

INTRODUCTION

THE AUDIENCE FOR THIS BOOK

This book focuses on the use of scenarios for developing public policy. It covers both the use of scenarios to engage external stakeholders in decision making and their use internally within the public sector. It is intended for practising managers who would like to bring scenarios into their organization, or have experience of scenarios but would like to ensure that they know of best practice elsewhere. It is also designed to be useable on Management courses, as it is built of biteable chunks that can be read independently of the published order to meet specific needs.

There is a parallel book to this that focuses on the use of scenarios in the private sector, *Scenarios in Business*. While the use of scenarios started in the 1960s in public policy debates, much of the publicized use more recently has been in business. However, recently, interest in scenarios in the public sector has increased. Two themes emerge: the similarity of much usage in the public sector to that in business, for exploring changes in the external environment, and the usage for creating a shared vision among stakeholders – voters and citizens – to steer future developments. Both of these have strong echoes in the directions that scenario thinking is taking in the private sector.

THE CHALLENGE

There has been much discussion at the dawn of the new century about *the* many challenges faced by society. Despite dazzling

technological progress, many of our social structures have not matched the pace of change; for example, biotechnology and information technology issues remain poorly integrated into our ethical, social or legal framework.

The new global politics, driven by instant TV coverage and the empowerment of people, focuses on wants rather than needs and is different from the world known for much of the last century. Also, concerns grow about our ability to maintain our physical environment.

This world is more complex than that envisaged when many of our institutions were created, and the institutions are now creaking, facing significant new challenges and pressures. It is tough to be a manager in a time of such uncertainty. Decisions taken today will have effects years hence – but in what sort of world? Futurists have conflicting views on the extent and nature of differences and similarities between today and the future. This situation is further complicated by confusion about the present, the fact that more than ever “today” is far from static: it is harder than ever to discern current trends and realities. At a time when the pace of change requires managers to make decisions at more junior levels than before, it is increasingly difficult to make well-informed decisions. There are no silver bullets.

WHAT ARE SCENARIOS?

The word “scenario” is used in many ways. Military scenarios are detailed contingency plans for a wide range of eventualities; in the creative media, it may mean a storyline; financial controllers use the term to mean sensitivity analysis; and strategists, policy makers and planners use scenarios in a “future-oriented” sense – and it is this that is the focus of this book.

Michael Porter defined scenarios as used in strategy (Porter, 1985) as:

... An internally consistent view of what the future might turn out to be – not a forecast, but one possible future outcome.

Scenarios are possible views of the world, providing a context in which managers can make decisions. By seeing a range of possible worlds, decisions will be better informed and a strategy based on this knowledge and insight will be more likely to succeed. Scenarios may not predict the future, but they do illuminate the drivers of change – understanding these can only help managers to take greater control of their situation. In this book, the case studies include the use of scenarios in the public sector to:

- imagine new consumers and new political environments;
- to deal with the new challenges, such as e-commerce and e-government; and
- to encourage participation and debate about the future in countries, cities and regions.

Additionally, scenario thinking is increasingly being used as a way of creating a shared view among a management team. Scenario thinking, by setting discussions in a time frame beyond their current assignment and beyond facts and forecasts, allows for a discussion with less defensive behaviour and a more shared sense of purpose.

SCENARIOS AND MANAGEMENT TECHNIQUES

Managers already have access to a number of strategic management toolkits that can improve the quality of decisions. This book provides the background and case studies to allow managers to place scenarios alongside these tools. Scenarios provide additional tools for managers to tackle these complexities, enabling better decision making, especially during times of uncertainty and risk. Scenarios are often used alongside standard techniques, although there is an important distinction. Scenarios are tools for examining possible futures. This gives them a clear and distinctive role compared with most toolkits or techniques that are based on a view of the past. In a rapidly changing and largely unpredictable

environment, assessing possible futures is one of the best ways to promote responsiveness and directed policy. Understanding and preparing for the future is certainly possible through scenario planning.

This book is designed for managers who recognize the complexities of managing in a world where the only constant is change, and, increasingly, the only certainty is uncertainty.

THE BENEFITS OF THE SCENARIO APPROACH

Scenarios have been in use at Royal Dutch Shell since the 1960s, largely driven by one of the founders of modern scenario thinking in business, Pierre Wack. The main benefits of scenarios are outlined by Shell¹:

Scenarios help us to understand today better by imagining tomorrow, increasing the breadth of vision and enabling us to spot change earlier.

Effective future thinking brings a reduction in the level of “crisis management” and improves management capability, particularly change management.

Scenarios provide an effective mechanism for assessing existing strategies and plans and developing and assessing options.

Royal Dutch Shell also point out the benefits of participating in a scenario building process:

Participating in the scenario building process improves a management team’s ability to manage uncertainty and risk. Risky decisions become more transparent and key threats and opportunities are identified.

The participatory and creative process sensitizes managers to

¹For further information see ‘Scenarios – an Introduction’, on www.shell.com

the outside world. It helps individuals and teams learn to recognize the uncertainties in their operating environments, so that they can question their everyday assumptions, adjust their mental maps, and truly think “outside the box” in a cohesive fashion.

HOW THIS BOOK IS ORGANIZED

This book is divided into four parts. *Part I* contains case studies to illustrate the scope and range of successful scenario usage in encouraging participative dialogue in relation to public policy on governmental or environmental issues. *Part II* describes projects to use scenarios within the public sector, whether to develop new strategy or to examine options. As acknowledged individually, many of the case studies have been contributed by the manager or team leader responsible.

Part III is concerned with ‘Making scenarios work’ and provides a collection of action-oriented checklists. They aim to act as a reminder rather than a first introduction, and are based on personal experience. *Part IV* describes the framework for scenario thinking, its history, the problems in forecasting, and where we are now – why organizations use scenario planning and in what circumstances. It also introduces two global scenarios.

In this Introduction and in Part IV some paragraphs are printed in bold italic: these are sections which are particularly useful for those trying to grasp the reasons for the successes of scenarios thinking in the organizations that have used them.

HOW SCENARIO THINKING IS CHANGING

This book builds on *Scenario Planning – Managing for the Future*, which was published in 1997. That book reflected what I found out as I used scenarios as a practising manager up to 1996, and contained much source material on methodologies, scenarios and case studies.

Some things have not changed since then – venture capitalists still bemoan the “one world” vision of business plans, major corporations are taken by surprise by changes in customer behaviour, new opportunities and new competition, and countries are taken by surprise by new challenges from inside and outside their borders. But, since 1997, scenario thinking has moved further into the mainstream for strategy and planning. And scenarios are increasingly being used as tools for knowledge management of complex worlds and as management development tools.

The applications of scenarios have changed their emphasis: in 1997, scenarios were often aligned with corporate planning and portfolio management. Now, scenarios are well established in the public sector. Here, they are as often concerned with dealing with new structural challenges as in getting the big picture right. One of the exciting growing uses of scenarios is for public policy, to create a common language and vision in a city, country or on environmental issues, as in the case studies in Part I.

In the public sector, the case studies of the US General Services Agency dealing with a new role, Consignia personalizing customers of the future to develop new markets, or Christian Brothers anticipating the next century, all demonstrate public sector or voluntary organizations using scenarios in a similar way to private-sector organizations.

This book reflects the world of the new century, the new environment for strategy and for scenarios – and tries to anticipate those further changes yet to come.

PART I

SCENARIOS IN PUBLIC POLICY

SUMMARY

This part contains descriptions of scenarios projects that have been designed to expose choices and provide a framework for debate about the future within the relevant constituency – whether a city or region, or large corporations and governments.

SCENARIOS FOR CITIES AND REGIONS

In each of these case studies, common factors were the wide involvement of citizens and elected officials in both the creation of the scenarios and in implementation of the choices.

In Seattle, the school system was underfunded and the staff demoralized, with a flight to the suburbs. After the scenarios project, school bonds were raised and a number of innovations on use of IT in schools and use of schools by the community were successful and being emulated elsewhere.

In Holland, Rotterdam celebrated 50 years of post-war rebuilding and looked ahead to 2045: Where should the new Rotterdam port be sited? Town meetings and then walkthrough scenarios encouraged public debate in Rotterdam, and then the planners of Arnhem to adopt the idea. In Arnhem, a Villa 2015 was created for each of the four scenarios and visitors were asked to vote on their favourite future.

Bueren in Germany used scenarios to develop missions and consequences or initiatives, which were then promoted by named

prominent local individuals, and created a range of new voluntary groupings to tackle problems.

SCENARIOS FOR COUNTRIES

Scenarios used as metaphors to explore the choices facing a country are very powerful. The examples of South Africa (Kahane, 1997) and Canada, (Rosell (ed.), 1995) had a wide impact. The case study on Scotland by Scottish Enterprise brings out lessons about consultation, creation of vision and methods for communication. The example of short workshops to focus on specific issues – such as the Information Society in Europe – shows their use in bridging cultural divides.

SCENARIOS FOR THE ENVIRONMENT

Three very different uses of scenarios for the environment are described. The World Business Council on Sustainability is focused on the role of corporates, and the scenarios developed by them have been used by member companies and in discussions with national governments.

The VISIONS project developed integrated visions of Europe in 2050, based on work with over 200 people and groups, with ages ranging from school age to 60+. The scenarios relate to environmental aspects such as transport, water, energy and infrastructure and are available on a website and CD-ROM to support other groups using the models.

The Foresight scenarios in the UK were originally developed to describe environmental challenges but have been extended and used by a wide range of government departments and agencies to stimulate their thinking about the future in a number of workshops and projects.

LESSONS LEARNED

There are many similarities in the case studies reflected in the lessons learned:

Part I: Scenarios in public policy

- the importance of getting the context right;
- the ability of scenarios to simplify complexity and so help to galvanize community involvement;
- the use of scenarios to support further investigation into more detail, or into shocks to the system.

SECTION I.1

Four scenarios for public education in Seattle

This case study summarizes an innovative approach to strategic planning undertaken by the teachers' union, the Seattle Education Association, with the aid of Global Business Network, a research and consulting company specializing in the development of alternative scenarios for strategic planning. It describes scenarios for the future of education and how they have been used in Seattle: it is published by permission of the authors Roger Erskine and Jay Ogilvy.

BACKGROUND

Before the scenario project, Seattle's public schools were something of an embarrassment. With white flight to the suburbs, Seattle got hollowed out. Between 1980 and 1990, enrolment in Seattle's public schools dropped more than 10 per cent. The voters turned against the schools. School bond issues failed in every election from 1992 to 1996. And, of course, the teachers' union looked the worse for "the decline in public education".

THE SCENARIO PROJECT

The Seattle scenarios project included representatives of many different constituencies on the scenario team. The scenario process itself was part of the process of reform. By joining the representative constituents of the public education system

together as a scenario planning team, the project process began to implement one of its eventual strategic options, namely:

Create a team with as much diversity as possible: old/young, male/female, senior/junior, white/black, different constituencies in the public for public schools, from the largest employer in Seattle, Boeing, to someone from City Hall, a successful businessman on the school board, several union leaders, an economist, and ten more selected for the range of their representation.

In order to arrive at a set of scenarios that highlight the critical uncertainties in Seattle's future, the scenario team developed a long list of relevant issues, then prioritized and aggregated some short lists to identify driving trends.

Discussion of the top-scoring items, together with closely related issues, yielded two driving trends: the change in the social fabric and the rate of change. The associated uncertainties were:

- Will the changes in "social fabric" be "turbulent" or "healthy"?
- Will "rate of change" be "slow/resistant" or "rapid/embracing"?

Plotting these as axes gives four distinctly different worlds, shown as quadrants in Figure I.1.1.

SCENARIOS FOR 2010

With these quadrants defining four distinct scenarios, the scenario team and Global Business Network (GBN) then put flesh on the bones by drafting four narratives, describing the public education system in Seattle as it would appear to a visitor in 2010.

Mosaic

Upper left quadrant: Fairly high rate of change in a turbulent social environment.

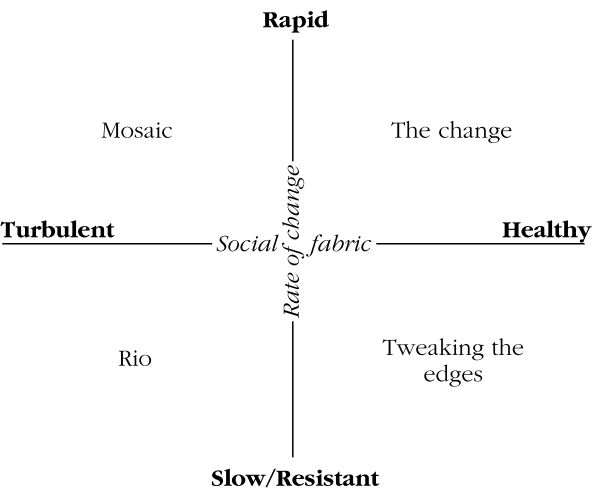


Figure 1.1.1 Four scenarios for education in Seattle (reproduced by permission of Roger Erskine and Jay Ogilvy).

In this scenario, significant advances in technology and educational reform come to the few but not to the many. Riding a reasonably strong economy and continued interest in Seattle from other parts of the world, Seattle’s citizens are too busy to worry about a comprehensive plan for education. Piecemeal reforms favour the best of schools while continued decay afflicts the worst.

Times were good in Seattle. The national economy was on a roll as well. By the late 1990s, the middle class was starting to gain real increases in disposable income for the first time since the early 1970s.

But Seattle’s urban schools suffered a continuing slide into decrepitude. Old buildings, ageing teachers and dispirited students witnessed increasing violence in city schools. Behind the headlines about increasing numbers of crack babies, the remaining occupants of poor neighbourhoods saw the continuing flight of bright students and teachers toward the suburbs.

By the end of the scenario period, Seattle has become a city of enclaves and sanctuaries, some rich, some poor, but all in uneasy relations with one another. A sense of commonwealth has

somehow been lost. Real-estate values reflect sharp and abrupt differences among a mosaic of neighbourhoods whose diverse schools function as magnets for wealth or poverty.

The new mosaic of educational offerings has created a highly competitive, highly entrepreneurial atmosphere. Among the most innovative and widely watched experiments is the bold approach taken by the new principal at one school, a retired army colonel. The threat of violence among adolescent males was making teachers and other students wish for reinforcements; meanwhile, there were many adult males who were undereducated and underemployed. So the new principal decided to put the two groups together in mixed age, all-male classrooms. Blending experiences from Outward Bound and boot camps to apprenticeship programmes and traditional classroom learning, he created a programme that allowed the older students to keep the kids in line, while the younger students gave their older classmates some experience in exercising responsible leadership.

Seattle has become a testing ground for educational experimentation and, as such, the eyes of the nation are focused on its schools. Unfortunately, some experiments fail. And worse, those urban schools that remain untouched by the spirit of reform cannot claim the status of intentional “controls”. They are sliding ever further down the slippery slope towards urban and educational decay.

Rio

Lower left quadrant: slow change, turbulent environment.

This scenario represents the worst case: Seattle’s entire public school system slides into the morass that only a few schools entered at the end of the first scenario. Buffeted by bad times economically and unredeemed by energetic reforms, Seattle’s public schools follow the pattern set by urban public schools in cities like Detroit, New York and Washington, DC.

First came the economic drought caused by America’s mishandling of trade relations with the South-east Asian economies. Conflicts over trade with Japan were handled every bit as badly as

conflicts over human rights with China. By pushing our own interests with each of the eastern powerhouses so strongly, we managed to push them together.

Second came the weakness of the local and domestic economies. Dragged down by Boeing's loss of sales to the other two Empires and weakened by the lacklustre performance of the American Empire, Seattle's local economy stuttered and stopped growing. Like Seattle's bridges, her schools as well went on a lean diet of maintenance while those in charge waited for tax revenues to return to normal. But they never did. The state stepped in to run the school system and parents redoubled their efforts. But, finding the state's bureaucrats even less responsive to influence than the former school board, many parents chose to remove their children from public schools.

For those left in the state-run public high schools, the curriculum looks like a cross between army boot camp, reform school and vocational training. Security is intense. Most schools have metal detectors and armed guards. Ethnic tensions are high.

This scenario concludes with a cadence of gunfire and the sound of breaking glass.

Tweaking the edges

Lower right quadrant: slow change, healthy environment.

*This is a scenario in which the economy creates jobs fast enough to keep the lid on any incipient social unrest. Never provoked to a boil, the discontent of the underprivileged simmers throughout the 1990s and no major reforms rock the school system. Driven by global economic forces and local demographic polarization, this scenario comes to a branch point: more of the same is insufficient. Depending on choices and conditions, this scenario leads either down towards **Rio** or up towards **The change**.*

The economic recovery that began in 1993 continued modestly throughout the decade. But, beneath the relatively calm surface, deeper forces in technology, demographics and the global economy were active. For example, as Saskia Sassen showed in

The Global City (Sassen, 1991), the influences of communications technology and globalization of the economy lead toward a two-tiered society. Growth of the financial and service sectors, in place of the globally dispersed manufacturing sector, creates high-paying jobs at the top of the economy and low-paying service jobs at the bottom of the economy, but few jobs for the middle class. As a global city, Seattle finds itself caught in the grip of an inexorable logic pulling her citizenry towards a two-tiered society.

A new body of theory, based on both domestic and international research, is beginning to show the costs of inequality, not just for the poor but for the rich as well. Studies of the Newly Industrialized Countries (NICs) of the Far East, as well as studies of income distribution in the USA, are converging on the insight that inequality hurts everyone.

So, for this scenario the question is one of whether inaction in the short term leads down towards *Rio*, or through some sort of crisis that inspires a transformation towards *The change*.

The change

Upper right quadrant: rapid change, benign environment.

This scenario represents the combination of rapid educational reform and technological innovation in the context of a benign economy and a healthy city; that is, it represents Seattle's best hope for a future in which urban education is saved from the course it has followed in so many of America's other cities. Can Seattle accomplish what no other city has managed? It depends on energizing forces from across the spectrum to form a critical mass.

Mayor Norm Rice's comprehensive plan, "Toward a Sustainable Seattle", didn't say all that much about education, so it came as something of a surprise when the city took over the school system.

City Hall was able to enlist strong support for educational reform among many segments of the Seattle community: parents, teachers, administrators and the business community. The Mayor appointed a

blue ribbon commission including local and national authorities on education, psychology and new technologies.

Reading Seattle's newspapers, one couldn't help sensing an extraordinary turn towards the future, evident in the concern for the children, in the debate over the comprehensive plan and in a focus on information technology. More than most cities in the USA, Seattle seemed poised to lead the way into the information era. With the help of major grants and technology from Microsoft and US West, Seattle's schools were among the first to take full advantage of linking up to the information superhighway. Every classroom got telephone lines and modems to take advantage of the immense reservoir of educational resources becoming available over the Internet.

Information technology was not, as some had feared, an impersonal technology that would displace teachers and turn students into solitary nerds. Instead, the new hardware and software made learning easier, faster and much more fun than it had been for earlier generations of students.

The reforms were truly radical:

- Schools became community centers open all the year round, 14 hours a day. Health education, language labs and retraining for employment all took place in buildings that had formerly stood empty for months a year and many hours each day.
- Pre-school proved itself in research that showed the lasting advantages gained by children who learn how to learn very early. Seattle became a centre of research and development for education of children up to 5 years old.
- At the other end of the age spectrum, adult education thrived on the synergy between increased use of distance learning over the local area network, supplemented by face-to-face learning in all those classes that were now open at night.
- Funding followed students rather than going directly to schools, so different schools competed with one another for students and their funds.

- Now convinced of the importance of education for *all* citizens, rich and poor, urban and suburban, the electorate opened the way to greater funding for education.
- Business, too, took a more active role in public education, supplying teaching assistance from among its employees and jobs tailored to Seattle school graduates.

The citizens of Seattle seemed so adept at change by the turn of the century that other cities were sending delegations to learn the secret. How had Seattle changed everything at once with so little evidence of stress and strain? What those delegations found was an unusual willingness to take risks: a willingness to reward change without punishing the occasional failure; a capacity to learn from mistakes that were openly acknowledged; a mutual trust between unions and business; the successful use of conflict resolution tools that could be taught and learned. None of these innovations could account for *The change* by themselves, but all of them together, in systemic synergy, had transformed Seattle's education system from a creaky bureaucracy into a vibrant organism capable of growth and development, a system that truly served the needs of its students.

IMPLICATIONS AND CONSEQUENCES

Once exposed to a longer perspective, what implications can we draw from these scenarios and what were some of their consequences?

1. After the scenarios, Seattle passed two school bonds. Seattle got a terrific superintendent, John Stanford, who, precisely as it had been written in one of the scenarios, came out of the military. Enrolment has stabilized. Some schools have definitely turned round. There is a new can-do spirit, and the union is known nationwide as showing leadership on behalf of education reform.
2. We cannot expect every citizen to master the latest advances in

urban economics and telecommunications. But we can expect people to listen up to stories. Consequences of this set of scenarios were a deeper dialogue about education in Seattle and renewed interest on the part of the business community. People realized, “We have some choices”.

3. While many of the forces operating on education in Seattle may have remote origins, Seattle’s citizens *can* develop effective responses to national and global trends.
4. These scenarios suggest that Seattle’s current system of educational governance is susceptible to administrative gridlock. Partly as a result of these scenarios, the union dropped its insistence on seniority as the main requirement for teacher placement. Schools in poorer neighbourhoods used to get the rookies while older, more experienced teachers went to the better schools. Now, there is a more even distribution of talent.