



Exploring tomorrow's terrain

More and more companies are turning to a technique called scenario planning to help them visualise how their future 'business landscape' could develop over time. By using this creative yet structured process to envisage alternative future terrains, they can craft more flexible strategies today, writes Woody Wade

PLANNING FOR THE future? Of course you are. We all are. But a solid plan needs to be based on a solid reading of the future – and in a constantly changing world, how reliable is your reading about how the future will turn out? Probably not as much as you'd like.

Most companies use projections or forecasts to try and get a handle on the way things that are important to them will develop in the future. Concocting a short-term plan based on a short-term forecast will probably yield acceptable results, but for a company developing a strategy meant to assure its competitiveness five or ten years from now, forecasts and projections may actually be dangerous.

Why? Because projections paint a picture of the future as if it will simply be a variant of the way things already are today. Take the current numbers, tweak them a bit, extrapolate, and – hey presto! – you've created a picture of your business terrain five or ten years from now. Or you think you have, and therein lies the problem. By forecasting key variables (growth rates, prices, exchange rates, etc), your focus is on the measurable details, whereas it is bigger and broader forces and developments that are apt to have a more dramatic impact on your business. Think about it. Is your long-term future success more likely to be affected by the value of the Euro changing by 15% (or 10% 20%?), or by evolving political or social changes, a brash new competitor in your market, a technological innovation, or a shift consumer behaviour? You'll probably agree it's the latter, and yet such seismic, big-picture

changes are rarely captured in company forecasts, if at all.

Is there a way to discern how the future lay of the land could look owing to the impact of these potentially game-changing, but hard-to-foresee, developments? A fascinating approach is called scenario planning. This structured process focuses on the most critical uncertainties you will face, the ones that you and your strategy team

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believe could be make-or-break factors for your long-term ability to succeed. By imagining in detail how those particular uncertainties could play out, you can generate the outlines of a range of different future scenarios, i.e. alternative ways your business environment might realistically unfold.

Sadly, even though its step-by-step logic helps you visualise different futures, scenario planning can't tell you what will actually happen. But it is not meant as a tool for predicting the future but rather for exploring it. Using scenario planning techniques, you

generate plausible – and often eye-opening – ideas about what could happen in your business environment, if certain trends realistically play out. With these insights, it is then possible to recognise how each potential future landscape could be associated with a number of possibly unique opportunities and threats. This in turn allows you to ask critical questions about your readiness to compete:

- What issues would you have to address in each scenario if you want to stay on top?
- What capabilities would you need to master in order to thrive in each scenario? Are there specific skills or strengths you would need to beef up, or weaknesses you would need to overcome?
- What financial, marketing, operational, or human resources policies would serve you best in each scenario? How much would they cost to implement?
- Where should you put your priorities?

Thinking about the future in terms of alternative landscapes means you can make more flexible, thoughtful, and better strategic decisions today. But at the end of the day, scenario planning is in fact a leadership tool. If you want to make ambitious plans for your organisation, and convince your colleagues (not to mention your board) to support your vision and strategy, you need to demonstrate that you've anticipated the potentially huge changes that could emerge and change your competitive landscape. Scenario planning is a tool for doing just that. ●