+44 345 094 0945
www.waterstons.com

Article

May 2021

Reframing your strategy before it's reframed for you

Volcanic eruptions are incredibly dramatic events. They usually attract attention on a global scale. When they erupt, they can destroy everything in their path. Yet, people choose to live within striking distance.

We all live with risks every day. The risks we have might be less dramatic, but they still require a unique set of circumstances for them to happen. And we should have given thought to what the impact would be if they crystallise.

So, how do we plan for these events? We need to identify likely scenarios that could happen, and we need to consider our strategic positioning. Businesses usually define strategies as a longer-term roadmap. But the plans and activities within our future strategy are based on the decisions we've made today. That means that long-term strategies don't always have space for our future decision-making. They deal with the futurity of our past choices. Of course, we should have a long-term strategy, but we need to make sure that it's not linear. Rather than a prescriptive roadmap, we should strive for a compass; moving flexibly in different directions to ease our decision-making along the way.

When you learn to drive, you check your rear-view mirror before setting off. You make sure that there are no obstructions, that nothing will suddenly appear and hit you. It's the same in business. To move forward, we need to look back. We need to use the data we have insightfully to determine what could happen in the future. But we need to have one eye on the horizon to anticipate or at least prepare for surprises. And we need to be fully aware of all the risks that could send us off course.

Thinking like this makes us look at ourselves differently. It reduces the risk of confirmation bias, where people tend to see things the way they want to see them, even if the data is telling them otherwise. If anything magnifies the value of planning for unknown scenarios, it's when something goes drastically wrong. But when catastrophic events happen, we should use them to reframe how we think about things strategically, not just operationally.

You gain strategic foresight through more than one lens. Investing in scenario planning lets you assess the likely success or failure of different strategic options because it gives you space to see them. When it seems like there is an infinite number of futures imaginable, you need to decide which scenarios to settle on. The ones that are critical and will provide strategic insight are always the areas of focus.

Scenario planning helps you identify how the environment might change over time by forcing you to look past your immediate business. But it's not just the obvious things like political shifts - think about what might happen from a regulatory perspective, in the market, or as a consequence of change. The process of scenario planning means you identify issues that might be lying dormant. That's the point. By moving the focus away from business as usual, you can imagine the unimaginable across the length and breadth of your business.

It's not just used to identify future areas of risk and our responses to them. It can find those 'white spaces' and put you at an advantage. If you think creatively about your future from varied perspectives, there's a good chance you will find room to maneuver.

It can be a crowded playing field, but to enable your strategy to move with the times, you need to navigate the risks and turn them into opportunities. Those of us who are old enough to remember physical video stores will recall Blockbusters. Their stagnant strategy failed to embrace a changing video rental market and customer demands. They did not plan for the unfolding scenarios or the emerging technology changes and innovation in their industry. There was space to change what they did, but they didn't grab it. They stuck to the status quo; continued doing what they had always done and refused to look at an alternative future. And as a result? Their once-prominent billion-pound business is ancient history.

The key to managing risk well is continual assessment. Risks that we carry are not static. Controls that worked yesterday might not be fit-for-purpose tomorrow. One poorly managed risk could stop you from doing business. None of this seems unreasonable. If it's not, why are more people not investing in robust scenarios and routinely watching to see which one might emerge? It may not be rocket science, but scenario planning is not simple. It takes time. It can be a complex process to identify, build, and monitor the right things.

Scenario planning is as much a strategic tool as one that helps control your risks. Scenarios will help expand your thinking and steer you through the stormy seas of the extreme events we have seen recently. A resilient organisation won't let uncertainties overpower them. They become stronger as a result of them. And that makes strategic scenario planning a valuable weapon to have at your disposal.