brainstorming exercise or a testing of existing plans and proposals.

All three stages of work are important if scenarios are to be used well:

- 1) Setting the natural agenda;
- 2) Scenario research and development;
- 3) Considering business options.

I prefer to work in collaboration with a company in all three aspects of work. It is more entertaining for me and allows a better integration of the management and scenario thinking. From my own financial point of view, a long term assignment also provides greater security and less necessity for constant marketing. From the company point of view, however, it is a 'top-of-the-line' option and possibly too expensive.

## Choices for Doing the Work

If a 'full-scale' approach is too dear, there are at least five ways of approaching the goals of scenario work (increased knowledge, flexibility and aptness of strategic response) without engaging in a full-scale exercise. All five have merits and all five have risks.

- 1) Don't start. No doubt most businesses already have ways of thinking about what they do and why. This may be adequate and existing procedures may already cope well with an uncertain and unpredictable world. It can also be argued some businesses, such as high turnover consumer businesses, get enough information about changes in the business environment from their sales, and so don't need scenario thinking.

**MERITS:** There is no reason to disturb a system that is already successful.

RISK: Your group will be complacent and inflexible in times of significant structural change.

- 2) Leave thinking to the CEO. This could be another version of "don't start". Alternatively, the CEO may be the only client for a scenario study. Therefore, don't bother with workshops and setting-the-agenda interviews. Simply present scenarios to the chief executive and let him sort out the usefulness, if any. These scenarios might be bought off the shelf (*Russia 2010*, for example), commissioned from a consultant (like myself or others), or written by an internal staff member in his or her spare time.

MERITS: Scenarios are a demanding investment. They should not be undertaken unless the CEO is comfortable with the technique and what it can offer.

RISK: If the thinking is not shared, it is less likely to be implemented.

- 3) Don't do research. In this option, the research is dropped. This assumes that your managers need to be engaged, but that their existing knowledge is sufficient to cover the ground creatively. Hold three workshops: one to surface assumptions and key issues, another to develop scenario stories and a third to look at the business options under each scenario. Alternatively, these tasks can be telescoped into a single 2-3 day workshop.

MERITS: The research can be the most expensive aspect of scenario work, especially if time is taken to gather and analyse new statistics, read important literature and interview key academics with important knowledge. If the research is eliminated, considerable costs can be saved.

RISK: You will reinforce existing insider prejudices and assumptions and lose the benefits of novel insights.

- 4) Do all three tasks, in a limited, experimental way. Limit the number of interviews or managers involved in the thinking. Limit the time spent on research so that attention is more focused. Use the scenarios to test existing plans, but do not spend time in workshops to develop options.

MERITS: This approach can introduce people to the technique and test its usefulness and acceptability without a major financial commitment.

RISK: All three jobs are done inadequately.

- 5) Do scenarios with existing staff. Finally, it is possible to do scenario work with existing staff. There is more and more published material about scenario work, and there is not great a secret to much of it. In this option, you may want to use a consultant to advise how to approach the work, but not do any of the work at all.

MERITS: The merit of this choice is that staff learn to do scenario thinking and

facilitation themselves and there is no visible (or only minimal) expense on outside consultancy.

RISK: Scenarios are still in a state of 'apprenticeship'. Most people who do them well have worked with other practitioners first. Scenario work also requires considerable time and commitment which may be taken from other jobs.

### **Conclusion**

There are obviously many ways of introducing scenario thinking. What approach is chosen will depend on the circumstances of the company, the person commissioning the work, and the budget available. However, there is a growing awareness that some form of scenario thinking can be usefully employed in organisations. This note is a small attempt to help think through how that might be started.

