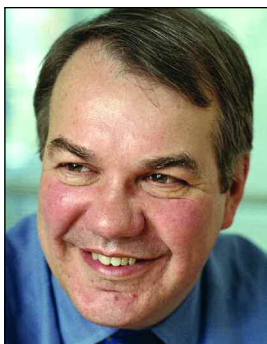


A different scenario

Scenario planning, according to Laurie Young, contributes to many aspects of the marketing function in crucial ways, bringing both creativity and discipline.



By Laurie Young

Scenario planning is an analytical tool which has been used by many different companies for over two decades. It helps leaders to think about the direction of their practice's development in the light of change, complexity and uncertainty. Less linear than many of the better known strategy tools, it allows leadership teams to explore different eventualities which might develop from current external forces. It creates a framework in which potential strategies can be developed and tested in the light of future uncertainties and is ideal for the consensus driven leadership style of private partnerships.

All of us live and work with a set of assumptions about the business world and how it might be in the future. Where those assumptions are shared across an organisation they are called 'the official future' and form an unarticulated point of reference for decisions at all levels in the firm. Unfortunately, that can develop into an

entrenched view of the environment and clients' needs which grows steadily out of touch with reality.

Scenarios provide alternative models to this closed world view and the ability to anticipate real world behaviour through exploring the constraints and changes in the external environment. The use of scenarios encourages partners to be more outward-looking, going beyond the confines of a single practice or technical area and encourages thinking across sectors. Many of the techniques used in scenario development are also useful in helping to think about changing client needs, innovation and risk.

Scenarios are stories which help leaders to develop different potential futures based on both objective data and people's assumptions about the present. They are not forecasts, but help develop a common perspective and language. Michael Porter defined them as: "An internally consistent view of what the future might turn out to be – not a forecast, but one possible future outcome." In other words, a good set of scenarios are plausible and can be 'imagined' in terms of events or the outcome of current trends. They create a 'mental model' which allows firms to look for early evidence that a certain scenario is occurring.

Usually, a team comprising people from across the firm is formed to construct them. In a session led by someone experienced in the process, the participants brainstorm potential futures for their firm. Input to their debate might include evidence from futurologists, client views and pertinent market

data. The team is normally encouraged to think widely before scenarios are grouped and ranked. It is an objective process in which futures are created from a combination of external signals; some of them weak, some posing questions and others obvious trends. These are combined to give alternative time paths which then can be analysed by the sub-conscious as well as the conscious brain.

However, scenarios have, to date, been used by leaders to think through corporate direction; so they have often been confined to board level debate. Swedish telecommunications giant, Ericsson, used them to work out its move into services, including some professional services. Whereas PricewaterhouseCoopers used them to develop strategic alternatives after the devastating effects of the Enron debacle began to become clear. Yet they can be used effectively in the individual functions of marketing itself.

Marketing is risky because it is focussed on future opportunities. Yet past events or previous client behaviours are not reliable indicators of future action. So successful marketing is based on good judgement and risk assessment as much as research and statistical analysis of past trends. Scenarios bring creativity into this uncertainty by posing the question 'what if' in a number of articulated and qualitatively different worlds. In fact, marketing breakthroughs often come from challenging the official future of an organisation and scenarios are a really good way to do that.

This article originally appeared in *professional marketing* magazine.
For further details go to www.pmforum.co.uk

They can be used as follows:

MARKETING STRATEGY

Despite the denigration of marketing into a mere support function in many practices, lead partners frequently debate alternative possibilities in markets and consequent investment prioritisation. For instance, leading search firm Russell Reynolds used the 'directional policy matrix' to structure the thinking of sector leaders when they wanted to change from a geographic to an industry emphasis. The ranking mechanism dramatised attractive opportunities with the greatest potential and the team easily moved to discuss investment around their criteria. The development of these alternative investment strategies can be explored in scenarios.

RESEARCH

People are not straightforward. Frequently they do not know what they want until stimulated and they make decisions as much by emotion and intuition as by rational thinking. In fact, people are assailed by so many stimuli during any day that their conscious mind selects what to receive and respond to but their unconscious mind receives and assimilates much more. This seems to drive much 'intuitive' decision making in personal and business life. Recent pioneering approaches at Harvard University are beginning to delve into these hidden attitudes. The different interpretations of these research results can be captured in scenarios, creating representations of confused, emotional and intuitive human responses which can be used by partners to create new services.

MARKET ANALYSIS

A good number of marketing theorists have an economic background. So, they have given an impression that market analysis is a straightforward, objective process which tries to make sense of rational or efficient market forces; that there is one view of a market. This impression is reinforced by industry research analysts who tend to adopt a herd mentality and explore entrenched views. Yet market analysis is not straightforward at all.

The rate at which a market matures is dependent on a complex mix of supplier and buyer interaction as much as imper-

sonal economic forces. Indeed, some suppliers take a behavioural view of a market. While economic drivers are not irrelevant to them, they think that demand is more strongly influenced by depth of relationship between suppliers and buyers. Their BD is reliant on stimulating and deepening this relationship. There are, then, different ways of understanding supplier compe-

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tences and competitor actions, giving different market perspectives and these can be distilled into different scenarios which will round out marketing programmes.

NEW SERVICE DEVELOPMENT

Innovation of new offers and the successful adaptation of them in the light of market reception are both very important and very difficult. There is evidence that large established firms find it particularly difficult to innovate due to their culture. Scenarios have been used to stimulate creativity and ideas; and to test alternative service ideas.

BRAND VALUATION

Although partners can be reluctant to acknowledge it, the reputation and identity of several practices performs like a brand. The partners of practices as varied as: Clifford Chance, Deloitte, McKinsey and IBM Global Services can command higher fees because of their firm's impact on market perception. Scenarios can be useful in developing brand strategy and particularly at calculating the expected future earnings of a brand. They help to decide which commercial scenario is most likely to occur. The firm can then determine valuation assumptions which are appropriate to that scenario and calculate how much extra client service people in a branded practice will be able to charge, compared to an individual single practitioner.

COMMUNICATION WITH CLIENTS

Partners are normally really good at communicating with individual clients but, compared to PLC's, their firms are normally hopeless at communicating with general markets or large groups of clients. Yet, however good a new product is, the reception by the market is unpredictable. Much relies on how it is communicated to groups of human beings.

The ability to communicate with markets is therefore an important competence for all firms. The relevance of message and ability to persuade can be crucial to revenue growth. Scenarios can be used to test and design communication programmes, modelling the most effective media and communication strategies. They can be central to the development of the integrated communications strategies and response mechanisms which are crucial to most modern marketing.

So, scenario planning contributes to many aspects of the marketing function in crucial ways, bringing both creativity and discipline. There is, though, one final reason why scenarios help professional service marketers: access to the leadership's debate. Scenario planning has been a tool of corporate planning for some years and has been used at the top of leading companies, worldwide, including private partnerships. Marketing people are often puzzling out how they can gain board level influence so that their proposals can be developed. As scenario planning is a tool with long standing appeal at board level, marketers can not only use it effectively within their own function, they can gain influence by understanding it and getting involved at board level.

In future issues of *pm* Laurie Young will be looking at different tools & techniques.

Laurie Young held senior positions with BT, Unisys and PricewaterhouseCoopers (global marketing partner, advisory). He also founded, built and sold a practice. He wrote Marketing the Professional Services Firm recently and was then asked by publisher Wiley to assemble a team of marketing specialists for his latest book Marketing and scenario planning (www.lauriedyoung.com).
