

Windows for the Mind: The Use of Scenario Planning for Enhancing Decision-Making and Managing Uncertainty

Gary Saliba
Australian National University
Australia

At this very moment there are people in all aspects of life ranging from multinational corporations dealing with investment and growth opportunities to governments developing policies that will support their nations, to a farmer who is contemplating whether to invest in another crop and a young student wondering what career path they will want to embark upon. All of these people share the common context of making decisions in the context of uncertainty about the future.

As humans our minds have an extraordinary capacity to deal with complexity if only we would get out of the way and allowed our mind to do its job. Many of us want to have control and to shape our thinking to get the result that we *think* we want. At times this can be a useful way of being. Because of the complexity and uncertainty that prevails in most situations, a different approach is needed to achieve desired outcomes. Part of this different approach requires stepping back a moment to understand how we make decisions.

What Is the Purpose of Scenario Planning?

In a general sense decision-making is shaped fundamentally by our mental models/worldviews, the unconscious frames of reference that act as filters and so determine what and how we perceive the world that we interact with. These perceptions provide the important data that we require to inform our decision-making. In turn our mental models and perceptions will shape the style, scope and depth of our thinking (Oka, 2000). Together these steps interplay with each other to shape the decisions we make moment by moment. So no matter who is involved in the decision-making process, the usefulness of the decision and its implementation will be strongly shaped by the nature of our mental models.

This point is illustrated by an organisation that was struggling with the decision-making of their new managing director. This person was newly appointed because of their exceptional performance. The board was not successful in working with the new managing director to highlight the issues of his decision-making. After some questioning and interviews the issue was very clear. The new man-

aging director had been promoted from the European operations of the business along with his Eurocentric view of reality. Decisions were being shaped by such a worldview that were not totally appropriate for the current operational context. Although this may seem obvious it was not to the people of this multi-national organisation.

The key result of the development and application of the scenario planning methodology is to challenge and shape mental models. When this is achieved we perceive our world differently and so receive new forms of data that will inform us and ultimately lead to more informed decisions. A shift in our mental models can affect our sense of identity and our personal metaphor (unconscious scripts that we use that shape the current way we live our lives). Such change has profound influence on our confidence to make decisions in a complex and uncertain world. This issue is elegantly reflected by:

Human beings and organisations do not act in response to reality but to an internally constructed version of reality (Kees Van Der Heijden, p.55).

Complexity and uncertainty are two issues that tend to create decision-making hiatus for many of us. There is a human desire to have issues presented simply and to be able to know all there is to know to confidently make a decision. This desire has directed a great deal of effort and resources into prediction methodology. Unfortunately we cannot predict the future and remove the uncertainty. Even if this was possible and we were given all there is to know about an issue, there is no guarantee that the decision-making will be successful if the underlying mental models, perceptions and thinking are not tuned appropriately. This is not to say that information is not important. It is only *part* of the process.

When we do not have all of the information, nor do we have an understanding of the complex interplay of forces and high degrees of uncertainty how do we make decisions? This will depend on our internally constructed version of reality. The intent behind scenario planning is to reduce the decision-making hiatus so that people are better informed about the uncertainty and complexity of the context they are operating within. This is succinctly articulated by:

...too many forces work against the possibility of getting the right forecast. The future is no longer stable; it has become a moving target. No single "right" projection can be deduced from past behaviour. The better approach I believe, is to accept uncertainty, try to understand it, and make it part of our reasoning. Uncertainty is not just an occasional temporary deviation from reasonable predictability ; it is a basic structural feature of the business environment (Pierre Wack, p.73).

In a recent exercise the executive of a resource utility were using the scenario planning methodology to inform their strategy development process. Complex and uncertain issues such as the emergent carbon trading scheme, global economic conditions, community perceptions and behaviours about climate change, the severity of climate change and technological development would all play critical roles in the direction of this business. The scenarios provided the executive group with the context to how each of these and other factors would interplay with each other to create alternate descriptions of the future. As one executive had said: *"these stories were so well*

compelling I was consumed by them and could feel the pressures of what could be in the future". The exploration of the scenarios enabled the executive group to share their experiences of what the uncertainties *meant to them and to the business.* This led to the development of a series of models that contextualised the crafting of the organisation's strategy. In this exercise the uncertainties were identified, understood in how they could manifest themselves and built into the consciousness of the decision-making.

Our ability to deal with large volumes of diverse, often contradictory and quickly changing information about our operating landscape can also become an inhibitor to useful decision-making. The purpose of scenario planning is to provide a means to capture such diversity and complexity and present it in a form that enables us to be informed about the underlying dynamics of our landscape. An awareness and understanding of the dynamic complexity of issues provides a solid foundation for the decision-making process.

Our conscious minds can deal with 7 ± 2 chunks of information at any period of time. Many of the decision-making situations we encounter in organisations usually deal with many more variables and our capacity for effective decision-making becomes overwhelmed. Decision-making can be greatly enhanced when we begin to utilise the immense processing capacity of the unconscious mind to deal with the complexity and multiplicity of variables. We witness this on almost a daily basis when for example we awake from sleep to have arrived at an answer to a problem that we had been challenging us for some time or the time honoured example of being in the shower or while exercising a flash of insight washes through us. In each of these are examples we have been open to the unconscious and we have listened to the message.

The scenario planning process provides the information and the structure that the unconscious mind requires to enable it to provide us with the insights we desire. The scenarios process can be considered as a means to perturb the unconscious mind and it is through this process that shifts in mental models are achieved. As one CEO of a large education institute recently stated in relation to the decisions about forthcoming educational reforms: *"After we had worked through the uncertainties I had a fundamental shift inside me that took away the fear of the complexity and the uncertainty... I have a deep feeling that inspires me that we are on the right track and that we will be successful despite the change".* These are the words of a person that although has extraordinary challenges in developing their organisational internal capability, there is a deeper confidence that arises in relation to future direction.

What Is Scenario Planning?

Scenario planning is a methodology with a range of processes that provide the opportunity to challenge our mental models about the external landscape that we operate within so as to inform and enhance decision-making. The methodology assists us to identify key factors in the operating landscape that are/will create uncertainty and to understand how those factors can interplay with each other to describe plausible alternate descriptions of the operating landscape in the future. These alternate descriptions are whole stories that depending on the context provide a stimulating narrative of a

future environment. The scenario stories are like scripts to a movie. They provide the details of the future external operating landscape and describe the underlying dynamics that have created that future world.

When written well, the stories are like spells that engage us totally in that world as if we are consumed by it. Being able to see, hear, taste and smell what this world is about provides us with critical context to undertake strategic conversations. The stories are like windows for the mind. Each time we look through a window we gain an appreciation of a unique set of dynamics that will affect us differently to the view from the previous window. An excellent example of this is found by watching the movies *Blade Runner* with Harrison Ford and *Demolition Man* with Sylvester Stallone and Sandra Bullock. Each movie is a window that we can look through about Los Angeles during the period 2030-2050. As we look through each window we find a very different view into the "reality" of Los Angeles in the future.

During a scenario planning process three or four alternate windows and hence views of the future are crafted and are used solely for the purpose to engage us in an open dialogue to test and explore our beliefs and assumptions about the issue at hand. The issue may for example be about exploring the relevance of a strategic plan for an organisation or testing the robustness of a suite of policies for a government agency. Each scenario story provides a unique window or context to consider the meaning it has for the issue being considered. The key focus of the activity is to engage in exploratory dialogue as this process will lead to developments in shared meaning and the emergence of new ideas and insights that will affect decision-making. Rehearsing the future is often stated to define this process.

A memorable result of this process had occurred with a government agency that had undertaken two scenario planning processes. The first was at a divisional level and the second conducted corporately. The result of the work enabled the executive team to become alert to a radically changing political environment that had actually eventuated. Because of the rehearsal process, the shifts in mental models and development in shared meaning, this team understood the new political landscape and was able to lead the Minister and new government appropriately.

Into the Future

When facilitated with the intent to shape and challenge mental models, scenario planning is a powerful methodology for generating new ideas and insights that enhance decision-making. The process is not about prediction. It is about preparing us to understand and be accepting of uncertainty and complexity and to build these into our decision-making processes. The process is about developing our capacity to be able to navigate the external operating landscape in a responsive fashion.

A successful scenario planning process will be witnessed by enhanced confidence in decision-making, shifts in jobs and careers, enhanced flexibility in dealing with issues and in some cases a shift in personal identity. The success arises by having clarity on the intent of the process and to be aware that scenario planning is about people, how they code their reality, their understanding of how this affects decision-making and working with them to influence their mental models.

When you know this happened and people are now working differently, you have now made a major contribution to shaping the world.

Correspondence

Gary Saliba
Director
Strategic Journeys
PO Box 3066
AMDC
ALBURY NSW
Australia
Phone: +61 2 6021 6404
Mobile: +61 419 487 872
Email: gsaliba@albury.net.au
Adjunct Professor
Charles Sturt University
Visiting Fellow
Crawford School of Economics and Government
Australian National University

References

- Oka, Marvin. (2000). Private communication.
Van Der Heijden, Kees. (1996). *Scenarios: The art of strategic conversation*. Chichester, UK: Wiley
Wack, Pierre. (1985). Scenarios: Uncharted waters ahead. *Harvard Business Review*, 63(5), 73-90.

