A Scenario-based Approach to Strategic Planning

Tool Description – 360° Stakeholder Feedback

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1. Introduction

In this paper we describe the second-stage of our six-step scenario-based approach to strategic planning, the perception analysis. Having defined the scope and overall frame of the scenario-based strategic planning project using the *'Framing Checklist'* tool in the first step, this part shall identify and challenge existing perceptions and mental models of all participants involved in the planning process using the *'360° Stakeholder Feedback'* tool (Figure 1). The overall goal of the perception analysis and its *'360° Stakeholder Feedback'* tool is to identify a comprehensive list of influencing factors that specify and shape future developments. Of particular interest in this context are so-called 'blind spots' and' weak signals'. Before explaining the *'360° Stakeholder Feedback'* tool itself we will examine what influencing factors, blind spots and weak signals actually are and how these can help a company to improve scenario-based strategic planning processes.
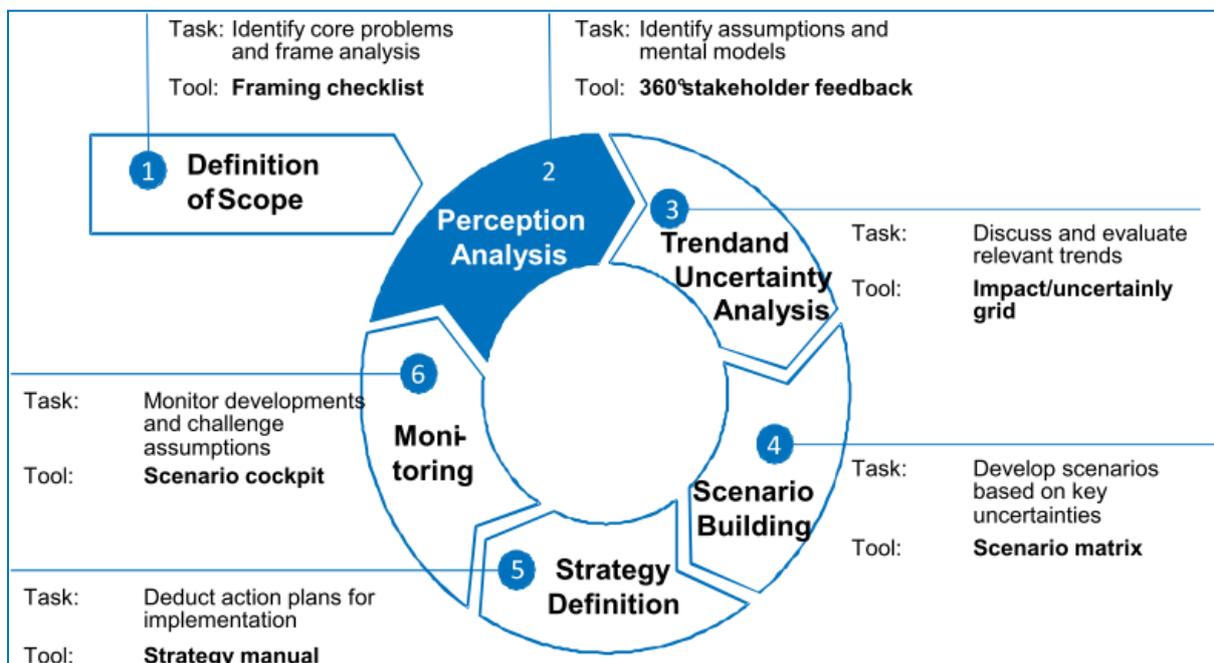

Figure 1: Six-Step Scenario-based Approach to Strategic Planning

2. Background Information on Existing Perceptions, Blind Spots and Weak Signals

Companies find it demanding to identify and include basic signals about future developments and challenges in their existing, often static strategic planning processes. Even the identification and processing of clearly visible future developments is often hindered by a company's existing mental models and perceptions (Welsch, 2010). This can for example be a competitor's public announcement of constructing a new factory and thus significantly increasing an industry's production capacity indicating a possible future price war. Hence blind spots can be described as developments that a company knowingly or unknowingly oversees while weak signals can be described as first indicators for future changes in the environment (Wulf, Meissner and Stubner, 2010).

A major task in any strategic planning process is thus to challenge existing perceptions and to identify blind spots as well as weak signals in order to effectively and efficiently detect future chances and risks at an early stage. Existing tools for identifying future changes that a company might face, such as operative forecasting or strategic forecasting, are generally not able to perform this task very well (Krystek and Moldenhauer, 2007).

Discontinuities do not suddenly develop. Every discontinuity has a certain historical development and is often announced through previously described weak signals (Ansoff, 1975). Weak signals proclaim changes in proven business models or even economic principals. They are triggered by human behavior. Humans have a basic need to communicate their intended actions, insights and findings especially when these are applied to change existing structures or systems. Other humans pick these insights up and continue to communicate them to a wider public meaning they become weak signals (Krampe, 1985). There exists a wide range of sources for identifying such human behavior and hence weak signals including the press, books, databases, the internet, exhibitions, clients, suppliers, competitors, politicians etc. Strategic planning tools should therefore systematically and

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constantly scan internal as well as external information looking for weak signals, blind spots and resulting discontinuities (Liebl, 2005). Companies and their organizational systems thus require a methodological support for challenging existing perceptions, identifying weak signals as well as blind spots and channeling these in a structured manner to decision makers in order to be included in strategic planning processes. We believe the *'360° Stakeholder Feedback'* tool described in the next section is capable of fulfilling this task.

3. Description of the '360° Stakeholder Feedback' Tool

The *'360° Stakeholder Feedback'* tool gathers as well as manages weak signals and identifies blind spots. The specific goals of the *'360° Stakeholder Feedback'* tool are to establish a comprehensive list of factors that potentially influence the future of a company, evaluate these factors according to their potential performance impact and their degree of uncertainty and benchmark perspectives of different stakeholder groups concerning these influencing factors (Wulf, Meissner and Stubner, 2010). In general, the *'360° Stakeholder Feedback'* tool comprises a two-step survey process (Figure 2).

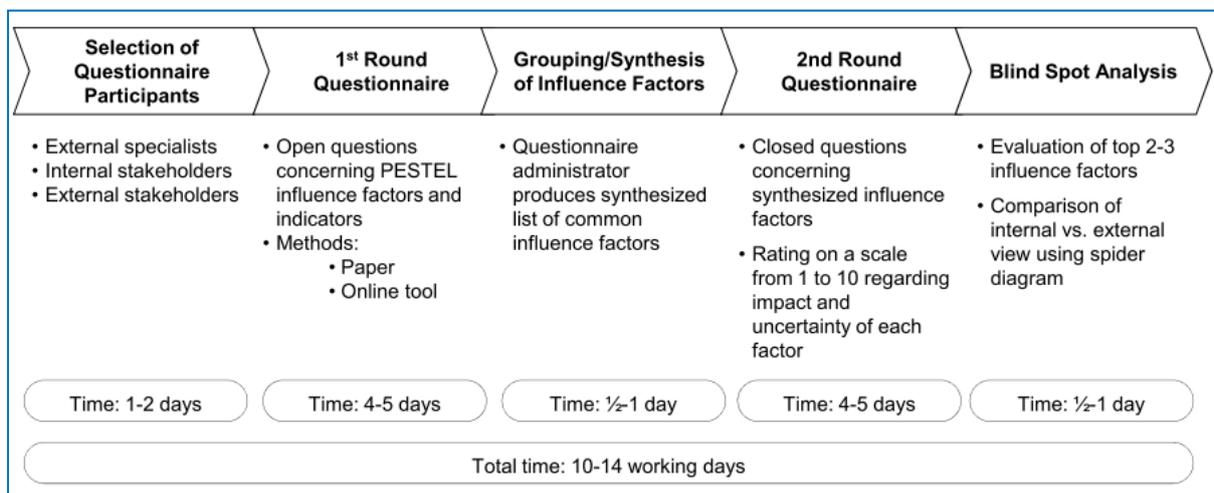| Selection of Questionnaire Participants	1st Round Questionnaire	Grouping/Synthesis of Influence Factors	2nd Round Questionnaire	Blind Spot Analysis
• External specialists • Internal stakeholders • External stakeholders	• Open questions concerning PESTEL influence factors and indicators • Methods: 　• Paper 　• Online tool	• Questionnaire administrator produces synthesized list of common influence factors	• Closed questions concerning synthesized influence factors • Rating on a scale from 1 to 10 regarding impact and uncertainty of each factor	• Evaluation of top 2-3 influence factors • Comparison of internal vs. external view using spider diagram
Time: 1-2 days	Time: 4-5 days	Time: ½-1 day	Time: 4-5 days	Time: ½-1 day
Total time: 10-14 working days				

Figure 2: 360° Stakeholder Feedback Process

In a first step, survey participants are asked open questions concerning influence factors that currently and in future will shape an industry's environment. Additionally, participants are asked how these influence factors can be measured using existing indicators (Figure 3). The exact focus of the survey has been defined in step one *'Definition of Scope'* of our six-step scenario-based approach to strategic planning using the *'Framing Checklist'* tool. The questionnaire is structured based on six dimensions namely political, economic, societal, technological, ecological and legal influence factors (PESTEL). Factors from the company's macro-environment are selected because they are very relevant for shaping the company's future development and usually cannot be influenced by the company itself. Upon

completion of the first step the influence factors of all respondents are clustered and synthesized by the questionnaire-administrator according to common features, e.g. number of citations of a specific influencing factor.

Scenario Planning for the European Network Carriers

1) Please name important POLITICAL FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

2) Please name important ECONOMIC FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

3) Please name important SOCIETAL FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

4) Please name important TECHNOLOGICAL FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

5) Please name important ECOLOGICAL FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

6) Please name important LEGAL FACTORS that will have crucial influence on the European network carriers within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

Figure 3: Scenario Planning for European Airline Industry–Network Carriers 1st Round Questionnaire

In a second step, the grouped and synthesized influencing factors are again send out to the survey participants in a closed questionnaire (Figure 4). This time, participants are asked to rate each factor in terms of its performance impact and uncertainty on a scale from one (= low/weak) to ten (= high/strong). Upon return of all questionnaires the administrator can

identify the most relevant factors having a high performance impact as well as a high degree

of uncertainty.

Scenario Planning for the European Network Carriers

Please rate the following factors from 1 (low/weak) to 10 (high/strong).

Political factors	Impact	Uncertainty
Geopolitical stability (e.g. war, terror, disease)		
International liberalization of air travel (e.g. open sky agreements)		
Harmonization of air traffic controls (Single European Sky)		
Governmental competition policy (e.g. subsidies, protectionist regulations)		
Taxation of air travel (e.g. VAT, kerosene)		
Political support for airport expansion		

Economical factors	Impact	Uncertainty
Global economic growth		
Shift of economic power towards Asia		
Prices of oil/fuel and CO2 certificates		
Capital market risks (e.g. exchange rates, interest rates, liquidity)		
Allocation of airport slots and fees		
New competitors from emerging countries		
Expansion of low-cost carriers (e.g. in terms of distances, destinations, services)		
Rising demand in emerging markets due to the growing middle class		

Societal factors	Impact	Uncertainty
Development of corporate travel budgets		
Acceptance of airport expansion among population		
Disposable income of population		
Service/comfort/price expectations of potential customers		

Technological factors	Impact	Uncertainty
Improvements in operational efficiency (e.g. speed, safety)		
Improvements in travel comfort (e.g. entertainment, service, noise level)		
Technological advances in video conferencing		
Technological advances in rail travel		
Development of synthetic jet fuel replacements		

Ecological factors	Impact	Uncertainty
Environmental consciousness of consumers		
Increasing amount of environmental regulations		

Legal factors	Impact	Uncertainty
Application of the EU Emission Trading System		
Changes in collective bargaining law		
Changing safety regulations		

Figure 4: Scenario Planning for European Airline Industry–Network Carriers 2nd Round Questionnaire

An important aspect in ensuring a high quality-level and thus success of the *'360° Stakeholder Feedback'* tool is the selection of relevant questionnaire respondents. Here the questionnaire administrator should select a wide range of stakeholders actively operating in

an industry. Internal stakeholders should include a company's key employees, e.g. the board of directors and upper management as well as the strategy team. External specialists such as market experts, scenario specialists, think tanks, consultants and research institutes should also be involved in the process as questionnaire respondents. Finally external stakeholders, e.g. key customers, suppliers, financial institutions, shareholders and even competitors should take part in the questionnaire. Involving a great variety of individuals in the *'360° Stakeholder Feedback'* tool is a challenging task and crucial in order to identify the most relevant influencing factors. Nevertheless, as we will later describe this aspect does not prolong the process, but adds significant value.

When searching for relevant survey respondents the administrator can use a great variety of sources. Once top management support has been granted it is usually no problem to find internal questionnaire candidates. These should hold a senior position meaning they have a rough oversight of a company's strategy and external influencing factors. Individuals involved in pure day-to-day operational tasks are not ideal to answer the questionnaire due to their narrow job focus.

External questionnaire candidates are more difficult to identify. External stakeholders such as customers or suppliers can be contacted using existing company databases. Again the focus should be on senior managers as questionnaire respondents. When looking for external specialists the press, internet and personal contacts are good sources. From our experience a company's alumni and global business professional networks (e.g. XING or Linkedin) are the best sources for contacting and selecting potential external questionnaire participants. Once completed, it is advisable for companies to maintain a database of potential questionnaire respondents for future scenario planning activities to ensure an efficient application of the *'360° Stakeholder Feedback'* tool.

There are different methods for completing the *'360° Stakeholder Feedback'* questionnaire. First, the survey can be conducted in a traditional paper format meaning participants receive a paper version of the questionnaires by post and return them upon completion. Second, the same process can take place online using a standardized survey tool. When selecting a survey method it is important to keep the scope of the scenario planning process, the time frame and available resources in mind. If a company wishes to consult external experts the paper or online format are the most suitable methods due to their scalability as well as practicability. From experience we generally advise to use an online based questionnaire method since it significantly speeds up the process of receiving answers from external questionnaire respondents compared to the paper method. Questionnaire respondents can easily be contacted by phone or email, receive a link to the online survey, which they can subsequently answer where and when it is convenient. Additionally, the answers to the second, closed questionnaire are automatically combined and evaluated when using an online tool facilitating and speeding-up the process of identifying blind-spots described in the next section.
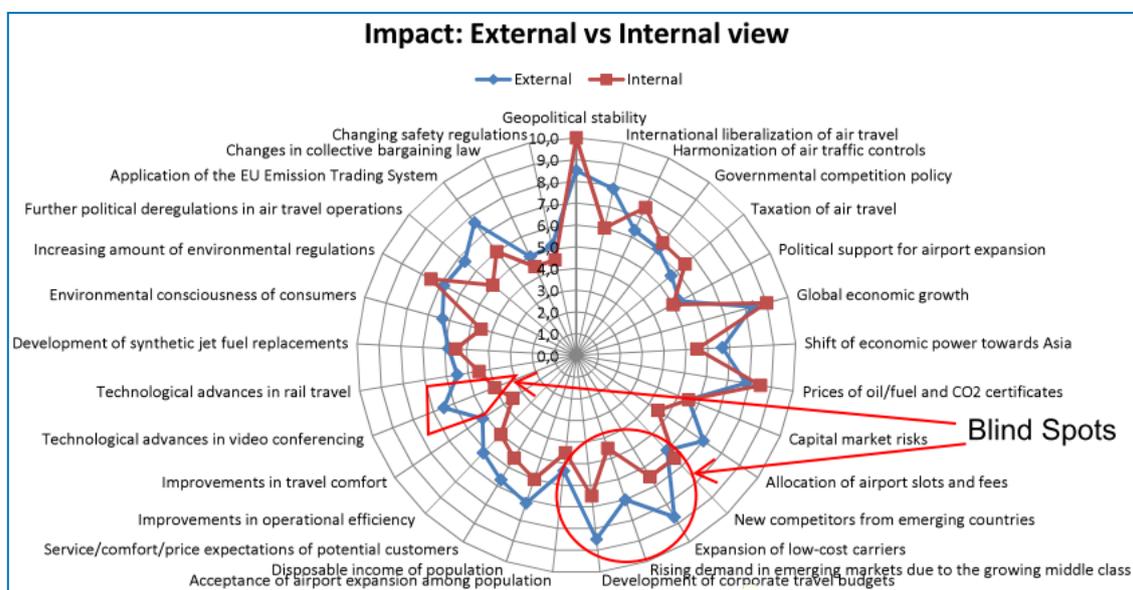

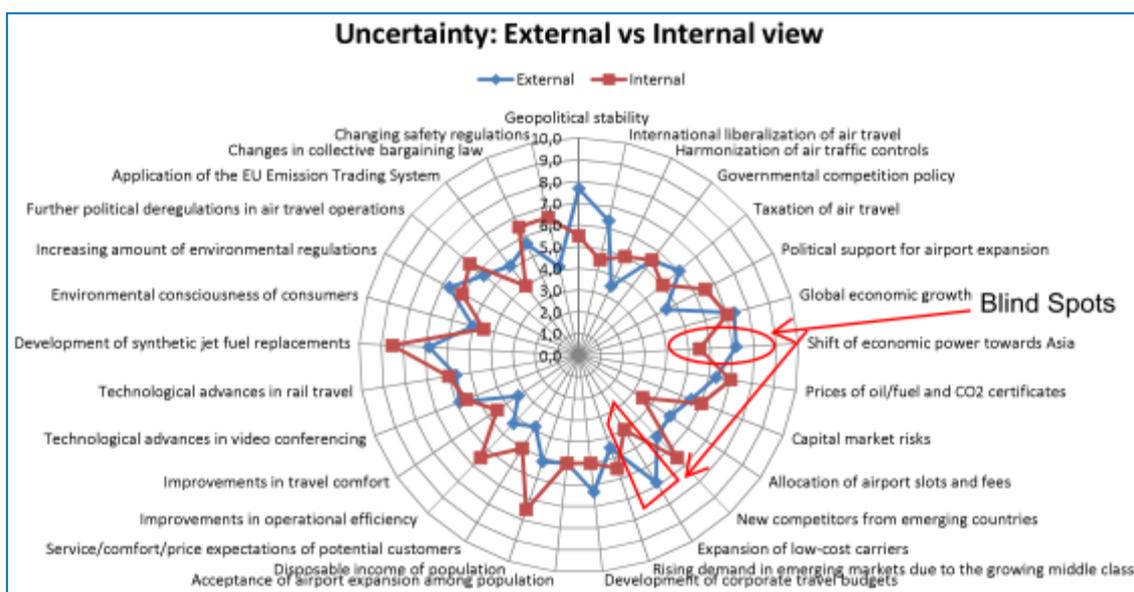Figure 5: Spider Diagram European Airline Scenario – Impact: External vs. Internal View

Figure 6: Spider Diagram European Airline Scenario – Uncertainty: External vs. Internal view

Combining the results of an external and internal questionnaire is a very important exercise when trying to identify the earlier described 'blind spots'. These will become visible by comparing weak signals and influencing factors mentioned by survey participants with different backgrounds. This task can for example be achieved using spider diagrams. Spider diagrams quickly visualize blind spots. Precisely, blind spots are those factors which external respondents consider to have a significantly higher impact or greater uncertainty than internal respondents do (Figures 5 and 6). Based upon these blind spots highlighted through a spider diagram one can thus continue the scenario-based strategic planning process taking into account relevant influencing factors a company has so far neglected (Figure 7).

We recently conducted a *'360° Stakeholder Feedback'* for the European Airline Industry with a focus on Network Carriers[1]. In this process we selected industry specialists using the previously described methods. Market experts from leading consulting firms, airlines and research institutes took part in the process and produced an extensive list of 30 influence factors ranging from the 'shift of economic power to Asia' to the 'importance of European low-cost carriers'. Several blind spots were identified, especially regarding the impact of a

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[1] Network Carriers in this scenario are airlines operating a global route-network on a hub-and-spoke basis such as e.g. Lufthansa, Air France or British Airways.

potential future expansion of low-cost carriers and the impact of technological advances in video conferencing. The *360° Stakeholder Feedback'* has revealed that European Network Carriers will face future challenges they are currently not fully anticipating. With the support of the tool they are now able to include these influence factors in their strategic planning processes (Figures 5 and 6).
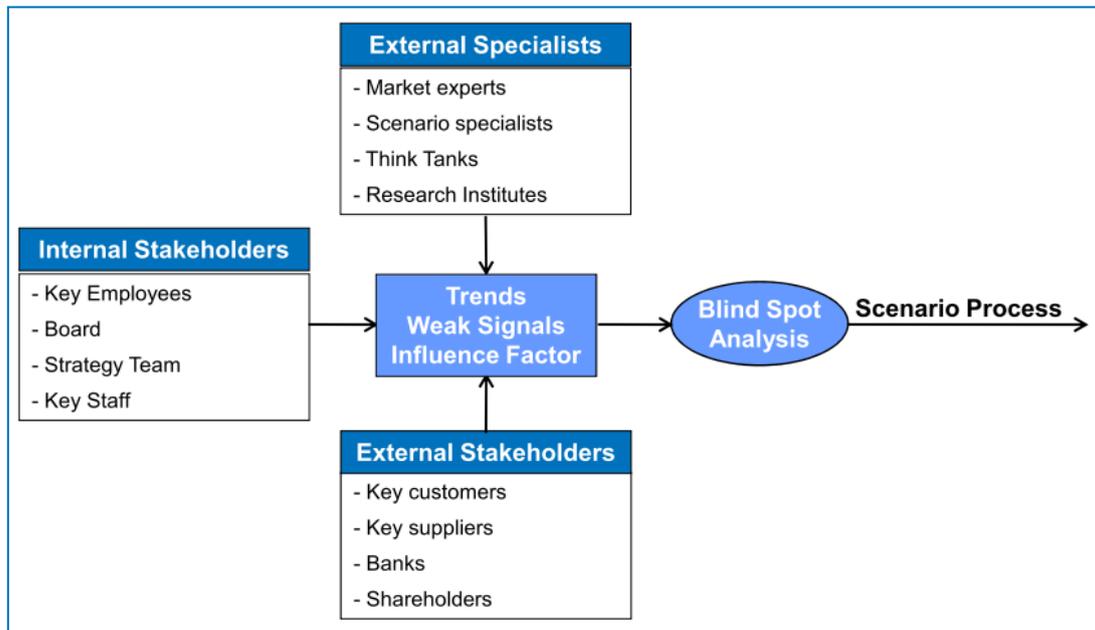

Figure 7: Questionnaire Respondents and Blind Spot Analysis

The described process of combining internal with external results can be accelerated by having an industry specific influence factor database. The Center for Scenario Planning is currently in the process of building such a database for selected industries. The central benefit of the database is that it will be no longer necessary to conduct the longer external part of the *'360° Stakeholder Feedback'* questionnaire since influencing factors as well as their impact and uncertainty are already available. Only the internal questionnaire needs to be conducted meaning the whole scenario-based strategic planning process will be even less complex and time consuming.

4. Evaluation

The main advantage of the *'360° Stakeholder Feedback'* lies in its standardized, efficient approach to identifying blind spots and weak signals. Standardized documentation means that few resources are required for the already quick and straightforward process. One person is needed to identify a significant number of relevant questionnaire respondents within one working day. The standardized questionnaires are quickly sent out and the first stage of the two-step process can be completed within a week. Conducting the synthesis and grouping of influence factors as well as preparing and sending out the second questionnaire takes another one-man working day. In total the whole process can in an ideal case be completed within two weeks. During this time two working days are spent on managing the survey process with the remaining time available for other tasks of the six-step scenario-based approach to strategic planning. Hence the manpower and resources required to apply the *'360° Stakeholder Feedback'* are marginal. Additionally, our practical experience in applying the tool shows that its group bias can be avoided and existing perceptions overcome by using a wide range of questionnaire respondents.

Applying the tool also produced some manageable shortcomings. The interpretation and grouping of influencing factors resulting from the first-round questionnaire can be subjective. Additionally, there is a danger of selecting inappropriate questionnaire participants who are not involved in a company's strategic planning processes. These answers to a certain extent distort the overall list of influencing factors. Finally given the complex nature of the tool one has to bear in mind that a complete identification of all influencing factors might not be possible. Nevertheless all the mentioned disadvantages can be limited by e.g. using several questionnaire administrators for grouping the influence factors and thus reducing its subjectivity or defining specific criteria for questionnaire respondents reducing the possibility of selecting inappropriate ones.

Concluding the overall outcome of the *'360° Stakeholder Feedback'* process is an extensive, evaluated list of factors that could have an impact on a company as well as a structured identification of blind spots and weak signals. Nonetheless the process does not ensure an identification of weak signals or blind spots. It might be possible that these do not develop at all. From a company's perspective this is a very positive signal since it indicates that its strategic early warning systems seem to function well.

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