

# Understanding Best Practice in Strategic Futures Work

A report for the Performance and Innovation Unit

October 2001

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Hughes de Jouvenel, Futuribles

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Chris Yapp, ICL

*"The single best practice is to help the organisation become futurists themselves".*

Jim Dator, Director of the Hawaii Research Centre for Future Studies

*"Best practice occurs when the question 'has what we've done been useful to us?' is constantly asked".*

Michael Rogers, Group of Policy Advisers

*"One of the difficulties of assessing the value of scenario work is that it's the dogs that don't bark that matter. It's the events that happen that are a crisis for other people that aren't a crisis for you. It's quiet preparation ahead of events that matters".*

Ged Davis, Shell

*"Avoiding the one or two people who are being difficult is very tempting but you must include them. You have to ask yourself, could they stop the process?"*

Richard O'Brien, Oversight

*"There are so many sets of fingerprints on anything which becomes policy".*

Paul Portney, Resources for the Future

*"Scenario planning helps to free our minds to expect discontinuities in our environment. It approximates a strategic fire drill – we learn to be forward-looking by 'living in the future', whilst positioning ourselves to react to change quickly and nimbly".*

Singapore Government Scenario Planning Office

# Contents

1. Introduction and Methodology	1
2. The Objectives and Uses of Strategic Futures Work	3
2.1. The Limits of the Future	3
2.2. Managing Through Turbulence	4
2.3. Timing and Clarity	5
2.4. Using Scenarios to Rehearse the Future	6
2.5. Releasing the Future	7
3. The Culture of the Strategic Futures Group	8
3.1. Separate But Connected	8
3.2. Independence and Credibility	9
3.3. The 'Shelf-Life' of Futures Thinking	9
4. Strategic Futures Methods and the Organisational Context	11
4.1. Matching the Approach to the Audience	11
4.2. Ensuring Ownership Throughout the Organisation	12
4.3. Bringing It Back to Strategy and Policy	13
4.4. Tracking the Future	13
4.5. Methodological Guidelines	13
5. Engaging The Audience	16
6. Recommendations for Implementation of Best Practice	17
6.1. The Strategic Futures Journey	17
6.2. Action Points for Best Practice	17
7. Annexes	20
Annex I Selected bibliography	20
Annex II List of interviewees and links to relevant organisations	21
Annex III Strategic Futures Methodology Guidelines	22
Annex IV The Scenario Development Process	23

# 1. Introduction and Methodology

Many public and private sector organisations engage in strategic futures work. They attempt to illuminate and understand the future and to use this insight to inform strategy and policy. In 2001 the Performance and Innovation Unit (PIU) of the Cabinet Office issued a brief to benchmark UK strategic futures work against that of other countries and to identify best practice in the use of strategic futures work to inform policy making.

The Henley Centre, an independent consultancy with extensive experience of strategic futures work, was commissioned to carry out the assignment. This report on best practice in strategic futures work is a companion to our previous report on 'Benchmarking UK Strategic Futures Work', delivered after the first phase of the project. That report identified a range of futures organisations and assessed their main areas of activity, and to a limited degree their effectiveness.

The questions addressed by the best practice part of the project process are as follows:

- *Is there best practice out there?*
- *If so, what are its components?*
- *How transferable are these components?*
- *Specifically, what can the UK government learn from best practice elsewhere?*

In answering these questions, the intention of this report is to map the findings of the best practice research in such a way that government departments and other public sector organisations can, if they wish, construct their own journey through an effective strategic future thinking process. Critical issues for policy makers are emphasised in bold in the text. There is also a short description of a standard scenario development process in Annex IV.

Both private and public sector examples of best practice were sought. Strategic futures work to assist organisations to adapt and evolve applies to government departments assessing the scope of their remit and identifying more effective ways to tackle complex policy issues in much the same way that it applies to private companies seeking to change their market position. In reviewing and assessing best practice The Henley Centre also drew on its experience of current strategic futures work for UK public sector clients, and similar work with commercial companies. The turbulence which strategic futures work seeks to 'master' can be about any sort of organisational or external change, whether market conditions or a newly-elected mandate, thus best practice lessons hold for both types of organisation.

Those who wish to understand quickly the learning from the report in terms of applying best practice to strategic futures thinking in their organisations should turn directly to Section 6, Recommendations for Implementation of Best Practice. This provides a short review of the necessary work and practice at each stage of an effective strategic futures process.

While it is impossible to reduce the best practice research to a single finding, the most important issue for organisations is to ensure that the objectives, output, and methodology of the strategic futures work is aligned at the start with the audiences for the work, the needs of the organisation and its culture. Furthermore, the same organisation may choose to adopt different approaches and different techniques at different times to reach different ends. One size does not fit all. The question to ask is not simply 'does it work?', or even 'will it work for us?', but '*how* will it work for us?'.

## Methodology

The method for the best practice stage of the project has been a mixture of 14 face-to-face and phone interviews with representatives of the organisations identified in the benchmarking report, and reviewed with the Performance and Innovation Unit, as offering a range of types of best practice. Interview respondents, and their organisations, are listed in the Annex II. In addition, there has been an active review of relevant literature.

The organisations assessed in the benchmarking exercise and selected as examples of best practice come from both the public and the private sector. The rationale for including private companies in the work (borne out by the findings) was that lessons from best practice in the private sector would have meaning for government.

This section has covered the aims and methodology of this project on best practice and how it builds on earlier benchmarking work carried out by The Henley Centre. The report now turns to an analysis of the findings, culminating at Section 6 with Recommendations for Implementation.

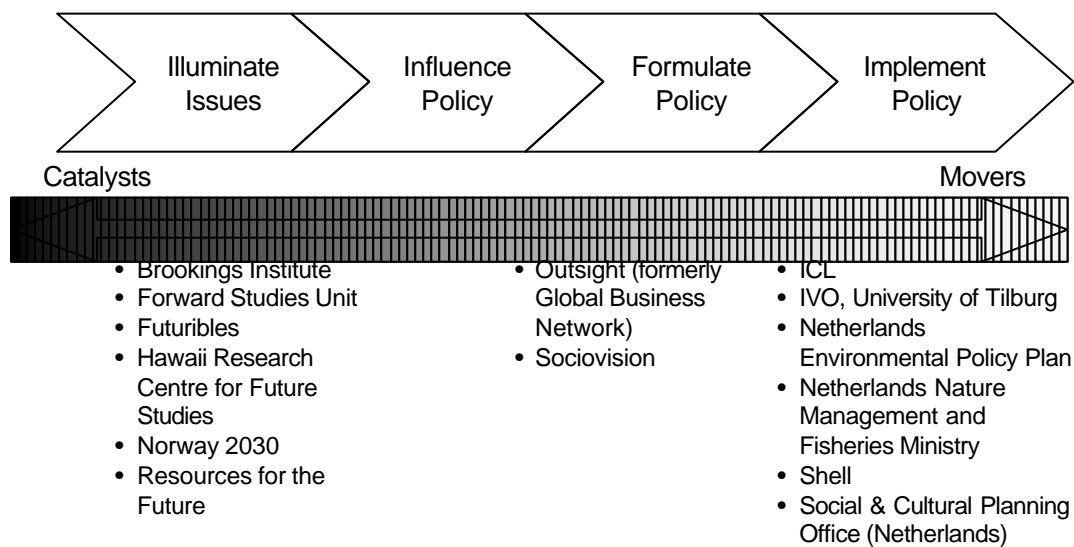
## 2. The Objectives and Uses of Strategic Futures Work

As part of the earlier benchmarking exercise, we segmented strategic futures work, or organisations which carry out this work, by focusing on the objectives. The organisation can seek to:

- *Illuminate* the future and/or issues impacting the future;
- Use strategic futures work to *influence* policy, either directly or indirectly;
- *Formulate* policy using strategic futures insight;
- *Implement* policy, using strategic futures work to enact policy change.

Using this and turning to the second study, some organisations – the ‘catalysts’ – concentrate on illumination and influence, whereas others – the ‘movers’ – concentrate more on enacting change. Of the 14 organisations selected for best practice interviews, 6 aim to illuminate and influence policy making, 2 also formulate policy, while 6 are involved in implementing policy.

Figure 1: Objectives of Strategic Futures Work and Examples of Best Practice Organisations



Source: The Henley Centre

### 2.1. The Limits of the Future

Organisations embark on strategic futures work because they want to know what the future will hold. However, sometimes they confuse prediction with understanding. Managers want to reduce the anxiety caused by the uncertainty of not knowing. This immediately creates a source of disappointment, for it is never possible to know the future. A key best practice observation, therefore, is that organisations are able to make effective use of strategic futures work only when they accept that it is impossible to predict future outcomes.

The best practice interviews carried out as part of this research strongly supported this point. As the Scenario Planning Office of the Singapore Government observes, *“No-one can predict the future because there are too*

*many uncertainties in our operating environment*". Thus rather than predicting the future per se, the objective of strategic futures work is to bring a new set of skills and perspectives into the organisation. Hughes de Jouvenel of the French group Futuribles explains it thus: *"The objective is not to forecast the future, for no-one can tell what the future will be. The objective is to take responsibility as an organisation for the future"*. Jim Dator, Director of the Hawaii Research Centre for Future Studies, puts it even more succinctly: *"The single best practice is to help the organisation become futurists themselves"*.

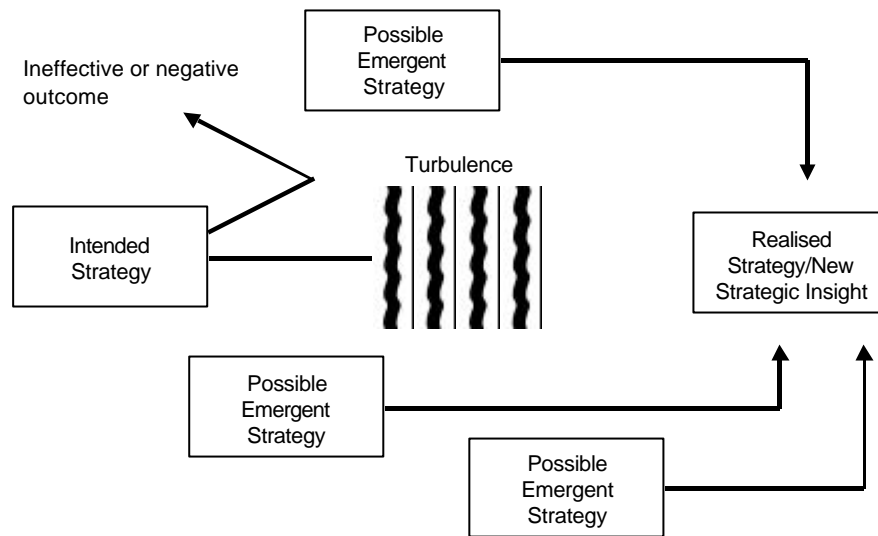
The Norway 2030 project, as described by Erik Overland, the project leader, is a good illustration of using strategic futures work to introduce a new way of thinking into the policy making process (see box below).

Norway 2030 was initiated in 1998 by the Ministry for Labour and Government Administration. The project was inspired by the work of the European Commission – specifically the European Scenarios 2010 project. The objectives were to develop an ‘institutionalised way of thinking about the future’ and disseminate these skills across government ministries. All government ministers were invited to participate in the process and 15 out of the 16 accepted the invitation. The output is a series of five future scenarios about the public sector in Norway for the year 2030. The scenarios are deliberately distinctive and provocative in order to generate interest and stimulate new thinking. Measured against the original objectives, the 2030 project has been a success as know-how about scenario planning and strategic futures work has been widely disseminated throughout the Norwegian government.

## 2.2. Managing Through Turbulence

Strategic futures work can improve an organisation's ability to think in turbulent environments in which uncertainty is high and conventional planning tools ineffective. *"When we hit the turbulence"*, observes Chris Yapp, an ICL Fellow, *"the conventional planning tools wouldn't work. You could have done business, but it wouldn't have been good business"*. When turbulence deflects intended strategy, strategic futures thinking allows the organisation to regroup in a new place, and thereby develop new strategic insight from new places (see Figure 2 below). This is, however, an iterative process; for turbulence can develop quickly and from unexpected quarters. Continuous futures thinking improves an organisation's agility, enabling it to dance around the edge of difficulties.

Figure 2: Managing Strategy in Times of Turbulence



Source: Max Boisot/ adapted by The Henley Centre

In other words strategic futures work enables organisations to see beyond the ‘noise’ generated by turbulence, and thus respond more quickly to changed circumstances. Engaging in strategic futures work can reduce response times by helping members of the company become better at learning, and therefore more adaptive. The response time of large organisations to significant changes in their external environment can be up to five years. Shell’s target was to reduce this to eighteen months by helping members of the company become better at learning and therefore more adaptive.

### 2.3. Timing and Clarity

To maximise the benefits of strategic futures insight the work has to be started sufficiently early. The right start point is when the organisation identifies that conditions are becoming turbulent. If it waits until it feels the fallout from the turbulent conditions, it will have left it too late.

The organisation also needs to value the thinking which strategic futures work will generate: like the joke about the lightbulb being changed by therapists, it really has to want to change. In the case of ICL, it was crucial that the company’s directors had already been exposed to external thinking by members of their peer group, through its membership of programmes such as the MIT Research Programme. On this and other programmes, they had met fellow directors of companies such as BP and Shell which were already using strategic futures thinking.

It is also important that the organisation is both clear and honest about its objectives with its strategic futures group or consultants when it starts the project. A number of interviewees stressed this point: for example, Gerard de Groot from the University of Tilburg cited a project where the organisation’s agenda was not made clear from the start. The result was failure.

Finally, the scope should be appropriate to the objectives and to the organisation’s remit. Paul Schnabel, the director of the Social and Cultural Planning Office of the Netherlands (SCP) underlined this point. While the SCP does scenario planning, it is limited to scenarios which examine Holland, and Holland in a European

perspective. They do not examine global issues and trends unless they have, or are likely to have, a clear impact on the Dutch way of life. This clear remit also ensures that the process does not become too open ended. It has a further benefit as well: by narrowing the range of the scenarios, the time required to carry out the work can be kept as short as possible.

## 2.4. Using Scenarios to Rehearse the Future

The best practice interviews yielded several examples of the effective use of scenario planning to challenge the organisation's mindset and rehearse potential strategies. The Singapore Government's Scenario Planning Office describes scenario planning as *"a set of tools for generating a strategic conversation about what we can do today to prepare for an uncertain future... Scenario planning helps to free our minds to expect discontinuities in our environment. It approximates a strategic fire drill – we learn to be forward-looking by 'living in the future', whilst positioning ourselves to react to change quickly and nimbly"*.

As a series of hypothetical stories about the future, scenarios are relatively unthreatening to managers and thus less likely to provoke a defensive response. For Shell, this characteristic of scenario planning was critical in enabling senior managers to consider the potential impact of dramatic, and thus difficult to entertain, changes in the price of oil. In the event, oil price fluctuations proved as volatile as the scenario work suggested. Shell's senior management team was better prepared to respond to the situation having rehearsed the possibilities during the earlier scenario planning exercise. Similarly, scenarios proved an effective mechanism for Shell to rehearse potential responses to the hypothetical future actions of its competitors.

### Increasing the Receptivity of the Organisation

Much of the recent thinking about organisational behaviour has been about how deep-seated the underlying assumptions are which managers have about the way in which an organisation thinks or behaves, and the behaviours it rewards or discourages. An organisation which is certain of its own views and assumptions will be unresponsive to futures thinking. Such an organisation is highly vulnerable in times of turbulence. For strategic futures work to have a significant impact, the organisation has to be relatively porous. It needs to be willing to question its own views and assumptions, and also be open to influence from the outside.

If successful, strategic futures work will enable the organisation to question its received wisdom and accept new thinking. For example, in the case of Shell, there were two elements in the scenario planning process that helped achieve this. The first was the scenario planning group's refusal to 'pick a winner' from among the scenarios they built. They insisted that all were possible under the right conditions. To do otherwise would have invited criticism from managers who had a vested interest in defending their existing positions. The second involved unpicking the assumptions that lay beneath the company's dominant view about the likely future, and showing that they were no more plausible than those in scenarios which had been criticised as being far-fetched. In an analytical organisation, this created enough impetus for managers to start to use the thinking in the scenarios to question their prevailing assumptions.

Ironically, the more effective the organisation becomes in carrying out strategic futures work, the more difficult it may be to recognise its positive impact. As Ged Davis of Shell puts it: *"One of the difficulties of assessing the value of scenario work is that it's the dogs that don't bark that matter. It's the events that happen that are a crisis for other people that aren't a crisis for you. It's quiet preparation ahead of events that matters"*.

## 2.5. Releasing the Future

Strategic futures work can also enable an organisation not to get trapped by its existing structures when thinking about the future. This release happens in two ways:

1. Conventional short-term planning processes amplify the existing structures of an organisation because managers frequently wish to expand their departments. They therefore search out justifications for this end-position based on existing knowledge, behaviours, and trends, rather than looking at wider frames of reference. Strategic futures work looks beyond the existing organisational structure and can even point to the need for organisational change. For example, Chris Yapp detailed how ICL's risk management group was created directly as a result of strategic futures work. Risk management is now a key component of ICL's business strategy.
2. It allows the possibility that a change in direction might be necessary for development or survival. Arie de Geus observes that long-lasting companies typically migrate through a number of products and services as they evolve. For example, DuPont moved from gunpowder to chemicals via plastics and car-making. Nokia was a paper and plastics producer before it became the world's largest manufacturer of mobile phones. This question of organisational flexibility was reflected in the best practice interviews conducted as part of this research. For example, Chris Yapp detailed ICL's rapid evolution from hardware, to software, to services and systems. Its principal competitors of 20 years ago, in the hardware business, such as Wang and Digital, are no longer extant.

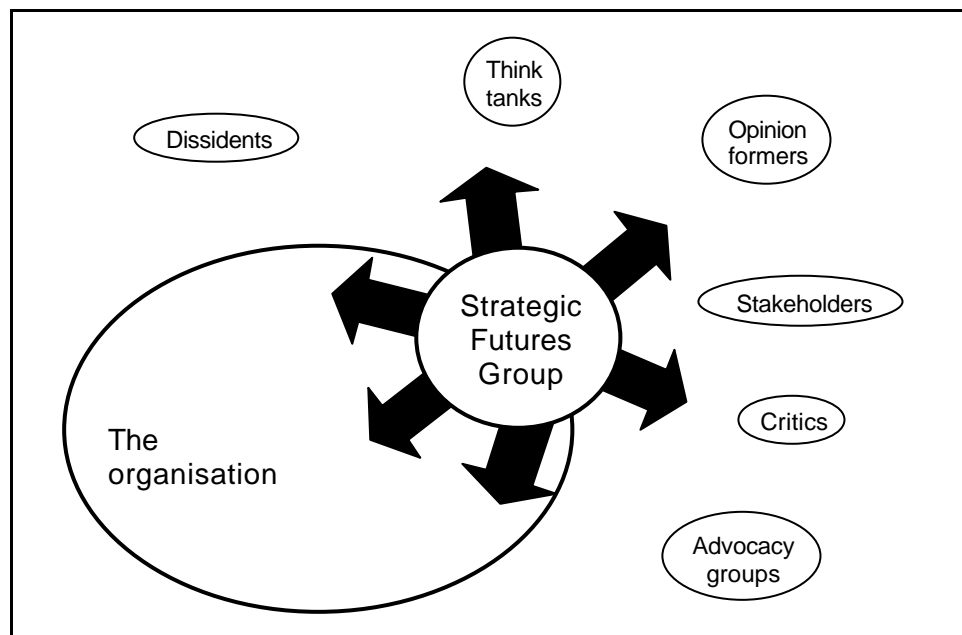
### 3. The Culture of the Strategic Futures Group

#### 3.1. Separate But Connected

The extent to which the best practice strategic futures organisations draw on the language, structures, and practices of academia is striking. Common features include flat organisational structures, the value of research sometimes undertaken for its own sake rather than with an end-product/user in mind, the diversity of staff, the importance of the widest possible intellectual exchange with other organisations, and the importance of effective networks. For example, Gerhard de Groot of the IVO, an institute located within the University of Tilburg, quoted the benefit of being able to draw on expertise from across a range of departments within the University and from a range of other European universities.

Strategic futures work needs to draw from diverse sources, to listen to voices which are not usually heard, whether inside or outside the organisation. These criteria place the work being done outside of the usual organisational context, whether in a corporate or public sector environment. Culturally and psychologically, strategic futures work should operate on the edge of the organisation. (See Figure 3 below.) For this reason, the aptitudes, interests and cultural assumptions of individuals working in a strategic futures group will tend to be different from those elsewhere in the organisation.

Figure 3: Operating on the Edge of the Organisational World



Source: The Henley Centre

In our best practice review, this tension created by maintaining the right level of separation between the strategic futures group and the main organisation was mentioned repeatedly. The structure around the National Environmental Policy Plan (NEPP) in the Netherlands provides an interesting example. An independent Environmental Planning Agency, separate from the Environment Ministry but part of the government, is responsible for generating the central issues around which the Plan is based. It also monitors whether the targets set out in the plan have been achieved.

Shell has chosen to separate its scenario planning group from the business planning department, because the skills are different, although they are located in the same building so that the two groups informally influence each other. The argument about the need for separation is not universally shared, however: Glenn *et al* suggest in 'Closing the Gap' that a formal connection between the strategic futures process and strategic planning is a pre-condition of success.

We believe that both approaches can deliver successful results and that it is not appropriate to prescribe a single model. Instead, organisations should seek to develop a solution that works for them, recognising that best practice lies in exploiting the underlying tension between the need for the strategic futures group to be both separate from and connected to the organisation. An important influencing factor will be the degree to which the organisation is already accepting of strategic futures thinking (see Section 2.5 above) and thus the extent to which there is a gap between the culture of the strategic futures group and that of the rest of the organisation.

### 3.2. Independence and Credibility

A number of best practice interviewees stressed the importance of being able to conduct research independently from the interests of clients or sponsors. Their reasoning was that there are some subjects that a futures-based organisation will identify as likely to be important even if it has not yet started to have an effect on sponsors. Futuribles, for example, has recently funded a programme of research on genomics. The American organisation Resources for the Future (RFF) identifies the value of being half-funded by an endowment from the Ford Foundation as allowing it to set its own agenda for some of its research work. The Brookings Institution similarly has the freedom to fund the investigation of areas which are not currently of interest to the US government or Congress.

The point goes beyond the research agenda to the entire strategic futures process. For example, Paul Schnabel, Director of the Social and Cultural Planning Office (SCP) in the Netherlands, emphasises that a completely open process, without any government intervention in either the process or findings is essential to credibility. Working with the Central Planning Office for Economics and Finance, the SCP provides an essential service. Its independence from government is critical to its credibility. It is free to criticise government policy if necessary, thereby ensuring its acceptability by both the opposition parties and the wider research community. However, it may not be possible to export this model: the process and the SCP's role within it may be dependent on the consensual political system in the Netherlands.

The Group of Policy Advisers is another interesting case study. Its work (as the Future Studies Unit) during the period of Jacques Santer's Presidency, which included its Scenarios 2010, was of high quality, and benefited from a group working together over a period of time. They had the opportunity and scope to do this because Santer's main interests lay elsewhere. However, this also meant that although the output has been admired by colleagues working elsewhere on strategic futures, it could have been used more widely perhaps by the European Commission itself. More recently closer links with the office of the President have tended to mean that the work being done is at risk of being influenced by the short-term political agenda.

### 3.3. The 'Shelf-Life' of Futures Thinking

Policy processes and political processes move at different speeds from each other, and in ways which are often unpredictable. As a result, thinking which has emerged previously from strategic futures work may become current in the policy or political environment some years later. RFF, for example, quotes the example

of tradeable permits in pollution, which their researchers developed more than a decade ago. This has only now become a live issue in the American political process.

The consequences are two-fold. The first is that it underlines the importance of long-term continuity of work. The strategic futures group needs to be able to go to its 'back catalogue' and revive and perhaps develop its previous thinking when this enters the policy or strategy environment. In the case of RFF, they have (after almost a half-century) appointed a Communications Director who is partly responsible for ensuring that past work is utilised when it becomes current in the policy environment.

The second is that the language which has to be used in engaging with practitioners and policy-makers is different from the language which may be used inside the strategic futures group. It is best if the members of the futures group can be their own advocates, but this is not always possible.

## 4. Strategic Futures Methods and the Organisational Context

The earlier Benchmarking report noted that a number of strategic futures methods exist. Although scenario planning is the most widespread technique, trend-impact analysis, statistical and econometric modelling, and Delphi surveys are also employed. No single method is universally best for strategic futures work and a combination of techniques may be required. The optimal choice of method depends on the organisational context, that is, the required objective, the audiences for the work, and the experiences and expectations of those who have to implement the findings.

Indeed, one of the important learnings from the best practice interviews is the specificity of strategic futures work. In Jim Dator's phrase, *"Images of the future are highly personal, and the personal is highly cultural"*. Erik Overland of Norway 2030 emphasised that it is vital to *"find your own story"*. This point is underlined by Michael Rogers of the Group of Policy Advisers (GoPA). Best practice, he suggests, varies according to organisation type and also by country. The implication is that it is difficult to transport; each country and each organisation has to find a model which works for it. Dr Ian Christie, the former Deputy Director of Demos, UK, believes the key to effective futures work is a credible story that captures the audience's imagination. This point was corroborated by Bob Tyrrell, (Director of Sociovision), and a number of others in the best practice interviews. Given the highly subjective nature of what constitutes a good story, the impossibility of prescribing rules on the 'right' methodology begins to emerge.

Michael Rogers of the GoPA believes that *"Best practice occurs when the question 'has what we've done been useful to us?' is constantly asked"*. Otherwise, even though good work can be done, it will not be used by its sponsors. Rogers believes the high quality output of the Future of Japan Project was perhaps more useful to other countries and organisations than to the Japanese themselves. The question about use and usefulness should be asked frequently.

The need to tailor best practice to the organisational context means it is not possible to prescribe a particular approach to government departments as a whole. Rather, by understanding how other organisations have successfully employed strategic futures work we can distil some overarching guidelines.

### 4.1. Matching the Approach to the Audience

A key best practice finding is that the method adopted for strategic futures work must be credible to the organisation and key audiences. It may also be influenced by the wider cultural context, as illustrated by the examples below:

- The American organisation Resources for the Future specialises in the study of environmental and resources issues. Its principal intent is to influence policy, and the majority of its senior researchers hold doctorate degrees in economics (the others covering a range of subjects, such as geography and political sciences). They believe that arguments based on economics and models carry more weight in the discourse within the US Executive and legislation on policy alternatives.
- The Brookings Institution, which likewise seeks to influence US government policy, has no dominant methodology. Instead the methodology for a particular project is determined by the team working it. Nonetheless, the weight of its work tends towards statistical modelling.
- Within the French context, in contrast, scenario thinking has significantly more weight. This reflects both a political and public culture in which complexity and depth is regarded as a virtue, and also the specific

history of strategic futures thinking in France. Futuribles, which emerged at a time of some political turbulence in 1960, was able to use future thinking to connect both the business elite and the political elite in France at a time when they were largely disconnected.

- In The Henley Centre's scenario work with UK government departments we have found that it is important that the analysis of the drivers of change, which are typically the foundations of scenarios, is based on credible research which is shared with, and tested by, members of the wider organisation. At one level, it is better that future drivers are regarded as conservative. Then, should more radical scenarios emerge from the process, these scenarios are more likely to be accepted. Several of our best practice interviewees also underlined the importance of a firm research basis. This empirical work acts a springboard for creative thinking and also as a regulator or reality-check for creative ideas.

## 4.2. Ensuring Ownership Throughout the Organisation

Acceptance of the value of strategic futures thinking in an organisation depends on sponsorship by senior members of staff. At the same time, strategic futures work will fail unless it wins the acceptance of people throughout the organisation. As Glenn, Gordon and Dator observe in their paper 'Closing the Deal', one of the conditions for success is to: *"include diverse interest groups and key actors in the research process to make sure that all understand how a contemplated decision may affect stakeholders... Enlist the support of people in the process who will use or be affected by the activity"*. A good example of this practice is the judicial foresight work of the Hawaii Research Centre described below.

The Hawaii Research Centre was responsible (together with the Institute for Alternative Futures) for creating the concept of 'judicial foresight'- incorporating futures studies into judicial administrative decision-making. The approach is designed to enable 'citizen-based visioning of the future.' It was first tried in the Virginia State Legislature, in the United States. According to Jim Dator, the director of the Hawaii Research Center, the critical factor in its successful adoption by Virginia was the continuity of personnel. For example, the Chief Justice remained in place throughout the process, ensuring that it was followed through as originally intended. Dator cites two other factors as being essential: 1) Having the right structures in place: "It's not enough to count on goodwill, you need real structural change." 2) Paying people to do the work: "It really is that crass – it's not about finding a few minutes in the day."

In the work facilitated by The Henley Centre prior to the 2001 election for the Ministry for Agriculture, Food and Fisheries (MAFF), now the Department for Environment, Food and Rural Affairs (DEFRA) on the future of food and the rural economy, the relationship with the audience was developed by inviting the department's stakeholders to become involved in testing the scenarios as they emerged.

Much of the effectiveness of strategic futures thinking depends on the willingness of the futures group or organisation to engage with the organisation as a whole – and, critically, vice versa. In the world of the learning organisation, this requires inclusive and participatory processes which are designed to engage members of the organisation throughout. This is as true of modelling-based processes as it is of scenario methods, since the assumptions underpinning the model are critical to the acceptance within the organisation of the output, and therefore needed to be tested with stakeholders. The organisation can reinforce this process by identifying a champion from within it who sponsors the work without being a member of the futures group.

### 4.3. Bringing It Back to Strategy and Policy

At conclusion of the strategic futures work, there are techniques which can be used to help bring the future thinking back into the strategy process. Kees van der Heijden reviews a number of tools in his book, including Capability Review, Portfolio Review, Strategic Option Generation, and Strategic Option Testing. These are familiar concepts from more conventional strategy processes. However, because in van der Heijden's approach they follow a scenario-based futures process, the scenarios are in effect embedded in the strategy development work.

Richard O'Brien cautions that neither scenarios nor futures thinking will write your strategy for you. *"Scenarios are not enough on their own. They act as a template, with which you can consider the impact of a new indicator, or test strategic thinking"*. He gives a contrasting view of the scenarios on the future of Japan, developed by GBN in conjunction with the Japanese consultancy NIER. These were written in the mid-1990s, and are in the public domain. As he observes, *"Good scenarios are the continuous backdrop to change. You never know when they will pop up again."* As events develop in Japan, one can return to the scenarios and interrogate them as to the direction in which change is heading and which decision points have been reached.

### 4.4. Tracking the Future

Defining and tracking the signals which let you know change has been reached makes the strategic futures process more visible within an organisation even after the work has been completed. Ged Davis of Shell recommends identifying metrics which can identify which of a number of scenarios a trend is leaning towards. If this is done regularly (for example two or three times a year) it keeps the futures thinking fresh in the heads of the managers who are responsible for strategy and planning throughout the organisation, and also should influence their business planning processes. As we noted in the Benchmarking UK Strategic Futures Report, GBN also favours this approach, although it cautions that identifying appropriate metrics and agreeing on them can be difficult.

The Corporate Strategy Board argues, *"Setting up a scanning system that directly links scenario planning with decision-making processes minimises the organisation's response times to opportunities and risks"*. Time is money: the more quickly an organisation is able to respond, the quicker it will see a return on its investment in strategic futures thinking. In addition, some organisations require that planning assumptions are tested against the strategic futures thinking, and that this is one of the gates in the planning and development process.

For example, DASA, a division of DaimlerChrysler, set up a Strategic Early Warning System following its scenario process to track changes in its business environment. The company states that one of the benefits was that it enabled them to respond rapidly to the Boeing/McDonnell Douglas merger with an immediate action plan, reassuring their workforce, customers, and shareholders. But even if the organisation does not have to respond to such a significant change in its business environment, disseminating information about changes in the environment identified by the signals reinforces within the organisation the value of the strategic futures process and also keeps the awareness of change at the forefront of the organisation's consciousness. Assigning responsibility for this monitoring task within the organisation at a senior level is a necessary step if this is to work.

### 4.5. Methodological Guidelines

The following methodological guidelines should hold for any organisation embarking on strategic futures work:

1. Ensure there is clarity about the resource requirements of the work

Some futures methods are extraordinarily resource intensive. They may require global research and lengthy interview techniques. Indeed, this is one of the recurring expectations which organisations have of scenario techniques. If the project is a complex one, then organisations need to be ready for this level of commitment. However, other approaches such as brainstorming or mind mapping which are designed to encourage fresh thinking about smaller, or more specific issues, may take far less resources and time. Achieving satisfactory outcomes requires that these expectations are clearly aligned at the start.

2. Ensure that the process is inclusive

Different methodologies will require different levels of participation, but all strategic futures thinking is based on assumptions about how the present is changing. Methods which ensure that tacit knowledge from within the organisation feeds in to the construction of assumptions about the future ensure that the futures process has a higher chance of acceptance within the organisation. Erik Overland of Norway 2030 cited the participation of 15 out of 16 government ministers within the process as instrumental in its success. It is essential to capture divergent and minority opinions, and to include people who may be sceptical about the value of strategic futures thinking. As Richard O'Brien noted to us, *"Avoiding the one or two people who are being difficult is very tempting but you must include them. You have to ask yourself, could they stop the process?"*

3. Ensure that people understand and trust the processes being used

Transparent processes where methodologies and objectives are explained fully to the participants are more likely to be successful than 'black box' methodologies where the assumptions are concealed. This can be a slow process: it may need repeating every time the organisation engages with the work. The process also benefits if participants can see the way in which their contributions to it are feeding back into the development of the work.

4. Understand the limitations as well as the opportunities afforded by strategic futures thinking (there is no magic bullet)

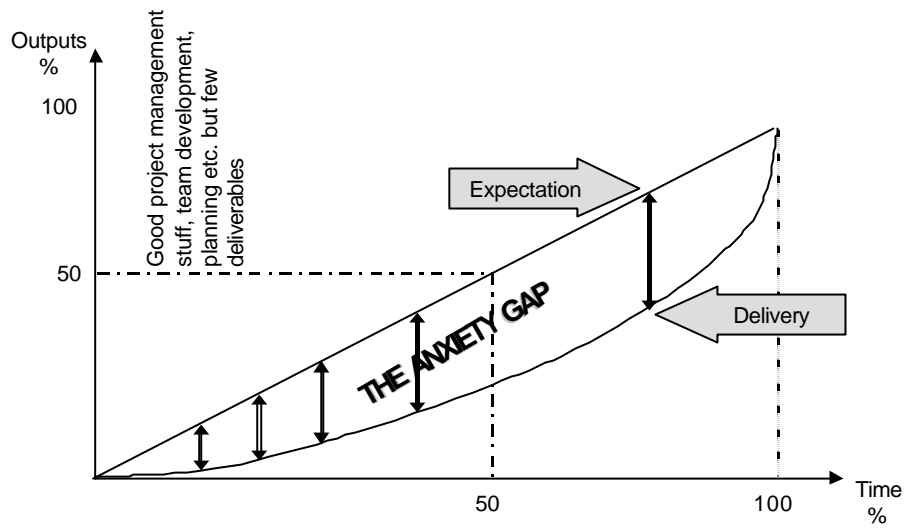
Strategic futures thinking helps organisations widen the terms on which they understand the world, by testing their assumptions about the present and the future, and by drawing on a broader set of influences than usual. But it will not resolve cultural or institutional issues within an organisation (although it could be used to start the necessary change process that resolving such issues will require). Like all tools, strategic futures thinking works best when applied to the problems it was designed to handle.

5. Understand that the process will take time to deliver benefits to the organisation

The former Chairman of the Independent Television Commission, Sir George Russell, used to say that *"everything looked like a failure in the middle"*. This is especially true of any new techniques and methods employed by an organisation: it takes time to learn what works and what doesn't work; it takes time to get things moving. Eddie Obeng of The Pentacle Group characterises this as 'the anxiety gap'; expectations are linear but delivery is curvilinear. (See Figure 4). As the process develops, managers often find the gap between the two difficult to cope with. In a strategic futures environment where work is continuous rather than project based, this gap, and therefore the anxiety associated with it, will be lessened. In the Netherlands, NEPP explicitly sought to close this gap by concentrating on the 'low hanging fruit' of some

shorter term achievable targets. This created a virtuous circle in which short-term successes motivated protagonists to continue the process.

Figure 4: The Anxiety Gap



Source: The Pentacle Group

## 5. Engaging The Audience

The process of translating strategic futures thinking from interesting ideas about the future into change at the level of development and implementation of policy, or of products or services, is a slow one. As a result the audiences for futures thinking are always likely to be behind the thinking of the strategic futures group, whether internal or external. Connection and engagement are essential. This requires, often, simplification of concepts and the use of a range of communications styles and methods tailored to different audiences.

ICL were very keen to take lessons from one scenario exercise and use it to inform the subsequent exercise. The critical element incorporated into the second set of scenarios was giving names to each of the emerging scenarios – the importance of which they had not appreciated when carrying out the first set. Although there was a great deal of debate about what the names should be, it was a vital step forward and meant discussions could be a lot more vivid, scenarios came to life far more effectively and those participating could better grasp the concepts involved.

It should not be assumed that strategic futures thinking will find an audience just because it is good thinking. One of our best practice conclusions is that there is an interim stage, in which as with all public or political processes, the proponents of new thinking have to engage with opinion-formers, stakeholders, and networks both inside and the outside the organisation to win acceptance for new ideas.

This stage is an essential precursor to gaining broader acceptance for the thinking generated by the strategic futures group. Even those organisations whose rationale is to have an effect on public policy identify the difficulties with this objective. As Paul Portney of RFF states, *“There are so many sets of fingerprints on anything which becomes policy”*. The first objective, therefore, is to be accepted as one of the contributors to the process. Credibility is essential, and this tends to something which is earned rather than given.

One hazard for public organisations of actively engaging audiences outside of the organisation is that the media generally is poorly educated as to the way in which scenarios work as a method of thinking about the future. Journalists jump to the conclusion that the scenarios are projections or policy options, instead of ideas or stories to help think about future issues. This is a concern raised by Richard O’Brien, who referred to scenario work by the European Commission that described riots in the city of Copenhagen and were picked up and described by journalists as the EU’s vision of a future Europe.

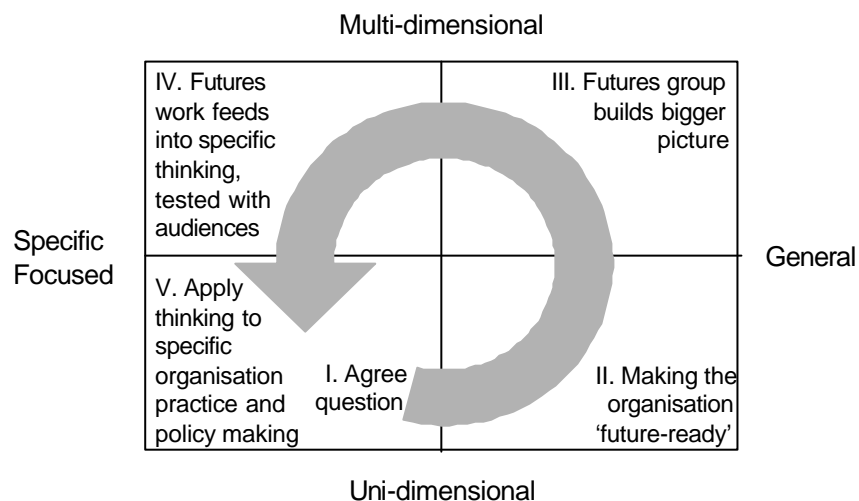
In the UK, Channel 4 News made a similar mistake following the 2001 General Election with the scenarios about the future of food and the rural economy. The programme’s discussion focused on the ‘extreme options’ being considered by DEFRA, failing to understand that the purpose of the scenarios was not to make policy, but to create an environment in which issues for policy could be discussed. One way to minimise the effect of this is to make sure that the protagonists in the scenario stories are fictionalised versions of the real organisations, rather than referring to them by their real names. If the public sector is to use the technique more widely, it may important to educate journalists about strategic futures techniques and how they work.

## 6. Recommendations for Implementation of Best Practice

### 6.1. The Strategic Futures Journey

In our earlier work, we proposed a strategic futures journey in which the organisation moved from a specific and uni-dimensional view of the world, through to a general and multi-dimensional view of the world, before returning to a specific view once more. This futures journey can also serve of a map of what the organisation needs to do at each stage.

Figure 5: The Strategic Futures Journey as a Map for Best Practice



Source: The Henley Centre

In the bottom left-hand corner, the organisation decides that it needs a wider view of the world, either to improve its overall perspective or to achieve a better resolution for a particular problem or issue, and agrees a question. In the bottom right, it makes itself future ready, winning acceptance from senior managers and people at multiple levels within the organisation that a more strategic approach is required to the future. In the top right, a futures group applies itself to the work, engaging the organisation as it goes. In the top left, this thinking is then applied to the specific issues faced by the organisation, to build a different strategic view. This process can be slow. And it can depend on the success of the methods to make the organisation future-ready in Box I. In Box IV, the organisation deploys a number of techniques to ensure that the strategic futures thinking is applied to the organisation's practice, for example through signals tracking and other scanning procedures. And then the process, which should be continuous, can start all over again.

### 6.2. Action Points for Best Practice

Effective strategic futures work creates a broad enough vision of the future to enable the organisation to move beyond its typical short-run planning cycles, and to draw on a far wider range of influences and ideas than normal. It enables organisations to 'rehearse the future'. It then re-engages with the culture, practice, and purpose of the organisation as a whole.

This summary captures the actions necessary to deliver effective strategic futures work.

1. Start early

A key best practice finding is that the benefits of strategic futures work are maximised if it is started sufficiently early. If the organisation waits until it feels the pain from turbulent conditions it is likely to be too late to adequately act on the findings.

2. Understand that strategic futures work is about rehearsal rather than knowledge

The purpose of strategic futures work is not to predict the future but to assist the organisation to prepare for the future by:

- producing a shared understanding as to possible futures and the opportunities or threats that they represent.
- enabling the organisation to better manage turbulent environments by improving the speed and flexibility of response.

3. Ensure there is clarity about the objectives and intended uses of the work

It is critical to provide a clear strategic remit for any futures work. Thus it is important to allow sufficient time at the beginning of the process to discuss objectives and intended uses of the work.

4. Be patient about the process – it may take time to deliver benefit to the organisation

The benefits of strategic futures work may take time to realise. Overall, the work is more likely to have a significant impact if it is approached as a continuous process of learning rather than a quick one-off exercise. Some futures thinking may filter into the policy area years after it has initially been developed.

5. Ensure senior management buy-in and involvement

It is important that senior management have an understanding of the benefits of strategic futures work, that they are visibly seen to support the process, and that they are exposed to it - thinking about the future can't be entirely delegated.

6. Ensure the buy-in and involvement of other key stakeholders

It is also important to create buy-in and involvement amongst those who are likely to be affected by the work or be charged with taking it forwards. Thus, representatives from key departments should be included in the process of developing strategic futures insight. Ensure that learning about strategic futures thinking is distributed through the organisation as quickly as possible, eg, by incorporating it into appropriate training programmes.

Be aware that the media is prone to misrepresent strategic futures work in the public sector as being about 'policy' options rather than improving the quality of thinking about the future.

7. Choose the right people for the job and give them a licence to be different

Select individuals who have an aptitude for and interest in engaging with the future and the will and ability to question existing assumptions. Locate them close to the heart of the organisation, geographically and organisationally. Give this group a brief and grant them a licence to challenge existing management thinking. Accept that the process may cause some organisational discomfort as it tests new and different ideas beyond current received wisdom. Encourage them to build networks which link the organisation to a wide range of appropriate sources of new thinking. Also recognise that the futures group has to be able to do some work which is independent of the needs of immediate sponsors or projects – this may need special funding arrangements.

8. Use an appropriate balance of internal and external inputs

Do not underestimate the value of the knowledge within the organisation. A participatory process should be used to draw out internal knowledge. At the same time, it is also important to include a wide range of external views. The purpose of this is to stimulate new thinking within the organisation and ensure that the process avoids re-creating the existing strategy. If required, external assistance should be used to initiate processes, pass on skills, inject fresh insight and test assumptions.

9. Align the methodology with the purpose of the work and the culture of the organisation

There are several different approaches to developing strategic futures insight. It is important to avoid a 'one size fits all' approach. For example, whilst scenario planning is widely used and can deliver significant benefits is not always the appropriate approach or the only methodology that should be used. The key requirement is to ensure that there is a fit between the approach used, the ultimate objectives of the work and the culture of the organisation. The methodology must have the confidence of the participants and the end-users – or it will need to win that confidence early on in the process.

10. Develop feedback mechanisms to create a virtuous circle of learning

It is important to ask the questions: How has the work been useful to us? How could the process be improved next time? This insight should then be incorporated into any future work. Ensure that the tracking metrics are communicated effectively into the organisation.

## 7. Annexes

### Annex I Selected bibliography

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Arie de Geus, *The Living Company*, 1999, Nicholas Brealey Books, London.

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Pekka Himanen, *The Hacker Ethic and the Spirit of the Information Age*, London, Secker and Warburg, 2001.

Art Kleiner, *The Age of Heretics*, 1996, Nicholas Brealey Books, London.

Gill Ringland, *Scenario Planning: Managing for the Future*, 1998, John Wiley and Sons, Chichester

Peter Schwarz, *The Art of the Long View*, 1998, John Wiley and Sons, Chichester

## Annex II List of interviewees and links to relevant organisations

Brookings Institution – Bob Litan, Senior Strategist

<http://www.brookings.org/>

Dutch Ministry of Housing, in charge of NEPP (Netherlands Environmental Policy Plan) – Mr Hofhuis

[http://www.netherlands-embassy.org/c\\_envnmp.html](http://www.netherlands-embassy.org/c_envnmp.html)

Forward Studies Unit – Dr Michael Rogers, Group of Policy Advisors, EC

[http://europa.eu.int/comm/cdp/team/index\\_en.htm](http://europa.eu.int/comm/cdp/team/index_en.htm)

Futuribles – Hughes de Jouvenel, Director General

<http://www.futuribles.com>

Hawaii Research Centre for Future Studies – Jim Dator, Director

<http://www.futures.hawaii.edu/>

ICL – Chris Yapp, Fellow for Lifelong Learning

<http://www.icl.com/>

IVO, University of Tilburg – Gerard de Groot

<http://www.tilburguniversity.nl>

Netherlands Nature Management and Fisheries Ministry – Ger Vos, Strategic Policy Division

<http://www.minlnv.nl/international/>

Norway 2030 – Erik Overland, Project Manager

<http://www.norway2030.net/>

Outsight (formerly Global Business Network, UK) – Richard O'Brien, Partner

<http://www.gbn.org/>

Resources for the Future – Paul Portney, Director and Jonathan Halperin, Communications Director

<http://www.rff.org/>

Shell – Ged Davis, VP Global Business Environment and Head of Scenario Planning

<http://www.shell.com/royal-en/0,6091,,00.html>

Social and Cultural Planning Office of the Netherlands – Paul Schnabel, Director

<http://www.scp.nl/defaultuk.htm>

Sociovision – Joop de Vries, Director of Futures

<http://www.sociovision.fr>

## Annex III Strategic Futures Methodology Guidelines

Stage	Technique/Process	Benefit
Agree question	<i>Mindmapping</i>	More likely to get usable output
Identify drivers of change	<p><i>STEEP (Social, Technological, Economic, Environmental, Political)</i></p> <p>Econometrics</p> <ul style="list-style-type: none"> <li>• Analysis</li> <li>• Workshop</li> <li>• Prioritisation</li> <li>• Examine interrelationships</li> </ul>	<p>Wide range of inputs</p> <p>Stimulates new thinking</p>
Test drivers/outputs for credibility and robustness	<p><i>Delphi (expert roundtable)</i></p> <ul style="list-style-type: none"> <li>• External</li> <li>• Internal</li> </ul>	<p>More robust analysis</p> <p>More evidence to support conclusions</p> <p>Buy-in</p>
Generate future hypotheses	<ol style="list-style-type: none"> <li>1. <i>Trend impact analysis</i></li> <li>2. <i>Scenario planning (see Annex IV)</i></li> <li>3. <i>Visualisation techniques</i></li> </ol>	<ol style="list-style-type: none"> <li>1. Limited, does not identify feedback loops or interrelationships between drivers</li> <li>2. Maybe more effective, but depends on future-readiness of the organisation</li> </ol>
Bringing it back to strategy	<p>Review/remind of purpose</p> <p>Agree desirable outcomes</p> <p>Identify obstacles</p> <p>Identify organisations strengths and weaknesses</p> <p>(similar to standard business planning process)</p>	Identify strategic options

## Annex IV The Scenario Development Process

This is a summary of the stages involved in one of the standard scenario development processes. Different approaches work better in different circumstances. The critical issues are that the drivers are regarded as credible by members of the organisation, and that a cross-section of people are involved in the scenario development process. This can be done, for example, by using workshop-based approaches to build up the scenarios rather than the futures group doing it in private.

### Stage 1: Assess the readiness of the organisation

This can be done through executive interviews, or through a series of round table discussions. A standard structured interview helps. Such interviews will attempt to capture the organisations current state of thinking about the future. What is regarded as the biggest threat? Where are the greatest opportunities? What are the biggest barriers to change?

### Stage 2: Develop a range of drivers (up to 60)

The conventional STEEP drivers are as good a starting point as any (Social, Technological, Economic, Environment, Political), although other techniques are also used. Some organisations find it beneficial to add a sixth category, of organisational drivers. These can be assembled from desk research; from specialist knowledge within particular departments, and so on. It is important to get external perspectives as well. It helps to review the work of critics, and understand the assumptions which underpin their views.

Internal brainstorms, involving people in the middle of the organisation, can also be valuable in getting divergent views, provided there is sufficient trust in the organisation to encourage honesty in such sessions. External facilitators can help this process.

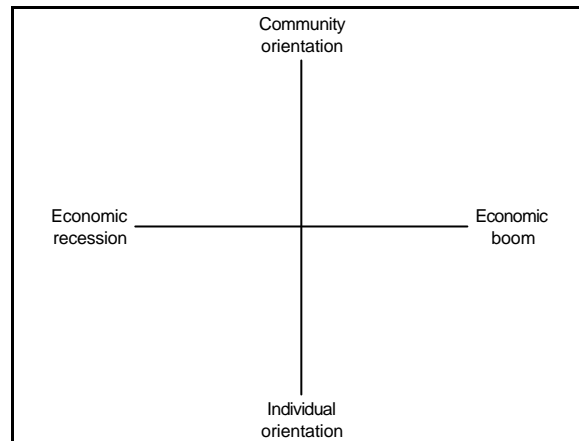
### Stage 3: Drivers workshop

A one day session which allows participants to familiarise themselves with the drivers, review them, and then prioritise them. At this stage it is still possible for participants to identify drivers which they consider have been overlooked or given insufficient weight in the initial process.

### Stage 4: Uncertainty analysis/ dependency review

Following the drivers workshop, the dozen or so drivers which have emerged from the workshop process as most compelling for the future of the business are subjected to an uncertainty analysis and a dependency review. This identifies the drivers which are most influential and potentially most divergent, and therefore create the most turbulence. The drivers which are both dominant and uncertain are then combined to construct the axes for the scenarios.

Figure 6: Axes example (illustrative)



Stage 5: Development of scenarios:

A number of possible axes will be tested. Eventually a combination will emerge which ensure that the possible futures which emerge are sufficiently contrasting and offer sufficiently pertinent visions of the future. Each of the worlds should have a sense of consistency; the tensions within them should emerge from the key factors driving them.

The 'stories' in each of the four quadrants can then be developed. An iterative process is best as layers of detail and complexity are added. The style of story telling can vary; some organisations respond better to plain description; others to narrative.

Figure 7: Each quadrant generates one scenario

