



**INSIGHTS FROM  
CFA SOCIETY SINGAPORE**

By Sebastian Petric



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ages imagining previously inconceivable developments. Scenario planning and strategic foresight in general are essential tools for navigating future uncertainties in investment management. They provide structured approaches to anticipate and prepare for disruptive changes, enabling investors to make informed decisions and develop strategies that are robust across a range of futures.

**Scenario planning vs forecasting**

Scenario planning is a critical discipline that explores plausible futures to identify emerging challenges and opportunities, setting it apart from forecasting, which relies on past data to predict risks and returns. Foresight manages complexity by framing problems, considering multiple pathways, surfacing current assumptions, scanning for weak signals, mapping the system, selecting change drivers, developing scenarios, and testing assumptions to identify potential challenges and opportunities. It is important that practitioners understand that foresight includes both scenario planning and forecasting.

This approach allows investors, policymakers, and strategists to anticipate future developments and ensure proposed actions are resilient across various plausible futures. Sharing mental models and developing robust policy assumptions helps decision-makers rehearse for future challenges.

**Practical implementation**

In most organisations, the responsibility for scenario planning typically resides within the strategy division. It is not common to see roles such as Chief of Foresight or Scenario Officer within the investment industry. Rather, scenario planning is generally a collaborative effort among various strategists, leveraging the collective imagination and expertise of diverse team members to explore multiple plausible futures.

By fostering resilience through the consideration of various outcomes, strategists can better anticipate and manage the complexities and disruptions that characterise today's dynamic environment. A collaborative effort is essential in developing robust strategies that are resilient across a range of plausible futures, enhancing decision-making in an unpredictable world.

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# Scenario planning, foresight, and the power of imagination: Navigating an uncertain future

Scenario planning helps us to envision multiple outcomes and foster resilience against uncertainties

IN AN era characterised by significant disruptions, the future has become increasingly uncertain. Scenario planning is a crucial methodology tailored for such times. Unlike traditional forecasting, which relies on historical data to predict probable futures, scenario planning uses imagination to identify plausible futures.

As the world grows more complex, strategic foresight methodologies encompass a broader range of futures. Scenario planning helps us to envision multiple outcomes and foster resilience against uncertainties.

Systemic disruptions compel us to confront the inherent unpredictability of the future, highlighting the significance of scenario planning and foresight, both of which prioritise imagination. But most of us are not naturally inclined to confront change. As John Maynard Keynes put it in 1937, "The idea of the future being different from the present is so repugnant to our conventional modes of thought and behaviour that we, most of us, offer a great resistance to acting on it in practice."

The concept of "metaruptions", coined by the Disruptive Futures Institute, a think tank based in San Francisco, describes multidimensional systemic disruptions that extend beyond initial impacts. Understanding these disruptions requires a creative approach, because convention-

al data analysis falls short. Scenario planning, originally developed in the 1950s and refined in the 1970s, provides a framework for exploring different futures and their implications.

In 1982, *Megatrends* author John Naisbitt defined "megatrends" as large, transformative processes with global reach and significant impact. However, trends are reflections of the past, and extrapolating them can be perilous. Disruption marks the end of trends, compelling us to confront unpredictability. Here, imagination is a superior tool.

**Scenario planning: A safe space**

Scenario planning is vital in investment management. By creating plausible narratives about future developments, it helps investors explore options and inform decision-making. This methodology encourages practitioners to challenge assumptions, adapt strategies based on emerging information, and avoid tunnel vision. The TUNA framework (Turbulence, Uncertainty, Novelty, Ambiguity) from the University of Oxford further aids investors in managing challenges by promoting imaginative thinking and questioning established assumptions.

Navigating a TUNA world involves rethinking assumptions. Scenario planning provides a safe space to acknowledge uncertainty and encour-