

The generation game

How scenario planning
can help HR

Anat Arkin

What will tomorrow's workplace look like? Anat Arkin explains why some companies are turning to scenario planning to help them prepare for an uncertain future

Picture the scene: it's the year 2020 and big business has had its day. Following a record number of corporate de-mergers and spin-offs, economies are dominated by networks of small, highly specialised enterprises. Most people work on short-term contracts, accessing work opportunities through portals provided by craft guilds.

The traditional HR function has all but disappeared from this fragmented, networked world. In-house HR is responsible for ensuring that companies have the people they need and for managing contracts with external partners. But most of the function's higher-end people development work has been taken over by guilds.

This so-called "orange world" is one of three very different visions of the possible future of work and of people management outlined in a recent report by PricewaterhouseCoopers (PwC), *Managing Tomorrow's People: The Future of Work to 2020*. None of these scenarios is intended to be seen as a literal prediction of the future. They were designed to help PwC explore how people issues such as the talent crisis and the challenges posed by an ageing workforce might evolve in the years ahead. So another scenario envisages a "green world" where concerns about demographic change, climate and sustainability have become key business drivers. HR leads corporate responsibility programmes and employment law dominates employee relations as organisations operate in an ever more regulated environment.

In the third scenario, the "blue world", huge corporations have effectively become mini-states that provide employees with a range of welfare services, including housing, health and even education of their children. Sophisticated metrics are used to measure the impact of human capital, and people management has become a hard business discipline – at least equal in standing to finance.

Scenario planning, the process used to produce these three "worlds", recognises that uncertainty is a fact of life and that organisations need to consider and plan for a range of possible futures (see panel on page 5). Explaining why PwC chose to use this technique for its research, project leader Sandy Pepper, a partner in the firm's human resource services practice, says: "Much of the recent published research about the future of HR is based on surveys asking HR practitioners what they think the future will be like. The limitation of this is that it tends to encourage extrapolation from the past, rather than creative thinking about the future. We wanted to be bolder and more imaginative and 'scenarios' gave us the framework we needed to make this happen."

Working with the James Martin Institute for Science and Civilisation at Saïd Business School in Oxford, a team of people from both inside and outside PwC began by looking at the forces currently affecting business, as well as those likely to become more important in future. They then selected four potentially conflicting forces: individualism, as opposed to

collectivism, and corporate integration versus business fragmentation, and used these to develop four plausible scenarios, later reduced to three after two were found to overlap.

The PwC project team believes that all three organisational models described in its report “will feature in tomorrow’s world, sometime or somewhere and to some extent”. But what if they don’t, and the future turns out to be totally different from any of these scenarios? Would the whole exercise have been a waste of time? Pepper rejects this suggestion, arguing that it is the process of developing scenarios rather than the scenarios themselves that matters. “You can respond more quickly to what does happen if you have trained yourself to think in a more innovative, lateral way about the future,” he says.

Scenario planning goes back to the years after the second world war, when US military planners used it to anticipate and prepare for what their opponents might do. But it wasn’t until the early 1970s, when Pierre Wack, a strategic planner at Royal Dutch Shell, started looking at events that might influence the price of oil, that the value of this methodology became really clear. Wack and his fellow planners came up with two contrasting scenarios. In the first the price of oil remained stable, thanks to large dollops of good luck, such as the discovery of new oil fields in pro-western countries. But their second scenario, of a sharp hike in oil prices, enabled Shell to respond much more quickly than its competitors to the oil crisis that followed the 1973 Arab-Israeli war.

Shell has continued to use scenario planning to explore its business environment and identify emerging challenges, although this didn’t help the oil giant to avoid the public relations debacle surrounding its plans to sink the Brent Spar

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storage rig in the North Sea during the 1990s. Nor did scenarios avert the more recent crisis when Shell was found to have overstated its oil and gas reserves. As Angela Wilkinson, director of futures and scenario planning research at the James Martin Institute, points out, producing different scenarios isn’t the same as preparing equally well for all of them.

But while scenario planning clearly doesn’t make an organisation disaster-proof, the methodology does seem to have advantages over traditional forecasting techniques. “Forecasting tends to assume that there is one future,” says Wilkinson, who, like many of those specialising in this field, used to work for Shell. “But is there only one future? Do we really believe in the 21st century that the future is already predetermined... or do we think it’s an unformed territory, which will be formed by our actions in the present as much as by the momentum that we have going already?”

Scenario planning, Wilkinson continues, is about imagining several alternative futures and asking what would happen if any of those came about. “So we acknowledge alternative ‘what ifs’ in scenario planning and bring those future possibilities into the present to think about what we should do,” she says.

Where organisations use scenarios it is often to help them identify options during a crisis or when they are embarking on major change. But scenarios can also

improve the quality of decision-making more generally, according to Tim Bolderson, co-founding partner of consultancy Outsights, which has worked with the UK government as well as companies such as BUPA (see box). “We use the future as a safe place for decision-makers to think about developments in the outside world and in their own company, and as a consequence what they might need to do now to anticipate change,” he says.

But it isn’t only strategic planners at the top of organisations who can benefit from thinking about the future. “What we are finding is that future thinking, particularly scenarios, is a useful tool in preparing middle managers for leadership,” says Bolderson.

For HR, scenario planning can provide a stepping stone to that elusive place at the strategy table, says Daniel Kasmir, HR director at accounting and business services firm BDO Stoy Hayward and formerly HR director for Europe, the Middle East and Africa at Manpower. He used scenario planning at Manpower and is planning to do so in his current organisation, and says it has helped him to participate in conversations about business strategy and inject a people management perspective into strategic decision-making.

“One of the things I’ve found at Manpower and at other places is that conversations around strategy are typically very insular. There’s a tendency to consider very short-term parameters,” Kasmir says. “What scenarios force you to do is engage with a much deeper and broader variety of thought in terms of what you are trying to do, and also to consult with a much broader group of stakeholders.”

CASE STUDY: BUPA

In the late 1990s BUPA used scenario planning to look at what might happen if its UK business failed to grow. One of the scenarios that came up, however, depicted a very different picture – one of significant growth and increased market share.

“That painted such a compelling future that we started to pursue it, but realised that we were not prepared for the consequences of growth,” recalls BUPA’s group development director, Alison Platt. “We did a lot of work on how to grow the business and on the consequences of growth, and guess what – the UK business grew as a result.”

Platt had first come across scenario planning while taking time out from her career to study at the University of Pennsylvania’s Wharton School. After she returned to the UK, BUPA brought in the Outsights consultancy, which helped the organisation to envisage positive futures and build the capabilities needed to make those a reality – as well as prepare for gloomier possibilities, including “left field” events such as the entry of supermarkets into the healthcare market. “Scenario planning has continued to be a feature not only of our strategy development thinking but much further down the organisation as our businesses think about and plan for their futures,” Platt says.

It has also turned out to be a good way of developing operational managers – especially those who have risen through the ranks because they are good at delivering in the short-term. “Getting people involved in scenario planning is a really effective tool for helping people to develop the discipline of thinking beyond next month’s forecast and this financial year and the short-term deliverable,” Platt explains.

But she stresses the need to get the process itself right. “If it works well, you are going to stray into some difficult territories – scenarios that may be good or bad for certain individuals in the room, and there’s always an inclination for people to fight their corner,” she says. “So it’s important to pay attention to the process, to make sure that you get good outputs from your scenario planning. Cursory runs at thinking outside the box don’t work.”

But, adds Pam Hurley, founder of the Tosca consultancy and an associate fellow of the James Martin Institute, HR isn't making as much use as it should of scenario planning and future thinking more generally. "The HR profession has been rather unsuccessful in getting to grips with the contribution it needs to make to successful business planning," she says. "The profession needs to recognise the importance of its contribution to business success and how valuable it would be if it were to engage more with scenario planning rather than straightforward trend projections."

Yet there is, if anything, even less long-term thinking and planning going on in the HR community today than in the past. Former Shell HR manager Peter Reilly describes how, when he joined the Institute for Employment Studies as its director for HR research and consultancy in 1995, part of his brief was to look at the state of HR planning.

"What was evident was that it was in a state of decline, and that became even more true over the succeeding years," he says. A community of people who specialised in manpower or HR planning largely disappeared, victims of the mass redundancy exercises of the early 1990s and of the trend towards decentralisation. Their work was meant to migrate to individual business units but in practice this rarely happened. "Individual business units are by necessity short-term in their thinking and more interested in delivering now rather than thinking about what the future workforce requirements might be," Reilly says.

The result, he adds, was that the skills and knowledge of the HR planning community were for the most part lost, so that when organisations started adopting a new HR model, few set up centres of

expertise devoted to long-term planning.

But this kind of planning has never been more important. With massive social, political and environmental change constantly transforming the business environment, future thinking can help organisations to prepare for a world that is orange, green, blue – or some other, previously unimagined, shade.

SCENARIO PLANNING: IN A NUTSHELL

What are scenarios?

Scenarios are not predictions, but stories about what the future might look like.

How can constructing scenarios help organisations?

Scenarios enable organisations to:

- develop contingency plans for a range of possible futures;
- identify options during times of crisis or rapid change;
- test the validity of decisions already under consideration.

How does scenario planning work?

The process typically begins with participants identifying the issues and forces likely to shape their business environment over a particular time frame and then considering which forces are likely to have the greatest impact. They then use these as the building blocks for three or four plausible visions of the future and look at how each scenario might affect their organisation.

But as Tim Bolderson of the Outsights consultancy stresses, scenario planning is a way of thinking rather than a toolkit of techniques. "Scenarios are really about unearthing and being explicit about uncertainty, in particular in the external world," he says.

About the article

“The generation game. How scenario planning can help HR” was first published in *People Management* magazine (29th November, 2007) the flagship publication of the Chartered Institute of Personnel and Development. The author has interviewed Outsights and some of its key clients.

Outsights Leadership Development programmes have been used by private and public sector companies for a number of years. The programmes expose existing and potential leaders to the skills they need to navigate the Future and make informed decisions now – for their organisations, their people and themselves.

The Outsights On series reports on the recent thinking from Outsights. Each issue is designed to stimulate thinking and debate especially on the drivers of change. Previous issues in the series include:

Outsights on the Five Flows of Globalisation
Outsights on the Consumer
Outsights on Horizon Scanning
Outsights on Change: Frameworks and Models
Outsights on Scenarios for the Poorest
Outsights on the Global Economy
Outsights on the Information Economy: Five Challenges
Outsights on Learning from the Future
Outsights on Key Drivers of Change
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Also available is the **Outsights 21 Drivers for the 21st Century™ Presentation**, which can be tailored for conferences and workshops and is ideal for stimulating debate and testing your assumptions on the Future.

For further information on the Presentation, please contact:

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Outsights is a strategic consultancy based in London helping clients to anticipate, interpret and act on external forces to achieve real change within their organisations. A leading scenario planning practitioner, Outsights has worked in both the public and private sectors and with non-governmental organisations.

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Outsights Leadership Development

The Future is a safe and creative place to explore change and equip people to think quite differently, even though understanding the Future may at first appear to be immensely challenging. Outsights Leadership Development programmes expose existing and potential leaders to the skills they need to navigate the Future and make informed decisions now – for their organisations, their people and themselves.

Our programmes are geared to meet three emerging and important needs identified by innovative organisations:

- To explore and better understand the forces shaping change in the future
- To equip leaders with the skills to anticipate and take advantage of these changes
- To increase the agility and sensitivity of organisations to the external world

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Our tailored programmes are designed to address the business issues of individual organisations and typically run from one to three days, sometimes as a module to set a creative and lively tone early in an in-house Leadership Development programme. They often include Outsights 21 Drivers for the 21st Century™ Presentation to highlight the complexity and uncertainty of external developments facing organisations today, before applying outside-in thinking to make sense of these externalities for the organisation.

Outsights Scenario Induction Course

Outsights Scenario Induction Course takes place twice a year: in May and October. It is a practical and intensive introduction to scenario planning for those who would like to experience scenarios and find out how they can be used in their organisation.

The course is specifically tailored for:

- Middle to senior level management wanting to “test drive” scenarios before implementing this thinking in their organisation
- Groups or departments involved in a scenario or futures thinking project in their organisation needing training in the process
- Those needing a “refresher” course in scenario planning
- Anyone wanting to learn more about scenario planning

For further information on using Outsights Leadership Development programmes in your organisation or to register for the Outsights Scenario Induction Course, please contact:

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