

Scenario Planning at British Airways—A Case Study

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Introduction

British Airways recently undertook its first Scenario Planning exercise in order to develop further its strategic thinking in light of an uncertain future. The exercise was well received within the company. In addition to the 28 workshops commissioned by management, the stories were communicated throughout the airline with over 20 presentations to staff, an article in the staff newspaper and a feature in the internal video which accompanied the financial results. The exercise also generated considerable interest outside the company. It was reported in the *Financial Times* and was the subject of numerous enquiries from the public and private sectors.

Much has already been written about the theory of Strategic Planning. The objective of this paper is to:

- explain why scenarios were seen as appropriate for British Airways;
- describe how the stories were developed and subsequently used in the company;
- give a flavour of the contents of the scenarios;
- share the successes and lessons learned during the project.

Background

Over the past decade or so, British Airways has evolved from a loss making, state-owned national carrier into a customer focused, publicly listed and consistently profitable airline. This transformation, a testament to a clear vision and a strong management team, has been achieved against a turbulent operating environment.

The air travel business is highly sensitive to economic cycles. British Airways reacted quickly and

British Airways is the world's largest international passenger airline and one of the most profitable. The Corporate Strategy department successfully introduced Scenario Planning to the airline's management during 1994 and 1995. This article is aimed at readers who are using, or have considered using, scenarios as a strategic planning tool and are interested in finding out about another company's experiences in developing and using this technique.

effectively to the last major recession which was precipitated by the Gulf War. So, whilst the airline industry as a whole lost £10 billion during the period, which is more than its total combined profits since commercial aviation began in 1947, British Airways remained profitable. In the latest financial year, the airline produced profits (before taxes and provisions) of £452 million on turnover of £7177 million.

The airline industry is a global business. British Airways is the world's largest international passenger carrier, flying 36 million people to 194 scheduled destinations in 82 countries in 1994. But cross-border ownership and landing rights are tightly controlled and in order to expand its global presence, British Airways has developed partnerships through airline investments in America, Australia, France and Germany and through non-equity franchise links in the UK.

Whilst recognizing that British Airways has been successful in the past, it is dangerous to assume that current strategies will remain valid in an increasingly complex and changing business environment. British



Airways is capital intensive, operating a fleet of 283 jets with long-term commitments to some 53,000 staff. Management must be able to recognize and interpret external events so that any major shifts in the environment which make current strategies vulnerable are anticipated and possible responses formulated. The airline cannot rely solely on quick reactions.

Given the immediacy of the airline business, however, it is difficult for managers to tear themselves away from the day-to-day running of the operation to take a longer-term view. The existing planning processes, the budget and the business plan look at the coming year and the next 3 years respectively. They tend to reinforce the assumption that the future will not vary significantly from the present, and plans tend to focus on operational improvements. A process for developing and testing strategies in light of future uncertainty was missing.

Making it Happen

British Airways' Chief Economist, DeAnne Julius, proposed the use of scenarios to the Chairman's Committee in February 1994. Because the expected benefits were somewhat intangible, the decision was made to treat the exercise as an 'experiment' to see if the process was suitable for use within the company.

The exercise was divided into two phases: scenario development and scenario workshops. Each phase was led by a senior member from the Corporate Strategy department. The aim was to link the scenario workshops to the business plan from April 1995.

Phase 1: Scenario Development

The first phase of the project was led by the Chief Economist. The development team included eight staff from the Corporate Strategy, Government Affairs and Marketing departments and an external consultant. Work began in mid-March 1994 and was completed by the end of October 1994. Individuals' time spent on the project varied, with no-one working full time. An equivalent of 2 man years was expended.

In an effort to gain top level support and guidance for the project, a 'Halo Group' was established. This group of 14 directors and senior managers represented the major departments in the company. Their advice was solicited following the completion of each of the main tasks in the project.

The first task was to determine the significant external issues which are facing the airline. Over 40 individual interviews with managers throughout British Airways were conducted, each lasting between 1 and 2 hours. Five group interviews were held with staff specialists covering topics such as information technology and air transport regulation. Several interviews with academics, government officials and aircraft manufacturers were also completed. Most

interviews were conducted by two development team members from a standard set of questions which had been designed in advance. Detailed notes were taken on the condition that the anonymity of participants would be maintained.

From the interview notes the development team were able to compose a story of the 'Official Future' which summarized the working assumptions British Airways managers were making about the future environment and highlighted potential blind spots. The important external issues were identified and classified into three categories: predetermined elements (such as population growth), key uncertainties (issues of high importance and high uncertainty such as airline deregulation) and driving forces (such as changes in information technology which could fundamentally affect the airline business).

The development team spent a day debating the issues and 11 were selected for further research. It was not obvious from the interviews what the organizing issue, around which the scenarios would be built, should be and so this was left until further research was completed. These findings were presented to the Halo Group who confirmed that the Official Future was an accurate reflection of thinking within the company and approved the preliminary research agenda.

The second task was to develop challenging yet plausible outcomes for each of the issues. This required an in-depth understanding of each issue and the identification of the critical events which would bring about each outcome. The issues were allocated amongst the development team who carried out desk-based research and consulted with experts to develop the arguments. The research was condensed into a briefing pack for each issue.

In mid-June 1994, the development team spent 2 days sharing their findings and exploring inter-connections between the issues. A decision was made to focus on the relationship between growth and governance as the organizing issue and to develop two stories, each covering a 10-year time horizon. Outputs from the 2 days, together with the briefing packs, formed the basis from which the stories were written.

Story writing began in July 1994. A full outline was drawn up by three members of the development team. Draft scenario stories and presentation slides, which showed the main points pictorially rather than as text, were produced. These went through several refinements as they were tested on fellow team members and other experts, and included a presentation to the Chairman's Committee to secure their approval. To ensure a consistent style, the final version of the stories were drafted by the external consultant and finalized by the Chief Economist. Writing was completed by mid-September 1994 and approved by the Halo Group.

Whilst the stories were being written, the numerical

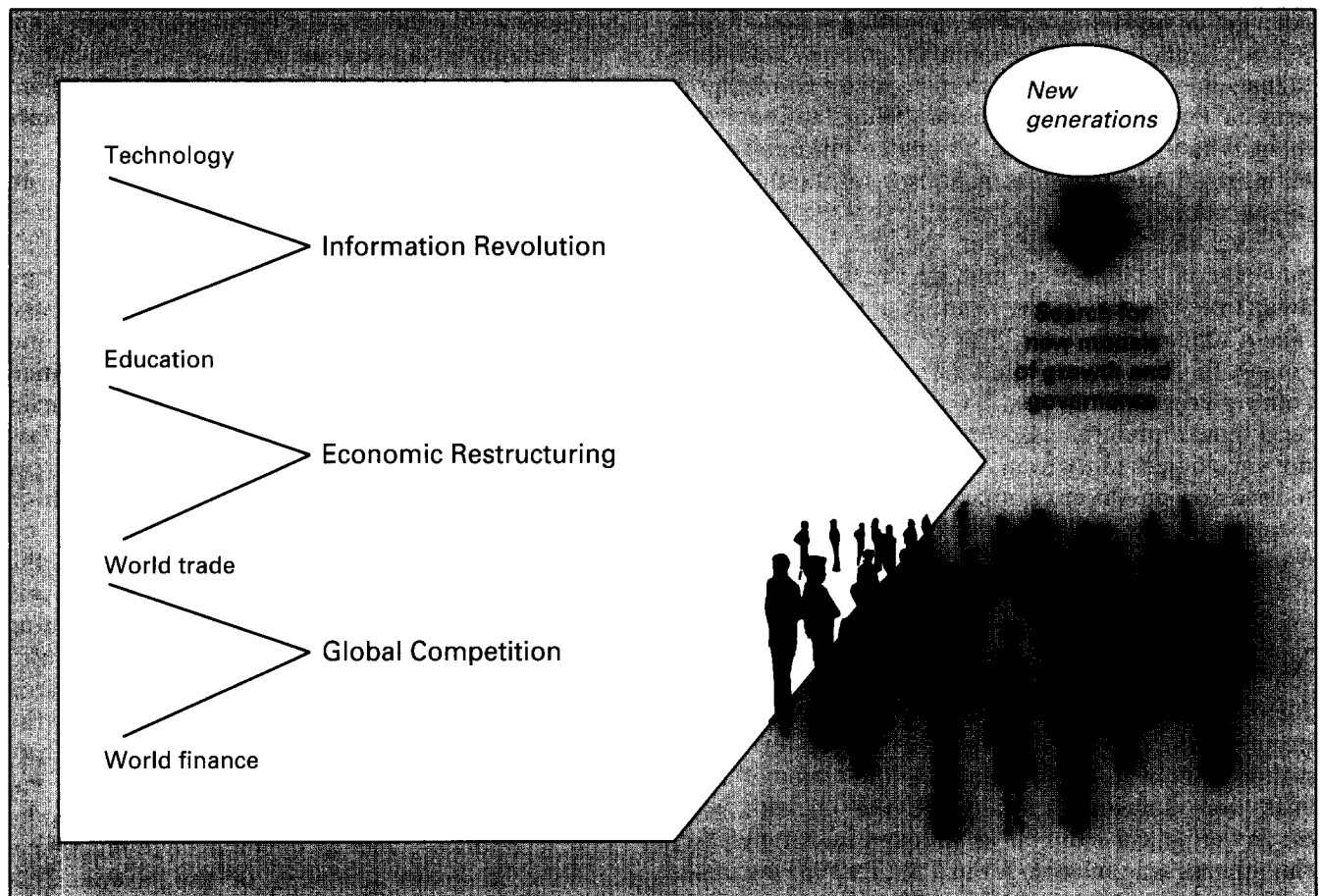


Figure 1. Driving forces.

data on economic growth, passenger traffic and aircraft supply data was produced. Historical data was retrieved, and models were built to determine how the data would be affected by the events in each story. It was decided that at the end of the 10-year period overall world economic growth levels would be similar in both scenarios. This was to avoid a high case-low case dichotomy which the team felt would not stretch thinking. However, the 'boom and bust' economic cycles in one scenario would lead to much higher passenger traffic demand than the slow, steady economic growth and increased product substitution of the second scenario.

A booklet of the stories was produced. The development team was responsible for the text and pictures and a professional designer assisted with the layout and cover design. The cost was just under £10,000 for the design and printing of 2000 copies. A fireworks party for the development team commemorated the completion of the first phase of the project.

The Scenarios

The scenarios took as their starting point the fact that enormous changes have occurred in technology, edu-

cation, world trade and finance over the past 50 years, and that the pace of change has increased as these four elements reinforce each other (see Figure 1). The emergence of a new generation of leaders who lack the personal experience of the World Wars and their search for new models of external growth and governance structures was taken as the organizing issue or 'fork' between the two scenarios (see Figure 2).

In 'Wild Gardens' global integration goes so far that it is impossible to build lasting new structures of governance to replace the old, crumbling structures. In this world it is the Darwinian battle of winners and losers which shapes the future (see Figure 3). In 'New Structures', however, shared values and new ways of organizing are found which enable growth to continue in a manageable, rather than in a socially disruptive, way (see Figure 4).

Phase 2: Scenario Workshops

The scenario workshop phase was led by Rod Muddle, Head of Planning, who represented Corporate Strategy in the company's business planning process. A team of five facilitators was responsible for designing and managing the workshop phase. Work

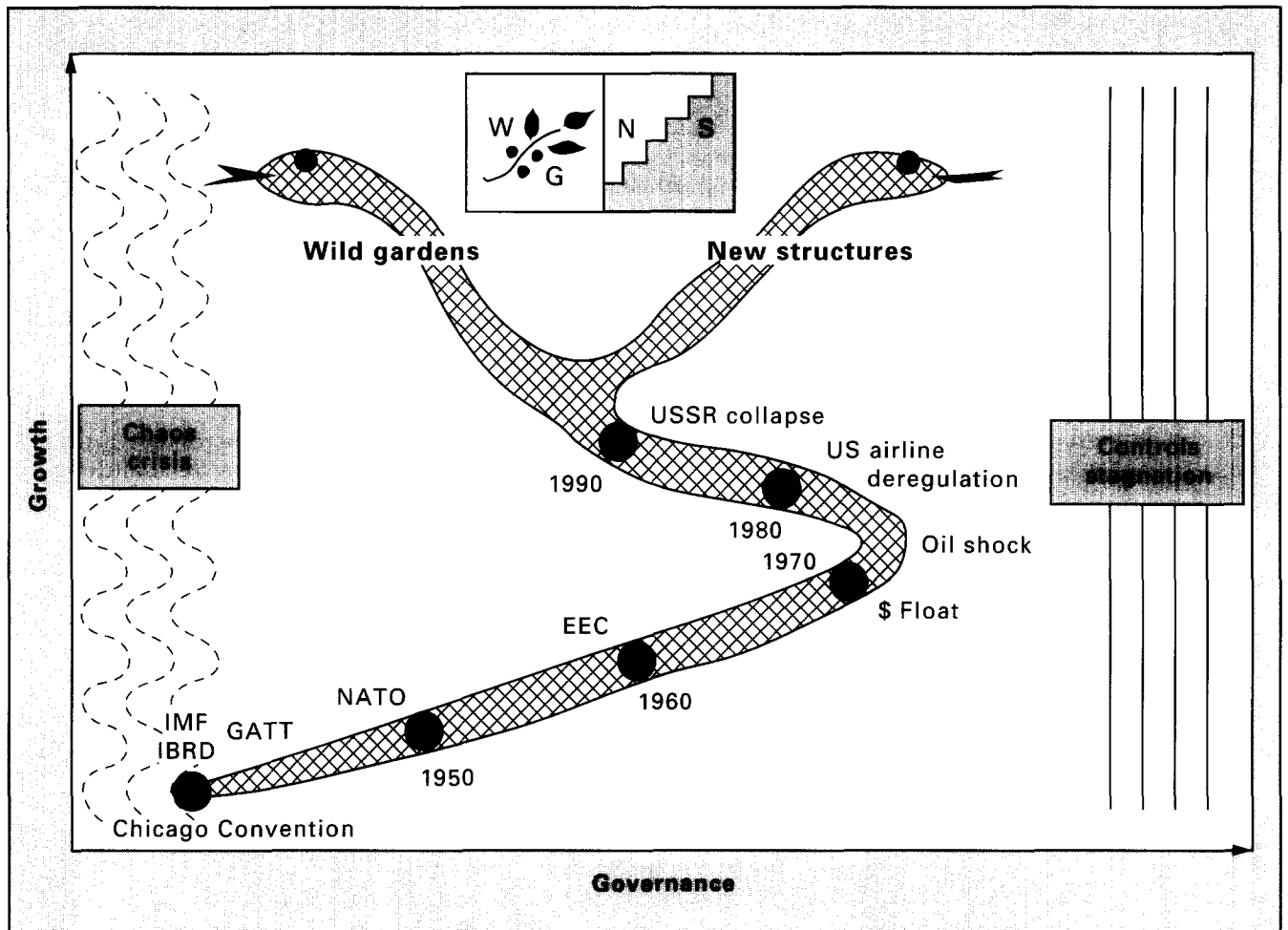


Figure 2. Governance and growth—the two-headed snake.

began on the design and marketing of the workshops in June 1994. Training took place during August and September 1994, followed by four trial workshops in October 1994. The equivalent of 2 man months was spent on design, marketing and training.

The purpose of the workshops was to provide an opportunity for participants to hear and discuss the scenarios, and to provide a structured framework for developing new strategies and test existing ones (see Figure 5). After hearing presentations of the scenarios, brainstorming and creativity techniques were used to generate new strategic ideas for each scenario. The most valuable ideas were then developed and summarized into strategic statements. In order to test robustness, new strategies developed in one scenario were evaluated in the other scenario and existing strategies were evaluated against both scenarios and represented visually using a 2×2 matrix (see Figure 6). This was followed by a discussion about whether any of the strategies could be modified to improve their robustness. The final stages of the process focused on making the strategy work: what capabilities were required; what actions needed to take place; and who,

within the client group, was responsible for ensuring actions were taken. Feedback was gathered at the end of each workshop. This was used to improve the process and provide information about how the workshops were progressing.

The minimum time required to complete the entire process, including breaks, was about 8 hours. However, the process was designed to be flexible. If, for example, the client was looking for new ideas, the section on current strategies could be omitted. Alternatively, the client could use the stories to test their current strategies. In either case, if the presentations were also shortened and the participants told to read the scenario booklet beforehand, then a half-day workshop was feasible.

Directors and senior managers with responsibilities for the major components of the business plan were targeted as potential workshop clients. The facilitation team met with these individuals, described the process, explained the benefits and offered to organize a workshop. The facilitation team's policy was that workshops were available to anyone in the airline, on request, with the only proviso that target

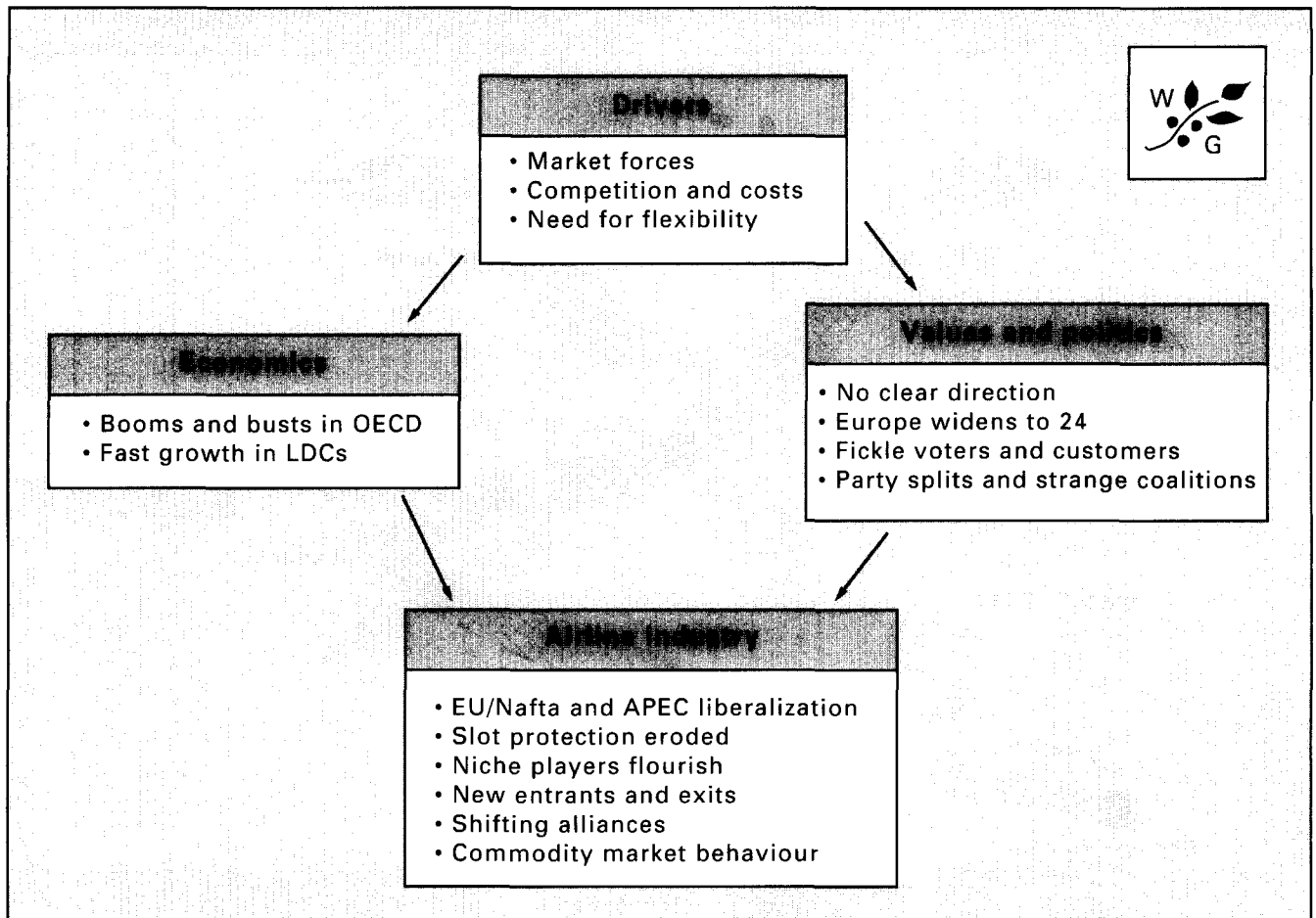


Figure 3. A summary of "Wild Gardens".

customers had priority over others. The client was involved in planning the objectives. They selected the participants, paid for the event (room hire, lunch etc.) and had ownership of the content (i.e. the strategies and actions).

A facilitator took responsibility for managing all aspects of a client's workshop. This included meeting the client to plan and agree the objectives; assisting the client to articulate his/her current strategy; sending invitations, organizing the venue, co-ordinating the other scenario team members; co-facilitating the workshop (time management, challenging existing thinking, encouraging open discussion, recording ideas etc.) and, about 1 month after the workshop, meeting with the client to obtain further feedback and discuss whether any actions had occurred.

The stories were presented by the scenario development team who had the detailed background knowledge. They were responsible for adjusting the core presentation to match the client's focus and responsibility. A presentation for the Americas Region, for example, would provide more detail on geopolitical events in that region, whilst a presentation to the Purchasing department might go into

more detail on aircraft supply. If possible, a different presenter told each story as it helped participants to distinguish between the two. The interview notes and briefing packs put together in the development phase were used by both the presenters and facilitators in preparing for individual workshops.

The output of the workshops was confidential to the participants. All notes were typed up and sent out within 1 week of the workshop. As the workshops progressed, the facilitators drew out common themes of corporate importance. These were presented, discussed, prioritized and actioned at the Group Managing Director's quarterly strategy meetings. This process ensured that corporate strategic initiatives were co-ordinated and linked into the business planning process.

The Halo Group continued to play an important role in the workshop phase of the project. They agreed the workshop process and the list of target clients, received feedback about how the workshops were progressing and acted as champions of the exercise. Indeed, many of the Halo Group members were early clients, sponsoring a workshop in their area and recommending it to colleagues.

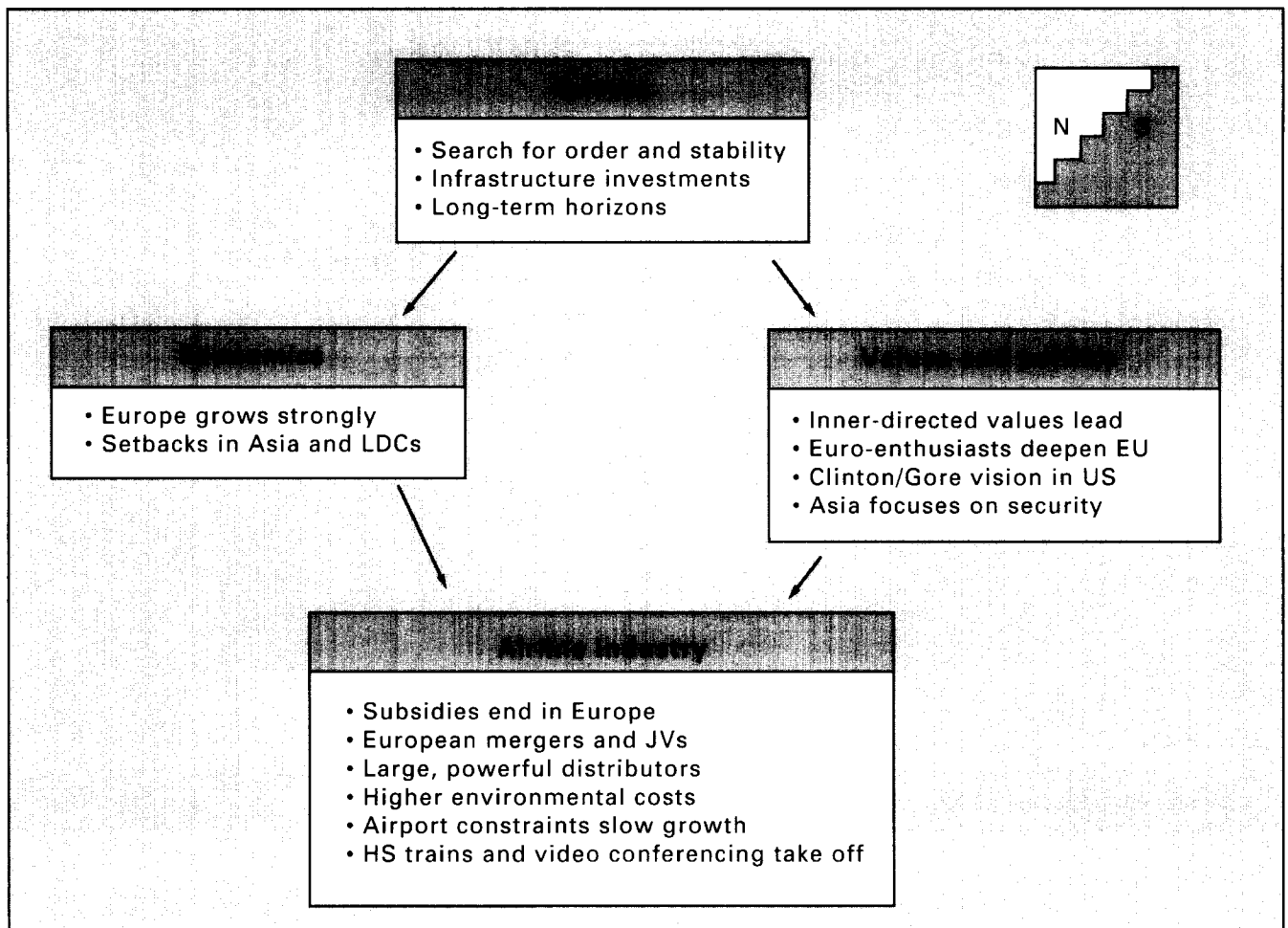


Figure 4. A summary of "New Structures".

The scenario workshops were available from November 1994 and were expected to run until the end of May 1995. In fact, they continue to be run, at the rate of about one per month, up until the time of writing in November 1995. Each workshop took a required 4–5 man days of effort, including preparation and writing up, from the workshop team.

Successes

The stories themselves were substantive and challenging. They captured the attention of even the more cynical audiences, and there was enough depth of analysis to draw upon when questions were asked. Participants' feedback consistently praised the professionalism of the facilitators and presenters, the high quality of the presentation material, the booklets and the write-up of the day. The workshop team ran 28 workshops and over 20 presentations with only two clients from the target list of 20 not sponsoring a workshop. There were several factors from the devel-

opment and design processes which contributed to delivering this high-quality product.

The Chief Economist and the external consultant had extensive experience in developing and implementing scenarios. Together they provided a clear definition of the project, assigned responsibilities, set deadlines and held progress meetings every 2 weeks to ensure that the project plan was being followed faithfully. Their expertise gave credibility to the project within the company, and the presence of a team member with experience meant the Chief Economist was able to manage other responsibilities and maintain support for the project at higher levels.

The team members worked well together. All had volunteered for the project and by getting together as a group to agree the key decisions, they became a highly motivated and enthusiastic team. A continuity existed between the scenario development and workshop phases. The team responsible for the design and implementation of the workshops were all involved, in varying degrees, in the scenario development

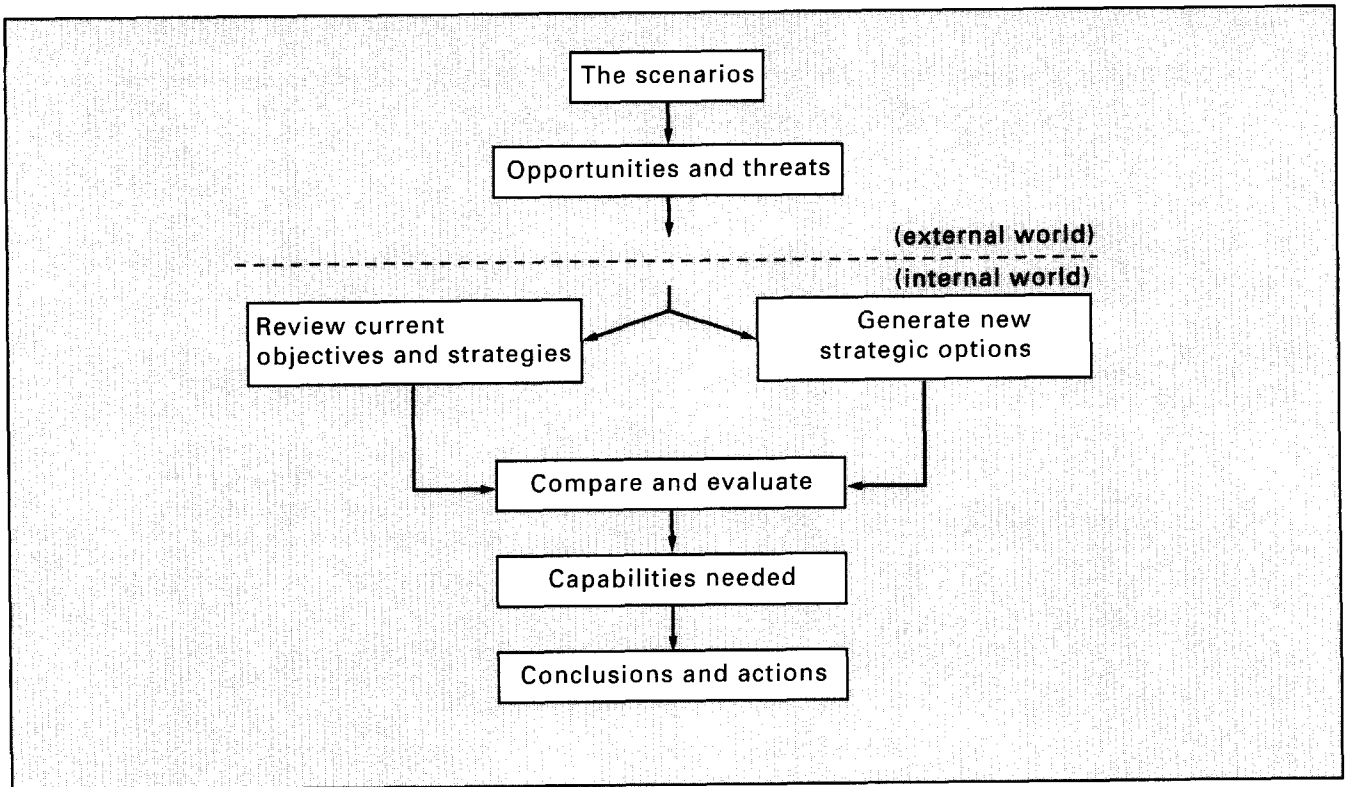


Figure 5: Global scenarios workshop—the process.

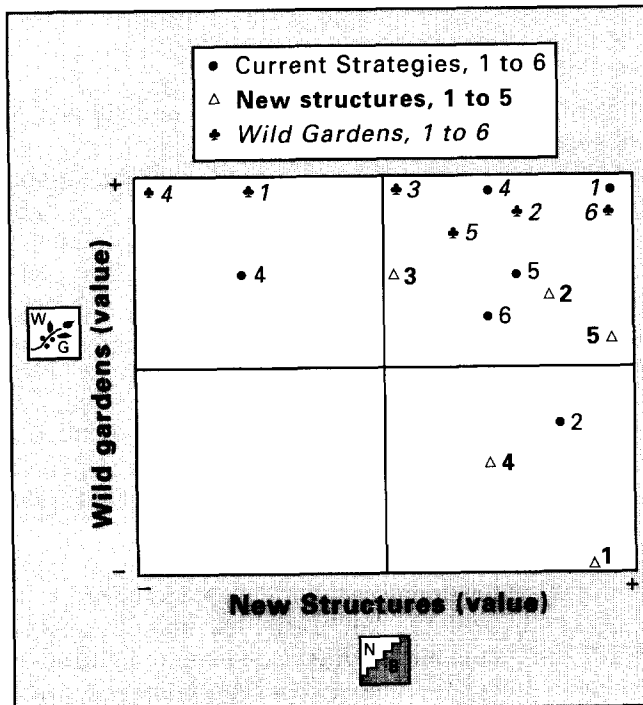


Figure 6: Example of a mapping exercise.

phase which gave them a clear understanding of the objectives of the scenarios and of the stories themselves.

The scenario development phase of the project was positioned so that the learning remained within the company and was extended beyond the scenario development team. For example, members of the Pacific Region helped identify and develop issues relating to Asia. This consultative style ensured the right issues were covered and the stories were robust.

The positioning of the Scenario Planning exercise as an 'experiment' and the consultative style engaged people's interest without them feeling that a new structure was being imposed on them. This meant people tended to be predisposed to being involved in the exercise.

Pilot workshops allowed the workshop team to test the process and experiment with different facilitation techniques. The Halo Group members and colleagues from Corporate Strategy who participated in these pilots provided valuable feedback and early practical examples of the scenarios prompting new strategic thinking, which were used by the facilitators when speaking with potential workshop clients.

Scenario workshops were successfully used to

develop and link strategies between levels within a department. Output from the Marketing Director's workshop was used to set the vision for the workshop for Relationship Marketing, the next level of management within the Marketing department. In Cargo the process worked in the opposite direction. A workshop for their planning department led to the participants working with a scenario development team member to research issues specific to the cargo, as opposed to the passenger, market. This material was used in a workshop, sponsored by the Director of Cargo and involving representatives from other departments in the airline, to develop a robust Cargo strategy that was compatible with the airline strategy and endorsed by all the major stakeholders.

In Engineering four workshops were held in order to gather a wide range of views and ideas to input into the strategic process. The Capacity Management department had done a lot of work to develop their strategy and so used their workshop to test the validity of their current strategies. It raised some concern over certain directions they were taking and led to further project work being done. Similarly, the Pacific Region modified their strategies and developed contingency plans as a result of reviewing the risk of potential instability in Asia.

The scenarios proved to be relevant for areas at lower levels in the organization than the workshop team had originally envisaged. For example, Customer Relations used the scenarios to develop new ways of linking British Airways to its customers. The head of their department was impressed by the team's success in developing creative, feasible plans which were in line with the department's overall goals, and preferred the fact that the team had developed them themselves.

Scenario workshops were also successfully used as a tool to inform groups such as the Trade Unions and the management at Qantas Airlines what external issues influenced the British Airways business plan and to stimulate a dialogue between British Airways managers and these groups.

Lessons

In addition to the successes, several lessons were learned. We underestimated the amount of work involved in developing plausible but challenging scenario stories and, because the project deadline was fixed, there was no slack in the timetable for the delays that inevitably occurred.

The most frustrating aspect, which caused the biggest delay, was the development of the numerical database including the passenger traffic model, the balance between business and leisure travel, and the interpretation of the social trends data. Historical data proved illusive and, when finally obtained, the mod-

elling was more complex than anticipated. Data gathering could have begun earlier and the team would have benefited from having a full-time analyst working on the problem.

Most of the development team were new to the scenario concept and research time was broken up by other commitments. In addition, team members tended to be rusty in either interview, presentation, facilitation or research techniques. Whilst these factors were not significant issues in themselves, they did result in progress being slower than anticipated and this affected both the level of detail and the number of issues covered in the research phase. This was partially offset by commissioning work from external bodies but more contact by the team with external experts would have been useful.

The development phase overran by 1 month, and this reduced the time available for presenters to practise and to become conversant with all the story details prior to the start of the workshop program. In addition, the booklet was not available until mid-November, after the workshop program had started.

The project plan anticipated that workshops would be spread over a 7-month period in order to allow clients to choose when it was appropriate for them to think about strategic issues. There was a downside to this approach. Some scenario team members moved to new projects and were not replaced. As a result, by the end of the April facilitators were doubling as presenters and vice versa.

Presenters had to spend a significant amount of time prior to each workshop reacquainting themselves with the background material and ensuring the stories and slides were current. Some tailoring of the core presentation was necessary as the focus of the workshops varied considerably—from Europe Region to Flight Operations, for example. Some areas, e.g. Southern Region, had not been fully covered in the scenario development phase due to the time constraints mentioned above and so required more preparation work than others. Where the presenters were unable to provide this additional focus, the strategy development was less satisfactory. The ongoing commitment required by presenters had not been fully appreciated at the beginning of the process. This could have been overcome if the presenters had been included more in the planning and running of each workshop. Rather than having two facilitators and one or two presenters, a facilitator/presenter team might have been more appropriate.

A benefit of departmental workshops was that participants were already used to working together and could focus on ideas and actions which were in their direct control. However, this group cohesion also made it harder to challenge the implicit assumptions held by the group and get them thinking in new ways. As a result, facilitators recommended to clients that they invite a few participants from outside their area.

The issue based workshops worked well as long as the participants had clear responsibilities for taking action as a result of the discussions. Early in the programme a couple of workshops were commissioned without clear client ownership, and these proved to be ineffective.

The optimum workshop size was 7–10 participants in order for all participants to have an opportunity to contribute. Groups larger than this tended to become unwieldy. A few workshops for 20 participants were run successfully. However, this was achieved by splitting groups into syndicates for the idea generation and development stages, and required extra facilitation, particularly to bring the syndicates together to share their thinking and to keep everyone involved.

Some people found the scenarios too complex to grasp fully all the implications in the time allocated. The presenters tried to overcome this by linking current stories from the press into the scenarios, by encouraging questions and discussion and by providing the numerical data such as passenger demand. However, if time had permitted, more experimentation with the presentation style could have occurred. In addition, more could have been done to introduce the issues to British Airways management during the scenario development phase. For example, the interviews might have been more of a two-way dialogue rather than just eliciting opinions if reading material had been sent out to interviewees beforehand. In addition, sessions could have been arranged with external experts presenting an issue followed by a group discussion.

In general, 1 day was not long enough to cover all stages of the process in sufficient detail. The facilitation team's involvement with the Pacific Regions 3-day workshop (with Scenario Planning covered on the first day, followed by 2 days looking at specific strategic issues) led the group to believe that 2 days was probably optimal if that much management time could be secured.

On a more mundane level, one of the biggest irritants was finding a suitable location to run the workshops. In-house venues were generally preferred as low-cost, but most proved to be inappropriate in terms of lighting, ventilation and the fact that participants tended to get drawn back into the day-to-day business. There were the inevitable fire alarms and lunches that failed to arrive. From an organizational standpoint, it would have been easier if an appropriate venue was selected with workshops offered on specific dates only.

Conclusions

Pierre Wack¹ argues that the real value of scenarios can be determined by asking two questions: 'what did

they leave out?' and 'do they lead to action?'. At the time of writing the stories are just over 1 year old and so a definitive response is probably premature. So far, however, the scenario team has not been caught out by any unexpected surprises in the external environment, and some of the issues covered, such as the EC's competence in negotiating air service agreements, have become more topical. On the other hand, although care was taken to ensure the scenarios were not diametrically opposed, managers overwhelmingly preferred the deregulated world of 'Wild Gardens' to the ordered world of 'New Structures'. This may indicate either a failure to write stories that were equally attractive/challenging or an implicit preference for the organizational structure that no storytelling could overcome.

In response to Pierre Wack's second question, there is significant evidence from participants' feedback and from the workshop outputs to suggest that the stories caused managers in British Airways to broaden their views about how the world worked and how the company's strategic agenda should respond. The fact that the exercise was integrated with the company's existing planning processes from the start helped to ensure that output from the workshops fed directly into the business plan. The 10 priority issues identified in the latest business plan were all originally identified as significant corporate issues from the analysis of the workshop output.

The Chairman's Committee review of the Scenario Planning exercise in July 1995 supported the view that the exercise was successful in creating a common understanding within the organization of the challenges ahead and in developing strategic planning. They endorsed the idea that the scenario stories should continue to be updated and used for as long as was feasible. It was agreed that new scenarios were not required for the business plan commencing in April 1996, but that the need for new scenarios should be reviewed at a later date.

A much better understanding of Scenario Planning exists as a result of the exercise and the management community in British Airways is receptive to using this approach again. Both the development and the workshop phases of the exercise highlighted the fact that developing strategy is a complex and iterative process, and that there are significant benefits to be gained by using structured processes combined with facilitation and creative problem solving techniques.

From the experience of applying Scenario Planning at British Airways, the most important criteria for success in introducing Scenario Planning are:

- Gain support from the top level in the company and build it into existing planning processes from the start.

- ❑ It is a major exercise—plan it well, take the time to do the design and research properly and show progress along the way.
- ❑ Treat the exercise as a learning process. Consult as many people as possible in the development process so they feel ownership with the final product.

The Scenario Planning exercise was a team effort. The members of the Scenario development team were DeAnne Julius, Alan Cavender, Bob Garner, Shireen Patel, Dominic Paul, David Richardson, Hilary Rickard, Kathryn Sayers, Richard Winter and Barbara Heinzen (external consultant). The members of the Scenario workshop team were Rod Muddle, Paul Birch, Alan Cavender, Geoff Crawford, Kathy Moyer and Dominic Paul.

References

1. P. Wack, Scenarios: shooting the rapids, *Harvard Business Review*, November–December (1985).

