SET-UP PLANNING: PREPARING FOR THE ONLY CONSTANT – "CHANGE"

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ABSTRACT

Decision making with reference to company about how to act, when to take further step & at what time it may be beneficial to act is dependent on the anticipation about the future. Companies' outlook towards future might turn out to be wrong since the environment around it totally uncertain & companies have limited mindsets to think. An assumption in regard to credible future is known as scenario. A set of divergent scenarios to discover the clueless environment around us to design the future is what set-up planning is all about. Set-up planning initiates a structure which are very much pliant procedures for the uncertain & uncontrollable future. For making decisions in the companies set-up planning use various information form may be in qualitative & quantitative form. This unstructured information used in structured formats for improved decisions. Additionally, if set-up planning may include dissimilar groups for gathering, discussing & examining the assumptions or scenarios lead to better decision making.

Apart from various benefits some of the major ones are:

- ✓ *The process provides a better understanding about the unknown future.*
- ✓ *This process assists to develop substitute perspective towards formation of future course of action.*
- ✓ *This process ensures enhanced pliability in decision making.*

The paper put insights on how these scenarios are constructed through the systematic process of set-up planning. It also discusses the models or types of set-up planning. Set-up planning has its origin during World War II by U.S. military.

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For organisations, nowadays change is unavoidable. Organisations need to face the challenges presented by the changing time. Technology, economic, demographic, political, legal, etc change can take any of the face. In the modern era, where change is inevitable & also perpetual. Every organization needs to put through this change, in this process one needs to overcome the resistance at various levels in different forms. Set-up planning acts as a tool that can actually help the organization to soften the resistance & organize itself to incorporate that change.

To manage risks related to innovation investments that extend long into the future, managers must be willing to look ahead and consider uncertainties. But rather than doing that, many people react to uncertainty with denial. They take an unconsciously deterministic view of events. They take it for granted, that some things will or will not happen. Not having tried to foresee surprising events, they are at a loss for ways to act when upheaval takes place. Set-up planning is a tool for helping managers to take a view into the future in a world of great uncertainty. It is a tool to manage strategic risks and opportunities. Set-up planning, in short is the identification of scenarios or assumption about the future prospects.

Set-up planning IS NOT the logical projection of historical data so that you can say, In the next five years growth will average 3.5% a year, blah, blah, blah – and from there write a strategic plan.

Set-up planning is a creative method of examining possible futures and building the one that is desired while taking into account what COULD happen and how it would affect the plan. A major advantage of using scenarios to set up strategic planning is to gain ideas and insights that would be missed by using the traditional projection process. It is also a method of forcing the planning team to look at more than the desired outcome and, therefore, be prepared for or even aggressively plan for, events out of the ordinary.

Set-up planning is just a tool. Like any other management tool it is only valuable if you understand it and put it to use. Set-up planning has progressed to the point of becoming a popular management tool to support and even replace, in some cases, the strategic planning process. It is a useful, practical and uncomplicated way to think about the future. Set-up planning allows you to look at an array of alternative plausible futures (although it is recommended that these alternatives should be limited to two to six maximum).

The purpose of set-up planning is not to imminently decide which scenario is correct. Look at each plausible future scenario and examine how prepared your company is for the potential change and consequences. Ideally you should try to establish markers or milestones that may

occur in each scenario that would alert you to which scenario is actually unfolding. By knowing in advance due to these pre-determined benchmarks you put yourself ahead of your competition in not only reacting to the events but actually having an outline of a plan in place to take advantage of the situation

It is a method through which learning about the future by *understanding the nature and impact of the most uncertain and important driving forces affecting our world*. It is a group process which encourages knowledge exchange and development of mutual deeper understanding of central issues important to the future of your business. The goal is to craft a number of deviating stories by extrapolating uncertain and heavily influencing driving forces. The stories together with the work getting there has the dual purpose of increasing the knowledge of the business environment and widen both the receiver's and participant's perception of possible future events.

The most important thing to remember is to challenge your assumptions and create a new and hopefully more realistic view of the future from which to begin the strategic planning process. In many companies the entire concept of strategic planning has been changed to set-up planning. If you can successfully test and restructure the assumptions of the decision makers you have a much better chance of generating creative scenarios and, therefore, strong and aggressive strategic plans. The idea is not to get it right but to expand the thought process.

This method is most widely used as a strategic management tool, but this and similar methods have been used for enabling other types of group discussion about a common future.

CONSTRUCTION OF SCENARIOS

Before creating successful Set-up Planning it is important to create successful scenarios now the question comes how to construct scenarios, the most important aspect while constructing the scenarios is to have insight on the practical roles that they will play, how they can be incorporated, the timing & the requirement of these & one should also take care about in what manner this will influence the individuals in the related context. Basically there are three major steps while constructing the scenarios:

STEP I Firstly, in this stage is interviewing the team members that what matters to the target audience. Ask questions about the problems in the order of Future, Present & Past. Record their feedback, this should be comprehensive and accurate.

STEP II Collate and analyze the result of interview process prepare a good report, set your agenda and circulate it.

STEP III At this stage invite remarkable people to see the report and check the validity of the assumptions and criteria's which taken into consideration.

Thereafter, team should identify the driving forces and test its outcome. Driving forces are major source of change that impact future it can be either predictable or unpredictable. Individual members in the team record those driving forces in "posits" and also for each driving forces, record two polar outcomes. The driving forces and outcomes should be numbered in such a way so that we can easily be clustered later. The fundamental thing to be take care while identifying driving forces is the ambiguity of the driving forces it should be unambiguous, that means anyone can understand the uncertainty in a single reading and make a sense of single meaning.

PROCESS FOR SET-UP PLANNING

There are a number of approaches to set-up planning and the wide range of literature available covers a range of suggested steps which vary in number and priority but there is a high degree of commonality which we've incorporated into this step-by-step guide. There are a range of activities and techniques referred to that you can apply to the tasks, and we've covered some of the best ones in the subsequent 'Applying Creativity' section. Some steps also include downloadable workshop structures for you to take away, tailor and use.

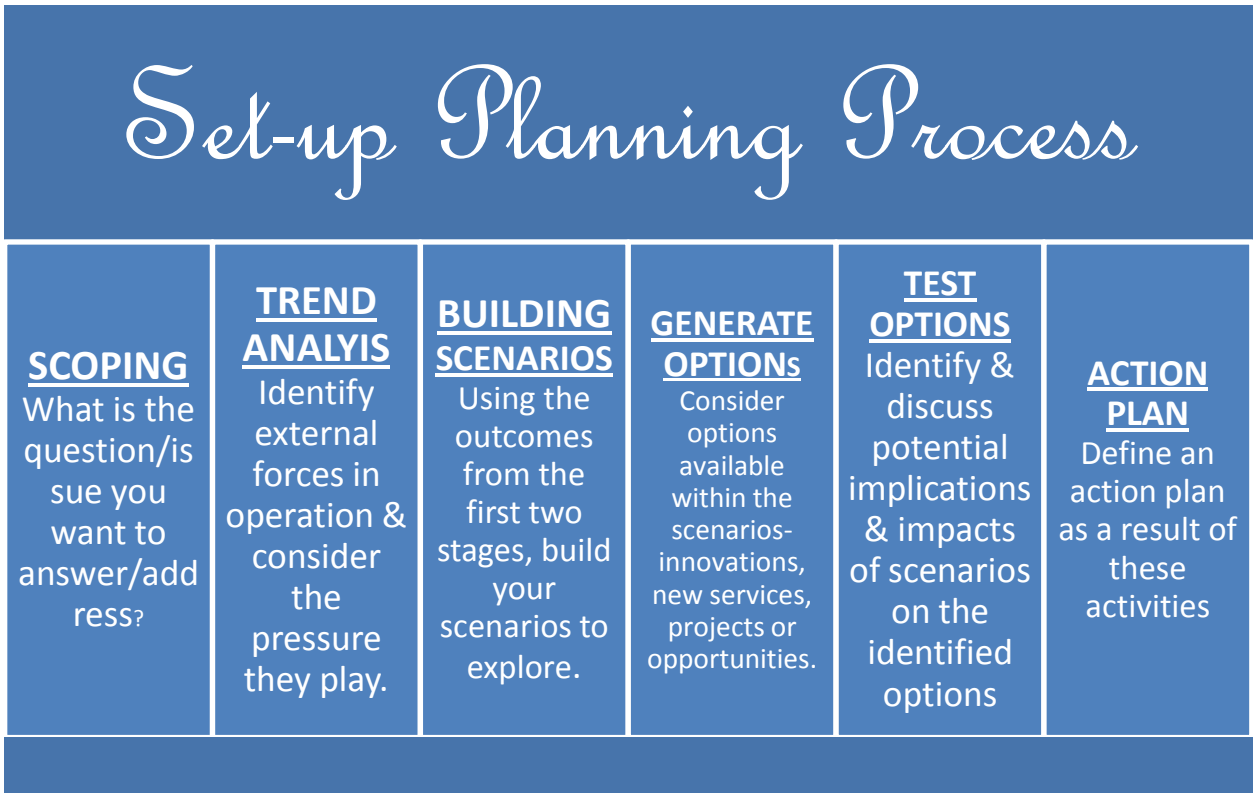

Figure 1

Apart from this structured process the question again strikes i.e. ***How to start the Set-up Planning?***

1. Establish an initial planning team. This will likely include all those involved in the strategic planning process, key decision makers and stakeholders.
2. Pick a comfortable, hospitable location to conduct a one to two day retreat.
3. Include an individual from outside the industry, perhaps a board member.
4. Establish the rules:
   - ✓ Respect
   - ✓ No idea is crazy or bad
   - ✓ All alternatives are documented
   - ✓ Outside the box thinking is encouraged
5. Look at the past and the present as a platform for building future scenarios.
6. Do preliminary set-up planning in small breakout sessions.
7. Discuss breakout session scenarios in the large group and play out the conversations. Build on the concepts.

Tips for Scenario Team Leaders

- ✓ Avoid plots which follow the most likely succession
- ✓ Don't allow probabilities to be assigned to scenarios
- ✓ Be creative with scenario names to stimulate imagination
- ✓ Demand ownership of the scenarios
- ✓ Be creative in communicating scenarios

BACKGROUND OF SET-UP PLANNING

The set-up planning concept first emerged following World War II, as a method for military planning. The U.S. Air Force tried to imagine what its opponents might do, and to prepare alternative strategies. In the 1960s, Herman Kahn, who had been part of the Air Force effort, refined scenarios as a tool for business prognostication. He became one of America's top futurists. Then scenarios reached a new dimension in the early 1970s, with the work of Pierre Wack, who was a planner in the London offices of Royal Dutch/Shell in a newly formed department called Group Planning. Pierre Wack and other planners were looking for events that might affect the price of oil. And they found several significant events that have been in the air. One was that the United States was beginning to exhaust its oil reserves. At the same time American demand for oil was steadily rising. And the emerging Organization of Petroleum Exporting Countries (OPEC) was showing signs of flexing its political muscle.

Most of these countries were Islamic, and they bitterly resented Western support of Israel after the 1967 six-day Arab-Israeli war. Looking at this situation, the planning team realized that Arabs could demand much higher prices for their oil and there was every reason that they would. The only uncertainty was when. It seemed likely to happen before 1975 when old oil price agreements were due to be renegotiated. So Pierre Wack and his team wrote up two scenarios – each a complete set of stories about the future, with tables of projected price figures.

Scenarios are stories about the future. They are not attempts to predict the future; rather, they aim to sketch the boundaries of the plausible. They are built on a thorough analysis of factors – social, political, economic, environmental, and technological – that could shape the future environment of a given business, region or policy area. They explore three or four diverse eventualities of how the world might look if the most uncertain and important drivers unfold in different ways.

Good scenarios are not just dry, analytical descriptions of possible future outcomes: while rigorously constructed, they should also be creative and compelling enough to engage the imagination. They challenge assumptions, raise awareness of underlying factors and stimulate participants into fresh thinking about what could happen and what it would mean for them. They offer both a new perspective on events and a framework for constructive discussions.

TYPES OF SET-UP PLANNING

1. Quantitative Models
2. Probability-Based Scenarios
3. Interactive (“War Gaming”) Scenarios
4. Event-Driven (or Operational) Scenarios
5. Strategic Management (or Alternative Futures) Scenarios

QUANTITATIVE MODELS

Some notion of “scenarios” is found in nearly all forms of mathematically based market forecasting and financial models. (Excel itself contains a “scenario” function, which allows users to input alternative assumptions to generate alternative results.) In such modeling and forecasting functions, “the answer” is expressed in mathematical terms, such as revenue projection, return on invested capital, market share, etc. These versions are referred to as “scenarios,” as in “this is the best case scenario for this transaction.” In the world of investment banking, such a model is considered strong or elegant to the extent that changes in

the driving variables dynamically alter all of the model's outputs allowing for rapid "scenario analysis." "Quantitative scenarios" are also widely used to develop annual business forecasts. These models implicitly assume that (a) the key variables are known, and that (b) the relationships between them are fixed.

Many firms have quantitative cultures and are comfortable only when they see a hard number attached to an option or goal. Since most of the inputs to quantitative models are also the variables used in daily business activities (cost of capital, cost of product distribution, competitor spending on R&D, taxes, etc.), firm leadership typically embraces the results with little argument.

LIMITATIONS

Even the best, most sophisticated quantitative models make assumptions about the future state (or values) of key independent variables. For many short-term forecasting activities (for instance, up to a few fiscal quarters), these assumptions are often reasonable to make. But farther out in time (or even in some near-term situations), when complexities increase and discontinuities grow more likely, quantitative models tend to grow less reliable. Most mathematical models simply cannot reliably handle unanticipated market discontinuities, such as a new consumer fad, an unprecedented financial event, or a natural disaster. Therefore, these kinds of "scenarios" do not challenge conventional wisdom or force you to consider new business models or new or unprecedented customer needs.

PROBABILITY-BASED SCENARIOS

Assigning probabilities to "scenarios" is unusual in the business world and is found only with quantitative models and with scenarios in this category. This approach uses a large cross-impact matrix to form the scenarios. All the key business drivers are listed as both row and column headings. Every cell of the matrix is examined for likelihood and for the business impact of the business driver cross-impact that forms that cell. Each column is made up of slightly different sets of trend cross-impacts. The columns are "summed" for the highest probability combinations and the top four or five are used in subsequent analysis.

LIMITATIONS

Probability-based scenarios contain most of the weaknesses of quantitative or spreadsheet models (but do a better job of mitigating the over-simplifications of pure extrapolation). Executing a trend cross-impact matrix can be a time-consuming and somewhat mechanical process that is at odds with energized creative thinking. The process relies on the assumption that many of the trends of today are the important trends of the future and therefore the cross-

impacts will unearth all critical challenges. Because probabilities are assigned to the scenarios, there is a tendency to assume that the highest-scoring scenario is the most likely future and to place uneven bets on the characteristics of that one image of how the future will turn out.

INTERACTIVE ("WAR GAMING") SCENARIOS

This version of set-up planning is more commonly referred to as "war gaming" or simply, "gaming." A game is generally based on one description of a single future operating environment. Typically, gaming scenarios are only a few years out (sometimes a few months out) and are used to examine a narrow strategic, operational or tactical set of issues. Therefore, they tend to be narrow in scope, although not always. Over several years, many different gaming scenarios may be developed and thus over time many interpretations of the future may be used to challenge thinking. In some applications, a set of strategic management scenarios (described in following pages) might set the backdrop for situational gaming scenarios. The most common use of games in the private sector, however, is not in strategic planning, but in the marketing, business intelligence or competitor analysis arenas.

LIMITATIONS

Games are about interactions within an existing marketplace or "mission space." "Played" in a vacuum, they tend to miss consideration of potential shifts in the broader operating environment. If games are to be repeatable and rigorous, then they have to have a well-developed rules structure that is followed carefully each time. Game players, however, often find that memorizing the rules is more work than the game and the rules tend to destroy the sense of "reality" that the games hope to mimic. Games are typically complex. To make them more manageable, there is a tendency to limit the amount of uncertainty the players will face.

EVENT-DRIVEN (OR OPERATIONAL) SCENARIOS

Event-driven scenarios are among the most common form of set-up planning that organizations undertake without external assistance. Event-driven scenarios tend to be about the impact of an event, action or dilemma within the context of the immediate or near-term business setting. Event-driven scenarios tend to be about the impact of an event, action or dilemma within the context of the immediate or near-term business setting. However, the impact of that event may have definite strategic implications. The operational context of event-driven scenarios is typically near term, but the strategic context can be long term.

LIMITATIONS

Event-driven scenarios are not always well suited to be strategic tools; yet, because the implications of the work can be strategic, they are often used to help formulate strategy. There is a critical pitfall with this practice. Event-driven scenarios cannot provide overlapping coverage of the uncertainties and ambiguities required to capture the full range of future uncertainty. They cannot do this because they are typically selected to illuminate one familiar (albeit difficult) problem.

STRATEGIC MANAGEMENT (OR ALTERNATIVE FUTURES) SCENARIOS

The scenarios are typically defined by trends and forces that are outside the control of the company. Strategic management scenarios are developed out of permutations of the macro-level forces for change that define the boundary conditions of an organization's operating environment. These are the most challenging scenarios to construct since they must allow the planners full freedom of decision and invention and yet describe a business setting that is meaningful to them.

LIMITATIONS

Strategic management scenarios tend to take the most fully challenging look at the uncertainties and ambiguities of your business environment. Therefore, they may cause considerable discomfort as they stretch and alter your understanding of what is critical to your growth and success. Many companies find strategic management scenarios difficult to use because of the leap of faith involved in accepting the premise of the planning technique – that a portfolio approach to strategic thinking is better than a forecast.

CONCLUSION

In the present era companies are facing turbulent environment, which in turn gives the companies unstable & irregular working conditions. Companies are in a real fuss about how to face these disturbances it may through national or global perspective. Recession is one such global originated aspect.

It's not possible to read the future but if companies today have an idea what may happen & companies can form strategies to work on those uncertainties. Companies need to develop a script or form assumption in regard to future, this may prepare the companies to act in an appropriate manner to either decrease the risk or may diversify the risk, which may have affected company in worst way if they had not identified the future prospects.

Set-up planning is one such technique which give a structure or systematic pattern of identifying the scenarios. This pattern may assist the companies to maintain & manage their present working as well as decide the future course of action.

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