

# Scenario as a Tool in Management Development

GILL RINGLAND AND MICHAEL OWEN



*The scenario creation process can provide a team with shared insights and a shared language. This has led to the use of scenarios as a management development tool, and a team-building tool. The methodology is the same. Here two examples are considered of using scenarios for the development of young professional managers who have been identified as 'high flyers'.*

**KEYWORDS:** Scenarios, management development, team building, high flyers

## **The use of scenarios in organisations**

Michael Porter provides a cogent definition of scenarios:

an internally consistent view of what the future might be, not a forecast but one possible future outcome.

(Porter, 1985)

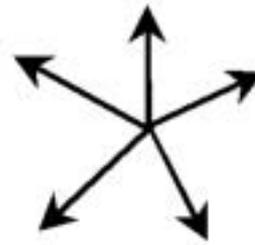
**A**t a time of volatility and change, managers need to be able to step out of their current framework and imagine future worlds—which may arrive sooner than expected. Scenario planning is a set of processes for creating several scenarios or mental

models and using them to aid decision-making. Scenarios explore a spectrum of different possible answers to the core questions facing the organisation, as described in the seminal *Art of the Long View* (Schwartz, 1991). Scenarios provide an effective mechanism for assessing existing strategies and plans and developing and assessing options. Many organisations have used scenario techniques to help navigate through the uncertainties of their operating environment, in order to make better decisions.

In a changing and unpredictable business environment, assessing futures for the organisation is one of the best ways to promote responsiveness, flexibility and preparedness, sources of competitive advantage. Scenario planning is a proven tool for exploring and



**Forecasts**  
Seek "the answer"



**Scenarios**  
Explore the possible

**Figure 1: Scenarios and Forecasts**

managing uncertain futures. At an individual level, managers may have various insights into the future, but they are often impaired by inadequate longer-term focus. Scenarios are extra eyes that enlarge the vision and sharpen the focus.

Scenarios have moved out of the strategy ghetto in the last few years. They are widely used for applications as wide ranging as Corporate Social Responsibility, HR Planning, Marketing, R&D portfolio management, and Risk Management. Scenarios combined with traditional analysis techniques can be used to compare possible futures. For instance, a SWOT (Strength, Weakness, Opportunity, Threat) analysis of an organisation under a set of scenarios leads to an understanding of potential changes in the operating environment for the organisation. A discussion of how to use a range of analysis and marketing tools with scenarios can be found in Ringland and Young (2006).

### ***'Traditional' view of the scenario process***

Scenario development is often perceived as an extensive exercise, involving a wide range of inputs and expertise, including broadly-based interviews, research and horizon scanning, expert workshops and the creation of a number

of consistent and credible external scenarios which might face the organisation and its management in the years ahead. This process has a track record in providing a basis for testing the resilience of future plans and strategies the organisation might adopt; or which might already be in place, but have implicit—and overly specific—assumptions about the future environment. A detailed description of this process is given in Ringland (2002a and b). The value of the process is that it ensures the concerns and dilemmas facing the organisation are explicitly tackled in the scenarios.

These exercises traditionally involve the most senior management of an organisation, since they bear the ultimate responsibility for the stewardship of the organisation and must take responsibility for strategic decisions. A drawback to this traditional process is that it can often by-pass the input of bright individuals in the organisation, who are below the senior management grades that normally contribute to a typical scenario process. This can create negatives towards the process as being a 'top-down' imposition from top management.

### ***Using 'pre-built' scenarios***

Many tasks are now accomplished with pre-built scenarios from outside the organisation. For



**Figure 2: Traditional Scenario Process**

instance, MAN Group decided to sell off a business following a workshop based on scenarios developed for the Gresham College Lectures, on the City of London in 2020 (Ringland, 2002a). A major oil company used the Challenge Forum Global scenarios ([www.chforum.org](http://www.chforum.org)) to help their HR team evolve their strategies and test them against possible global environments. The recipe for success here is, like using ‘corporate’ scenarios across an organisation, to let each group get inside the scenarios by extending or particularising them before considering the implications for the unit, group of people or division.

However, the core, interactive, team, scenario creation process does have power to provide a team with shared insights and create shared language in a way that using existing scenarios does not. This has led to the use of scenarios both as a management development tool, and as a team-building tool. The methodology is the same in both cases, and below we consider two examples of using scenarios for management development of younger professional managers, those identified as being of high potential for the organisation—the ‘high flyers’.

### ***Issues around the development of high flyers***

The identification of ‘high flyers’ is a long-standing activity that is common to many organisations. Morgan McCall (McCall, 1998) has provided one of the major texts on this, with an emphasis on spotting high flyers and developing them on the job.

Many organisations also provide a mixture of external courses and internal training or group work as part of their approach to management development.

External courses such as MBA programmes, designed to inculcate forward thinking into high potential individuals, often include scenario creation exercises.

While external courses develop the individuals themselves, internal training and group work accelerates their understanding and know-how of the organisation.

Sometimes the group itself is brought together to develop a team spirit and to share in a common process of thinking about the organisation and its future challenges—challenges which the group members would be confronting if their potential for senior management

## TEACHING SCENARIOS TO MATURE MBA STUDENTS

Warwick University has taught a strategic development course to MBA students, Masters' degree students and undergraduates. The undergraduates and Masters Degree students are about 50/50 business students and science/mathematics students, with about half the group from overseas. The MBAs have at least five years work experience.

Scenario Planning is a core component of courses under two headings: "Operational Research for Strategic Planning" and "Strategic Development—Methods and Models". These courses have been taught since the 1970's and the paper represents the synthesis of the experience of over 1000 students in scenario workshops.

It has been found that the scenario process is best taught interactively, over about 10 contact hours, with facilitation of the syndicate groups by staff. Measures have been introduced in order to encourage participants to think more broadly and to present the results more imaginatively, for instance generating a wide list of factors initially and converging by discussion of importance, and using newspaper front pages, a day in the life of, radio/TV broadcast, drama sketch, letter/memo, to present the scenarios.

Source: (O'Brien, 2004).

is realised ultimately. Frequently this takes the form of 'brainstorming' sessions by the group, about the external world, or the organisational challenges—or both.

However, this activity—while it would appear to be an excellent way to open minds and bring fresh new ideas—it can frequently go awry. This happens in both the public and private sectors. Let's consider two examples.

### ***The ICL experience***

ICL is now part of Fujitsu Systems, the global computer and outsourcing company. ICL's use of scenarios with the 'ICL 2020 Group' followed the exploration of a range of techniques for thinking about the future. The group consisted of people who were in their late twenties or early thirties, had been with the company typically at least five years, and had been nominated as 'people who could be running the company

in 15 years time'. The 15 selected people were from eight countries and had a range of academic backgrounds, though most had some post-graduate education such as an MBA or a Master in Information Technology or Management.

The process started with a series of meetings about the future, involving pure brainstorming. This was very counter-productive. It was difficult to get any sort of coherence of vocabulary or vision and tended to result in people arguing about who had the 'best' view about the future. The group consisted of competitive individuals and so these arguments became very heated and even personal. As a result of this experience, it was decided that a process was needed that did not involve people in 'the right' answer about the future, and actively encouraged making default assumptions explicit and the creation of a common language.

This subsequently led to the company running a series of three scenario-based workshops

with the Group to focus their thinking on the potential challenges in 2020: the workshops focused on a major theme—one looked at technology, another at markets, and the third at skills.

These workshops allowed for different views of the future to be incorporated without rancour. The discussion also provided a bridge so that differences that had seemed fundamental could be traced to the source—sometimes as trivial as a misleading translation of a term used in one language, into another. Other differences related to the background—not so much the academic discipline (though sales people and technical people found it hard to communicate) but cultural. So for instance Group members from the Netherlands and Greece thought that it was normal to speak several languages—the UK members thought of language skills as a hurdle to some of the possible futures.

The format of each workshop was a residential two-day event.

With this level of Group, it was important that the members knew how their work was to

be used. So it had been arranged, before the sequence of workshops, that a presentation would be made to the Management Executive at their Away Day, and also that they be briefed to the network of planners in the Businesses. Many of the Group Members also took the outputs to their management team meetings.

The feedback from the Group members was:

- A view of the process steps and the endpoint was important in giving them confidence to think about the future.
- They needed to know how to use the scenarios—since the scenarios were different, what were they supposed to DO?

So we ran a workshop on ‘Making Decisions based on Scenarios’, covering the use of **early indicators**—headlines that you would notice that could indicate a scenario was unfolding; **robust decisions**—those applicable under all scenarios, albeit at a different rate under each; for instance, the need for new technical skills

#### ICL WORKSHOP AGENDA

##### **Day 1:**

am: meet, introductions, review the process to be followed;  
questions for ‘The Oracle’ – what would shape ICL in 2025?  
Brainstorm factors.

pm: separate out the likely givens from the trends and uncertainties;  
cluster the uncertainties;  
decide on the interesting combinations = the scenarios.

##### **Day 2:**

am: review the combinations;  
write a scenario story for each chosen combination.

pm: describe an evolution sequence for each;  
look for turning points;  
review the Oracle questions;  
discuss the implications.

Source: (Ringland, 2006).

was clear under all scenarios but in differing numbers depending on the scenario; and **risk appetite**—could ICL ‘make’ a market by taking a decision based on one scenario, or were we fast followers?

### **The experience of a large local government authority**

A large local authority in southern England had established a Futures Group, sponsored by the Leader of the authority, comprising around twenty of the younger (<40 years old) up-and-coming managers in the authority, covering a wide range of functions and activities, who had been identified as having potential for further development. The group was encouraged to think about longer-term issues for the authority. An initial meeting had been held, which focused on examining some documents from central government and thinking about how to improve the operations of the authority.

While this had produced some stimulating material, it had tended to dwell on internal structural and communication issues, since

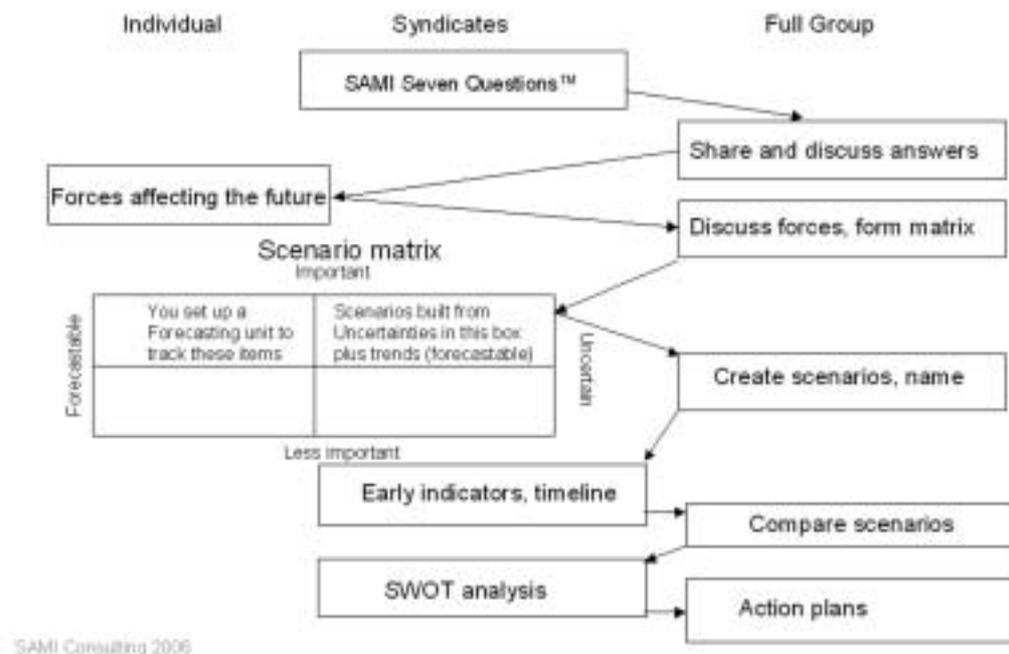
these tended to be uppermost in the day-to-day working lives of the participants. In order to stimulate more strategic, longer-term thinking in the group, it was decided to use a scenarios approach and SAMI Consulting was asked to organise a two-day session of the group.

The session was designed to give the participants a real experience of developing and working with scenarios and to give a flavour of how these can be used in an organisation.

The first day focused on the external environment and started with syndicate work, tackling a selection of questions to The Oracle. The Oracle, as in Greek myths, knows everything (Ringland, 2006, pp.159) For example:

- What would you ideally wish to know about the world in 2020?
- How did we get to where we are today?
- What is a reasonable vision for 2020?

This led to a lively plenary discussion of commonalities and surprises. This was followed by an individual brainstorming of ‘forces that will affect the external environment for the organisation in 2020’. Each person then placed their



**Figure 3: Management Development Workshop**

factors on separate post-it notes on a scenario matrix, which enabled the forces to be mapped on a predictability/uncertainty vs. importance matrix. The forces in the 'important and uncertain' box were then sorted into a few themes likely to have the biggest impact. The potential interaction among these forces then provided the basis for generating all combinations, of which four were chosen as representing the most realistic challenges. These formed the basis for developing feasible external scenarios within syndicates.

During the second day of the exercise, the syndicates first presented and developed their scenarios; identified the initial implications for the organisation; developed a SWOT analysis for each scenario for the impact on the organisation; and scoped how the existing service provision would be affected—positively and negatively—against the backdrop of each scenario.

The syndicates identified several interesting themes, whose interaction would shape the future external environment, including the role of technology: would it be an enabling and widespread solution to many energy and transport problems, and driving economic prosperity; or would it be narrowly available, fail to deliver and even be resisted by society as inhumane? Other themes included the extent to which citizens sought to live self-contained, isolated lives, as opposed to a resurgence of community and social cohesion. In addition, the future role of public services—in the broadest sense—was considered a key factor in the future environment for the organisation.

The four scenarios chosen for further development provided a stimulating and highly varied set of challenges for the organisation to tackle. It was not entirely realistic to expect that within the timescale, a full and detailed set of options and responses could be developed by this group, in isolation from the wider organisation. What it did provide was a clear appreciation of

the principles and issues on which further work would be needed to give organisational resilience to the varied range of outcomes that could lie ahead in the potential future world of 2020.

The session gave the opportunity for a younger cadre of managers in the organisation to gain experience of the principles, methodology and application of scenario development. In this way it prepared a newer generation of future senior managers to be aware of, appreciate and value these techniques as part of their career development, and be in a position to apply as they progress further up the organisation.

In terms of the specific outcomes, the scenarios provided new insights into the way future challenges—both threats and opportunities—in the external environment could impact on the organisation. The participants gained knowledge on how an organisation can test the resilience of its current and prospective plans and strategies to possible future events and developments.

## **Conclusions**

Comparing the private sector experience with the public sector, we noticed two differences which surprised us:

- In the private sector example, initial attempts at futures thinking by the Group members had focused on external factors, in the public sector on internal. This could be because the public sector group had been longer in the organisation than the private sector group.
- In the private sector, the participants were not satisfied with having the scenarios, they wanted to use them in the organisation; the public sector participants found the SWOT analysis incorporated into the workshop gave them a satisfactory set of insights.

In both cases, engagement in the scenario process was successful in creating more coherent views of the external future world than the Group members had before, or had achieved using other processes.

The duration of the Workshop was chosen to be two days in both cases. This was partly to allow thinking time but also, importantly, allows for informal networking and development of ideas overnight when combined with an off-site location.

The outcomes of a specific management development exercise are not comparable in quality with a more comprehensive scenario development process. In particular, there is not the opportunity for the highly desirable preliminary interviews to give broad insight and context; nor was there the availability of the normal range of external inputs and data to provide expertise as well as challenge entrenched internal positions. For these reasons it would be inadvisable to use the output of a specific, contained management development exercise as a substitute for a full-scale scenario process within the wider organisation

However, in both cases, the participants took away an understanding of the importance and the power of scenario thinking which would allow them to act as activists to stimulate scenario thinking within the wider organisation. In both cases, as was also found on the Warwick MBA course, external facilitation to give a framework and sense of process proved important in delivering the management development experience.

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## BIOGRAPHICAL NOTES

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