

CADWES

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SCENARIO BUILDING — METHODOLOGY AND EXAMPLES

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WHAT ARE SCENARIOS ?



- ✓ The scenario process is a method for learning about the future by understanding the nature and important driving forces affecting the future.
- ✓ Scenarios are basically like manuscripts about alternative futures, describing the alternative development paths from the present to the future.
- ✓ Good scenarios can be possible, probable, plausible, relevant, coherent, desirable, consistent, transparent, innovative, and surprising (Godet, 2001).



CONSTRUCTING SCENARIOS (1)



- ✓ Scenarios can be constructed by several methods. The common feature of all approaches is that they are based on the theoretical foundations of several disciplines to arrive at a futures-oriented knowledge base.
- ✓ A good process of building scenarios should be interactive, intense and imaginative (Godet 2001).
- ✓ A commonly used process of building scenarios is to start by constructing or using readily available “environmental scenarios” that elaborate the possible worlds and operational environments at a more global level. Sector-specific scenarios or organisation-specific scenarios can then be constructed in line with those overall scenarios.



CONSTRUCTING SCENARIOS (2)



- ✓ The scenario process is essentially a learning process, whereby the participants learn and commit themselves to creative and imaginary thinking about the possible futures for the organisation itself as well as the surrounding world. Scenarios should be linked to the organisation's vision, mission and strategies.
- ✓ Scenarios depend on the type of vision adopted, e.g. exploratory, normative or plausible. Strategies depend on attitudes towards possible futures. The attitude may be passive, reactive, pre-active, or proactive. (Godet 2001:66).



SCENARIOS IN A STRATEGY PROCESS



- ✓ Scenarios are increasingly used as a strategic and visionary management tool. Nowadays the scenario process is often integrated with the strategy development process.
- ✓ A comprehensive process for constructing scenarios and using them in a strategy process may consist of five key stages (Figure 1).



SCENARIOS IN A STRATEGY PROCESS



1. DEFINING THE PROBLEM

- 1.1 IDENTIFYING ISSUES AND FACTORS AFFECTING THE SCENARIO PROCESS
- 1.2 FOCUSING THE PROBLEM AND ISSUES
- 1.3 DEFINING TIME PERSPECTIVE OF THE SCENARIO PROCESS
- 1.4 ASSESSING RESOURCES AVAILABLE FOR SCENARIO PROCESS
- 1.5 MOTIVATING PARTICIPANTS
- 1.6 CHALLENGING THE MENTAL MAPS THAT SHAPE ONE'S PERCEPTIONS, AND COLLECTING INFORMATION
- 1.7 CLARIFYING THE VALUES



2. ASSESSING THE PRESENT SITUATION

- 2.1 IDENTIFYING INTERNAL RESOURCES AND DRIVING FORCES (PESTEL ANALYSIS AND PREDETERMINED ELEMENTS)
- 2.2 IDENTIFYING TRENDS AND MEGA-TRENDS
- 2.3 MAPPING THE AVAILABLE ENVIRONMENTAL SCENARIOS RELATED TO THE PROBLEM
- 2.4 ASSESSING THE IMPORTANCE AND UNCERTAINTY OF DRIVING FORCES
- 2.5 IDENTIFYING WEAK SIGNALS

3. CONSTRUCTING SCENARIOS

- 3.1 DEVELOPING THE GENERAL (OVERALL) SCENARIOS
- 3.2 DEVELOPING ALTERNATIVE FUTURES IMAGES AGAINST THE MAIN DRIVERS
- 3.3 ANALYSING THE FUTURES MATRICES (MORPHOLOGICAL ANALYSIS ETC.)
- 3.4 WRITING SCENARIO MANUSCRIPTS



4. TESTING AND COMPARING SCENARIOS TO THE PRESENT SITUATION

- 4.1 TESTING SCENARIOS USING CRITERIA: PLAUSIBILITY, PROBABILITY, SEGREGATION, COHERENCE, PROFITABILITY, CHALLENGING.
- 4.2 ANALYSING THE IMPACTS OF SCENARIOS
- 4.3 TESTING FUNCTIONALITY OF SCENARIOS

5. DEVELOPING AND SELECTING STRATEGIES (STRATEGIC DEVELOPMENT PLAN)

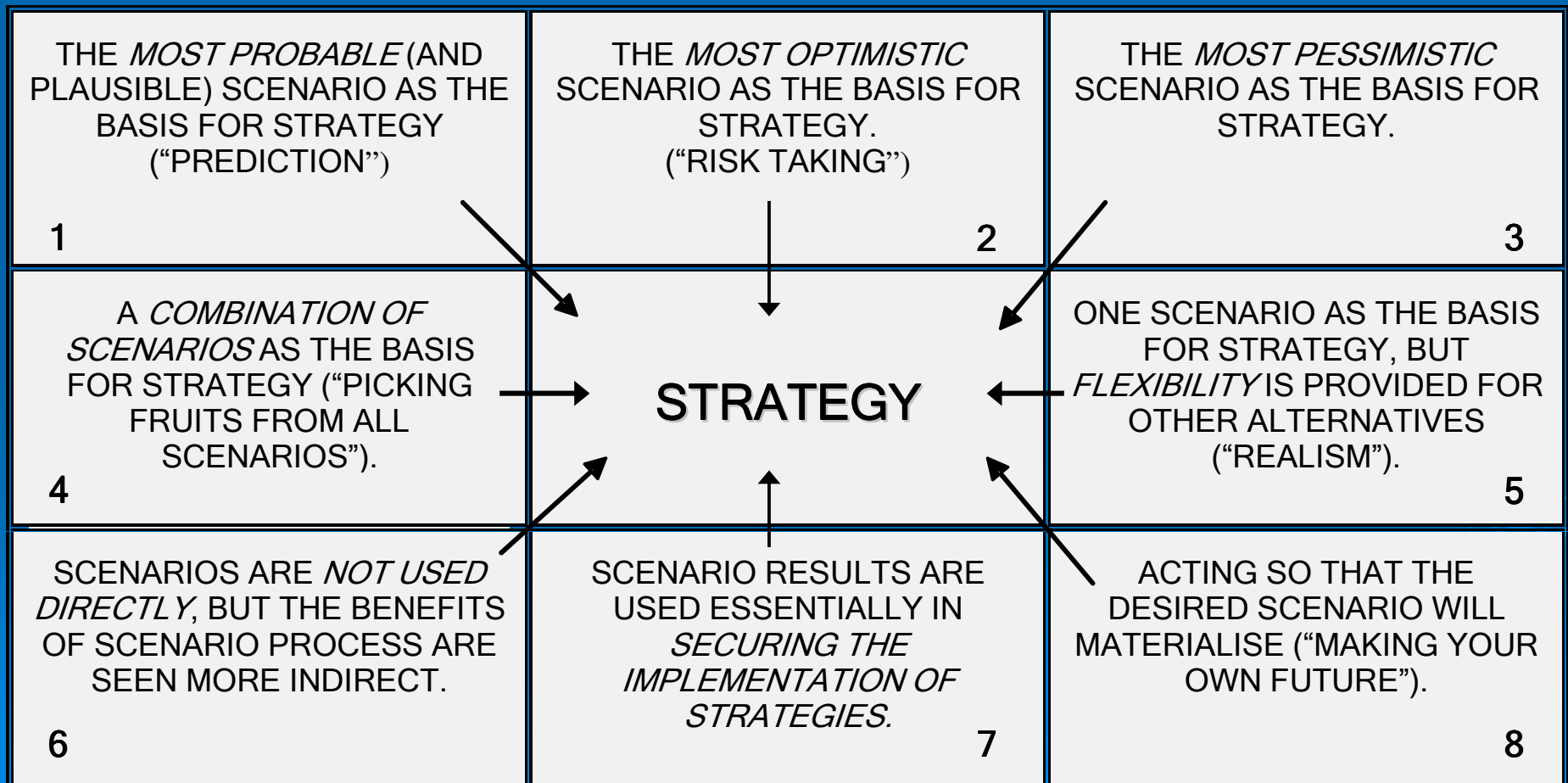
- 5.1 DEVELOPING A MEANINGFUL STRATEGY BASED ON THE SELECTED SCENARIO(S)
- 5.2 PREPARING A SHORT-TERM ACTION PLAN TO IMPLEMENT THE STRATEGY





UTILISING SCENARIOS IN STRATEGIC MANAGEMENT

➤ Several possibilities for using scenarios in strategic management:





EXAMPLES OF SCENARIOS



➤ ALTERNATIVE FUTURES OF WATER SERVICES IN KENYA

	EL NINO	MAENDELEO	KATIBA	FLYING GEESE
OVERALL SCENARIO DESCRIPTION (Kenya Scenarios, 2000)	<p><i>No political reforms and no economic reforms.</i></p> <p>“El Niño is the road of neither economic nor political reform. El Niño leads to the total breakdown of Kenya.”</p>	<p><i>Economic reforms with minimal political reforms.</i></p> <p>“Maendeleo is the road of economic recovery without political reform. The overriding assumption in this story is that for as long as the economy is growing steadily, there will be little or no demand for political change.”</p>	<p><i>Political reforms with minimal economic reforms.</i></p> <p>“Katiba is the road of political reform with little parallel economic recovery as Kenyans search through their own traditions for comprehensive agreements that will allow them to face the future with confidence.”</p>	<p><i>Simultaneous economic and political reforms.</i></p> <p>“The Flying Geese story is about the success of determination, leadership, vision and the courage to venture into the unknown.”</p>
OVERALL WATER SECTOR DEVELOPMENT SCENARIOS: DRIVERS: <ul style="list-style-type: none"> • WATER RESOURCES • FINANCIAL RESOURCES AND FINANCING • HUMAN RESOURCES • INSTITUTIONAL AND LEGAL ARRANGEMENTS • WATER SECTOR ORGANISATIONS 	<p>Water sector reforms remain highly unsuccessful and poorly integrated into overall social and economic development.</p> <p>Water utilities in many areas have serious difficulties to supply adequate water to customers due to acute scarcity or water resources.</p> <p>Financial and economic resources to maintain and improve facilities and services are inadequate, because the financial allocation and budgeting procedures within the responsible authorities have not been reformed.</p> <p>Human resources needed at various levels are not adequately assured. Training programmes cover only part of the sector needs and concentrate largely on the central level personnel.</p> <p>Institutional arrangements for water and sanitation service provision largely remain unchanged. Separation of service provision and regulatory responsibility take longer time than expected, and in practice the ministry remains regulator of its own services for several years, thus causing an unhealthy (competition) situation among the service providers.</p>	<p>Water sector reform process concerns in practice only drinking water services, but in the sanitation sector institutional arrangements remain very fragmented. Authorities and implementing actors are mainly interested in drinking water services (due to expectations in economic gains), and as a result the sanitation and environmental situation in Kenya becomes worse, affecting seriously the quality of scarce water resources.</p> <p>As a result of improved economic efficiency and transparency the water sector financing receives more attention in the budgeting process, but the increased sector funding will be largely inefficient due to incomplete institutional arrangement at the local level.</p> <p>Economic regulatory system will be put in place for water service providers, but institutional arrangements regarding clear separation of roles remain poorly implemented for a number of years.</p> <p>Bureaucracy, incompetence, corruption and poor governance structures undermine the economic reforms carried out at the central level.</p>	<p>The bureaucracy and inefficiency at the local level (districts, municipalities) is largely removed theoretically as a result of major local government reforms. The overlapping arrangements between district administration and local authorities have been restructured by gradual downsizing and eventual abolishment of the entire district administration (for technical services).</p> <p>The water sector reform process puts rather effectively in place the new institutional arrangements (regarding drinking water services and water resource management), but without adequate economic reforms its practical impacts at various levels remain very limited.</p> <p>Competent water sector staff of the districts have been partly transferred to local authorities and partly retrained as local level regulatory staff. Inadequate economic and financial resources still limit their efficient work.</p> <p>Inadequate investments in water and sanitation infrastructure mean that the service coverage and quality remain low.</p>	<p>Simultaneous reforms within several sectors support each other and cause a boosting effect. Fragmentation of the institutional arrangements between the sub-sectors will finally be reduced, and for the first time the concept of integrated water resource management will be adequately internalised in Kenya. Sanitation and sewerage improvements are emphasised.</p> <p>As a result of comprehensive economic reform at the central government and also at other levels, and increased commercialisation of the sector, adequate financial resources will be secured.</p> <p>Financial allocations and budgeting procedures have been substantially strengthened. Resource allocation is more rational after the overlapping functions of the District Water Offices and local authorities (autonomous water and sanitation companies) were merged.</p> <p>Water sector reform process involved an extensive programme for human resource development and capacity building in all important areas of the sector reform and at various levels.</p>