

Knowledge Crunching with Scenario Planning

The strength of Scenario Planning is its emphasis on human imagination and knowledge. This emphasis is also its weakness. The traditional Scenario Planning process, as described in Paul Schoemaker's, "Scenario Planning: A Tool for Strategic Thinking,"¹ gathers information from stakeholders. This emphasis on human information and judgment differs from other analytic or modeling techniques, which tend to be data-centric. Scenario Planning might thus be thought of as "knowledge crunching" as opposed to "number crunching". This dichotomy has arisen since most technological approaches to business intelligence generally lack the capability to deal with information coming from a human mind about the future, which is often qualitative, incomplete, and imperfect.

Despite its shortcomings, human information is critical to understanding business. The human mind excels at extrapolating and generalizing from experience and making creative leaps. The human mind does not excel at crunching numbers or tracking numerous complex details simultaneously. Both the strength and weakness of the human mind are reflected in the traditional Scenario Planning process. The first four steps of the traditional Scenario Planning process leverage uniquely human capabilities: 1) define the scope of the situation temporally and conceptually; 2) identify the major stakeholders; 3) identify the basic trends; and 4) identify the key uncertainties

But we then run into the limitations of the human mind to deal with complex information. One of the main tasks of Scenario Planning is "imagining possible futures", but the possible futures are so numerous and complex as to exceed human imagining. Thus, much of the rest of the traditional Scenario Planning process is aimed at making this complexity comprehensible to the human mind. For instance, Step 5 is to "construct initial scenario themes", which is a process of forming a small number of groupings (typically four) of various future outcomes. For example, one might group those outcomes judged "bad" in one theme and those deemed "good" in another. One might also "select the top two uncertainties and cross them."

Such simplification seems necessary for human understanding when the human mind is the only available tool. However, the ability of the human mind to generalize is taken to a dangerous extreme: all of the information gathered in the first four steps becomes radically reduced and altered. Further, the rationale for this simplification is largely one of human judgment, and thus lacks transparency as to what elements and relationships have been lost. This new, oversimplified context forms the basis for the next steps in the traditional Scenario Planning process, leading to a misunderstanding of the true business situation. For example, the last step is to "evolve toward decision scenarios," but these decision scenarios do not consider any of the information lost in the simplification process and therefore lead to uninformed decision making and lost value.

¹<http://www.futurestudio.org/tools%20methods%20documents/scenario/Scenario%20Planning%20A%20Tool%20for%20Strategic%20Thinking.pdf>

Despite its shortcomings, Scenario Planning can be valuable when it lessens common errors of the human mind, such as overconfidence and tunnel-vision. The beginning steps of the traditional Scenario Planning process gather critical information and encourage a greater scope of thinking. But the implied requirement to function within human limitations results in a “knowledge crunching” process which fails to gain anything near the full value of the gathered information.