

A Common Language for Strategy

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Summary

The impact of technology on organisations will be enormous. To benefit, organisations will need the skills and expertise of all their people; technical or managerial competence on its own will simply not suffice. Yet managers and IT professionals continue to talk past each other. The solution, says Daniel Erasmus, is scenario thinking, in which managers and technologists work together to construct plausible strategic scenarios. Because this process involves challenging old assumptions and developing new ones, the two sides together create a shared language. Internet technology will enable more employees - and suppliers and customers - to participate in a continuous process of scenario development.



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Organisational strategy today is inseparable from information and communication technology (ICT). Only through linking managerial and technological perspectives can we build strategies that have business value and technological relevance.

Unfortunately, most organisations are not prepared for the new technologies that have the power to transform them. Why? Consider the following dialogue:

Q: "How will the internet change our supply chain?"

A: "Well, if we build our website on a dynamic SQL server then we can interface with our existing profile database and customise the user experience. That would change the game!"

The problem is that most managers do not have a clue what ICT

professionals are talking about, and ICT people cannot explain their work to management. They are two sociological groupings that speak different languages. Consequently, conversations between the two are limited in scope and give rise to little learning. This discursive divide is responsible for many of the day-to-day ICT problems that plague the process of information management.

Scenario thinking is a powerful method for bridging the divide. It links thinking about business and technological changes into a conversational framework in which managers and ICT professionals can learn together instead of talking past each other.

Scenario Thinking

There is no single, determinate future; instead, there are a thousand possible futures. Building scenarios is the process of sifting, sorting and combining these possibilities into a few stories. These stories must be:

- Relevant - they must matter to the future of an organisation
- Plausible - they must describe futures that reasonably could happen
- Consistent - they must have a coherent storyline
- Surprising - they must challenge existing assumptions

A good scenario set consists of two to four stories that all meet the above criteria to the same degree. Their focus should not be on the developments that an organisation can influence, but on the developments that it cannot -- that is, the organisation's context.

The question for an organisation is not to choose which scenario to realise, because by definition it cannot, but rather to ask what to do now (what options it has or needs to create) if the scenarios materialise. Scenarios create a language for talking about the future. ICT professionals and executives share this language and can use it to discuss the link between business practice and technology.

Scenarios move the conversation from the present to the future. In creating scenarios, therefore, ICT professionals have to talk about the effects of technologies and not just about the technologies themselves.

Scenario thinking is an open, exploratory process. Building scenarios is not a matter of filling in blanks, but a process of creating new, distinct images that describe future worlds. Today's assumptions -- embedded in the day-to-day conversations of managers and technicians -- do not suffice to capture tomorrow's complexity. The scenario-building process thus forces participants to create a new language that is adequate to the new situation. When both technical and non-technical people take part in this process, they share the new language, which is neither technical nor managerial, but combines both types of discourse.

Scenarios are not just simple technological futures; they describe future situations in all their social, environmental, political and technological complexity. To describe these future worlds in full, managers and ICT professionals need to build on one another's strengths.

A scenario set for 1999, written in 1989, would not include the dramatic growth of the internet if it lacked technical depth. Similarly, without the business perspective the same scenario set would not discuss the effects of globalisation. An organisation relying on either of these one-sided perspectives back in 1989 would have focused only on the internet or on globalisation and would have missed the real business opportunities arising from their combination.

The official future

Most managers never discuss the future. They are too concerned with the complexity of managing today. On the odd occasion that managers have a chance to reflect, the futures they describe tend to be set and unchanging. This is because there is a future that people in the organisation implicitly ascribe to -- what scenario thinkers call the "official future".

The official future embodies all the little assumptions that people in the organisation share and never discuss and therefore never question. The official future for most telecommunications companies today, for example, is that the cost of communication will continue to depend on distance.

Scenarios always challenge an organisation's "official future". They show that the official future is not the only one and that other possibilities are equally plausible. Managers therefore need to plan for the entire spectrum of possible futures. In the case of telecommunications, these might range from a "free global communication" future to a "pay for service not reach" future.

Managers also start to discuss the future with greater sophistication. External developments are viewed as indicators of a particular scenario. These developments are debated and continuously compared with the assumptions of their effects in the different scenarios. For example, if Ericsson brings out a telephone switch that can be used for internet telephony, this might be a strong indicator that we are moving towards a world in which the internet will be the de facto public telephone network.

Not local but global

Traditionally, scenarios were developed by a small group assigned the illustrious task of strategic planning. This group would work in the same place and dutifully report back every other year with the new scenario set.

Now a new breed of scenario thinker has emerged. Their task is to facilitate the process of building scenarios rather than to present finished

scenarios. The internet and intranets democratise the scenario process.

Siemens, for example, has a multidisciplinary team called FutureScape. The team is spread all over the world and its members work on FutureScape alongside their normal work. There is no rigid separation between "strategic" and "functional" thinking. The team interacts mostly on the company's intranet, although members occasionally meet in person for workshops.

At Nokia, participation in the scenario dialogue includes hundreds of people throughout the organisation. Discussion spaces on the corporate intranet focus on building scenarios and matching them to business concepts. The link between business concepts and possible futures in which they will work is explicitly investigated throughout the whole organisation.

Scenario planning is not restricted to individual organisations. The Global Business Network is an extra-organisational network of more than 100 multinational companies. Strategists participate in discussions on an extranet where they explore their assumptions and build global scenarios.

At Rotterdam School of Management, over the past three years, we have facilitated scenario dialogues on an extranet between people from more than 50 countries. Our online scenarios are linked to information on the research, assumptions and dialogue that created them, and to dialogues on their implications. In effect these are living scenarios, that grow and get more complex as events unfold. Thinking about the future is not an occasional activity, but a continuous conversation.

Best practices for scenario builders

- Combine occasional face-to-face interaction (to build trust) with continuous virtual interaction (to build knowledge).
- Diversity is strength - the greater the range of people involved in building scenarios (in terms of culture, education, age, role and so on), the better the scenarios will be.
- Archive everything - discussions from two years ago often become relevant due to changed circumstances.
- Condense discussions into short reports that keep people who are not continuously involved up to date.
- Clearly separate open, exploratory spaces from structured, convergent discussion areas.
- Use shared knowledge databases.
- Base virtual communities on existing real communities.
- Use a facilitator to link discussions, add insights and create focus.
- "Fluid" is better than "final" - everything needs to be thought of as a draft.
- Involve customers and suppliers - scenario development can be an opportunity to learn with your customers and to develop a new strategic relationship.

- Pull interest rather than push information.

The future of organisation

Globalisation and ICT are driving forces for organisational change, but to what end? In a scenario study at the Rotterdam School of Management, we arrived at two basic uncertainties over how ICT could be used to create organisations that would be effective at generating and using ideas.

First, information technology can be used to empower or to control individuals. It can enable people to work more flexibly, freely and independently (like in Silicon Valley start-ups) or it can be used to monitor, appraise and control people (like in some call centres). How ICT will eventually be used will depend on our perceptions of privacy and on the broad distribution of encryption technology.

Second, because it can reduce transaction costs, ICT can be a force for consolidation or for fragmentation. On the one hand we see large mergers and acquisitions in many sectors. On the other hand organisations are being divided into strategic business units that are encouraged to compete. Organisations seem to be consolidating and breaking up at the same time and it is unclear which force will prevail (see MIM 5 for more discussion of these issues).

Around these two uncertainties we can build four scenarios to describe the shape of organisations in the next 10 years.

“Dynamic knowledge networks” (empowerment and fragmentation)

Fast-moving knowledge workers work together in dynamic project groups. The workers are free agents, working globally in transnational networks that exist for short periods of time. Though people often work together for longer periods, organisations themselves might exist only for a few days. Competition is fierce and based on rapid innovation. People are empowered, determine their own working lives and are richly rewarded for their ideas. The pace of work and the demands of being available at any time of the day lead to high levels of stress. The basic organisational assumptions: innovative products will lead to market success and independent networks innovate faster.

“Metropolis” (control and consolidation)

Organisations use ICT to control their employees. All activities are strictly monitored through ICT. Organisations are large and transnational. The competitive structure is oligopolistic. Competition is fierce and based both on products and price. To compete, companies innovate but the main emphasis is on efficiency. Closed-circuit television, network sniffers and other information monitoring devices are used to improve efficiency. The basic organisational assumptions: controlling people leads to greater efficiency and economies of scale will benefit larger organisations.

“Modern feudalism” (control and fragmentation)

Entrepreneurs use ICT to increase spans of control to run several small businesses. These businesses are global and use cheap, highly skilled workers in the developing world. They are employed on a project basis and performance is controlled with ICT. Competition for these positions is fierce and obedience and conformity are prized characteristics. The competitive environment is accelerated and the basis for competition is cheap innovative products. The basic organisational assumptions: controlling cheap skilled labour in the developing world leads to lower costs.

“Mother companies” (empowerment and consolidation)

Companies take care of their employees from cradle to grave. Companies prosper through productive, loyal and innovative employees. Organisations are large, global and have a unified culture. This shared culture enables people with diverse cultural backgrounds to work effectively together. The competitive environment is oligopolistic and competition is based on quality and service. The basic organisational assumptions: empowering employees improves work and shared values enable people to work together in large groups.

Just as there is a great variety of organisational forms today, so it is absurd to say that one type of organisation will dominate in the future. Ten years from now we can expect a mix of the above organisations to coexist. The purpose of the scenarios is to indicate the directions in which organisations might evolve, to describe the associated trade-offs and to enable organisations to reflect and plan.

Further reading

- van der Heijden, K. *Scenarios: the Art of Strategic Conversation*
- de Geus, A. *The Living Organisation*
- Weick, C. *Sensemaking in Organisations*
- Turkle, S. *On the Screen*
- Castells, M. *The Rise of the Network Society*
- Rotterdam School of Management – More than 40 Scenarios sets developed by MBA students over the last 5 years:
<http://www.dtn.net/content/thefuture/future.html>
- The Digital Thinking Network: <http://www.dtn.net>
- FutureScape:
<http://www.ic.siemens.com/CDA/Site/GHTML/box/1,1562,5386-0-0,00.html>