

THEME 01

Scenario thinking: embracing uncertainty

STRATEGIC
PLANNING

UNCERTAINTIES

ANTICIPATING THE
FUTURE

When thinking about the future, one could employ two different strategies. The first is often referred to as forecasting and is all about actually trying to predict the future. This strategy is often used by politicians or companies in order to persuade voters or consumers to join them (e.g. if you join us, this is what the future will look like). By contrast, the second strategy embraces the assumption that the future is inherently unpredictable because of structural uncertainties, and concentrates on developing various scenarios that are treated as equally possible. Today it seems we are increasingly aware of, and confronted with structural uncertainties such as climate change, virus outbreaks, rapid technological innovation or political instability. This might cause people to look for parties that embrace uncertainty rather than trying to solve it.

Our observations

- Complexity is [defined](#) as the number of factors that we need to take into account, their variety and the relationships between them. The more factors, the greater their variety and the more they are interconnected, the more complex it becomes to predict the future.
- With the rise of the internet and digitization, things that used to be isolated became connected, making the world [more complex](#) than it was before. Among other factors, technological and sociological changes took place: the digitization of massive amounts of information, smart systems communicating autonomously, the decreasing cost of computing power, the increasing ease of communicating “rich content” across space and time, and institutional innovation in terms of industry norms and business models. Because of such developments, it has become more difficult to predict the future as a single, well-defined and highly probable future.
- According to [Forbes](#), popular business press and academic literature are struggling to find terms that refer to an increasing inability to get a grip on the world and the events that occur. Uncertainty, turbulence, rapid change, dynamism, disruption, complexity, hyper-competition, high-velocity markets and flux are examples of such terms. The notion of “VUCA” (Volatile, Uncertain, Complex and Ambiguous) is gaining popularity as it covers the various dimensions of uncertainty we are facing.
- According to [BNY Mellon](#), some of the many consequences of the continuous technological disruptions is that companies are spending a much briefer period on leading positions in the stock markets, a change in traditional business models and a much shorter lifespan of companies. In 1965, for example, a company could spend 33 years on the U.S. stock market. By 1990 that average had fallen to 20 years – by 2026 that number is expected to have shrunk again to 14 years. This implies that over the next 10 years, about half of the 500 largest companies in the U.S. stock market will be replaced.
- Portraying multiple scenarios has become a common way to explore the future for many. The World Economic Forum, for example, made four different scenarios for the [future of energy](#), KPMG made four different scenarios on [the future of Artificial Intelligence](#), Medium made four scenarios on the [future of work](#), newspapers sometimes offer multiple scenarios (e.g. The Guardian on [Brexit](#)) when important events have multiple plausible outcomes, and Bloomberg Opinion recently offered [three scenarios for investors on the impact of the coronavirus](#).



Connecting the dots

Forecasting the future in terms of a single outlook that is considered most probable, is a traditional way of strategic planning in organizations. It assumes that, in theory, it is possible to predict the future if only one has the right information and possesses the (human and/or automated) capabilities to process that data. In most cases this implies that an ongoing trend is extrapolated into the future. However, ever since the oil crisis in the early 1970's, forecasting appeared to fail as a successful strategic planning tool in times of uncertainty. At that time, the oil price had remained one of the most stable features of the global economy and experts had predicted it would stay that way in the next decade or so. As we know now, these forecasts were way off as prices rose explosively due to a number of Arab oil-producing countries taking action directed against the West. However, at the end of the 1960's, before the oil crisis, Pierre Wack had introduced a new strategic tool at Royal Dutch Shell: [scenario planning](#). Because of this tool, Shell successfully anticipated the oil crisis of the early 1970's. They had included the oil crisis in one of their scenarios, so when the first signs of price changes occurred, they linked them to this scenario and were able to anticipate the sudden changes quickly. Scenario planning assumes that the future is unpredictable and contains irreducible uncertainties. In his book [Scenarios](#), Professor Van der Heijden distinguishes three types of insecurities: risks, structural uncertainties and unknowables. Risks can be modelled and extrapolated into the future, as they have enough historical precedent in the form of similar events that allow for probabilities to be formulated. Structural uncertainties concern trends or events that are unique and don't allow for a per-

ception of likelihood. Unknowables are events that we cannot imagine at all. Some of the current risks are, for example, the trade tensions between the U.S. and China or aging populations in many countries. Current structural uncertainties are for example the disruption of many business models by technological change, the rapidly changing nature of work, climate change or feedback loops. The current [coronavirus](#) can be categorized as an occurrence of a structural uncertainty: although we couldn't know how and when it would happen, the fact that we are confronted with a global virus outbreak every now and then is a given. An example of an unknowable is the Fukushima accident. The nuclear base seemed ready for almost anything, but when a tsunami hit, three reactors had a meltdown. Scenario planning operates in the area of structural uncertainties. As structural uncertainties cannot be reduced to probabilities, scenario planning aims to take into account multiple outcomes of known, or yet unknown, developments. Contrary to forecasting, the starting point is to consider these different outcomes as equally probable. As time unfolds, events and trends are monitored through the lens of these scenarios, looking for clues and question whether they might be weak signals for one particular scenario. Also, the developed scenarios are revisited on a regular basis, verifying whether they are still up-to-date as time goes by. They are so-called living documents that evolve over time as opposed to static strategies that hold on to one vision over time. Finally, before policies or projects are launched, they are analyzed vis-a-vis these scenarios in order to see whether they can be successful in one or more scenarios. As structural uncertainties such as technological disruption, the future of work and

Implications

- As we wrote before, uncertainty is increasingly accepted in our thinking about the future. [Speculative design](#), for example, emerged as a new discipline in design, architecture and art. It takes the uncertainties and ambiguity of new technologies as a starting point and imagines possible outcomes. [Pragmatic utopian thinking](#) has gained considerable popularity in different domains. The general attitude within this pragmatic utopian movement is that grand narratives and utopian thinking should not be used as a blueprint for society, but instead should be perceived as tentative orientation points for our decision-making and as a source of hope in uncertain times. Current developments in the [horror movie genre](#) also seem to provide us with the extreme scenarios that allow us to 'safely' explore some of our dark horizons.
- A more flexible way of looking at the future is only possible when uncertainty is a structural element on the agenda of, for example, policymakers in business or politics. As structural uncertainties are increasingly getting attention, trustworthiness might therefore shift from offering voters or consumers simple solutions that envision just one future (e.g. Trump's "America first" or Facebook's (original) mission statement "To give people the power to share and make the world more open and connected") to presenting a creative and multiple outlook into the future, demonstrating to be prepared for more than one (preferred) scenario.