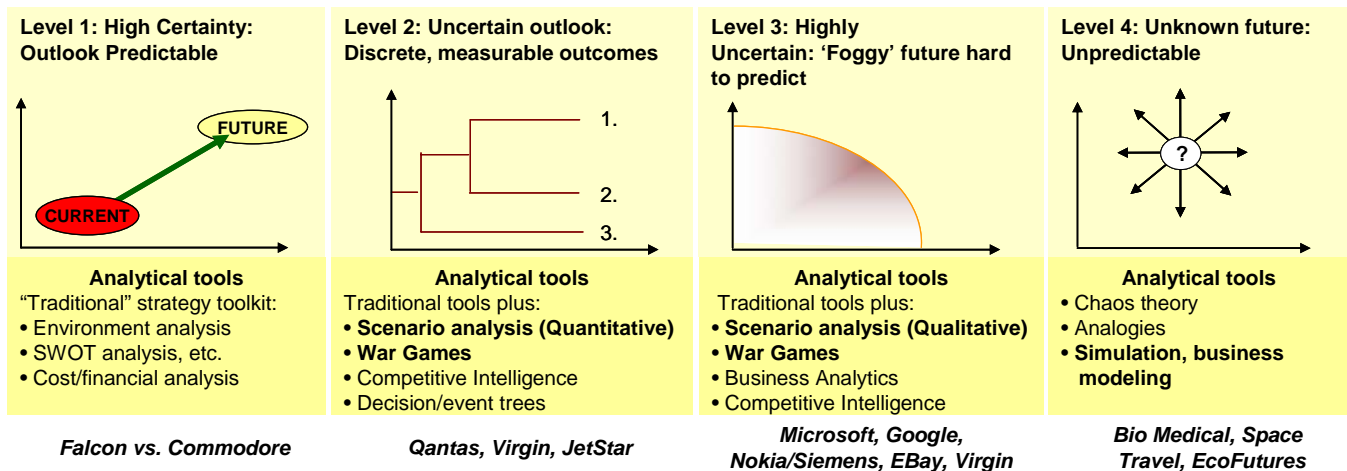


## Insights Into an Uncertain Future: Application of **Scenario Based Simulation Models and War Games**

Decisions of a strategic nature are complicated by the fact that they are based on assumptions or pre-emptive conclusions that are made about the future. Whilst the future is always an unknown quantity, its analysis can be made easier (or harder) depending upon the extent of residual uncertainty with which it is associated. In addressing the unknown, HC+P applies Scenario Analysis and/or other strategic analytical tools as a means to deliver greater foresight.

The use and application of strategic analytical tools and indeed, strategic planning itself is not as straight forward as it seems. In environments of high **certainty** (Level 1 illustrated below) for example, minimal insight is required because the future is reasonably easy to predict. Here, Scenario Analysis can be used to support analysis of variations of the 'point strategy' developed from the traditional SWOT and basic environmental analysis. On the other hand (Level 4 below), an environment of 'unknown futures' may mean that any amount of strategic analysis or planning will be so ineffective that it is simply a waste of time. At Levels 2 and 3 **uncertainty** strategy tools including Scenario Analysis (supported by Simulation Models and War Games) can be used to deliver a much clearer insight into specific aspects of the future.



**Case Study:** A client concluded from their 'point analysis' that they should seek to 'adapt to the future' through the application of low risk 'options' focusing solely on strategies of cost reduction. As a result of reasonably high level Scenario Analysis however, the client identified that in addition to the focus on cost structure, they could also seek to 'Shape the Future' through the application of carefully managed 'Big Bet' moves, based on a better understanding of uncertainty. With the benefit of the scenario analysis, our client could better assess risk and use this information to make investments in areas offering high growth, whilst at the same time, provide a foundation for organisational transformation.

**Getting Started:** Scenario Analysis and Business Simulation/War Games can be applied to:

- **Explore different levels of sensitivity/risk assessment:** e.g. evaluate a specific strategic decision such as major investment or new business development drive.
- **Evaluate the viability of existing (Level 1) strategy:** e.g. comparing a company wide or business unit strategy against a range of 'alternative' futures.
- **Develop new strategy: (Levels 2 and 3):** using Scenario Analysis to enhance traditional planning techniques especially in environments of high uncertainty.

Depending upon the experience of the organisation in the use of these tools, Scenario Analysis can ultimately be used as the primary medium for strategy development and a basis for the conduct of strategic renewal programs.

**Let us help:** We will be delighted to talk: [hcandp@hcandp.com](mailto:hcandp@hcandp.com); (03) 9863 8980; [www.hcandp.com](http://www.hcandp.com).