

# Tool

## SCENARIO TECHNIQUE

**Area of Application**      **Strategy Development / Planning**

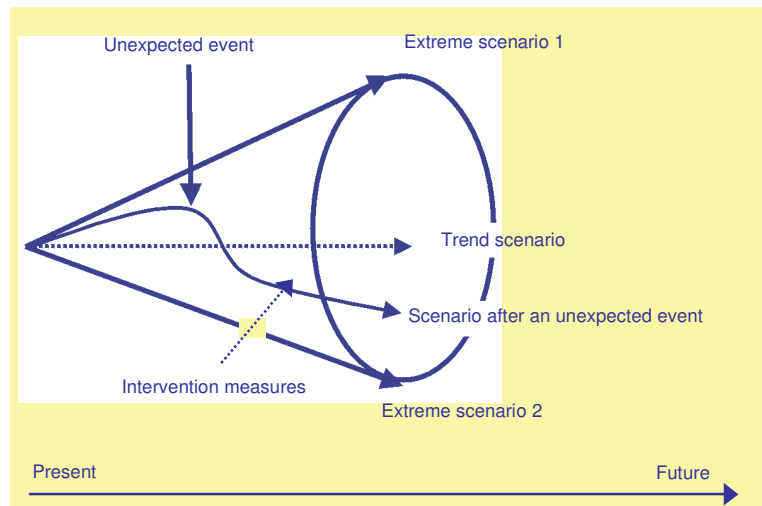
**Objective**                      **To support strategic planning / strategy development, possible visions of the future are constructed, and the routes which may lead to these scenarios are described**

### **1 Context**

Scenarios are specially constructed stories about the future. The goal of collaborative work using scenarios is to demonstrate how different forces can steer the future in different directions. Scenario planning provides an opportunity to identify trends and discontinuities, and to establish a consistent understanding of relevant trends. It provides a platform for the formulation of alternative strategies. Scenarios therefore challenge us to analyse the current situation and develop criteria for assessing the future. The longer the period of observation, the more scenarios can be generated. A reasonable upper limit for a scenario period is 20-30 years, while the minimum is around 5 years.

### **2 Description of the tool**

Taking the present situation as the starting point, two contrasting extreme scenarios are constructed. These form the extreme points of a scenario funnel, the rim of which represents the limits of the conceivable development paths. This is an attempt to differentiate between the possible and the impossible. By extrapolating the development of influencing factors, various trend scenarios emerge within the bounds of the scenario funnel. If a disruptive event occurs, the trajectory of the trend scenario is shifted into a new direction. At this point, interventions need to be thought of which could steer the trajectory of development to a more positive direction. It is also possible to work on more than the three scenarios in order to generate a richer image of the possible future.



The steps in detail:

### Step 1 Define strategic questions and time scale

Strategic questions or critical success factors as well as the time scale (5-30 years) are identified as the basis for subsequent scenario planning. Even though the crucial issue has usually been determined, these questions must be defined in the preliminary phase (e.g. *what kind of agriservices would a pro business government privatize?*)

This can be done using interviews, a written questionnaire or a brainstorming session at the beginning of a workshop or with a SWOT (strengths, weaknesses, opportunities, threats) or PEST -(political, economical, sociological, technological) – analyses.



The PEST-analysis is suitable to widen the horizon by the whole system under consideration. The SWOT analysis is an easy tool to build on achievements so far.

### Step 2 Determine the influencing factors

This step helps participants to realize the importance of influencing factors on the actual development of initial scenarios and situations

#### Review/Take a hard look at the past

*The methodology for illustration is derived from the 'future conference' technique*

Participants are challenged to think about significant events of the last 5-30 years and to categorize these under different headings on a wall display. This wall display symbolizes a timeline. The categories are chosen freely but, as a minimum, they should include personal development, global development and development relating to the specific theme

(e.g.: topics from project to the programm oriented approach in development cooperation, from public services to privatization, decentralization as important factor, from single level to multi-level approach, from bilateral to multilateral cooperation, importance of the agricultural sector reduces etc.)

As a follow-up, participants reflect on selected historical patterns that can be identified on the timeline..

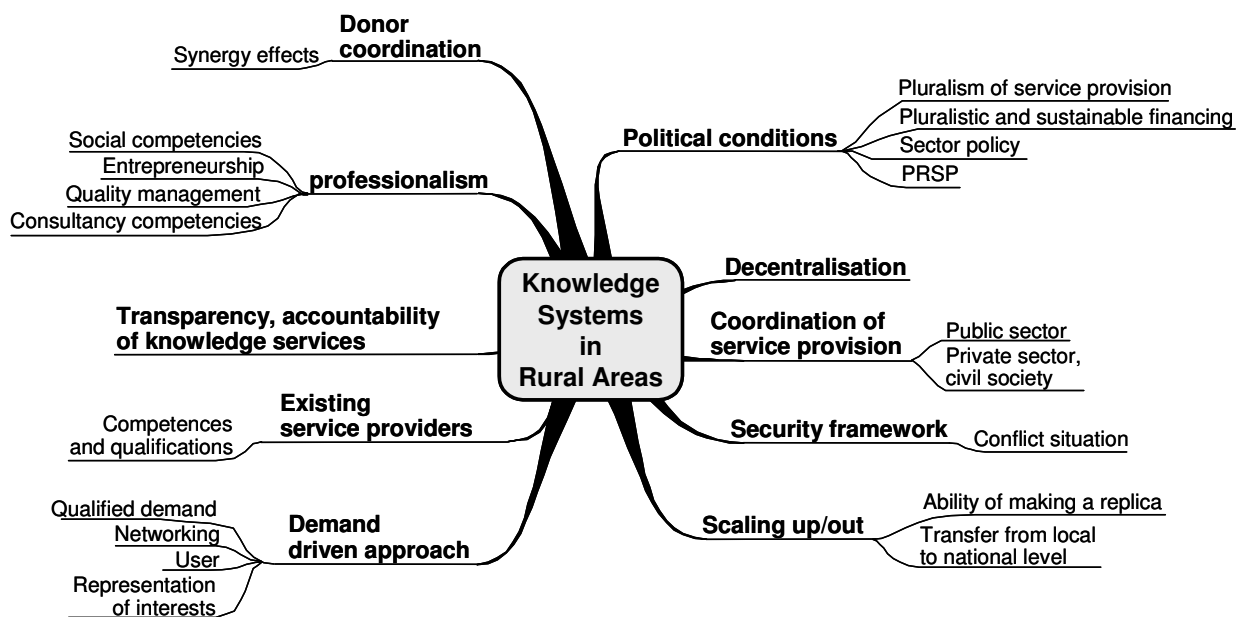
### Step 3 Trends/basic condition

The third step is to create a 'mind map' of the trends which could influence the topic of the scenario development and to identify in this way basic conditions.

The line of enquiry is left open, to ensure that as many factors as possible are identified. Rather than prioritizing trends, they are treated as having equivalent status.

Next, the trends are clustered to be allocated to working groups for detailed work.

Example:



### Step 4 Questions for the oracle

This step involves the formulation of 'questions for the oracle'. The working groups have the task of analyzing the influencing factors identified earlier. They are looking for information gaps, which will be the basis for formulating questions.

e.g: *Is the decentralisation an important influencing factor for the service provision sector in rural areas?*

*Is the donor coordination producing synergy effects for rural development?*

*Are there enough service providers?*

*Do the existing service providers have the required qualification?*

Interesting in this process is, to put into question assumptions, which are seen as facts.

Participants are then asked to classify all the questions by sticking self-adhesive dots onto a matrix. They have the following options to select from:

- Yes
- Definitely
- Probably
- Not sure
- Unlikely
- No
- Definitely not

The last task is to identify the questions on which there was no certainty. These 'critical uncertainties' are carried over into the next step.

### Step 5 Clustering critical uncertainties and identifying scenarios

All critical uncertainties affect the configuration of future development. They are a basis for the generation of scenarios. However, since the number of alternatives grows exponentially with the number of critical factors (two factors yield 4 combinations, four yield 16, six yield 68, etc.), complexity has to be reduced. For this reason, critical uncertainties are generally amalgamated into three clusters, and one scenario question per cluster is formulated. These scenario questions should not be simple 'yes' or 'no' answers. Instead they should capture a broader context:

*Example:*

*who will take ownership of the organization for the service sector in rural areas?*

*what will be the political/society framework conditions in the country?*

*Will pluralism of service provision be a government driven policy?*

The participants are then required to characterize the two extreme outcomes to each question, i.e. the opposites of a particular trend (e.g. lasting peace or a renewed outbreak of civil war). The extreme outcomes for each scenario question are combined in a matrix.

*Example:*

<i>1 who will take ownership for service provision in rural areas</i>	<i>2 What will be the political/society framework conditions in the country</i>	<i>3 Will pluralism of service provision be a government driven policy?</i>	<i>Scenario Nr.</i>
<i>The Ministry of Agriculture will take strong ownership for service provision in rural areas and all other line ministries will cooperate</i>	<i>Civil war prevails</i>	<i>Pro pluralism government.</i>	<i>1</i>
		<i>Contra pluralism government</i>	<i>2</i>
	<i>Sustainable peace process and political participation</i>	<i>Pro pluralism government</i>	<i>3</i>
		<i>Contra pluralism government</i>	<i>4</i>
<i>The Ministry of Agriculture will silently reject a donor-driven service provision approach</i>	<i>Civil war prevails</i>	<i>Pro pluralism government</i>	<i>5</i>
		<i>Contra pluralism government</i>	<i>6</i>
	<i>Sustainable peace process and political participation</i>	<i>Pro pluralism government</i>	<i>7</i>
		<i>Contra pluralism government</i>	<i>8</i>

## **Step 6 Scenario description and Working Strategy**

Participants jointly select a few of the combined scenarios. The number depends on the number of participants because the next step is groupwork. The choice of scenarios should not be guided by which are the most probable, but which are the most interesting; the ones which offer the greatest learning potential. At least three scenarios should be described. If only two are selected, just two radically contrasting scenarios are described, but the intermediate subtleties are lost.

These scenarios can be dealt with in various ways. For example, the working groups can answer the strategic questions (from Step 1) depending on the exigencies resulting from the scenario. Furthermore, the most critical scenario can be selected, and a working strategy defined in response. Another option is to select the most 'comfortable' scenario, and then to explore what actors can do to increase the probability that this scenario will occur.

## **3 Use of the tool**

The value of scenarios lies in their capacity to anticipate the future.

The tool can be used both to answer important strategic questions and to widen people's 'mental maps' and, ultimately, broaden their range of options for taking action. The other main advantages are that stakeholders' fundamental implicit assumptions are revealed, but – by virtue of the game-like approach – made apparent to everyone without harming the participants' sense of integrity.

It is also a method for formulating alternative strategies.

Scenarios have been used for about 30 years in different sectors for future planning. For example, the Shell Oil scenario workshop enabled the company to anticipate the rise in crude oil prices as a potential scenario in the very early 1970s, and to emerge with greater strength from the later oil crisis. Similarly, the Austrian insurance company Erste Allgemeine Versicherung foresaw the fall of the Berlin Wall, which gave it a key advantage over its competitors in Eastern European markets. In South Africa and Canada, scenario workshops have been used across a broad base of society for the development of future strategies.

## **4 Sources**

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Good practice-example, Dr. Holger Nauheimer, Beraterkompetenz