

Scenario Planning and Decision Making \_ Dr. Paul Shoemaker

<https://www.youtube.com/watch?v=6aLvCVL6bGw>

## ***2011 MILE PROGRAM IN MEDINAH***

# ***STRATEGIC THINKING & DECISION MAKING***

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# Opportunities in Weak Signals

Domain	Opportunities in the Periphery	Who Saw It	Who Missed It
Technological	Digital revolution	Apple and iPod	Music industry
	White LED lighting	LED companies	Light bulb manufacturers
	Open-source software	Linux, IBM	Microsoft and Sun Microsystems
	CD-ROM encyclopedias	Microsoft	Encyclopedia Britannica
	Rapid spread of GSM	Nokia	Iridium
Economic	Overnight package delivery	FedEx, UPS	USPS, United Airlines
	Search engine potential	Google	Microsoft
	Discount point-to-point airlines	Southwest, Ryanair and EasyJet	United, Delta, Lufthansa
Societal	Sports and New Age drinks	Snapple, Gatorade	Coke, Pepsi (initially)
	Popularity of reality shows	Reality show producers	Game shows
	Age compression and demand for more sophisticated dolls	Bratz	Mattel (Barbie)
Political	Generic AIDS drugs in Africa	Indian pharmaceutical companies	Major global pharma companies
	Social discontent in Venezuela	Hugo Chavez	Establishment (PDVSA)
	Role of "exurbs" in changing US voter patterns	George Bush and Karl Rove	John Kerry

# How Is Your Peripheral Vision?



## Strength of Capability

(strategic thinking, culture, configuration, knowledge management)

## Need for Peripheral Vision

(complexity and volatility of environment)

High		
Low		
	Low	High

# How Is Your Peripheral Vision?



## Strength of Capability

(strategic thinking, culture, configuration, knowledge management)

## Need for Peripheral Vision

(complexity and volatility of environment)

High

**Vulnerable**  
(myopic)

**Vigilant**  
(20/20)

Low

**Focused**  
(laser-beam)

**Neurotic**  
(ADD)

Low

High

## Balancing Learning and Performing

### *Performance Organization*

- Internally oriented
- Focused on making the numbers
- Rewards consistency
- Dislike of ambiguity and deviations
- Rule and procedure oriented

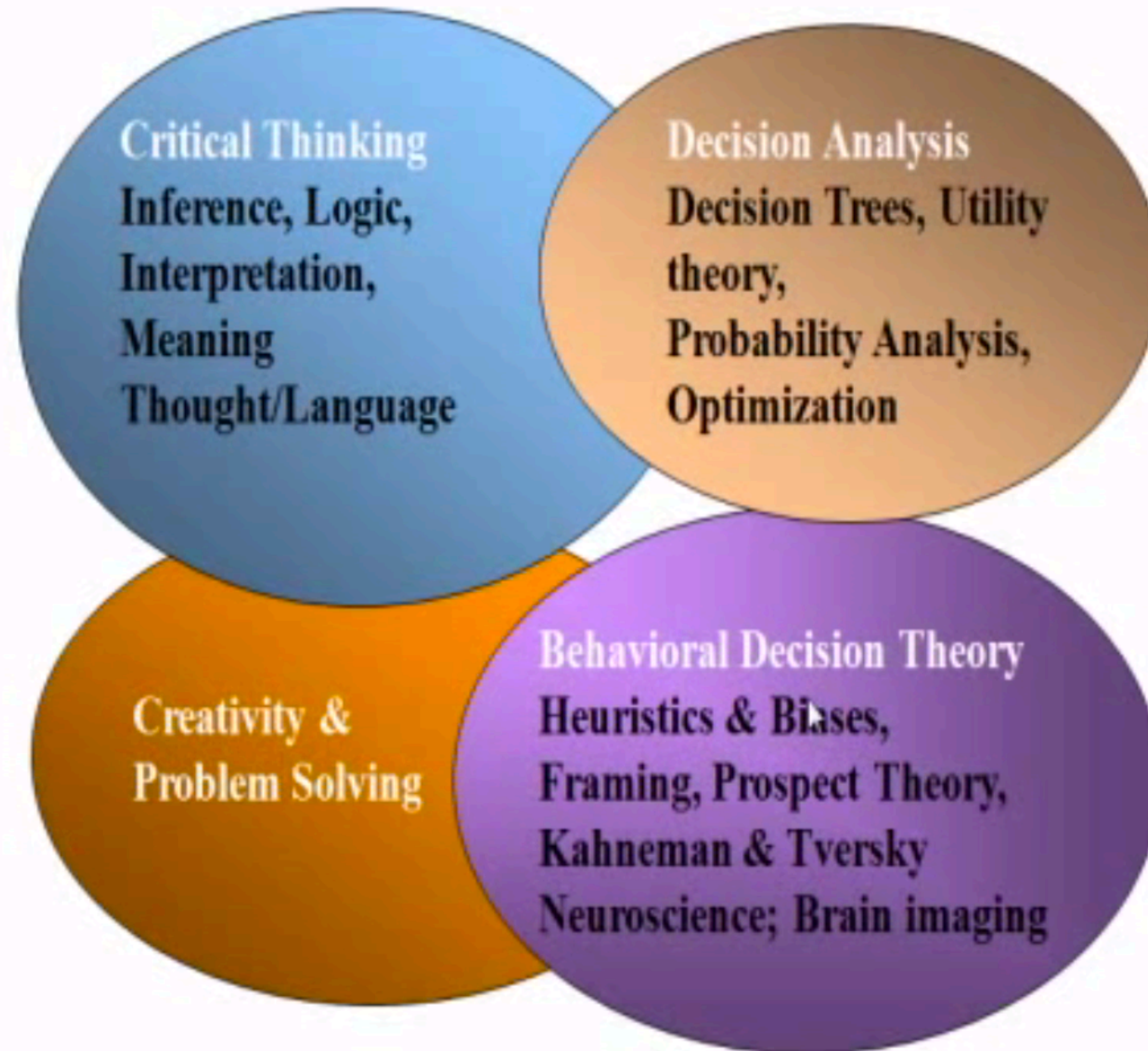
### *Learning Organization*

- Inquisitive and externally focused
- Experimental and innovative
- Shares information: fluid
- Rewards risk-taking
- Relies on cross-functional teams

# Five Reasons We Get Blindsided

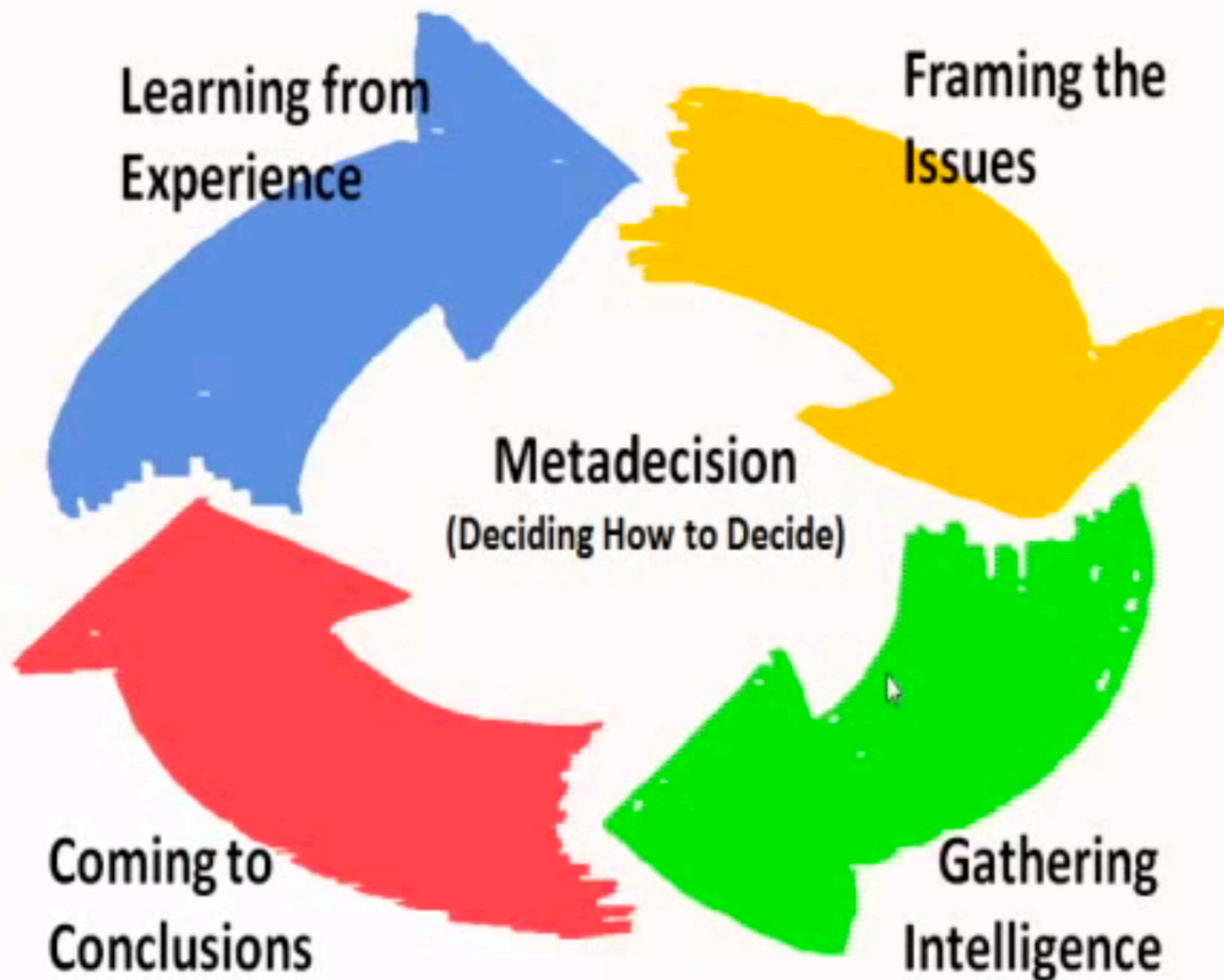
1. Reactive Leadership
  - Narrowed focus on current business
  - Lack of curiosity about the periphery
2. Strategic Planning Process
  - Inside out rather than outside-in
  - Fear of cannibalization
3. Inward looking Culture
  - No willingness to listen to scouts
4. Limited information sharing
  - Across organizational boundaries
5. Organizational configuration

## The Field of Decision Sciences





# The Decision Process

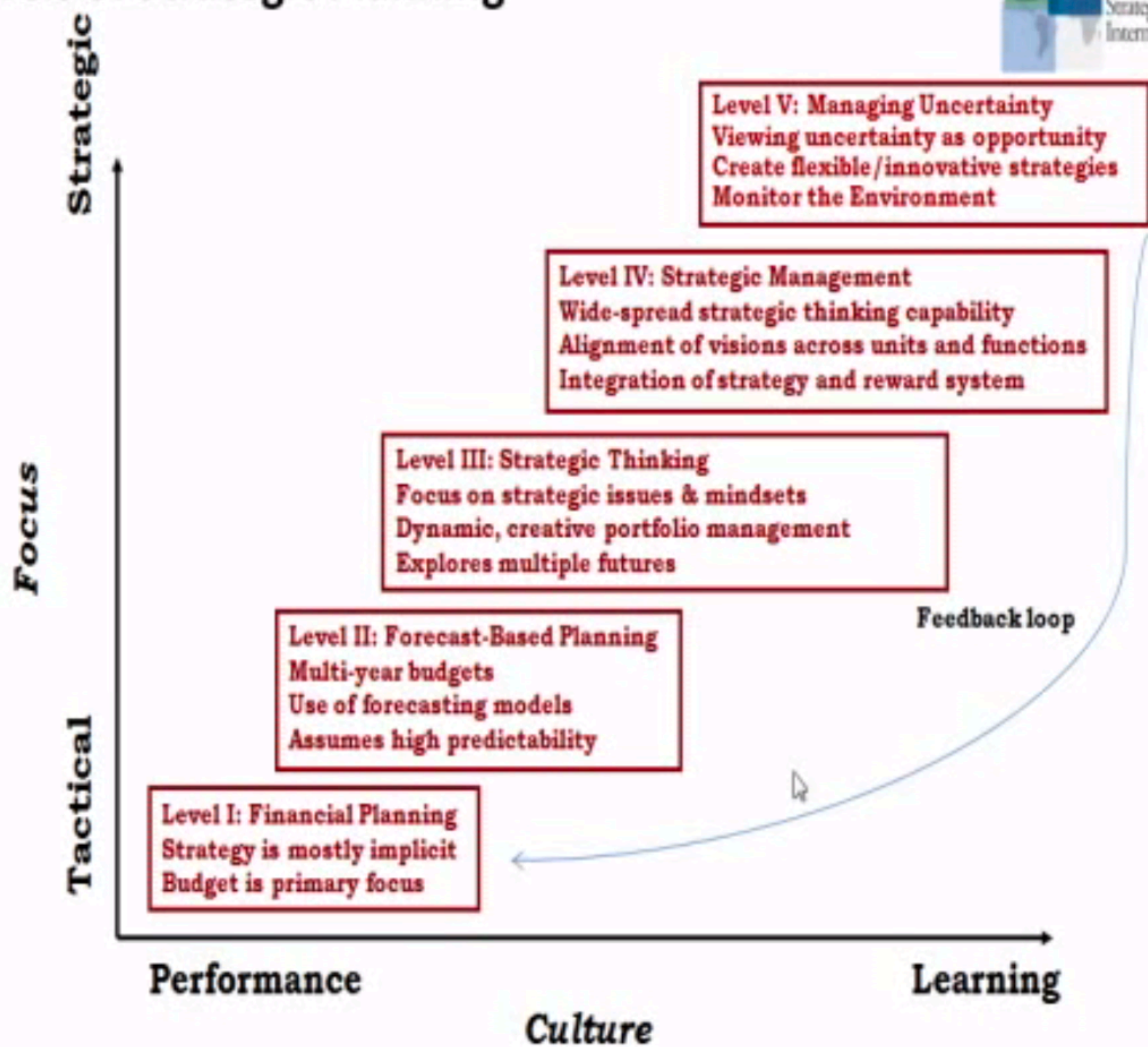


# Changing Your Habits



<u>The Four Phases</u>	<u>Actual Time Allocation</u>	<u>Intended Time Allocation</u>
Framing	5%	20%
Intelligence-Gathering	45%	35%
Coming to Conclusions	40%	25%
Learning Focus	10%	20%

# Levels of Strategic Planning



# Expand Your Tool Kit



## Newer Tools

- Influence diagrams
- Scenario planning
- Real options analysis
- Developing Intuition
- Total risk management
- Dynamic monitoring
- Systems Thinking
- Creating Learning Cultures



Certainty

Risk

Uncertainty

Ambiguity

Chaos / Ignorance

Lower Risk & Lower Reward

Higher Risk & Higher Reward

## Traditional Tools

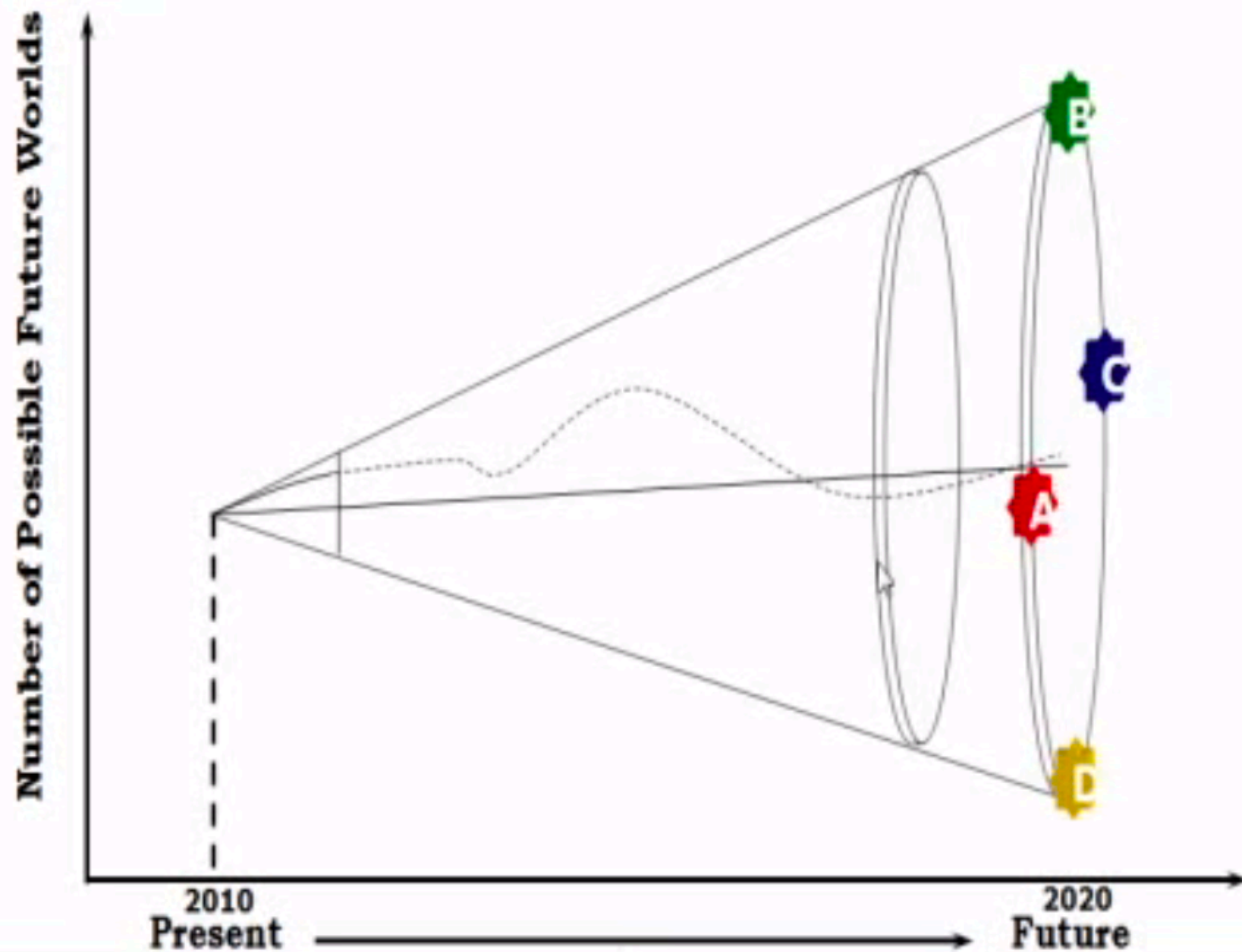
- Extrapolative forecasting
- Net Present Value analysis
- Decision trees
- Bayesian updating
- Expected utility theory
- Monte Carlo simulation
- Portfolio optimization
- Stochastic modeling
- Insurance Safety programs



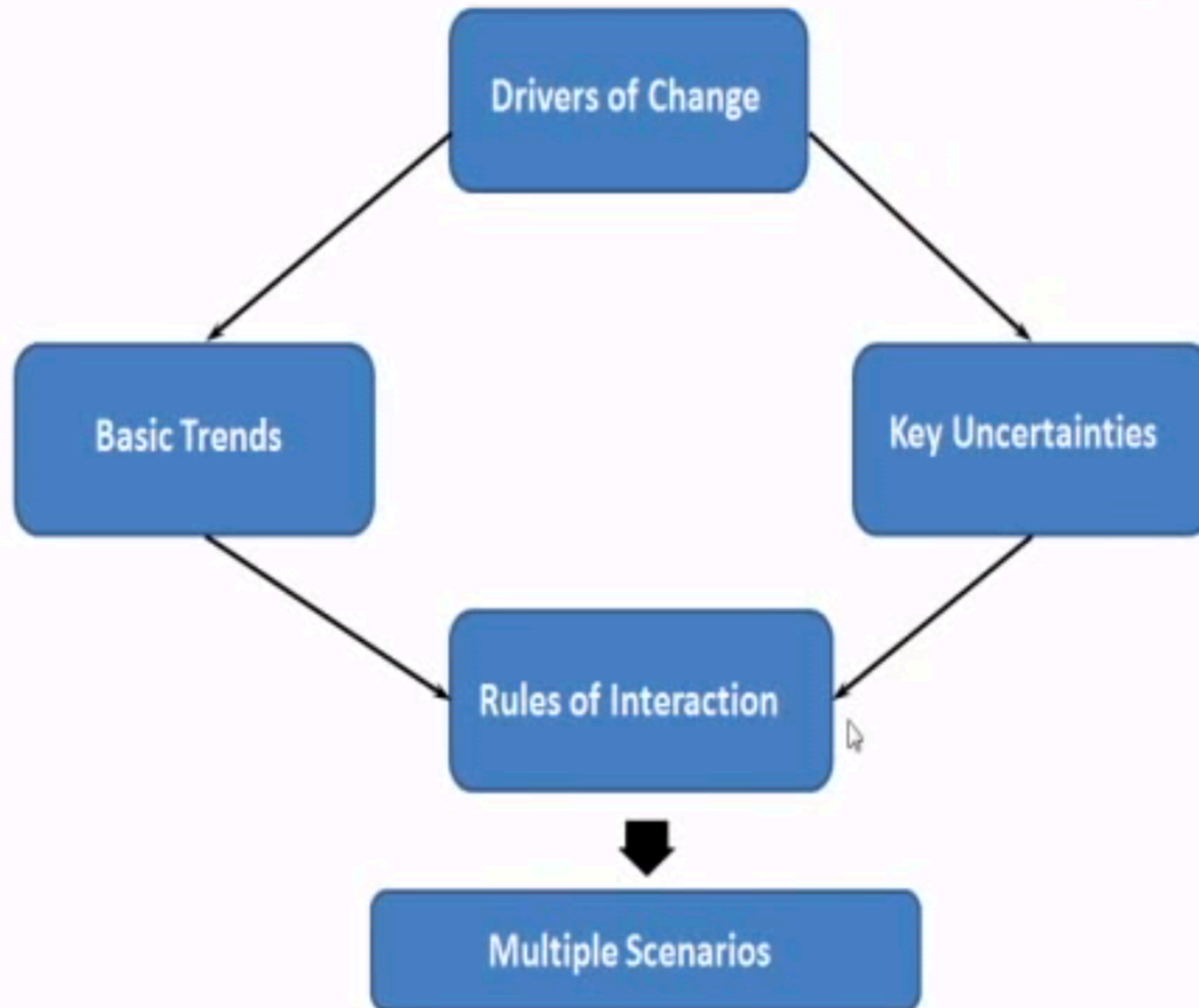
# Navigating Uncertainty



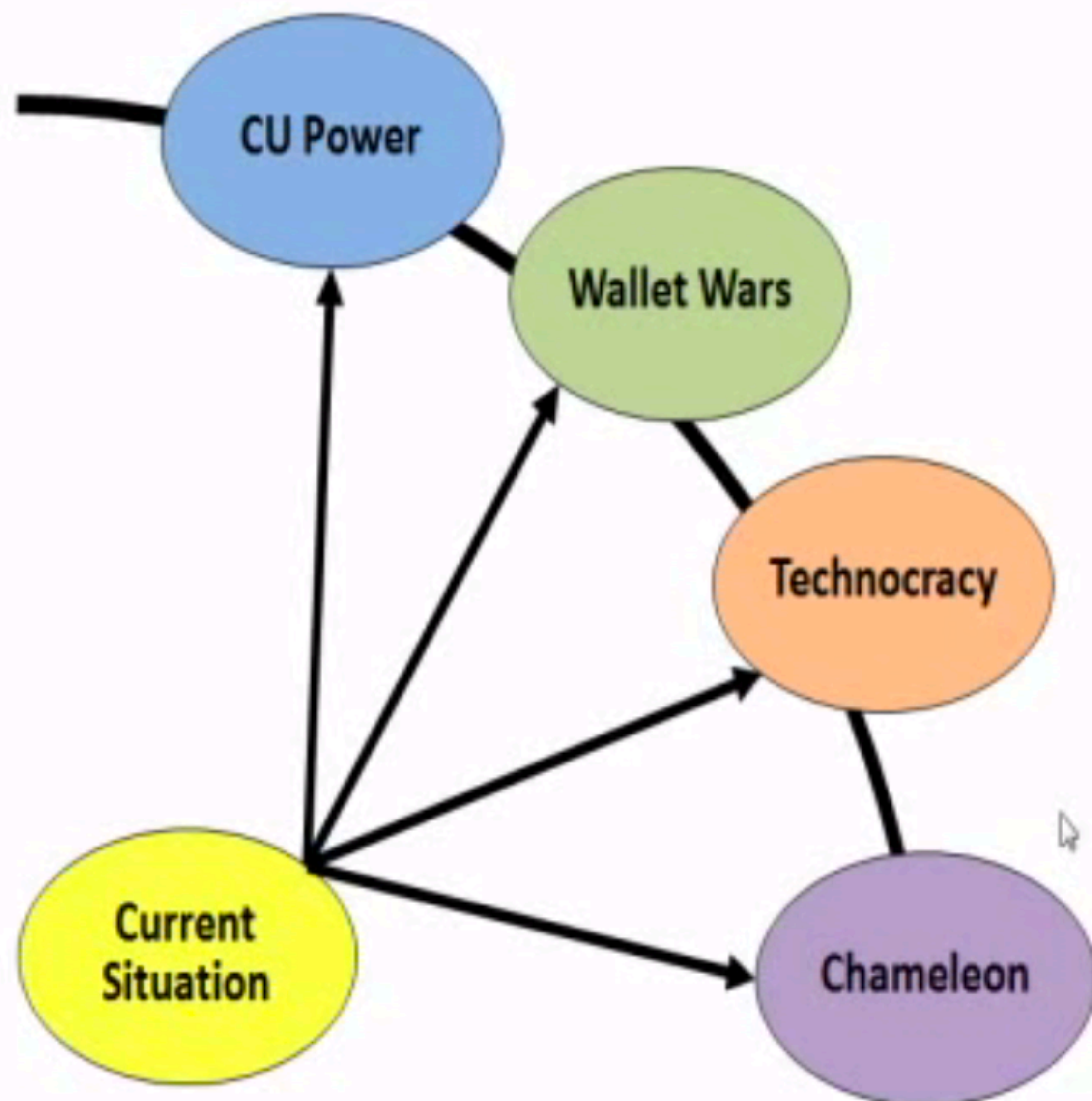
Instead of forecasting, when one follows a trend and adds estimated deviations, scenarios present a cone of possible "futures"



# Building Blocks for Scenarios



# The Future of Credit Unions



## THE PROCESS

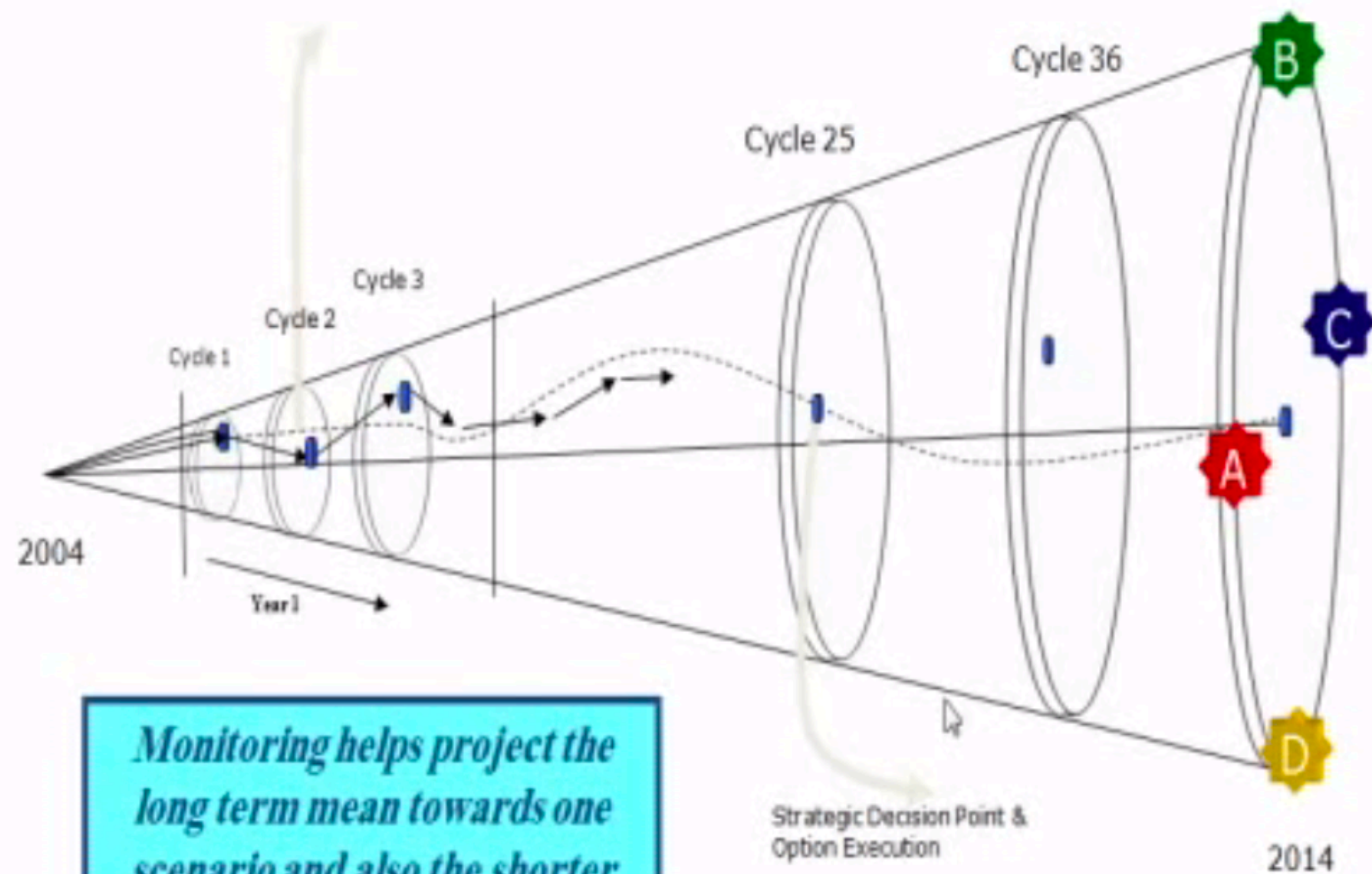
- 1) Conducted interviews
- 2) Identified forces
- 3) Identify trends and uncertainties through survey
- 4) Created a 2X2 matrix
- 5) Developed scenario sketches and themes
- 6) Completed scenarios

## AFTERWARDS

- 7) Develop strategies
- 8) Track and update



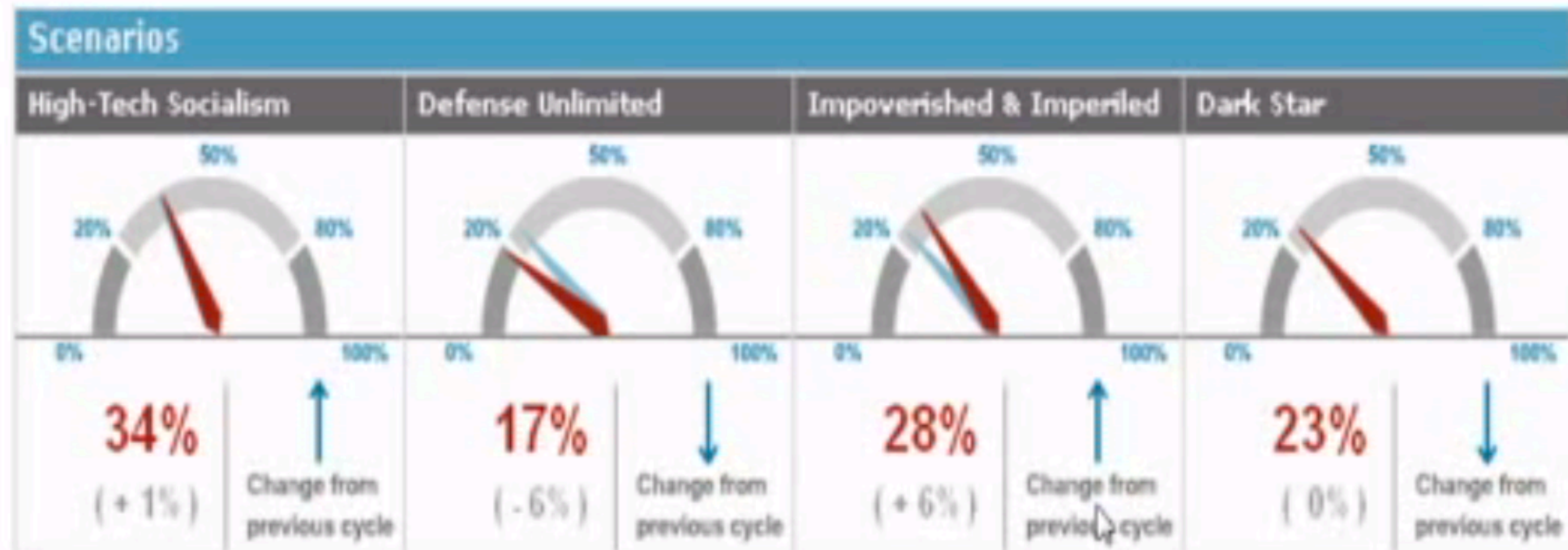
## Monitoring The Cone



*Monitoring helps project the long term mean towards one scenario and also the shorter term variations/disruptions in individual forces*

# Scenario Monitors

## Dashboard Trends



Source: [www.decisionstrat.com](http://www.decisionstrat.com)

# Paul's Books

