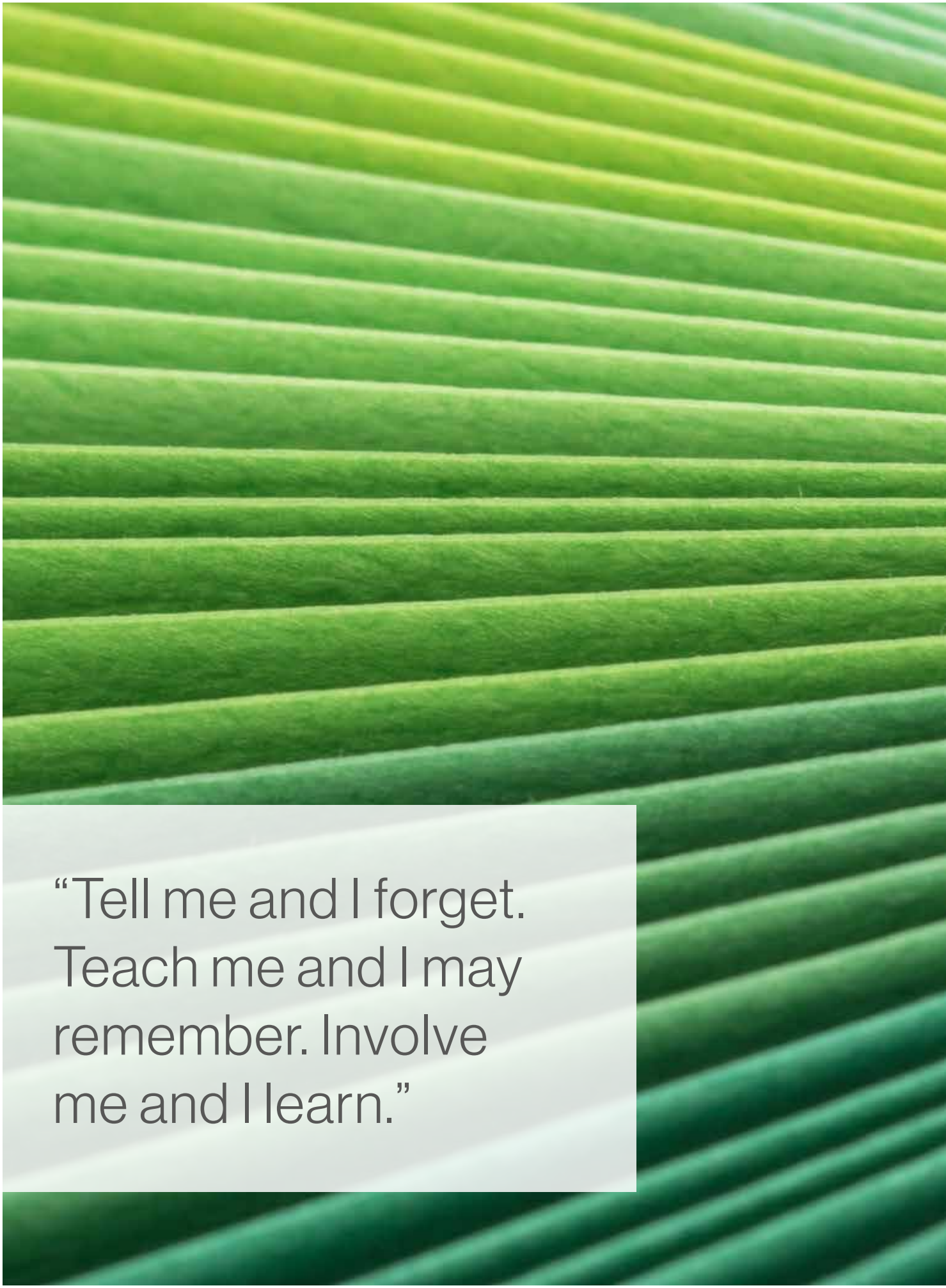
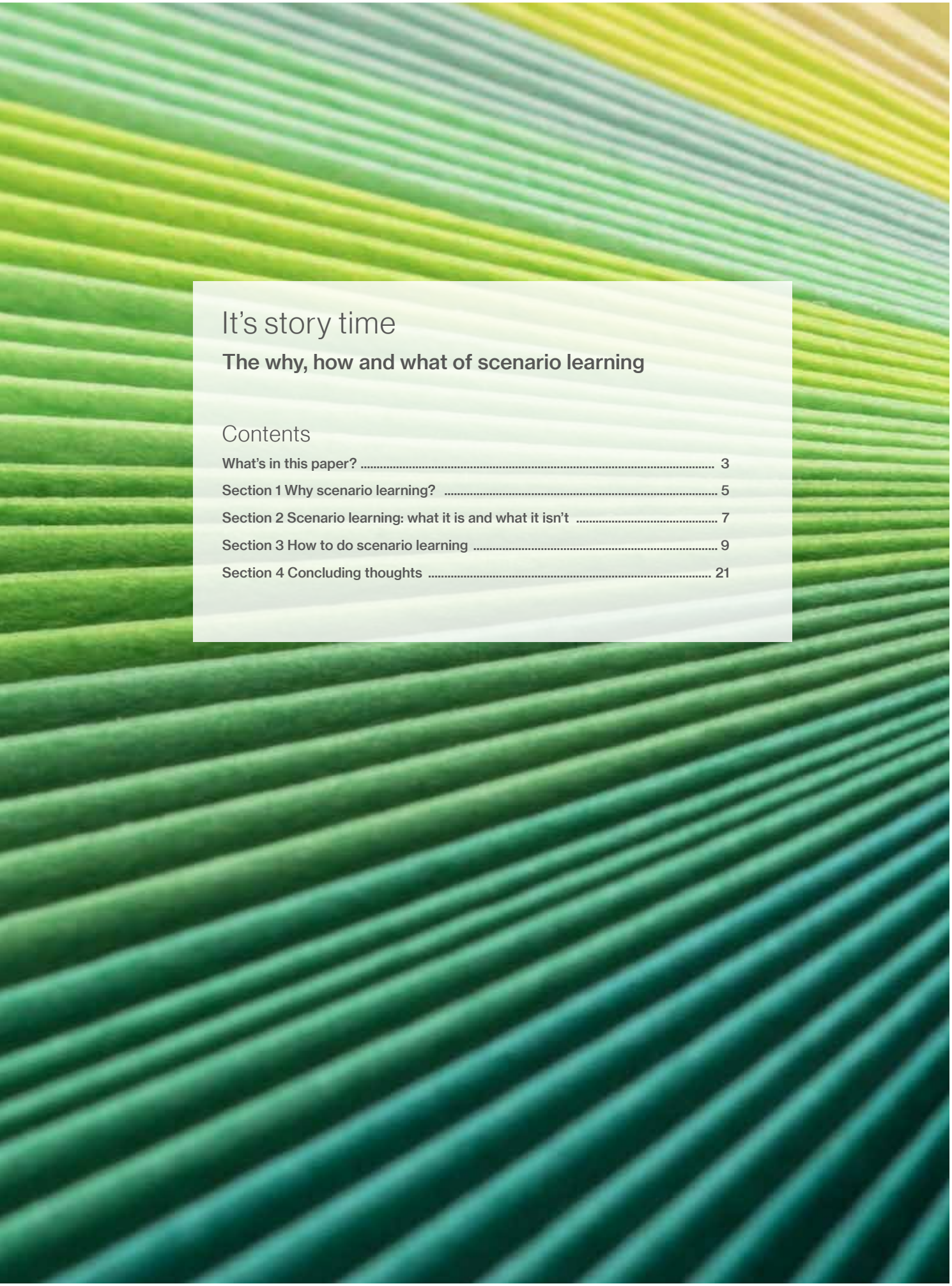
Thinking Ahead Institute

It's story time

The why, how and what of scenario learning


“Tell me and I forget.
Teach me and I may
remember. Involve
me and I learn.”



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Contents

Scenario learning advisory board

This document has been written by members of the Thinking Ahead Group 2.0 (Liang Yin, Tim Hodgson) following the research and discussion conducted by the Thinking Ahead Institute's scenario learning advisory board. The authors are very grateful to the members of the advisory board for their input and guidance, but stress that the authors alone are responsible for any errors of omission or commission in this paper.

The members of the advisory board were as follows:

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- David Hoile (Willis Towers Watson)
- Eoin Murray (Hermes Investment Management)
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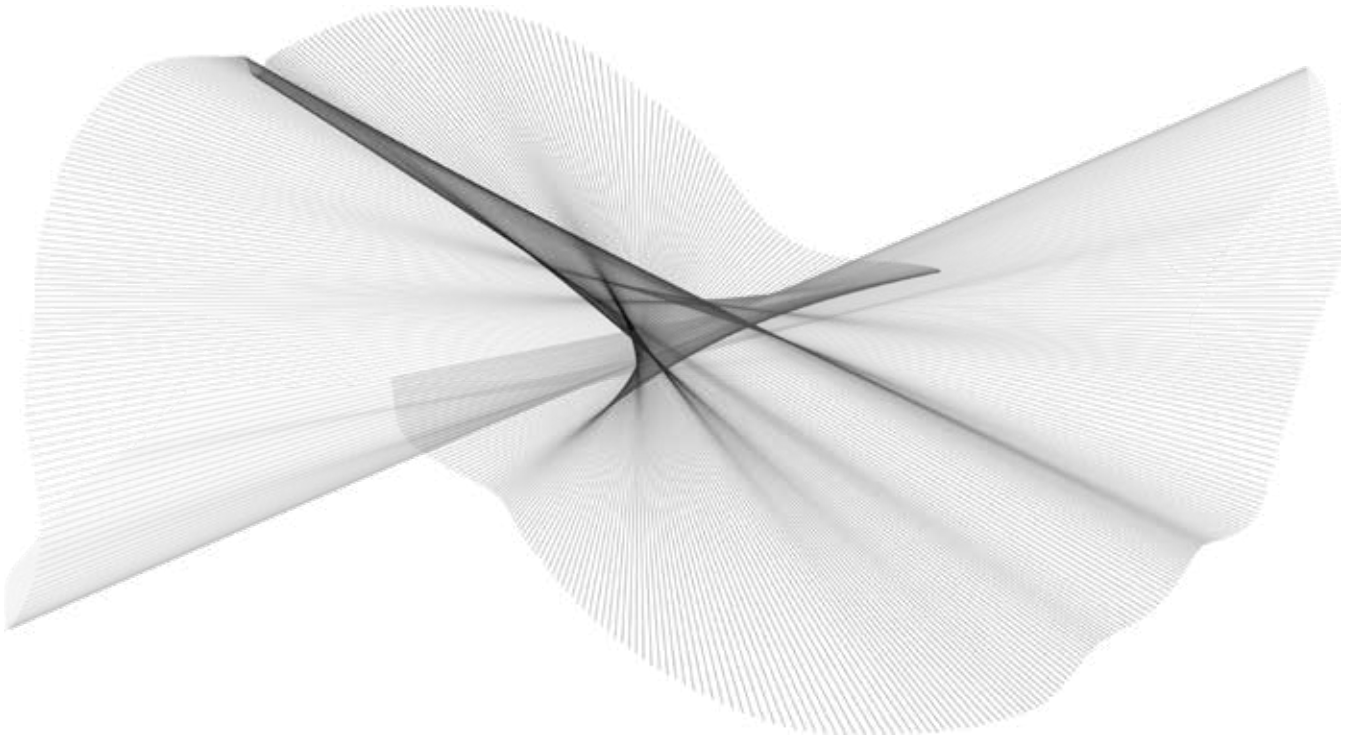


What's in this paper?

1. Why scenario learning is valuable

Scenarios help decision-makers steer a course between tunnel vision (a single prediction) and indecision faced with an uncertain and unbounded future. Scenario learning also supports a culture of self-reflection and adaptation.

2. What scenario learning is (and isn't)

Scenario learning is about making explicit the dominant organisational mindset – and challenging it. Scenario learning is not a purely intellectual exercise. To facilitate organisational learning, a social process is essential.

3. How scenario learning can be done

We do not use scenarios well in our industry. Too much focus is placed on analysis rather than learning. We propose a workshop as a pragmatic way for investment organisations to explore the value available through scenario learning.

Our working definitions

A *scenario* is a narrative description of a sequence of events leading to a plausible future state. The use of imaginative storytelling can make scenarios particularly powerful.

Scenario learning takes place in a deliberately-created environment in which multiple scenarios are used to make explicit - and challenge - assumptions that underpin an organisation's vision, strategy and culture.

Section 1
Why scenario learning?

Key messages

- Scenarios can help investment organisations to prepare for a VUCA (volatile, uncertain, complex and ambiguous) future
- Scenarios enable decision-makers to steer a course between relying on a single prediction on the one hand, and indecision and paralysis on the other
- Investment organisations need to go beyond just "first-loop" learning, reflecting on what to do, to developing adaptive "second-loop" learning, reflecting on how to do what they do. The purpose of a scenario learning exercise is to unfreeze and expand the organisational mindset, supporting a culture of second-loop learning
- Human brains prefer narrative to probability
- Narratives are a more effective way to communicate than facts and numbers
- Scenario learning creates a psychological safe zone to counter groupthink
- By encouraging dialogue, scenario learning fosters shared understanding

The future cannot be dumbed down to a single prediction, but it isn't completely unknowable

Knowledge about the future is a key input to any decision - even choosing between eating an apple or an orange relies on a prediction of future satisfaction.

The VUCA nature of the investment environment (see **Exhibit 1**) presents an enormous challenge for decision-makers, because it means we have incomplete knowledge about the future.

Volatile	Uncertain
The situation can change rapidly and in unexpected ways	There are limits to what we can know about the situation
Complex	**Ambiguous**
Multiple moving parts and non-linear interactions create feedback loops and discontinuities	Data is open to multiple interpretations, is noisy and may be misleading; objectives are never fully specified

Exhibit 1: VUCA – what does it mean?

In practice, this often leads to one of two things:

1. We suppress uncertainty by focusing on one possible version of the future. In other words, we create false certainty by relying on our best prediction

2. An endless number of possible futures confuse and paralyse us. Our analytical brain (system 2[1]) basically gives up, in particular when we are emotionally drained and facing time pressure. In this case system 1 (intuitive brain) heuristics drive how decisions are made. Because we cannot calculate all the future paths of our assets we stick with our current portfolio – an example of status-quo basis.

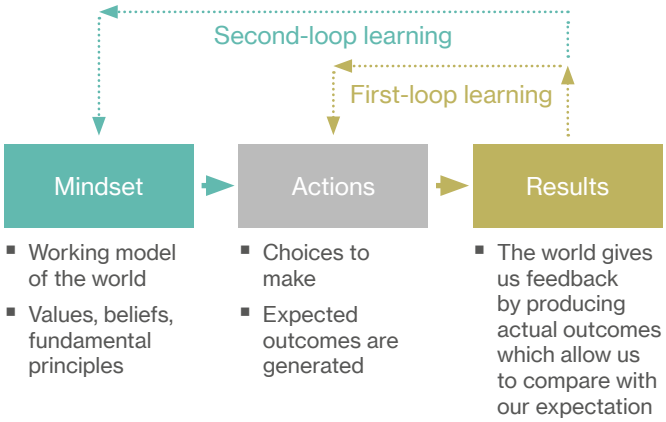
Scenarios enable decision-makers to steer a course between these two undesirable states. While complete knowledge about the future is impossible, we can learn something useful about the future through scenarios and train ourselves to better prepare for the unexpected.

[1] This system 1 and system 2 categorisation of human brains is borrowed from Daniel Kahneman's book "Thinking, Fast and Slow".

Scenarios enable adaptive organisational learning

The mark of intelligence is the ability to learn. From an organisational perspective, there are (at least) two different "loops" of learning (see **Exhibit 2**):

- First loop: this is creating models of how the world works, observing what the world does, and adjusting our models and actions in response to feedback
- Second loop: we find there are many surprises – the world is not static – and this makes us question the validity of our current mindset / model, and our fundamental assumptions about how the world works subsequently evolve.



Source: "On Organzational learning", Chris Argyris. 1999 and "Big Mind", Geoff Mulgan, 2018

Exhibit 2: loops of learning

First-loop learning is reactive and easy to do. But it only works in a stable environment and relies on fast and unambiguous feedback. Second-loop learning is harder work and requires creativity, but is critically important for navigating a VUCA environment.

Organisations can be blind to the need for second-loop learning when things are running smoothly, until, in many cases, a major event strikes (a major failure or a system-wide crisis). The experience of learning from major mistakes is painful and costly. Scenario learning, if done properly, can create an environment where mistakes are made and lessons are learned without incurring actual damage, by allowing decision-makers to "test drive" multiple, future contexts.

The purpose of a scenario learning exercise is to "unfreeze" and expand the current organisational mindset, supporting a culture of (second-loop) learning.

More benefits of scenario learning

Human brains prefer narratives to probability. Narratives can provide a more intuitive understanding of why things happen and how they are connected to each other. Besides, institutional investing is largely about group decision-making, which requires ideas to be effectively communicated. Stories are much more effective when communicating than facts and numbers.

Scenario learning also creates a psychological safe zone for members of the team to openly challenge the house view, the official future, or to counter the HiPPO effect (highest paid person's opinion).

And, as opposed to predictions, scenarios encourage rather than suppress conversation which, in turn, fosters shared and collective understanding.[2]

[2] "Scenarios: The Art of Strategic Conversation", Kees Van der Heijden, 2005

Section 2

Scenario learning: what it is and what it isn't

Key messages

- Scenario learning is...
  - about making explicit - and challenging - the organisational mindset
  - more about learning how to think than what to know
  - using augmented understanding to improve decision-making
  - a social process as much as an intellectual process
  - a periodic re-setting process
- Scenarios are not....
  - predictions. They are not intended to cover the entire spectrum of all possible futures
  - an end in themselves. Scenarios serve a purpose, such as better decision-making
  - intended to provide all the answers for the future
  - infotainment. It should create impact and instigate actions

For scenario learning to be effective, it needs to[3]:

Make explicit - and challenge - the organisational mindset
Developing plausible alternatives compels decision-makers to reveal, explore and challenge their collective mental models about the future. The emphasis is not just on generating new thoughts about the future; it is also about explicitly challenging conventional wisdom.

Learn how to think, rather than what to know
A quote that is often attributed to Albert Einstein says *"Education is not the learning of facts, but the training of the mind to think".*

Many aspects of the future are not only unknown, they are unknowable. While scenarios can often curate new insights, the aim is not to make knowledge about the future complete (an impossible task). Scenario learning is rather about improving an organisation's ability to better understand the driving forces underpinning changes and better prepare it for the unexpected. The key is to learn with scenarios; not just about them.

Augment understanding to improve decision-making
Learning implies putting knowledge to use. A key purpose of scenario learning is to improve collective understanding of possible futures to enhance collective decision-making.

Be a social process as much as an intellectual process
Learning implies deliberation. Collective learning is a collaborative, conversation-based social process – we make sense of the world together, not alone. In that social process, we help each other interpret, clarify and convert implicit knowledge into explicit knowledge.

Be a periodic re-setting process
Scenarios provide views of the future against which decision-makers can monitor events as they unfold. Scenarios have a limited shelf life. There is a need to periodically review and renew scenarios.

Scenarios are not...

- ...**intended to cover the entire spectrum of all possible futures**. Scenarios are not predictions. Scenario learning should not be accompanied by a sense of complacency or security
- ...**an end in themselves**. They are only a means to an end – to improve understanding and, in turn, inform decision-making. Scenario learning needs a clearly defined purpose at the outset
- ...**intended to provide all the answers** for the future. They are designed to create an environment that allows decision-makers to ask better questions about the future
- ...**just an intellectual exercise**. They are more than just research reports. Reading the narratives is the starting point of the learning process, not the end-game
- ... **infotainment**, which scores highly on interesting and impressive dimensions, but low on long-lasting impact. Creative storytelling is essential, but scenarios are useless if they fail to help decision-makers discover blind spots, challenge tunnel vision and, by doing so, better prepare for the unexpected.

[3] "Learning from the Future: Competitive Foresight Scenarios", Liam Fahey and Robert M Randall, 1997 and "Methods of future and scenario analysis" Haanah Kosow and Robert Gabner, German Development Institute

Section 3
How to do scenario learning

Key messages

- Scenario learning is not done well in the investment industry. There is too much focus on producing the analytical content and too little focus on making effective use of it
- Scenarios are built by exploring key cause-effect linkages and by storytelling – until coherence is achieved
- Good scenarios are always plausible, striking a balance between being relevant and challenging, easy to understand, internally consistent and distinct from each other
- Scenario learning workshops assisted by facilitators are a pragmatic way for investment organisations to explore the value of this learning experience. We propose a straw-doll process for such a workshop.

Scenario learning is not done well in the investment industry

There are no barriers to entry, everyone is capable of creating some future scenarios. That is likely to be one reason why few people consider how to do it well.

There is a strong supply of high-quality scenario reports in (and outside) our industry – for example, CFA Institute and World Economic Forum. They are open-source, so everyone can access them. This means they are often read by individuals as research reports or thought pieces, and are not subject to the crucial social process that supports collective learning.

In our view, a major obstacle to the effective use of scenarios in our industry is the false perception that written reports about scenarios are the final products. In other words, there is too much focus on producing the analytical content (it tends to be called "scenario analysis") and too little focus on making effective use of it.

We hypothesise that this arises from scenarios being confused with predictions. Predictions, if accurate, can be readily applied without further work and the separation between producer and user is actually desirable to enhance objectivity. Scenarios, on the other hand, critically require collaboration and interaction between producers and users (learners might be a better collective noun). They are really very different concepts.

Pragmatism needs to underlie the scenario learning process

If your organisation has a strong belief in the value of scenario learning, and is willing to commit significant time and resource, then you can embed scenario learning in your decision-making process across many activities.

Companies such as Shell have built substantial scenario-building capabilities - its internal scenarios team has over 20 people from diverse disciplines. With this level of resource, you can conduct scenario building and application projects that last for years, becoming integrated and iterative, and creating business impact.

We don't believe many organisations in our industry are in a position to adopt this version of scenario learning. So a pragmatic starting point is to learn from and with scenarios created by others, and incorporate a social / interactive element into the process. We do not claim to have come up with a definitive "how-to" guide, but Shell's experience suggests there are some sound principles to guide this process, and the rest of this paper is devoted to our thoughts on these principles.

We start by sharing guidance on building scenarios, for those who have the ambition to build their own, and then propose and discuss creating an interactive learning experience with an investment organisation using facilitators (who are, ideally, producers of the scenarios).

Good vs bad scenarios[4]

Common pitfalls in building scenarios are:

- Inappropriate timeframe and scope. The focus is on short-term issues, ignoring unrecognised longer-term opportunities and threats
- Insufficient focus on drivers. The focus is on "symptoms" rather than fundamental drivers
- Lack of diverse viewpoints. Scenarios end up being slight variations on a theme, organised around the status quo
- Failing to tell a dynamic story. Scenarios are written as descriptions of end-point states and fail to reveal the dynamic process of how we get from today to that future point.

Desirable properties of scenarios:

Make it plausible, not probable

- Scenarios are not predications. They provide a deeper foundation of knowledge and self-awareness in approaching the future

Strike a balance between relevant and challenging

- Relevant can be too familiar but challenging can go unheard

Consistency

- Paths to the future within a scenario must be consistent with one another

Comprehensibility

- Scenarios must be detailed enough to be traceable but not combine too many dimensions so comprehensibility is lost to complexity

Distinctness

- Alternative scenarios differ from one another clearly enough

Transparency

- Assumptions and the processes by which decisions are made regarding assumptions should be laid open to increase the degree of verifiability and legitimacy

[4] "Methods of future and scenario analysis", Haanah Kosow and Robert Gabner, German Development Institute, "Living in the Futures", Angela Wilkinson and Roland Kupers, May 2013, Harvard Business Review, "Twenty common pitfalls in scenario planning", Paul Schoemaker, in Learning from the Future, 1998

Process of building scenarios and examples

The Oxford Scenario Planning Approach[5] suggests two logical ways of articulating the imagined future context. System map describes the future in terms of a system of causally-linked variables and storytelling tells a story, with a start, middle, and end of what happened and how, which links the future to the present. Scenarios and their plausibility are developed by the iteration between a system map and storytelling until coherence / internal consistency is achieved.

The iteration between a system map andcoherence / internal contributes to further understanding and to greater clarity about the underlying cause-effect linkages. It also helps reveal feedback loops that determine the stability of the scenario. Building the system map typically requires in-depth research and moving from research to scenarios requires the development of a scenario structure.

Here is an example of a scenario structure (see **Exhibit 3**) from Shell[6]. It includes one or more focal questions, a branching point (two or more branches, exploring a critical uncertainty) and scenario outlines.

The focal question

A broad definition of the major challenge(s) that the primary users of the scenarios are likely to face in the future (eg investment industry's social license to operate)

Branches

Different directions in which a critical uncertainty could play out (eg improving vs deteriorating trust; systematic investment continues to grow vs reverse trend). Each branch will provide a different answer to the focal question and each answer fundamentally changes the business environment

Scenario outline

This is the story that is created by selecting a certain path to follow among the different branches of uncertainty

Exhibit 3: Shell scenario structure

[5] "Strategic Reframing: The Oxford Scenario Planning Approach", Rafael Ramirez and Angela Wilkinson, 2016
[6] "Scenarios: An Explorer's Guide", Shell International BV, 2008

Following this process we also provide two examples of future scenario narratives, one produced by the CFA Institute and one produced by our own Thinking Ahead Group. The focal question for the CFA Institute future scenarios[7] (**Exhibit 4**) is how the future of investment management could unfold in the next 5-10 years. The Thinking Ahead Group extreme risk scenarios[8] (**Exhibit 5**) focus on what low-probability high-impact events could significantly disrupt economic growth and asset returns in the next 20 years.



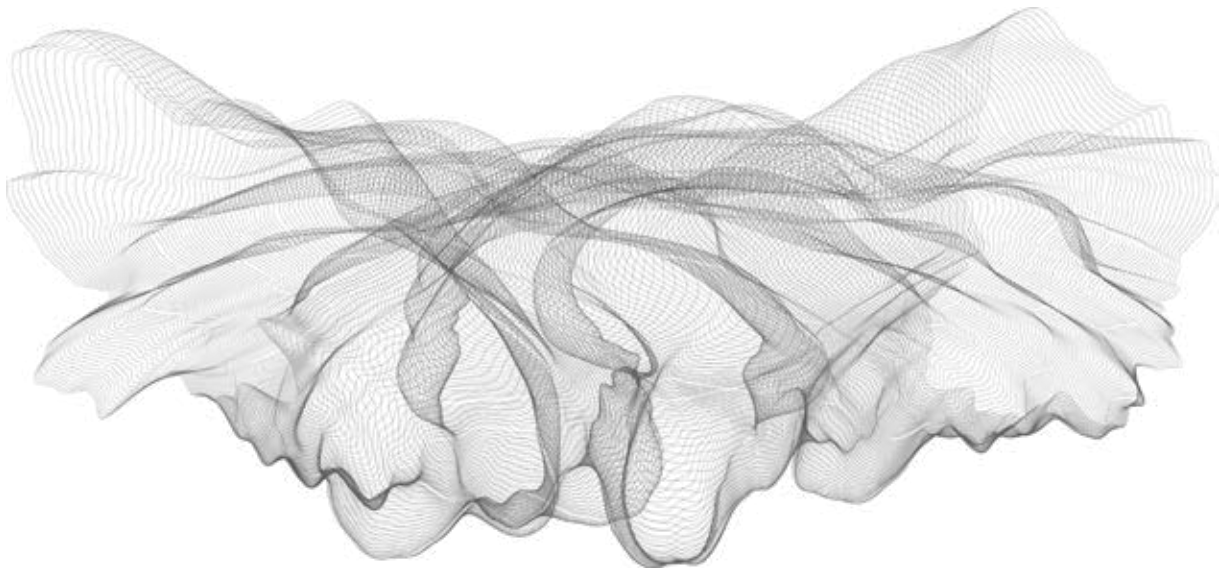

Fintech disruption	Parallel worlds	Lower for longer	Purposeful capitalism
New technologies promote new business models; disruption and creative destruction are endemic; challengers do better than incumbents; major disruptions to the world of work. Expect quickening flow of disruptions from technological innovation in digitisation and digitalisation. Regulatory infrastructure in finance gradually integrates technology-driven models. Traditional active management shrinks with some growth in alternatives, smart betas, and outcome-oriented solutions. Smart machines and systems, data analysis, and inference play a disruptive role in finance's evolution. Robo-advice and its "cyborg" variants become preferred style or tool for delivering investment advice.	**Different segments — by geography, generation and social group — engage in society d'fferently; a higher baseline for financial services participation with wider dispersion of product preferences.** Better worldwide education, healthcare and telecoms increase societal engagement Social media carries potency to bring people together and to divide, legitimately and illegitimately. New-style financial institutions enable personalised, simple, and speedy engagement. Big data serves customisation of investment products to specific segments including more reflection of personal values. Improvement in financial literacy and empowerment produce better financial participation.	**New normal low interest rates and returns become embedded for the foreseeable future (five-ten years) accentuated by lower levels of global growth and higher levels of political instability.** Natural interest rates stay low. Growth challenges come from multiple sources: indebtedness, adverse demography, excess savings, China/ EM, companies hoarding cash. Moves to lower-cost, higher-tech investment solutions; premium on innovation; industry consolidates. Private markets carry growing weight in capital raising. Corporate and public pension costs rise to pay for increased longevity and reduced returns. Disappointment With outcomes rubs off on trust and skill is under pressure to demonstrate its value.	**Capitalism's way o working evolves; the investment industry raises its game with more professional, ethical and client-centric organizations acting in aligned-to-purpose ways.** Governments and firms work toward a more positive direction Of travel for capitalism With more respect for Wider stakeholders Markets for publicly listed equity and private equity are more fair, efficient, and deep over time and grow as a result. Firms and investment organisations integrate their Wider purpose alongside their profit motivations. Asset owners are more influential; they add focus to longer-term value creation and sustainability. Investrnent providers need to have a "clean license to operate" including ESG principles.

Exhibit 4: CFA Institute future scenarios

[7] "Future state of the investment profession", CFA Institute, 2017
[8] "Extreme risks, 2013" and "Extreme risks, the irreversibility of time and the retirement anomaly", Thinking Ahead Group, Willis Towers Watson, 2013

Banking crisis	Currency crisis	Anarchy	Alien invasion	Extreme longevity	Biotech catastrophe
Insurance crisis	Deflation	Global trade collapse	Biodiversity collapse	Food/water / energy crisis	Cyber warfare
Sovereign default	Depression	Political extremism	Cosmic threats	Health progress backfire	Infrastructure failure
Abandonment of fiat money	Hyper-inflation	Terrorism	Global temperature change	Organised crime	Nuclear contamination
Break-down of capitalism	Stagnation	World War III	Natural catastrophe	Pandemic	Technological singularity

Financial extreme risks
Economic extreme risks
Political extreme risks
Environmental extreme risks
Social extreme risks
Technological extreme risks



Narratives of four selected risks

Global temperature change

Earth's climate tips into a less-habitable state (hot or cold)

There is little doubt in science that rising greenhouse gas emissions produced by human activities are leading to rising global temperature. Natural feedbacks In the system have the potential of amplifying global warming. It is expected to be followed by serious consequences including extreme weather being more frequent, and rising sea levels (of several meters) making much of the current coastal communities uninhabitable. The extreme risk is that earth's atmosphere passes a point of return and tips into a less- habitable state. On the other hand, while gaining less support In the science community, earth's surface and atmosphere could experience excessive cold slipping into an Ice age. This could be caused by a drop in the sun's emission of energy (for a temporary but prolonged period), or by another extreme event such as a meteorite strike or super volcano. In either situation, habitable areas will be significantly reduced, causing large scale migration and reducing the quality of life for most of humankind.

Global trade collapse

A global protectionist backlash against cross-border trade

Protectionism is the policy of restricting trade with the aim of •protecting' businesses and workers in the domestic economy from the full force of external competition. There has been an increase in barriers to trade in recent years. The concern is that short-term political expediency can override long-term economic logic with the extreme risk being a populist backlash against cross-border mobility of labour, goods, and capital, causing global trade and investment to collapse. The consequence will include more uncertainty in financial markets, greater fragmentation of capital markets and eventually a reversal in globalization.

Depression

A deep trough in economic output in major economies

The extreme risk is a deep trough in economic output, massive increase in unemployment, restriction of credit, and shrinking Investment in a major economy. There has been an extended period of over-consumption (by Western consumers) meaning that businesses have built productive capacity to satisfy a level of demand that is unlikely to be reached for a number of years, as Western households Increase their savings rate. The primary consequence of a depression IS typically a sharp and prolonged increase in unemployment. The depth of the trough means that a long period of recovery is required before there is pressure to hire new workers. The secondary effects are therefore a drop In consumption, restriction of credit, shrinking output and Investment, and numerous bankruptcies. Depressions can trigger deflation or hyperinflation, adding further complications. Excessive leverage In the system can Interact With depression — a self- reinforcing fall In asset values can cause further defaults, bankruptcies, falling incomes and rising unemployment, causing or prolonging economic depression.

Health progress backfire

Huge rise in morbidity/mental ill-health, antibiotic resistance.

Modem medicine has been consistently meeting existing and new diseases with new treatments, giving rise to improved human health. There is no guarantee that the rate of medical advancement can always outpace the rate of pathogen evolution and a catastrophic event could emerge should biological mutation eventually outpace human innovation. This could result from the unintended consequences of current healthcare practices such as antibiotic resistance. Social trends such as widespread mental health problems and obesity are additive to the problem. One in five people in the West IS believed to be clinically depressed. The extreme risk from a societal point of View is a massive Increase in morbidity for a large proportion of the populatiom Not only does this directly reduce quality of life, but would also reduce economic output. From a retirement viewpoint the extreme risk is that the increase in morbidity is not accompanied by a reduction in longevity. In other words, economic output falls and liabilities increase.

Exhibit 5: Extreme risk scenarios

Scenario learning workshop

As alluded to earlier, we believe that most investment organisations are likely to start the learning process with externally produced scenarios. Given the emphasis on delivering a social process of collective learning, strong knowledge about the scenarios and the ability to lead and facilitate an inclusive, interactive and collaborative learning experience are key to the success of this exercise. Facilitation could be delivered by someone external, who is ideally also involved in producing the scenarios. An alternative model would be to have two facilitators, one (likely external) focusing on delivering the content of the scenarios while the other one (likely internal) takes the role of the social leader. This role primarily focuses on supporting engagement and turn-taking, interpreting and clarifying, moving the discussion forward and bringing issues to a conclusion.

In addition to facilitation there are other aspects to a successful scenario learning experience which we will outline below, and which are summarised in exhibit 6.

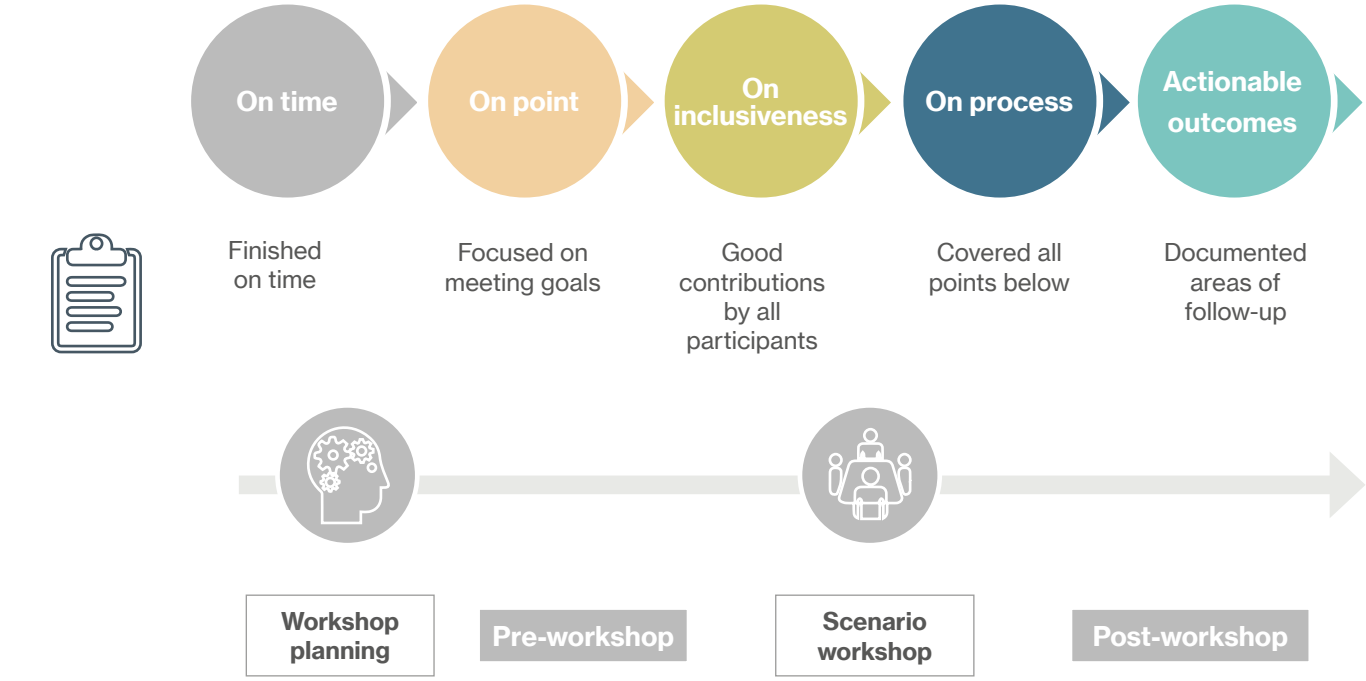


Exhibit 6: A proposed process for a scenario learning workshop

Workshop planning

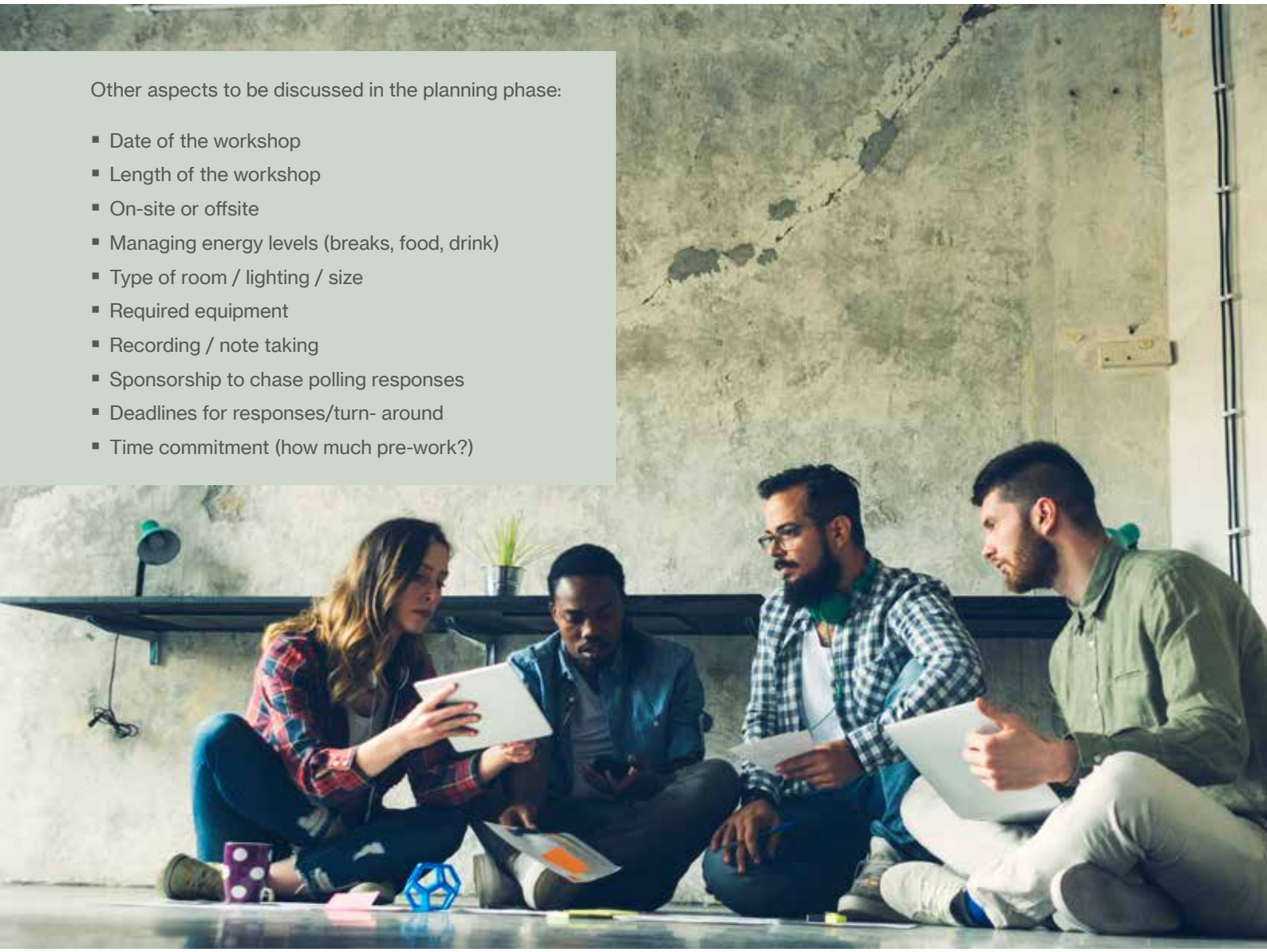
"Scenario planning is not about feeding people's minds with new facts they did not have before, nor about crossing a data "gap", nor about filling an information void. Instead, scenario planning is about how perceptual and conceptual frames in someone's mind at a particular point in time can be usefully challenged...Scenario planning is designed to help people's minds gently consider alternative perceptions and conceptions about their contexts." **(The Oxford Scenario Planning Approach)**

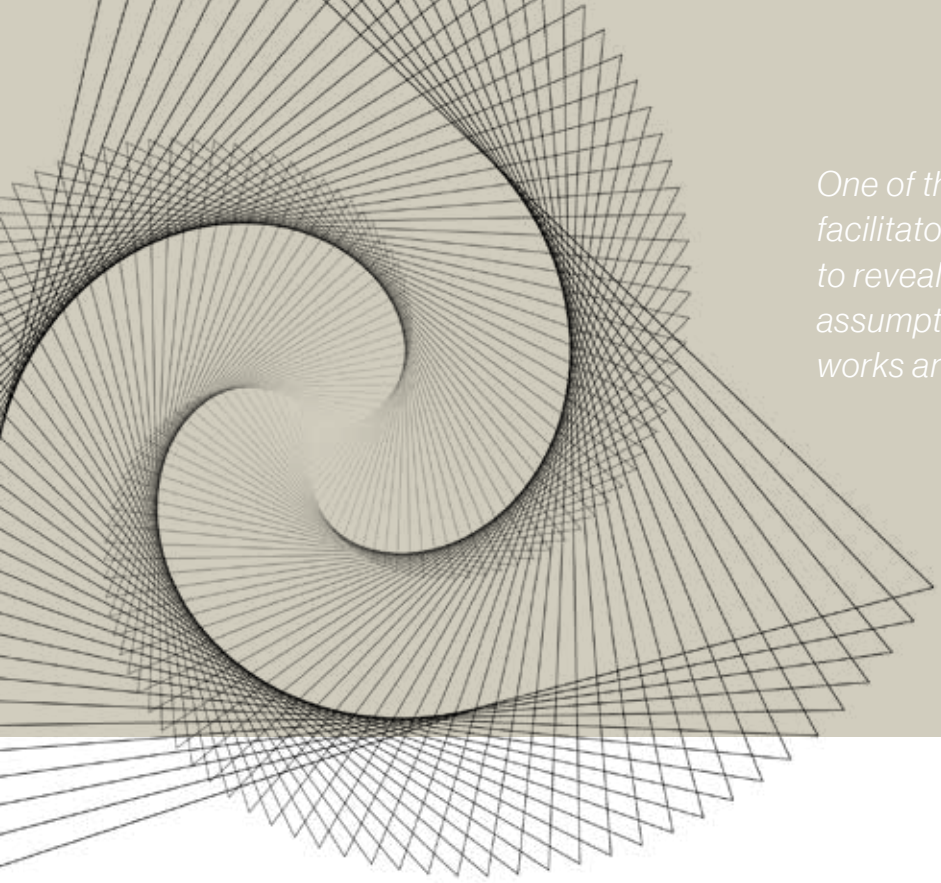
It is essential before the workshop to clarify what the scenario learning exercise can and cannot do. It is useful for the learning organisation to agree on the specific parameters (see bullet points below) of the scenario workshop. As with most workshops, this will help avoid mindless participation and the subsequent impression that the workshop is not particularly helpful:

- The main purpose of the exercise (the focal question), whether to help address an important decision, or to understand an emerging and little-understood theme and its implications on business / investment decisions
- How scenarios will be used to achieve that purpose
- Who the intended users are. Will they all be able to participate in the scenario workshop?
- The expected outcomes and how to assess if these outcomes are successfully delivered.

Other aspects to be discussed in the planning phase:

- Date of the workshop
- Length of the workshop
- On-site or offsite
- Managing energy levels (breaks, food, drink)
- Type of room / lighting / size
- Required equipment
- Recording / note taking
- Sponsorship to chase polling responses
- Deadlines for responses/turn- around
- Time commitment (how much pre-work?)





One of the key responsibilities of the facilitator is to encourage participants to reveal and make explicit their own assumptions about how the world works and how it might evolve.

Pre-work

Pre-meeting work and engagement before any type of meeting is critical to the successful delivery of the meeting. Spending time earlier can be the best way to save time later on.

For facilitators, pre-work should focus on making sure that scenarios are produced with a particular group of learners in mind and for a particular purpose. When lifted to a new environment, it is very important for them to adapt to accommodate the specific context of the learning organisation and to serve its particular purpose. Scenarios need to be connected with the learner's own frame of reference. This might require creating a new set of scenarios if the purpose of exercise is to address a different focal question (a new key challenge).

From the perspective of the learning organisation, it is important for them to get familiar with the scenario material before the workshop. This can be guided by responding to a carefully-drafted survey which could, for instance, establish what participants believe are the biggest opportunities and threats for their organisation's future success.

The scenario workshop in action

Storytelling is an important skill to communicate scenarios, enabling participants to visualise and experience a possible version of the future. Visual images can be creatively used. Videos can give even more creative freedom. The length of the workshop can range from a couple of hours to a couple of days.

One of the key responsibilities of the facilitator is to encourage participants to reveal and make explicit their own assumptions about how the world works and how it might evolve. This can be achieved via reviewing pre-workshop polling results as well as conducting new polls. Once these preconceptions are made explicit and visible to other participants, they can be discussed in a productive and constructive way.

To encourage learning, the facilitator can ask participants to come up with the key questions they want to ask about the future. Scenarios might not always have readily-available answers, but effective learning often starts with asking the right questions.

The Oxford Scenario Planning Approach discusses the idea of "test driving", which is a form of role-play. Participants are asked to play the roles of the leader of their organisation and of their competitors in a given scenario. This could occur in break-out sessions, if time allows. Imaginative storytelling is key here to create an environment where participants of the workshop can immerse themselves in the stories.

During discussions, disagreements will inevitably arise. Disagreement should be treated as an asset since scenario learning is designed to create a psychological safe zone that encourages debate and the emergence of diverse opinions. Scenario learning does not require consensus. The process respects and accommodates differences and seeks to define them clearly in order to learn from them.

In terms of specific techniques that support creating an inclusive and engaging collective learning experience, we refer readers to our paper "Better decision-making: a toolkit", in particular the chapter on "making meetings matter".

Post-workshop

A summary of the key learning points, including all polling results, should be produced, ideally leading to actionable takeaways.

It is always a good practice to understand how effectively a workshop delivers its set objectives. That is, whether the workshop contributes new options for strategic decision-making, forges new common ground among the participants in areas where there was conflict, or improves collective understanding of an emerging trend.

Instead of being seen as a one-off exercise, scenario learning is more useful if it becomes embedded in the ongoing decision-making process. This requires continuity of participation and organisational commitment, which includes periodic renewal of the scenarios as problems are solved, other challenges arise, and/or the operating environment shifts. Participants can also reflect on the workshop experience and weigh up the benefits and costs of upping the organisational commitment.

It is useful to develop a set of signals / flags that can indicate how the dynamics underpinning different scenarios are actually developing. This enables decision-makers to anticipate the development of different themes, instead of being forced to react to unexpected events.

Section 4
Concluding thoughts

This paper brings together various learnings and suggests a structure for a scenario learning workshop. We have not (yet) run or facilitated a workshop which follows this model, so we cannot provide a directly-relevant case study. However, we can point to relevant experience which, indirectly, supports our belief that a scenario learning workshop would be a valuable exercise.

Using scenarios at a roundtable

At the March 2018 TAI roundtable event in Sydney, we considered the renaissance investment professional – specifically the importance of purpose, new skills and collective (team) decision-making. We asked attendees to divide themselves into four groups, and each group considered the renaissance investment professional in a different scenario.

The positives of this exercise: the scenarios challenged the participants' mindsets, and gave the individuals new insights – largely due to collaborative, collective learning. The feedback was strongly positive that this was a worthwhile exercise.

The negatives: individuals were from multiple organisations, so the context was necessarily abstract, and the learnings were less relevant for individual organisations. In addition, there was no preparation, and discussion was limited to just 30 minutes.

Thought experiments

In 1-2-1 meetings with members, we have sometimes used thought experiments to explore issues. A thought experiment takes the form of a simple narrative and posits a simple view of the future.

The thought experiments we have used are always plausible, but are typically extreme given that they are designed to provoke new thinking. In our opinion, they lead to high-quality conversations exploring real issues – but the learnings are clearly less formalised than in a scenario learning workshop.

Thinking Ahead Group content development

In our own work as a team, we actively use narratives to project ourselves into the future in order to explore plausibility or possible consequences of certain decisions. While lacking the formality of a facilitated workshop, we believe it is effective at promoting second-loop learning.

We would like to end this paper with a quote that is often, rightly or wrongly, attributed to Benjamin Franklin – "Tell me and I forget. Teach me and I may remember. Involve me and I learn". That neatly summaries the spirit of scenario learning.

Limitations of reliance

Limitations of reliance – Thinking Ahead Group 2.0

This document has been written by members of the Thinking Ahead Group 2.0. Their role is to identify and develop new investment thinking and opportunities not naturally covered under mainstream research. They seek to encourage new ways of seeing the investment environment in ways that add value to our clients.

The contents of individual documents are therefore more likely to be the opinions of the respective authors rather than representing the formal view of the firm.

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About the Thinking Ahead Institute

The Thinking Ahead Institute seeks collaboration and change in the investment industry for the benefit of savers.

It was established by Tim Hodgson and Roger Urwin, who have dedicated large parts of their careers to advocating and implementing positive investment industry change. Hodgson and Urwin co-founded the Thinking Ahead Group, an independent research team in Willis Towers Watson in 2012 to challenge the status quo in investment and identify solutions to tomorrow's problems.

What does the Thinking Ahead Institute stand for?

- Belief in the value and power of thought leadership to create positive investment industry change
- Finding and connecting people from all corners of the investment industry and harnessing their ideas
- Using those ideas for the benefit of the end investor.

The membership comprises asset owners and asset managers and we are open to including membership of service providers from other parts of the industry. The Thinking Ahead Institute provides four main areas for collaboration and idea generation:

- Belief in the value and power of thought leadership to create positive investment industry change
- Working groups, drawn from the membership, and focused on priorities areas of the research agenda
- Global roundtable meetings
- One-to-one meetings with senior members of the Institute.

About the Thinking Ahead Institute

The Thinking Ahead Institute seeks to bring together the world's major investment organisations to be at the forefront of improving the industry for the benefit of the end saver. Arising out of Willis Towers Watson's Thinking Ahead Group, formed in 2002 by Tim Hodgson and Roger Urwin, the Institute was established in January 2015 as a global not-for-profit group comprising asset owners, investment managers and service providers. Currently it has over 40 members with combined responsibility for over US$12 trillion.

thinkingaheadinstitute.org

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