

“SCENARIOS”

QUALITY TOOLS

Lean

Description of Scenarios

Scenarios first appeared as a military tool in World War II. After that, it started to be used in the civil domain by Herman Khan, founder of the Hudson Institute and preeminent futurist. Scenarios is an exercise of building and exploring alternative futures to help better respond to a focal issue. This issue can be broad (how our business environment will look like in 10 years) or more narrow (should this investment take place?). In the words of Wilkinson, Co-Founder of Global Business Network (GBN), “Scenario planning derives from the observation that, given the impossibility to knowing precisely how the future will play out, a good decision or strategy to adopt is one that plays out well across several possible futures” and “the purpose of scenario planning is not to pinpoint future events but to highlight large-scale forces that push the future in different directions”.

When to use the Scenarios

Scenarios planning is commonly used when there is a decision to make and uncertainty about internal and external environment factors affecting this decision. The more distant in the future it is, the bigger the uncertainty and the more valuable it becomes to develop alternative scenarios and study possible responses. Scenarios planning improves the knowledge and preparedness to maximize the return in case different situations emerge.

How to use the Scenarios Planning

There are some steps to follow in order to profit from scenarios planning:

1. Scope the Scenarios – define the purpose and extend of the work to be undertaken.

1. 1 Define the purpose of the scenarios through

- a) Vision
- b) Principles
- c) Areas of inquiry

1.2 Define the scope of the scenarios identifying

- a) Decision to be made
- b) Time horizon

- c) Number of scenarios
- d) Names of scenarios

2. Identify Assumptions and Variables for the Scenario Set – create quantified information that will be used to measure and map the scenario set.

2.1 Translate the Vision into quantitative targets and qualitative data

2.2 Identify assumptions for the scenario set

2.3 Identify Variables for the Scenario Set

3. Generate the scenarios – it is dependent on the tools available for generation of the scenarios and will produce models, graphs and narratives as deliverables.

4. Undertake Scenario Analysis (Impact Studies) – it is possible to develop a range of studies examining the impact of the scenarios, once the scenario sets and supporting data have been generated.

Tips on use of Scenarios Planning

1. The most valuable outcome from the scenarios planning is to develop the knowledge to help understand and prepare for a complex and uncertain future.
2. What differentiates one scenario from the other in a scenario set is the behavior of its key variables or critical uncertainties.
3. Scenarios planning should not be an isolated activity but rather integrated into the strategic planning process to maximize its benefits.
4. Scenarios constitutes a trigger for continuing conversations about the future and illuminating previously unconsidered options.
5. Scenarios should not be used to predict the future.

Application of Scenarios Planning

In order to tackle a very complex task of urban growth management and control infrastructure costs, the City of Calgary has used scenarios planning. Through the scenarios set, they identified the implications of sprawled vs. compact growth models in terms of quality of life for residents, better opportunities for business and fiscal sustainability for the next 60 years. The scenarios planning identified more than 30% in cost reduction when comparing one scenario with the other. It also influenced the Municipal Development Plan review and the Calgary Transportation Plan review.

References

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