

O.R. Applications

Teaching scenario planning: Lessons from practice in academe and business

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Abstract

In this paper, we engage with O'Brien's [O'Brien, F.A., 2004. Scenario planning – lessons for practice from teaching and learning. *European Journal of Operational Research* 152, 709–722] identification of both pitfalls in teaching scenario planning and proposed remedies for these. We consider these remedies in relation to our own experience – based on our practice in both the academic and business arenas – and we highlight further pitfalls and proposed remedies. Finally, we propose the use of “hard” multi-attribute decision analysis as a complement to “soft” scenario planning, in order to allow a more formal method of strategy evaluation against a range of constructed scenarios. This approach is intended to remedy biases that are associated with holistic evaluations – such as lexicographic ranking – where undue attention is paid to particular strategic objectives at the expense of others. From this discussion, we seek to contribute to cumulative refinement of the scenario process.

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1. Introduction

O'Brien (2004) categorised scenario planning as part of “soft” operational research, in that it satisfies the characteristics of soft OR described by Rosenhead and Mingers (2001) and Bennett and Huxham (1982). Specifically, scenario planning (i) aids understanding of a situation, (ii) enhances creativity, (iii) is process-focussed, (iv) requires input from multiple actors, (v) is focussed on perceptions and opinions, and (vi) contains an analytical component that is qualitative. The focus of O'Brien's paper was an analysis of the process and the product of scenario planning teaching at Warwick Business School: “by scanning the product and identifying deficiencies (the paper) aims to improve the process itself” (O'Brien, 2004, p. 711). O'Brien relates a change in style of delivery – from lectures

to facilitated scenario construction – and the addition of extra steps in the scenario construction process to enable more effective scenario development, by her student audience. The changes that she relates reveal the pioneering nature of scenario teaching at Warwick. From analysis of the process and products of 15 years of teaching/facilitating the course and the experiences of over 1000 participants, she identified five “common” pitfalls emanating from the “early version of the methodology” which was taught to MBA students as a process to produce scenarios.

The pitfalls identified by O'Brien were:

- (1) Predictability of a limited set of factor choices. Here, use of a PEST method by participants tended to regularly emphasise economic factors – such as exchange rates, interest rates, and UK economic activity – as uncertainties that were subsequently given prominence in the scenarios that participants constructed.

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- (2) Predictability of theme selection. Here, many participants developed either optimistic or pessimistic scenarios.
- (3) Focus on current/next/big issues. Here, recent and current concerns (e.g. of terrorism activities) that had emphasis in the media tended to replicate themselves in the scenarios that participants provided. O'Brien labelled this as "future myopia".
- (4) Typical implicit assumptions. Here, life experiences shared by participants (e.g. of peacetime rather than war) were also replicated by participants in their construction of scenarios.
- (5) Unimaginative presentation of scenarios. Here, the completed scenario output tended to be presented with little attention to making an impact on the target audience.

O'Brien concluded that the above five pitfalls resulted in "predictable, somewhat narrow and unchallenging scenarios, unlikely to engage their intended audience" (2004, p. 715). In the final section of her paper, O'Brien addressed three process adaptations as means of overcoming these pitfalls, namely:

1. "*Participants: who is using scenario planning?*" Here, O'Brien argued that participants' personal world-views and life experiences cannot, in fact, be controlled or influenced and can only be acknowledged as a pre-set anchor in scenario development.
2. "*Content: what is the scenario process?*" Here, O'Brien argues that lecturers' exhortations to participants to be "more creative" in their scenario development worked reasonably well in that "unchallenging themes appeared less frequently" (2004, p. 715). However, adding a step where (i) individual participants brainstormed uncertain and pre-determined factors and then a step where (ii) groups of participants clustered (and thereby reduced) this output, produced, she argued, a more diverse and rich set of factors that could shape the future. O'Brien also encouraged participants to "think beyond the traditional PEST categories and thus to consider additional categories such as 'competition' and 'regulation' (2004, p. 716).

The second revision to the earlier version of Warwick's scenario construction method was to encourage participants to consider alternative, higher impact ways to communicate scenario content – beyond tabular summaries. Finally, O'Brien added a step in the Warwick scenario construction process, where strategic options for an organization were tested for robustness across the set of constructed scenarios.

3. "*Process: how is the scenario process conveyed to participants?*" Here the focus was, again, on encouraging creativity within the scenario development process and the following possibilities were offered:

- (i) using the internet as a resource for reports on issues relevant to future studies,
- (ii) use of a facilitating mode of delivery rather than a traditional lecture mode,
- (iii) emphasis that, at an early stage of the scenario teaching, the lecturers' expectation was that the scenario process would produce creative output,
- (iv) challenging deep-set assumptions in the participants that the future will be like the past. An example O'Brien gave is that of identifying individuals in the audience who know people who cannot read or write. Such an identification process can "challenge preconceived ideas about how advanced society has become" (2004, p. 717) and
- (v) emphasising the development and use of scenario outcome presentations that promote audience impact – such as TV/radio news broadcasts, newspaper headlines, etc. Also advocated was consideration of alternative ways of presenting narratives, written in the past, present or future tenses.

In seeking to offer further incremental development and refinement of scenario method, we now turn to our own experience of both teaching on MBA programmes in two UK business schools, and working with top management teams on a range of scenario projects in the business arena.

Drawing upon illustrative examples from this experience, we reappraise each of O'Brien's pitfalls in turn, presenting our recommendations and then comparing and contrasting these with O'Brien's responses to these pitfalls, outlined earlier. In addition, we point to additional concerns that we have identified, both in O'Brien's approach to scenario planning and from our own experience working with students and organizations. We discuss the implications of these additional pitfalls and propose our own solutions to overcoming them.

2. Revisiting O'Brien's 'pitfalls' in scenario development

2.1. Pitfall 1: Predictability of a limited set of factor choices

Our own method of facilitating the development of a wider range of scenario dimensions aims to overcome the "silo" laundry-listing that can emerge from a simple elicitation of participants' ideas using the categories within PEST (political, economic, societal, and technological) or its derivatives (STEEPL, PESTLED, etc.) that prompt elicitation of further issues of current concern – such as law, ecology and demographics. Burt et al. (2006) have noted that there is a growing recognition in the research literature that the nature of the business environment is best conceptualised as organization-specific (Montgomery et al., 1989) – thus recognising the limited applicability of generic, taxonomic approaches such as PEST. Indeed, the business environment can be conceptualised as the outcome of organizational processes, and thus as being socially constructed

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