

Connecting Present and Future

A conversation with Chris Ertel & MaryIn Walton

SEE
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Almost everybody loves to think about the future, especially people in organizations. We talk about the future, make predictions about the future, sometimes even bet on the future. We seldom get serious about connecting what we do today to what we think will happen tomorrow. We are all too liable to be swayed by our prejudices, our friends, our desires, or our fears. All too often we actually *do nothing* about the future. Almost always a mistake. When organizations consider the future, the stakes go up. Their actions affect thousands of people—their families and their lives. Corporations have always planned for the future—just as individuals and governments have. Companies imagine what they want to accomplish, account for their assets and liabilities, and concoct a strategy that will get them from point A to point B. Simple enough. World politics, the global economy, and consumer tastes, however, seldom respect corporate strategies.

In the late 1960s and early 1970s, the leadership of Royal Dutch/Shell gradually realized that getting from A to B was too simple. Two Shell employees, Ted Newland and Pierre Wack, decided to try a novel approach. They wanted to follow the example of physicist, mathematician, and nuclear strategist Herman Kahn, who had begun writing scenarios for the RAND Corporation in the 1940s and had founded the think-tank Hudson Institute in 1961. (The term “scenario” actually came from novelist and screenwriter Leo Rosten, who sometimes freelanced at RAND.) Newland and Wack imagined not where they thought Shell wanted to go, but where they thought *the world* might go. Following Kahn’s example, they called these futures “scenarios,” stories that could plausibly come true given present realities in the world, Shell’s industry, and Shell. Scenario planning had entered the corporate world.

Today a leading center for scenario planning is Global Business Network in San Francisco, a member of Monitor Group. GBN has helped Herman Miller research and construct two sets of scenarios to answer the question, “How will work change?” *SEE* asked MaryIn Walton, the scenario team leader at Herman Miller, and Chris Ertel, a senior practitioner from GBN, to discuss how scenario planning connects the present to the future.

SEE: What exactly are scenarios? How did scenario planning get started? Why does it seem to be catching on as a way of dealing with future uncertainties?

ERTEL: Scenario planning came originally from the military, which used the process in World War II. At its most basic, scenario planning is a way of grappling with very high levels of both complexity and uncertainty and then making decisions. The levels of uncertainty and complexity are deliberately built into war situations. Herman Kahn was the great mastermind of scenario planning during the early Cold War era, and was based at RAND Corporation for much of that time. Art Kleiner's book *The Age of Heretics* has a lot of good material about this, and a recent book about Herman Kahn, *The Worlds of Herman Kahn*, examines some of the very earliest history of scenario planning.

When anyone or any organization confronts complexity and uncertainty, two risks become apparent: the risk of paralysis and the risk of denial. There have been a number of books in recent years about the dangers of analytical hubris and the risks of denial. In particular *When Genius Failed* and *The Smartest Guys in the Room* show in vivid detail how extreme intelligence combined with too much arrogance led to the downfalls of Long Term Capital Management and Enron, respectively.

SEE: And Shell brought scenario planning to the corporate world?

ERTEL: Pierre Wack, the intellectual visionary behind scenario planning who died a few years ago, had the biggest hand initially in promoting scenario planning within Shell and eventually to many companies. Shell was frustrated by the fact that they had no choice but to make large capital investments in the face of extreme uncertainty. Whether spending billions on off-shore platforms or exploration is a good idea turns largely on the price of oil, and the price of oil is extremely volatile as we all know, subject not only to market forces but also large geopolitical, environmental, and social forces globally. They had to make long-term bets, and they couldn't just forecast their way through the complexities and uncertainties.

WALTON: Every organization has its own complexities and uncertainties to cope with. The scenarios Shell wrote in the late 1960s helped them imagine what their future could be like and then begin to prepare for it.

ERTEL: Right. They tried to imagine significant discontinuities, and they created scenarios. What serious discontinuities emerge if we tell a story about the price of oil staying low for the next 10 or 20 years? Then, what about the story if the price of oil is very high for the next ten years? Their answers left Shell prepared for the 1973 OPEC oil embargo, unlike their competitors.

WALTON: The process of considering different, distinct, but plausible futures puts you in a different frame of mind, gives you a way of thinking differently about the realities you and your organization could be facing soon. In our own scenario thinking at Herman Miller,

we weren't so concerned about the price of oil--though it does affect the price we pay for plastics--but about how work will change. Depending on developments in technology or global competition or even social trends, our customers' needs will change--and so Herman Miller had better be ready.

ERTEL: That pretty much sums up why we think scenario planning can help almost any organization. Napier Collins and Peter Schwartz, two of the founders of GBN, had been in the scenario planning group at Shell. Since 1987, GBN has been responsible for introducing scenario planning, frankly, to the rest of the private sector and then increasingly in recent years to the public and nonprofit sectors as well. Peter's book *The Art of the Long View* is still the best general introduction to scenario thinking.

SEE: Why is Herman Miller interested at all in scenario planning? How long have you used the process?

WALTON: The Herman Miller angle is to explore how work will change. We wanted scenario thinking to impact both broader strategic issues within the company and also our design and development strategy. We wanted to find out how present realities would shape future ones and what product designers should be thinking about. We've now done two scenario projects with GBN, the first one looking out to 2007 and the latest one for 2012. We hope to continue with 2017.

SEE: And so to begin with, you put together a team to explore how work might change? Tell us a little bit about the process. How should any organization approach scenario planning?

WALTON: A key beginning is to choose and orient a committed cross-functional team. We include a variety of backgrounds and different kinds of thinking and skill sets. We do that for a couple of reasons--to develop broad thinking skills and to spread the experience into as many parts of the organization as we can. In the end, I imagine we exposed almost 500 people to scenario planning and a new way of thinking about the future.

Scenarios aren't predictions. They are plausible, relevant, provocative stories--in the scenario lingo, "possible futures."

The next step is to decide on the focal question. Ours was, "How will work change through 2012?" Once the focal question is decided on, we try to think about the key forces of change, and in doing that we expose the gaps in our knowledge--which leads us to research and interviewing experts. And of course we do all this in conjunction with Chris and GBN, especially the next step, which is to convene a group of experts for a two-day meeting and discussion, led by Chris.

SEE: How did you find the experts?

ERTEL: GBN maintains a network of affiliated thought leaders, about 100 people who are business thinkers, technology experts, cultural anthropologists, science fiction writers, political scientists--the group is quite broad in its scope. These folks specialize in thinking creatively about different aspects of the future and future possibilities.

SEE: So they come ready to participate in the process of creating scenarios.

ERTEL: Right, they all have had some experience and/or training in the process. They're all especially flexible in how they think. Applying expertise can be quite challenging when thinking about the future; some academics in particular have a fairly strong attachment to their own ideas in a way that isn't always helpful. Here's a phrase that we like to use: We're seeking experts who have strong ideas that are loosely held--the ability to put out a strong point of view but also relax and play with other ideas as well.

Some companies are still fairly reluctant to include outside participants in what are essentially pretty important business strategy conversations, even though at this stage it's not about making decisions but painting the external context. Herman Miller from the beginning was exceedingly eager for external participation.

WALTON: The whole group, GBN, the Herman Miller team, and the outside experts--most of them published authors in their fields--spent two days coming up with the themes for the scenario stories and the key driving forces around each of those themes--the forces present today that are likely to make these themes a plausible future.

ERTEL: In a funny sort of trial-and-error way, at Herman Miller we recreated the Shell approach to scenarios. In the 2007 scenarios, which we finished in 2001, we ended up with a baseline official future scenario--what the consensus view said would happen--and then the two strongest, most compelling challenges to the official future. I found it really interesting--and this says something about how we think about the future and how it really plays out--that in the 2007 scenarios the official future fell off the rails the fastest! Elements of the other two scenarios were much more in play in the three to five years following.

SEE: These scenarios are really only three or four possible ways the future may play out--given the present.

ERTEL: Right. When you're trying to find that middle ground between paralysis and denial, you can't entertain 15 scenarios meaningfully and actually do something. At the same time, you don't want to converge on one version of the future--that becomes a prediction. You should be able to capture 80 percent or more of the most important uncertainties in the landscape. The world will always throw some curve balls at you.

WALTON: We aren't trying to identify all the possible futures. Scenario planning really helps you think so differently--it opens up your mind to new thinking. In that way, it's useful in all kinds of ways at Herman Miller--with our product designers, customers, employees, executives. Whether it's a project team leader or an engineer working on a specific project, they start to think differently. They start asking different questions, challenging their own thinking, challenging their team's thinking. That's what's really important--challenging established thinking.

SEE: George Nelson famously said, "Design is a response to social change." And Herman Miller uses scenarios as a way to understand the social changes about to happen?

WALTON: Yes. We are really trying to understand how social trends and changes in work

will impact, not corporate strategy, but product development strategy. This question is of course relevant to our customers. They want to understand how work will change so that they can make the right decisions about their own facilities and real estate strategy. So we've taken the scenario stories and what we've learned from them to develop a two-and-one-half-hour customer session called the Kaleidoscope Experience, where we start very broadly with our scenarios and explore in more detail how we believe work will change.

For example, we believe that professional and personal connections across all boundaries will become increasingly fluid, accessible, and valued by organizations searching for better ways to discover and implement new ideas. If that turns out to be true, work environments, HR policies, IP policies--all kinds of things will be affected.

SEE: So, with scenario planning, it's the process that's important, not so much the subject.

ERTEL: Well, obviously we take a fairly content-rich approach to the process, but yes, the process carries over from industry to industry. We do about 50 projects per year for almost that many clients and almost that many industries, ranging from educational institutions to national security and intelligence-related organizations, to consumer products, to automobiles, to financial services.

SEE: Tell us a little bit about what scenarios are not. How do you decide what to rule out when you're trying to connect the future and the present?

WALTON: I think scenarios are just one tool in a toolbox. You can't think of them as a panacea. Scenarios are not predictions. You can only try to construct some compelling plausible futures. For me, it's a realistic way to think about the future. You try to be informed and honest about the present--those realities become the "driving forces" of the stories--and then you ask the smartest people you can find to help you extend those realities to some point in the future. That's why scenarios connect the present to the future—or maybe the future to the present. The trick is to imagine the interplay of those certainties and uncertainties and the most interesting and relevant variations.

ERTEL: I completely agree. Another important element is the choice of the time horizon, and in relation to Herman Miller's work that's particularly interesting. When the outcome you care about is product development, two questions arise: How fast is the world changing relative to what you're trying to accomplish, and how long will it take us to accomplish what we want to accomplish? Those are the two variables. In Herman Miller's case, we picked a seven-year time horizon, roughly the time it takes to go from a new idea to a mature product.

There's another aspect to the timing. The changes in work--the way that work evolves--consist of very fast-moving and very slow-moving elements. A lot of the thinking in our work together has been about trying to understand what's moving fast and what's moving slowly. Elements of technology, capital flows, and fashion are always moving--often quite fast. Buildings and social and cultural norms tend to be more evolutionary. Even organizational structures don't tend to change that swiftly.

Two kinds of companies work with very short-term horizons, at least with us, and those are fast-moving consumer goods and technology companies. I have even done a scenario

project with an 18-month product launch. We have done a fair amount of work with Silicon Valley companies, and yet they're not a big consumer of scenario planning. They tend to be in "just do it" mode.

At the other extreme, I've done a fair amount of work with the De la Salle Christian Brothers, a global Catholic educational order. It's a real show stopper when you are in a workshop and you are talking about challenges, and one of the participants says, "Well, we've had bad centuries before." It's hard to think of a comeback to that one, except to ask about lunch. Government organizations have ownership of really long-term, big issues like the security of the United States of America. If you're 40 years old and you're sitting in the Department of Defense trying to analyze what's going on with China and Russia and India, you know you're probably going to be asking the same question 20 years later and you will probably be accountable for how well you anticipated what was going to happen.

SEE: Do you think the culture of certain companies lends itself to scenario planning?

WALTON: I think scenario planning is really well suited to companies with a culture open to new, creative ways of thinking. They have to be curious--interested in new ways to do things, new ways to think about things. You have to open yourself to many different opinions and be ready to live with the tension. It's not always easy.

ERTEL: You know some cultures are more analytical, some are more hierarchical. A high degree of collegiality and participation--qualities Herman Miller's very strong in--definitely make the scenario process richer and more valuable.

SEE: If you were talking to a company or even a group within a company interested in scenario planning, what questions would you ask them to think about and what should they consider before plunging in?

WALTON: What is it you're really trying to achieve? Scenario planning may not always be the best thing, especially if your organization isn't willing to follow through. I think what's made scenario planning as successful as it has been at Herman Miller is that we're continually using the stories and what we make out of them in a variety of ways. They never go up on the shelf not to be looked at again. We really use them.

SEE: What if they're looking for some kind of far-out predictions? Or what if they would like to try a creative clown session--wear outlandish hats and "be creative"?

ERTEL: Go somewhere else. Scenario planning is not for you. It's hard work.

WALTON: If that's all they're looking for, they will be wasting their money on scenarios. The point of scenario planning is to help you think differently, so that you can make informed strategic decisions.

ERTEL: You have to be very creative in scenario planning, but it's not that stereotyped put-a-bunch-of-toys-in-a-room-and-have-wacky-bathrooms kind of creativity. It's a kind of problem-solving creativity, the kind I've seen in the product designers working with Herman Miller.

I generally ask five questions about a client to determine whether we should proceed with a scenario project: 1. Do we have a clear and realistic vision of what success would look like for this project? 2. Is there the right level of urgency within the organization to address the focal issue effectively? Neither crisis mode nor fat-and-happy mode, but the right level of heat and urgency behind an issue to actually get something done. 3. Is there someone at the organization up to the task of leading the project, and is she positioned to succeed? 4. Can this person work with both inside people and outside experts? 5. Can this person get the resources she will need--both people and budget?

SEE: What do you enjoy most about scenario planning?

WALTON: Actually almost all of it. It's ultimately the engagement with other people around the stories, getting people into discussion and dialogue to see what they agree with and what they disagree with and why--I think that's the most fun part of it.

ERTEL: I was going to say dinners with Maryln, but that's too obvious, isn't it? I agree with Maryln, it's really about engaging people. Scenario planning presents itself on the surface as a lofty intellectual activity, but in the end it really is all about engaging people and connecting people with their passions and their curiosity about the world and how it's changing. In a recent book about the great business leaders of the 20th Century, called *In Their Time*, the authors single out a special talent of these people they call "contextual intelligence." An ability found at the intersection of intellect and emotional intelligence--it amounts to an empathy for the times we're living in together as human beings and leads to powerful business insights.

I've been doing scenario planning for all these years for the pleasure of learning, together with other people, about the shape and meaning of our times and the excitement that the process generates for all involved.

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Key Works in Scenario Planning

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