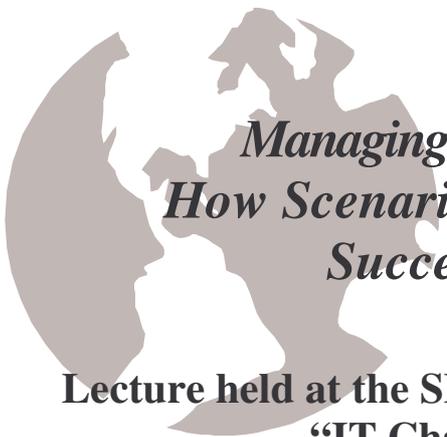




---

Ute Hélène von Reibnitz

## SCENARIOS+VISION



*Managing and Planning in Turbulent Times  
How Scenario Techniques Help you Plotting a  
Successful Path into the Future*

Lecture held at the SBM Conference – April 1999 - Cannes, France  
“IT Challenges in the Next Millennium”



*1842 Avenue des Templiers*

*F – 06140 VENCE*

---

*Tel. +33 (0) 4 93 58 25 00 / 25 08*

*Fax +33 (0) 4 93 58 68 30*

*Email : reibnitz.hf @ scenarios-vision.com*



## *Managing and Planning in Turbulent Times*

### *How Scenario Techniques Help you Plotting a Successful Path into the Future*

#### **Changes in the Corporate Environment – Threat or Opportunity ?**

*« It is not our task to predict the future, but to be well prepared for it »  
Pericles*

The changing times we are now facing worldwide – the Asian crisis and its impact on the world economy, the construction of the United States of Europe and Eastern Europe's difficult path to democracy, are regarded in an ambivalent way by many people, companies and authorities. On the one hand we see the risks and on the other hand we identify new opportunities we never had before. Instead of complaining about the change we should seize the new opportunities and shape our future.

Those who want to be in the driver's seat for their future and to make the most of tomorrow's markets need a cool head, a good sense of anticipation and sophisticated planning tools.

The answer to all these planning problems and needs is a well-proven and widely used planning tool: **Scenario Techniques**.

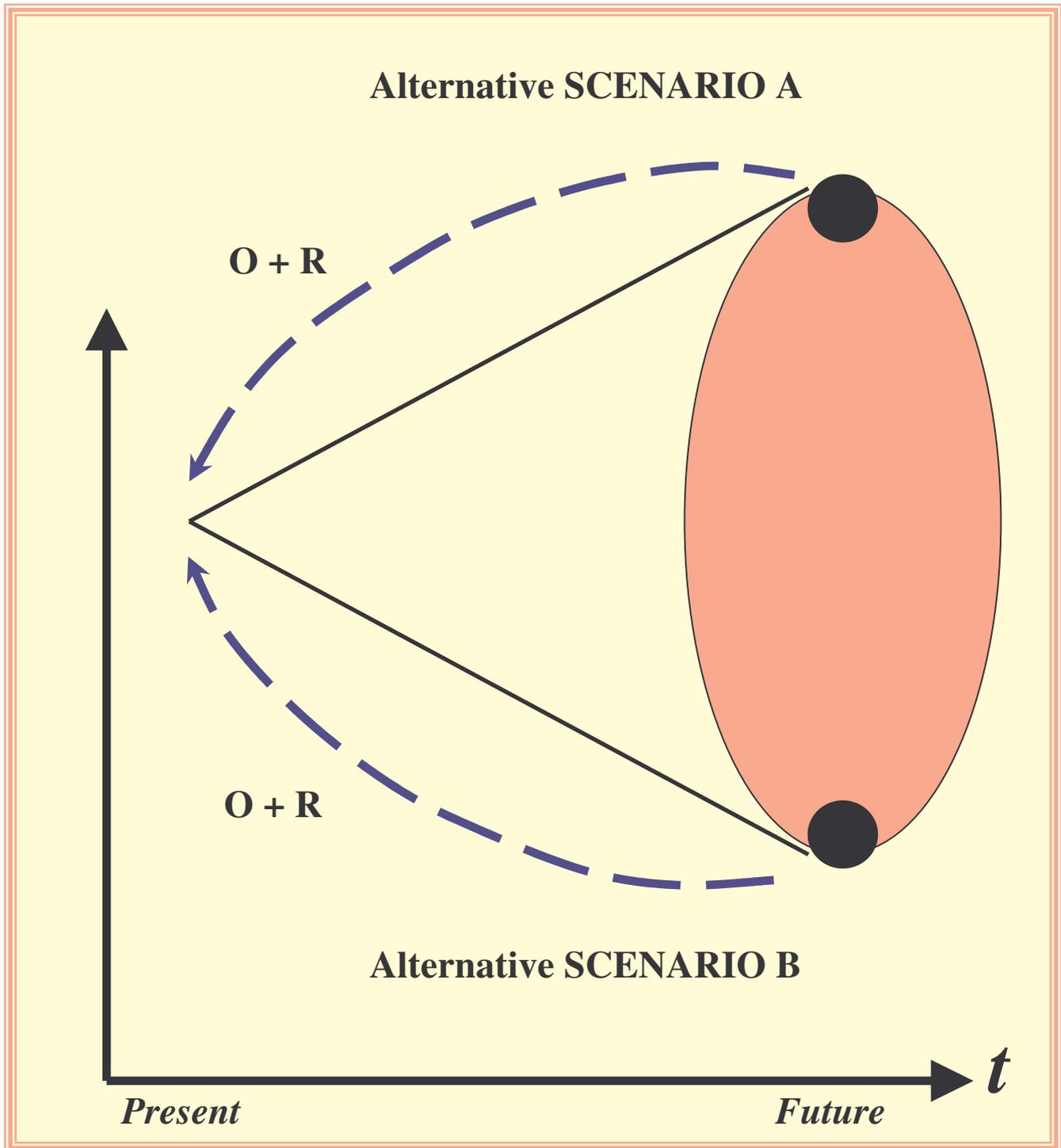
## What are Scenario Techniques ?

The hallmark of Scenario Techniques is to create alternatives in case of uncertainty and to assemble them into highly consistent scenarios. These scenarios are descriptions of the future corporate environment and cover the so-called “edges” of the Scenario funnel (see diagram 1). Why do we have to take very contrasting future situations into account? Because nobody knows what the exact outcome of the future will be. If you are prepared for very different future situations, you will be able to deal with any scenario between the two extreme archetypes.

Scenario Techniques link these scenarios to the present company situation including existing goals/strategies, strengths/weaknesses. They help you design strategies to seize future opportunities and turn eventual threats to your favour. In order to deal efficiently with different challenges, threats and opportunities in the future, a master guideline fitting both scenario extremes should be developed.

Other features taken into account are wild cards such as technological breakthroughs in a specific area, an ecological disaster, a stock exchange crash or a sudden regional war. Scenario Techniques show you how wild cards may affect your company and how you can develop preventive measures as a form of “immunisation” against the worst effects of these events.

SCENARIO TECHNIQUES  
The Scenario Model



**SCENARIO** = visualisation of a possible future situation  
**O** = opportunities      **R** = risks

## How do Scenario Techniques work ?

Scenario Techniques comprise the following eight steps (see diagram 2):

### **STEP 1 – Task Analysis**

Analyse the subject's structure, the existing goals and strategies as well as strengths and weaknesses. The subject under study can be a company, a Strategic Business Unit (SBU), a product family, a product, a subject outside a company or you as a person including your career and life planning.

### **STEP 2 – External Influence Analysis**

Here, we identify external areas and influence factors as well as their interrelationship and the system dynamics.

### **STEP 3 – Projections**

Anticipate the future development of the influence factors and create alternatives in case of uncertainties.

### **STEP 4 – Consistency Analysis**

Assemble all alternatives according to their consistency, so as to form logical and plausible future scenario structures and select the most contrasting ones for the interpretation. Special software for scenario calculation is available.

### **STEP 5 – Scenario Interpretation**

Describe the scenarios in an imaginative way, analyse their system dynamics and changes in the future.

### **STEP 6 – Consequence Analysis**

Identify future opportunities and threats in both scenarios and develop action items which maximise opportunities and turn risks into opportunities.

### ▮ *STEP 7 – Wild cards Analysis*

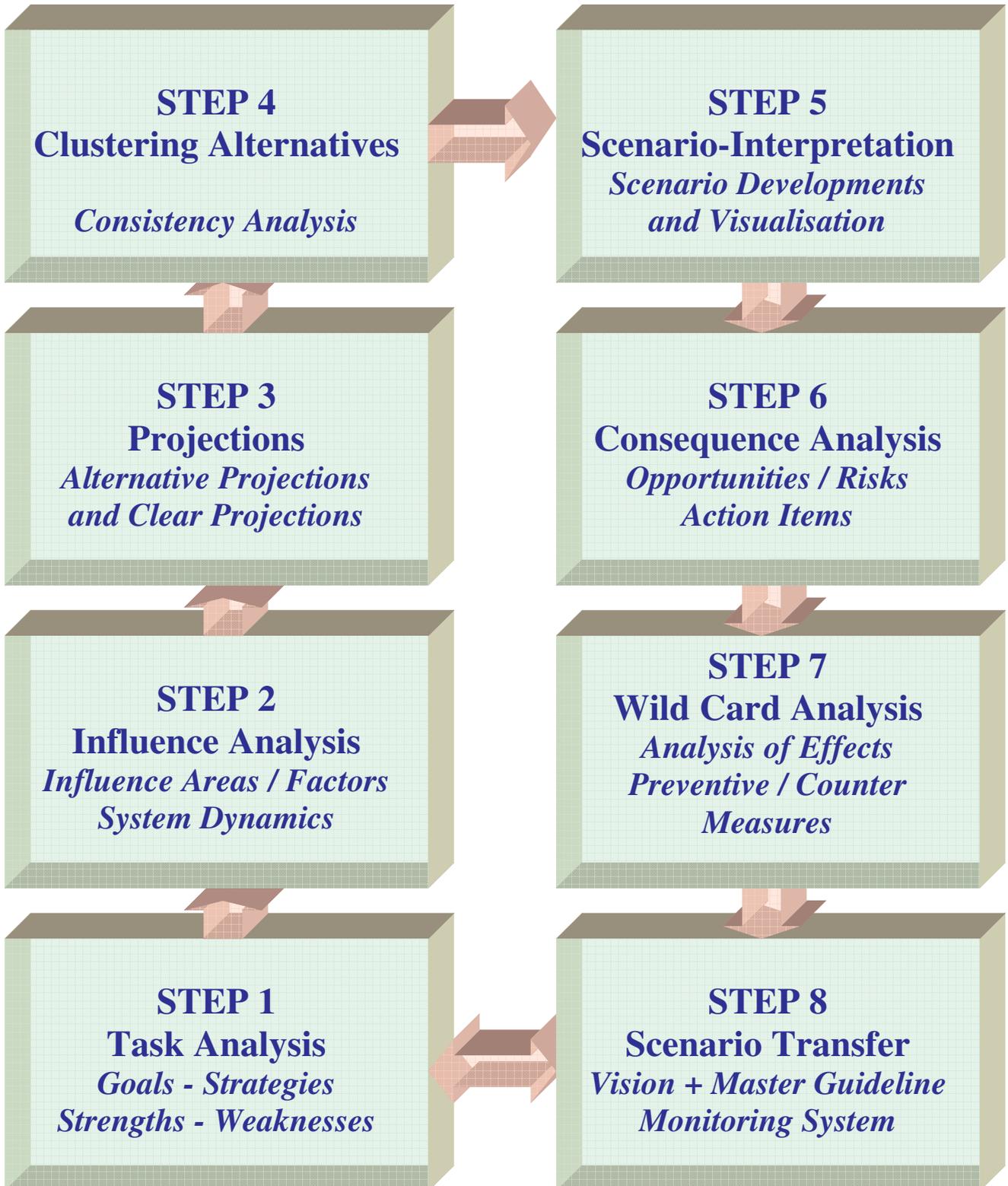
Analyse possible disruptive events (wild cards) and their effects on the subject under study, in order to develop preventive measures to reduce the worst effects of these events and to pre-define reactions.

### ▮ *STEP 8 – Scenario Transfer*

Design a master guideline and a new, sustainable vision which can be successfully realised under both scenarios. Such a master guideline tests innovative ideas from one scenario against the second scenario, creating a resultant pool of ideas compatible with both futures!

## SCENARIO TECHNIQUES

### Process of Scenario Techniques



## How to integrate your management in Scenario Techniques ?

When you intend to implement Scenario Techniques as a basis for your corporate planning, you have to involve company decision makers (Top Management and Experts). Firstly, a Scenario team has to be set-up by the Scenario expert in accordance with planning needs and available resources. The number of participants ranges between 12 and 16 people who have in-depth knowledge of the company structure and corporate environment (e.g. information and know-how on markets, competitors, economy, society, technology, legislation, etc.). Therefore, you need a team with heterogeneous know-how and background e.g. those responsible for Strategic Planning, Controlling, Marketing, Sales, R&D, Human Resources etc.

The Scenario team members work under the guidance of a Scenario expert and develop scenarios and strategies by themselves, thus avoiding the “not-invented-here” effect. Furthermore, your management team obtains a better understanding of future changes and challenges and learns how to cope with complexity and uncertainties.

Positive side effects such as increasing sensitivity to external and internal changes improve your management’s flexibility in long range planning and in day to day business.

## How to master uncertainty and to shape your future : A case study from a leading bank in Austria

In 1996 one of Austria's leading banks, a very traditional financial institute with a co-operative organisation, decided to make a big step ahead. The approaches they have chosen were Scenario Techniques, with a preceding team training and an intensive learning phase.

This company follows a democratic decision making process meaning that the executive committee can only make suggestions. The various entities vote on how and in which way they apply these proposals or not.

This very heterogeneous conglomerate assigned 16 people to undergo a team training, a learning phase covering many aspects in their environment and to develop results in a comprehensive scenario process.

In eight workshops they developed alternative scenarios based on 70 factors, and designed their future master guideline. In order to comply with their way of democratic thinking and involvement, two workshops have been designed to integrate additional 34 people from all decision making departments and levels in the company for 2 specific phases in the process.

- a) Projections (step 3)
- b) Consequence Analysis (step 6)

Let's have a look at the scenarios, but in a very condensed way (a short description instead of the 70 descriptors for each scenario).

## ***SCENARIO A 2010 – Banking in the new virtual and liberalised world***

### ***Influence Area Politics and Legislation***

The United States of Europe (USE) have been successfully established; the EURO proved to be **the** panacea for the European economy. Stability and sound growth for member states convinced all the sceptics. To make all this happen, the USE government has made major inroads into cutting back on bureaucracy and over-regulation. Most public services have been deregulated and privatised. The government is only responsible for the bare bones of governmental tasks such as police, territorial defence and legislation. As a consequence of these reforms, strict legislation governing banking has been abolished. Almost anybody can become a provider in the financial sector, with the possibility of creating new and exciting services.

### ***Influence Area Economy***

Stability and prosperity in the USE stimulate and inspire many new ventures and so-called life-entrepreneurs who constantly create new services which they offer on a new “super” internet. Most of the companies of 2010 are virtual corporations, meaning they create, on a project basis, new products, services and ventures which last as long as the project. Constant change and “survival of the fittest” are key slogans in this world. All business is global, due to availability and similarity of products and services world-wide, along with similar customer needs.

### ***Influence Area Society***

How do people live in this new world? The key success factor for each individual is performance in combination with a capacity for innovation. Only the smartest can earn a fantastic living. The rest live under subsistence level, due to severe cost cutting by the government: the era of social security in Europe belongs to the past. Everybody is responsible for his/her life, income, insurance, health care and work. The new status of “life-entrepreneur” also offers women many new opportunities to organise their lives around work.

### ***Influence Area Technology***

The ICT scientists' dreams have come true: we live in a new, happy and brave cyber-world. Technology has revolutionised everything in business and daily life. Money doesn't exist anymore, except in a virtual form. Cash belongs to the past; whenever you undertake a financial transaction, it will be done by a multifunctional smart-card which integrates biodata such as your DNA fingerprint. Technology-based workplaces are everywhere in banking and in all other areas. Many banking workplaces have been abolished between 2003 and 2010. The vulnerability of this virtual financial world is evident: smart gambling "kids" can cause disasters in the financial and economic world with a world-wide domino effect. Therefore, the most innovative part of financial business is the development of new hacker-proof systems, products and services.

### ***Influence Area Customers***

Not only technology, but also the customer has undergone a dramatic change. The smart customer doesn't need any help from the bank or the banker. They switch to the so-called "bank-hopping" system, which means they use all the services they can find on the net. Smart selection tools and search engines help the smart customer to find exactly what they want. Long lasting customer loyalty belongs to the past. This bank-hopping behaviour is adopted by both the private and corporate customer alike.

### ***Influence Area Competitors***

The "big hitters" on the global financial scene (dinosaurs!) have been replaced by small, smart and flexible companies organised and linked in powerful networks, thanks to the new liberalisation of Europe. Anyone can provide banking services on the net: e.g. the millionaire who is bored with average interest rates provided by banks offers his/her capital via the net to young entrepreneurs. Viability and ethics checks are provided by a system's routine, whereby both parties enter their criteria, and the system itself gives a "top or flop" decision. The business is done by mouse-click.

## **SCENARIO B 2010 – Back to the roots**

### ***Influence Area Politics and Legislation***

The Europeans were not able to put their forces and strengths together. A severe recession has hit the European Union and all the common tasks and unifying aspects of the past have disappeared. Neither the Union nor the nation states have been able to solve the problems; therefore Europe has split into small regions, sometimes linking together parts of former nation states, sometimes just dividing countries into several independent region states. The economic crisis increases unemployment and the people want only one thing from their government: social security. This has led to more public services and job creation by governments. Nobody can become rich, but there's just enough to make a modest living - nobody will starve. The people force the government to increase their security, thus leading to stricter legislation, re-nationalisation and increases in consumer and labour protection.

### ***Influence Area Economy***

A gloomy economy with skyrocketing unemployment rates and shake-out processes in many sectors force most industries to downsize and relocate in countries with less restrictive legislation and lower labour costs. The state becomes the most powerful employer; social security is more important than innovation or entrepreneurial spirit. Therefore, Europe becomes a third class investment place: the winners are the Americas and the Asia-Pacific region. The economic, political and technological power has shifted to the Far East.

### ***Influence Area Society***

The German “angst” phenomenon has spread all over Europe. No risk, no fun, but social security is the motto. The winners are those who can land a job as a civil servant. What people get from social security is just too much to die and too little to live; therefore, many people make their living in the “black” parallel economy or become so-called multi-jobbers working in three to five jobs to earn their living. Another interesting aspect is that people get closer in hard times: several generations live together or several single parent families create a common household. Technology has become one of the scapegoats of society: rationalisation initiatives on the basis of new technologies have eliminated more and more jobs.

### ***Influence Area Technology***

Technology is still progressing, but what we miss are blockbuster innovations. Furthermore, job protection and job creation limit this progress. The banking customer refuses the contact with all terminals, automatic teller machines etc. ICT is hidden in the back offices, where bankers simply use it to assist in customer service. Real cash, which is regarded as one of the last symbols of freedom in a strictly regulated world, still plays a major role; obviously nobody working in the black economy would accept to be paid by electronic funds transfer.

### ***Influence Area Customers***

The ever wary customer has a strong need for security and protection and distrusts any electronic banking. What counts most is cash and safe investments which help overcome the crisis. The financial consultant is the most important person in this business. If they can win the customer's trust, the business will be easy. In order to become indispensable, the financial consultant plays the more global role of an overall consultant helping in all aspects of life wherever his/her support is needed.

### ***Influence Area Competitors***

Only a few financial institutes have survived the shake-out process after a nationalisation wave in some regions and a steep market decline. The survivors are well established either as nationalised companies or as multinational players operating from headquarters outside Europe. Strict legislation and many market barriers created by regional governments make banking increasingly difficult. The positive aspect of this regulation is that other near or non banking competitors have no chance to gain a foot-hold in the financial market.

## ***Consequences of these scenarios for the bank***

After the development of the scenarios they designed their future vision, their corporate values, their identities and the master guideline they wanted to implement. As the implementation process has just started only a few basics of the master guideline can be published, e.g.:

- become a full and in-depth solution provider for their customers :
  - create a modular concept which comprises financial services, insurance, accounting, real estate, etc. tailor-made for each customer group
  - offer security as a new product : security of investments, data bases and data networks and personal security
  - develop a new label of security for financial services, transfers, data bases, and any virtual product
  - help the customers to be successful and to develop new businesses, services and labour (create new entities, e.g. start-up services, etc.)
  - offer communication platforms in all outlets and transform these outlets into new market places (also for other businesses)
- diversify in logistics and knowledge management and make these business lines as strong as the traditional financial business in about 5 years

### **Some remarks on this case study**

The untypical banking and decision making structure required new means of communication and motivation. Therefore the whole process with focus on the scenarios and the outcome has been translated into a film, distributed as video cassette and CD-I. The CD-I medium enables all staff to follow-up the process and to contribute to the implementation in a very democratic and participating way.

This film was the master part of the whole communication process aiming at convincing and involving the not yet involved people. The implementation process has started now and will take another 9 months.

## How to come from anticipation to implementation ?

Developing scenarios which give you an exciting insight into what might be is one part of the business, but the most challenging and difficult part of planning comes now with the implementation. If you don't manage to succeed in convincing and involving your top management and colleagues, promoters and change agents in the company; you are bound to fail. In order to realise this difficult task, the following steps are recommended:

### ***Media-didactic visualisation***

Translate the scenarios and your new future-based guideline into an exciting, convincing and motivating film which can be delivered on video cassettes, CD-ROM or CD-I. Distribute this film to all people concerned and ask them to integrate their ideas on implementation. By doing so you will see that the implementation rate is significantly higher than in traditional processes.

### ***Information market***

Gather all people concerned, inform them about the outcome of the Scenario project (e.g. by showing the film), list all new projects derived from the master guideline on pin-boards and ask innovative and competent colleagues to work on projects where they can contribute most.

## Summary

Scenario Techniques are an indispensable tool for those managers who feel responsible not only for short-term corporate success but also for sustainable prosperity. Scenario Techniques are recommended whenever the problem is complex, uncertain and has long-term effects. If all these characteristics apply to your problem, then you have to abandon the traditional forecasting methods and turn to Scenario Techniques.

In this sense, keep George Bernard Shaw's phrase in mind:

*“We are not made wise by the recollections of the past,  
but by our responsibility for the future.”*

### **Book recommendation :**

*If you would like to know more about Scenario Techniques, we recommend the book “ Scenario Techniques ” by Ute von Reibnitz, published by McGraw Hill, Germany, **available only by the author**. This book not only covers the Scenario method and gives implementation suggestions for all kinds of planning problems, but also informs you of the birth of future planning, of various possibilities to create scenarios and of many working techniques within the Scenario planning process.*