

ENVIRONMENTAL SCANNING AND SCENARIO PLANNING

What is a scenario?

Key issues

A scenario means a description of scenes – in cinema it means a film outline. It is an opportunity to create a more vivid and creative background for thinking how to act in the future. Scenarios are descriptions of your visions of the future

Scenarios are envisions of possible **thinkable** futures. They are used to test ideas and extrapolate them into the future. They reflect your **assumptions**, personal and group beliefs about the future.

The advantage of group-generated scenarios is that they help organisations achieve consensus about the future. (standpoint-not sure about this phrase.

OTHER KEY FEATURES OF SCENARIOS

Evaluation and selection of strategies: Scenarios provide a framework within which managers can assess alternative strategies.

Integration of future-orientated data: They can integrate qualitative plus quantitative inputs, as well as results from other forecasting techniques.

Exploration of the future: Scenarios can help to a) identify major changes and potential problems and b) generate strategic options to deal with them. This allows for anticipation of the unexpected, providing an early warning system.

Awareness of environmental uncertainties: Scenarios require managers to acknowledge uncertainties and allow for it within their thinking

Organisational learning: Scenarios provide a test bed for managers to explore the consequences of their strategic decisions.

STEP 1

ENVIRONMENTAL ANALYSIS

(BRAINSTORMING)

- Consider the external environment in which your service will be operating in the next 5 years?
- Who are the customers/clients you will be dealing with and what are their requirements? (For example, do they have any specific needs/requirements that may affect the service requirements or service delivery now? How may these needs impact on the expectations of the service users?)
- What are the key strategic issues, which may affect this **service area** short-term and longer term?
- Consider risk elements i.e. risk assessments linked to strategic issues. Such as what will the impact be to the service if we fail to reach a particular target. Would this have major, impact, a medium impact or will it be indifferent . How will it impact on our ability to provide a service, what are the cost implications for taking this course of action.

Rules:

No answer is stupid- don't criticise your colleague – build on even the most unlikely ideas-don't look for a logical order- just write ideas...

USE STEEP FACTORS TO GUIDE YOU:

S= Social factors

T- Technological Factors

E= Economic Factors

E= Environmental Factors

P= Political Factors

STEP 2

IDENTIFY CLUSTERS

The next task is to group related ideas which, taken together, may cause change in the environment. Aim at 5-10 clusters of related ideas. An example on the service side may be:

*Increased regulation, leading to
increased costs of service delivery and
a greater focus on customer safety*

STEP 3

DERIVING DRIVERS FROM CLUSTERS OF RELATED IDEAS

Drivers are more fundamental trends that together change society. The analogy is to think of the driver in golfing terms as a force, which gets you a long way, spatially, emotionally and temporally. 10-20 individual factors forming a cluster may identify in a short discussion 1-3 drivers. The STEEP framework gives you a good process tool to support this. Ask 'why' questions to clarify underlying causes.

The example below describes how you can move from a statement generated in brainstorming to a "driver".

Deriving drivers from individual ideas Statement: Underinvestment in housing stock

More specifically: Local Authorities are reluctant to build new housing

Why:

Why:

Why:

Driver: Social....Political...financial

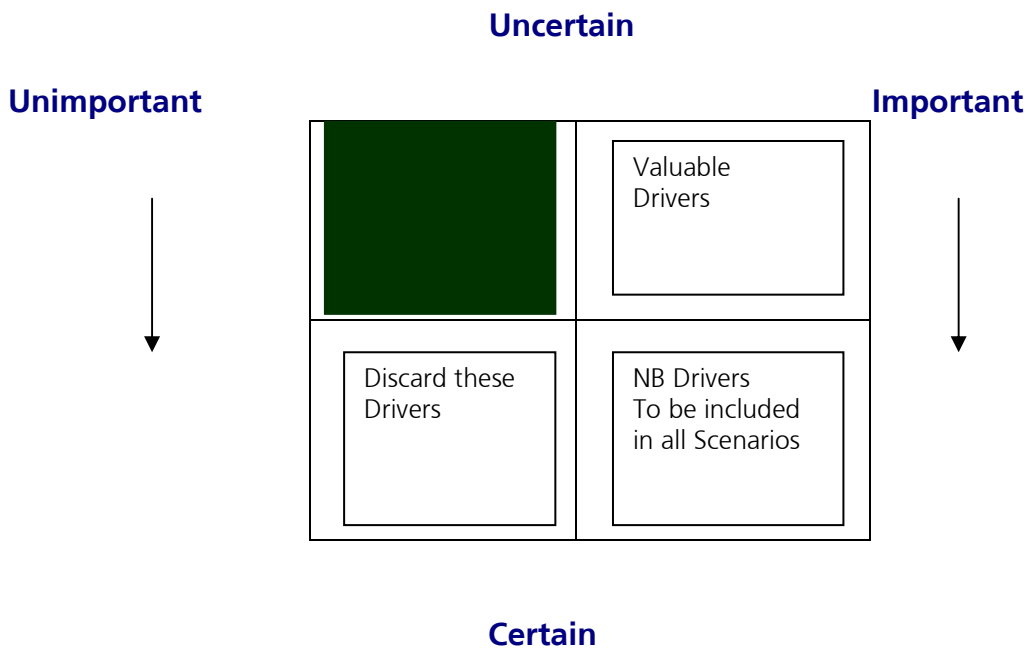
Ask a series of 'why' questions to try and identify underlying causes behind your statement. This is in order to arrive at the driver. The process here is akin to a laddering technique. The idea is to get behind what is happening to clarify the underlying causes.

STEP 3 CONTINUED:

IDENTIFY KEY DRIVING FORCES

- Select those which are genuinely variable
- Have significant alternative outcomes
- Use the importance/uncertainty matrix
- Factors that are predictable should be included in all scenarios

Tool: Importance/Uncertainty Matrix



Key issues:

- Drivers should be variable – i.e. they may or may not happen
- Drivers should be capable of producing significant alternative outcomes – i.e. have the potential to change the service completely- eliminate it – create something completely different
- Concentrate on drivers, which are uncertain and important, (i.e. the least predictable ones with the greatest potential impact on your organisation.)

NEXT:

- Differentiate between drivers that:
- Affect the sector as a whole
- Affect particular players selectively

Taken together these techniques should lead to the selection of external drivers that are, potentially important, uncertain or unpredictable and likely to have a competitive impact.

Explore the consequences of each of the selected drivers. Ask questions such as if X were to happen, what would be the consequences? You may then find that drivers will merge and overlap. For example those, which appear to be economic, are likely to reveal social consequences. This is an example of how scenario planning forces the integration of apparently disparate elements into a coherent whole, which may reveal new relationships.

STEP 4

CONVERT KEY DRIVERS INTO SCENARIO LOGICS

- Use a 2x2 matrix as a scenario framework (as illustrated in Step 3)
- Take the important/uncertain drivers from the cross impact analysis and convert into 2 dimensions
- These will express the key elements of the driving forces and its possible outcomes under conditions of uncertainty

NOTE 1: The logic of forced scenarios is first to dramatically oversimplify and then add back all the complexity later. The example in the table below is based on scenarios carried out for a district authority, based on a forecast to 2009. In this example the definitions of the axes represent the drivers and the poles at the end of each axis represent two and only two extreme outcomes. Drivers, which have more than 2 extreme outcomes are tricky to deal with, so try and stick to finding two critical drivers, which can be calibrated in bipolar terms.

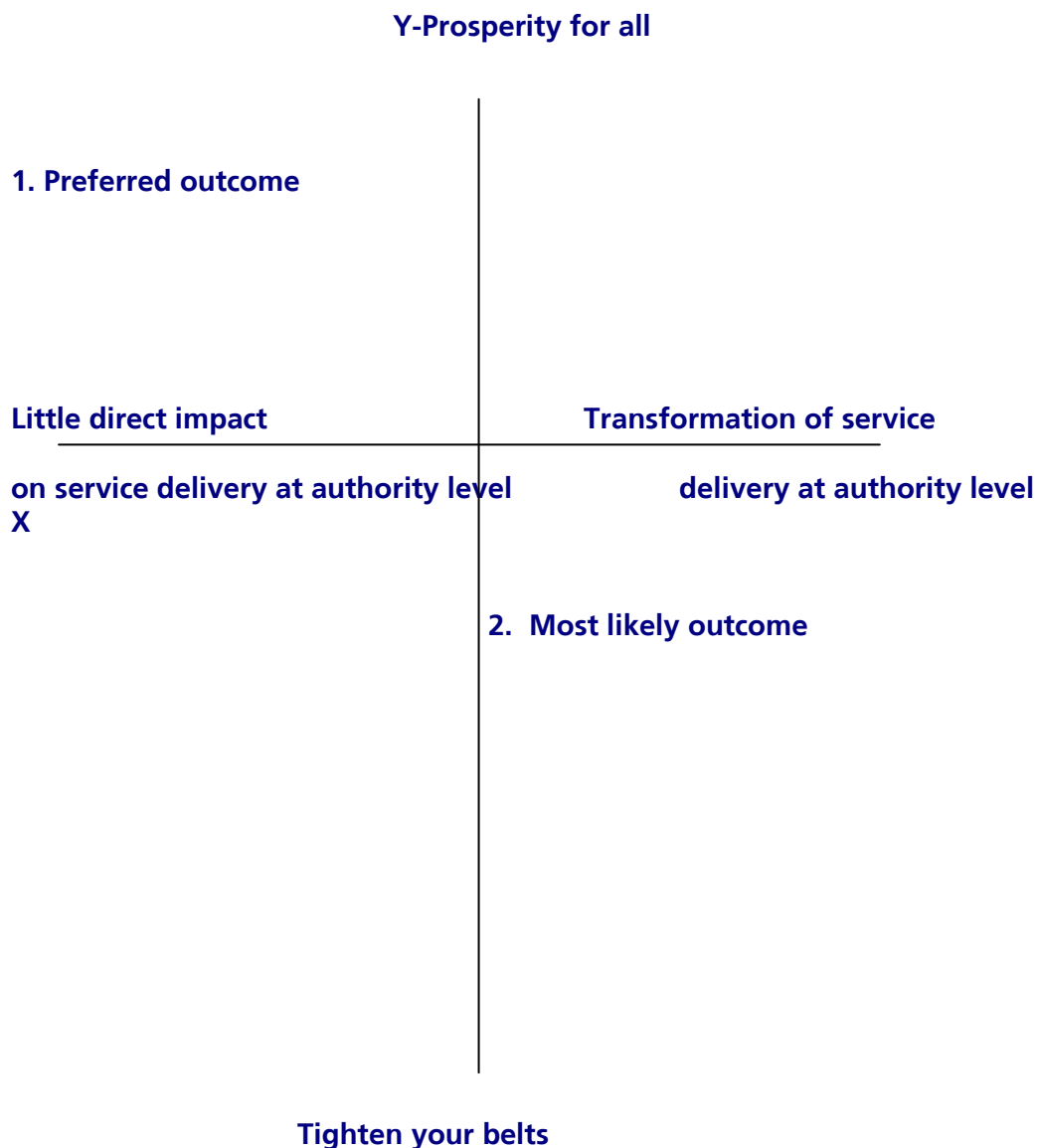
NOTE 2: The drivers on the two axes must be independent of each other; if one depends on the other this invalidates the scenario logic. The process must be done in a group. Although there will be debate as to which drivers will go forward as an axis, do not abandon those drivers not selected. They are needed for the final stage.

STEP 4 SCENARIO MATRIX – EXAMPLE

This example explores the interaction between economic climate and the degree of influence of Regional Government of local authority service delivery. Both the preferred and expected outcomes are plotted.

DRIVER X- Degree of influence of Regional Government on local authority service delivery

DRIVER Y-Economic climate



STEP 4 SCENARIO MATRIX – EXAMPLE cont./ 1. Wanted outcome	2. Most likely outcome (v. conservative estimation)
<p>Our district authority 2009 has seen a lot of changes</p> <ul style="list-style-type: none"> • Met and exceeded our e-gov targets, services transformed <p>Not only increased access and service delivery on-line, via contact centre etc, working also in partnership via Somerset Direct to inform and deliver one-stop shop provision for the county</p> <p><u>Cost savings resulted:</u></p> <ul style="list-style-type: none"> -Handling of complaints on –line -Cash flow improved: Quicker processing of planning applications, direct debit on-line accounts for council tax etc. - Redeployment of staff to develop other areas of work supporting partnerships, new income generation activities etc 	<ul style="list-style-type: none"> • E-government was implemented, although not fully. Gaps include..... Significant savings (time financial staff) associated with it not yet realised. Regional government forced working directly with County council and aligning business systems has resulted in heavy use of consultants to implement MIS and joint payroll systems, which are not functioning fully yet etc.
<ul style="list-style-type: none"> • Income generation <p>Although local tax revenue has not increased significantly, although the basis on which it has been calculated meant that it has declined. Other sources of income include:</p> <ul style="list-style-type: none"> - Hosting delivery of training courses with other authorities - Taxation on second homes - Business rates: now collected locally 	<ul style="list-style-type: none"> • Income generation <p>The effect of Regional Government meant that many of our services were now delivered by County negatively effecting our financial position</p> <p>Effects of which:</p> <ul style="list-style-type: none"> - Job losses - Loss of grants to support our work. - Local tax revenues diminishing due to regional decisions affecting this area
<ul style="list-style-type: none"> • Grants for skills development to support modernisation agenda - Upskilling of front-line staff- skills pathways - Less reliance on outside consultants - Partnership working with other authorities, businesses and other organisations shared staff, secondments etc.. 	<ul style="list-style-type: none"> • Grants for skills development to support modernisation agenda -Difficulty in implementation due to other commitments etc.

STEP 5

IDENTIFY SCENARIOS

The final stage is to write some draft scenarios. 2 or 3 scenarios may emerge. First select those that represent the environment in which you want the service to operate, or the one that you think is the most likely outcome. The second scenario should then be its most total opposite. The essence of the task is to build on the frameworks, quantifying, if possible, the impact of these key forces. At this stage add back into the story all the complexity lost in the culling exercise which developed the framework.

NOTE: Scenarios should not be selected on the basis of probability (they are not intended to be predictions but indicators of a range of possibilities. They should involve a range of drivers and explore and develop the interaction of external events.

Chosen scenarios should be equally (un)likely (to avoid the traditional forecasting pitfall of a one-track future).

When named they should have memorable but neutral titles- i.e. no preference of one over the other given the name. They should be stimulating and provocative.

STEP 6

WRITE THE SCENARIOS

Ways of writing the scenarios

This is a world in which ... (the most straight forward and descriptive method)

Forward history. Start from the present and, identifying the turning points, describe how the different scenarios evolved through the operation of key driving forces.

Reverse history. Highlight a future seminal event for each scenario and describe what had to happen to arrive at that point.

Make sure that the all 'important certain' driving force identified in step 3 are considered and incorporated into the scenario. This is adding back of all the complexity.

Consider the possible impact of wild cards- the top left drivers in the importance/uncertainty matrix.

In terms of presentation / discussion of scenarios use of bullet points may be the simplest way of describing the logic of a given scenario.

STEP 7

IDENTIFY STRATEGIC RESPONSE.

The Scenarios should now be fed into strategy development phase of workforce planning, so that a strategic response can be developed.