Managing future uncertainty: Reevaluating the role of scenario planning

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Abstract The business environment for many firms is changing rapidly and is becoming increasingly uncertain due to the disruption caused by new digital technologies, deregulation, new business models, and the threat of new competitive entrants. This dynamic competitive environment increases the level of uncertainty for senior executives and strategic planning teams who bear responsibility for the strategic development of the firm, particularly in terms of the future direction, scope, and the strategy required to deliver on corporate objectives. This in turn, places increased scrutiny on the strategic planning tools that are used to undertake a rational and comprehensive analysis of the competitive dynamics that inform strategy formulation. This article presents empirical findings and reflections on a scenario-planning project that sought to develop a long-term corporate level strategy. While scenario planning is an established constituent of the strategist’s toolbox, the increasing level of dynamism and uncertainty in many markets has meant that it has seen a resurgence. This article presents empirical findings on how the scenario-planning tool was selected and applied before reflecting on the individual and organizational outcomes of using scenario planning to develop an organizational strategy in uncertain market conditions.

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1. Changing competitive dynamics

An increasing number of industries now operate in a highly turbulent business environment where rapid changes in digital technologies have undermined the value propositions, strategies, and business models of incumbent firms that now are exposed to the threat posed by new competitive entrants.

This type of competitive environment makes it difficult for executives who are responsible for planning and executing corporate level strategy. This, in turn, places increased scrutiny on the strategic planning tools that are used to undertake a
rational and comprehensive analysis of the competitive dynamics and inform strategy formulation. Reeves, Haanaes, and Sinha (2015) noted the considerable number of strategy tools and frameworks available to business leaders. However, they also observed that the range of tools available to executives created a dilemma in terms of identifying the most appropriate tool to develop and execute strategy. A management tool that enables executives to develop strategy in uncertain business environments is scenario planning. While this strategic management tool has formed part of the strategist’s toolbox for a long time, the increasing level of dynamism and uncertainty in many business environments has meant that scenario planning has seen a resurgence in usage. It is argued that its systematic approach to addressing and managing business uncertainty allows firms to move away from fixed forecasts of the future and in doing so create a more robust competitive strategy based on a more holistic exploration of a strategic issue. Indeed, many executives who use it consider it to be a power tool (Rigby & Bilodeau, 2007) that delivers high levels of user satisfaction. More recently, Oliver (2013) found that the use of scenario planning in the U.K. media industry was now widespread as firms strategized on how best to manage the disruption caused by new digital technologies and innovative internet protocol TV (IPTV), web TV, and streaming service providers.

2. Strategizing for future uncertainty

Fundamentally, a firm’s corporate level strategy is centered on its long-term direction and competitive market positioning. However, the changing dynamics and uncertainties of many of today’s markets can make it difficult for executives to envision such long-term positions. Developing a corporate level strategy not only needs to consider the long-term direction and competitive position of the firm, it also needs to take into account the allocation of resources and the development of new capabilities that will deliver competitive advantage. These considerations become particularly onerous when acknowledging the fact that these future markets have not yet emerged.

As such, firms need to consider two critical questions when developing their corporate level strategy: How can firms ensure that their strategy remains relevant in such turbulent and uncertain competitive conditions? How can some long-term certainty in their strategic approach be gained in an uncertain future environment? An underpinning principle in attempting to answer both of these questions lies in the fact that, in practice, some strategic planning tools are better equipped to deliver long-term strategic insight than others.

Jarzabkowski and Kaplan (2015) noted that within the strategy-as-practice perspective of strategic management (Jarzabkowski & Paul Spee, 2009; Kornberger & Clegg, 2011; Whittington, 1996), there is an emerging research agenda that examines strategy tools-in-use. They argued that business practitioners and academic researchers will benefit from an ongoing inquiry that includes research by Pettigrew, Thomas, and Whittington (2007) and Bowman, Singh, and Thomas (2007), who considered the types of strategic planning tools that were available to strategic planners, while Rigby and Bilodeau (2000, 2007) and Oliver (2013) examined the usage and satisfaction of strategic planning tools in practice. However, Jarzabkowski and Kaplan (2015) argued that while these approaches are useful, developing an understanding of how tools are selected and used needs to be further supported by the idea of examining the outcomes of using that tool. They considered the outcomes at the organizational level in terms of the tool being widely adopted and practiced within the organization, helping to find strategic solutions, and client satisfaction. At an individual level, the outcomes were associated with the tool being used in new situations and increased personal competence and development. Returning to our previous discussion on how firms can ensure that their strategy remains relevant and how some certainty can be gained in an uncertain business environment, the following discussion of the relevant literature provides us with some insight into the answers to these questions.

3. Ensuring that corporate level strategy remains relevant

The essence of corporate level strategy is about the direction of an organization and the strategic fit with its business environment. However, the central debate in the process of making strategy is whether that strategy is relevant and for how long. This largely bi-polar argument in literature states that the process of making strategy is achieved either through a prescribed and linear process of formal and rational planning as advocated by the Design School (Andrews, 1981; Porter, 1985; Steiner, 1979) or that it emerges over time as a result of trial, error, and learning about the competitive environment to the point that patterns of behavior converge on successful working practices (Leavy, 1998; Mintzberg, 1987; Quinn, 1980). More recent findings (Oliver, 2016) substantiated both of these views;
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