



Scenarios

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Scenario development

Scenarios are internally consistent descriptions of alternative possible futures, based upon different assumptions and interpretations of the driving forces of change. Inputs include quantitative data and analysis, and qualitative assumptions and assessments, such as societal, technological, economical, environmental and political drivers. Scenario development is not strictly-speaking prediction, as it assumes that the future is uncertain and that the path of current developments can range from the conventional to the revolutionary. It is particularly good at incorporating potential critical events which might result in divergent paths or branches being pursued.

Scenario development can be normative or explorative. The normative perspective defines a preferred vision of the future and outlines different pathways from the goal to the present. For example, this is commonly used in energy futures and sustainable futures scenarios. The explorative approach defines the drivers of change, and creates scenarios from these without explicit goals or agendas.

For scenarios to be effective they need to be inclusive, plausible and compelling (as opposed to being exclusive, implausible or obvious), as well as being challenging to the assumptions of the stakeholders. They should make the assumptions and inputs used explicit, and form the basis of a process of discussion, debate, policy, strategy and ultimately action. The output is typically two or three contrasting scenarios, but the process of development and discussion of scenarios is much more valuable.

Scenario development may involve many different forecasting techniques, including computer-based simulation. Typically, it begins with the identification of the critical indicators, which might include use of brainstorming and Delphi techniques. Next, the reasons for the behaviour of these indicators is examined, perhaps using regression techniques. The future events which are likely to affect these indicators are identified. These are used to construct the best, worst and most-likely future scenarios. Finally, the company assesses the impact of each scenario on its business. The goal is to plan for the outcome with the greatest impact, or better still, retain sufficient flexibility to respond to several different scenarios. Scenario development is a key part of the long-term planning process in those sectors characterized by high capital investment, long lead times and significant environmental uncertainty, such as energy, aerospace and telecommunications.

Many organizations spend considerable resources on constructing rich pictures of future scenarios, engaging a variety of experts and writers to create plausible visions of future possibilities. Some – such as Shell – use them extensively internally but also make them available for others.

Elsewhere on the Portal there is an audio interview with Helen King of Bord Bia, the Irish national agency for the food industry which uses scenarios to help explore threats and opportunities for firms within that sector.