



# Book The Art of the Long View

## Planning for the Future in an Uncertain World

Peter Schwartz  
Currency, 1996  
First Edition:1991

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## Recommendation

Peter Schwartz evidences charming honesty and humility about his experiences building scenarios. He learned from his failures, so he includes them, as well as his rather impressive successes. Schwartz emphasizes that scenario planning is not the same thing as predicting the future and that complete accuracy is not the goal. Yet, it is still striking how accurately his 1991 scenarios played out. He may have missed a few specific events and trends but, if you'd based your actions on his scenarios, you would have been well-equipped for the last two decades. His very useful principles of scenario planning and multisource information gathering have not changed since he delineated them. The result is a classic. *BooksInShort* recommends this book to entrepreneurs, organizational decision makers and anyone interested in strategic planning, futurism or change.

## Take-Aways

- The future is uncertain, but you can use scenarios to prepare for it.
- Scenarios articulate possible futures in story form to help you make better decisions today.
- Scenarios are not predictions. They are stories that stretch your thinking about what could happen.
- Anyone can build scenarios; everyone gets better with practice.
- To build better scenarios, expand your mind-set and seek data from many sources.
- In any scenario, look at the driving forces, the factors that won't change and the key areas of uncertainty.
- All good scenarios are built around an organizing logic or "plot."
- Work as a team to build a set of scenarios. Then test your decision or options within each one.
- Work through the implications each scenario has for areas that concern you.
- Identify and look out for events that will signal which scenario is coming true.

## Summary

### A Tool for All Futures: Scenarios

The future is so uncertain that it makes people anxious. They don't know what decisions to make now. To equip yourself to make informed choices in this continually shifting world, use scenarios. A scenario isn't a prediction. No one can know the future with certainty, and if you think you do, you're sure to be wrong. That is why the process of "scenario planning" calls for developing challenging stories about a number of possible futures. First, gather the best data available from a broad range of sources. Include information and perspectives that are just appearing on the horizon and on the fringes of society. Use the data to generate several divergent yet plausible scenarios, each incorporating different assumptions about the nature of the changes your organization will face. This lets you examine which futures might unfold and anticipate and rehearse possible responses.

"Scenarios are a tool for helping us to take a long view in a world of great uncertainty."

Whether you're starting a small business or running a multinational company, you need to ask the same kinds of questions about possible futures that may affect you.

Some people will be better at building scenarios than others, at least at the start, but everyone can do it, and can build more skill with training and practice. It's an innate human ability. Some neuroscientists argue that projecting action into the future is built into humans on the evolutionary level. Primitive hunters had to anticipate how prey would move so they could throw weapons accurately. If you're trained in a "deterministic" discipline, such as accounting, you'll find scenario building harder at first than someone like an anthropologist who's trained to shift cultural frames. You'll get better at generating scenarios if you encourage your imagination (and then temper it with realism).

"Scenarios are not about predicting the future, rather they are about perceiving futures in the present."

Scenarios are presented as stories, not as expositions or lists of facts, because stories play a special part in the human psyche. This "old way of organizing knowledge" has been downplayed in the last few hundred years, but it's especially apt for scenario construction. Stories assemble information into an order that has meaning. Stories can have multiple plot lines, and involve more than one character and point of view, enabling the scenario planner to imagine numerous possible futures. Scenarios can function as "myths of the future." Just as myths of the past told people where they came from and contemporary myths communicate a community's shared identity, so scenarios offer emotionally resonant visions of what could be. Stories add substance to information, beyond recitations of facts. These verbal simulations engage the heart as well as the mind.

## Principles of Scenario Construction

Every choice is shaped by "mental maps," people's assumptions about the nature of the world, what could happen and what is likely to happen. Most people aren't aware of the content of their mental maps or how deeply these maps shape how they collect and interpret information. Start by making your maps visible. Consider what you think – or hope – the future will be like. Practice seeing the world systemically and from different perspectives. Imagine an optimistic future: What is the best thing that could happen? What events or trends would logically take you there? In a pessimistic future, what could go wrong? How might that unfold? Imagine a "status quo" future, essentially a continuation of present trends. Which future is closest to how you habitually view the world?

"People have an innate ability to build scenarios, and to foresee the future."

Now play with your futures. Take an element of your pessimistic future, like overpopulation; ask if there is any way it could become positive. How would that change the future? Compare your current assumptions and future images to those you had last year or last week. How have your mental models changed? Carry the practice of consciously viewing the world through a specific perspective from the personal realm to the organizational. Once you identify your mind-set, expand it by channeling "a constant stream of rich, diverse and thought-provoking" data into your life. Habitually research these general categories:

"Scenarios often (but not always) seem to fall into three groups: more of the same, but better; worse (depression and decay); and different, but better (fundamental change)."

- **"Science and technology"** – Scientists are always making breakthroughs and discovering new technologies that change what is possible. Monitor these changes with awareness of how they apply to your particular interests.
- **"Perception-shaping events"** – Some events crystallize public understanding or opinion. After the Exxon Valdez spill, more people opposed offshore oil drilling.
- **"Music"** – Pop music reflects how the emerging generation sees the world.
- **"Fringes"** – Humans structure knowledge "concentrically," with essential beliefs at the core. The farther out ideas go from that center, the less important they seem to be to established society. But, innovation comes from the edges, where people try new ideas. You'll leap ahead if you can identify useful ideas in fringe cultures or publications.

"Scenario designers rarely consider plots individually. They consider the ways in which different plots might handle the same forces."

You can search for useful information other ways. Pay attention to what visionary thinkers or "remarkable people" see as meaningful. Read books on unfamiliar topics. Analyze the conceptual "filter" different magazine editors use to get a blend of "raw and unpolished" information, plus material that's been partially sorted for utility. Travel to new, "challenging environments." Seek out different people, classes and subcultures. If you work in an office, talk to someone who works in a factory. If you drive to work, take the train. Observe what people wear and do that's different from your habits. Look for specialized organizations that will enrich your mind or offer expertise in uncommon areas. Interact with others via computer networks and social media. If you have a large organization, sponsor conferences and gatherings to mix different people together.

"The most common evolutionary plot in the world today is technology. New innovations grow in a biological fashion – sprouting slowly from earlier technologies, gradually ripening and then bursting upon the world."

When you build a set of scenarios, incorporate three essential interacting components:

1. **"Driving forces"** – These dominant factors in the external environment are often beyond your control but they shape the broader business environment within which you operate. Identify the core question you want to answer, for example, whether you should start a business or drill for oil. Review all the major forces that will shape your actions. You'll see some of them immediately, almost instinctively, but – since people have blind spots – you could miss others, so build your scenarios with a team. Work systematically through social influences, technological factors, economic and political influences, and environmental trends. These categories manifest differently in every business, even in every decision, but always take them into account.
2. **"Predetermined elements"** – These scenario factors will remain the same, no matter which future unfolds. To find them, look at "slow-changing phenomena," such as the rate of population change. Note constraining factors, for example, the fact that Japan has a large population but limited land, or that China's continued growth will be affected by water availability. Look at factors "in the pipeline," such as demographic bulges, like people who are retiring. Be aware of "inevitable collisions," like the clash between the public's opposition to taxes and its demand for services.
3. **"Critical uncertainties"** – These are factors whose outcomes are unpredictable, but that are most likely to shape your scenarios by changing their nature or direction. For example, demographers basically know how many young people will enter the U.S. workforce in the next ten years (a predetermined element), but companies don't really know the impact of their attitudes toward work, benefits and careers, and how those attitudes might intersect with new technologies or economic conditions.

## The Process of Constructing Scenarios

First, gather a diverse team of scenario builders that includes people of different ages, backgrounds and experiences. Plan to spend an entire day exploring the driving forces, uncertainties and possible scenarios, and to leave at night with ideas percolating, so people come back with new possibilities the next morning.

“Driving forces often seem obvious to one person and hidden to another. That is why I almost always compose scenarios in teams.”

Every set of scenarios is different, but you’ll follow a basic process each time you build one. First, identify your “focal issue or decision”: What issue do you want the scenarios to address and across what time frame (three, five or ten years out)? Review the many different social, economic, political, technological and environmental factors that might affect it. Identify and rank the key driving forces. Which forces are most important and most certain? These will remain constant throughout any scenario (the predetermined elements). Next, identify which factors are most important and uncertain (the critical uncertainties) in your focal question or decision. If you sell books, for example, don’t look just at general technology; look at how technology shapes the production, distribution and reading of books, and how that might change.

“If it seems certain, no matter which scenario comes to pass, then it is a predetermined element.”

Generate at least three distinct possible futures; these should be plausible but also novel and challenging – not simply variations on what seems most or least likely. Build each scenario around a specific unifying logic or “plot.” Just as a novel employs many details, events and characters, but adheres to a single unifying plot, use plots to organize your scenarios. Several scenario plots recur, but they won’t all fit every situation. The “winners and losers” plot depicts a zero-sum future, where one group wins (survives, gets rich) and the other loses. This plot dominates economics and politics (only one candidate can win), creating a binary world with strategic, often “overt alliances.” In the common “challenge and response” plot, when one side generates a challenge, the other side shifts or grows in reaction. For example, the environmental movement once looked like a winners-versus-losers plot where you could “have growth or environmental safety, but not both.” After those early years, industries learned that energy efficiency saves money, being green opens new markets and so on, bringing the two extremes together.

“In every plan, critical uncertainties exist.”

Scenarios guided by a logic of “evolution” plot follow a “biological” path where continual change occurs in a given direction, “either growth or decline.” Once you identify these slow-developing scenarios, planning for them is relatively easy. Technological growth exemplifies the sort of peripheral changes that spin off from evolutionary growth. For instance, just creating a new robotic machine doesn’t win a new market. People must learn to use it and integrate it, which requires training salespeople and customers.

“Trust your instincts: It is part of human nature to be interested in factors that affect the decisions we are going to make.”

In scenarios using the “revolution” plot, everything changes in response to a specific event, such as the 1929 stock market crash. Such changes are rare, but important, because they shift how people see the world going forward. You can also build scenarios around “cycles.” This is common in economics. For instance, when the money supply increases, interest rates drop, people borrow more, so they spend more and interest rates go back up. If you’re in a cyclical field, learn to read cues that tell you when the elements in your cycle will change direction. In futures with “infinite possibility,” like the dot-com boom, it seems as if anything could happen. Some demographic bulges become their own driving forces. The 1960s are a good example of this “My Generation” scenario. With this sense of identity, change seems inevitable. Finally, scenarios built on the “Lone Ranger” plotline pit a single heroic individual against a system.

“An effective scenario almost always changes behavior.”

Brainstorm as a team to identify the plot “logics” that fit your focal issue, then “flesh out” the story. Use your imagination; suspend disbelief. Work through each scenario’s driving forces, predetermined elements and critical uncertainties. Make them as realistic as possible. Which companies may be involved? Which individuals? As scenarios take shape, apply them. How would different plots drive your company’s future? How might they interact? Could a scenario that posits a perceived revolution completely change things? Or would it become a challenge-and-response scenario as the larger society digests the possible changes? Don’t assume an “unbroken line,” since few historical trends continue without modification. Learn to identify plots early in a situation. Look for clues, for instance, by reviewing history. Take a specific period and work back 10 years. What clues hinted that a given change was going to happen? What could you have done to prepare for it?

“Stories can be a powerful way of avoiding the dangers of denial.”

Consider each scenario’s implications. Loop back to your original decision. What have you learned? Which options are sound in which possible futures? Where are they flawed or dangerous? A decision that works in only one possible future is risky, since you can’t be certain that future will happen. But, a strategy that is robust in every scenario is a good bet. Complete your scenario building by identifying signs to watch for as signals that a given future is coming into being, so that you can adapt as needed.

“Hindsight is useful for sharpening your foresight.”

Royal Dutch/Shell had an early success with scenarios. In the late 1960s, it asked its new planning department to anticipate “events that might affect the price of oil.” The planners developed one scenario in which the industry found new oil fields and prices stayed stable. It built a second scenario around the depletion of U.S. strategic reserve and OPEC’s emerging political power. In that scenario, oil prices soared and power shifted. While executives first rejected this scenario because it differed too radically from their mental models, the planners convinced them to take the possibility seriously. As a result, when the 1970s oil crisis occurred, Royal Dutch/Shell was ready to change successfully.

## About the Author

**Peter Schwartz** is a futurist, the co-founder of the Global Business Network and the author of *Inevitable Surprises* and *When Good Companies Do Bad Things*, among other books.