Scenario Planning in Australian Government

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ABSTRACT

Is scenario planning a process that can be used by agencies of the Australian Public Service to generate and develop information that is relevant to the future, and thereby make possible improved strategic planning? This is the core question of this dissertation. The first part of the thesis is devoted to the case for investigating the benefits of scenario planning. Literature defining and describing the benefits of scenario planning for both private and public sector organisations is examined, and factors that appear to be critical to effective implementation of the process are discussed.

Against this theoretical background the empirical evidence of seven cases of the application of scenario planning in six agencies of the Australian Public Service is considered. Several conclusions are drawn on the basis of the data obtained from the seven cases studied. Scenario planning is more likely to make possible improved strategic planning of public sector agencies such as those that comprise the Australian Public Service (irrespective of their function or size) if it has the active involvement of senior management during the developmental phase of the process, and their ongoing support for any follow-up activity. In addition, a well resourced and in-depth research phase is integral to the success of the process. Even if these elements are not present to a high degree, a well managed scenario planning exercise will improve to some degree the ability of an agency's senior executive to think more openly and proactively about its future business context. In addition, well resourced and properly supported scenario planning can also help a public sector agency to improve the quality of its information gathering, test the viability of its strategy options and develop appropriate contingency plans.

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INTRODUCTION

As a management consultant, I have been facilitating various forms of strategic planning in a variety of Australian public sector organisations for over 10 years. One of my greatest challenges has been to try and ensure that the resulting corporate or strategic plans (which usually have a notional timeframe of somewhere between three and five years) will continue to have day-to-day relevance to the agency and its stakeholders for a period greater than the 12 months subsequent to their completion. Thus I have taken a close interest in any processes or techniques that claim to enhance the robustness of strategic planning processes and the likelihood that the final products (strategic or corporate plans) will continue to have relevance for at least two or three years.

One process that seemed to have potential in this respect was scenario planning, a strategic management process that had been popularised by Royal Dutch Shell in the 1970s and that has since been employed by a number of private and public sector organisations both within Australia and overseas. Essentially the process entails the development of a number of well thought, plausible scenarios of what the business environment of the organisation might look like over the next 3 – 10 years (or longer), and then using these 'futures' as a basis for the development of a range of strategies or strategic options that will be useful irrespective of which scenario (or combination of scenarios) eventuates.

Since the 1990s a number of APS agencies have experimented with scenario planning, and a few of them have employed it as a distinct component of their strategic planning processes. It became apparent that scenario planning was a tool that I might be able to use when assisting my clients with their ongoing strategic planning, and so I decided to explore its implementation within a number of APS agencies. I wanted to find out if the agencies concerned had found it to be of assistance in undertaking strategic planning, and in particular, if there was any evidence that the implementation of scenario planning had helped them to overcome or reduce the problem of 'lack of future relevance' of public sector strategic planning.

Can agencies of the Australian Public Service use scenario planning to generate and develop information that is relevant to the future, and thereby make possible improved strategic planning?

This was the key question that I have attempted to answer in this study. I was also interested in exploring what other benefits scenario planning might be able to bring to public sector agencies, and what factors might help or hinder effective implementation of the process.

While there have been a few studies of the application and effectiveness of scenario planning in the private sector (described in Chapter 1), there have been few such studies of its application in the public sector, either within Australia or overseas. Relatively little research has been done on the application and/or effectiveness of scenario planning in specific public sector agencies, and I have been unable to find evidence of any comparative studies of the application of scenario planning in a number of public sector agencies of the same government, and so in this respect my research is breaking new ground.

With respect to the public sector I found that what research had been undertaken was largely devoted to 'industry wide' processes such as the Hemingford Scenarios or the National Education Association (see Chapter 2), rather than specific public sector organisations such as those examined in this thesis. However, I was able to find a few reports about scenario planning exercises that had been undertaken by agencies similar in size and scope to the ones I studied. From this information I was able to draw out a number of perceived benefits associated with scenario planning in the public sector, and I distilled these into six aims or reasons why a public sector agency might undertake scenario planning.

These aims were the starting point of a case study analysis of seven cases in six agencies of the Australian Public Service during the time period of 1995 to 2001. The key determinant of whether scenario planning was a process that could assist or enhance agency strategic planning was the extent to which each agency had achieved its stated reasons for using scenario planning (classified under the six benefits I had developed on the basis of my reading of the literature). In each agency I carried out semi-structured interviews and studied a range of relevant documentation in late 1998, and then again in late 2000 (plus additional interviews and document study at one agency in early 2004). As well as seeking to find out to what extent the intended aims within each agency had

been achieved in the short term and/or long term; I was also interested to know what factors were common to those agencies where the intended aims were achieved in the short and/or long terms.

I found that in the short term (up to 12 months from the presentation of the scenarios to the managers/ staff of the organisation) virtually every aim for undertaking scenario planning in every case had been achieved to at least a medium level. By contrast, 2 to 3 years after the initial scenario planning exercises had been completed I found that for some agencies there continued to be relatively high level of achievement of their original aims for the process, whereas in others this was not the case. The common factors in those agencies that had experienced 'sustained success' from their scenario planning were well resourced and fairly intensive research processes at the beginning, relatively high levels of executive involvement in the development of the scenarios, and a sustained level of executive commitment to the various activities that followed on from the presentation of the scenarios.

On the basis of these results I have concluded that scenario planning is indeed a process that can be used by agencies of the Australian Public Service to inform their strategic planning with future-relevant knowledge, providing that it is appropriately resourced and has the active support of the senior executives of the agency during and immediately after the process. Furthermore, I would expect that scenario planning, if properly implemented, can help senior executives of any public sector agency to think more widely and creatively about the range of uncertain and complex issues facing their agency, as well as helping them to understand the importance and possible implications of external trends, changes and developments likely to impact in some way upon their agency in the future. It can also give them an effective framework for the information gathering phase of strategic planning, provide them with a useful basis for testing strategy options, and help them to develop appropriate long term contingency plans for the agency.

The thesis is organised as a series of linked chapters, structured as follows:

Chapter 1: Scenario Planning in the Public Sector

The need for better knowledge of scenario planning is discussed, and a brief history of its development as a management tool is provided. The various benefits of scenario planning described in the literature are examined, along with a proposed 'model approach' and factors that might affect its implementation.

Chapter 2: Research Design

The research methodology is described, including the overall research approach, the evaluative methodology and the data collection techniques. The basis for selection of the case studies is discussed, along with the limitations of my methodology.

Chapters 3 - 8: Case Studies

These chapters provide an agency by agency description of what took place in each agency, as well as qualitative assessment of the extent to which the aims were achieved, the intensity of the research process, and the level of executive involvement in the scenario planning process as well as their support for the follow-up activities. Chapter 3 (Australian Taxation Office) contains two case studies.

Chapter 9: Case Study Analysis

This chapter contains a detailed comparative analysis of the seven scenario planning processes undertaken within the six agencies studied, with consideration of the stated aims of scenario planning and extent to which these aims were achieved in the short and/or long term. The impact of the following factors upon sustained achievement of aims is discussed: intensity of the scenario planning approach, size and type of agency, executive involvement in the scenario planning process, executive support for follow-up, and the style of the scenarios.

Conclusion

The main conclusions emerging from the case study analysis are discussed, along with their implications for the wider public sector.

Overall the process proved to be for me a fascinating exploration of the various ways in which a number of government agencies were trialing, experimenting with and

implementing a relatively untested planning process (scenario planning) that was of direct relevance to one of my main fields of consultancy. It is because of my close personal involvement (and interest) in the process that I have chosen to use first person narrative in writing up the case studies. My perceived association with scenario planning and the relative paucity of research available on the topic was the main reason the senior officers that I contacted in the various agencies were very happy to be interviewed, and all of them expressed a keen interest in the ultimate results of my research. My only real difficulty was in deciding how many interviews I needed to conduct, as the volume of data for seven case studies could quickly have become unmanageable. I chose to limit the number of interviews to 5 or 6 in each agency (over the two-year period), but as I have discussed in Chapter 2, any limitations inherent in my interview data were largely overcome by the volume of documentation that I was able to obtain in each agency.

CHAPTER 1

Scenario Planning in the Public Sector

Ringland has defined scenario planning as "that part of strategic planning which relates to the tools and technologies for managing the uncertainties of the future" (Ringland, 1998). It is designed to be a process that can help organisations to try and anticipate likely trends or external forces in their sphere of operation, and then develop a range of strategies that will enable them to respond flexibly and effectively to the various ways in which the identified trends and forces may impact upon their 'industry'. Unlike many of the traditional approaches to strategic planning, scenario planning takes an explicit approach to the management of ambiguity and uncertainty (van der Heijden, 1996).

We will now explore what the literature has to say about scenario planning, and in particular, its benefits for public sector organisations. I will begin by outlining the need for better knowledge of its processes and how it should be implemented, then provide a brief history of its development as a management tool. A summary model of the process will be outlined, and then the various benefits that it can bring to both private and public sector organisations will be explored in detail. Finally we will examine the factors that have the potential to increase the effectiveness of scenario planning.

The Need for Better Knowledge of Scenario Planning

"Scenarios are neither a mystery nor a superior way of 'planning'. They are tools for foresight: discussions and documents whose purpose is not a prediction or a plan, but a change in the mindset of the people who use them. By telling stories about the future in the context of our own perceptions of the present, we open our eyes for developments which in the normal course of daily life are indeed 'unthinkable'. Relevant scenarios, brought down to the level of the individual player, help the manager and his or her colleagues scout the lay of the land and see a wider scenery. Scenarios bring new views and ideas about the landscape into the heads of managers, and they help managers learn to recognise new, 'unthinkable' aspects of the landscape even after the scenario exercise is over" (de Geus, 1997).

As one providing consultancy and training to public sector agencies in areas such as business planning and strategic thinking, I am very interested in exploring more closely a process that claims to provide "tools and technologies for managing the uncertainties of the future". As I shall outline below, scenario planning is a process that has been

employed by private sector companies large and small for over 30 years, and it seems clear that it has brought a range of benefits to these companies. However, little research has been done on the application of scenario planning in the public sector, particularly distinct government agencies such as those that comprise the Australian Public Service (who are my main clients). More needs to be known about the usefulness of scenario planning in this context, and what factors seem to be critical to effective implementation. Can the process bring benefits to public sector agencies of this type, and if so, what factors are critical to effective implementation?

For me, one of the key questions was to what extent could a process that had been developed by and for the private sector be useful for managers in the public sector, given challenges such as an emphasis on mandates, a wide range of stakeholders with expectations that are often conflicting, and above all, the political context in which public sector managers usually have to operate.

The goals of private sector companies are usually substantially different from agencies tasked with the responsibility of crafting effective public policy (Leigh, 2003). Strategic planning in the private sector is generally focused on processes such as identifying new markets and creating new products, which in turn will bring about long range improvements in relatively measurable entities such as profit and return to shareholders. In times of rapid change they can recombine their core competencies to develop and launch new products. By contrast public sector agencies have mandated sets of services that they have to provide. During times of rapid change they may need to modify their core competencies and significantly restructure their operations (Brodtrick, 1998).

In addition, by comparison with their private sector counterparts, public sector planners often have to deal with a wider range of stakeholders, whose expectations of the agency may at times be quite conflicting (Bryson, 1988). Clark and Corbett (1999) noted that for public sector organisations, "typical problems include imprecision and even contradiction in the purposes they are supposed to pursue", as well as cross pressures from the wide variety of stakeholders involved, including their clients, their ministers, and the various lobby groups that they may have to contend with.

Finally, Bryson & Roering (1988) observed that the highly political context of most public sector organisations makes it very difficult for them to implement significant changes in policy or long-term direction – which undercuts one of the main aims of the strategic planning process. Another implication of the political context is a planning timeframe that is generally shorter than is the case for most private sector organisations. Political cycles and changes of government tend to dictate a strategic planning timeframe of five years or less, with many agencies tending to focus most of their "planning energies" on an annual planning cycle (Berry & Wechsler, 1995). Pollitt and Bouckaert commented on a problem of "conflicting timeframes" in their comparative analysis of public management reform over the last two decades in ten different countries (Pollitt and Bouckaert, 2000). They state that there is a delay which affects a good deal of public management reform. The full benefits of major changes in the processes and structures of public agencies normally cannot be harvested until three, four, five or even more years after a reform programme has been launched. The reality is however that this is not the kind of timescale that most politicians are comfortable with. Their focus is more intensely short-term: on the next election, the next government reshuffle, or even the television news of the day. The "searchlight of political attention" jumps about from one issue to another much more quickly than complex organisational change can be accomplished. This has always been the case, but the discrepancy between the politicians need for 'something to show now' and the organisation reformer's need for time, commitment and continuity has probably grown as a result of the "general intensification and acceleration of the political process in many western democracies" (Pollitt and Bouckaert, 2000).

Ironically enough, one of the reasons that public sector agencies such as those in the APS first began in the later part of the 20th century to trial futuring processes such as scenario planning was the emphasis on public management reform and the 'managerialisation' of the public sector. The general trend in OECD countries was to move from a traditional approach to public administration where the emphasis was on processes and outputs that could demonstrate that resources were being directed to those areas of public responsibility considered by the current government to be of importance, to an emphasis on making the best possible use of resources in a way that would bring about measurable changes and sustained long term impacts (Pollitt & Bouckaert, 2000). There was also an

expectation that market forces would help to hold the public sector accountable, with satisfaction with the services provided being one of the chief measures of accountability (Kaboolian, 1998).

These trends were certainly reflected in the Australian Public Service during the 1980s and 1990s. Under the Hawke government of the late 80s the APS was subjected to commercialisation, corporatisation, managerialisation, privatisation and reorganization (Halligan and Wettenhall, 1992). Successive Commonwealth state and local governments of the 1990s (both Labor and Coalition) continued down this path of smaller, more cost efficient, more accountable and more competitive government. For example, with respect to privatisation, it was widely believed that the monopoly enjoyed by the traditional governmental service providers enabled them to behave bureaucratically and without regard for their customer's wishes and needs (Clark and Corbett, 1999). The solution was to introduce competition between providers, and so governments were expected to put their services out to tender and to award the contract to whoever put in the best bid. By 1996 this ideology of 'privatise and outsource' had become firmly entrenched within the APS. In that year, as a result of a National Commission on Audit and a report from the Industry Commission on Competitive Tendering and Contracting, the Commonwealth Government required all departments and agencies "to review their activities to judge whether an activity should remain with the Commonwealth, be devolved to another level of Government, be privatised or be discontinued" (Public Service and Merit Protection Commission, 2001d).

At agency level, the advent in the 1980s of the Financial Management Improvement Program led to increased emphasis on corporate and program management, corporate planning, program budgeting and performance evaluation. The focus was now on the development of outcome oriented program objectives and related performance information, with the accompanying expectation that the various objectives be transparent and able to be more easily evaluated and reviewed by the agency's stakeholders (Halligan, Beckett and Earnshaw, 1992). 'Managing for results' (with its emphases on ongoing evaluation and program budgeting) was considered the norm within the APS by

the early 90s, and hitherto private sector practices such as performance pay for senior offices were being trialed.

In response to this new focus on 'managerialism', most APS agencies had adopted some form of corporate planning by the 1980s, and gradually it became the norm for them to produce glossy 'strategic' or 'corporate' plans that included mission statements, objectives and some outline of how the agency intended to measure its achievement of those objectives. As it became increasingly apparent that vague statements of intent and lofty overviews of 'why we exist' bore little relationship to the day-to-day priorities of the agency and were of little assistance in achieving team or section level goals (Clark and Corbett, 1999), Australian public sector organisations began to explore a variety of planning and management techniques that (for the most part) were being used or had been popularised by the private sector, particularly processes that would provide practical solutions to the difficulty of planning for the future in the new results-oriented environment. One such technique was scenario planning.

The Development of Scenario Planning as a Management Tool

Scenario planning was a technique that had been employed by the Allies in the latter stages of World War II as a way of trying to second guess what approaches the Axis commanders might employ in particular battlefield situations. In the 1940s and 50s Herman Kahn had led the development of scenario planning within a military-oriented think tank called the RAND Corporation, and he used scenarios as a way of challenging people to 'think the unthinkable' with respect to nuclear war (Kleiner, 1996). In the 1960s Kahn left the RAND Corporation to found the Hudson Institute, where he began work on the development of a number of possible scenarios for the Year 2000. The Institute set out (in conjunction with the American Academy of Arts & Sciences) to explore "alternative futures", and in October 1965 the Academy created the Commission on the Year 2000 (composed of 30 individuals) to stimulate research into the future. The members of the Commission employed techniques such as identification and extrapolation of emergent trends in recent history and construction of a variety of statistical baselines in their consideration of issues such as governmental structure, the changing nature of values and rights, the social consequences of the computer, and the

future organisation of science and technology. The result was *The Year 2000* – a collation of scenarios that attempted to try and picture what the world would look like at the end of the millennium (Kahn & Wiener, 1967).

At the same time that Kahn was doing his early scenario work, Gaston Berger, a French philosopher, founded the Centre d'Etudes Prospectives, an institution where he developed a scenario-based approach to long term planning that he called "prospective thinking". Berger was particularly interested in the long term political and social future of France, and to this end the primary aim of the Centre was to formulate an acceptable scenario-based methodology for developing alternative pictures of the future. The Centre flourished, and by the 1960s it had begun to apply this methodology to a range of public issues such as education and regional planning (van der Heijden et al, 2002).

Levels of scenario planning

It is useful at this point to distinguish between what Porter has referred to as "macroscenarios" and "industry scenarios" (Porter, 1985). Macroscenarios can generally be taken as representing major international or national studies of the future such as *The Year 2000*. One of the most well known exercises of this type is *The Limits to Growth* – a "Project on the Predicament of Mankind" that was initiated by the Club of Rome in 1968 and published in book form in 1972. While the final report received a certain amount of criticism, and some of its predictions, e.g. about the rapid exhaustion of world reserves of fossil fuels, proved to be inaccurate, it was received with great interest and provoked a considerable amount of discussion at state and international levels (Meadows, 1972).

A more recent, "nation-level" example of macroscenario work is *Alternative Futures: Scenarios for Business in Australia to the Year 2015* (Australian Business Foundation, 1999). This study was carried out by Global Business Network Australia, and it considered factors such as globalisation, environment and sustainability, knowledge economy and innovation, and Australian economic and social policies in the development of four scenarios for Australian business in 2015. Following this project the Business Council of Australia (BCA) facilitated a major scenario project (Aspire Australia 2025) that was designed to examine key challenges and opportunities for Australia over the period 2005-2025 (Business Council of Australia, 2004). The project took over 12

months to complete and involved the BCA bringing together more than 80 opinion leaders and policy makers in a series of workshops to discuss and debate Australia's future. The end result was three very detailed scenarios that covered the period to 2025.

Royal Dutch Shell regularly sponsor and assist with the development of macroscenarios (or what they prefer to describe as Global Scenarios). In 1995, following a detailed analysis of the interplay between the three driving forces of liberalisation, globalisation, and technology; they produced *Global Scenarios 1995-2020* – a detailed outline of two alternative scenarios of the future (Royal Dutch Shell, 1995). A revised and updated version of these was produced in 1998 - *Global Scenarios 1998-2020* (Royal Dutch Shell, 1998).

Another major exercise in the development of global scenarios was completed by the World Business Council for Sustainable Development (WBCSD) in 1997. The WBCSD project team studied factors such as economy & technology, governance & equity, and ecology & demography, and then considered various possible trends and directions to develop three scenarios for the world's future entitled *Exploring Sustainable Development: 2000-2050* (WBCSD, 1997). Most recently, Shell International published two scenarios on "Energy Needs, Choices and Possibilities" in late 2001 (Shell International, 2001).

While global or national scenarios such as those developed in *The Limits to Growth* or *Alternative Futures* have peripheral relevance to strategic planning at the organisational level, it is industry scenarios that "allow a firm to translate uncertainty into its strategic implications for a particular industry"(Porter, 1985). One of the first (and perhaps best known) examples of this approach is the scenarios for the future of the oil industry that were developed for Royal Dutch Shell in the early 1970s. Pierre Wack and Ted Newland, both members of Shell's central planning team, built upon the earlier work of Herman Kahn to develop a number of scenarios for the future of the oil industry. At that time it was becoming increasingly apparent that a major shift of attitude from consumer logic (availability and prices of oil geared to the needs of consumers' economies) to producer logic (availability and prices suited to the interests of oil producers and to their perception of the future) was about to take place (Benard, 1980). Pierre Wack used a number of

inter-related but different scenarios to challenge managers within Shell to consider an "unthinkable future" where OPEC collusion would cause oil prices to jump fivefold or more, but in addition, governments of Western nations would not allow the oil companies to pass this entire rise on to their consumers.

While Wack experienced considerable resistance to his ideas at first, gradually the managers within Shell came to "reperceive reality" (Wack, 1985b), and to put into place a variety of essential measures that would enable the company to weather the impending storm. In October 1973 war broke out between Israel and a number of Arab nations. This proved to be the trigger for a massive rise in the price of oil and an almost total loss of control by multinational oil companies of the price of this most vital of commodities. Shell proved to be the only company that was in any way prepared for the crisis, and thanks mainly to the scenario planning work they had undertaken, they grew from being a relatively minor player to one of the world's leading oil companies. As Wack had put it, the key had been to develop a range of scenarios (possible models of the future) that would cause managers to question and challenge their view of reality, and then modify their "mental models" so as to be able to come up with a range of strategic insights that had previously been beyond their minds' reach (Wack, Sep/Oct 1985).

While the earliest uses of scenario planning were in the public sector, they were mainly limited to 'macro' or global level exercises such as The Limits to Growth and The Year 2000, and it was private sector companies such as Shell that first began to make use of 'industry level' scenarios', or what I shall refer to henceforth as scenario planning. Since the 1970s the process has been adopted with enthusiasm by a variety of companies in many fields of business. Klein and Linneman (1981, 1983), in a survey of the Fortune 1000 U.S. industrial corporations (initiated in October 1977), found that approximately 15% of them had begun to use "multiple scenario analysis" (MSA). By 1981 the rate of usage of MSA among the 215 respondents to the survey had increased from 22% of respondents to 50% of respondents, and of the non-users, about 80% of them indicated that they saw MSA as having some role to play in their future strategic planning processes (Klein and Linneman, 1983). While it had not been universally taken up within U.S. industry, it was seen to be the most widely accepted of the available future planning

techniques. About 80% of the current users indicated that they had found the scenario analysis process to be helpful. One of the key observations of the study was the fact that the fastest rate of increase of adoption of MSA by the Fortune 1000 industrials had taken place during a period of extreme turbulence and environmental discontinuity. These discontinuities had included the huge increase in the price of oil, the 1974-75 recession, and the political instability brought on by the Watergate crisis, which culminated in the resignation of President Nixon. "The inadequacies of conventional forecasting techniques based on analysis of historical patterns became obvious" (Klein and Linneman, 1983).

In 1981 Malaska et al (1984) undertook a survey of the use of MSA in the thousand largest industrial companies and hundred largest transport companies in Europe (there were 166 respondents). 36% of the respondents indicated that they were using the scenario method, and of these 46% indicated that they planned to further increase their use of it in the future. Again, about 80% of the current users indicated that it had made a helpful contribution to their strategic planning. As with the USA study discussed above, increasing uncertainty and unpredictability of the corporate environment was seen to be a key factor in the take-up of MSA by European industrial organisations. As they put it, "MSA is able to remove some of the drawbacks of strategic planning and especially to improve control of the uncertainty and unpredictability of the corporate environment" (Malaska et al, 1984).

While the earliest uses of scenario planning were in the public sector, they were mainly limited to 'macro' or global level exercises such as The Limits to Growth and The Year 2000, and it was private sector companies such as Shell that first began to make use of 'industry level' scenarios'. However, over the last two or three decades scenario planning has been employed at an industry level in a range of public sector environments, ranging from nation-wide or cross-national exercises to specific components of strategic planning within small public sector organisations. I shall now consider the various benefits ascribed to scenario planning, and the extent to which these may be applicable to the public sector.

Benefits of Scenario Planning

A number of benefits have been ascribed to scenario planning. Since they overlap to some degree, definitions are provided below.

1. Better informed strategic planning

2. Enhanced dialogue with stakeholders

3. Improved understanding of the future business environment

4. Provision of a basis for testing strategy

5. Development of an ability to think more widely and divergently

6. Enhanced contingency planning

1. Better informed strategic planning

This represents an overall intention to inform the current/forthcoming business/strategic planning processes of the agency – putting it another way, to augment understanding and inform the ongoing decision making processes (Fahey & Randall, 1998). Beck (1982) argues that the primary purpose of the strategic planning process must be the provision of a framework of information and knowledge against which decisions can be taken, and he goes on to say that the basic purpose of scenarios is to provide decision makers with such a framework. Bryson (1995) argues that one of the key components of effective strategic planning is broad yet effective information gathering. Scenario planning, with its emphasis on researching trends, 'driving forces' and possibilities, is very much about information gathering. Liedtka (1997) argues that to think about strategy effectively managers must develop a rich understanding of the larger context in which their organisation operates – scenarios have a particular benefit in that they can be used to organise the various possibilities into narratives that are easier for executives to grasp and use than great volumes of data (Schoemaker, 1995). Ultimately the aim is to facilitate "an iterative process of adjustment and adaptation that is sufficiently robust to ensure that the organisation is able to deal with a range of potential business environments" (van der Heijden et al, 2002).

The development of a number of scenarios as part of the New Jersey Long Range Statewide Transportation Plan provides an example of how "scenarios can assist public sector leaders to think in a disciplined way about the future when making public policy decisions" (Bonnett and Olson, 1998). In 1993 the Council of Governors' Policy Advisors of New Jersey (a US state that lies between the metropolises of New York and Philadelphia) and the Institute for Alternative Futures began a collaborative effort to develop a Future Worlds component as part of the New Jersey Long Range Statewide Transportation Plan. According to Bonnett and Olson (1998), the aims of the Futures Component of the Plan were:

- To assure that the plan had a long-range perspective (it was initially called Transportation Choices 2020);

- To provide a methodology for thinking in a disciplined, systemic way about major areas of uncertainty;

- To create a compelling vision for New Jersey and its transportation system;

- To foster creative strategy development; and

- To help in evaluating alternative policy actions that might be effective in moving toward that desired future given vast uncertainties.

The initial scenarios were developed by a select project team, and then two further sessions were conducted with diverse groups of leaders from business, government, and nonprofit organisations, the idea being that these leaders would contribute their expertise in helping to make the scenarios more detailed, compelling and plausible. The result was four scenarios of transportation for New Jersey in 2020. Initially these scenarios were used as a tool to explore a range of future possibilities and reach general consensus on a vision of the preferred future – this was edited and revised, then promulgated as "Vision for New Jersey". Goals and objectives were derived from this vision, and finally packages of strategies were developed, 'tested' against the various scenarios, and then ranked in terms of their importance for achieving the goals as well as for their workability across the different scenarios. The comment was made that the scenarios and vision developed for New Jersey "have had a significant impact on the strategic planning

process of the American Public Transit Association and on the Vision Statement produced by the Task Force on Sustainable Communities of the President's Council on Sustainable Development" (Bonnett and Olson, 1998).

A major British project was the scenario planning exercise known as *The Hemingford Scenarios* undertaken in 1994 by the British National Health Service (NHS). The intention of this process was "to try and replicate the success of commercial organisations with scenario planning to help change planning in the NHS and aid strategic thinking and learning" (Ringland, 1998). The NHS is a very large, complex public sector organisation with overall responsibility for the provision of health services to the United Kingdom. Any attempt to forecast or predict the future in this type of context is fraught with difficulty, and the idea behind *The Hemingford Scenarios* was to provide health commission corporate teams and other British public health care teams with a tool that would help them in their ongoing strategic planning (Hadridge and Hodgson 1994; Hadridge, P., Hodgson, T. and Thornton, S. 1995).

There were four stages to the process:

1. Consultation with a range of experts on issues such as technological innovation, clinical practice, public values, demography and disease trends. The data from this process was compiled into an expert database.

2. A two-day scenario-planning workshop with 12 people from a diverse range of backgrounds that included the NHS, Christian ministry and the oil industry. With the assistance of the expert database and an external facilitator the participants developed four scenarios for the NHS, based around the three critical dimensions of national vs. international health care and medical science, state centralised vs. regulated decentralised health services, and an objective disease oriented view of health care vs. a subjective well-being oriented view.

3. Publication of the scenarios as a workshop booklet. This was designed to be used as one of the main aids for Stage 4 (see below).

4. Two-day scenario impact workshops with health commission corporate teams and other British public health care teams.

In a follow-up to the project, the North West Anglian Health Authority (NWAHA) carried out an extensive strategic planning process that included in-depth interviews with key stakeholders, and two workshops with the Authority's executive as well as some key 'outsiders'. These workshops were designed to "localize" the Hemingford scenarios and then utilise a cross-impact matrix approach to come up with a range of possibilities and probabilities, key actions and skills requirements for the provision of effective public health services in the region.

As a further follow-up to *The Hemingford Scenarios,* in the spring of 1996 the NWAHA initiated *Tomorrow's World: Primary Care Futures.* This project was designed "to use strategic planning methods to help those involved with developing a 'primary care led service' to explore and understand the primary care sector and to introduce some elements of planning into considering the future" (North West Anglia Health Authority, 1998). The project included:

- A literature review and commentary;

- A series of workshops for local stakeholders to reflect on the state of primary care and its development agenda;

- A series of three scenario-planning workshops that included participants from a wide range of primary health care and other organisations. The main outcome was two scenarios for the provision of primary health care services in 2010: *Choice First* (personal preference and responsibility have a higher priority than community service), and *The Feel Good Factor* (community spirit is a much more dominant force*,* and what matters is a renewed sense of responsibility for and to each other).

The intention as of early 1999 was that the next stage of the project would involve the provision for primary care groups (and other organisations within the wider Health Service) of a training programme built around the two scenarios. The aim of this would be to help them to think about and plan strategically for their ongoing development over the next few years. In fact a number of half day, one day and two day workshops were conducted over the subsequent twelve months – the aim being to introduce primary care

practitioners to scenario planning and help them plan their future development. Another interesting outcome to the *Tomorrow's World* scenario project was the incorporation of the scenarios in a module entitled, "Primary Care – Understanding How the Sector Works" within a Masters Degree course in Primary Care Studies offered by the University of Derby.

In Europe, the Dutch government has made quite extensive use of health scenarios as a way of facilitating research and debate on alternative futures in public health (Schreuder, 1995). They established a Steering Committee on Futures Health Scenarios to oversee a number on scenario projects on specific health topics, and the reports that have resulted from these projects have been an important part of the decision-making process within their health sector.

The military (during World War II) were one of the initial users of scenario planning, and it is therefore not surprising that the process has continued to be used within various public sector defence agencies (including Australia). One example of scenario planning in this context was that undertaken by the United States Naval Security Group in the late 1990's. As reported by Frentzel et al (2000), NSG was a major Navy organisation in the US Department of Defense. NSG provides cryptologic personnel, products and services for Navy ships and aircraft, as well as for the National Security Agency. In response to major shifts in direction resulting from the end of the Cold War, increased government pressures for cross-service co-operation, and the arrival of new technologies, the NSG engaged in a six-year strategic planning process. Key elements of the ongoing change process included:

- A series of briefings with key stakeholders in which the Admiral presented his 'Vision Brief' – an explanation of why NSG needed to change, how it was going to change, and what resources might be required.

- A series of 'strategic conversations' among department heads about the organisation's future business, and how best to meet the needs of the key clients/stakeholders.

- The development of a series of scenarios designed to address the issue of 'jointness' (combined provision of cryptographic services with all branches of the military) vs. continued provision of a separate, specialist service. This issue was of major concern to the NSG's two main 'clients' – National Service Agency and the Navy, and it was the subject of much fierce debate. The final outcome was the development of four main strategic thrusts, which were presented by the Department Heads to an Area Director's Conference of the NSG.

The response of NSG top leadership to this presentation was very favorable, and helped pave the way for a number of changes that included the institutionalization of ongoing strategic planning within the NSG and the re-organisation of NSG from "stovepipe functional departments" that caused difficulty in strategic coordination of staff actions into cross-functional groups designed to provide a better, more uniform interface with the customers.

2. Enhanced dialogue with stakeholders

This is about encouraging more wide ranging, ongoing dialogue with internal and external stakeholders of the agency. Scenario planning can help improve the "quality of corporate conversation" on strategy, leading to a better quality of investment and reduced corporate liabilities (Davis, 1998). By enriching and widening debates and 'strategic conversations' throughout the organisation, scenario planners can introduce new concepts and understandings to staff, and ultimately, change their mental models. Similarly, it can be argued that the process can be a helpful way to influence the attitudes of key stakeholders (Ringland, 1998), or that the quality of an organisation's future can be determined in important ways by the ability of its members at all levels to think together with important stakeholders about the kinds of futures they want to co-create (Liedtka & Rosenblum, 1996). "Spending time discussing a scenario allows managers to see long-term interactions – among, for instance, their own capital investment plans, the energy efficiency of consumers and Middle Eastern politics. In the process, the managers develop a language in which they can later communicate among themselves about the subject, to arrive quickly at decisions" (de Geus, 1997).

Two public sector scenario planning processes that attempted to use scenario planning as a mechanism for improving the level of dialogue with and between stakeholders were the 1992 Mont Fleur workshops in South Africa and the 1994 NEA scenarios in USA.

The Mont Fleur scenario development workshops on the future of South Africa were undertaken in 1992, at a time when the policy of apartheid was still in force and the majority of the population did not have the vote. However, developments such as the release of Nelson Mandela from prison and wide-ranging talks about the future of the country made it possible to imagine that a peaceful transition from apartheid could be achieved (van der Heijden et al, 2002). Parties that had been facing each other in guerilla warfare now began to imagine the possibility that they might be called upon to jointly participate in government. In order to try and establish some sort of strategic conversation between these parties Adam Kahane, a scenario practitioner from Shell was called upon to facilitate a scenario planning exercise. A group of 22 political officer bearers, trade unionists, academics and business people representing a very diverse range of political views came together to consider various possible futures for South Africa. The team considered various aspects of South Africa's political, social and economic crisis and compiled 30 possible stories about the progress of events in South Africa over the next decade, and then gradually pared them down to four main scenarios (Kahane, 1992; Le Roux et al, 1992). Each scenario presented a plausible, possible path for the future of South Africa, with one of them, *Flight of the Flamingos* offering the most positive (though not necessarily the most likely) future of South Africa following a peaceful transition to majority rule. In this scenario, a political settlement with clear and consistent policies is achieved. There is emphasis on inclusive democratic processes and sustainable economic policies, which in turn lead to a slow but steady transition to a more equal society (Spies, 1994). Thus the *Flight of the Flamingos* scenario presented an optimistic alternative for the various political, social and economic groups within the country to work towards. In fact, the whole exercise was noteworthy for the fact that, by its conclusion, the participants "had an amazing consensus on what policies would lead to an acceptable future and what would lead to disaster" (d'A Hill, 1994).

The value of this type of exercise is reflected by d'A Hill in his essay on the relevance of business scenarios for Africa, where he makes the observation that, "whatever process is used, the real value does not lie ultimately in the scenario product but in the learning process of the participants. This may be particularly true where the participants are in the public domain with very diverse views, as opposed to a fairly homogeneous business management team" (d'A Hill, 1994).

One public sector arena that lends itself to the application of scenario planning is education. In 1994 the National Education Association (NEA) and the Global Business Network (GBN) collaborated in a project to develop scenarios for the future delivery of public education in the United States (Global Business Network, 1995). Public education is a major source of government expenditure in the USA, and it is an 'industry' characterised by considerable uncertainty, massive complexity, and continuous, ongoing change. This project set out to address the key question, "How will the delivery system of education evolve in a rapidly changing context?" The process ran from March until November 1994, and it included the following steps:

1. A two-day scenario workshop in San Francisco, that was attended by NEA leaders as well as representatives from GBN;

2. Drafting of four scenarios by John Yrchik. These were framed around two critical dimensions: hierarchical, top-down, authoritarian approaches to education vs. participative, bottom-up approaches; and inclusive vs. exclusive attitudes to community.

3. A two-day scenario workshop at NEA headquarters to revise the scenarios and develop early indicators, for each of the scenarios, as well as strategic options and implications for the consideration of those with a stake in public education;

4. A presentation of the scenarios to a meeting of The World Future Society in Cambridge, Mass.;

5. A series of 'strategic conversations' between NEA and GBN staff (over a period of about four months) where the scenarios were discussed, explored and developed further).

One of the key outcomes of the whole exercise was the learning experience of the various participants. A diverse group of executives charged with responsibility for the future of public education in the USA had had the opportunity to revisit their 'personal model of reality' in the context of discussion and re-discussion with fellow educational professionals as well as external futurists of four possible paths for the development of their 'industry'.

Similarly, in a scenario planning process undertaken by the Seattle Education Association in 1997 to develop scenarios for public education in Seattle, one of the key aims of the process from the beginning was to involve all of the representative constituents of the public education system in the scenario planning team (including the teacher's union, employers, business people, and participants that were old/young, male/female, senior/junior, white/black), in the hopes that this would initiate a process of dialogue that would continue to be a key feature of ongoing planning for the future of public education in Seattle (Ringland, 2002).

"The simultaneous consideration of two or three distinct scenario end states or plots – what they might look like, how they might come to be, and the strategies that might be suggested by them – should foster exciting dialogue. This happens when members of a team suspend old assumptions and rethink their possible futures together. This dialogue between top and middle management and among individuals within and outside the organisation contributes to the synthesis of new perspectives and informed opinions about strategies that scenarios can help to generate" (Fahey and Randall, 1998).

3. Improved understanding of the future business environment
Here the aim is to develop (especially in managers) a better understanding of the current and future operating context and concerns of the agency. This can include identifying threats and/or opportunities that might exist, and setting out to make risky decisions more transparent (Davis, 1988). In fact it can be argued that superior strategy is dependent upon an organisation's ability to develop a clearer view of the future than its competitors (Ringland et al, 1999). By creating pictures of the future that push the corners of plausibility, scenario planners can help organisations to deal with uncertainty and

unconventional risk by essentially rehearsing the future through creating a 'history' of it (Schwartz & Wilkinson, 1997). Indeed, better thinking about the future is one of the key objectives of scenario planning (van der Heijden, 1996). The process is built on the assumption that the future cannot be completed with complete accuracy, and that irreducible uncertainty cannot be "swept under the carpet". Improved understanding of the future business environment fact entails recognizing that critical uncertainties are a key consideration for any long range planning process.

One of the key aims of 'Scenarios for Scotland', a scenario planning process undertaken by Scottish Enterprise (SE) in the 1990s, was to engender in the participant organisations a better understanding of how Scotland might develop in the context of the technological, economic and political environments of the 21st century (Ringland, 2002). SE is the main public sector development agency in Scotland, and its stated goal in the 1990s was to help generate jobs and prosperity for the people of Scotland (Ringland, 2002).

Whereas the emphasis for SE in the early 1990s was on encouraging inward investment and property development in declining areas of Scotland, by the latter part of the decade this had changed to a commitment to developing human and intellectual capital within the region. In 1996 SE created a Strategic Futures Team that was tasked with the responsibility of addressing the question of how SE could communicate to its partners and clients within the Scottish private sector the changing nature of the technological, economic and societal challenges that Scotland faced. This team began using scenarios as the basis for a series of presentations designed to challenge SE's staff and clients to think differently and more creatively about 'our changing world', and at the same time they began training their staff in the use of scenario planning techniques.

In 1997 SE used dramatized versions of scenarios as a mechanism of presenting the different ways in which the UK and world socio-economy could develop to key companies in the information industry in Scotland. The aim of these presentations was to challenge them to think more strategically about their ongoing role in what was a rapidly changing technological environment. This led in turn in 1998 to 'The Scotland's Futures' project. SE worked with a number of partner organisations to engage in futuring work

around the three themes of innovative organisation, sustainability and creativity. They employed a number of techniques, including scenario planning. One of the outflows of this process was 'Scenarios for Scotland' – two scenarios about the economic future of Scotland that were created on the basis of a series of interviews and group interviews with a variety of stakeholders, and that were compiled with the help of groupware (software designed to facilitate group decision making). The scenarios were set in 2015, and were finally presented at a seminar on St Andrews Day, 1999 at St Andrews University. They were:

- The Low Road – a scenario in which inertia had triumphed, the new parliament had failed to provide leadership and the economy was suffering as a result of competition from the EU and elsewhere; and

- The High Road – a scenario in which Scotland had developed as Finland, Denmark and Ireland have done, by emphasising and marketing their commitment to quality of life and a high value economy.

According to Peter McKiernan of St. Andrews University the main benefit of these scenarios was the incorporation of the language of the scenarios into policy and strategy decision making at various levels of the economy (Ringland, 2002). For example, in the process of appraising policy options at government level expressions such as, "That's a low road strategy, what about the high road?" became common. In addition, the 3-method approach (interview, group interview, groupware) that had successfully been trialed for this project was used in a number of subsequent public sector scenario planning exercises such as the development of scenarios for rural economies with widely dispersed populations.

Scenario planning has provided a number of benefits to Scottish Enterprise and its clients, including the development of an increased awareness of the wider forces affecting the economic future of Scotland; improved relationships and networks with private and public sector organisations both within Scotland and overseas; and the ability to help its clients improve the robustness of their long range planning. "In times of great change and uncertainty, we continue to see great promise in using scenarios to help develop Scotland's challenge, creativity and forward thinking" (Ringland, 2002).

Similarly, a number of public health care organisations in the USA have made use of scenario planning as a mechanism for developing a better understanding of likely future trends in what is becoming an area of major political and economic challenge for most western nations (Zentner and Gelb, 1991; Venable et al, 1993). As Zentner and Gelb (1991) put it, "scenarios offer both planners and decision makers the opportunity to explore in a disciplined and manageable manner potential future trends and events. From the development and consideration of such scenarios, any health care organisation can not only better understand the risks and opportunities presented by the unfolding future, but can develop suitable responses to include in the planning process."

4. Provision of a basis for testing strategy
This aim is about using scenarios as a kind of wind tunnel test for strategies or strategic options – a mechanism for consideration of which strategies are likely to be most effective in which situations. Van der Heijden (1996) suggests that scenarios can be used as "test beds" to evaluate the viability of an existing strategy, or to test strategy proposals with the aim of fine tuning them so that they will be more appropriate and/or robust for the various futures that might arise. Scenarios can assist in decision making by allowing managers to test or 'practice' their strategic options in a variety of realistic hypothetical circumstances (Schoemaker & van der Heijden, 1992).

A key reason why in 1998 Geoscience Australia sponsored and supported the development of scenarios for the future of the Australian petroleum industry was to provide a number of potential business environments against which various research and development possibilities could be considered, tested and then prioritised (Williamson & Wright, 2000). Geoscience Australia is Australia's national agency for geoscience research and geospatial information, and it carries out research work in support of mineral exploration, mapping and geohazard assessment (at the time of the scenario planning work it was in fact known as the Australian Geological Survey Organisation).

Oil and gas exploration and development is a very significant industry within Australia. The overall output level (valued $10.5 billion in 2000) has enabled it to remain self-sufficient in petroleum, and there is therefore a national incentive to maintain a healthy

petroleum exploration and production industry (Williamson & Wright, 2000). Accordingly in mid 1998 the Petroleum Technical Advice Group (known as PTAG, and located at that time within the Bureau of Resource Sciences, but moved to AGSO in late 1998) conceived the idea of using scenarios as part of a planning process to prioritise future needs for petroleum research and development in Australia. The aim was to assist the various private and public sector organisations involved in the Australian petroleum industry in their long range strategic planning by providing them with some insights into how the global and local industry might develop over the next decade. Two groups of senior petroleum industry, research and government representatives carried out scenario planning workshops in 1998 and 1999 (coordinated and hosted by PTAG) to define scenarios and associated research and development priorities to assist in planning and identifying opportunities for petroleum research and development (Williamson & Wright, 2000).

The first workshop was held in July 1998 and was focused mainly on the role of policy makers. Twelve scenarios built around key uncertainties such as the price of oil, world demand, discovery and development of new fields, and the impact of environmental issues such as greenhouse emissions were developed, and the workshop sought to identify a range of petroleum research & development (R & D) priorities that would be applicable across the various scenarios. The second workshop was held in February 1999 and was focused more on the needs and roles of researchers and industry. The twelve scenarios were refined to six, the main determinants of the scenarios being high/low oil price, high/low prospectivity and production, and high/low effect of international agreements with respect to issues such as impact on the environment. Rather than predict the future the purpose of the scenario planning work was to examine R & D priorities against a range of plausible futures, and to explore questions such as what the needs for local and overseas petroleum R & D would be under the various scenarios, and what capabilities currently existed to meet those needs. In fact, on the basis of the scenario analysis in the second workshop participants developed a range of priorities for petroleum R & D that were divided into four groupings of highest priority, high, medium and emerging/niche. Given the fact that funding for ongoing R & D (both within the industry and from government) is limited, this tabulation of R & D priorities provided a useful input to the

ongoing strategic planning of the various industry players, in that it was designed to help them decide how best to focus their R & D efforts, as well as looking for ways to develop and retain the R & D capabilities needed then and in the future.

Similarly, in the New Jersey transport exercise, 'strategy packages' were tested against each of the four final scenarios and then ranked in terms of their importance for achieving transport goals as well as for workability across all four scenarios (Bonnett and Olson, 1998).

"Scenarios, because they are structured specifically to probe areas of uncertainty, provide an excellent testing ground for strategies. The entire scenario process is built around identifying and managing areas of uncertainty. But rather than trivializing the analysis of uncertainty by asking assorted what-if questions, scenarios force the strategist to consider interactions among the full range of uncertain forces. Scenarios can be used to test strategies in a broad range of possible situations, so those that prove to be robust – that is, successful in widely different circumstances – can be quickly implemented with greater confidence" (Perrottet, 1998).

5. Development of an ability to think more widely and divergently
Here the aim is to encourage managers to think more widely/creatively about key issues and/or changes that might impact on the agency. Scenario planning can provide a mechanism for developing imaginative, new solutions for dealing with difficult problems in times of great uncertainty, and to challenge executives to "think the unthinkable" (Wack,1985a, 1985b and Schwartz ,1996). Szulanski and Amin (2001) have suggested that "strategy making in fast moving environments requires the capacity to intervene effectively on strategy making, the development of a different kind of discipline that allows for a greater involvement of the imagination". Similarly, Georgantzas and Acar (1995) postulate that because they are in a sense alternative ways of seeing the world, scenarios provide a systematic method for getting decision makers to break out of their insular worldviews and to 'reperceive reality'. Ringland (2002) suggests that scenario thinking is increasingly being used "as a way of creating a shared view" among a management team. By placing discussions in a time frame that is beyond their current priorities and beyond facts and forecasts, scenario thinking can encourage more open

discussion, with less defensive behavior and a greater sense of shared purpose. Scenario planning's primary value lies in "the development of new faculties for improved decision making" in those that practise it regularly – faculties that determine how we are in the face of the unknown (Galt et al, 1997). Companies that succeed in our ever more uncertain business environment will be those that continually nudge their managers towards revising their views of the world (de Geus, 1997).

The development of scenarios that have an inclusive view of a possible version of the future can integrate social, bio-physical, economic, technological, cultural and demographic dimensions in a way that more reductionist planning processes cannot (O'Brien, 2000). In the case of the Naval Security Group, "scenario analysis shed a great deal of light not only on the joint support issue around which the scenarios were specifically crafted, but also on the other strategic issues facing the NSG, particularly those concerning relations with the major stakeholders and the impact of technology" (Frentzel et al, 2000).

Scottish Enterprise initially used scenarios as a way of challenging the organisation's staff and clients to think more creatively about their changing business environment. Later, scenario planning was seen to have provided participants in The Scotland's Futures project with an increased awareness of the wider forces affecting the economic future of Scotland – getting its participants to think much more widely and inclusively about issues such as technological development and international competition. Ling (1999) commented that the Madingley scenarios were intended to be used to explore a wide range of issues from primary care through to the new genetics. In this, "they played a useful part in stimulating more robust ideas, identifying risks to manage and skills to develop, and clarifying the things we should monitor and influence".

"By presenting other ways of seeing the world, decision scenarios allow managers to break out of a one-eyed view. Scenarios give managers something very precious: the ability to reperceive reality. In a turbulent business environment, there is more to see than managers normally perceive. Highly relevant information goes unnoticed because, being locked into one way of looking, managers fail to see its significance" (Wack, 1985b).

6. Enhanced contingency planning

"Scenarios help companies think the unthinkable, and prepare contingency plans to respond" (Perrottet, 1998). This aim is about assisting the agency in the development of long term contingency plans. Increasing turbulence and change will require organisations and their managers to adopt a much more proactive relationship with their environment, to anticipate and manage emergent problems, and to create new initiatives and new directions for development (Morgan, 1991). Because it generates a number of different yet plausible views of the future business environment, scenario planning helps managers to develop strategies which optimise company performance in a range of possible futures (Huss, 1988). Wilson (1998) argues that the scenario process aims specifically to explore contingencies and their consequences. One of the key steps of scenario planning is monitoring the various indicators to see in what ways all or any of the scenarios may be beginning to unfold, and by paying close attention to these indicators the scenario thinker can take early contingency actions to address unfavorable future developments (van der Heijden et al, 2002).

Scenario planning can provide a systematic and rational way for public sector agencies to factor complexity, uncertainty and risks in their external environment into their ongoing strategic planning. Complexity and uncertainty are now basic structural features of the business environment (and likely to remain so), and rather than attempting to create (and then rely on) a single forecast of the future, it makes more sense to try and better understand and plan for the uncertainties and risks of the future via the development of a number of alternative, plausible scenarios of how the future context might develop (Schriefer, 1995b; Wack, 1985b; Georgantzas and Acar, 1995). In essence, scenario planning can help an organisation to restructure its thinking about the environment it faces and thereby beginning to develop some strategic alternatives (Kay, 1993). As Huss (1988) put it, scenarios help managers to better understand the business dynamics, the driving forces and the various cause and effect relationships that are shaping and will continue to shape the context in which they are operating. This improved understanding will improve their ability to detect, monitor and respond to key trends and developments.

The health scenarios developed by the Dutch government during the 1990s led a contingency-based approach to the allocation of long term funding, with resources being set aside to allow for various possible trends and developments in the provision of health care in the region. As Schreuder commented, the conclusions of the various commissions and the policy recommendations of the STG enabled policy makers and policy-making bodies "to make more rational (or at least less irrational) decisions about investments and priorities in the health and health-care sectors" (Schreuder, 1995).

As a follow-up to *Scenarios for Scotland,* Scottish Enterprise undertook the *Futures Programme,* which involved using scenarios (as well as other techniques) as a means of strengthening the strategic thinking capacity of small and medium sized enterprises. Rather than adopting a 'wait and see' approach these organisations were encouraged to explore the future possibilities that their business environments might hold and then develop a range of contingency plans to enable them to be better prepared for what might eventuate. The participants "became aware that it is pointless for them to try and predict the future but that they have the ability to plan for future change, whenever it may occur" (Ringland, 2002).

A Model of Scenario Planning

As with strategic planning, there are many different approaches (and variations thereof) to scenario planning. However, there are certain elements or steps that appear to be common to the process. Typically, these are as follows:

1. Identify a focal issue, decision area or key question related to the future (Schwartz, 1996; Davis, 1998; O'Brien, 2000; Galt et al, 1997). For the National Education Authority in 1995 the key question was "How will the delivery system of education evolve in a rapidly changing context?" (Global Business Network, 1995). For the US Naval Support Group in the late 1990s the decision area was one of combined provision of cryptographic services with all branches of the military vs. continued provision of a separate, specialist service (Frentzel et al, 2000). Van der Heijden (1996) argues that "scenarios must always be focused on a strategically relevant area if they are to be productive." Similarly Galt et al

(1997) argue that in order to make the best use of scenarios "it is important to clarify our intentions and identify the issues or areas to test with multiple futures".

2. Clarify the main areas for research, determine the time frame and scope of the scenario analysis, and make a diagnosis of the organisation in relation to its environment (Davis, 1998; Schoemaker, 1992; Godet, 2001). Davis (1998) emphasises the importance of clarifying the existing mindsets or "mental models" of the managers and key members of the firm before beginning to develop scenarios, since it is these mental models that have shaped the thinking of the "users" and that have been the basis for investment decisions and policy making. Godet (2001) stresses the importance of "asking the right questions" about why the organisation has been behaving the way it has, and also the need to elucidate and confront the agendas and strategies of the "actors" involved – those people who have an important role in influencing the strategic directions of the company.

3. Identify the key driving forces that will impact upon or shape the business environment of the organisation (Schwartz, 1996; Davis, 1998; O'Brien, 2000; Shoemaker, 1995; Porter, 1985). According to Fahey (2000), these driving forces can be elucidated through consideration of "knowledge issues" such as the different ways the firm's competitive marketplace might evolve over the next 3-5 years, and the factors or forces of change that are most likely to dominate how the firms' industry or marketplace might evolve. So, for example, three key driving forces for the British National Health Service in 1994 were the shift away from a strongly centralised, highly regulated national health service, greater impact of international developments and cross-border medical services, and a move away from "disease-oriented" views of health care to more holistic approaches (Ringland, 1998).

4. Clarifying and establishing those driving forces (factors and trends) that are both very important to successful management of the focal issue, but also that are quite uncertain (Schwartz, 1996; O'Brien, 2000, Ringland 1998). It is these "critical uncertainties" that form the basis of the different plots or storylines for each scenario (Galt et al. 1997). "Scenarios….focus attention on unknowns that are important and about which there is great uncertainty. They are stories about

alternative ways in which these uncertainties about the future could be resolved. By practicing with the resulting scenarios, managers explore possible responses and reactions to future environments" (Marsh, 1998).

5. Create the scenarios. (Schwartz, 1996; Davis, 1998; O'Brien, 2000; Galt et al, 1997). As outlined by Davis (1998), the critical first step is to begin with a set of plausible storylines, using the critical uncertainties as a starting point. These will need to be structured; the relevant interconnections identified; and the scenario logics, including discontinuities, defined. The relevant plots and stories, including their dynamics, need to be developed, and, in some cases, the scenarios must be quantified. The scenarios are then usable as new frames of reference. Schoemaker (1995) suggests that the aim is to converge towards scenarios that you will eventually use to test your strategies and generate new ideas. Each key factor and trend should be given some attention in each scenario (Schwartz, 1996); the scenarios should present a number of possible futures of the external business environment around the focal issue (van der Heijden, 1996); and they should offer fresh perspectives of the users' business environment – perspectives that will enable these users (including managers, leaders, and key stakeholders) to "reperceive reality" (Georgantzas and Acar, 1995).

6. Consider the implications of the scenarios for your key decisions and/or strategy development (Fahey, 2000; O'Brien, 2000; Schwartz, 1996; Godet, 2001). This is one of the most critical steps of the process, and as Porter has commented, many organisations falter when it comes to translating scenarios into strategy (Porter, 1985). One has to consider options such as devoting resources to the most probable scenario; focusing on the scenario in which the organisation is likely to be able to establish the most sustainable long-run competitive advantage; choosing strategy options that will (hopefully) produce satisfactory results under all scenarios; preserving flexibility until it becomes clear which scenario (or variation of it) is going to come to pass; or using the organisation's resources to bring about the scenario that it considers to be the most desirable (Porter, 1985). "A number of companies have had problems realizing the promise and potential of scenarios. The root cause seems to be that, in most organisations, scenario

development initiatives and efforts to create and execute strategy have not been linked" (Fahey and Randall, 1998).

7. Select the leading indicators and signposts (Schwartz, 1996). This involves identifying (and then monitoring) those trends and/or events that indicate that one or more of the identified scenarios (or variations of them) are beginning to eventuate. From this one can determine the industry-specific implications, and thereby develop a range of appropriate, resilient strategies. One of the most critical such indicators in 1972 for Royal Dutch Shell, one of the first companies that began to use scenario planning in a systematic way, was the attitude of the leaders of OPEC nations such as Saudi Arabia. By mid-1972 leaders such as Sheikh Zhaki Ahmed Yamani were beginning to talk about "participation". No longer content to rent their land to oil companies, they wanted stock in the companies that drilled the wells (Kleiner, 1996). This signaled the beginning of a loss of control by companies such as Shell, and added weight to the possibility of quantum leaps in the price of oil. Shell was the only leading oil company that took this possibility seriously at the time, and it was thus the only one that began to put in place "appropriate, resilient strategies".

Factors That May Affect Implementation of Scenario Planning

It is apparent from the literature that there are five factors that may impact upon successful implementation of scenario planning:

- Intensity of the research approach

- Executive involvement in the scenario planning process

- Executive support for the various programs of processes undertaken as a follow-up to the original scenario planning process

- Type and size of organisation

- Style of the scenarios

Intensity of the research approach

Stages 2 to 4 in the model process outlined above involve research of one form or another, and so it is clear that an in depth, well focused research process is integral to the success of scenario planning. Schwartz (1996) emphasises the importance of "skilled hunting and gathering of information" with the intent to gather not just the facts needed for specific scenarios but also to seek out any data that will challenge your assumptions and understandings built on past experience. Thus the unusual and unexpected become as important as the predictable – for it is uncertainties and surprises that will often form the basis of useful scenarios.

Schwartz (1996), van der Heijden (1996 and 2002) and Ringland (1998) have all commented on the importance of the research phase of a scenario planning process. Key planners and decision makers are unlikely to take scenarios seriously (much less use them as a basis for strategy making) unless they can be convinced that the scenarios have been built upon a well thought out, credible research process.

Godet (2001) argues that if the process of scenario planning is to be rigorous then the research phase should include a complete diagnosis of the firm in relation to its environment, structural analysis of the key questions and key variables to be considered, and then detailed analysis of the various external issues of relevance to the firm's current and future business environment. According to Schwartz (1996), the research should be practiced both narrowly – to pursue facts needed for a specific scenario – and broadly – "to educate yourself, so that you will be able to pose more significant questions." In addition, it is important to pay attention to the fringes of your industry or sphere of operation, since it is there "from which the innovations may come" (Schoemaker, 1995).

Executive involvement in the scenario planning process

Schoemaker (1998) has suggested that the first step in any scenario process should be to secure the political support and involvement of senior executives, because without them there can be no significant change in strategy at the end of the process. Similarly, Wilson (1998) argues that only be actively involving decision makers in the development of the scenarios is an organisation likely to have its executives accept ownership of the final

scenarios, and only under these conditions are they likely to effectively use them to make operational decisions. Weinstein (2003) has commented that "the process of assessing the viability of current or potential organisational goals, resources and practices against different possible futures is available readily to almost all executives" – and that "That process is made all the more valid for such participants by their engagement in linking external factors, in the form of alternative scenarios, to their current views of the critical success factors for their organisation's future".

Executive 'buy in' to the process is generally achieved by ensuring that the scenarios are based upon a credible body of research (see previous discussion of previous factor); that the scenarios address issues of immediate concern and relevance to the executives; and that the scenarios achieve a good balance between being pictures of the future that are plausible yet challenging of current assumptions and beliefs.

Van der Heijden (1996) has commented that scenarios that do not align with the current and ongoing concerns and anxieties in the minds of the decision makers are ineffective, since they will probably be interpreted as irrelevant to operational reality and rejected. He goes on to say that plausibility is a key precondition for success, but also that "just feeding back to managers the views they already share" is not useful – fresh perspectives and views of critical issues should be added. Again, "If a scenario is not disconcerting and challenging, it is probably not worthwhile. The same is true if it is not plausible to people with experience in that domain or line of business" (Galt et al, 1997). "Scenarios that make a difference must connect with key managerial concerns and yield new insights about strategic opportunities for the business today as well as tomorrow" Schoemaker (1998).

Finally, the best way to ensure executive ownership of the process is to involve them (or at least consult them about) the creation of the original scenarios. "It is not enough that scenarios are logically sound and internally consistent – and therefore persuasive intellectually. They need to be believable, visceral, and to excite emotions. To achieve this result, a management team should be actively involved, together with experienced scenario writers, in the creation of scenarios that they will own" (Marsh, 1998). Wilson (1998) commented that "One of the most productive scenario projects I have personally

undertaken was at Allied Irish banks where the chief executive officer insisted that his direct reports should constitute the scenario development team. Because these senior executives actually developed the scenarios themselves, they understood and owned them fully and so were able to incorporate them more easily into their thinking and strategy development."

Executive support for the various programs of processes undertaken as a follow-up to the original scenario planning process

Schwartz and Ogilvy (1998) argue that "one of the most powerful contributions to a good scenario process is the direct and *ongoing* (italics mine) involvement of key decision makers". It is not enough for executives to have an active role in the development of the scenarios – if the process is to have sustained impact upon the organisation then they need to have ongoing involvement in the various follow-up plans and processes. Similarly, if the scenario planning effort is to continue to have useful impact on the organisation, then top management need to continue to endorse the scenarios and the various flow on planning processes related to them. One of the chief reasons for Shell's success with scenarios in the 1970s was a planning rule issued by Shell's Committee of Managing Directors to the effect that annual capital and operating budgets had to be defended against the background of the scenarios *en vigeur* (De Geus, 1997).

Van der Heijden (1996) has commented that the 'final proof that scenario planning has arrived' is when acceptance is such that corporate management incorporates it in the formal communication processes about strategy and/or formal decision-making processes. Similarly, Venable et al (1993) argue that once the (scenario planning) process has been accepted by senior management and endorsed by department managers scenario analysis can serve as the common thread for strategic planning. De Geus (1988) observed that the only relevant learning in a company is the learning done by those people who have the power to act (managers), so clearly any process designed to improve the way managers "think, learn and reason about strategy design" (Georgantzas and Acar, 1995), must have the ongoing endorsement and support of those managers if it is to have any sustained impact on the organisation.

Type and size of organisation

Public sector agencies can be classified into three broad functional types – policy, regulatory and service. Broadly these types can be defined as follows:

- Policy – advising the Commonwealth government on the formulation of public policy e.g. advising on the development of a policy framework for National Occupational Health and Safety

- Regulatory –overseeing the implementation and/or enforcement of Commonwealth legislation e.g. inspecting organisations to ensure that the guidelines set out in the National Occupational Health and Safety Framework are being followed

- Service – providing government services to the general public and/or private sector organisations e.g. providing training and/or support services to organisations that wish to improve their management of occupational health and safety practices

In reality many agencies are a combination of two or more of these three. What research has been done into public sector scenario planning has not suggested that here is any link between type of agency and the effectiveness (or otherwise) of scenario planning. However writers such as Leigh (2003), Bryson & Roering (1988) and Berry & Wechsler (1995) have commented on the difficulty of implementing strategic planning processes of any type in the public sector; and since it is the policy and regulatory functions that tend to set public sector agencies apart from private sector organisations, it was important for me to see if there was any apparent link between success of scenario planning (or lack of it) and agency type.

Organisation size is not mentioned as a factor that will help or hinder scenario planning anywhere in the literature, but writers such as Kaufman (1992) have argued that the type or scope of methodology employed in strategic planning should be varied according to the size of the organisation. What research has been done on scenario planning in the public sector has mostly been to do with fairly large scale organisations such as the British National Health Service, Scottish Enterprise and the USA National Education Association, implying that perhaps this is a process more suited to large and/or wide

reaching agencies. However, scenario planning has been reported as having benefits for smaller, distinct public sector agencies such as Austrade (Ringland, 1988), and Geoscience Australia (Williamson and Wright, 2002) so again it was interesting for me to investigate any apparent link between agency size and usefulness of scenario planning.

Style of the scenarios

Style of scenarios refers to the number of scenarios developed and the timeframe in which they were set. Schoemaker (1998) suggests that 2 – 4 scenarios are usually sufficient to bracket the range of future outcomes and to provide alternative images to the current prevailing view/s in the organisation. Similarly, Ringland (1998) comments that many scenario planners consider 4 to be good number, but that 2 may be sufficient. Beck (1982) commented that the experience of Shell was 'the fewer the better', and that their aim was often to try and distil the range of possible futures into two broad archetypes. van der Heijden (1996) argues that at least two scenarios are needed in order to reflect uncertainty, but also that more than four has proven organizationally impractical. Schwartz (1996) argues against "ending up with three scenarios", because of the risk that the scenario planners or the executives for whom the scenarios have been developed will be tempted to identify one of the three as the 'middle' or 'most likely' scenario and then treat it in the same manner as a single point forecast, thereby losing all the advantages of multiple-scenario methodology. By the same token, one of the risks of developing only 2 scenarios can be a somewhat limited outcome of "best case" and 'worst case' views (van der Heijden, 1996). "The number of scenarios is important. Too many scenarios confuse the manager. An uneven number gives the manager an unfortunate escape route; it's too easy to bypass the scenarios' implications by picking the 'one in the middle', the compromise future that is seen as an alternative to the extremes. Two is probably a food number for scenario exercises; it forces the manager to make a choice between them and thus think through the ramifications of both."

While no specific timeframes are suggested in the literature, Fahey and Randall (1998) have suggested that in order to avoid short term thinking it is important to set the scenarios in the time period during which the decisions being made will have some effect on the organisation. Beck (1982) argues that the range should be "near the extremes of

possibility" but not too far as to be beyond the realms of possibility. Marsh (1998) argues that the scenarios should be written specifically for the time period affected by the decisions being made. So in the case of oil exploration a reasonable time period might be 20 years; in the case of impact on one's business of new developments in telecommunications technology 10 (or even 5) years might be a more reasonable timeframe. One danger is when scenario planners focus exclusively on current crises, thereby failing to take note of unrecognized longer term opportunities that require investments today. "Instead of concentrating narrowly on existing products or markets, it's important to investigate opportunities that lie beyond the current boundary of their business" Schoemaker (1998).

Table 1 provides a breakdown by number of scenarios and timeframe for eight public sector examples of scenario planning discussed above.

Table 1

Case	Number of scenarios	Timeframe of scenarios (yrs)
New Jersey Long Range Statewide Transportation Plan	4	30
Hemingford Scenarios	4	15
Mont Fleur	4	10
National Education Association	4	15
Seattle Education Association	4	10
Scotland's Futures	2	15
Madingley Scenarios	2	20

Six of the eight feature 4 scenarios, the other two 2 scenarios, which aligns with the recommendations of the various authors above. The timeframes range from 10 years to 30 years – a perhaps surprisingly long timeframe given the politicized and 'election-based' decision making context of most public sector organisations.

Conclusion

The first real attempt to use scenario planning as a strategic planning technique was by Royal Dutch Shell in 1972. Following Shell's success in predicting (and planning for) a large jump in the price of oil, many other companies and corporations began to use scenario planning, believing that it would enhance the flexibility and adaptability of their strategic planning processes. By the 1990s the technique had been adopted within the public sector, since government agencies were finding linear planning processes such as forecasting quite inadequate in terms of trying to predict and plan for their ever changing environment.

While the research on scenario planning in the public sector is somewhat limited, there is evidence that those agencies that have implemented it have seen benefits such as improved levels of ongoing dialogue between senior executives within the organisation as well as with outsiders; an enhanced willingness of executives to 'rethink the future' and develop better strategic vision; the ability of executives to plan in a more effective, integrative manner for a range of contingencies and future possibilities; the confidence to plan in a more systematic and rational way for risk and uncertainty in the operating environment; and the provision of a mechanism for testing or exploring various strategic options. In addition, it is apparent that intensity of the research approach, executive involvement in the scenario planning process, and executive support for the various programs of processes undertaken as a follow-up to the original scenario planning process generally have a positive impact on the success (or otherwise) of the process; but there is less evidence within the literature of any positive correlation between successful implementation of scenario planning and size or type of agency, or type of scenarios.

In reality, the research data on implementation of scenario planning in the public sector is relatively sparse, and for the most part is about nation or sector wide processes such as the Mont Fleur scenarios in South Africa or the Hemingford scenarios in Britain. My area of interest is individual public sector agencies with specific roles and functions – such as those that comprise the APS. There is clearly a need for detailed comparative work in and between agencies of this type and size, so that those responsible for business and strategic planning in the agencies (including my clients) can have some confidence that if they proceed in a certain way then the various benefits of scenario planning will be realised.

We will therefore explore the implementation of scenario planning in six agencies of the Australian Public Service, and the extent to which the expected benefits of the process were achieved in these agencies.

CHAPTER 2

Research Design

Introduction

A multiple case study approach was decided upon as the best method for investigating a variety of complex processes in an organisational context (seven examples of scenario planning in six agencies of the Australian Public Service). This chapter provides the justification for this approach, including the specific research techniques employed, the selection of the case studies, and the chronology of the research process. Finally, the various limitations of the chosen methodology are discussed.

Overall Research Approach

In considering the research problem in was important to devise an approach that would allow effective understanding of what was actually happening with respect to the application of scenario planning in a number of different agencies of the APS. Why had the process been employed? What were the intended aims and were they achieved in the short and/or long term? Thus the key dependent variables for the purposes of my study were achievement of the various aims of scenario planning in the short and long term in these different agencies. The key independent variables were the factors suggested in the literature as possible facilitators of change i.e. factors that might influence the likelihood that the agencies' aims for scenario planning would in fact be achieved. As described in Chapter 1, these factors were:

- Intensity of the research approach

- Executive involvement in the scenario planning process

- Executive support for the various programs of processes undertaken as a follow-up to the original scenario planning process

- Type and size of organisation

- Style of the scenarios

For the purposes of my study the various aims for the implementation of scenario planning in the agencies I studied have been classified under following six benefits ascribed to properly managed scenario planning in the literature review:

1. **Better informed strategic planning**

   On the basis of the scenarios and the research that underpins them, key decision makers will be able to make better informed and more flexible decisions – decisions that will be based upon a summarised form (the scenarios) of the various driving forces, trends and possibilities that may impact upon their agency over the future period of time addressed by the scenarios.

2. **Enhanced dialogue with stakeholders**

   By its very nature scenario planning encourages those involved in the process to engage in extensive dialogue with the various internal and external stakeholders of the agency about the perceived priorities with respect to the roles and functions of the agency. If key agency staff are properly engaged by the process, then this dialogue can be expected to continue on an ongoing basis – well beyond the original development of the scenarios.

3. **Improved understanding of the future business environment**

   Scenario planning is designed to be a process that encourages participants to think more constructively about the future business environment of the agency, considering in a structured way the various threats and/or possibilities that may exist. If managed properly scenario planning provides decision makers with a structured way of understanding and planning for uncertainty.

4. **Provision of a basis for testing strategy**

   Well constructed scenarios can provide agency decision makers with a convenient framework for testing various strategy options – exploring the various strategy proposals in the context of each of the scenarios so as to try and establish the 'robustness' of each strategy in each of these sets of hypothetical circumstances (scenarios) and in what ways the strategies may need to be refined if they are to be effective in the various possible futures confronting the agency.

5. **Development of an ability to think more widely and divergently**

   Scenario planning can enable managers to think more openly and creatively about the various challenges, difficulties and dangers that the agency may be facing over

the next few years, and it can provide a 'safe' environment for them to 'think the unthinkable' and explore difficult problems with more openness and less defensiveness than might normally be the case.

6. **Enhanced contingency planning**
   Scenario planning helps managers to explore a range of contingencies and their consequences, and it thereby provides a useful basis for developing long term contingency plans that will enable the agency to respond flexibly to the various 'futures' that might eventuate.

All of these benefits relate to attitudes and orientations of key people in the organisation, rather than to conventional measures of performance. Thus it was clear to me from the outset that an inherently qualitative approach would need to be employed in the design of the research process – an approach that Creswell has defined as "an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting" (Creswell, 1994). The underlying paradigm of this research is what Gabrielian has described as postpositivism – "reality is 'real' but only imperfectly and probabilistically apprehendable: it should be approximated as much as possible, but cannot be fully captured" (Gabrielian, 1999).

One of the most popular forms of qualitative research is case study analysis. The use of case studies is a research strategy which enables its user to understand the social processes and dynamics that are taking place in a particular context or historical period (Yin, 1994; Stoecker, 1991). Similarly, Bailey (1992) argued that case studies "have the potential to produce valuable information about the richness of human interaction". Yin has suggested that "a case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 1994). Again, as Kitay and Collins (1998) put it, the case study approach is "a research strategy or design that is used to study one or more selected social phenomena by placing them in their wider context." This fits well with my research, where the phenomenon of scenario planning was

investigated in the wider context of six real-life, APS organisations, each with its own particular set of problems, changing priorities and day-to-day crises.

Case studies are not so much a data gathering tool per se, but a methodological approach that incorporates multiple data generation and collection methods e.g. direct observation, interviewing and study of current documentation. Stoecker (1991) has described the case study as a "frame" that determines the boundaries of information gathering. It became apparent to me that two 'frames for information gathering' would be appropriate – multiple, complex case studies and a longitudinal approach to data gathering.

Multiple Case Studies

For the purposes of my research I used a comparative case study technique in order to better understand the phenomenon of scenario planning as applied in a number of agencies of the Australian Public Service. I used the cases for an instrumental purpose (Berg, 2004) in order to see if the theoretical framework of the benefits of scenario planning suggested in the literature could be applied to agencies of the Australian Public Service. In depth focus on the application of the process in just one or two agencies would make it difficult to establish that apparent benefits such as 'better informed strategic planning' or 'development of an ability to think more widely' could be put down to the implementation of scenario planning in that agency: it might in fact be due to other factors such as a change of key staff or a narrowing (or widening) of the agency's mandates decreed from above. If I was able to detect evidence of the various benefits to greater or lesser degree in seven separate case studies visited twice over a three year period then I would be able to attribute these benefits to the implementation of scenario planning with a relatively high degree of confidence – which would seem to accord with the various benefits of (and reasons for undertaking) scenario planning suggested in the available literature.

While multiple sites (seven cases in six agencies) gave me more examples of the phenomenon (scenario planning) I was studying, they also enabled me to properly study the relative importance of factors suggested in the literature as being important facilitators of the changes being tested. Achievement of stated aims of scenario planning in one agency could be attributed to the particular circumstances of that agency –

achievement across a number of agencies would suggest a link with one or more external (and perhaps replicable) factors. It is of critical importance for practitioners such as myself to understand these factors, as successful outcomes depend not just on the application of scenario planning as a generic methodology, but on factors such as intensity of supporting research and executive involvement before, during and after the process. Yin (1994) has emphasised the importance of "replication logic" in multiple case study designs, arguing that each case must be selected so that it either predicts similar results or produces contrasting results but for predictable reasons. I decided that seven case studies undertaken in six agencies would provide sufficient richness and variety of data, and I have outlined under *Selection of Agencies for Case Studies* the limitations I set to try and ensure adequate 'replication logic'.

I decided on a longitudinal approach to the study, whereby I would visit each of my selected agencies in late 1999, and then a second time in late 2001. The benefits of this approach were firstly that it would give a richer source of data to draw on (i.e. two sets of interviews and documentation rather than one), but secondly that I would be in a better position to comment on the longer term views of the impacts and extent to which the aims of the various scenario planning processes undertaken in each agency were achieved. One might expect that any new approach to future planning would be seen to bring benefits along the lines of 'novel approach' and 'new ways of thinking' to an agency in the subsequent 12 months – the real test of effectiveness would be whether the agency continued to experience any or all of the benefits two to three years down the track. Moreover, one of my main reasons for undertaking this research was a perceived lack of 'future relevance' of many public sector strategic planning processes. Therefore I was particularly interested to know if the use of scenario planning might help ensure that key planners in an agency were still experiencing the benefits of the process two or three years down the track.

One important element of a qualitative research process is triangulation of data – "the act of bringing more than one data source or more than one perspective to bear on a single point" (Gabrielian, 1999). Given the somewhat imperfect view of reality that this research will develop, it is important to use as many data collection methods as possible,

as the different ways in which the data is collected should help ensure that a reasonably clear picture is obtained of what is happening in a particular case and why. "Every method is a different line of sight directed toward the same point, observing social and symbolic reality. By combining several lines of sight, researchers obtain a better, more substantive picture of reality; a richer, more complete array of symbols and theoretical concepts; and a means of verifying many of these elements" (Berg, 1989). Similarly, Kitay and Callus (1998) have commented that a range of information needs to be collected if you are to properly understand a phenomenon [such as scenario planning] in its context.

A variety of appropriate data collection methods enabled me to draw meaningful conclusions about the applicability of scenario planning in public sector contexts such as the APS. I will now describe which agencies were chosen and why, as well as examining the specific research techniques in more detail.

Selection of Agencies for Case Studies

During 1999 I compiled a list of all APS agencies that were currently undertaking (or had recently undertaken) scenario planning. The list was compiled on the basis that the organisations were agencies in the Australian Public Service; currently engaged in 'agency-wide' scenario planning, or had undertaken scenario planning work since 1998; using scenario planning in relation to their strategic planning processes; and different from one another in terms of size and scope.

From this list I chose a sample of seven case studies in six agencies (the ATO conducted two major scenario planning exercises during the timeframe of my research). I believe this represents a good sample of the total APS agencies (ten) that I was able to ascertain had conducted or were conducting scenario planning in relation to their strategic planning at that time.

In late 1999 preliminary discussions were held with staff in a number of APS agencies (including the Public Service and Merit Protection Commission), the APS Futures Forum and Global Business Network Australia. Through these discussions I was able to establish that the following organisations met all three criteria listed above:

- Austrade;

- Australian Federal Police;

- Australian Security Intelligence Organisation;

- Australian Taxation Office;

- Centrelink;

- Child Support Agency;

- Department of Defence;

- Department of Family and Community Services;

- Department of Transport and Regional Services;

- Office of Strategic Crime Assessments.

At that time I also met with senior officers at the Department of Health and Aged Care and the Bureau of Resource Sciences. While they had expressed interest in the possibility of undertaking scenario planning, neither agency had made a specific commitment to doing so at that time, and so they were not considered to be suitable candidates for this research study.

I had provided consultancy services to the Australian Security Intelligence Organisation and the Department of Defence over the preceding few years; and I was thus aware that the security restrictions on access to or the removal of any documents that could be considered to contain classified material would make it very difficult to undertake meaningful case studies of the scenario planning processes being employed at either of these agencies. I had anticipated that security restrictions might present a problem at the Australian Federal Police and the Office of Strategic Crime Assessments (OSCA). However, senior officers at both agencies agreed to allow me access to relevant documentation and to interview appropriate senior staff, so I did include these two organisations in the initial study (although OSCA was not ultimately included as one of the cases, for reasons that will be outlined below). I did agree to give them the opportunity to check my draft reports prior to submission to my academic supervisor for

any accidental breaches of security. In the case of OSCA, I also agreed to use position titles rather than officers' names in the appendix to my thesis.

Centrelink, Child Support Agency and the Department of Family and Community Services all fell under the Commonwealth government's portfolio of Family and Community Services, and so I felt that it would be inappropriate to include all three of them in this (limited) research study. Since I already had established contacts in Child Support Agency and the Department of Family and Community Services, I decided not to use Centrelink as a case study. I therefore decided upon the following seven agencies as case studies of scenario planning in the Australian Public Service: Austrade, Australian Federal Police (AFP), Australian Taxation Office (ATO), Child Support Agency (CSA), Department of Family and Community Services (FaCS), Department of Transport and Regional Services (DoTRS), and Office of Strategic Crime Assessments (OSCA).

Since OSCA was included as a case study during the research phase of my study, I carried out two rounds of interviews at OSCA, and I also studied a range of unclassified documentation from the agency. However, in the end I did not include OSCA in the comparative analysis, since it became apparent that most of the scenario planning work they were doing was on behalf of other law enforcement agencies and not specifically connected to their ongoing strategic planning processes. Nonetheless, the interviews and documents I obtained at OSCA provided some useful insights on scenario planning in the public sector (particularly at AFP).

The agencies selected for the case studies represent considerable diversity in terms of size, scope and function. In terms of type, they represent a diversity of policy, regulatory and service functions, and with respect to size (at the time of the research) approximate staff numbers ranged from 900 (DoTRS) to 20,000 (ATO).

Evaluative Methodology

I have chosen to use a comparative case study technique in order to explore the phenomenon of scenario planning as applied in seven cases within the Australian Public Service. I set out to determine the extent to which the stated aims of scenario planning (categorised under the various benefits of scenario planning described in the literature)

were achieved in each case in the short and long term, and which of the factors suggested in the literature as likely to have an impact on the implementation of scenario planning were in fact significant for the majority of cases.

Overview of the Framework

Data collected for each agency[1] has been presented and discussed under the following categories:

- Introduction to the organisation

- Aims of the process

- Development of the scenarios

- Presentation of the scenarios

- Extent to which the aims were achieved

- Intensity of the research process

- Level of executive involvement in the scenario planning process

- Executive support for the follow-up

- Conclusion

The impact of type of agency, size of agency, and style of the scenarios is compared and discussed in Chapter 9.

We will now consider each of the above categories – why the category was included, what information it is designed to contain, and in the case of the variables, the basis on which qualitative assessment of data was made.

Introduction to the Organisation

This section provides a brief introduction to the organisation, including an overview of why it exists and what it does. It also includes background context as to why the

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[1] The sequence was varied slightly for FaCS, because of the fact that its scenario planning exercise built upon an earlier process that had been undertaken in the agency's predecessor, the Department of Social Security.

organisation first became interested in scenario planning, particularly in relation to its ongoing strategic planning.

Aims of the Process

Given that the aims of scenario planning (and the extent to which they were achieved) is one of the key variables of the case study analysis, it is important to state them 'up front' in each case study. A wide variety of reasons for undertaking scenario planning were stated or given in the seven cases studied. In every case these aims were stated or implied in the internal and/or external reports provided on the scenario planning processes, although it was necessary to clarify some of them in the semi-structured interviews. For the purposes of comparative analysis these aims have been classified within the six benefits of:

- Inform strategic planning

- Dialogue with stakeholders

- Understand the future

- Test strategy

- Think more widely

- Contingency planning

Development of the Scenarios

This section provides a brief description of how the scenarios were developed up to the point at which they were actually presented to the senior executive and/or staff of the agency. In every case except AFP[2], the scenarios themselves are also outlined. This and the section that follows are designed to set the scene for the analysis of the extent to which the aims were achieved and how this was influenced by the various independent variables.

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[2] Scenarios not included for security reasons

Presentation of the Scenarios

As will be discussed in Chapter 9, the manner in which the scenarios were presented to the senior executive and/or staff of the agency had a significant impact on the willingness of the senior executive to provide ongoing support for the various follow-up activities. This part of the process has therefore been separated from the development of the scenarios.

Extent to Which Aims Were Achieved

This study explored the extent to which the aims were achieved in both the short term and the long term. For the purposes of this research 'short term' is defined as within 12 months of presentation of the completed scenarios to the senior executive and/or staff of the organisation, whereas 'long term' is defined as from 18 months to 3 years after the presentation of the completed scenarios to the senior executive and/or staff of the organisation. Because the various scenario planning processes did not all occur at the same time, the second round of interviews were conducted in a time frame that ranged from 18 months after scenario presentation (second process at ATO) to 3 years (AFP). A third round of interviews and document study was conducted at AFP in early 2004, as the scenario presentation in this case did not occur until early 2001.

For the purposes of comparative analysis, the extent to which each of the aims were achieved has been stated as High, Medium or Low. The rating was not applied to any of the case studies until all of the case study data had been collected, collated and tabulated. Once the data had been collated there were clearly visible differences between the 'level of achievement', particularly in the long term (see Chapter 9), and it was possible to see a 'continuum' from the most 'successful' cases to the least successful, which in turn assisted with the assigning of ratings. The assignment of ratings is therefore comparative rather than absolute, and this comparative style of rating (High, Medium, Low based on a qualitative comparison across all seven cases) was also employed when assessing the impact of the five independent variables.

It should also be acknowledged that one of the primary sources of data was the semi-structured interviews, where the participants were giving their opinions and perceptions

of what had transpired and why – a process that is inevitably quite subjective, particularly when the interviewees have some personal investment in the success of the process. Wherever possible I endeavored to cross check the interview data against other sources such as written reports and/or corporate planning documentation.

The rating 'scale' of high, medium or low was decided on the basis of the system of rating provided in Tables 2 – 7 (one table per aim). The same system was applied for both short term and long term, the difference being that in the case of short term the presence (or otherwise) of the various 'elements of achievement' was considered in the period 12 months subsequent to the presentation of the scenarios; in the long term it was considered in the period 18 months to 3 years after presentation of the scenarios. For each aim three 'elements' or criteria were established – these were designed to the basis by which one could measure the extent to which the aim was or was not achieved. These elements were derived from the literature and particularly from the definitions of the various aims provided in Chapter 1. Ratings of High, Medium or Low were then assigned on the following basis:

- **High -** *Evidence of the presence of all 3 elements to some degree*

- **Medium** - *Evidence of two of the three elements*

- **Low** - *Evidence of only one or none of the elements*

The criteria established for each aim are as follows:

Table 2

Inform strategic planning
Elements of achievement: • *Scenarios were used as input to subsequent agency-level business/strategic planning processes*   • *Scenarios were used as input to subsequent division/branch/team level strategic planning processes*   • *Subsequent business or corporate planning documentation contains references to scenarios or elements of the scenarios*

Table 3

Dialogue with stakeholders
Elements of achievement: • *Increased levels of dialogue (meetings, interviews, networking forums etc.) with external stakeholders or clients*   • *New forms of dialogue with external stakeholders or clients*   • *Ongoing meetings of various types among managers and staff of the agency to discuss strategy/strategic direction/long range goals*

Table 4

Understand the future
Elements of achievement: • *Increased commitment to discussing future possibilities/directions among managers and/or staff*   • *Further futuring or future planning processes subsequent to the scenario planning exercise*   • *Resourcing and/or support from senior management for processes involving exploring the future business context of the organisation*

Table 5

Test strategy
Elements of achievement: • *Scenarios used as a basis for testing strategy options*   • *Strategies or strategic options added to or modified in the light of the scenarios*   • *Strategic or business plans checked against scenarios*

Table 6

Think more widely
Elements of achievement: - *Executive staff willing to continue to participate in 'futuring' or exploratory processes such as scenario planning* - *More creative or 'open minded' approaches to strategy development within the agency following the scenario planning exercise* - *Reference in corporate or business planning documentation to the need for more wide ranging and/or open approaches to strategy development*

Table 7

Contingency planning
Elements of achievement: - *Development or modification of contingency plans on the basis of the scenarios* - *Development of new projects or approaches to planning as a result of scenario planning* - *Ongoing use of scenarios for the creation of contingency plans*

Intensity of the Research Approach

One of the variables considered in the comparative analysis was the 'intensity' of the scenario planning approach, as measured by the following factors:

- The level of staff resourcing made available for the process
  Were any staff assigned to work on development of the scenarios on a full-time basis, and if so, how many, and for how long?

- The duration and depth of the research phase
  What types of research (e.g. quantitative analysis, survey work, interview work, literature review) were carried out, and for how long?

- The extent of consultation carried out with internal and external stakeholders
  How many internal staff were consulted, and to what depth (e.g. survey questionnaire, in depth interview)
  How many and how wide a range of external stakeholders were consulted, and in what way?

Again, the rating 'scale' of high, medium or low is qualitative. As with 'achievement of aims', the rating was not applied to any of the case studies until all of the case study data

had been collected, collated and tabulated. Table 8 outlines the basis upon which these ratings were made.

Table 8

Criteria for rating:
• *Levels of staff resourcing made available for the process*   • *Extent and depth of research process*   • *Level of consultation with internal staff and/or external stakeholders and clients*
Rating
High   *Evidence of the presence of all 3 elements to some degree, with at least two of them present to a high degree e.g. two staff working for twelve months to undertake a very extensive research process*
Medium   *Evidence of all three elements to some degree, with one of them present to a high degree*
Low   *Evidence of only one or two of the elements*

Level of Executive Involvement in the Scenario Planning Process

As with 'Intensity of research approach', a qualitative assessment of the Level of Executive Involvement in the development of the scenarios was made, with a rating of high, medium, or low in each case. The rating was not made for any of the cases until all of the data had been collected, collated and tabulated – so it was possible to contrast responses across the different cases before assigning a rating. Table 9 outlines the basis upon which these ratings were made.

Table 9

Criteria for rating:
• *Proportion of executives interviewed during the development of the scenarios*   • *Opportunity for executives to be involved in a variety of ways (such as workshops, meetings and/or online discussions) in the development of the scenarios*   • *One or more executives having a role such as sponsor or champion of the scenario planning process*

Rating	
High	*Evidence of the presence of all 3 elements to some degree, with at least two of them present to a high degree e.g. most executives interviewed and one of them acting as a sponsor*
Medium	*Evidence of all three elements to some degree, with one of them present to a high degree*
Low	*Evidence of only one or two of the elements*

Executive Support for the Follow-up

Again, a qualitative assessment of this variable was made, with a rating of high, medium, or low in each case. This rating was not made until all of the data had been collected, collated and tabulated. Table 10 outlines the basis upon which these ratings were made.

Table 10

Criteria for rating:
• *Level of enthusiasm of executives for the initial scenarios and/or for further scenario work*   • *Willingness of executives to encourage, resource and/or make use of follow-up or further scenario planning processes*   • *Willingness of executives to make use of scenarios in subsequent strategic and/or business planning processes*

Rating	
High	*Evidence of the presence of all 3 elements to some degree, with at least two of present to a high degree e.g. high levels of enthusiasm for the scenarios and a commitment to make use of them in subsequent strategic planning*
Medium	*Evidence of all three elements to some degree, with one of them present to a high degree*
Low	*Evidence of only one or two of the elements*

Conclusion

Each case study concludes with a brief summary of what the aims of scenario planning were and the extent to which they were achieved. There is also a brief summary of the intensity of the research process, the level of executive involvement in the development of the scenarios, and the extent to which they supported the various follow-up processes.

Data Collection

Semi-structured Interviews

The interviews with the key contact personnel in each case study were what Hammer and Wildavsky have referred to as "open-ended, semi-structured interviews" (Hammer and Wildavsky, 1989). The interviewer (myself) had developed (through experience as a management consultant and via the Literature Review) a high level of familiarity with the subject matter; and while there were a designated set of starting questions at both interview stages (see below), the answers to these were probed extensively, and there was considerable scope to go beyond them.

The following questions were used as a starting point for the interviews in 1999. It should be emphasised that the semi structured interviews probed and went considerably beyond these questions in every case.

- In what ways has scenario planning been employed as a strategic management tool at [agency] over the last few years?

- What has been your involvement in the process?

- What (in your understanding) were the aims of the process/es?

- To what extent do you believe that these aims were achieved?

- What would you see to be some of the main benefits of scenario planning for an agency such as [agency]?

- What would you see to be some of the main limitations and/or disadvantages of the process?

- Do you consider that there are any particular benefits/limitations for the use of scenario planning in **public sector** agencies such as [agency]?

The following questions were used as a starting point for the interviews in 2001 (and at AFP in 2004), and were also provided by email to three staff that I spoke to on the telephone. It should be emphasised that the face-to-face interviews probed and went considerably beyond these questions in every case.

- In what ways has scenario planning been employed as a strategic management tool at [agency] over the last year or two?

- What has been your involvement in the process?

- What (in your understanding) were the aims of the process/es?

- To what extent do you believe that these aims were achieved?

- What would you see to be some of the main benefits of scenario planning for an agency such as [agency]?

- What would you see to be some of the main limitations and/or disadvantages of the process?

- Do you consider that there are any particular benefits/limitations for the use of scenario planning in **public sector** agencies such as [agency]?

The interviews were not taped, largely because of the problem (given the sensitive nature of the subject matter in organisations such as OSCA and the AFP) that the interviewee may not 'tell the whole story' if he/she is being taped. However, extensive notes were taken – these entailed recording exactly what the person had said wherever possible, and in the case of statements which believed to be significant, asking them to repeat the statement if there was any uncertainty as to what had been said. All interviewees were invited to provide follow-up comments by email – a few of them did so, for the most part re-iterating comments they had made during the initial interview.

Documentation

The other source of data was documentation. This proved to be very useful, particularly in cases such as Austrade, DoTRS and FaCS, where detailed reports had been written during or after the scenario planning exercise. The documentation obtained included strategic plans, narratives or audiovisual presentations of the scenarios themselves, in-house journals, reports on the scenario planning processes and their outcomes, summaries of relevant research, and papers that were presented to various conferences. In the case of Austrade and the Department of Family and Community Services (FaCS) in particular, the conference papers and/or reports provided very useful information about the strategic planning and/or scenario planning processes undertaken at those agencies. The material provided by staff at the Office of Strategic Crime Assessments (OSCA) was also very helpful in elucidating the work undertaken at Australian Federal Police (AFP), a 'fellow' law enforcement agency.

While "the most important use of documents is to corroborate and augment evidence from other sources" (Yin, 1994, p.81), in this case the presented scenarios, the written reports, the conference papers, the "before and after" strategic plans, and the in-house journals such as *Policy Outlook* (FaCS) proved to be important sources of primary data. While the documentation was in some cases authored by the interviewees themselves, most of the official papers and reports were not. In the case of the ATO, it was possible to obtain both CD-ROM and Video versions of *The Vote,* the scenario planning presentation that took place in 2000.

The various corporate planning documents were also important sources of information about the aims, operational context and basic functions of the agency, as were their Internet sites. These made it easier to study the extent to which the various ideas and directions outlined in the scenario material were picked up in or addressed by corporate or business planning documentation.

In a case study of this nature, it is appropriate to conduct data analysis "simultaneously with data collection, data interpretation and narrative report writing" (Creswell, 1994). In 1999 a brief summary of the interview notes and the documentation was written for each

agency, and then re-checked for accuracy by being made available to the interviewees for their further comment. The intention of this was to ensure proper understanding of:

1. The aims, operational context and basic functions of the agency;

2. The aims, history and outcomes of scenario planning processes in that agency up to that point.

This stage was designed to be a preliminary phase of the research, and so I did not at this time attempt to compare responses across agencies or to categorise the collated data against the basic research questions listed in Chapter One.

Following the second round of interviews and document study in late 2001, the interview and document data was aggregated with the data collected in 1999, and then presented in the form of a comparative analysis (detailed in Chapter 9).

Research Chronology

The research commenced in September and October 1999 with a series of semi-structured interviews with one or two staff in each agency (see Appendix A). The staff interviewed were selected on the basis that they had been involved in or were closely associated with the agency's scenario planning processes (and were therefore able to provide informed comment about the intended aims and/or outcomes of the processes). At the same time available internal or external documentation about the scenario planning processes was collected and analysed, as well as relevant corporate planning material. The 'who we are and what we do' section of the Internet site of each agency were also, since it was believed that this would provide further data relevant to the agency strategic planning processes.

From September to November 2001 a further round of semi-structured interviews was conducted with two or three staff in each agency (see Appendix A). Again, these staff were all relatively senior officers who had been associated with or who were relatively familiar with the scenario planning exercises. Some of the interviews were conducted by telephone, and again the participants were given the opportunity to provide further comment by email.

At this point it became apparent that the initial scenario planning exercises that had been conducted at AFP in the years up to 1999 were of such a limited nature (short explorations built around specific areas of interest identified within the agency's annual environmental scan) that they did not really fit within the definition of scope outlined in the Introduction. However, the AFP had initiated in 2000 a major, agency-wide scenario planning process that was a key component of their strategic planning, and so the decision was made to use this as the AFP case study Rather than the processes initiated in 1999). In order to ensure a long term as well as short term view of this case (as for the other six cases), another round of interviews were carried out at the AFP in early 2004 (see Appendix A). At the same time the AFP Internet site and some additional corporate planning documentation were studied.

Limitations of the Methodology

The main limitation of the methodology related to data gathering. For the most part the semi-structured interviews were carried out with senior staff that had been involved in some way with the scenario planning process, and therefore would feel quite a strong sense of ownership for it. In these circumstances one might expect that they would not be too forthcoming about any weaknesses in the way the process had been developed and/or conducted. The documentation that had been collected (internal and external reports for example) largely helped overcome this problem, but it has to be acknowledged that a less biased view might have been obtained the interviewees had included a sample of managers (and perhaps external stakeholders) that were affected by the process but not closely involved in its development. Nonetheless, staff interviewed at some agencies were remarkably candid about what they perceived to be some of the weaknesses of scenario planning as they had applied or experienced it at their agencies.

At FaCS and CSA it was only possible to carry out 4 interviews over the two year period. In hindsight this was probably not as many as was needed to obtain a sufficiently clear picture of the process and outcomes of scenario planning in these agencies. However, the range and quality of documentation made available at these two agencies (particularly FaCS) was very good, and helped overcome this limitation. Overall, I undertook what I felt to be a reasonable number of interviews (for an individual doctoral research study),

and I endeavored as much as possible to use available documentation to compensate for any deficiencies of the interview data.

Security restrictions were something of a limitation at AFP, and it is for this reason that it has not been possible to reproduce the actual scenarios, and in addition the documentation was limited to publicly available corporate planning documentation. However, it was possible to interview one officer in 1999, three staff in 2001 and three again in 2004. Two of the staff interviewed in 2004 were staff that had been interviewed in 2001, which helped ensure quite a good 'before and after' view of the perspective from them. The data on this agency was also supplemented by some of the interview and documentation data obtained from staff at the Office for Strategic Crime Assessments.

Conclusion

Studying the application of a complex process such as scenario planning in a variety of public service organisations was always going to be a challenge, given the variety of factors impacting upon the process at any given point. In this chapter I have outlined a case study methodology that was intended to provide me with sufficient data of good enough quality to be able to draw some meaningful conclusions about the potential benefits of scenario planning for agencies of the Australian Public Service, as well as better understanding of what factors might assist successful implementation. Six agencies[3] out of a possible field of ten were studied; semi-structured interviews were conducted with one or two staff in each agency in 1999, and then two or three in the same agencies in 2001 (plus 3 more in one agency in 2004); the same sets of questions were used as starting points for the interviews in all six agencies in 1999, 2001 and 2004; and a wide range of relevant documentation was obtained for each case study.

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[3] The agencies had a very diverse range of functions, and they ranged in size from very large (ATO had over 20,000 staff) to relatively small (DoTRS had about 900 staff).

CHAPTER 3

Australian Taxation Office

Introduction to the Organisation

The Australian Taxation Office is one of the larger agencies in the APS, with over 20,000 staff and with the responsibility of collecting around 96 percent of the Commonwealth's revenue. In 2000 its purpose was stated as "To shape and manage revenue systems which support and fund services for Australians, giving effect to social and economic policy" (ATO Strategic Statement, 2000). This translated into administering legislation for taxes, superannuation and excise, while at the same time addressing broader issues affecting Australia's revenue system, such as 'aggressive tax planning', persistent tax debtors, globalisation and the cash economy. In order to facilitate effective management of these various functions, as of 1999 the ATO was structured into 12 divisions known as Lines. Each line focuses on a major market segment such as individuals, small business and large business, or on an aspect of internal support, such as information technology and financial support (Commissioner's Annual Report, 2000).

The latter half of the 1990s were a time of great change for Australia's taxation system. The introduction of a new Goods and Services Tax and wide ranging reforms of the business taxation system were cornerstones of the newly elected Coalition government, and the ATO was tasked with bringing these changes in as 'painlessly' and as efficiently as possible. At the same time, the ATO recognised that "the five key issues that will shape the future of Australia's revenue administration" (ATO Strategic Statement, 2000) were greater ownership of the taxation system by the community, increased emphasis on self-assessment of taxation responsibilities, greater expectations of quality personalised service from the public sector, demands for improved community services, and the impact of internationalization and technological mechanisms such as the Internet.

In response to the impending pressures of taxation reform and the need to address 'the five key issues', in late 1996 the ATO Executive decided that they needed a more robust and responsive approach to strategic management. They had been exploring Stafford Beer's Viable Systems Model (Beer, 1994). This model outlines five systems that occur and recur within different levels of an organisation – System I (the implementation function), System II (the co-ordination function), System III (the control function), System IV (the intelligence function), System V (the direction setting function). It was

clear to the executives that the ATO was weak with respect to the two 'higher level' functions of intelligence gathering and long range direction setting.

Accordingly, with the help of some external consultants the ATO developed a new Strategic Navigation Model – an approach that included the consideration of alternative possible futures for the organisation's business context; as well as an emphasis on ongoing strategic dialogue with key stakeholders both inside and outside the organisation. In order to try and ensure a better level of strategic alignment between the internal capabilities of the ATO and the needs of its stakeholders, a research process was initiated that involved in-depth interviews with a wide range of stakeholders (including state and Commonwealth government, a number of key government agencies, social lobby groups, unions, the media, business groups such as the Business Council of Australia, tax agent networks, and representatives from the general community). In addition, a process of ongoing strategic dialogue was established whereby the senior executive were expected to spend at least two days a month discussing and analysing key trends and corporate directions. A key element of this process was the establishment of a number of Strategic Learning Networks (SLNs) – assemblies of individuals who had been identified as having strategic thinking capability, and who were handpicked by the Commissioner. These groups were expected to 'gather intelligence' on the ATO's current and future business context, meet regularly and initiate or support information dissemination mechanisms such as internal seminars or senior executive workshops.

In mid 1997 one of these groups was tasked with developing some properly thought out and well researched scenarios. Ultimately this resulted in two organisation-wide scenario planning exercises: *Australia 2020* and *The Vote*, as well as several other scenario planning processes undertaken at the Line or section level. We will now explore the two organisation-wide scenario planning exercises: *Australia 2020*, which took place in 1997; and *The Vote*, which took place in 1999/2000.

AUSTRALIA 2020

Aims of the Scenario Planning Process

Australia 2020 flowed directly out of the work of the Strategic Learning Networks, and it was intended as a mechanism for creatively engaging all of the senior executive of the ATO in the intelligence gathering and direction setting functions of the organisation.

As outlined by two of the senior staff that were interviewed, the specific aims of the process were threefold:

- Provide a key source of input to the long range strategic planning of the agency (Inform strategic planning)

- Encourage higher levels of ongoing dialogue with internal and external stakeholders of the agency (Dialogue with stakeholders)

- Develop a better understanding of possible futures for the organisation's business context (Understand the future)

Development of the Scenarios

The process commenced with a two-day workshop that involved the Senior Executive of the ATO as well as the Network group. Essentially the executive were asked to consider and brainstorm the two over-riding global issues of society and the environment, as well as the more "ATO-specific" concerns of the economy, the raising of revenue, public expenditure, and technology. Following this a research phase was undertaken by the SLN with the assistance of an external consultant. This lasted a few months, and it drew upon the in-depth interview work that had been undertaken earlier, as well as a reasonably substantial study of factors such as current economic and social trends.

Following this the group wrote three scenarios. They consisted of a scenario for the time period 1997-2007 (Global Boom), then two alternative paths for the period 2007-2020 – Deflation or Ecolution. They are summarised as follows:

- *Global Bloom (1997-2007)* – continued globalisation, less "national focus" and increased trade with Asia, with the downsides being ever-widening gaps between

rich and poor and rising levels of "virtual" crime. Other significant trends included rapid levels of innovation (and improved ease of use) of technology, growing concerns about the impact of industrialisation on the environment, and a continuing trend towards privatisation of public infrastructure. With respect to public expenditure issues, trends included the acceptance of GST, pressure for international integration of tax systems, and worldwide moves towards ecological tax reform and carbon tax.

- *Ecolution (2007-2020)* – here environmental conditions were seen as a major driver, with two possible paths of development: an "awakening" where there was a gradual shift in social and individual values, global agreements, a variety of international policy measures, and Australia becoming the "Silicon valley" of solar; or "the crisis", where population growth and manufacturing throughput reached flashpoint, and a series of environmental disasters galvanised international cooperation. The end state of both paths was an optimistic one, with reduced gaps between rich and poor, greater emphasis on the importance of education and communications, and appropriate use of biotechnology.

- *World Deflation (2007-2020)* – Europe (weighed down by ecological costs) goes into decline, and China becomes the largest superpower. However the Chinese economy starts to run into difficulties, triggering worldwide bank collapses, trade contractions and government austerity, which in turn lead to massive global recession. By 2020 Australia's best hopes for the future appear to lie with its links with Africa (the two 'clean' continents) and its relatively high ownership of Antarctica (a source of clean water).

Presentation of the Scenarios

The scenarios were disseminated through the ATO as PowerPoint presentations – given to the Senior Executive as well as to the executive group of each of the Business Lines. Following the presentation there was opportunity for question-and-answer, and hard copies of the slides used for the presentation of the three scenarios were made available. These scenarios were disseminated throughout the ATO, and the various business lines

were encouraged to incorporate them as one of the inputs to their ongoing strategic planning processes.

Extent to Which Aims Were Achieved

Several of the Business Lines used these scenarios as one of the key inputs to their subsequent division level strategic planning, and the Individual Non Business Line undertook a scenario planning process of its own whereby if developed four possible scenarios for INB in 2005 and used these as a basis for its next round of business planning. However, there was little evidence that either the 'Strategic Navigation' scenarios of the ones done at Line level were continuing to be used as an input to strategic planning at Line or ATO level by 2001, so on the basis of the criteria outlined in Table 2 it was assessed that the level of impact upon the agency's strategic planning processes in the subsequent 12 months was Medium, in the long term it is rated as Low.

It is hard to point to any increase in dialogue with stakeholders (especially external ones) as a result of this scenario planning exercise – in that what dialogue was taking place had already been happening prior to the development of the scenarios. However the Strategic Learning Networks continued to meet, and in 1999 the Networks initiated a Strategic Navigation workshop for the Executive of the organisation (see below). The process did lead to increased levels of dialogue and discussion within a few of the Business Lines in the short term, although, there is little evidence that this was sustained in the longer term. Therefore, on the basis of the criteria provided in Table 3 it was assessed that the aim of increased dialogue with stakeholders was achieved to a Medium level in the short term, but to a Low level in the long term.

The importance of forward thinking with respect to strategic direction had been recognised, as demonstrated by the Strategic Direction component under the "Our Planning" section of the 2000-2003 Strategic Statement (2000). This component included a statement that the organisation "Uses intelligence to weigh up alternative outcomes using different scenarios". The commitment to "move out of business as usual" remained high, and in late 1999 the Executive participated in a two-day Strategic Navigation workshop facilitated by an external consultant. The emphasis of this workshop was on

setting the context and focus of the 'intelligence gathering' function of the ATO, and the various issues and concerns raised within the workshop were distilled into three key questions:

- What are organisations with large and diverse client bases doing to meet individual client needs?

- What are some of the (worldwide) best practice trends in regulatory agencies?

- What are the demographic trends within Australia and how might they affect the 'business context' of the ATO?

Three Strategic Learning Networks (SLNs) were then established on the basis that each one would address one of the above questions. In addition, a small research cell was set up to carry out the research in support of the issues being explored by the SLNs. This process led in turn to a further agency-wide scenario planning process, which will be discussed below. Thus on the basis of the criteria provided in Table 4 it was assessed that the aim of developing a better understanding of the future business context of ATO was High in the short term, but medium in the long term, in that the process was subsumed by a further scenario planning process. It would be true to say that the original scenario planning exercise had "sown the seeds" for the subsequent development, presentation and dissemination of the more intensive (and effective) scenario planning process that was carried out in 1999/2000.

The Strategic Learning Networks were a critical component of ATO's ongoing attempts to use scenario planning to assist or enhance their ongoing strategic planning. *Australia 2020* flowed out of the work of one of the SLNs, and while these scenarios did not themselves have a great deal of long term impact on the ATO's ongoing strategic planning, they did encourage executives within the Lines to further explore the process of scenario planning (with varying degrees of success). The SLNs continued to meet, and they helped keep alive the intelligence gathering and direction setting functions of the ATO via processes such as the Strategic Navigation workshop in 1999 and then *The Vote,* the second organisation-wide scenario process (described below).

Intensity of the Research Approach

The length of time spent on research was relatively short by comparison with *The Vote* (examined later in this chapter) and with, for example, the research phase at Austrade, although it did build upon a fairly substantial research process that had been undertaken earlier as part of the emphasis on a new Strategic Navigation model. Similarly, while some further interviews were undertaken with internal and external stakeholders of the organisation during the development phase of *Australia 2020,* for the most part the group drew upon the data collected earlier. The one new research component in the development phase of *Australia 2020* was a reasonably substantial study of factors such as current economic and social trends. On the basis of the criteria provided in Table 8 the intensity of the research approach has therefore been described as Medium.

Level of Executive Involvement in the Scenario Planning Process

While all members of the senior executive were expected to spend at least two days a month discussing and analysing key trends and corporate directions relevant to the ATO (in for a such as the Strategic Learning Networks), their involvement in the actual scenario planning process was limited to participation in one two-day workshop (and a few of them were members of the Strategic Learning Network that was tasked with developing some scenarios). In addition, most of them had been interviewed during the Strategic Navigation process that preceded the development of the scenarios, and so on the basis of the criteria provided in Table 9 their level of involvement in the developmental stage of the scenarios has therefore also been assessed as Medium.

Executive Support for the Follow-up

Apart from a few executives in some of the Lines (such as Individuals Non Business), these scenarios were not broadly accepted by the Senior Executive of the ATO, and they had relatively little impact on the long term strategic direction of the organisation as a whole. There appeared to be a perception that the process had not involved a great deal of serious research and much of it was dismissed as "fanciful personal impressions". Moreover, the launch of the scenarios (PowerPoint presentations to small groups of

executives) had little impact, and there had been little in the way of follow thorough. On the basis of the criteria provided in Table 10 the level of ongoing Executive support for follow-up to this scenario planning process has therefore been assessed as Low.

Conclusion

The ATO had three main aims for its initial attempt at scenario planning that commenced in 1997 (inform strategic planning, dialogue with stakeholders, and understand the future). Following moderately intensive levels of research and input from the senior executives, a presentation of three scenarios was disseminated throughout the organisation. While there was a moderate degree of 'take-up' of these scenarios in the short term, particularly by senior executives within a few of the Business Lines, there was little follow through by senior executives in the long term and little impact upon the long term strategic planning of the agency. However, the scenario planning exercise did pave the way for further futures work (including a second attempt at scenario planning). It has therefore been argued that all three aims were achieved to medium or high levels in the short term, but in the long term none of them continued to be achieved to a high level, and only 'understand the future' was at a medium level.

THE VOTE

Aims of the Scenario Planning Process

Following the earlier scenario planning process that had been undertaken in 1997, in 1999 the ATO embarked upon another process that became known as "The Vote". The overarching aim of this exercise was to try and distil into readable form the collected and collated research that had been undertaken in response to the three key questions raised at the 1999 Strategic Navigation workshop.

As outlined by one of the senior staff interviewed, the more specific aims of this process were:

- To crystallise the ongoing discussions and research of the SLNs into a body of research data that could be used by the ATO as a key input to its ongoing strategic planning (Inform strategic planning)

- To encourage executive staff to think more widely and creatively about areas such as technology, ageing population, and national and international tax issues (Think more widely)

- To develop better understanding among the executive of the agency about the future business context of the ATO (Understand the future)

Development of the Scenarios

The research cell set up in late 1999 in support of the SLNs carried out a comprehensive research process that included internal discussions and focus groups, interviews with a variety of Australian public sector and business institutions, and a study of demographic data from the Australian Bureau of Statistics. This cell acted as the hub that drove the research, and provided (as a basis for the scenario presentation) approximately 900 pages of summarised research data. On the CD-ROM that was made available to staff following the scenario presentations (The Vote, 2000), this research was organised in 11 data categories that included Ageing Population, Corporate Values and Service Issues, Demographic Facts, International Issues, Tax Issues and Technology. The data included research and document summaries, research papers or clippings from various sources, a bibliography, and links to related Internet sites. This research was then analysed, categorised and ultimately synthesised into two complex and highly detailed scenarios of Australia in the year 2020, summarised as follows:

- *Communal Scenario* – "Australia, along with the rest of the developed world, has experienced considerable growth between 2000 and 2020. Technology, socio-economic reform and the rise of the developing world has resulted in what is called a 'global social contract'. These trends or forces have had the effect of bringing people together upon realising that their mutual interests are served by a

series of norms, laws and institutions that support them to create a social peace and a more communal basis for society. The result is a world with more enforced norms and rules in world politics and stronger institutions to enforce them." This society is characterised by:

- population growth in regional areas as well as cities
- vastly improved public transport
- regaining of popularity of extended family
- "communal village" concept in houses and apartment blocks
- emphasis on energy saving and alternative fuel technologies
- well evolved use of ecommerce
- electronic smart cards that include banking, medical and tax records
- triple bottom line of economic, social environmental responsibilities
- aging population and greater status accorded to the "third age"
- incentives for people to stay longer in work force
- relatively high levels of expenditure on social welfare
- de-emphasis of privatisation of government services
- more emphasis on intellectual capital than physical capital
- "quality of life" seen to be more important than economic growth
- more flexible, family friendly working conditions
- gap between rich developed world and poor developing nations still present

- *Individualistic Scenario* – "Australia, along with the rest of the developed world, has experienced considerable growth between 2000 and 2020. It is seen as a vital, young nation that has been able to reinvent itself to capitalise on the massive transformations occurring in the business world, in consumer needs, and in society as a whole. In a combination of economic reform, engagement in international affairs and a concentration on home grown innovation and industry capability, Australia has managed to create a place for itself in the ever-changing global market." This society is characterised by:
- growth of cities at expense of regional Australia
- rise in acceptance of "non conventional" family types

- homes designed with in-built office facilities

- deteriorating infrastructure in cities

- highly evolved electronic communication and smart card technology

- networked global economy

- targeted immigration of skilled workers

- high levels of illegal immigration

- global environmental deterioration continuing at rapid rate

- ageing population, with elderly tending to live independently

- incentives for people to stay longer in the workforce

- relatively high level of political stability in Australia

- aggressive program of privatisation of government services continuing

- emphasis on reciprocal obligation in social welfare

- freely available education that is individually focused at tertiary levels

- declining levels of social cohesion

Presentation of the Scenarios

The next question was how to present the scenarios in a way that would engage and have lasting impact upon the executive of the ATO. It was felt that written summaries and/or PowerPoint presentations of the vast amount of information that had been collated would probably be considered fairly dull and uninspiring, and while the scenarios might get the attention of a select few, they would be unlikely to have lasting impact on the Executive as a whole (as had proved to be the case with the 1997 exercise).

With the assistance of a supportive member of the Executive (one of the First Assistant Commissioners), an external consultant, and a member of the ATO staff who happened (in his spare time) to be the director of a small theatrical company, the two scenarios were transformed over the next few months into a dramatic presentation. Finally, in July 2000, all of the ATO Executive plus the members of the Strategic Learning Networks (about 80 people in all) were taken to a theatre at the Australian National University for a presentation of "The Vote", a piece of drama that attempted to "provide possible and plausible responses to questions relating to Demographics, Whole of System and Client

Service in the context of the Australian Taxation Office in the year 2015" (The Vote, 2000).

Essentially the scenarios were presented as a board of meeting of the Australian Revenue Office (Australia's revenue and benefits transfer agency) in the year 2015, the main item on the agenda being to consider whether or not they should merge with their sister agency in New Holland, a hypothetical neighbouring country with a societal structure that in some respects was quite similar to that of Australia. However, whereas Australian society had become quite individualistic (mirroring the 'Individualistic' scenario); society in New Holland had a strong communal emphasis (mirroring the 'Communal' scenario). The key question was, "Is Australia sufficiently strategically aligned with New Holland for this merger to take place?" The board discussion was interspersed with explanatory comments from a narrator, and enlivened with a video clip (on a large screen behind the board table) of Gov Tech, a "Beyond 2000" style of presentation of current developments in technology (particularly from the perspective of a government agency); 'ad breaks'; a video interview with a disgruntled client of the ATO; and a video interview with a professor of a high tech legal school. It concluded with the narrator putting a number of key questions on the future of tax administration for the audience to consider.

The total presentation, including time for questions, was about two hours (this included an Intermission, during which participants were provided with refreshments). The reception to this presentation was extremely positive, and at the end of it one of the Second Commissioners enquired as to what it would cost to "send this show around Australia". Michael Carmody, the Commissioner of Taxation, strongly endorsed the presentation as well, and the ATO duly produced a CD-ROM that included:

- A video of 'The Vote';

- The research (described above) upon which the scenarios were based;

- A PowerPoint summary of key world and Australian population trend data;

- The full script of "The Vote".

Extent to Which Aims Were Achieved

This CD-ROM of 'The Vote' was distributed throughout the organisation, and it was supplemented with a VCR of "The Vote" (recorded in a studio and of better quality than the video on the CD-ROM). Michael Carmody asked the senior executives of each Line to use "The Vote" as an input to their ongoing strategic planning processes within their own Lines, and in late 2000 it was presented to the majority of middle management staff in all parts of the ATO at a series of Leadership Forum days. In fact about 500 copies of the CD-ROM were distributed throughout the organisation. 'The Vote' continued to be seen as an important input to the ongoing strategic and business planning processes within the ATO as of late 2001, and so on the basis of the criteria provided in Table 2 the aim of informing the strategic planning processes of the ATO has been assessed as having been achieved to a high level in both the short and longer terms.

In November 2000 a Strategic Navigation Workshop (a group of about 12 members of the Executive) produced a number of Strategic Design Principles for "ATO's Desired Future – 2003". These were further workshopped through a number of Leadership Forums across the Department in December 2000. The chief input to this workshop (and the subsequent Leadership Forums) was 'The Vote', and according to the Discussion Draft that came out of this workshop the main principles were as follows:

"In three year's time:

1. The ATO will be positioned with the capability to become Australia's national revenue management agency responsible for revenue management agency responsible for revenue collection, and a range of disbursements and transfers.

2. Shaping the system will continue to be our key strategic driver.

3. Where it is aligned with our outcomes we will use our size and leverage to push broader Government agendas for Australia (e.g. innovation, technology and e-commerce, Public Key Infrastructure, industry competitiveness).

4. We will continue to be guided externally and internally by the principles and behaviours embedded in the Taxpayers Charter and the Compliance Model.

5. We will generally have a "one ATO" approach, but will be prepared consciously to position some of our activities more distinctively (and embrace different governance arrangements) when this assists understanding of a distinctive role.

6. The ATO will be more efficient and have developed alliances and partnerships with other public and private organisations/bodies in order to enhance the integrity, design and cost-effectiveness of the national revenue system."

Issues raised by the Vote continued to be discussed in forums such as the Strategic Learning Networks and across the organisation in general in 2001; and there was the expectation that the Business Lines should take account of the Strategic Design Principles for "ATO's Desired Future – 2003" in their 2001/2002 business planning. However the major emphasis for the year was on effective ongoing implementation and modification of the major tax reform processes initiated in 1999. There was considerable political pressure to make processes such as Pay-As-You-Go and the Business Activity Statement more user friendly, and so there was less opportunity for scenario planning processes such as 'The Vote'. Nonetheless it was still apparent in 2001 that futures thinking was now very much embedded in the way the ATO did its business. According to one of the staff interviewed, the management staff had a better sense of "what's out there", and even though the scenarios were not referred to on a daily basis there was a sense in which some of the key messages were "in the back of our mind" when Executive staff sat down to develop and/or discuss strategic and business plans for the forthcoming years.

This "future emphasis" is very much reinforced in the development of a specific "desired future" for the ATO in 2003, along with a number of Strategic Design Principles (outlined above). It is interesting to note that according to these Principles the ATO sees itself as taking a pro-active, leadership role in the ongoing development of the Australian taxation system as well as the wider economy. This is particularly evident in the second Principle ("Shaping the system will continue to be our key strategic driver") and the third Principle ("Where it is aligned with our outcomes we will use our size and leverage to push broader Government agendas for Australia"). In addition, there was a sense that "The Vote" brought scenario planning to staff throughout the ATO in a completely new way – giving the process new credibility, and enhancing the perception throughout the

organisation that "senior management is giving serious consideration to future strategic directions of the ATO".

In addition, the greater ongoing emphasis in 2001 and 2002 on the push for the transparency of transactions, the recognition for greater consultation with the community, the greater need for a single view of the client, and the importance of tailoring ATO decisions and information to the needs of different clients were all foreshadowed in 'The Vote'. Thus on the basis of the criteria provided in Chapter 3 achievement of the aims of 'understanding the future' and 'think more widely' were assessed as High in both short and long terms.

Intensity of the Research Approach

While the research upon which the scenarios were based had been carried out mostly by a fairly small team, it was a comprehensive research process that included internal discussions and focus groups, interviews with a variety of Australian public sector and business institutions, and a study of demographic data from the Australian Bureau of Statistics. The main output of the research was approximately 900 pages of summarised research data that was organised and re-presented in CD-ROM format to make it more user friendly. This was one of the most comprehensive of the research processes studied, and on the basis of the criteria provided in Table 8 the intensity of the research process has therefore been assessed as High.

Level of Executive Involvement in the Scenario Planning Process

Virtually every member of the Executive participated in the internal discussions and/or focus groups that contributed to the research base of the process, and a member of the Executive (a First Assistant Commissioner) had been a strong supporter of the process and took an active role in the transformation of the scenarios into a dramatic production. Executives were given several opportunities to contribute to the development of the scenarios and one of their members championed the final phase of the development of the scenarios, and so on the basis of the criteria provided in Table 9 the level of Executive involvement in the developmental stage of the process has therefore been assessed as High.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been assessed as High. The Commissioner for Taxation (equivalent to CEO of an organisation) strongly endorsed the usefulness of the original presentation, and a Second Commissioner immediately enquired as to the possibility of 'sending it around Australia'. 'The Vote' was duly circulated in CD-ROM and Video form throughout the organisation, and (largely at the insistence of the Executive team) it was used as the main input for a subsequent Strategic Navigation Workshop, a number of Leadership Forums, and finally as a key input to the ongoing business planning of the Lines.

Conclusion

ATO's second attempt at scenario planning proved to be considerably more successful than the first, with all three aims (inform strategic planning, think more widely, understand the future) being achieved to a high degree in both short and long terms. The research process that underpinned the development of the scenarios was one of the most comprehensive of the cases studied, and there were high levels of executive input to the developmental phase (helped by the fact that one of the First Assistant Commissioners acted as a champion of the process). One of the most striking features of the process was the way in which the two scenarios (with a 20-year timeframe) were transformed into a dramatic presentation that was given to all members of the Executive (and that was then made available in video format to the rest of the organisation). The result was immediate public endorsement from the most senior officers of the agency. This enthusiasm was sustained in the longer term and there is evidence that over the next eighteen months the scenarios and the underpinning research data were used to augment agency and line level strategic planning and were used as input to a variety of management development processes.

CHAPTER 4

Australian Federal Police

Introduction to the Organisation

Australian Federal Police (AFP) is Australia's principal law enforcement agency through which the Commonwealth pursues its law enforcement interests. It is unique in Australian law enforcement in that its functions relate both to community policing and to investigations of offences against Commonwealth law in Australia and overseas. Its areas of focus include organised crime, transnational crime, money laundering, major fraud, illicit drug trafficking and e-crime. If the AFP is to be able "to fight crime and win" (AFP, Corporate Directions, 2001), then it needs to devote time and resources to current and future trends in local, national and transnational crime, and indeed the 2001 Corporate Directions statement includes an overview of what the AFP perceives to be "Our Future Environment", with a list of trends and directions under the headings of The Crime Environment, the Domestic Environment and the International Environment.

Given its ongoing need to focus on future trends and possibilities in the areas of crime and law enforcement, one would expect that the AFP would be interested in the possibilities scenario planning might have for strategic planning, and indeed it has been using scenario planning since the late 1990s, mostly as a mechanism for encouraging divergent thinking on a few key issues, but more recently as a component of the organisation's overall approach to strategic management. Up until the late 1990s, as part of its ongoing corporate planning process, the AFP had been undertaking an in-depth environmental scan every two or three years, and then updating the scanning process every year. The research process for the environmental scanning was undertaken by the Policy Group, and included literature searches, focus group discussions with staff across the organisation, and interviews with members of the wider law enforcement community both within Australia and overseas. This scanning work continued to be linked with the annual meeting schedule of the AFP's senior management meetings (as is the scenario work described below) as well as the business planning and Budget cycles. As part of this scan a few 'key areas of concern' would be identified, and a scenario planning process would be applied to these issues. Typically these issues would be the ones that the managers were most worried or unsure about – so the aim of the scenario planning process was to challenge conventional thinking and to further develop understanding of the implications of the issues being explored. Issues considered in this way included

organised crime in Asia, e-crime, fraud within the Australian public sector, and politically motivated violence. After the management team had had time to consider the scenarios, the final stage would be the development of a number of strategic options for the organisation to factor into its long range planning.

In 2000 the Senior Executive decided to explore the possibility of using scenario planning in a more wide ranging way – as a core component of AFP's strategic planning process.

Aims of the Scenario Planning Process

The overall intention of the organisation-wide scenario planning process initiated in 2000 was to improve long term strategic understanding and thinking by the AFP executive of and about the AFP's overall strategic direction and the environment in which it operates. As outlined by the three officers that were interviewed, the specific aims of the process were:

- to encourage the senior executive of the organisation to question and re-examine the organisation's broadest assumptions about the way the world works and how the AFP interacts within it (Think more widely);

- to stimulate "organisation conversation" about the issues raised by the scenarios (Dialogue with stakeholders);

- to use scenarios as a way of testing the various strategic options put forward within the longer term corporate plan (Test strategy);

- to generate discussion on appropriate strategies and contingency plans for each scenario (Contingency planning).

Development of the Scenarios

The scenarios were developed by the Policy Group, a small group within the corporate services area of AFP. Their approach was to first create an 'official future' (what the future would look like if events and trends continued to develop as they were then) and then develop three scenarios as to what the AFP might look like in 2006, using the research output from the recent annual environmental scanning processes as the starting

point for the development of the scenarios. Although the research phase of this process was relatively short, several staff (from the Policy Group) had assisted in the research process for the annual scans in 2000 and 2001, and so they were able to draw upon this data fairly easily. The process also included a range of interviews and focus group discussions with internal and external stakeholders.

For security reasons, it is not possible to reproduce the scenarios here, but they were designed around the "critical uncertainties" of worldwide calamities, the nature of technological impact, the extent of global political instability, global migration patterns, and the fragmentation of Australian society.

Presentation of the Scenarios

The scenarios were initially presented to the National Operations Management Team in early 2001. This team is "one level below" the Executive (known as the National Management Team or NMT) and consists of senior and middle management representatives from all groups of the organisation. The presentation took place in an AFP conference room and lasted about two hours. In order to ensure that the material was put across in a way that the audience "could connect with and relate to", the Policy Group designed the process in such a way that it included a PowerPoint presentation, role-plays, simulated news presentations and accompanying handouts. The presentation was well received, and some further modifications were suggested by the audience.

One of the Deputy Commissioners, who was also a member of the National Operations Management Team, proposed that the scenarios be presented to the National Management Team (NMT) – the Senior Executive team of the organisation. In fact the Deputy Commissioner acted as a 'champion' for the project, supporting and encouraging the ongoing acceptance and use of the scenarios by the NMT. They were presented to a meeting of the NMT in May 2001, then following further updating and modification the scenarios were used as the main input to a strategic planning session of the NMT in August 2001. The group split into three sub-groups (one for each scenario), and each sub-group brainstormed a number of strategies and strategic options for each scenario, as well as some possible indicators that this scenario might be beginning to eventuate. This

exercise was an important factor in the NMT decision that the scenarios be further developed to include a set of strategic options and indicators for each of the scenarios, and that this be provided to the NMT out of session.

A report was duly presented to the NMT. It included revised scenarios, implications for strategy, and a list of indicators for each scenario. It was agreed that this data would form one of the key inputs to the environmental scan being undertaken by the Policy Group (and to be presented to the NMT in February 2002). This scan (which had a 2-year focus) would include an analysis and review of the indicators for each scenario (which had a 5-year focus), with particular attention being paid to any 'movement' with respect to the indicators. It was already apparent that there had been significant shifts in relation to some of the indicators as a result of the events around September 11, and that these shifts could have significant implications for ongoing AFP strategy.

Following the above exercise, in 2002 the organisation undertook a further scenario planning exercise that was designed to explore 'Our Future Workforce' and the role of the AFP in 2006/7. This exercise was designed to explore the role and scope of the AFP's contribution within the broad 'playing field' of national and international law enforcement. The scenarios were workshopped with the National Management Team in 2002, and there was a general feeling that the process had been a very good way to stimulate thinking and further explore some of the factors that needed to be taken into account in the agency's long range policy making, particularly with respect to workforce and succession planning.

Extent to Which Aims Were Achieved

Scenario planning has continued to be seen to be an important part of the annual environmental scanning process, and there is a sense (particularly since the events of September 11) in which it has helped the senior executives and key decision makers within the organisation to be more confident about making decisions in the context of great uncertainty. There continues to be an expectation that the outputs from the annual environmental scanning process will be used as inputs to both the long range strategic planning and the annual business planning processes of the agency. The NMT meets

quarterly, and in addition to the above they have continued to ask Policy and Strategic Services to develop scenarios approximately every 6 months on topics such as Counter Terrorism and Electronic Crime.

The ability to develop a more strategic focus is of particular benefit to an agency such as the AFP, where the day-to-day business is generally one of emergency response and urgent decision-making, particularly in the context of events such as September 11 and the terrorist strike in Bali. In being presented with scenarios of the future the National Management Team was being asked to examine issues generally outside what they would not normally consider as part of the ongoing decision-making and business planning processes. In a sense members of the agency were being asked (and continue to be asked through the ongoing scenario development work of the Policy Group) to think about the unthinkable and consider how today's decisions might impact on the organisation in the future – and then develop appropriate strategic policy options or contingency plans. The immediate outcome of the scenarios presented to the National Management Team in mid 2001 was a recognition of the value the process and a reinforcement of the recognition that the AFP needs to "stay in tune with the broader environment". As mentioned above, this resulted in the NMT endorsing a further scenario effort that entailed looking at what AFP's workforce would look like (or need to look like) in 2007. As one member of the Policy Group put it, the staff can now see that "we have got a management team that is outward looking". Thus it would certainly be true to say that the process has to a high degree helped senior management staff to 'think more widely' in the three years since the 2000/2001 scenario planning exercise, and on the basis of the criteria provided in Table 6 achievement of this aim has been assessed as High in both short term and long term.

Dialogue with stakeholders had been an important part of the annual environmental scanning process from the 1990s onwards, and while it is recognised that the original scenarios (and further scenario work undertaken by the Policy Group) have encouraged higher levels of internal dialogue or ongoing 'strategic conversation' among senior managers of the AFP, it is less clear whether there has been an increased level of dialogue with external stakeholders (such as members of other law enforcement agencies), or whether such dialogue that there is merely a continuation of the processes that were

already part of the annual environmental scanning. Accordingly, on the basis of the criteria provided in Table 3 it was assessed that the aim of increased dialogue with stakeholders has been achieved to a medium level in both the short and long term at AFP.

The aims of testing of strategy and contingency planning continue to be achieved to a high degree at AFP, and on the basis of the criteria provided in Tables 5 and 7 the achievement of these two aims has been assessed as High for both Short and Long term. Every functional area of the AFP is expected to have a 3-year strategic plan as well as an annual business plan, and managers are encouraged to draw upon the annual environmental scanning data in the development of these plans. The operational nature of much of the work of the AFP means that this planning tends to entail the development of a range of strategic options or contingency plans which are then checked or 'tested' against the environmental scan data (which in turn has been developed largely upon the basis of ongoing scenario development work undertaken by the Policy Group). In additional, the NMT, which meets on a quarterly basis, tends to ask (at least twice a year) for sets of scenarios on topics such as electronic crime and terrorism. These scenarios are then used to check, test and possibly modify the strategies contained within the wider AFP strategic plan and the more specific annual business plans.

Intensity of the Research Approach

The research phase of this process was quite short, but in developing the scenarios the Policy Group drew upon a very extensive body of research that had flowed out of the environmental scanning processes that had taken place in the previous two years, and that several members of the Policy Group had been involved in. In addition, the Group carried out a number of interviews and focus group discussions with a range of internal and external stakeholders. On the basis of the criteria provided in Table 8 the intensity of the research process has been assessed as Medium.

Level of Executive Involvement in the Scenario Planning Process

Virtually every member of the Executive had been consulted during the previous two environmental scans (which formed one of the main inputs to the scenario planning process), and in addition a deputy commissioner was appointed as a 'sponsor' of the

process. He took an active role in the initial presentations to the National Operations Management Team and later the National Management – the comment was made by one of the interviewees that it is unlikely that the scenarios would have made it past the National Operations Management Team (the next level "below" the NMT) without the encouragement and open support of this deputy commissioner. In addition, the National Operations Management and National Management are expected to participate in consultative workshops that form part of the annual environmental scanning processes. On the basis of the criteria provided in Table 9 the level of Executive involvement in the developmental stage of the process has therefore been assessed as High.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been assessed as High. The National Operations Management Team strongly encouraged the presentation of the scenarios to the National Management Team (NMT), who in turn used them as a key input to strategic planning sessions in 2001 and 2002. The appointed sponsor (Deputy Commissioner) continued to encourage the use of the scenarios in the subsequent environmental scanning and business planning processes, and (with the support of the rest of the NMT) he initiated the subsequent workforce planning project (that involved the development of scenarios). In addition, members of the National Management Team continue to request the development of scenarios and support the work of the Policy Group (which does the research and develops the scenarios).

Conclusion

AFP had four aims for its scenario planning exercise that was initiated in 2000 (think more widely, dialogue with stakeholders, test strategy and contingency planning). While the research part of the process was relatively short, it drew upon the fairly intensive research exercises undertaken for two annual environmental scans, and there was a high level of executive involvement (including sponsorship of the process by one of the deputy commissioners). The planning team went to some trouble to ensure that the four scenarios (with a 5 year timeframe) were presented to the National Operations Management Team

in an entertaining and engaging manner. The scenarios were well received, and then used as input to the strategic planning of a higher level executive team. Further scenario work followed, and there has been a high level of executive support for the ongoing use of scenarios and scenario planning work since that time. Dialogue with stakeholders has continued at a medium level, but all other aims were achieved to a high degree in both short and long terms.

CHAPTER 5

Australian Trade Commission

Introduction to the Organisation

One of the pioneers of scenario planning in the APS was the Australian Trade Commission (Austrade) – "the federal government's export and investment facilitation agency" (Austrade Online, 2001). Austrade was established by the Australian Trade Commission Act 1985, and it works closely with the Department of Foreign Affairs and Trade to assist Australian businesses develop export opportunities overseas, as well as working with the Department of Industry Science and Resources (particularly Invest Australia) to help attract inward investment to Australia (Austrade Annual Report, 2001). Austrade is represented in 109 locations in 57 countries including an extensive domestic network throughout Australia. It offers practical advice, market intelligence and ongoing support (including financial) to Australian businesses looking to develop international markets. In addition it provides advice and guidance on overseas investment and joint venture opportunities, and helps put Australian businesses in contact with potential overseas investors. Austrade's various services to Australian companies include practical export information and advice, identification of overseas opportunities, on-the-ground exporting support overseas and in Australia, a comprehensive trade exhibition program, services to identify potential overseas business partners and to research and access high potential markets for Australian companies, and strategic export planning and network formation services (Australian Trade Commission Website, 2004).

Austrade staff work much more closely with the private sector than most of their APS counterparts, and as such it is critical for them to stay up-to-date with the various issues and challenges than their clients have to grapple with. Trying to anticipate (and plan for) national and international trends and developments in areas like globalisation, international trade and regional stability is of great importance, and it is therefore not surprising that Austrade was one of the first APS agencies to trial scenario planning.

Aims of the Scenario Planning Process

The expressed aims of the scenario planning process that commenced at Austrade in 1996 (as expressed by two interviewees and outlined in Harcourt, 2001) were:

1. To develop Austrade's ability to assist Australian businesses to participate in various possible complex trade environments (Contingency planning) ;

2. To engage in dialogue with a wide range of internal and external stakeholders, as well as national and international experts, so as to be able to plan more effectively (Dialogue with stakeholders);

3. To plan for Austrade's future by understanding what different scenarios might mean for their clients and the services that the agency offered them (Understand the future).

Particular emphasis was placed on the trends and uncertainties that might lie ahead for Australian businesses going international. "This enabled Austrade to take into account a very broad range of factors, such as culture, geopolitics, distribution systems and organisational structure" (Harcourt, 2001).

As one of the Senior Executive commented, "we tended to work on the basis of a familiar future – an ongoing extension of the status quo. There was no real allowance for financial shocks (like the economic crisis in Southeast Asia), major geo-political shifts (such as China becoming a member of the World Trade Organisation) and technological advances that could have a big impact on the international business environment (such as ecommerce)." One of the underlying aims of the scenario project was to try and grapple with the 'what ifs' so as to be able to develop some alternatives in addition to the 'familiar future'.

Development of the Scenarios

From early 1996 onwards two staff (with the assistance of internal and external consultants) worked for 18 months on the development of scenarios, drawing on a variety of quantitative data as well as a series of in-depth interviews with a wide range of local and international experts (Ringland, 1998). The experts included senior managers at Austrade, government advisers, industry leaders, scientists, activists, and Wall Street Bankers. In addition the staff consulted with organisations such as the Global Business Network and Australian Business Limited.

A number of general global trends (e.g. increasing urbanisation) and uncertainties (e.g. trade relationships) were identified, and then three scenarios for the time period 1998-2002 were developed. For each scenario a number of driving forces (described as dominoes) were listed, and the resultant implications for industry and business were outlined.

The three scenarios could be summarised as:

- *Open Road* – a scenario based mainly on continuing trends, and assuming away changes in the major uncertainties. It is a scenario of geo-political stability, closer trade relationships and relative social cohesion.

- *Flying Not Driving* – a scenario of astronomical change, with particular emphasis on new technologies such as artificial intelligence, increasing globalisation and a growing Digital Divide between those who have access to the new technologies and those who don't.

- *Bush Track* – a scenario of breakdown in social cohesion, tension between countries and regions and rising trade barriers, with the overriding theme of backlash against globalisation. (Harcourt, 2001)

Presentation of the Scenarios

These scenarios were presented in electronic format to a number of selected internal and external audiences during 1998, with ongoing modification and updating of the presentation being made in response to feedback. Staff (and selected external stakeholders) were encouraged to think through the implications of the scenarios and incorporate some of the issues raised in their ongoing strategic and business planning processes. While the senior executive of the agency had not been closely involved in the development and writing of the scenarios (although all had been interviewed during the research phase), the perception was that the presentation of the scenarios to staff as "almost complete products" worked very well – the emphasis had been on working through the implications of the scenarios rather than spending too much time on the methodology. Ringland (1998) commented that presenting the ideas at a more advanced stage had enabled greater acceptance of the work, rather than rejection due to lack of

'ownership'. Less time was spent on explaining the methodology, and more on working through the scenarios.

In addition, when the scenarios were first presented to management *Bush Track* was considered to be both the least attractive and the least likely scenario. In order to improve its plausibility the scenario development team undertook some detailed economic modeling of what this 'world' would look like and what might be the implications for the Australian export industry. This greatly increased the credibility of the scenario to managers in Austrade and helped pave the way for the project outcomes to *Bush Track* described below.

Extent to Which Aims Were Achieved

With respect to the aim of 'contingency planning', one of the immediate outcomes of the process was the initiation of a number of specific projects related to each scenario. For example, The *Open Road* scenario led to a closer study of the characteristics and growth prospects of the exporter community. This included working with the Australian Bureau of Statistics to see how many Australian businesses (especially small and medium enterprises) exported and what prospects there were for more to join the exporter community. Other projects that flowed on from this scenario included a survey of trade diversification and foreign direct investment in Australia; a study of the full range of business practices that have been driven by globalisation; and closer examination of Australia's internationally competitive services sector, particularly emerging industries such as biotechnology.

The *Flying Not Driving* scenario was the catalyst for the Information Age Project. This project identified major changes in international business due to the rise of the Internet and how this would change Austrade's role in helping Australian businesses. As a result a number of structural role changes took place within the organisation. These included a shift from being a mere information provider to a knowledge provider and adviser; the development of the Austrade Institute (a partnership arrangement with tertiary institutions that was designed to build intellectual expertise within the organisation so that it was able to provide better service to its exporters); and a re-allocation of resources to the San

Francisco office, so as to have improved linkages with Silicon Valley, the 'Information Technology capital of the world'. This scenario also prompted a much wider use of information technology throughout the organisation, and a greater emphasis on the importance of the 'knowledge based' economy.

The *Bush Track* scenario, which particularly highlighted the need to promote the benefits of trade and investment to the Australian community, led to the production of a discussion paper entitled, "Why Australia Needs Exports". This paper argued the macroeconomic and microeconomic case for exporting as well as the social and educational benefits of trade. It was then used as part of the "Exporting for the Future" program jointly organised by the Department of Foreign Affairs and Trade and Austrade – a program that was still in operation as of late 2002. On the basis of the criteria provided in Table 7 achievement of the aim of 'Contingency Planning' is thus assessed as High in both short and long terms.

It is interesting to note that, when the scenarios were first presented to management *Bush Track* was considered to be both the least attractive and the least likely scenario. In order to improve its plausibility the scenario development team undertook some detailed economic modeling of what this 'world' would look like and what might be the implications for the Australian export industry. This greatly increased the credibility of the scenario to managers in Austrade and helped pave the way for the project outcomes such as *Exporting for the Future*. Up until mid 2001 it seemed to most observers in Austrade that global reality was developing as a mixture of the *Open Road* and *Flying Not Driving* scenarios. However, in 2001 the growing worldwide recession, the terrorist attack upon the World Trade Centre and the Tampa crisis helped bring about almost every indicator of the *Bush Track* scenario. It was clear from interviews with several members of the senior executive that there was a widespread perception (at least at senior management level) that as a result of having taken the possibility of this scenario seriously and put in place strategies such as the "Exporting for the Future" program, Austrade was much better prepared for the 'reality of *Bush Track*' than it would have been had it not undertaken the scenario planning process. In fact the scenario planning

process had encouraged Austrade to build a great deal more diversification into their long range strategies.

With respect to the aim of 'dialogue with stakeholders', the initial discussions across the agency led in turn to ongoing dialogue about internationalisation and exports with Australian business leaders, federal government agencies and departments, state governments and chambers of commerce; as well as increasing levels of discussion and "networking" with overseas business leaders and organisations such as Global Business Network. Given its high level of day-to-day interface with the private sector it was clearly helpful for Austrade to establish better ongoing mechanisms for dialogue with key representatives of this sector, and it was also clear that the various networking processes that had been initiated (or further developed) during the scenario planning process continued to operate well into 2001.

It was perceived by senior executive staff within Austrade that the scenario work helped establish a sense of commercial and political reality to a variety of futures that could be incorporated into Austrade's corporate planning processes, and that the agency wide discussions and meetings subsequent to the presentation of the scenarios had helped an encourage a greater 'client ethos' throughout the organisation. The fact that the scenario planning team had sought input from international as well as Australian agencies, and that they had involved organisations such as Global Business Network, helped create an 'aura' around the process; and in addition, the Corporate Adviser and Chief Economist of the organisation have both argued that the process helped Austrade to raise its profile in the community as a leading thinker on international business issues (and thereby enhance its credibility with the business sector). On the basis of the criteria provided in Table 3 achievement of the aim of 'dialogue with stakeholders' is thus assessed as High in both short and long terms.

With respect to 'understanding the future, Harcourt (2001) commented that the initial outcomes from the scenarios include helping challenge Austrade staff to think more constructively and creatively about the wider context of Austrade's business environment; alerting Austrade staff to the potential for instability, particularly in Asia, and the risk of Australia being 'locked out' of major trade groupings – thereby

highlighting the need for increased market access work, involvement in the World Trade organisation and regional trade forums such as APEC, and ongoing diversification of Austrade's global network; and highlighting the importance of the knowledge economy, and the need for Australia to be closely involved with it.

Since the publication of the original scenarios some overseas offices have undertaken scenario development work related to trade issues and opportunities in their region. For example, in early 2000 a group was set up in Manila to identify the 'next wave in trade' – a process that has involved research relating to future trends in trade in the Southeast Asian region and the development of some scenarios around three models – "Worst Case, Middle of the Road, Best Case". The models included impact assessments regarding geographic directions, trends and magnitudes of trade flows; commentary on the possible implications of each scenario for the way Austrade does its business; and political 'what ifs'. These scenarios were then circulated to other offices in the region, stakeholders and clients, the intention being to give them some "possible futures" with respect to trade opportunities and constraints in the region. On the basis of the criteria provided in Table 4 it was therefore assessed that the aim of 'understand the future' was achieved to a High degree in both short and long terms.

The enhanced appreciation of the role of knowledge in the economy translated into links and alliances with national and international organisations such as the Australian Business Foundation, various universities, state chambers of commerce and the Global Business Network. As a flow on from these links and alliances, there is the perception across the organisation that Austrade has raised its profile in the community as a leading thinker on international business issues, which has in turn raised Austrade's level of credibility with private industry, both within Australia and overseas.

Intensity of the Research Approach

On the basis of the criteria provided in Table 8 the intensity of Austrade's research approach was assessed as High. Two staff (with the assistance of several consultants) spent 18 months on the developmental phase, drawing upon a wide variety of quantitative data as well as carrying out in-depth interviews with most of the executive staff as well as

a wide range of national and international experts. Along with 'The Vote' (the second scenario planning exercise undertaken at ATO), this was one of the most intensive research processes of the cases studied.

Level of Executive Involvement in the Scenario Planning Process

On the basis of the criteria provided in Table 9 the level of Executive involvement in the developmental stage of the process has been assessed as Medium. Almost all of them participated in the in-depth interviews, and a considerable level of further work was done on the *Bush Track* as a direct result of their expressed concerns at the original presentation. While the Chief Economist (one of the most senior executives in the organisation) was not a sponsor as such, he was actively involved in the early stages of presenting them to staff of the organisation and in supporting their promulgation throughout the organisation.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been assessed as High. They encouraged the promulgation of the scenarios throughout the organisation, and they took a lead role in driving the various projects that were initiated in response to the scenarios – these projects (outlined above) being one of the most practical outcomes to scenario planning of any of the cases studied. Projects such as *Exporting for the Future* were continuing to operate as of late 2002. In addition, several Senior Trade Commissioners initiated and/or have been involved in follow-up scenario planning exercises in other worldwide locations such as Southeast Asia.

Conclusion

Austrade had three overall aims for the scenario planning process that commenced in 1996 (contingency planning, dialogue with stakeholders, understand the future). All three were achieved to a high degree in both short and long terms. Two of the most distinctive features of the process were the very intensive level of research and consultation that went into the development of the 3 scenarios (that were set in a 4-year timeframe), and

the range of specific projects that were initiated in response to all 3 scenarios. The senior executives of the organisation took a close interest in the initial scenarios and championed the various projects that emerged from them, and several of them were involved in further follow-up scenario work.

CHAPTER 6

Child Support Agency

Introduction to the Organisation

The Child Support Agency (CSA) was established in 1988 to assist separated parents to take responsibility for the financial support of their children, mainly through administration of the Child Support Scheme. In 1999 its purpose was stated as to "shape and deliver the Child Support System by building strong government and community alliances and supporting parents to meet their responsibilities" (Strategic Directions, 1999). The main aims of the Child Support Scheme (according to the Agency's Internet site) are to ensure that parents share in the cost of supporting their children and that adequate support is available for all children not living with both parents, as well ensuring that Commonwealth involvement and expenditure is limited to the maximum necessary to ensure children's needs are met and incentives for both parents to participate in the labour force are not impaired.

Government legislated child support is a contentious area, and satisfying all the various clients and stakeholders of the Agency continues to be a major challenge for the CSA Senior Executive. The professed aims of the two major political parties in Australia with respect to welfare provision have differed greatly over the years (though some would argue that the differences have become less and less apparent with the advent of the 21st century), and the provision of child support is very much affected by the social policies of the government of the day. It thus became clear to senior staff in CSA that a proactive, forward thinking approach to strategic planning was needed. A key component of this was scenario planning around the trends and developments that were likely to impact upon the business of the agency in the late 20th and early 21st centuries.

Aims of the Scenario Planning Process

When the CSA commenced its scenario planning exercise in 1997 it was apparent that major changes to the social welfare system were likely. Both major political parties had expressed their desire to reform the provision of 'family and community services' by federal government in Australia. The incumbent Coalition government of the day was openly exploring the possibility of doing away with the Department of Social Security altogether and replacing it with an entirely new portfolio. In this context the overall aim

of scenario planning at CSA was to help the agency to develop a set of long range strategies that would be robust in the context of a time of major change to the agency's business context. As expressed by the staff interviewed, the more specific purposes of the scenario planning exercise were to:

- Facilitate a more robust approach to the annual business planning within the Agency (Inform strategic planning)

- Provide a framework for testing the strategies contained within the Business Plan (Test strategy)

- Encourage the management team to think more towards the future (Think more widely)

Development of the Scenarios

When the scenario planning process commenced in early 1997 two members of staff (the scenario project group) were taken offline to work for about six months on the development of scenarios for the agency. These individuals were trained in the Global Business Network methodology and used this approach in the development of the scenarios. The main "research input" to the scenarios was a series of in-depth interviews with key people both inside and outside the agency. Outsiders included futurists, judges, and workforce and family experts.

The result was three scenarios for the time period 1997-2000. The three scenarios were quite detailed, and each one included an outline of 'macro elements' (trends in society in areas such as social directions & technological developments); and "micro elements" (developments of specific relevance to Child Support Agency and its services e.g. ' a more integrated approach to family policies at government level, greater emphasis on electronic service delivery). The scenarios can be summarised as follows (Taylor, 1997):

- *The Social Sentinel* – CSA no longer exists as a separate entity, and has been integrated with other agencies into a new Family Services Agency that primarily has overarching responsibility for "gatekeeping" the public intent as it relates to the development and implementation of policy on families. Many of its services

have been outsourced to private providers and a new Commonwealth Service Delivery Agency; and a user pays Child Support Payment levy has been introduced along with a Child Support enhancement package that includes services such as family mediation and adult education.

- *Client Service Extraordinaire* – CSA is now a much more streamlined, efficient and innovative organisation, in a wider context of increased government emphasis on accountability, user pays, greater use of information technology and improved productivity. There have been major investments in training and development, electronic service delivery and effective communication with clients by telephone; and a user pays scheme called the Child Support Payment levy is about to be introduced.

- *The Beleaguered Bureaucracy* – Staff morale and productivity at CSA have fallen dramatically, in a wider environment of Federal Government cost cutting with lack of resourcing for programs with social implications. Continued growth in caseload without a corresponding resource supplementation and small productivity savings have contributed to an inability to provide adequate service; and a negative report from the Australian National Audit Office has led to calls for a formal enquiry.

Presentation of the Scenarios

These three scenarios were presented to management in late 1997. The scenarios (and the process that underpinned their development) were outlined at a meeting of the senior executive and each member was given a document that included each of the scenarios in narrative form, along with a table of the 'macro' and 'micro' elements of each scenario. At a subsequent workshop the scenarios were used as a filter for the one year business plan i.e. the various strategic options within the plan were considered in the context of each scenario. Management acceptance of these scenarios was quite high, and there was a general feeling that the scenarios had strengthened the business plan. The 98/99 Business Plan contains a statement (under the heading of Strategic Management System) that "During 1997/98, CSA developed scenarios from key environmental issues. These

scenarios were considered in the 1998/99 planning process and have enhanced the 'robustness' of our strategies."

Extent to Which Aims Were Achieved

This Business Plan also included a number of Challenges. While the detail for each of these Challenges evolved over subsequent Business Plans, the headings remained unchanged as:

- Influence a whole of government approach

- Build a community focus

- Encourage and support parental responsibility

- Streamline agency service delivery

- Increase our organisational capability and productiveness

- Guarantee transparent and accountable service

Threads from all three scenarios can be seen in these, in that *Client Service Extraordinaire* highlighted some of the possible benefits of improved workforce planning, productivity, organisational capability and accountability; *The Beleaguered Bureaucracy* painted a dire picture of what might become of the agency as a result of lack of appropriate resourcing and planning and loss of credibility with the client base; and *The Social Sentinel* suggested the likelihood of new government emphasis on outsourcing, contestability and user pays, and greater integration between like agencies in a wider context of greater community involvement in social justice issues. As it happened, the prediction of a new Family Services Agency in *The Social Sentinel* was proved correct when in 1998 the Federal Government formed the new Department of Family and Community Services, of which Child Support Agency was one "subset". The comment was made that "the fact that we had got this right certainly helped management to take the scenarios seriously".

While the scenarios were considered in the development of the 1999/2000 Business Plan (and, as mentioned above, the same 'Challenges' were listed), they had much less impact than in 1998/1999. Following this the Business Development experimented with the development of a one-year scenario – a picture of what reality might look like in one year's time. There was a general sense that the Executive did not consider this to be sufficiently challenging, as it did not add a great deal of new information or challenge to the ongoing strategic and operational planning processes. The Business Development team then experimented with the development of some scenarios for CSA in the year 2010. They addressed issues such as increasing reliance on new forms of information technology, global economic downturn, new approaches to social policy and population sustainability, and growing divisions between rich and poor.

While these were considered to be "an interesting read", they met with little acceptance from Executive and were not incorporated in any way in the ongoing strategic planning processes of the Agency. Most managers considered them to be in the realm of science fiction and of little relevance to the immediate priorities of the Agency, particularly given the imminent introduction of some major reforms to Australia's systems of taxation and welfare provision. These reforms were in fact one of the key elements of the recently re-elected Coalition government's electoral policies.

The original scenarios were in fact referred to again by Executive in the development of the 2000/2001 Business Plan, although it was felt that they were beginning to become somewhat "dated". However, there was not sufficient resourcing available at that stage (and little Executive commitment) to undertake an update or a re-working of the scenarios. The year 2000 was one of turbulence and high staff turnover for the Agency, largely as a result of the recent introduction of the new Goods and Services Tax. The range of incentives and career opportunities being offered by the Australian Taxation Office (ATO) induced about 40% of the staff at the Agency to take up positions with the ATO. As a result, the main emphasis on the strategic planning processes within the Agency were directed to the achievement of current priorities, and there was little time or resourcing available for processes such as scenario planning.

On the basis of the criteria provided in Table 2 the aim to 'inform strategic planning' has been assessed as having been met to a high degree in short term, but to a Low degree in the long term, as the impact of the scenarios on the later business planning processes was fairly minimal. Similarly, it was noted that the use of scenarios in 1998/99 "made the business planning process more robust", by providing a framework for assessing the business plan and for undertaking some 'wind tunneling' of the strategies it contained, but there is no evidence that this 'wind tunneling' occurred for the 1999/2000 or 2000/2001 business planning processes. Thus on the basis of the criteria provided in Table 5 it is suggested that the aim of 'test strategy' was achieved to a Medium level in the short term but to a Low level in the long term.

With respect to the aim of encouraging the members of the Executive to 'think more widely', on the basis of the criteria provided in Table 6 it was assessed that it was achieved to a Medium level in both short and long term. All of those interviewed made comments along the lines that the scenarios had "challenged the members of Executive to think beyond the immediate priorities and day-to-day concerns of the Agency", and to look a little further down the track at how some important global trends and directions in government policy could have a significant impact on the way the Agency did its business. While little enthusiasm was shown by Executive for the subsequent scenario planning efforts, in late 2000 (and again in mid 2001) all members of the Agency Executive participated in a one-day Futures workshop that was designed to encourage them to explore and discuss impending changes in social policy and critical strategic issues such as Welfare Reform. These workshops did not include any scenario planning processes, but they did challenge the members of Executive to think 'out of the box' about what the 'business' of Child Support Agency is and/or should be, and how some of these long term issues and trends might impact upon the business environment of the Agency. The main output from both workshops was a range of strategic issues to be addressed in the forthcoming business and strategic plans of the Agency. As the process in mid 2001 was very similar to that followed in late 2000 it was apparent that the Executive were happy to continue with the 'futuring workshop' format, although by 2001 there was less resourcing available for processes such as scenario planning.

Intensity of the Research Approach

While the level and depth of research undertaken at CSA was not as intensive as the processes for Austrade and ATO 2 (in that there was less emphasis on quantitative data analysis and review of the literature), there was a moderately high level of consultation with internal and external stakeholders, and a significant commitment of staff resources (two staff working for six months) so on the basis of the criteria provided in Table 8 it was assessed that the level of intensity of the research approach was Medium.

Level of Executive Involvement in the Scenario Planning Process

The level of Executive involvement during the development of the scenarios consisted of one in-depth interview (which not all participated in). 'Workshopping' of the scenarios with senior executives did not take place, and the scenarios were presented to them as complete products. Accordingly, on the basis of the criteria provided in Table 9 their level of involvement in the developmental stage of the process has been described as Low.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been assessed as Low. While they took an active and enthusiastic role in the initial use of the scenarios as a filter for the 98/99 Business Plan (and continued to refer to them in a lesser way in subsequent business planning cycles), they showed little interest in subsequent 1-year and 10-year scenarios developed by the Business Development Team, and little support for any further scenario planning work, particularly once the external realities of the major reforms to Australia's taxation and welfare systems began to impact on the agency.

Conclusion

CSA had three aims for the scenario planning process it commenced in 1997 (inform strategic planning, test strategy, think more widely). Following a medium intensity research process and a relatively low level of consultation with the senior executives, 3

scenarios with a 3-year timeframe were presented to management. The initial level of acceptance was quite high, and the scenarios played quite a large role in the development of the subsequent annual business plan and a slightly lesser one in the testing of strategy. However, partly because of the new external priorities that were impacting on the staff of the CSA, there was a fairly rapid loss of interest in the scenarios by the senior executive, and two subsequent scenario planning efforts met with little enthusiasm. While the aim of 'think more widely' was achieved to a medium level in both short and long terms, in that the senior executive continued to show some commitment to futuring type work, the other two aims were only achieved to a low level in the long term.

CHAPTER 7

Department of Family and Community Services

Introduction to the Organisation

The Department of Family and Community Services (FaCS) was created in 1998 as part of the Family and Community Services portfolio designed to replace the Department of Social Security (DSS). The new Family and Community Services portfolio included the Department of Family and Community Services, the Child Support Agency and Centrelink (which delivers income support payments and services on behalf of FaCS). As of 2001 this portfolio was spending around $55 billion a year on providing its programs and services (i.e. about one third of total Commonwealth budget spending). FaCS was designed to have responsibility for shaping social policies and ensuring that they were delivered efficiently through partnerships with other government and non-government organisations. Its expressed Purpose as of 2001 was "to deliver social policy outcomes for Australian Families, communities and individuals" (Service Charter, 2001). Essentially it was set up to develop, implement and provide advice to government on social policy and services; deliver a range of social services (either directly or thorough contracted service providers) such as income support and other help for individuals, families and communities; conduct research in partnership with universities and other research organisations to assist in the development of high quality social policy; and administer Commonwealth/state funding for social policy projects (FaCS Service Charter, 2001).

FacS (in conjunction with Centrelink) has largely taken over the work of the Department of Social Security, itself a creation of the Whitlam Labor government in the 1970s. This 'mega department' had been created through the amalgamation of the Department of Social Services and the Benefits Division of the Department of Health, and it had a central role in government policy making and service provision to members of the general public in areas such as the provision of unemployment benefits/services, family support services, and disability support services. "The unprecedented Cabinet seniority given to the Minister for Social Security reflected the importance of social security programs to the new Government" (Public Service and Merit Protection Commission, 2001a).

Prior to its abolition DSS had begun to use scenario planning as the main process for the development of a new Strategic Policy Framework. The expressed purpose of this Framework was "to provide a corporate view of policy trends, pressures and priorities, based on scenarios of the policy environment over the next five to ten years. This will help the Department to develop corporate strategies applicable to each scenario and provide a context within which to assess new policy" (Strategic Policy Framework Report, 1999).

With a central role in the provision of government services, both FaCS and its predecessor, DSS, were keenly interested in future global, political and societal trends relevant to the provision of social services. Scenario planning was seen to be a useful way for the agencies to try to anticipate and plan for these future trends.

Aims of the Scenario Planning Process

According to the *Strategic Policy Framework Report* (1999) scenario planning was used as a tool to assist with the development of corporate strategies in support of the strategic policy framework for three broad reasons:

1. To help DSS analyse a wide range of present and future environmental forces that might impact on social security policies (such as changes in household and family formation, taxation reform, regional economic growth and decay, demographic trends, electronic commerce, changes in community attitudes).

2. Scenario planning can be designed to include a large number of participants – "a useful attribute when seeking to create an integrated approach to policy debate and development".

3. It was seen as a useful mechanism for the department to test its options and assumptions against the external environment.

FaCS continued on the work begun in DSS, and on the basis of the *Strategic Policy Framework Report (1999)* and comments made by staff interviewed, the aims of the two-stage scenario planning process can be summarised as:

- Help the Department analyse and understand a wide range of present and future environmental forces that might impact on its policies (Understand the future)

- Provide a mechanism whereby the impact and implications of these environmental forces can be incorporated in the Department's ongoing strategic planning (Inform strategic planning)

- Encourage ongoing discussion and dialogue within and across the Department about current and upcoming policy issues (Dialogue with stakeholders)

- Provide a mechanism whereby the Department can test its options and assumptions against the external environment (Test strategy)

Development of the Scenarios

The scenario planning cycle at DSS consisted of 6 stages:

1. An environmental mapping exercise consisting of a half-day workshop and interviews with members of the department's Senior Executive. The aim of this was to map out some of the current views of DSS's policy environment.

2. Group discussions that were open to all staff. These were designed to generate further questions and stimulate debate on some of the views expressed about the policy environment in Stage 1.

3. Ongoing research (carried out by selected individuals) into a range of relevant topics, and electronic discussion databases that explored some key hypotheses developed after Stage 2. These topics included the social policy environment, the macro-economic environment, the labour market, community attitudes, demography, regional disparity, government programs, health, social security, and international trends.

4. Focus group discussions with external experts from a variety of relevant fields. These were designed to explore the major themes of labour markets in a global context, health and disability, self-provision, savings and retirement, and community attitudes to social security.

5. The development of a set of scenarios in a 2-day workshop that included DSS and external participants. In fact, much of the actual scenario writing was undertaken by an internal team after the workshop.

6. Identification of implications and related strategies of the scenarios over two half-day workshops. This stage also included the development of some indicators of change – signs that change is occurring and a particular scenario is evolving. "By being aware of changes in our environment and potential impacts on DSS we become pro-active in the development of programs and policies." (Strategic Policy Framework Report, 1999)

Three scenarios were developed, the timeframe for each being 1999-2005. Each one included some suggestions as to what the government could/should be doing with respect to social policy in respect of the future environment outlined in the scenario.

The ongoing scenario planning process was held in abeyance during the restructure period, but in early 1999 the department's Strategic Policy & Analysis Branch updated and re-developed the three scenarios, focusing particularly on community attitudes and adding a fourth scenario.

The timeframe of the initial three scenarios was 1999-2005. Each one included some suggestions as to what the government could/should be doing with respect to social policy in respect of the future environment outlined in the scenario. They can be summarised as follows:

- **Patience** – slow but steady economic growth continues, with increased globalisation and a range of flexible employment options becoming prevalent. However, unemployment remains high, and social attitudes move towards individualism.

- **Prosperity** – a buoyant economy delivers prosperity, and there is a more even distribution of wealth. Unemployment falls, and smaller cities and regional centres are renewed and prosper as new industries emerge and disperse from major urban centres.

- **The Spiral** – a lengthy world recession continues, and government economic policies are characterised by defensive, cautious strategies. Unemployment increases to about 20%, and there is wide polarisation of earnings and work.

The fourth scenario (added by FaCS) was:

- **Interdependence** – employment continues to grow slowly, while an increased tendency for families and communities to take greater responsibility for their members leads to a reduction in government welfare dependency.

The input to the revised scenarios (including the additional one) was largely based on a series of interviews with various members of FaCS Executive staff, where they were asked to consider questions such as, "What do you think the Australian social policy environment will look like in five years time, and what priorities should FaCS be focusing on?" These scenarios were then presented to the Department's executive in a 2-day workshop, the aim being to stimulate thinking and generate discussion on issues such as the need for welfare reform.

Extent to Which Aims Were Achieved

The Strategic Policy Framework Report continued to be seen as a very useful reference document, and in July 1999 the Strategic Policy & Analysis Branch produced the first edition of Policy Outlook, an internal journal that was an outflow of the scenario planning processes and that was designed to provide an overview of some of the current trends, directions and key indicators in the department's policy environment. It included a summary of the four scenarios described above, with comment on where the socio-economic climate currently 'sat' in relation to the scenarios, and what some of the signs were regarding which scenarios "we could move towards in the medium term" (Policy Outlook, July 1999). It also argued that "The Department has an important role in determining which scenario emerges. FaCS strategies can have a direct bearing on both employment and the extent of welfare dependency amongst the working population", and provided suggestions as to what future challenges the various scenarios might present for the FaCS portfolio.

Policy Outlook was in fact produced by the Policy Strategy Section, a small unit within the Strategic Policy and Analysis Branch. This unit had the ongoing responsibilities of data collection & analysis, research and the provision of policy advice to the rest of the department. It had an ongoing responsibility to scan the environment for emerging policy issues, drivers and trends, and report on these to the Department. This reporting was done via an online database on the FaCS intranet (that staff within FaCS could read and contribute to); *Horizons,* a publication that was produced in hard copy and electronic form every two or three months, and that provided a summary of current and emerging issues and trends of relevance to social policy; and *Policy Outlook*, which was produced about 3 times a year. At times the section also produced Policy Briefs on particular issues e.g. *GST: Commonwealth-State Relations* and *Falling Fertility: Facts and Theories.*

It was largely thanks to the work of this section, in particular publications such as *Policy Outlook* and *Horizons,* that the two aims of 'understanding the future' and 'dialogue with stakeholders' continued to be achieved well into 2001. As one member of staff put it, "we got people thinking more about the future and about the external environment". As a result of the journals and the online database maintained by the Policy Strategies section people at all levels are now reading the articles and thinking about the policy issues raised on a regular basis. In a comment on a scenario-based workforce planning process that FaCS undertook later (see below), the Australian National Audit Office commented "Thinking rigorously about the future is now an ongoing function in the department". (ANAO, 2001) In addition, the section regularly arranges seminars featuring external experts and/or representatives of external stakeholder agencies.

It was also suggested by one of the interviewees that one benefit of the outcome of "getting people thinking and talking about external and future trends and policy issues" is that staff can become "more collegiate". "Because people start by discussing broad environmental pressures, and work back to specific individual responsibilities, and choices, "the process has a period of being rather free of ego investment and is thus more likely to be perceptive and creative. For example, it is sometimes easier to point to the need for an unpopular decision if it can be attributed to a scenario instead of a personal belief" (Strategic Policy Framework Report, 1999). As a member of the Policy Strategy

section put it, scenarios enable you to "speculate about issues without political risk" i.e. that you can put forward a couple of different possible pictures of how the future might look as a consequence of different policy directions, "without having to commit yourself or the Department either way". In addition, the presentation of a number of well researched, credible scenarios enables you "to raise awareness of complex problems without having to pretend to know the solutions".

Essentially the main reasons for the Policy Strategy Section's existence were to participate in and facilitate ongoing dialogue with key stakeholders (e.g. by arranging conferences, seminars and round-table discussions); and to challenge staff of the agency to develop a better, more wide-ranging understanding of future policy trends and issues in areas such as social welfare (through in-house publications such as *Policy Outlook* and the organisation of presentations from a variety of guest speakers). On the basis of the criteria provided in Tables 3 and 4 achievement of both aims of 'dialogue with stakeholders' and 'understand the future' has therefore been assessed as High in both short and long terms.

In February 1999 the document *Summary of research undertaken for the Strategic Policy Framework* was produced and circulated throughout the Department. This was an outflow of the research that had been begun as part of the DSS scenario planning process in 1998. The document consisted of a summary of overseas welfare reforms followed by nine sections (one section each for nine major themes such as 'The changing nature of employment' and 'Demographic ageing'). Each of these sections consisted of a summary of the broad issues raised by this theme, statistical data, general discussion of the research, a list of "critical certainties" and "critical uncertainties", and suggestions for further research required. As well as providing input to the Strategic Policy Framework, the strategies that emerged from the scenario planning process were incorporated in the FaCS strategic plan. Thus the scenarios helped inform the Executive about the critical strategic issues, and helped them in the development of the Strategic Plan for FaCS when it was first established. Feedback from Executive about the usefulness of the scenarios for informing the strategic planning both in 1999 and then again (to a lesser extent) in 2000, has been very positive.

In early 2000 the FaCS Executive all participated in a Strategic Planning day. For this day, the Policy Strategy Section provided an overview briefing of the current social policy environment, as well as a set of four scenarios that they had prepared on the basis of internal discussions with staff and their research database.

The Executive was split into four groups to consider these scenarios (one per group) and address questions such as:

- What are the main social policy implications of this scenario?

- What would we do in this case?

- What would FaCS' business model need to look like?

There is less evidence that scenarios continued to be used as a mechanism for the Department to 'test its options and assumptions against the external environment' – although this certainly took place in the development of the initial FaCS Strategic Plan.

On the basis of the criteria provided in Tables 2 and 5 achievement of the aim of 'inform strategic planning' has therefore been assessed as High in the short term and Medium in the long term; whereas achievement of the aim of 'test strategy' has been assessed as Medium in the short and long terms.

Intensity of the Research Approach

The research process was spread over two stages. Although the input to the second stage (when the fourth scenario was added) was limited mainly to interviews with members of the Department Executive, the developmental part of the first stage was quite intensive, in that it included an extensive period of in-depth research, workshops and interviews with internal staff, as well as focus group discussions with external experts. On the basis of the criteria provided in Table 8 the level of intensity of the research approach has therefore been assessed as High.

Level of Executive Involvement in the Scenario Planning Process

All members of the FaCS Executive were interviewed during the development phase of the fourth scenario, and in addition, those that had been at DSS participated in a half-day

workshop and were interviewed during the developmental phase of the scenarios at DSS. They were also given further opportunity to contribute to the process (if they wished) via group discussions and the electronic discussion databases. In addition, the head of the Strategic Policy & Analysis Branch in FaCS actively supported and encouraged the re-activation of the scenarios after the creation of the new Department. On the basis of the criteria provided in Table 9 the level of Executive involvement in the developmental stage of the process has therefore been assessed as High.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been assessed as High. They made use of the scenarios during the 1999 and (to a lesser extent) the 2000 annual strategic planning processes; they endorsed and supported the workforce planning project that built upon the scenarios; and they continued to resource, encourage and make use of the 'future oriented' work of the Policy Strategies Section, which continued to undertake the development of scenarios.

Conclusion

The scenario planning process undertaken at FaCS in 1999 was in fact the second stage of a process that had been carried out the previous year by its predecessor, the Department of Social Security. The aims over the two stages of the process were to understand the future, inform strategic planning, dialogue with stakeholders, and test strategy. The two-stage process featured very high levels of research and executive input, and by 1999 there were 4 scenarios available set in a 5-year timeframe. Thanks largely to high levels of ongoing support and/or involvement from the senior executives and also to the work of the Policy Strategy Section all 4 aims were achieved to high or medium levels in both the short and long terms.

CHAPTER 8

Department of Transport &

Regional Services

Introduction to the Organisation

The Department of Transport and Regional Services was created in the 1990s with the aims of providing the Commonwealth with policy advice on the development and maintenance of sustainable transport systems, planning for regional development, the development of effective local government and the development of effective services for Australia's various Territories. These aims translate into an extraordinarily diverse range of services that (in 2001) included the provision of policy advice on issues such as remote air services, transport safety, regional flood mitigation, national awards for innovation in local government and public information in relation to Territories.

It was clear to senior executive staff at the agency that the future of transport and regional development in Australia would be affected by a range of factors including the increasing importance of regional issues to governments and communities, changes in the structure and competitiveness of transport and regional businesses, technological innovation, and the increasing importance of environment issues, including noise, greenhouse and other emissions, and soil and water quality. In the context of these levels of uncertainty and possible discontinuity it was clear that a more proactive approach to strategic planning was needed, and so when in 1998 the Department was called upon to develop a new Directions Statement for the Minister (a broad overview of likely trends and developments in these areas with a range of policy options for the Minister's consideration) the possibility was mooted of using scenario planning to help with the development and review of the Statement.

Aims of the Scenario Planning Process

The key reason for the implementation of scenario planning at DoTRS was to assist with the development of the Minister's Directions Statement. In addition, at that time the Department was a fairly new 'assembly' of several fairly disparate divisions, and it was felt that some cross-modal work would help facilitate a more unified approach to strategic policies and directions.

According to *Scenario Workshops: Findings and Outcomes* (1999), the aims and expected outcomes of these workshops were as follows.

"The scenario workshops were expected to provide us with an indication of whether:

- the strategies being proposed in the Minister's Statement are supported and robust across possible futures;

- the strategies are adequately developed or alternatively need further consideration; and

- other strategies are likely to be required to meet the Commonwealth's objectives for the Australian transport system over the period to 2010.

A stated secondary aim for the workshops was:

- "improving the cross-Divisional and cross-modal consideration of emerging issues."

With respect to the categorisation of aims used for the comparative analysis of this research, it is argued that the main aims fall in the categories of 'inform strategic planning' and 'test strategy; while the secondary aim falls into the categories of 'dialogue with stakeholders' (although the emphasis in the case of DoTRS was very much on improved dialogue across the different areas of the organisation), and 'think more widely'.

Development of the Scenarios

Three scenarios were developed over a period of a few months by a small internal team, working with the assistance of an external facilitator and consulting with all of the Department's Divisions. These scenarios in fact drew upon some earlier work undertaken by Hardin Tibbs in 1996 for the Australian Transport Council's Infrastructure and Planning Project. They had a 10-year timeframe, and the main input to their development was a series of 'strategic conversations' coordinated by a Divisional Working Group and held with groups inside and outside the Department. The team undertook a number of interviews with senior staff across the agency, but there was little external consultation during the process and apart from these interviews the main research input was the work that had been done for the Infrastructure and Planning Project.

The three scenarios presented alternative and quite detailed pictures of Australia in the year 2010. They included narrative information under headings such as Global Situation over this 10-year Period; Australian Situation over this 10-year Period; Budget; Political Situation; How the Transport Sector Fares, Culture, Values and Lifestyle; and the Environment. They can be summarised as:

- *Environmental Harmony* – there is a significant shift away from the current emphasis on economic growth as the overriding priority, and greater emphasis on the importance of social harmony and environmental sustainability. After some hard adjustments in the early 21st century, the global economy and the Australian economy have prospered; and the technology to make all kinds of transactions faster, more efficient and environmentally sound is available and rapidly being taken up in countries such as Australia.

- *Déjà Vu* – current trends in technology, environment and economics continue; and it is largely business as usual with stable and relatively strong growth, but increasingly wide gaps between rich and poor at all levels. Beneath the pattern of gradual change and growth surface tensions are building – both social and environmental.

- *Regional/Global Crisis* – worldwide financial collapse and increasing levels of environmental pollution trigger a series of regional crises in which Australia gets by, but governments, the private sector and communities throughout the country all struggle for survival. The Australian economy falters but does not collapse, but there is a reversion to protectionism; while social issues, safety and the environment are pushed aside by more pressing issues of economic survival.

Presentation of the Scenarios

The scenarios were presented at a series of three one-day scenario workshops held in May/June 1999, each one with 25-30 representatives from a variety of levels in the various Divisions of the organisation. The Minister's Office was also represented at two of the workshops. Each workshop focused on one of the three scenarios, and in addition, in the third workshop participants reviewed an overall Directions Assessment Table (which had been developed on the basis of the output from the first two workshops).

As well as considering the scenarios (and the Directions Assessment table in the third workshop) participants considered the draft Directions Statement in the context of the scenarios and made a number of changes to it. The scenario team then used the output of these three workshops to develop a revised draft Directions Statement for the senior executive team. In addition, they prepared a summary report on the process - *Scenario Workshops: Findings and Outcomes* (1999).

Extent to Which Aims Were Achieved

Some quite significant changes were made to the draft Statement as a result of the workshops, and there was a perception that they helped the members of the Transport Review Group to develop a better understanding of what issues were of concern to staff in the various Divisions. According to *Scenario Workshops: Findings and Outcomes* (1999), the detailed findings with respect to the strategies in the Minister's Statement were as follows:

- "While the Objectives and Strategic Priorities were generally pitched at the right level, some rewording of the Strategic Priorities was required.

- The strategies presented to date seem to be too selective and narrow – they need to be pitched at a higher level, focusing on systemic transport approaches and broad issues.

- Participants felt that some strategies (as advised by the Divisions) needed further development and that good intentions were not always translated into meaningful activity.

- Objectives and Strategic Priorities identified by the Working Group did not always have corresponding strategies.

- The importance of some strategies differed under each scenario. At the same time, a high proportion of strategies would be appropriate for all scenarios."

One key outflow of the Directions Statement was the publication *Task and Outlook* (2000). This publication was "intended primarily to provide a contextual setting against which to understand and evaluate the initiatives and strategies being pursued at a national level in relation to transport policy." It includes a section headed *Trends Affecting Transport* that describes "developments that will impact on Australia and on Australian transport and influence our decision making on transport directions over the years ahead." While there is no reference to the Department's scenario planning process in this document, it was suggested (by two of the interviewees) that it was influenced by it, and the descriptions of trends such as Globalisation and Liberalisation and Emerging Trends in the Application of Technology clearly overlap with some elements of the three scenarios developed.

At that stage the intention was to undertake a similar process in 2000, but with wider consultation with and input from state government and transport industry representatives. However, in early 2000 a new Secretary took over the running of DoTRS. While he perceived scenario planning to be an "interesting tool", he was not very committed to its ongoing use within the Department, and there was no follow through on the scenario planning process described above. This lack of enthusiasm was compounded by the fact that two members of the Senior Executive had been funded by DoTRS to attend a 2-day training course in scenario planning. Rather than being convinced of the benefits of the process they were discouraged by an emphasis (in the workshop) on the importance of collecting "masses of research data" and the commitment of time and resources that this would entail. The intention in sending them to the workshop was that they would become advocates of the process; in fact they became quite disillusioned with it.

By mid 2000 the indications from staff surveys and discussions within senior management were that "there needed to be a greater emphasis placed on strategic

direction setting within the Department". At that time there was another change of leadership, and a new person assumed the role of Department Secretary. He asked several of the branch heads to undertake some research into possible strategic directions for DoTRS over the next 5 years; and in November 2000 a meeting of the Executive Board (a representative group of senior managers that had been established in early 2000 to consider and develop policy issues and directions) agreed that the Department should undertake a more formal process of strategic direction setting for the organisation.

Following this, a member of staff at the Department of Family and Community Services was invited to come across to DoTRS as a consultant and manage a *DoTRS in Five Years* project. While this was designed to be a 'futuring process', the DoTRS Executive were quite clear about the fact that they did not want this project to be a scenario planning exercise, for the following reasons:

- the fear of a big commitment of time and resources;

- scepticism about the process ("it hadn't really produced demonstrable results before");

- some had little understanding or positive experience of the process (partly because they had had little involvement in the previous scenario planning exercise); and

- the perception that "quick results" were needed.

The *DoTRS in 5 Years* project commenced a process of internal and external environmental analysis in mid 2001. The aim of this was to try and discern the likely trends in transport and regional development over the next 5 years, which in turn would inform the ongoing strategic thinking and planning processes of the organisation. Four working groups (composed of volunteers at various management levels in all parts of the organisation) were established to consider (and undertake research into) a number of fears/concerns about the future that had been identified by the Executive Board. The intention was that these working groups would identify the issues that DoTRS would need to deal with over the next 5 years, draw some conclusions and identify the possible consequences of not managing these issues.

On the basis of the criteria provided in Table 2 the aim of 'inform strategic planning' has therefore been assessed as being achieved to a High level in the short term, as it is clear that the scenarios had a substantial impact on the 1999 Minister's Directions Statement. However there was very little follow through of the scenario planning work and achievement of this aim in the long term has been assessed as Low. Similarly, it is clear that the scenarios proved to be a useful way of "wind tunneling" the various strategies put forward in the draft Minister's Directions Statement. As evidenced in comments from several of those interviewed as well as the summary Findings described above, the scenarios enabled the Executive to test the viability of each of the Strategic Priorities in three different business contexts, and as a result some significant changes were made to some of them. Thus on the basis of the criteria provided in Table 5 the aim of 'test strategy' has been assessed as being achieved to a High level in the short term, but as neither these nor any further scenarios were used for any further 'wind tunneling' exercises this aim has been assessed as being achieved to a Low level in the long term.

With respect to the aims of 'dialogue with stakeholders' and 'think more widely' there was a more sustained level of success, and on the basis of the criteria provided in Tables 3 and 6 the level of achievement of both has been assessed as Medium for Long as well as Short term. While it is true that the 'dialogue' was mainly internal, this was an important gain in a department that (according to two of the interviewees) had been suffering badly from lack of cross communication and a tendency for staff to operate for the most part within their own 'silos. It was apparent that the workshops did help to break down some of the divisional barriers, and that participants began to talk about and take more seriously some of the longer term trends and possibilities presented within the scenarios. Several senior staff commented on the value of scenarios in helping staff at all levels to think more creatively and more globally about issues that could impact on the strategic directions and business environment of DoTRS. The participants in the workshops were quite challenged by the scenarios, and a number of changes to the draft Directions Statement were made as a result of these workshops. However, the scenarios were then made available to all staff on the Department intranet, and follow-up comments and discussion "around the corridors" suggested that the ideas put forward within these scenarios had "seeped into our culture". This commitment to taking "a more global view"

and trying to understand the long term strategic trends in transport and regional development in Australia has been one of the main drivers behind the *DoTRS in Five Years* project.

Intensity of the Research Approach

The research process was essentially limited to a series of 'strategic conversations' (focus group type discussions) that involved senior staff in the agency and a few outsiders. Some (but not all) of the senior executive staff were interviewed individually. Research data was also drawn from a planning project that had been undertaken two years previously, but no further study or quantitative analysis was undertaken. On the basis of the criteria provided in Table 8 the level of intensity of the research approach has therefore been assessed as Low.

Level of Executive Involvement in the Scenario Planning Process

The level of Executive involvement during the development of the scenarios consisted of one interview (which not all participated in), and in addition a few of them participated in the strategic conversations. While almost all of the Executive participated in the three scenario workshops by this stage the scenarios were 'complete products', and so on the basis of the criteria provided in Table 9 the level of executive involvement in the developmental stage of the process has been assessed as Low.

Executive Support for the Follow-up

On the basis of the criteria provided in Table 10 the level of Executive support for follow-up to the scenario planning process has been rated as Low. While they participated in the original scenario workshops (which in turn had a significant impact on the draft Directions Statement), they showed very little enthusiasm for further work involving the scenarios (or scenario planning in any form) thereafter. The new Secretary that arrived in 2000 showed little commitment to any follow-up scenario work, and at the same time the two members of the Executive who had attended a workshop in the process of scenario planning became quite disillusioned with scenario planning – even antagonistic towards it.

Conclusion

DoTRS had four aims for the scenario planning process that it commenced in 1998 (dialogue with stakeholders, inform strategic planning, test strategy, think more widely). The developmental phase was characterised by fairly low levels of research and executive involvement, and 3 scenarios with a 10-year timeframe were presented via a series of workshops in mid 1999. While the immediate outcome of these workshops was some significant changes to a key strategic planning document, there was a fairly rapid loss of executive support for follow-up activities or any further scenario planning. However, there was a noticeable level of long term improvement in the levels of internal dialogue, and a medium level of organisational commitment to futuring type work via the *DoTRS in 5 Years* project.

CHAPTER 9

Comparative
Case Study Analysis

The fundamental purpose of my research was to explore the question of whether scenario planning could be used to make possible improved strategic planning in the agencies studied, through its role in generating and developing information relevant to the future. I was also interested in trying to establish what other benefits may have accrued to each agency, and what factors helped or hindered effective implementation of scenario planning in each case. I examined the extent to which aims were achieved both in the short term (within 12 months of presentation of the scenarios) and the long term (18 months to 3 years after presentation of the scenarios). It is my belief that any new long range planning process or approach will probably be seen to bring some benefits in the short term – the real test is the extent to which these are achieved in the long term.

Indeed I found that that there was a relatively high achievement of virtually every aim for every case in the short term. However, in the case of the 'long term' there was a noticeable variation between four cases of 'sustained success' and three cases where aims were for the most part achieved only to a medium or low level in the long term. The question then became one of determining if there was any link between achievement of aims in the long term and six independent variables – intensity of research, executive involvement in the scenario planning process, executive support for the follow-up, size of agency, type of agency, style of scenarios. The majority of this chapter is devoted to an exploration of any link between these variables and long term achievement of aims.

Aims of scenario planning

A variety of reasons for undertaking scenario planning were stated or given in the seven cases studied. Table 11 outlines how common each of the aims was across the seven case studies (in six agencies).

Table 11

Aim	No. of cases
Inform strategic planning	5
Dialogue with stakeholders	5
Understand the future	4
Test strategy	4
Think more widely	4
Contingency planning	2

It is interesting to note that one of the two most common stated aims was 'inform strategic planning' (5 of the 7 cases), which is important given that the principal aim of this research was to investigate whether scenario planning was a process that could be used by agencies of the Australian Public Service to make possible improved strategic planning. However, it has been argued that aims such as 'understand the future', 'test strategy' and 'contingency planning' are also relevant an agency's ongoing strategic planning processes.

Achievement of Aims in the Short Term

For the purposes of this research 'short term' is defined as within 12 months of presentation of the completed scenarios to the senior executive and/or staff of the organisation. Achievement of each of the aims for undertaking scenario planning in each agency was assessed at levels of High (H), Medium (M) or Low (L). Table 12 shows the extent to which each of the stated aims was achieved in the Short Term for each of the seven cases.

Table 12

Case						
	Inform Strategic Planning	**Dialogue with stakeholders**	**Understand the future**	**Test strategy**	**Think more widely**	**Contingency planning**
ATO 1	M	M	H			
ATO 2	H		H		H	
AFP		M		H	H	H
Austrade		H	H			H
CSA	H			M	M	
FaCS	H	H	H	M	M	
DoTRS	H	M		H		

'Achievement of aims in the short term' is one of the key dependent variables of this study. It is noteworthy that every aim in every case was achieved in the short term at a Medium or High level.

Inform strategic planning was an aim for 5 of the case studies. It was achieved to a High Level at ATO2, CSA, FaCS and DoTRS, and to a Medium level at ATO1.

Dialogue with stakeholders (5 cases) was achieved to a High level at Austrade and FaCS, and to a Medium level at ATO1, AFP, and DoTRS.

Understand the future (4 cases) was achieved to a High level at ATO1, ATO2, Austrade and FaCS – all four cases in fact.

Test strategy (4 cases) was achieved to a High level at AFP and DoTRS, and to a Medium level at CSA and FaCS.

Think more widely (4 cases) was achieved to a High level at ATO2, AFP, and to a Medium level at CSA and FaCS.

Contingency planning (2 cases) was achieved to a High level at both AFP and Austrade.

In terms of my basic research question, it is encouraging to note that at least in the short term scenario planning did 'inform' i.e. enhance strategic planning to a high degree in 4 out of 5 cases, and that in 4 out of 4 cases it improved their ability to 'understand the future' to a high degree. The 'lack of future relevance' of strategic planning documents and/or processes in so many of my public sector clients was one of the main reasons why I embarked upon this research study.

With the exception of one of the aims at DoTRS, the overall extent to which all 6 aims were achieved in the short term in all 7 cases was good, given that the difference between the ratings of 'High' and 'Medium' is in reality not all that great. While this is encouraging, it should be acknowledged that most of the interviewees had a fairly close involvement in the development and implementation of the various scenario planning processes, and would therefore have a fairly high level of investment is seeing some sort of return for all their efforts. One might therefore expect an enthusiastic response in the short term from most of them. Nonetheless, the documentary evidence also supported relatively high levels of short term achievement of the various aims, and so given that all of the aims overlap to some degree with strategic planning, it is reasonable to say in the short term at least that in every case scenario planning did enhance the strategic planning processes of the six agencies studied.

However, as Schwartz (1996), Kaufman(1992) and others have pointed out, the real test of the effectiveness of any strategic planning process is its long term impact on the organisation. Therefore we shall now consider the extent to which the various aims of scenario planning in our 7 cases were achieved in the long term.

Achievement of Aims in the Long Term

For the purposes of this research 'long term' is defined as from 18 months to 3 years after the presentation of the completed scenarios to the senior executive and/or staff of the organisation. Achievement of each of the aims for undertaking scenario planning in each agency was assessed at levels of High (H), Medium (M) or Low (L). Table 13 shows the

extent to which each of the stated aims was achieved in the Long Term for each of the seven cases.

Table 13

Case	Inform Strategic Planning	Dialogue with stakeholders	Understand the future	Test strategy	Think more widely	Contingency planning
ATO 1	L	L	M			
ATO 2	H		H		H	
AFP		M		H	H	H
Austrade		H	H			H
CSA	L			L	M	
FaCS	M	H	H	M	M	
DoTRS	L	M		L		

In terms of assessing the extent to which scenario planning may have assisted or enhanced strategic planning in the agencies studied, I would argue that achievement of aims in the long term is the most critical dependent variable. Strategic planning is about defining and planning for long term goals, and so I was particularly interested in the extent to which the aims of scenario planning were achieved beyond the initial 12 months after completion of the process. I commented earlier on the difficulty of 'taking the long view' in the public sector – trying to develop strategic plans that will continue to have relevance two or three years down the track in a context of ministerial prerogative, conflicting stakeholder expectations and political change. Any process that can help overcome these difficulties and enable a public sector agency to be more proactive, responsive and flexible with respect to its long range planning is a process worth exploring and knowing more about.

It is therefore encouraging to note that aims such as *inform strategic planning, understand the future* and *think more widely* continued to be achieved to a High or at least Medium level in a number of cases 18 months to 3 years down the track.

Inform strategic planning was achieved to a High Level at ATO2, to a Medium level at FaCS, and to a Low level at ATO1, CSA and DoTRS.

Dialogue with stakeholders was achieved to a High level at Austrade and FaCS, to a Medium level at AFP and DoTRS and to a Low level at ATO1.

Understand the future was achieved to a High level at ATO2, Austrade and FaCS, and to a Medium level at ATO1.

Test strategy was achieved to a High level at AFP, to a Medium level at FaCS, and to a Low level at CSA and DoTRS.

Think more widely was achieved to a High level at ATO2, AFP, and to a Medium level at CSA and FaCS.

Contingency planning was achieved to a High level at both AFP and Austrade.

Whereas most aims were achieved at least to a Medium level in the short term, in the long term there is a noticeable variation. All aims continued to be achieved to Medium or High levels in the following four cases:

- ATO 2 *('The Vote'* – the second major scenario planning exercise at Australian Taxation Office)

- AFP (Australian Federal Police)

- Austrade

- DSS/FaCS (the exercise at Department of Social Security that had then been built upon by Department of Family and Community Services)

In the following three cases aims were only achieved to Medium or Low levels in the long term:

- ATO 1 (*Australia 2020* - the first scenario planning exercise at Australian Taxation Office)

- CSA (Child Support Agency)

- DoTRS (Department of Transport and Regional Services)

Henceforth the four cases that experienced Medium or High levels of achievement of all aims in the long term will be referred to as the 'four cases of sustained success.' This leads to the question of what was it about these four cases that differed from the other three cases where the aims were only achieved to a Low or Medium level. Thus I will attempt to determine whether there was any relationship between the 6 independent variables described in detail below and the four cases of sustained success.

While it is true that some cases experienced greater levels of sustained success than others, it is also fair to say that every scenario process undertaken did result in some long term benefits to the agency. It is instructive to consider the extent to which the two aims of 'think more widely' and 'understand the future' continued to be achieved in the long term. Every case had at least one of these two aims for the scenario planning process, and the aim continued to be achieved in the long term to medium or high levels in every case, even the three cases where long term aims were only achieved to a medium or low degree.

In the case of the first scenario planning process at the Australian Taxation Office, while the scenarios produced did not have a high level of long term impact on the organisation, the process that underpinned their development did re-affirm 'the importance of forward thinking with respect to strategic direction' within the agency. The longer term outcomes of the process were a two-day Strategic Navigation workshop for all members of the Executive, which in turn led to the establishment three Strategic Learning Networks. A small research cell was set up to carry out the research in support of the issues being explored by these Networks, and this research became the basis of 'The Vote', a further scenario planning process that was enthusiastically received by the Executive and that had quite a significant impact on the organisation's attempts to plan and prepare for the future.

Similarly, the aim of 'think more widely' continued to be achieved at Child Support Agency. While little enthusiasm was shown by the Executive for further scenario

planning processes after the original one in 1997, they all participated quite willingly in one-day Futures workshops in 2000 and 2001. The aims of these workshops were to encourage the members of Executive to think "out of the box" about what the "business" of Child Support Agency should be, to explore and discuss impending changes in social policy and a range of critical strategic issues, and to consider how some of these long term issues and trends might impact upon the business environment of the Agency. Even at DoTRS, despite a complete loss of enthusiasm among the senior executive team for scenario planning after the process it undertook in 1998, the Department continued to experiment with futuring processes, culminating in the 'DoTRS in 5 Years' project that was still underway as of late 2001.

In summary, it is apparent that while the aims of 'think more widely' and/or 'understand the future' were achieved to some degree in the long term at every agency, there was a noticeable variation across the 7 cases in the long term achievement of aims such as 'inform strategic planning' and 'dialogue with stakeholders'. We will now explore the factors of intensity of research process, size and type of agency, executive involvement in the scenario planning process, executive support for the follow-up, and style of scenarios, to see if there is any link between them and greater sustained achievement of aims in the long term.

Intensity of the Research Approach

One of the factors studied in the comparative analysis was the intensity of the research approach. In each agency this factor was assessed as being at levels of High, Medium or Low on the basis of the following criteria:

- The level of staff resourcing made available for the process

- The extent and depth of the research phase

- The level of consultation carried out with internal staff and/or external stakeholders and clients

There is some overlap here with the variable, 'Executive involvement in the research process,' in that one of the key internal stakeholders is of course the senior executive of the organisation. We will consider the impact of this variable below.

Table 14 summarises the intensity of research approach for the seven cases. The four cases of sustained success are highlighted.

Table 14

Case	Intensity of Research		
	High	**Med**	**Low**
ATO 1		√	
ATO 2	√		
AFP		√	
Austrade	√		
CSA		√	
FaCS	√		
DoTRS			√

It is apparent that there is a relationship between intensity of scenario planning approach and sustained achievement of aims in the long term. The level of intensity in the case of the four cases of sustained success was High in three cases and Medium in one (AFP); whereas the level of intensity in the other three cases was Medium at CSA and ATO 1, and Low at DoTRS. This difference is particularly well demonstrated by the different outcomes between ATO 1 and ATO 2.

Two senior members of staff at ATO commented that it is very important that if scenarios are to be regarded as plausible by an Executive team then they must be well connected with reality and well grounded in research. The 1997 scenarios had not been well accepted because they were seen as "too futuristic" and based more on some "creative crystal ball gazing" than on any serious research. By contrast, "the Vote" was based on a very substantial and credible body of research (which was later made available to all staff on the CD-ROM), and more closely linked to the current realities and issues of tax administration. The research cell had devoted considerable time to trying to establish "what the research was actually saying" before attempting to write any scenarios. It should also be noted that a substantial research effort was only possible because substantial resources (in terms of a dedicated research cell) had been devoted to it.

Interestingly, the perception that "to do scenario planning properly you have to put substantial resourcing into it" (developed by two DoTRS executives at a scenario planning training course) was one of the reasons why there was a loss of commitment to scenario planning within DoTRS later on. However, the fact remains that whether or not the negative perception of a few members of executive was a key reason for the loss of support for scenario planning in the agency, the scenarios developed at DoTRS (with relatively little effort) did have some impact on the strategic planning process in the immediate short term, but very little impact thereafter.

One of the leaders of the Policy Strategy section in FaCS commented that the research part of the process doesn't necessarily require a great deal of effort, as these days "you can draw upon the work that other people have already done." A great deal of quality research on a wide range of social issues can be accessed via electronic media such as the Internet quite easily, then analysed, summarised and re-presented in "digestible form" for senior managers. He went on to emphasise the value of scenarios as a "summarisation tool" for senior management. A small team such as the Policy Strategy section can study a very complex issue, identify the key elements and the critical uncertainties, and then present these key points as two or three one-page scenarios that in fact are a summary of the issues and the implications of the strategic decision-making processes of key stakeholders such as FaCS. His opinion is that scenarios in this form are very much more useful to senior management than "long winded narratives". As he put it, "the art of scenario planning is in pruning and shrinking down masses of data to the essential decision factors". He went on to suggest that "giant narratives that are often more a product of dreaming than serious research and analysis can damage the credibility of scenario planning in general".

At Austrade, the scenarios were presented to staff as "almost complete products". This approach was well received, as the executive were able to concentrate on working through the implications of the scenarios rather than spending too much time on the methodology. Although there was a perception (among the Executive) that the process had involved minimal resource outlay, the reality was that several staff had worked for a considerable period of time to build up a credible body of research on the basis of

quantitative data and interview data from a wide range of external experts and/or stakeholders. It would be fair to say that there had been sufficient research to give the scenarios a measure of credibility. Moreover, the fact that the scenario planning team had sought input from international as well as Australian agencies, and that they had involved organisations such as Global Business Network, helped "create an aura around the process".

A senior officer at AFP commented on the importance of a well thought out and properly developed research process, stating that the development of "credible scenarios" is hard work, particularly if you want management to "operationalise" them. The fact that the process is "part art, part science" means that it is quite challenging to come up with scenarios that senior managers are prepared to act on. As he put it, "when you explain them to people they are quite willing to take it on board, but when you challenge them to take actions on the basis of the scenarios then they need to be convinced of their validity". The best way to convince managers of the 'validity' of the scenarios is to be able to demonstrate that they are built upon a substantial body of data and a well developed research process.

Both Schwartz (1996) and van der Heijden (1996) have commented on the importance of 'plausibility' of the scenarios. If the recipients or users of scenarios are to take them seriously and act upon them, the scenarios must address issues of immediate concern to them i.e. problems, trends or developments that they care about; and in addition it must be clear to the users that the stories or messages contained within the scenarios are based upon real, reliable data.

One of the key elements of the research phase at all four cases of sustained success was consultation with a wide range of external experts and/or stakeholders via focus group discussions and/or interviews. At ATO this took the form of interviews with a variety of Australian public sector and business institutions, at AFP a range of interviews with external stakeholders, at FaCS focus group discussions with external experts from a variety of relevant fields, and at Austrade a series of in-depth interviews with a wide range of local and international experts.

Galer and Kasper (1982) noted that one of the major reasons for the perceived 'usefulness' of a scenario planning exercise conducted by Royal Dutch Shell in Australia was the fact that corporate planners in the companies involved had been able to interact with a range of outside academic experts. Similarly, Street (1997) observed that one of the main strengths of a scenario planning exercise that attempted to devise strategies for sustainable development in urban areas in the UK was the way in which members of the general public had been involved in the development of the scenarios. The scenario workshop acted as "an effective consultation exercise" in which the views of citizens were fully incorporated into an assessment of local environmental needs and possible ways to achieve them.

Level of Executive Involvement in the Scenario Planning Process

One of the factors studied in the comparative analysis was the level of executive involvement in the scenario planning process. In each agency this factor was assessed as being at levels of High, Medium or Low on the basis of the following criteria:

- Proportion of executives interviewed during the development of the scenarios

- Opportunity for executives to be involved in a variety of ways (such as workshops, meetings and/or online discussions) in the development of the scenarios

- One or more executives having a role such as sponsor or champion of the scenario planning process

Table 15 summarises the level of executive involvement in the scenario planning process for the seven cases. The four cases of sustained success are highlighted.

Table 15

Case	Level of Executive Involvement		
	High	**Med**	**Low**
ATO 1		✓	
ATO 2	✓		
AFP	✓		
Austrade		✓	
CSA			✓
FaCS	✓		
DoTRS			✓

It is apparent that there is a relationship between of executive involvement in the scenario planning process and sustained achievement of aims in the long term. The level of intensity in the case of the four cases of sustained success was High in three cases and Medium in one (Austrade); whereas the level of intensity in the other three cases was Medium at ATO1 and Low at DoTRS and CSA.

As we have seen, executive involvement in the process at CSA and DoTRS was limited to an in-depth interview with most (but not all) members of the Executive. By contrast at ATO 2 all of them participated in a variety of internal discussions and/or focus groups, and one of the First Assistant Commissioners acted as a 'sponsor' of the process and helped with the creation of the dramatic presentation. Similarly, at AFP the members of Executive had been given a variety of opportunities for input to the previous two environmental scans, and again, one of them (a deputy commissioner) had acted as a sponsor and supporter of the process. Bryson (1995) comments on the importance of having an executive sponsor for a strategic planning process, suggesting that they can have a key role in keeping the process going through 'rough spots' and that because of their position they can give the process a level of credibility that it might otherwise have

lacked. While there was no identified 'sponsor' at FaCS, the senior executives there were given multiple opportunities for input during the developmental phase, including interviews, an initial workshop, general group discussions and online discussion databases.

The importance of executive involvement in the developmental phase is that it improves the likelihood that the scenarios will address questions and key uncertainties that matter to the executives (Fahey, 2000); that the scenarios will connect directly with the mental maps and concerns of the users (Schoemaker, 1995); and above all that they will reflect management's central concerns (Wack, 1985a and van der Heijden, 1996). While there is some evidence in this research study that in every case the senior executives were given opportunity for input to the process at an early stage, it seems clear that greater levels of input produced greater levels of executive endorsement of the scenarios and (as will be discussed in the next section), greater levels of ongoing support for ongoing follow-up processes.

The importance of making the scenarios relevant to the senior executive group was particularly well reflected in the experience at Austrade. While the initial level of executive involvement in the developmental phase was quite low (in depth interviews) and the members of the executive had little involvement in the creation of the actual scenarios, following the initial presentation further work was done to make one of the scenarios (*Bush Track*) more relevant and/or engaging to the senior executive team. In addition, a great deal of time and energy had been put into the other aspects of the research phase (e.g. interviews with external stakeholders and analysis of quantitative data), and it seems that this factor, combined with the fact that the scenario planning team had sought input from international as well as Australian agencies (and thereby helped "create an aura around the process") helped overcome any loss of momentum through lack of executive ownership. These efforts to engage and involve the senior executive did translate into a high level of ongoing executive support for follow-up activities such as the various projects.

Finally, Ling (1999) has commented on the importance of presenting the scenarios in an interesting and stimulating manner if you are to 'capture the hearts and minds' of the

audience. Similarly, Wilson (1998) noted that to change the mind-set of executives and planners you must first "capture and hold their attention". At Austrade, extensive use was made of pictures, charts and diagrams in the original scenario presentations, and one of the senior executives commented this greatly enhanced the appeal of the scenarios themselves. At AFP, the scenario planning team went to considerable trouble to make the original presentation as engaging and interesting as possible for the senior executives. Accordingly, it included role-plays and simulated news presentations.

However, the launch of 'The Vote' at ATO 2 was probably the best demonstration of the power of presentation of the seven agencies studied. The 1997 scenarios had little long term impact on the organisation, partly because of a perceived lack of underpinning research, but partly because (according to one of those interviewed), "the way it was launched (PowerPoint presentations) didn't engage a lot of people." By contrast, the dramatic presentation of "The Vote" (complete with professional actors, an off-site theatre, excellent use of multi-media, and provision of refreshments at intermission) captured the imagination of the audience and resulted in immediate endorsement by several key members of Executive. As a member of the scenario planning team put it, "we took them away from the daily grind and took them to another world." The power and credibility of the message to the rest of the ATO over subsequent months were greatly enhanced by the fact that it was presented in both CD-ROM and Video formats (both of professional quality).

Executive Support for the Follow-up

Another factor studied in the comparative analysis was the level of ongoing senior executive support for ongoing implementation and follow-up to the scenario planning processes **after** the initial presentation and/or workshops. In each agency this factor was assessed as being at levels of High, Medium or Low on the basis of the following criteria:

- Level of enthusiasm of executives for the initial scenarios and/or for further scenario work

- Willingness of executives to encourage, resource and/or make use of follow-up or further scenario planning processes

- Willingness of executives to make use of scenarios in subsequent strategic and/or business planning processes

Table 16 summarises the ongoing senior executive support for ongoing implementation and follow-up to the scenario planning processes for the seven cases. The four cases of sustained success are highlighted.

Table 16

Case	Level of Ongoing Executive Support		
	High	**Med**	**Low**
ATO 1			√
ATO 2	√		
AFP	√		
Austrade	√		
CSA			√
FaCS	√		
DoTRS			√

In this case the difference between the four cases of sustained success and the other three cases is quite marked, and there is clearly a relationship between sustained achievement of aims in the long term and the level of ongoing senior executive support for follow-up to the original scenario planning processes.

The strong endorsement of "The Vote" by the top-level leadership of the organisation meant that it was in the following months circulated to virtually all managers within the ATO. About 500 copies of the CD-ROM were distributed throughout the organisation, with the expectation that the Executive teams of all the business Lines would use its content "as a focus for their planning for the future".

Executive support was a critical factor at Austrade. As mentioned above, they appreciated the fact that the scenarios were brought to them as a "finished product" (they hadn't had to spend hours developing them), but there had been sufficient research to give the scenarios a measure of credibility. The support of Executive translated into a variety of specific projects as well as follow-up work such as the scenario planning work in the Southeast Asia region (described above).

The 1997 scenarios at ATO did not receive a great deal of executive support and had little long term impact on the organisation as a whole, except to pave the way for the development of "The Vote". While it was the Strategic Learning Networks that took the main responsibility for the research and development of the scenarios that underpinned "The Vote", most members of the Executive were consulted during the research process, which was part of the reason for the subsequent levels of executive endorsement (the quality of the original presentation was also an important factor). The support of the First Assistant Commissioner of ATO Corporate, during the developmental phase; and the subsequent endorsement of the project by the Commissioner of Taxation, and a Second Commissioner (Strategic Management) proved to be critical to the success of the project. This strong endorsement of "The Vote" by the top-level leadership of the organisation meant that over the next few months about 500 copies of the CD-ROM were distributed throughout the organisation, with the expectation that the Executive teams of all the business Lines would use its content "as a focus for their planning for the future".

At FaCS, the commitment of Executive to the process, virtually from the beginnings of the Department, had been a critical factor in the use of scenarios at FaCS. This Executive commitment had translated into an ongoing commitment to future-oriented research within the Department i.e. a small team of dedicated researchers in the Policy Strategies section. As well as resourcing this cell, the comment was made that they continued to take an active interest in the output of the team. "They keep asking the questions and seeking the stuff we put out." The situation has been similar at AFP, where scenarios continued well into 2003 to be a key input to the ongoing environmental scanning and contingency planning processes, and where the National Management Team continued to request the development of scenarios and support the work of the Policy Group.

By contrast, while there was some initial enthusiasm among Executive for the scenario planning done at DoTRS, in early 2000 a new Secretary took over the running of DoTRS. While he perceived scenario planning to be an "interesting tool", he was not very committed to its ongoing use within the Department, and there was no follow through on the scenario planning process described above. This lack of enthusiasm was compounded by the negative message put out by the two executives who had been on a scenario planning workshop and who became disenchanted with a perceived emphasis on having to put high levels of resourcing into the developmental phase. It wasn't until the arrival of a new department head in mid 2000 that there was a fresh commitment to "doing some serious futures work" and trying to map out the long term trends of the Department's area of business – but it was made quite clear from the outset that this process was not to include scenario planning.

At CSA, all those interviewed agreed that "management buy in" is absolutely critical to the success of any scenario planning exercise. The fact that the 3-year scenarios were enthusiastically received by the Executive was a major reason for their use as a critical input to the 98/99 and subsequent business planning processes at the Agency. By the same token, lack of endorsement by Executive was the main reason why the one-year and ten-year scenarios had no significant impact on the Agency's strategic planning processes. Similarly, when external priorities overtook the agency in 2000, a lack of support (and resourcing) from Executive was the main reason for all futuring work being placed in abeyance.

Finally, De Geus (1997) and Kleiner (1996) have both commented that one key driver of executive endorsement and then ongoing support is the credibility of the principal scenario writers. While it is not essential that all members of the executive immediately accept the content of each or any of the scenarios (in fact this rarely happens), it is far more likely that they will take them seriously and act on them if they can be convinced of the integrity and sound judgement of the authors. The presence of 'one of their own' (members of executive) as part of the scenario planning team made a big difference at ATO 2 and AFP, but the perception of credibility was very much enhanced at all four cases of sustained success by the level of research and consultation that had been

undertaken by the scenario planning team, and the way in which this was summarised and presented.

Size and Type of Agency

As was discussed in Chapter 1, public sector agencies can be classified into three broad functional types – policy, regulatory and service. We will now consider each of the six agencies studied in turn.

The Australian Taxation Office is the agency responsible for the administration of Australia's taxation system. According to *Supporting the Community – 1999-2002 Plan (1999)*, the 'challenge' for the Australian Taxation Office is "to build a viable, sustainable organisation that focuses on:

- Collecting budgeted revenue

- Implementing tax reform

- Addressing risks to compliance

All three of these main functions necessarily involve 'regulation', and while the implementation of tax reform involves to a small degree the development of policy and advising of government on the implementation of that policy, this is a relatively minor role, and so the ATO has been classified as Regulatory.

The Australian Federal Police is Australia's principal law enforcement agency through which the Commonwealth pursues its law enforcement interests, with functions that relate both to community policing and to investigations of offences against Commonwealth law in Australia and overseas. These functions are mainly service oriented, ranging from pursuit of the Commonwealth's law enforcement interests to community policing in the Australian Capital Territory. It has an advisory role of policy development in specific areas such as counter-terrorism, but this role is a small one – mostly it exists to enact policies developed by agencies such as the Attorney General's Department. It has therefore been classified as Service.

Austrade exists to "help Australians enter overseas markets, expand their export businesses and capture export and investment opportunities." (Austrade Service Charter,

1999). At times it advises its parent body, the Department of Foreign Affairs and Trade, on matters of policy, but this represents a relatively small part of its role, and most of its resources are devoted to providing a range of support and advisory services to Australian companies that wish to enter overseas markets. Therefore it has been classified as Service.

The Child Support Agency's role is to manage the Child Support Scheme, which (according to the Agency's Internet site) includes ensuring that parents share in the cost of supporting their children, according to their capacity; adequate support is available for all children not living with both parents; Commonwealth involvement and expenditure is limited to the maximum necessary to ensure children's needs are met; and incentives for both parents to participate in the labour force are not impaired These aims are very much about regulation of the Scheme, and so CSA has been classified as Regulatory.

The Department of Family and Community Services was created in 1998 to have responsibility for shaping social policies and ensuring they are delivered efficiently through partnerships with other government and non-government organisations. Its expressed Purpose "is to deliver social policy outcomes for Australian Families, communities and individuals" (Service Charter, 2001). Its role is very much about the development and implementation of Commonwealth government policy, and so it has been classified as Policy.

According to the Client Service Charter (2000) of the Department of Transport and Regional Services, "We serve Australia by helping the Government to achieve its policy goals in transport and regional services by facilitating a better transport system and greater recognition and opportunities for local, regional and Territory communities. We provide our Ministers and Parliamentary Secretary with advice on policy options. We also provide regulatory, investigatory, safety, grants and research services and raise revenue." Most of the regulatory and other services mentioned are in fact largely the responsibility of agencies such as Civil Aviation Safety Authority and the Australian Maritime Safety Authority, and so DoTRS has been classified as Policy.

Information on size (total number of staff) was obtained from the *State of the Service Report 2000-01* (Public Service and Merit Protection Commission, 2001). Approximate full-time staff numbers at the time of the research were as follows:

ATO   20,000

FaCS   6,000

AFP   2,800

CSA   2,500

Austrade   1,000

DoTRS   900

Table 17 summarises type of agency as well as size (approximate numbers of staff) for the seven cases. The four cases of sustained success are highlighted.

Table 17

Case	Size of Agency (approx no. of staff)	Type of Agency
ATO 1	20,000	Regulatory
ATO 2	20,000	Regulatory
AFP	2,800	Service
Austrade	1,000	Service
CSA	2,500	Regulatory
FaCS	6,000	Policy
DoTRS	900	Policy

With respect to agency size, the four cases of sustained success range in size from 20,000 to 1,000 staff, whereas the other three cases range in size from 20,000 to 900. Clearly this study of scenario planning has not demonstrated any relationship between size of agency and sustained long term achievement of aims of the scenario planning processes.

With respect to type of agency, the four cases of sustained success include Regulatory, Service (two) and Policy; while the other three cases include Regulatory (two) and Policy. It is interesting to note that not only were two of these four cases 'Service' agencies, but also that there was no 'Service' element present in the agencies that did not experience sustained long term achievement of aims of the scenario planning processes. However, given the size of the sample and the fact that one of the other four 'successful' users of the scenario planning process was a Regulatory agency (ATO) and the other was a Policy agency (FaCS) it is difficult to draw any firm conclusions about a possible relationship between an emphasis on service provision and sustained long term achievement of aims of the scenario planning processes.

Nonetheless, it is interesting to note that in the case of Austrade, one of the agencies with a strong 'service' focus, one of the main outcomes was a number of specific projects, each related in some way to one of the scenarios. As will be noted in the Conclusion, this link between service (or perhaps private sector) focus and scenario-based projects is one that is worth investigating further.

Finally, the fact that there was no clear relationship between my four cases of 'sustained success' and the size or type of agency involved has implications for similar public sector agencies in other OECD countries such as New Zealand and the UK. They have a similar range of functions and sizes, and face many of the same issues, constraints and mandates as their Australian counterparts. Given that sustained success of scenario planning in the case studied did not appear to be linked to either agency size or agency type, one can conclude that effectiveness of scenario planning in public sector agencies in countries such as these would be more likely to be linked to other factors (such as executive support) than to agency size or function.

Style of Scenarios

The final factor considered in the comparative analysis was the 'style' of the scenarios, as indicated by:

- The number of scenarios developed

- The timeframe in which the scenarios were set.

Table 18 summarises the style of scenarios developed in each of the seven cases. The four cases of sustained success are highlighted.

Table 18

Case	Number of scenarios	Timeframe of scenarios (yrs)
ATO 1	3	10
ATO 2	2	20
AFP	4	5
Austrade	3	4
CSA	3	3
FaCS	3 (4th added)	5
DoTRS	3	10

With respect to number of scenarios, in the case of the four cases of sustained success the number ranges from 2 to 4, and although all three other cases had 3 scenarios, there does not seem to be any relationship between the number of scenarios and sustained long term achievement of aims of the scenario planning processes. What is apparent is that the number of scenarios is in the range 2 – 4, which is what is recommended in the literature.

With respect to the timeframe of the scenarios, in the case of the four cases of sustained success it ranges from 20 years to 4 years, while in the other three cases it ranges from 10 years to 3 years, so again there does not seem to be any relationship between the timeframe of the scenarios and sustained long term achievement of aims of the scenario planning processes.

The most 'extreme' timeframe of the cases studied was ATO 2 (20 years), although the comment was made by one of those interviewed that while 'The Vote' was set in 2020, the data was presented in such a way that it could just have easily been 2005. This reinforces the point that the scenarios should connect with current reality, yet widen the perspectives and challenge the mental models of the users. The experience of the scenario planning team at CSA is an excellent demonstration of the importance of finding the right balance between realism and challenge. As we have seen, the initial scenarios (that had a 3-year timeframe) were well received by senior management, and they had a significant impact on the ongoing strategic planning processes of the agency. By contrast, the 1-year scenarios were not considered sufficiently challenging, while the 10-year scenarios were dismissed as "science fiction". A senior officer involved in the scenario planning processes at AFP commented on the importance of trying to find the right balance between realism and challenge. He commented that if the scenarios are too removed from current reality then they will be dismissed as "gimmicky science fiction". On the other hand, if they are perceived to be merely an extension of current reality, then the response is likely to be along the lines of, "So what? We already knew that!" He went on to say that scenarios should be used for "indicative rather than predictive purposes" i.e. to illustrate key concerns and highlight critical issues, rather than trying to present an authoritative view of the future.

Finally, it is interesting to note that despite what the literature has to say about the difficulties of taking a long term view in the public sector (see for example, Berry and Wechsler, 1995; Bryson, 1995; Pollitt and Bouckaert, 2000), all four cases of sustained success used timeframes of at least 4 years for their scenarios. However, as highlighted above, if you are going to take a 'long view' it is important to present the scenarios in a manner that connects with the current realities and concerns of the users.

Conclusion

I have shown how the process of scenario planning did make possible improved strategic planning at least to some degree in all six agencies that I studied, as well as providing other benefits such as improved quality of dialogue with stakeholders and ability of executives to think more divergently. However, the longer term benefits of scenario

planning were significantly higher in those agencies where there was a high intensity research process, relatively high levels of executive involvement in the early stages of the processes, and sustained executive support for follow-up to the initial scenario planning processes. I would now like to discuss some overall conclusions that can be drawn from my three year study of the application of scenario planning in the Australian Public Service.

CONCLUSION

Slaughter (1995) has commented that "while the future is in a strictly rational and logical sense unknowable, that does not leave us helpless. What we cannot see directly or deduce we can model, construct or imagine." This is true at both individual and organisational levels. If an organisation is able to 'model, construct or imagine' its future then it can plan more effectively and make better use of whatever resources it has at its disposal – whether it is in the business of making money or providing some sort of public service. One technique that organisations have been using to try to model or visualise their future is scenario planning. While it has been a popular planning tool (in its various forms) since the 1970s, it is only since the latter part of the 20th century that specific public sector agencies have been using it. However, there has been little research to date on the extent to which individual government agencies may have benefited from the inclusion of scenario planning (or other such futuring or foresight techniques) in their long range planning.

For the purposes of my research, I studied the ways in which six Australian government agencies set out to model and/or plan for the future. While the primary aim of this study was to try and ascertain if scenario planning was a process that could be used by agencies of the Australian Public Service to generate and develop information relevant to the future and thereby make possible improved strategic planning, I found that in fact scenario planning can produce a variety of possible benefits to public sector agencies, provided that the process is well resourced, and has the support of senior management. As well as adding useful information for consideration as part of their long range strategic planning processes it can help them to address some of the particular difficulties associated with the political context in which public sector agencies have to operate.

The benefits include:

- Providing a framework for the information gathering phase of strategic planning

- Encouraging more systematic, ongoing dialogue with key internal and external stakeholders

- Enabling a better understanding of possible future trends and events that might have relevance to the agency's business context

- Providing a mechanism for testing or 'wind tunneling' strategy

- Encouraging senior managers and planners to think more widely and creatively about relevant issues and trends that might have impact on the agency's core business

- Assisting the agency to develop appropriate long term contingency plans.

These benefits align fairly closely with what the research on this topic has to say (described in Chapter 1). The particular significance of my research is that it was undertaken in six specific public sector agencies. While some previous research has been undertaken of the effectiveness of scenario planning in the private sector, and also of 'industry-wide' public sector exercises such as Mont Fleur and The Hemingford Scenarios, there has been little research to date of the applicability and usefulness of the process in specific public sector agencies such as the six APS agencies studied. It is encouraging for me (as a consultant to the public sector) to note that my research findings suggest that scenario planning is indeed a process that can provide useful input to public sector agency strategic planning, as well as having a number of other long term benefits such as improved dialogue with stakeholders.

Writers such as Schwartz (1996), van der Heijden (1996) and Wack (1985) argue that if organisation strategic planning processes are to be effective then their executives need to learn how to 'think more widely' and more effectively 'understand the future'. Every one of the seven scenario planning processes at the agencies studied assisted agency strategic planning processes at least to the extent that they helped their executives to think more widely about relevant strategic issues for their organisations and to develop a better understanding of future issues and trends of relevance to long range planning for their agency. These particular benefits were also noted in public sector overseas examples such as The Hemingford scenarios, the National Education exercise and the New Jersey transport exercise.

Foresight

One of the key reasons why organisations (private or public) employ processes such as scenario planning is to develop 'foresight' – what Slaughter (1995) has described as a

deliberate process of expanding awareness and understanding through futures scanning and the clarification of emerging situations. He has suggested that foresight expands the boundaries of perception in four different ways:

1. Assessing the possible consequences of actions or decisions one may wish to undertake

2. Anticipating problems before they occur

3. Considering the present implications of possible future events

4. Envisioning desired aspects of future societies.

While there are a variety of processes that can be employed for the development of 'foresight', it is interesting to note that all four of the above elements can be seen in the various scenario planning processes undertaken at the agencies studied, which suggests that scenario planning can be a useful way for public sector agencies to develop foresight in regards to their long term operating environment. This in turn might enable them to be more proactive with respect to the development of policy and to be able to put forward better reasoned justification for the resources they need for the programs they wish to undertake. For example, the Department of Transport and Regional Services (DoTRS) employed scenario planning as a mechanism for assessing the possible consequences and effectiveness of the strategies contained within its draft Strategic Transport Directions Statement. Similarly, one of the key aims of scenario planning within the Australian Federal Police (AFP) was contingency planning – trying to anticipate and plan for any external problems before they occurred. Austrade's three scenarios attempted to outline the implications for current strategic planning of future events that might impact upon international trade in the region. Finally, 'The Vote', the scenario planning process undertaken at the Australian Taxation Office (ATO), provided two different pictures of an 'economically successful' Australia in 2020.

Key factors

Sustained benefits of scenario planning in my case studies were dependent upon some key factors. Executive involvement in the developmental stages of the process as well as support for the follow-up activities were the most significant factors in terms of which

cases continued to see medium or high level achievement of their aims beyond the initial 12 months. This finding is very much in agreement with the view put forward by writers such as De Geus, (1997), Schwartz (1996), Bryson (1995) and Kaufman (1992), that executive ownership and involvement is a critical success factor in the implementation of any new strategic planning process (whether in private, public or not for profit sectors).

While executive involvement in the developmental phase was a key factor, executive support for the follow-up was even more critical. Getting executives to respond to and act on the scenarios was as much about how the scenarios were presented as about what was in them. Once executive commitment to a process such as scenario planning has been gained it needs to be sustained if there are to be long term benefits. This was demonstrated by way of ongoing commitment of resources in the four cases of sustained success – whether in the form of a willingness to continue to resource a small internal policy/strategy team that engaged in futuring work or a willingness on the part of the Executive to continue to seek advice from the team or invite them to undertake further scenario planning exercises e.g. for workforce planning.

In the case of Austrade ongoing executive support largely took the form of initiating and/or supporting a range of specific projects related to the various possibilities suggested by the three projects. It is interesting to reflect that this fairly pragmatic response occurred in one of the most 'service oriented' of the six agencies studied. While Austrade does have a small policy advice role (through the Department of Foreign Affairs and Trade), its main focus is on providing various advisory and support services to Australian private sector companies. While agencies such as FaCS and ATO could claim that their scenario planning exercises resulted in improved information gathering as part of strategic planning, improved dialogue with stakeholders, and better ability to understand and plan for the future operating context of the agency; Austrade could make similar claims, but could also point to a number of specific projects and/or programs such as 'Exporting for the Future' that came about at least partly because of the messages contained in the three scenarios. The particular usefulness of scenario planning for public sector agencies (such as Austrade) that have very direct links with the private sector is an area that is worthy of further investigation.

The other factor linked with sustained success was 'intensity of the research approach'. This factor reflects the level of staff resourcing made available for the process, the duration and depth of the research phase, and the extent of consultation carried out with internal and external stakeholders. All three of these elements require resources, which in turn have to be committed by senior executives. Thus there is a real sense in which the level of resourcing made available for a strategic planning process such as scenario planning is as much a result of executive commitment as a cause of it. To reiterate, a key factor in the sustained impact of scenario planning at four of the agencies studied was a supportive climate – a willingness of senior executives to resource forward thinking planning processes of this type.

Application to wider public sector

I have discussed how my various research findings in many ways replicate the documented prior experience of other organisations (private and public) with scenario planning. However, I believe that it is also possible to generalise my findings to the wider public sector. While I chose to limit the case study component of this research to agencies within Commonwealth government, the Australian public sector includes a wide variety of Commonwealth, state and local government organisations. With respect to strategic and/or corporate planning in its various forms, the "business environment" and long term concerns of state and local government agencies are very similar to those of the APS, and even at the local government level, considerable time and effort is devoted to this type of planning. As Kloot (2001) commented in the conclusion to her study of the use of local government corporate plans in Victoria, "The time and effort put into the strategic planning process found in this research suggests that local government in general is making a serious attempt to prepare corporate plans." Public sector agencies of the various state governments in Australia face very similar issues to their Commonwealth counterparts, and they too are expected to produce long range strategic plans as well as annual business plans. With respect to the public sector overseas, Pollitt and Bouckaert (2000) noted that strategic planning has been tried in different ways by Australia, Canada, Finland, New Zealand and the UK. While the latter four do not have the same level of state government as Australia, all of them have large, fairly centralised public services, each of them containing a number of different agencies of various types and size. Given

that sustained success of scenario planning in the cases studied did not appear to be linked to either agency size or agency type, I would argue that the factors of executive involvement in the developmental phase, executive commitment to the follow-up, and intensity of the research process would be just as relevant to scenario planning in public sector agencies in countries such as the UK and New Zealand as they are to public sector agencies in the Australian Public Service.

'Managing managerialism'

While scenario planning was initially used for fairly wide ranging global futuring exercises in the public sector, it was the private sector that popularised it as a strategic planning tool that could be used at the company or agency level. I would argue that one of the underlying reasons why scenario planning delivered benefits for the six public sector agencies studied is the fact that over the last 20 years the Australian Public Service (along with most of its OECD public service counterparts) has taken on more and more of the management characteristics of the private sector. This reflected a more general trend in OECD countries from a traditional approach to public administration, (where the emphasis was on processes and outputs that could demonstrate that resources were being directed to those areas of public responsibility considered by the current government to be of importance), to an emphasis on making the best possible use of resources in a way that would bring about measurable changes and sustained long term impacts (Pollitt & Bouckaert, 2000).

The new emphasis within the APS on managing for results and delivering 'value for money' meant that agencies had to pay much closer attention to budgeting for the programs they intended to carry out, and then accounting for and justifying the ways in which they had made use of the resources they had been given. As a result of this renewed emphasis on the 'here and now' there are still relatively few agencies within the APS that make use of long range or future planning tools such as scenario planning. Nonetheless, in agencies such as ATO and AFP there was a discernible link between scenario planning and agency business planning processes, both in the short term and the long term. The senior executives of each agency (including, for example, the heads of the various business Lines at ATO) were expected to use the ideas/trends emerging from the

developed scenarios in putting up a business case for their immediate and longer term budgets. Therefore it can be argued (particularly with respect to the four cases of 'sustained success') that scenario planning can help public sector agencies do a better job of planning (and budgeting for) programs that would continue to serve the interests of their clients and stakeholders beyond the current financial year. In addition, since scenario planning is an inherently more flexible and adaptable process than more traditional techniques such as forecasting, it should enable APS agencies to respond more flexibly to the inevitable levels of internal and external change that they will continue to experience.

Improving policy development

With respect to the all important area of policy development, one of the outcomes of the changes to the machinery of government that took place within Australia in the 1970s and 1980s, particularly the amalgamations of the Hawke area, was that there was an increase in the size of departments tasked with implementing government policy in areas such as health, education, defence and social welfare. Partly because of their size, there was a recognition that the agencies were now in a better position to advise their ministers not just on implementation of government policy, but also to advise on what policy directions they should be taking and where the resource emphases should be. This more proactive policy role would only be sustainable if the relevant senior executives were able to demonstrate a good grasp of the upcoming trends and global forces that might influence their sphere of operation. Again, scenario planning, with its emphasis on wide ranging research of those 'driving forces' that might impact upon an organisation at some point in the future, has a useful role to play here. As we have seen, both ATO and the Department of Family and Community Services (FaCS) have significant policy development functions, and both of them showed sustained benefit from their scenario planning processes.

Timeframe issues

It has to be acknowledged that the political context can create some particular difficulties for public sector agencies that wish to undertake processes such as scenario planning. These include the pressure to produce immediate results, the difficulty of thinking 'long

term' in the context of three to four year electoral cycles, and the possible political sensitivities around any scenarios that might be created.

'Political limitations' to produce immediate results have been noted by writers such as Bryson & Roering (1988) and Berry & Wechsler (1995), and were all referred to by senior officers at the agencies studied. The pressure to produce immediate results is always an issue in the public sector, and agencies such as DoTRS and CSA were quick to abandon scenario planning when external priorities changed. The main ways of overcoming this problem, as pointed out both within the literature and in my own research, are a supportive attitude to the process on the part of the senior executives at the beginning, and a willingness to provide sustained commitment to the follow-up processes.

With respect to timeframe of scenarios, it is interesting to note that this was not limited by the short term nature of electoral cycles either in wide ranging public sector scenario planning exercises such as The Hemingford Scenarios or indeed within the agencies I studied. The timeframe of the scenarios in three of my four cases of sustained success was 5 years or longer, demonstrating that those involved in the development of the scenarios did not feel constrained by the timeframe of a Commonwealth electoral cycle (normally about 3 years). The need to take 'a long view' of developing trends and issues of relevance to the agency was considered to be integral to the effectiveness of the process, and the long term achievement of the aims of scenario planning in these agencies did not appear to be impaired in any way by the fact that the timeframe of the scenarios was longer than the purview of the current government.

In summary, with respect to the linked concerns of the pressure to produce immediate results and the difficulty of thinking 'long term' in the context of electoral cycles, I have shown that so long as the scenario planning team were able to engage the attention and ongoing commitment of their senior executives to the process, then any anxiety that the executives may have felt about external political pressures to produce immediate results would be alleviated by their recognition that taking a long view would improve the long term effectiveness of their planning, and indeed their ability to convince their political masters of the need to resource the programs and policy directions they were arguing for.

Political sensitivity

The risk of political sensitivity of scenarios in the public sector is a concern that was raised by two senior officers at the ATO. If, for example, an agency put forward a scenario that suggested considerable divergence from one or more policies of the current government e.g. de-emphasis of privatisation at a time when one's political masters are committed to privatising and outsourcing public services wherever possible, there might be the risk that this 'possibility' could be exaggerated or taken out of context by the media, with the resultant 'political fall-out' for senior staff in the agency. Again, several of the scenarios described in a couple of the cases had significant implications in terms of size and location of staffing – a 'possibility' that union representatives would be sure to take a strong interest in. The result of this 'limitation' could be that to some extent scenario planning could become something of a 'covert action', with restrictions being placed on the extent to which scenarios can be made public. Despite this concern, there is no evidence in any of my cases that the scenario planning was done in a 'covert' way – in fact in agencies such as ATO, FaCS and DoTRS representatives from the various Ministers' offices (as well as a range of 'outsiders') were included in the consultation process.

In addition, despite this issue of possible "political fall-out", the public sector context can in some ways be a 'safer' one for serious scenario planning than the private sector – for example, a way of canvassing policy change in a non threatening, hypothetical way. An ATO officer commented that in most public sector agencies there is "an openness about what we do" and a willingness to engage with the outside world and "talk about what we do". By contrast, the fear of giving away 'competitive edge' may prevent many private sector organisations from being too forthcoming about their current strategies and the real reasons behind attempts to dialogue with various stakeholders. Thus, one can hypothesise that public sector agencies would generally be more willing to engage in open, two-way dialogue with their stakeholders about possible futures and strategic directions than their private sector counterparts.

Final comments

On the basis of my study of seven Australian government agencies, I would therefore conclude that scenario planning is a process that can make possible improved strategic planning for agencies of the Australian Public Service (chiefly through its role in generating information that is relevant to the future), so long as the agency's senior executives have shown that they are open to and/or committed to following through with this type of futuring or planning process, and they are prepared to devote adequate resourcing to the task. Furthermore, I would expect that scenario planning, if properly conducted along the lines of the model approach outlined above, would help senior executives of any public sector agency to think more widely and creatively about the range of uncertain and complex issues facing their agency, as well as helping them to understand the importance and possible implications of external trends, changes and developments likely to impact in some way upon their agency in the future. If applied in the right way it can give them an effective framework for the information gathering phase of strategic planning, provide them with a useful basis for testing strategy options, and help them to develop appropriate long term contingency plans for the agency.

Finally, given that benefits such as contingency planning, thinking (and dialoguing) more widely and creatively about future uncertainties, and learning to understand the importance and possible implications of external trends, changes and developments have to do with identifying, understanding and planning for the likely 'business futures' of the agency, I would conclude that scenario planning can, if used in the right way, help alleviate or overcome the problem of the perceived lack of relevance of public sector strategic planning.

APPENDIX: SCHEDULE OF INTERVIEWS

September/October 1999

AFP

Glenn Wahlert	Manager, Business Planning

ATO

John Body	A/g Assistant Commissioner, Corporate Directions
Jo Thelander	Director, Business Strategy & Development, INB

Austrade

Tim Harcourt*	Chief Economist

CSA

Mary O'Hanlon	Director, Business Development Unit
Angela Morella	Business Development Unit
Jo Mond	Business Development Unit

FaCS

Nick Morgan	Policy Strategy Section

OSCA[4]

Ms. H	Deputy Director, Analysis

DoTRS

Sue Elderton	Ass. Secretary, Cross-Modal & Maritime Transport
Joc White	Assistant Secretary, Transport Review

September/October/November 2001

AFP

Ian Peterson	Principal Policy Officer, Policy Group
Peter Whowell	Principal Policy Officer, Policy Group
Nina Rassaby*	Senior Policy Officer, Policy Group

* Interviewed by telephone.

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[4] Names withheld for security reasons

ATO

Graham Bailey	Director, Innovation Centre
John Body	Assistant Commissioner, Integrated Tax Design
Wendy Black	Director, Planning & Accountability, Personal Tax
Jo Thelander	Director, Planning & Design, Personal Tax

Austrade

Tim Harcourt*	Chief Economist
Greg Joffee*	Corporate Advisor
Mike Moignard*	Senior Trade Commissioner

CSA

Angela Morella	a/g Director, Business Development Unit
Carmel Lynch	Business Development Unit

FaCS

Peter Ritchie	Director, Policy Strategy Section
Lynn Mackay	Policy Strategy Section

OSCA[5]

Mr. B	Director, Analysis
Ms. H	Deputy Director, Analysis
Mr. C	Senior Analyst

DoTRS

Sue Elderton	Assistant Secretary, Trade and Cross-modal Policy
Lynn Mackay	Consultant to Department

January 2004

AFP

Ian Peterson	Principal Policy Officer, Policy Group
Peter Whowell	Principal Policy Officer, Policy Group
Clive Black	Senior Policy Officer, Policy Group

* Interviewed by telephone.

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[5] Names withheld for security reasons

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