



The role of scenarios in strategic foresight

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ABSTRACT

This article discusses the role of scenarios in strategic foresight. It starts by discussing the need for strategic foresight over the next decade, and a set of qualities, structures and processes that facilitate the use of strategic foresight for renewal. The author describes two roles of scenarios in supporting these processes – scenarios as mental models, and through providing a well-understood methodology that permits exploration of the future. Three key case studies from different fields, such as financial services and pharmaceuticals, enhance the description of the methods.

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1. Introduction

The pace of change in the next decade will challenge the “traditional” methods of organizational planning. Most organizations are ill-prepared to deal with this new world of turbulence. They often lack common values and shared narrative, the ability to undertake fundamental strategic thinking, and to take the results of strategic thinking into implementation.

This article starts by discussing why conventional planning will not be successful in the next decade. It sketches an approach and a set of qualities which allow for strategic foresight leading to renewal and hence survival. It discusses two roles that scenarios play in the processes supporting this approach thus providing a set of mental models and providing a well-understood methodology that permits exploration of futures.

2. The business environment in the next decade

Over the last few decades, business has profited from relatively smooth and significant growth in the world economy. This is unlikely to continue for Western economies over the next decade. There are a number of reasons for expecting the upcoming decade to be turbulent, and with relatively low growth in Western economies.

First, the overhang of debt that consumers and governments have acquired will take several years if not longer to pay off. In the meantime, consumer spending will be cut back, not least because of unemployment. Governments will be forced to review expenditures to cut debt repayment costs, thus further reducing spending in the economy. This debt burden of the wealthy nations means that their recovery from the crisis will be slower than the new competitor nations, previously known as developing nations.

At the same time, the world ahead of us will be fast-moving and innately challenging. Demographic change and education mean a shift in the patterns of labor skill and cost. The industrial nations, including China, are not well placed as their workforce ages and retires. Furthermore, skills that were once restricted to the industrialized nations are now widely available, further enhancing the shift in international competitiveness towards new entrants. Much the same can be said for technology, which continues its relentless expansion in depth and range.

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Competition will be both intense and on new terms. Global system issues such as environmental change, but also international law and finance, access to raw materials and the management of intellectual property – all require the rich nations to sacrifice some of their power. This combination of power rebalancing and an institutional vacuum implies that the next decade will be a rough one for businesses in the West.

Within this environment, companies in the West will need to be concerned with renewal: of ensuring that their portfolio of assets is renewed in line with the changes in the external environment. Strategic foresight will need to be continuously updated as the external environment changes.

3. How organizations can adapt to the new environment

In the new uncertain environment, organizations clearly need to develop strategic foresight, namely:

“The ability to create and maintain a high-quality, coherent and functional forward view, and to use the insights arising in useful organizational ways. For example to detect adverse conditions, guide policy, shape strategy, and to explore new markets, products and services. It represents a fusion of futures methods with those of strategic management”[1].

Organizations seeking to achieve strategic foresight need to evolve a set of qualities which are rooted in common *insight*, *values* and *awareness* of the business fundamentals, what we call *options*. These are tied together with appropriate machinery and a deep-rooted and over-arching *narrative* about the nature of the organization and what it does.

For instance, a manufacturing company might have values of ‘engineering excellence in design’ and a narrative of “we make and sell engines globally for trains, automobiles and air transport”.

A toolkit for developing strategic foresight and going further to achieve purposeful renewal has been described in *Beyond Crisis*, [2]. The organization that is successful in using strategic foresight to renew in the next decade is called a PS-RO – a *Purposeful, Self-Renewing Organization*.

A PS-RO must combine the following: competing in the world of outsourcing, cost benchmarking and cost reduction, with the ability to adapt to the changing environment. We symbolize this with a double cone, as seen in Fig. 1. In the lower cone, insight is gained, from internal and external sources, in order to make sense of the environment. Where the cones meet, assets are allocated and projects are approved. In the upper cone, radiating from this, are the ongoing activities of the business.

Renewal needs to match both the organization’s current situation and the changing environment, using insight. Insight includes the processes for exploring the external environment and anticipating change through horizon scanning; competitor and technology analysis and foresight; making sense of it through scenarios or other mental models; as well as understanding the internal capability.

A business also needs a clear sense of its values, the choices which it has made around often intangible issues such as brand positioning, staff relationships, and the like. Also, it needs to relate its current activity and asset base to practical ways forward, its options. These three – insight, values and options are joined by the organizational narrative. The narrative sets out the shared set of reflexes that knit the organization together.

The first four qualities of insight, values, narrative and option *generation* are held together through the operation of the fifth quality, that of *machinery* – used here in the sense of active and dynamic infrastructure, covering people and processes. All five qualities need to be in place if purposeful renewal is to be achieved.

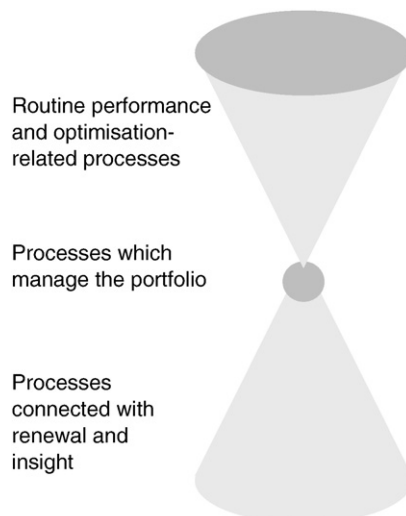


Fig. 1. The upper and lower cones of a PS-RO.

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