

4.5 Scenario forecasting

A fundamentally different approach to judgmental forecasting is scenario-based forecasting. The aim of this approach is to generate forecasts based on plausible scenarios. In contrast to the two previous approaches (Delphi and forecasting by analogy) where the resulting forecast is intended to be a likely outcome, each scenario-based forecast may have a low probability of occurrence. The scenarios are generated by considering all possible factors or drivers, their relative impacts, the interactions between them, and the targets to be forecast.

Building forecasts based on scenarios allows a wide range of possible forecasts to be generated and some extremes to be identified. For example it is usual for “best,” “middle” and “worst” case scenarios to be presented, although many other scenarios will be generated. Thinking about and documenting these contrasting extremes can lead to early contingency planning.

With scenario forecasting, decision makers often participate in the generation of scenarios. While this may lead to some biases, it can ease the communication of the scenario-based forecasts, and lead to a better understanding of the results.