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Supplement
**Using Scenario Planning to Surface Invisible
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Using Scenario Planning to Surface Invisible Risks

Is your organization prepared if the unexpected should come to pass?

BY SAMPRITI GANGULI

Over the past year, we have witnessed a wave of largely unexpected sociopolitical events with important implications for the social-impact sector: Brexit, the US presidential election, the rise of nationalist movements globally, and the surge in charitable giving. In the wake of these events, many funders and grantees are wondering what they could or should have done differently—both to predict these events and to respond to them more quickly. While not a panacea, better scenario planning can help funders become more agile and responsive to unexpected events.

Scenario planning—developing a range of story lines about how the future will unfold—is a creative exercise that enables an organization to evaluate how programmatic outcomes and eventual overall impact might vary under differing conditions. In contrast to traditional strategic planning, scenario planning typically works on a longer time horizon, well beyond an annual or three-year plan. It also encourages participants to acknowledge the possibility that the future may hold circumstances that are not necessarily the most probable, but are plausible and include less desirable or even negative outcomes.

The scenario-planning process enables a team to think through a range of possible strategic options, identify triggers for strategic choices and key inflection points, and develop risk-mitigation plans. When practiced regularly, over time, scenario planning enables an organization to reallocate resources and make other significant decisions more rapidly than they would otherwise have, when a “plausible but unlikely” event actually comes to pass.

Scenario planning came into vogue in military intelligence in the 1950s, and the technique has been part of some corporate strategic planning processes for decades. For example, Shell Oil Company’s scenario planning predates the oil crises of the 1970s and in some ways helped that company’s lead-

ers to better prepare their organization for those shocks. In another case, United Parcel Service began a significant expansion into the retail store market based off a scenario that its leaders developed, known as the “Brave New World,” that imagined a vastly different regulatory environment.¹

The practice became more popular after the credit crisis of 2008, the impact of which was felt throughout global economies. Retrospectively, many in the risk-management field referred to the 2008 meltdown as a “black swan,”² echoing an expression that dates back to ancient Rome. It once implied impossibility, since black swans were thought not to exist, but when a black swan was sighted in Australia in the late 1600s, the expression evolved to imply that what once was thought impossible might someday be proved.

Consider that idea for a moment—the possibility that what we now regard as impossible, or highly unlikely, might be proved a reality. That’s the fundamental psychological leap that effective scenario planning requires and enables: thinking through possibilities we have yet to even imagine, internalizing the idea that such unexpected outcomes could actually happen, and then envisioning what it would take to respond in such circumstances. Scenario planning requires us to believe that black swans exist, even if we’ve never seen one, and even if we are far more likely to keep meeting swans that are just like the ones we’ve seen before.

Why Scenario Planning Is Difficult for Donors

Scenario planning is an excellent way to prepare for the unexpected. But in order for donors to execute the practice well, they may need to confront and overcome a host of structural and cultural barriers.

First and foremost: Risk management is not common practice at most foundations. As Open Road Alliance’s research shows, during the grantee application process, roughly only one in four funders openly discusses impact risk (defined as the chance that something may

go wrong that damages the project outcomes) with prospective grantees.³ If most of us don’t even consider probable obstacles to our programs, then we are unlikely to push ourselves to consider the most unlikely outcomes.

Second: The short time horizons of most grant cycles discourage both donors and grantees from thinking about the longer term. The relatively tight timeframe in which most grants deliver funds (and donors expect results) emphasizes reliance on recent history to predict the short-term future. This process leaves all parties vulnerable to being blindsided by the unexpected.

Third: Grantees are often capacity constrained (and donors can be capacity constrained by choice), rendering scenario planning more in the “nice to have” rather than the “need to have” category.

And finally: The inherently subjective nature of the inputs and outputs in scenario planning may make this type of exercise challenging in foundations where the culture and operating norms are highly analytical and methodologically driven.

What Donors Could Be Doing

The benefits of scenario planning are worth the effort involved, however, and it should become a standard exercise in any philanthropic organization that plans to be making investments 10 to 20 years from now. The world is changing too quickly for it not to be.

How then would scenario planning look in a foundation setting? In a large foundation, or even in a small foundation where there are distinct areas of expertise on issues (and, potentially, issue silos), program officers in different areas would ideally meet annually to imagine alternative scenarios and explore how the issues they represent can and might intersect across grantee organizations or among target beneficiary populations. Program officers and groups of grantees could do the same, to great effect. Groups of program officers from different foundations, who were focused on one specific issue area, could also benefit from such an exercise.

Whatever the specific permutation of participants may be, here’s what the exercise could look like in three steps (set, for discussion purposes, to focus on a hypothetical early learning program).

1. Analyze Megatrends | A foundation focused on early learning might start by brainstorming three to five hypothetical future megatrend scenarios that could affect early learning programs in a particular geography.

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A megatrend is a large-scale pattern or movement—covering a 10- or 20-year period—that has a major, long-lasting impact on business and society.⁴ Megatrends can be social, economic, geopolitical, environmental, or technological. Their purpose, as part of scenario planning, is to encourage big-picture thinking that goes well beyond programmatic design and current theories of change and to “prime the pump” for a conversation around unthinkable outcomes.

For a program focused on early learning in public schools, for example, possible megatrends might include the privatization of public school systems, massive population displacements resulting in unprecedented increases in students (like what many Texas and northern Louisiana schools faced following Hurricane Katrina in 2005), or the abolition of federal oversight.

Identifying these megatrends could be done workshop style, where participants read a select group of provocative articles before meeting to prime them for lively discussion. Or it could be done by inviting in futurists or other speakers to highlight actual long-term societal trends that could fundamentally alter the course of a particular program or issue area.

2. Give Assumptions a Stress Test | Following the discussion of big-picture megatrends, participants would home in on the linkage between the implications of various megatrends, current programmatic priorities, and potential gaps. This step takes relatively abstract, or even far-fetched, ideas and develops them to see if they are, in fact, plausible.

This process also generally uncovers inherent biases, reveals interdependencies between circumstances that might have, at first glance, appeared unrelated, and potentially showcases blind spots that hinder acceptance of alternate futures. Here, one blind spot might be the unshakable belief that private schools will never emerge as the predominant way of educating students. Another might be the belief that philanthropy can never bridge the financial gap of a loss in public sector funding. Revealing these beliefs or assumptions can illuminate the systematic biases that underlie perceptions of a program’s potential success (or failure).

One way to generate a more active conversation at this stage would be to have a facilitator pose the following questions:⁵

- What potential discontinuities in our programmatic environment could create new threats and opportunities?
- Assume for a moment that the future of

our program progresses so poorly in the next decade that there is only one chance in 10 that it could be worse. Describe that future. What external developments or actions on our part led to it?

- What factors, elements, or considerations that made our program successful in the past do we need to forget in order to be successful a decade from now?
- Describe a scenario in which our board of trustees defunds our program. What do we need to do to guard against this?

3. Develop a Set of Specific Scenarios | With megatrends identified and some assumptions articulated, participants would next develop a set of scenarios that presented the feasible future(s) for the organization. The idea here is to generate multiple scenarios in an attempt to set a range of uncertainty (between two and four scenarios are usually sufficient). One scenario might be “End of an Era,” where family foundations cease being the prominent platform for philanthropic giving. Another scenario could be “Idyllic Summer,” which imagines a near-perfect policy, funding, and technical capacity support for public school education across the majority of states.

Exercises like these benefit from each participant having a clear role to minimize groupthink. As an example, one person can be the designated naysayer, another can be the optimist, a third participant can be the pragmatist, and the like. The idea is to develop scenarios that challenge the organization’s conventional wisdom about the future, that are structurally different from one another, and that encompass positive as well as negative possibilities.

While there are many different tools to help generate scenarios, one of the simplest is to use a two-by-two analysis that juxtaposes the possible extreme outcomes of two major risks. For example, in the area of education, the two risks could be the level of government intervention (mapped from low to high) and the rate and possible direction of technological innovation (mapped from low to high). These vectors would be the basis for four possible scenarios. As participants developed each scenario, they could consider the following questions:

- How does our organization’s theory of change fit in each of these alternative futures? Will our theory of change work?
- How do the alternative scenarios challenge assumptions on which we base our theory of change?

- How strong is our theory of change, given future possibilities?
- What would we need to modify in our theory of change to make it effective in these alternatives?

With the scenarios developed, participants would then consider their likely impact on the program or the foundation, and develop remediation and response plans for each.

How Can Scenario Planning Amplify Impact?

There are some downsides to scenario planning. It can be resource intensive, particularly for institutions that haven’t done it before. And it is also inherently subjective and can be beset by biases (which is why I recommend the second step, to flush out and confront bias and assumptions to the extent possible).

But if funders and others in the social sector do increase our use of scenario planning (as I hope we will)—and if we then take the next step and share the scenarios we explore more broadly, we can push the entire field forward. As a heuristic tool, scenario planning has the potential to make programs more resilient and encourage bolder thinking within foundations. With shared results, we can help others do the same; our outcomes, after all, are interconnected. Scenario planning can help us all uncover previously unknown vulnerabilities or underappreciated strengths, significantly enhance mitigation, allow the sharing of information across programmatic silos, and increase responsiveness to rapidly changing external conditions.

Given the pace of innovation, the power and potential of digital access, and the growing reach of philanthropic capital, there’s never been a better time to incorporate scenario planning as a technique to strengthen already-sound social change programs. ◀

NOTES

- 1 Shardul Phadnis, Chris Caplice, and Yossi Sheffi, “How Scenario Planning Influences Strategic Decisions,” *MIT Technology Review*, Summer 2016.
- 2 Popularized by Nasseem Nicholas Taleb’s well-timed 2007 book *The Black Swan: The Impact of the Highly Improbable*, New York City: Penguin.
- 3 *Risk in Philanthropy: Funders Don’t Ask & Non-Profits Don’t Tell* (2015 Survey Report), Open Road Alliance.
- 4 David Lancefield, Robert Vaughan, and Richard Boxshall, “How to Seize the Opportunities When Megatrends Collide,” *Strategy+Business*, Spring 2015.
- 5 I recommend engaging a facilitator so that individuals don’t feel defensive about current programmatic priorities.