Stop the Madness: Managing Change through Scenario Planning

11:30am – 12:45pm

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Speaker: John Brothers, Quidoo Consulting
Stop the Madness
Managing Change through Scenario Planning

Dr. John E. Brothers, Principal, Quido Consulting
Our Targets for Our Time

What we need from you

Today
I came.
I like it.
I got it.
I remember.
I tried something.
It worked.
I see the difference.
I have changed.

A month later
I remember.
I tried something.
It worked.
Lasting effects
I keep using it.
I see the difference.
I have changed.
Before we start...

- Suspend disbelief for a moment....
- Imagine that you part of the senior executive meeting at your organization – you are meeting to consider the future viability of your institution which has been affected negatively by a terrible economic investment that you were just informed has gone south quick.

- In walks Quido, the renowned and proven clairvoyant. Quido states:
  - You can ask me three questions about your future.
- What would those three questions be?
How To Vote via Texting

1. Standard texting rates only (worst case US $0.20)
2. We have no access to your phone number
3. Capitalization doesn’t matter, but spaces and spelling do
Opportunities: Organization’s budget had more than doubled from $10 million to $22 million in a period of only four years.

Challenges – Although the state and local government and the fancy-pants entertainer were playing their usual roles in supporting the organization, there was a feeling that the organization was looking for lifelines at a point when it should have been consolidating and taking stock of its situation.
Poll: What scenario would you choose?
**Opportunities**
A new director took over in 2000 and shifted the organization’s programs from an array of job training, elderly services, and family and support services to a narrower program focus because, in his view (as paraphrased by the local paper), “it may have been trying to do too much with too little.”

**Challenges** - The federal government was faced with bailing out the organization’s pension plan because of a shortfall of $4.8 million to cover the organization’s then 500 employees and retirees—represented by the Local 2345. That predicament led to a pension fund bailout by the Pension Corporation and helped the organization stave off insolvency for a couple of years.
Poll: What scenario would you choose?
**SCENARIO - 2011**
Human Service Organization

**Challenges** - Organization faces revenue shortfalls and shrinking cash reserves due to the recession, an underfunded pension plan and delays in state funding. On top of that, there's been a fall-off in contributions.

**Opportunity** - Organization received approval to remove donor restrictions from $300,000 — gifts from now-deceased supporters. About $1.4 million in assets from living donors also has been made unrestricted, leaving about $1.8 million in the 12-year-old endowment. Transfer of the now-unrestricted money provides "flexibility" for the organization, which has a $21-million budget.
Poll: What scenario would you choose?
Opportunities - Of organization’s 30 board members, there are at least five financial advisers, five attorneys, and a few CEOs, including chairman and CEO of High Profile Corp. Big Guye, a former chairman of the Local Community Trust, was recently on the board.

Challenges — New Board Chair, who took control of organization’s board 18 months ago, when, he says, the organization was already in deep crisis. He estimates that the charity’s debt was approximately $3-million and growing, owed to vendors and landlords all over the city, where the association’s programs in foster care, child care, domestic violence, job training, homeless services, small-business development and other areas pepper the city’s urban landscape. The organization operated during its final nine months without a CEO, the Chair says, after the top executive left in the spring. He says the charity didn’t have enough money to hire a replacement
Poll: What scenario would you choose?
Hull House was a settlement house in the United States that was co-founded in 1889 by Jane Addams.

**Hull House: Organizational Lifecycle**

<table>
<thead>
<tr>
<th>Life Cycle Stage</th>
<th>IDEA</th>
<th>START-UP</th>
<th>GROWTH</th>
<th>MATURITY</th>
<th>DECLINE</th>
<th>TURNAROUND</th>
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Brothers’ “Low-Arc” Model

Maintain

Start-Up and Growth

\[
\text{slope} = \frac{\text{rise}}{\text{run}}
\]

Positive slope

Downward, Turnaround, and Terminal

Negative slope
Brothers’ “High-Arc” Model

\[ \text{slope} = \frac{\text{rise}}{\text{run}} \]
Classic Cases of Short Sightedness

Great Horse Manure Crisis of 1894

- More than 150,000 horses in NYC producing over 2,000 tons of manure per day
- Estimates of manure reaching 3rd floors by 1930 & nine feet in London by 1950
- 1st International Urban Planning Conference held in NYC in 1894

Interestingly, over 4000 cars were sold in the US in 1900. By 1916 more cars than horses were registered in NYC.
Classic Cases of Short Sightedness

The Quartz Crisis/Revolution

– Swiss watchmaking industry dominated the global market after WWII
– In 1960, they held over 50% market share
– New quartz technology was introduced in the late 1960’s- Swiss firms ignored
– By 1970’s, US & Japan firms dominated and Swiss firms had less than 10% of market

Interestingly, the Quartz technology was first developed by Max Hetzel, a Swiss engineer!
Fundamental Strategy Issue Facing Organizations

Barriers to Execution

Vision Barrier
- Only 5% of the workforce understands the strategy

People Barrier
- Only 25% of managers have incentives linked to strategy

Management Barrier
- 85% of teams spend less than one hour per month discussing strategy

Resource Barrier
- 60% of organizations don’t link budgets to strategy

Only 10% of organizations execute their strategy

90% of organizations don’t implement their strategy
“The Developments”
“The Developments” = Change
The Future as a Strategic Landscape

‘The Star’—
Our enduring and
guiding social role

The purpose of the organization
- A “future-focused role image”
- Not completed or “used up”

‘The Mountain’—
What we hope to achieve

The strategic objective:
- A compelling, relevant future
- BHAG—“Big Hairy Audacious Goal”
  - A concrete, specific goal
  - A challenge, but achievable

‘The Chessboard’—
Issues and challenges we are likely to face

The strategic environment:
- Strategic implementation and tactics
- Threats and opportunities
- Actions of other strategic actors
- Driving forces
- Mapped and understood using scenarios

‘The Self’—
Our values and attributes as a strategic player

Strategic identity:
- Current reality
- Self-knowledge
- Strengths and weaknesses
- Values
- Preferences and experience
The Role of Scenario Planning Within Business Strategy

Scenario planning works alongside other strategic planning techniques to ensure that strategy takes into account the contextual environment in which it has to succeed.

- **Scenarios**: How the Business Environment May Evolve; Where We Choose to Play
- **Strategy**: Competencies - *Who We Are; What We Are Good At*. Vision & Aspirations - *Who We Want To Be*. 

CAS-COD-Phiz-Dale-CTL
Different Methods for Planning

Point Forecast
- Today

Risk Management
- Today
  - +5%
  - -5%

Scenario Planning
- Today
  - Future 1
  - Future 2
  - Future 3

But what about very long term (10 to 30+ years) planning?

Shift focus from prediction to preparation
Types of Futures

- Possible
  - Plausible
  - Probable
  - Preferable
  - “Wildcard”

Today

Time
WHAT IS SCENARIO PLANNING
What Are Scenarios?

Rich, data-driven, **stories about tomorrow** that can help you make better **decisions today**

**Hypotheses** that describe a **range of possibilities** for the future—not predictions

Imaginative narratives that stretch thinking, but are **always plausible and logical**

Together, a set of scenarios forms an **organizing framework** that can be used to **make sense of conflicting or ambiguous market signals** more **holistically**—today, and as they appear over time.
Scenarios Overcome the Tendency to Oversimplify the Future
By Planning for Multiple Futures

Scenarios avoid making single, falsely confident predictions based on today’s model or view of the world. Rather, they consider multiple hypotheses for how the model might evolve along more varied dimensions. Scenarios build on what is known, but also incorporate the uncertainties and yet-to-emerge issues that may have as much of an impact as the known trends. Each scenario considers a different set of outcomes for these uncertainties, allowing them to be managed proactively.
Scenarios Help Sort Through Complexity by Identifying Patterns of Change, Enabling Us To Act More Explicitly and Holistically

The trends and events that signal how an industry is evolving can be overwhelming, seemingly conflicting, and even paralyzing, when taken on one-by-one.

Scenarios help relate and cluster these trends and events together into broad patterns, organizing them into logical, higher-level frameworks. These frameworks allow an organization to address change more comprehensively—at the sources of the change—and align the perspectives of key decision-makers.
A disciplined and powerful tool to anticipate changes in a complex environment.

Interactive & Creative Diversity of Perspectives

Driving Forces

Paths of Change

Alternative Futures to show what might happen, not what we want to happen.
SCENARIO PLANNING IN ACTION: Overview

WHAT IS SCENARIO PLANNING?
Generating actionable insights by creating a small set of scenarios for an organization’s future environment that are:
- Relevant to critical business decisions
- Distinct
- Individually realistic and believable
- Together cover the breadth of relevant uncertainties

WHY SCENARIO PLANNING?
- The pace of technological and social change is increasing
- Industry structures are rapidly shifting
- Responsiveness to change is vital for success
- Strategy must take uncertainty into account
- The future is increasingly uncertain

POSSIBLE OBJECTIVES FOR SCENARIO PLANNING
- Foster useful strategic conversations among key executives and managers
- Generate and assess innovative strategies and options
- Build deep understanding of business environment drivers
- Enhance responsiveness to emerging challenges and opportunities
- Align strategic planning activities across the organization
- Communicate strategic perspectives across the organization and beyond
- Create the future

SUCCESS FACTORS FOR SCENARIO PLANNING
- Getting the right question and scope
- Broad and meaningful involvement throughout the process
- Balance between plausibility and stretching thinking
- Bringing in external perspectives
- Creating compelling stories
- Focus on effective communication of the scenarios
Scenario Planning Next Steps & Tools
Steps to Scenario Planning

1. Scoping
   What is the question/issue you want to address?

2. Trend Analysis
   Identify external forces in operation and consider the pressures they play

3. Building Scenarios
   Using outcomes from the first two stages, build your scenarios to explore

4. Generate Options
   Consider the options available within the scenarios - innovations, new services, projects or opportunities

5. Test Options
   Identify and discuss potential implications and impacts of scenarios on the identified options

6. Action Plan
   Define an action plan as a result of these activities
## SCENARIO PLANNING IN ACTION: Example process

<table>
<thead>
<tr>
<th>DEFINE</th>
<th>EXPLORE</th>
<th>CREATE</th>
<th>COMMUNICATE</th>
<th>ACT</th>
<th>EMBED</th>
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</thead>
<tbody>
<tr>
<td>Prioritize objectives</td>
<td>Provoke new thinking</td>
<td>Establish scenario framework</td>
<td>Create scenario documents and outputs</td>
<td>Test current strategies</td>
<td>Establish ongoing strategic conversations</td>
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<tr>
<td>Decide focal issues</td>
<td>Brainstorm spectrum of issues</td>
<td>Build scenario logics</td>
<td>Enable people to experience the scenarios</td>
<td>Generate strategic options</td>
<td>Build systems to monitor weak signals</td>
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<tr>
<td>Set time horizon</td>
<td>Identify vital driving forces</td>
<td>Generative compelling narratives</td>
<td>Generate discussion of implications</td>
<td>Define a core strategy robust against scenarios</td>
<td>Build responsiveness to change</td>
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<tr>
<td>Define scope</td>
<td>Research key themes</td>
<td>Ensure internal consistency</td>
<td>Establish contingent strategies</td>
<td>[Note: Every scenario planning project is unique, and the process design will depend on the specific objectives and organizational context. The diagram shows a typical process.]</td>
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Group Work
Your turn…

• Imagine you are back in your senior executive group meeting. Quidoo, the clairvoyant, has left, promising to return soon with a detailed report on their findings.

• As a group, you are now considering what you think will be the most important, but uncertain, external forces (drivers of change) that will affect your institution over the next 10 years.

• What are the top 3 drivers of external change on your list?
Developing the Scenarios

What is the world like in your scenario in 2013?
• How did your world develop? Stand in 2013 and look back over the major events that have occurred; list the events. Developing the timeline in 5 year intervals saves time, but you can also simply prepare a list of the events you think created your world.

Would your organisation exist in 2013?
• What do you look like? Are you physical or virtual? Global? Specialist? Major characteristics of your customers? What do staff do?

Title of Scenario
• Be creative! Imagine a title that describes the essence of your world, and that is memorable.

Narrative – the scenario story
• Write up a sentence or two to describe your world.

Presentation
• Decide how you will present your scenario to the rest of the group. You’ll have about five minutes, so focus on the key elements of your world.
Questions?
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