

Title:

Managing uncertainty: harnessing the power of scenario planning

The competitive dynamics for many firms are rapidly changing, with industry after industry being reshaped and resized by numerous disruptive forces in the form of new digital technologies, deregulation, new business models and the threat of new competitive entrants.

A dynamic competitive environment represents a daunting challenge to senior executives and strategic planning teams who have responsibility for the strategic development of the firm, particularly in terms of the future direction, scope and the strategy required to deliver on corporate objectives. With rapid change and uncertainty, there is increased scrutiny on the strategic planning tools that are used to undertake a rational and comprehensive analysis of the competitive dynamics that inform strategy formulation. As such, firms need to consider a critical question when developing their Corporate Level Strategy, that is, *'how can some long-term certainty in their strategic approach be gained in an uncertain future environment?'* An underpinning principle in attempting to answer this question lies in the fact that some strategic planning tools are better equipped to deliver strategic insight than others.

How can some certainty be gained in an uncertain future environment?

It seems paradoxical to ask how certainty can be found in uncertain competitive environments. A useful platform on which to answer this question is the idea of 'strategic intent' which argues that organisations needed to create an obsession with winning in tough, fast changing and unpredictable markets, and should not content themselves with simply fitting in with their current environment. Firms need to envision a future competitive landscape where their current resources, competencies and capabilities need to be developed in order to stretch the organisation into a winning position.

A management tool that imagines future competitive environments and helps develop long term strategy, in even the most uncertain of markets, is Scenario Planning. This tool offers an approach that combines imaginative and systematic thinking in a way that can provide a unique insight into the future, and provide a platform on which firms can act on with some degree of certainty. The process of scenario thinking allows executives to step back from the ritual of strategic planning and address environmental uncertainty by generating a limited set of internally consistent and plausible scenarios that are used to set the long-term strategic direction for a firm. As such, executives are able to manage uncertainty and turbulence by being *'mentally prepared'* to address the future.

The use of Scenario Planning amongst firms across the globe is well known. Indeed, many executives who use it consider it to be a 'Power Tool' (Rigby & Bilodeau, 2007; Oliver, 2013) which delivers high levels of user satisfaction. It is argued that the systematic approach to addressing and managing environmental uncertainty would allow firms to move away from single pointed forecasts of the future, and in doing so, create a more robust competitive strategy based on a more holistic exploration of a strategic issue. This explorative process generates a substantial amount of dialogue, creative thinking, brainstorming and intuition in order to build alternative and plausible futures where statistical forecasting techniques are deemed inadequate due to the extent of environmental uncertainty.

In essence, Scenario Planning enables senior executives and strategic planning teams to mentally prepare their firms for an uncertain future by examining multiple possibilities.

Conclusion

The premise of this paper was to consider how firms could achieve some long-term *certainty* in their strategic approach in an uncertain future environment. We believe that Scenario Planning can help firms to develop long-term strategy by making sense of broadly uncontrollable and often conflicting macro-environmental trends. It also combines thorough strategic analysis with creative thinking to identify and prioritise the forces that are creating the most uncertainty and find strategic solutions to multiple future scenarios.

Whilst, there is an argument which considers this tool to be too subjective and based on an extrapolation of existing knowledge from a fixed point in time, we believe that more than ever, firms need to respond to an ever changing competitive environment by strategizing in a way that allows them to prepare for multiple futures, with multiple strategies.

References

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