

# SCENARIO PLANNING

Scenario planning is designed to address uncertainty. Instead of predicting what is going to happen in the future, scenario planning instead develops ideas of what might happen. Different scenarios can then be used to assist planning and strategy development. Many methods can be used to develop scenarios. Scenario planning has implications for how monitoring and evaluation is conducted.

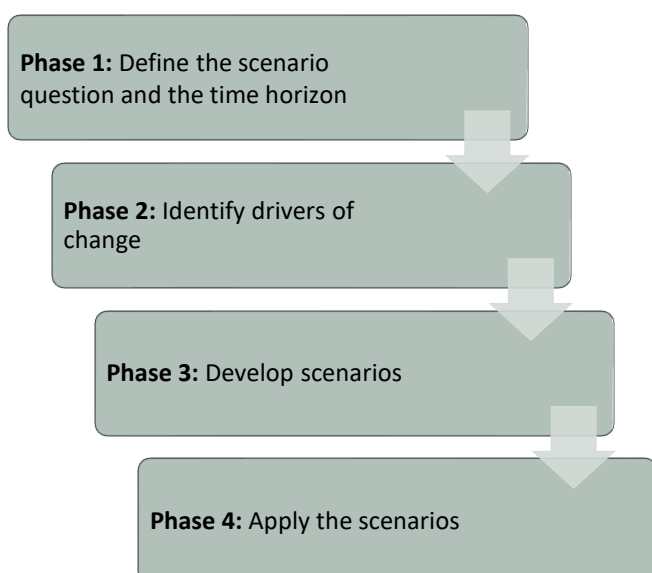
Scenario planning is designed to address uncertainty. Instead of attempting to predict what is going to happen, scenario analysis starts from the 'what if' question, and explores a range of plausible stories of the future. Scenarios are most commonly used to assist planning and strategy development, but may also be used for other purposes, such as to provide early warning indicators of the direction of change, or support public debate about desired courses of action.

Scenario techniques were first developed in war-gaming for the Pentagon in the 1960s by Herman Kahn. In their modern form, they were pioneered by the planning department of the oil multinational, Shell. Shell claims the company was able to anticipate the possibility of a decline in oil price in the 1980s, and to diversify accordingly.

Scenario techniques were introduced into the public sector towards the end of the twentieth century, and into the development sector in the twenty-first century. Scenario techniques are now a mandatory requirement for some donors.

## Developing and using scenarios

Many methods can be used to develop scenarios. At their core, most share the early analytical phases.



### PHASE ONE

**Define the scenario question and the time horizon.** In phase one, the purpose of undertaking scenario analysis is defined. For example, a purpose could be to identify what socio-economic changes might need to be confronted in a country over the next five years, and how well-adapted an organisation is to respond to those changes? Typically, scenarios are then developed to describe a period twice as long as the planning period. For example, if the plan is intended for a five-year period, scenarios would be developed to describe a ten-year period.

### PHASE TWO

**Identify drivers of change.** The futures under consideration will be driven by a variety of factors. A PESTE analysis (politics, economics, social, technological and environmental), or similar analysis, can be used to identify these factors. The drivers of change are then sorted into those which are certain and those which are uncertain. At least in the short-term, factors such as demographic change, for example, can be considered certain, and data from trend projections can be built into the scenarios. Other factors, such as policy change for example, are usually uncertain. The uncertain drivers are used to shape the scenarios.

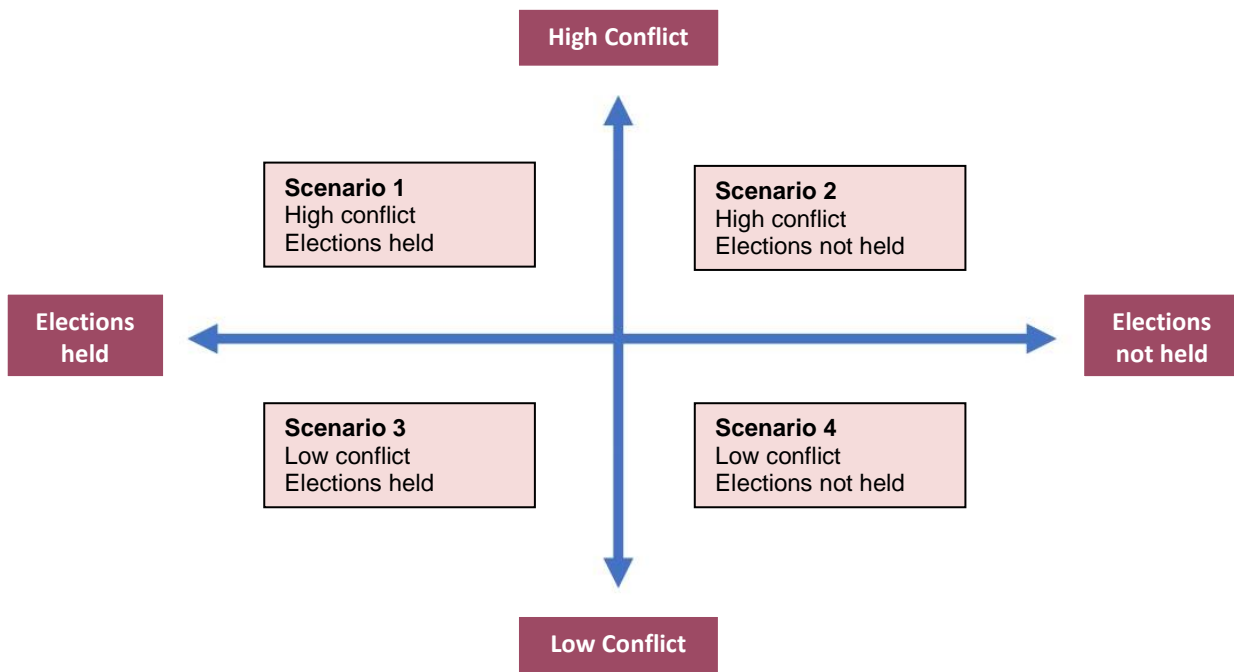
### PHASE THREE

**Develop scenarios.** Several methods can be used to develop scenarios. One of the most widely used is the two-by-two grid. It is not always the best or most appropriate method, but it is simple to understand. In the two-by-two grid method, championed by the Global Business Network, the uncertain drivers of change are reduced to the two most important and impactful drivers.

For example, these might be the degree of conflict in a country or region, and whether or not elections are held. Combining the two drivers as two distinct axes creates a grid of four boxes (see diagram on following page). Stories are then developed to show plausible trajectories of development for each of these future scenarios.

Whatever method is used, it is important to have a manageable number of futures to compare. Normally, the number varies between two and four.

Figure 1: Example of two-by-two grid method



**PHASE FOUR**

**Apply the scenarios.** This phase depends on the purpose of the scenario planning. If used for strategic planning, for example, an organisation would examine how well its purpose played out in each of the futures. It might

discover that there would be real challenges in some of the futures, which might prevent the organisation from achieving its desired impact. This might lead it to change its purpose, so that it was robust across all of the futures, or build new capacities to allow it to continue to operate in the problematic futures.

Some examples of common scenario methods are contained in the box below.

Scenario techniques have a number of strengths:

- rehearsing responses to possible futures enables organisations to become more agile in responding to change;
- considering multiple futures can help to expose assumptions that have been taken for granted, and reveal unacknowledged possibilities;
- in volatile environments, scenario techniques reduce the risk of betting on just one outcome; and
- scenario techniques focus on factors which act as drivers of change, and permit the identification of early-warning indicators of the direction in which a situation is evolving.

**Some common scenario methods**

**The judgement method (Shell):** The Shell Planning Department, which produces global scenarios about the future of energy every few years, makes a judgement about key dilemmas facing the sector to produce two or three alternative futures.

**The two-by-two matrix (Global Business Network):** This method was described in the section and diagram above. Perhaps the most famous example of this method was the Mont Fleur scenarios that analysed the future course of a majority government in South Africa, and was said to be influential on the outcome of negotiations between the apartheid government and the Africa National Congress (ANC) liberation movement. This is still the most widely used method, though critics argue that it is too mechanical.

**Trend extrapolation:** There are many variants of this type of method. All such methods describe different evolutions of major trends: often a 'high road', a 'low road' and a 'middle road' or 'best case', 'worst case' and 'middle case'. This is the approach taken in the climate modelling scenarios developed by the UN Intergovernmental Panel on Climate Change. Some critics caution against this approach as likely to lead to people opting for the middle way in their planning, and ignoring surprises.

**Event sequences:** This technique identifies key branch points in a decision landscape, and develops scenarios of the outcome of alternative choices. The method was used, for example, in a Chatham House exercise to develop early-warning indicators of the direction in which the situation in Yemen was evolving.

**Incasting:** In this technique, participants in scenario planning are provided with broad, brushstroke descriptions of alternative futures (developed using any of the methods described above), and then elaborate these futures and the trajectory of events that lead to them.

However, scenario techniques also have acknowledged weaknesses. For example, scenario planning is only as powerful as the stories of alternative futures generated. Poorly used, it will not generate surprises, and will reinforce taken-for-granted assumptions about the future. In addition, scenario techniques do not enable the development of indicators of progress as do more conventional techniques. Above all, scenario planning does not have a particularly good track record in predicting major changes. In the 30-year history of modern scenario analysis there is only limited evidence that it has successfully anticipated major discontinuities, such as the fall of the Soviet Union.

## Success and failure factors in scenario techniques

Many factors may influence the success or failure of scenario techniques. For example, scenario analyses are usually collective activities, undertaken by groups of people with expertise in the relevant field. Sub-groups often work on different futures. A key success criterion is to select a group to include a wide range of perspectives (such as practitioners, academics, journalists and social activists).

Ideally, some of the group will be working in areas that could be considered *'islands of the future'* (for example, people doing urban work in scenario exercises dealing with humanitarian relief). This will allow the surfacing of uncertainties and identification of surprises. Too narrow a group is likely to produce stories that are not challenging, and which simply reinforce taken-for-granted assumptions.

Another key issue is that the mechanics of most of the techniques used to produce scenarios are simple. This simplicity can be seductive. There is very little science in scenarios, but a considerable amount of art. Using an experienced scenario facilitator is advisable to avoid some of the common pitfalls, such as:

- stories that are not sufficiently challenging;
- fruitless debates about the probability of particular futures; or
- emotional preferences for some futures over others.

It is important to note that when using scenario techniques, planning and learning become the same process. It is essential to keep scenarios, once developed, under review and updated.

## Links to monitoring and evaluation

Scenario planning has certain implications for how planning, monitoring and evaluation are conducted within

an organisation, programme or project. Two aspects are particularly important.

- First, since a scenario plan contains elements of planning for multiple futures, conventional monitoring and evaluation (M&E) needs to be supplemented by monitoring of early-warning indicators of the direction in which a situation is moving. This is a distinct type of M&E, derived from scenario analysis. In order to respond to changing situations in a timely manner, organisations also need feedback loops and decision-making processes that can rapidly translate findings into action.
- Second, if plans are to be redesigned and redeveloped in changing scenarios they need to be kept light and flexible, especially if many different stakeholders are involved. This means planning formats and procedures need to be designed from the start to recognise that plans are likely to be adjusted, sometimes rapidly, in the face of changing circumstances.

For civil society organisations (CSOs), two factors could potentially affect this. One is the requirements of external stakeholders such as donors or host governments. There is little point in having a planning methodology that enables plans to be rapidly adjusted if a donor does not allow this flexibility, or makes demands that mean lengthy delays between the identification of necessary change and action being taken.

The second factor concerns the systems and processes used by an organisation to handle adjustments to plans. For scenario planning to be effective it is important that an organisation has the capacity and desire to react swiftly to changing scenarios. However, as Green (2014) points out:

*“Working in complex systems where change is intrinsically unpredictable and non-linear means, above all, having fast feedback loops so that you notice when the system is changing, and respond to it. This is really hard for large organisations that try to maintain coherence and direction through a hierarchy of plans ... If, after spending months agreeing these plans, something changes in the context that suggests a new direction, it is far easier to ignore it than rip up the plan and start all over again.”*

In summary, scenario planning is a technique that relies on effective monitoring and review mechanisms in order to be effective. Organisations need the will and the power to make changes rapidly in the face of evolving situations, and appropriate monitoring and review processes to identify those changes.

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## Further reading and resources

- Peter Bishop, Andy Hines, and Terry Collins (2007). “The current state of scenario development: an overview of techniques” in *Foresight 9 (1)* pp 5-25.
- Peter Schwartz (1991). *The Art of the Long View* (Doubleday).
- Neil MacDonald (2004). “Success is Extinction: Scenario planning in INGOs” in *Development 47 (4)*, pp 115-120.

## References

- Green, D. (2014). *Why scenario planning is a waste of time – focus on better understanding the past and present instead.* Oxfam blog, retrieved from <http://oxfamblogs.org/fp2p/why-scenario-planning-is-a-waste-of-time-focus-on-betterunderstanding-the-past-and-present-instead/>

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