

Scenario planning

Idea

Sep 1st 2008

Scenario planning (sometimes called “scenario and contingency planning”) is a structured way for organisations to think about the future. A group of executives sets out to develop a small number of scenarios—stories about how the future might unfold and how this might affect an issue that confronts them. The issue could be a narrow one: whether to make a particular investment, for example. Should a supermarket put millions into more out-of-town megastores and their attendant car parks, or should it invest in secure websites and a fleet of vans to make door-to-door deliveries? Or it could be much wider: an American education authority, for instance, contemplating the impact of demographic change on the need for new schools. Will the ageing of the existing population be counterbalanced by the rising level of immigration?

In Peter Schwartz’s book “The Art of the Long View”, scenarios are described as:

Stories that can help us recognise and adapt to changing aspects of our present environment. They form a method for articulating the different pathways that might exist for you tomorrow, and finding your appropriate movements down each of those possible paths.

Scenario planning has been used by some of the world’s largest corporations, including Royal Dutch Shell, Motorola, Disney and Accenture. Two things lay behind its rapid growth in the 1970s:

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- Widespread dissatisfaction with existing ways of planning. Many organisations realised how misleading were predictions based on straight-line extrapolations from the past. The oil price hikes of 1973 and 1978 dramatically and painfully brought home how vulnerable

businesses were to sudden discontinuities. The unusually smooth path of economic progress since the second world war had lulled them into a false sense of continuity.

- Growing attachment to the idea that business can make better use of the non-rational side of human nature. At the head of Royal Dutch Shell's planning department at the time was Pierre Wack (see [article](#)), a Belgian who had been persuaded to give up the editorship of a Franco-German philosophy magazine and join the company.

The appeal of scenario planning increased further in the wake of the September 11th 2001 terrorist attacks in the United States and the greater perceived uncertainty of the 21st century. According to Bain & Company's annual survey of management tools, fewer than 40% of companies used scenario planning in 1999. But by 2006 its usage had risen to 70%. As a result of its scenario planning, the New York Board of Trade decided in the 1990s to build a second trading floor outside the World Trade Centre, a decision that kept it going after September 11th 2001.

In an article in *Harvard Business Review* in 1985, Wack wrote:

Scenarios deal with two worlds; the world of facts and the world of perceptions. They explore for facts but they aim at perceptions inside the heads of decision-makers. Their purpose is to gather and transform information of strategic significance into fresh perceptions.

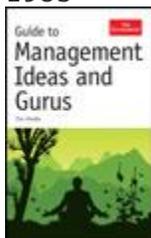
The process of scenario planning usually begins with a long discussion about how the participants think that big shifts in society, economics, politics and technology might affect a particular issue. From this the group aims to draw up a list of priorities, including things that will have the most impact on the issue under discussion and those whose outcome is the most uncertain. These priorities then form the basis for sketching out rough pictures of the future.

Scenario planning draws on a wide range of disciplines and interests, including economics, psychology, politics and demographics. The recommended reading list of Global Business Network, a leading adviser on scenario planning, includes Alexis de Tocqueville's "Democracy in America" as well as Peter Senge's "The Fifth Discipline" and "The Leopard", Giuseppe Tomasi's sweeping tale of Sicilian family life.

Further reading

Schwartz, P., "[The Art of the Long View](#)", Doubleday/Currency, 1991; John Wiley & Sons, 1998

Wack, P., "[The Gentle Art of Re-perceiving](#)", *Harvard Business Review*, September–October 1985



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