

## Corporate Scenario Planning and the Provisdom Decision Platform

*"By identifying basic trends and uncertainties, a manager can construct a series of scenarios that will help to compensate for the usual errors in decision making – overconfidence and tunnel vision." Paul J. H. Schoemaker*

With today's world growing ever more uncertain, corporate leaders with a broad vision and an understanding of what is both known and unknown will forge ahead. Corporate Scenario Planning is a strategic management tool that aims to help executives, managers, and their colleagues think more creatively and better understand the most important and uncertain factors affecting their organization. Scenario Planning is usually carried out by a small group of individuals in the organization. The group is tasked with creating a set of divergent stories about how future events could unfold. Ideally, the process<sup>1</sup> drives the group members to think about key factors that influence the company's future. Others in the company can use the resulting stories to think more broadly and better appreciate the company's risks<sup>2</sup>. The prime example of a company using Scenario Planning is Shell. Shell reports that they have been using scenarios for 30 years "to explore possible developments in the future and to test our strategies against those potential developments."<sup>3</sup>

Although traditional Scenario Planning is not decision focused, the value of any strategic management tool ultimately derives from its effect on decisions. The value of Scenario Planning depends on two key factors. First is the relevance of the scenarios to the corporate decisions. The Scenario Planning group can increase the value of their scenarios by being aware of the type of corporate decisions that will likely be made and the uncertainties that will most affect those decisions. Second is the decision-making process. For example, it has been observed that decision makers will often gravitate to the scenario that most reflects their view of the future<sup>4</sup> and lose sight of future uncertainty. Yet uncertainty is a part of reality and should therefore play a critical role in decision analysis. A choice made today starts the company down a path full of uncertainties and follow-up choices.

The Provisdom Decision Platform is software that links information developed through Corporate Scenario Planning, and all other relevant decision information, to the shareholder value of choices.

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<sup>1</sup> A step by step Scenario Planning process can be found in Schoemaker's, "Scenario Planning: A Tool for Strategic Thinking" at <http://www.futurestudio.org/tools%20methods%20documents/scenario/Scenario%20Planning%20A%20Tool%20or%20Strategic%20Thinking.pdf>.

<sup>2</sup> A good beginning central resource on Scenario Planning can be found at [http://www.well.com/~mb/scenario\\_planning/](http://www.well.com/~mb/scenario_planning/).

<sup>3</sup> More on Shell's use of scenarios can be found on their website: [http://www.shell.com/home/content/aboutshell/our\\_strategy/shell\\_global\\_scenarios/dir\\_global\\_scenarios\\_07112006.html](http://www.shell.com/home/content/aboutshell/our_strategy/shell_global_scenarios/dir_global_scenarios_07112006.html).

<sup>4</sup> <http://peakenergy.blogspot.com/2008/02/limits-to-scenario-planning.html>

Instead of a few scenarios, up to billions of possibilities can be analyzed and transparently viewed in detail. Each of these possibilities is automatically weighted with varying discount rates and probabilities for consistent and rigorous calculation of shareholder value. The Provisdom Decision Platform increases the value of the Scenario Planning process and can accurately quantify that value. The scenarios created by the imagination and knowledge of the scenario planning group can help the decision maker begin building a decision model. The future choices and uncertainties that have the greatest effect on shareholder value become clear, and that clarity can improve the next round of Scenario Planning.

Only the combination of human insight, judgment, and creativity blended with computer speed, memory, and consistency has the power to make corporate choice comparisons accurately. The computer is incapable of imagination and the human mind is incapable of working through millions of possibilities to find the best strategy, but the combination is unbeatable.