



WHAT IF?

THE ART OF SCENARIO
THINKING FOR NONPROFITS

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and the Global Business Network community

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Scenario Thinking Defined

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WHAT ARE SCENARIOS?

Scenarios are stories about how the future might unfold for our organizations, our issues, our nations, and even our world. Importantly, scenarios are not predictions. Rather, they are provocative and plausible stories about diverse ways in which relevant issues outside our organizations might evolve, such as the future political environment, social attitudes, regulation, and the strength of the economy. Because scenarios are hypotheses, not predictions, they are created and used in sets of multiple stories, usually three or four, that capture a range of future possibilities, good and bad, expected and surprising. And, finally, scenarios are designed to stretch our thinking about the opportunities and threats that the future might hold, and to weigh those opportunities and threats carefully when making both short-term and long-term strategic decisions.

Done well, scenarios are a medium through which great change can be envisioned and actualized. Perhaps the clearest illustration of the power of scenarios is the influential set of scenarios developed in South Africa in 1991, when a diverse group of South African leaders—community activists, politicians, unionists, academics, economists, and business leaders—used scenario thinking as a way to envision paths to democracy as the country

transitioned out of apartheid. Each resulting scenario described a very different outcome of the political negotiations that were then underway. One scenario, which the group called *Ostrich*, told of what would happen if the negotiations were to break down between the apartheid government and Nelson Mandela's African National Congress. Another scenario, *Lame Duck*, foresaw a world in which a prolonged transition left the government weak and unable to satisfy all interests. A third scenario, *Icarus*, described a South Africa in which the ANC came to power and its massive public spending resulted in an economic crash. The fourth scenario, *Flight of the Flamingos*, described how the apartheid government, the ANC, and their respective constituencies might slowly and steadily rise together. These scenarios, known as the Mont Fleur scenarios, were subsequently shared widely throughout South Africa, and became an instrumental common language that helped facilitate public debate in the transition to democracy.

WHAT IS SCENARIO THINKING?

Scenario thinking is both a process and a posture. It is the process through which scenarios are developed and then used to inform strategy. After that process itself is internalized, scenario thinking becomes, for many practitioners, a posture toward the world—a way of thinking about and managing change, a way of exploring the future so that they might then greet it better prepared.

The scenario thinking process begins by identifying forces of change in the world, such as new technologies or the shifting role of government, that may have an impact on the people served by a nonprofit organization, as well as on the strategic direction of the nonprofit itself. These forces are combined in different ways to create a set of diverse stories about how the future could unfold. Once these futures have been created, the next step is to try to imagine what it would be like for an organization or community to live in each of these futures. The exercise may sound simple—and in many cases it is. But the results are often surprising and profound. In the process of adding detail and color to each future, new issues or strategic concerns rise to the surface, and old issues get reframed.

For example, Tides, a family of nonprofits in the U.S. and Canada that provides funding and capacity-building services to organizations promoting social change, used scenario thinking to explore how the progressive movement—the broad political and social context for their work—could play out over the coming decade. Tides’s leaders brainstormed forces that could shape the future of the progressive movement, such as the relationship between government and business, the growth of networks, and the degree of convergence and fragmentation between progressive issues. Then, they created a set of scenarios that explored how the future could develop in very different ways. The scenarios focused on how two forces especially important and influential to the future of progressive social change—the nature of progressive leadership and the role of the government—might evolve.

Tides’s leaders then tried “living” in each scenario. They considered what the environment for nonprofits and the state of philanthropy would be in each world. Next, they rehearsed what Tides might actually do if each scenario were reality: How would they need to adapt? Who might they partner with? What new opportunities and challenges would they face? By looking at the broader context framing their work, Tides’s leaders were able to make important connections and surface new opportunities across their complex and wide-reaching organization. In addition, the scenarios allowed them to see anew the potential cumulative power of the various parts of the organization. (For a fuller description of Tides’s scenario thinking process, see page 79.)

This kind of strategic thinking, as the management thinker Henry Mintzberg describes it, is a combination of formal and informal learning that requires the powers of judgment and intuition to analyze shifts in the environment and produce new perspectives, insights, and catalysts for action. Ultimately, the point of scenario thinking is not to write stories of the future. Rather, it is to arrive at a deeper understanding of the world in which your organization operates, and to use that understanding to inform your strategy and improve your ability to make better decisions today and in the future. When used in complex multi-stakeholder environments, as it was in South Africa, scenario thinking stimulates rich conversations about future possibilities that can result in common ground for adversaries and push like-minded advocates to challenge their shared assumptions.

“Scenario thinking is a platform for structuring dialogue around a lot of loose ideas, making choices clearer,” says GBN scenario practitioner Chris Ertel. “It rewrites the way you think about the future.” At its most basic, scenario thinking helps people and organizations order and frame their thinking about the longer-term future while providing them with the tools and the confidence to take action soon. At its finest, scenario thinking helps people and organizations find strength of purpose and strategic direction in the face of daunting, chaotic, and even frightening circumstances.

THREE GUIDING PRINCIPLES

Pierre Wack, the originator of scenario thinking as it is commonly used today, described it as a discipline for encouraging creative and entrepreneurial thinking and action “in contexts of change, complexity, and uncertainty.” Scenario thinking achieves this promise because of three fundamental principles: the long view, outside-in thinking, and multiple perspectives.

The Long View

The day-to-day work of nonprofits is usually driven by near-term concerns and urgent needs: people are hungry, there are social injustices, funding must be secured. And as nonprofits are pushed to produce measurable outcomes in the short term, their planning horizons can become increasingly near-sighted. Scenario thinking requires looking beyond immediate demands and peering far enough into the future to see new possibilities, asking “What if?” For participants in the Mont Fleur scenarios, the long view meant stretching themselves to imagine a future of radical collaboration between the African National Congress and the apartheid government. For a U.S. nonprofit that relies on the work of volunteers, the long view might mean considering how the impending retirement of the Baby Boomers could affect their work and their reach. How might nonprofits tap the opportunity that this group represents? On the other hand, given rising healthcare costs, a sputtering Social Security system, and increasingly atomized families, will nonprofits be ready to respond to the needs of the growing aging population?

THE ORIGINS OF SCENARIO THINKING

The idea of scenarios—telling stories of the future—is as old as humankind. Scenarios as a tool for strategy have their origins in military and corporate planning. After World War II, the U.S. military tried to imagine multiple scenarios for what its opponents might do. In the 1960s, Herman Kahn, who played an important role in the military effort, introduced scenarios to a corporate audience, including Royal Dutch/Shell. In the 1970s, Pierre Wack, a planner for Shell, brought the use of scenarios to a new level. Wack realized that he had to get inside the minds of decision-makers in order to affect strategic decisions—and scenarios could enable him to do so. Wack and his team used scenarios to paint vivid and diverse pictures of the future so that decision-makers at Shell could rehearse the implications for the company. As a result, Shell was able to anticipate the Arab oil embargo, and later to anticipate and prepare for the dramatic drop in oil prices in the 1980s. Since then, scenario thinking has become a popular tool for the development of corporate strategy in numerous industries.

The founding of Global Business Network in the late '80s helped accelerate the spread of scenario thinking. GBN is a network of organizations, scenario practitioners, and futurists from a variety of disciplines and industries. GBN codified the scenario thinking process and began to offer public training courses for strategists from across sectors. In the early '90s, there were successful experiments using scenarios as a tool for civic dialogue around large intractable issues, such as the future of South Africa at the end of apartheid. Around the same time, there were also public-sector efforts to use scenarios as an economic development tool, most notably by the Dutch and Scottish governments. Finally, with the growth of the nonprofit capacity-building movement in the 1990s, scenario thinking began to extend more rapidly into the U.S. nonprofit sector and into civil society organizations around the world. Today, the cumulative experience and innovation of scenario thinking is being applied and further evolved in the nonprofit context.

Such a long-term perspective may seem tangential to an organization's more immediate pressures. But for nonprofits that aspire to make fundamental change in the world, taking the long view is essential. Doing so enables you to take a more proactive and anticipatory approach to addressing deep-seated problems; see both challenges and opportunities more clearly; and consider the long-term effects and potential unintended consequences of actions that you might otherwise take.

Outside-In Thinking

Most individuals and organizations are surprised by discontinuous events because they spend their time thinking about what they are most familiar with: their own field or organization. They think from the inside—the things they can control—out to the world they would like to shape. For a nonprofit that is caught in a cycle of responding to needs as they emerge, the realm of control is very narrow, as is the organization's peripheral vision—making it highly vulnerable to blindsiding.

Conversely, thinking from the outside-in begins with pondering external changes that might, over time, profoundly affect your work—a seemingly irrelevant technological development that could prove advantageous for service delivery, for example, or a geopolitical shift that could introduce unforeseen social needs. Thinking back to the late 1980s, most U.S. community foundations did not foresee financial service institutions, such as Fidelity, entering the business of donor-advised funds and becoming significant competitors. A decade ago, few U.S. public education administrators imagined that public schools would face such a wide range of competitors: charter schools, commercial players like Edison, vouchers. Outside-in thinking can help nonprofits anticipate and prepare for such “surprising” eventualities.

Figure 1 illustrates a framework for outside-in thinking. The inner ring refers to your organization or the specific issue at stake. The middle ring is your immediate working environment, which includes forces of change such as your local community, partners, customers, and competitors. The outer ring is the contextual environment, which encompasses broad driving forces such as social values, geopolitics, governance,

sustainability, and technology. These two outer rings—the contextual and the working environment—can easily blur into each other. But the distinction is helpful because it pushes you to consider not just immediate externalities, but also shifts in the contextual environment that are often overlooked when planning for the future. The scenario thinking process starts by exploring external developments, in both the broad contextual world and your working environment. Only after you’ve created scenarios about the external environment do you consider implications for your individual organization or issue.

Because most planning processes start by focusing on the organization and then move outward, the outside-in approach can feel uncomfortable or foreign at first. But once the concept is grasped, outside-in thinking can inspire more open and imaginative thoughts about a range of potential changes and strategies that may not have been visible otherwise. “Outside-in thinking is so important because it takes you out of your reality,” said Ellen Friedman, managing director of the California Clinics Initiative, after leading her organization through a scenario thinking exercise. “Yes, it is threatening and challenging, but it is essential for moving forward.”

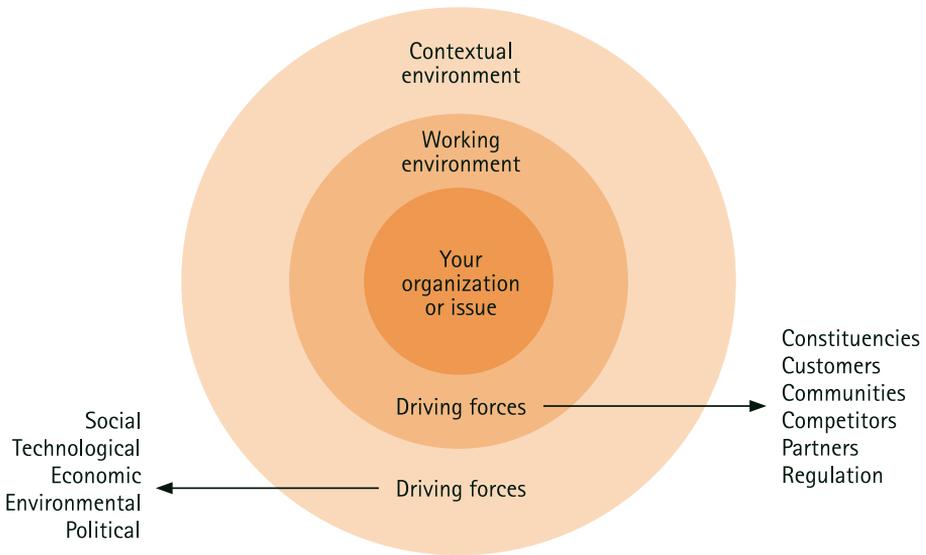


Figure 1: A framework for outside-in thinking

Multiple Perspectives

Introducing multiple perspectives is different from managing multiple stakeholders, which many nonprofits are very skilled at doing. The introduction of multiple perspectives—diverse voices that will shed new light on your strategic challenge—helps you better understand your own assumptions about the future, as well as the assumptions of others. When one is working with passionate convictions, it is easy to become deaf to voices you may not agree with. Yet consciously bringing these voices to the table exposes you to new ideas that will inform your own perspective and could prove extremely helpful in your effort to see the big picture of an issue or idea.

Consider, for example, the unusual coalition of Christian, Jewish, and environmental groups that launched the widely publicized anti-sports utility vehicle campaign “What Would Jesus Drive?” By integrating multiple perspectives that are not typically aligned or even associated with one another, the coalition was able to reframe the transportation and fuel efficiency debate as a “moral issue,” resulting in an impressive national awareness campaign. In the first six months, the “What Would Jesus Drive?” campaign was the subject of over 4,000 media stories and garnered many front-page headlines.

The scenario thinking process creates a powerful platform for multiple (and often divergent) perspectives to come together. The result is an expansion of an organization’s peripheral vision—you see new threats and opportunities that you otherwise may have missed. For the Schott Foundation, which used scenario thinking to develop strategy around the controversial issue of gender equity in education, multiple perspectives meant inviting a diverse group of people—including activists, corporate leaders, and policymakers representing different political ideologies—to enter into the scenario dialogue. “Before [the scenario experience] we only talked about what we wanted, and we assumed that the world was the world we envisioned inside our heads,” said Schott’s president, Rosa Smith. “[Now] we’re much more willing to hear other voices.”

WHY DO SCENARIO THINKING?

As in any strategy endeavor, rigorous assessment of the strategic challenge you want to address and the outcome(s) you would like to accomplish in addressing this challenge is an important first step to a successful process. Once you understand your primary goal for engaging in scenario thinking, you can tailor the process to best meet your needs. The most common applications of scenario thinking typically fall into four broad categories: (1) setting strategic direction, (2) catalyzing bold action, (3) accelerating collaborative learning, and (4) alignment and visioning. Of course, these applications are not mutually exclusive. Most scenario thinking efforts are driven at the outset by a single application, such as decision-making or organizational alignment, and result in multiple overlapping outcomes.

Setting Strategic Direction

Imagine you are the regional director of an international aid organization's operations in sub-Saharan Africa. Your work is primarily focused on alleviating urgent needs brought about by war, drought, the AIDS pandemic, and other health-related emergencies. Much of your job involves responding swiftly to needs as they emerge. But if you are to prioritize the allocation of your limited funds in the short term, you must learn to prepare for the long term as well. Scenario thinking can help you make smart decisions in the short term while planning for the future.

Scenarios can be used for various levels of strategy development: making a decision on a specific strategic issue; setting a high-level strategic agenda; creating the platform for an ongoing strategic conversation; and assessing risks and opportunities by exploring how complex factors could create very different environments that you might have to navigate. In addition, you can use scenario thinking to test your current strategy, theory of change, or vision in multiple possible futures beyond your control, rehearsing what you would need to do to succeed in different environments—positive, negative, and unexpected. (For more on the relationship between scenario thinking and other strategy tools, see page 45.)

Catalyzing Bold Action

Imagine you are a program director at a private foundation. You've recently taken on this position and you want to revisit the program strategy, which changed little during your predecessor's 10-year tenure. You know that some of the existing funding commitments are sound, but you are worried that others are based on assumptions that have not been re-examined despite rapidly changing circumstances. You also know that other funders are making overlapping grants and supporting innovative work that you would like to learn more about. Scenario thinking can help you challenge the status quo and take an innovative and bold approach while building on the work of other funders.

Scenario thinking can be used to get your organization unstuck and catalyze action. It does so by rehearsing diverse and provocative future possibilities—both desirable scenarios that you would like to help create and dark scenarios that generate a sense of urgency. Oftentimes groups come away from scenario thinking exercises with the realization that the status quo is not sustainable, and in some cases it becomes clear that the status quo can lead to unintended and unwanted consequences.

By embracing diverse perspectives and a range of possible futures, scenario thinking can push organizations to take responsible and bold actions that overcome biases and challenge assumptions. For nonprofits responding to problems that are driven by forces beyond their control and that are too large and complex to be solved by a single organization, or even a single sector, scenario thinking can empower them to clarify what they can and cannot influence, and to take action—on their own and collectively.

Accelerating Collaborative Learning

Imagine you are in charge of educational programming for an association of nonprofits working in the arts. You are responsible for developing a learning agenda that provides provocative and applicable insight for your members. Your members are connected by a shared belief in the importance of the arts, but they have widely differing opinions on the type of art to support. The members enjoy coming together, but typically avoid discussing the divisive and important issues at the intersection of their interests. Scenario thinking can help you: engage members in learning from one another; productively explore their

areas of commonality and difference; and co-create a cutting-edge curriculum that meets their interests.

Scenarios can serve as a powerful platform to collaboratively explore a topic of common interest by organizing what is known and surfacing what is unknown and uncontrollable. An important result of such collaborative learning is to challenge “mental maps” by introducing new perspectives and new knowledge that could lead the group to discover as yet unimagined solutions. Any individual or organization has a “mental map”—a set of assumptions that informs strategies and actions. These maps frame strongly held beliefs that are often the reason why people dedicate time to a cause—beliefs based on a particular faith, a person’s definition of social justice, or a political persuasion, for example. Frequently, there can be misunderstanding and competition across these maps. Scenario thinking makes mental maps explicit, resulting in a new appreciation of other perspectives, shifts in your own mental map, and novel insights.

Scenario thinking processes that are designed to expand and challenge a group’s thinking about its shared area of interest would fall into the collaborative-learning category. For example, the Funders Network for Population, Reproductive Health, and Rights conducted a short scenario thinking workshop at the end of its annual conference. The scenario workshop was an opportunity to share, synthesize, and expand upon what they had learned during the conference while stretching and challenging that learning with a long-term framework. (See page 85 for a full description of the Funders Network’s scenario thinking process.)

Alignment and Visioning

Imagine you are responsible for a national initiative to reduce childhood obesity. The initiative comprises a diverse group of community members, corporations, educators, and funders. It is your job to bring these people together and, ultimately, to come to consensus on a joint strategy. The perspectives of these stakeholders are diverse and in some cases conflicting, and there is no clear solution. Scenario thinking can help you build relationships, create a space for multiple perspectives to be heard, build alignment, and facilitate the development of a shared vision for the future.

Scenarios can be used with multi-stakeholder coalitions and single organizations to create a shared vision and increase alignment around a desired future or strategic direction. (For more on using scenarios to develop a vision, see page 51.) This is a powerful application because scenario thinking often results in a deeper and shared understanding of the complexities of public problem-solving—the potential opportunities, barriers, allies, and pitfalls. When working with a diverse group, this shared understanding can help divergent voices find common ground and collaborative solutions for the future. In addition to high-level recommendations for public action, alignment scenarios can also result in raised awareness around an issue, new relationships, and ad hoc or intentional collaboration among participants.

Large, well-publicized efforts to use scenarios as a tool for public problem-solving at the national or regional level would fall under this category. For instance, national scenario projects in South Africa, Colombia, Cyprus, and Guatemala have brought together multiple—and often adversarial—stakeholders, including government officials, labor unions, business leaders, rebel and revolutionary groups, community organizations, and educators.

CONDITIONS FOR SUCCESS

At its core, scenario thinking is about organizational change. Organizational change does not happen without organizational learning, and learning is hard. In order to truly internalize and act upon the insights and implications that come out of a scenario process, your organization or group must be very motivated to learn. Your scenario thinking effort will be well positioned for success if the following is true of your group or organization:

You are open to hearing multiple perspectives and challenging commonly held assumptions. By introducing multiple perspectives on the future, the scenario thinking process can challenge commonly held assumptions and help align your organization's perspectives on the future with the changing environment.

You are positioned to change in a meaningful way. The organization needs to have some impetus for change, internally or externally driven, in order to make the scenario learning meaningful and, ultimately, to act on these insights. Generally speaking, such an impetus for change will come from a strategic issue that does not have a clearly defined solution and that is important enough to catalyze action—there is a need to address new forms of competition, for example, or an opportunity to reframe your scope of work to meet an emerging need. The call to change can be driven by either crisis or opportunity, or by both. According to scenario thinker and writer Betty Sue Flowers, “People should have a sense of urgency even if things seem to be pretty good. My sense of urgency doesn’t come from impending crisis; it comes from a need to be prepared for anything, including opportunity.”

You have a well-positioned leader for the process. In order to make the learning—and subsequent action—stick, there needs to be a credible, facilitative leader in your organization who can build support and sustain excitement for the process. Similarly, it’s important that there be clear ownership of the output—a person or group who will take responsibility for acting on ideas generated during the process. The leadership required to initiate and sustain a scenario thinking process can be significant. That leadership must advocate for a way of strategic thinking that, if executed well, can produce considerable change.

You are willing to commit the necessary resources. Like any strategy development effort, scenario thinking demands time and money. Because insights from scenario thinking are developed through extensive reflection and dialogue, senior decision-makers must be ready to commit significant time and attention to the effort. That said, the amount of resources required need not be huge, simply commensurate with the scope of your ambition. (For more on scoping your resource needs, see page 58.)

Decision Tree

The decision tree depicted in **Figure 2** can be used to determine whether scenario thinking is an appropriate tool for addressing your challenge or problem. As always, in special circumstances, there are exceptions to the logic outlined here.

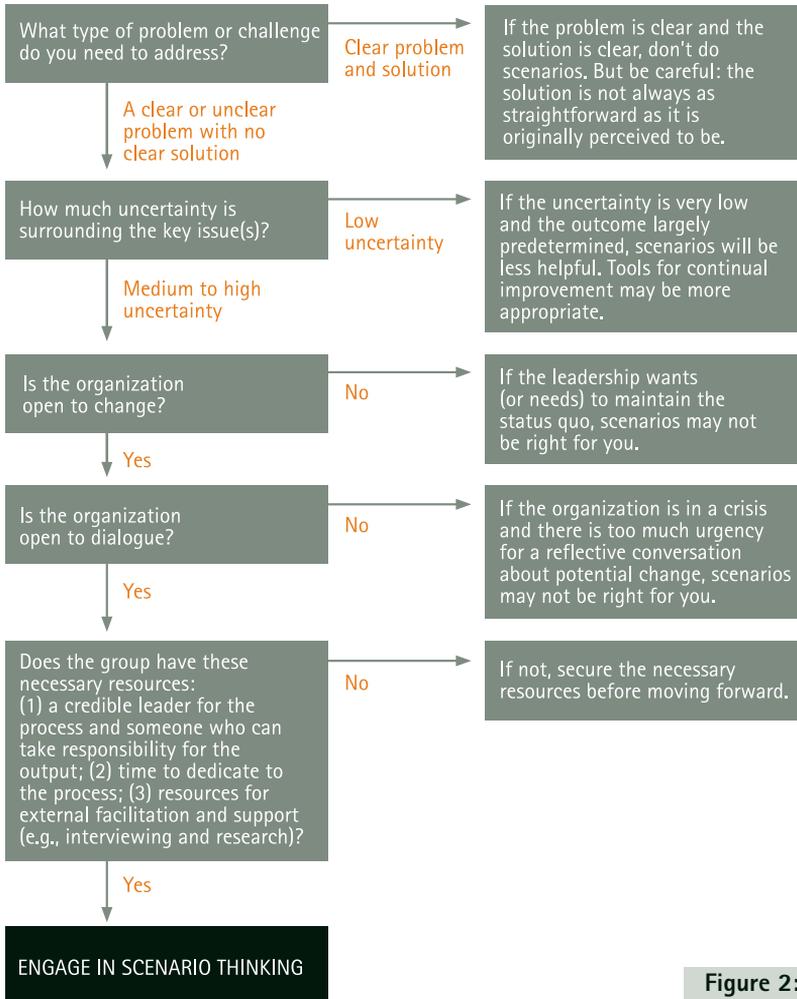


Figure 2: Decision tree

DO NOT USE SCENARIO THINKING WHEN...

- The problem you are dealing with is not central to your organizational strategy and/or your problem and solution are clear.
- The outcome is largely predetermined due to internal or external forces.
- The leadership wants to maintain the status quo.
- There is too much urgency to step back for a reflective and creative conversation.
- Your desired outcomes are poorly aligned with your dedicated resources.

YOUR SITUATION IS IDEAL FOR SCENARIO THINKING IF...

- You are dealing with a strategic issue and the solution is unclear.
- You are working in a highly uncertain environment.
- There is leadership support for the scenario thinking process.
- Your organization is open to change and dialogue.
- You can attract the resources necessary for a successful initiative.

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