Managerial Engagement with Scenario Planning: A Conceptual Consumption Approach

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Abstract

Scenario development is widely used to reduce uncertainty while making decisions in high velocity environments. Despite this fact, managerial fixation on short term performance objectives, their penchant fear of the unpredictable future and their sheer inability to face the alternative futures generated in the scenario planning exercises has led to little value capture from this activity.

The paper analyzes the factors that determine the willingness of decision-makers, to be actively involved in scenario planning. The authors suggest that effective incentives to promote the interest in this activity and its impact can be found, if we consider the decision-makers, as 'consumers' of certain ideas, concepts, expectations, and competencies. In particular, the paper hypothesizes and validates the assumptions that the selection of appropriate targets for scenario planning, commitment to achieving them, expectations of positive outcomes, increasing the frequency of scenario planning exercises are more likely to be expressed in the growing interest of managers and stakeholders to develop scenarios.

The presented results are tested on the most common — intuitive logic approach to scenario planning. The authors expect future research to go further to empirically test the proposed hypotheses, and if possible, ascertain whether similar hypotheses could be generated in the context of other tried and tested scenario planning methodologies such as the probabilistic modified trends, competitive intelligence and cross impact analysis.

Keywords: strategic foresight; scenario planning; intuitive logics methodology; conceptual consumption

The rapid pace of change in the business environment has increased the need for strategic Foresight in creating and capturing a sustainable competitive advantage. In this regard, the organization of episodic scenario planning exercises has become a dominant logic of organization in high velocity environments [Amer et al., 2013; Sarpong, O’Regan, 2014; Varum, Melo, 2010]. Scenario planning is a ‘disciplined way of looking outside the daily business which involves careful scanning of the contextual environment, dialectic inputs from external observers and creative re-organization of relevant information into meaningful, future-oriented knowledge’ [Schlange, 1997, p. 877]. The practice relies on the generation and probing of heuristic narratives in the form of scenarios representing compelling visions of a future not so detached from the very world in which they are expected to play out. These scenarios are frequently modelled by drawing on internal resources and structures as well as external factors that may have a likely impact on the future of organizations [Mackay, McKiernan, 2006]. While a plethora of methodologies underpinning scenario planning have been developed over the years, management consultants and facilitators increasingly rely on the intuitive logic methodology as a heuristic framework in organizing these exercises [Wright, Cairns, 2011; Mackay, McKiernan, 2006]. The rise of the intuitive logic as a methodology of choice is driven by two main reasons. First, it employs eclectic techniques and activities that are often informal in nature, yet may force actors to ‘think the unthinkable’ within their situated practice and organizational environments. Second, it encourages managers to take individual and collective responsibility in making strategic decisions in fast-moving and complex conditions.

Nevertheless, we know that the managerial fixation on short-term performance objectives, their penchant fear of the unpredictable future, and their sheer inability to face the alternative futures generated in these exercises has led to little value-added from scenario planning exercises [Cunha et al., 2006; Hodgkinson, Healy, 2008]. In short, managerial engagement and proactive participation in scenario planning exercises have been problematic, especially when they are not very clear as to why they should be thinking about the unknown future, and how these scenario planning exercises as a whole could contribute to their organizations’ ability to create and capture sustainable value in the future [van der Heijden, 1996]. Insufficient answers to such questions often taken for granted could undermine the commitment of managers to engage adequately in scenario planning exercises. The potential negative influence of this disconnect on the formulation and implementation of ideas generated from scenario planning calls for new ways to rally managerial support and active engagement with scenario planning in practice. While this call pervades the strategic Foresight literature [Cairns et al., 2009; Forster, 1993], it remains mostly neglected. Accordingly, we respond to this need by drawing on the psychological scholarship on consumption to examine how the basic idea of preference formation and information consumption could augment our understanding of managerial engagement with scenario planning. Departing from a narrow focus on physical consumption to consuming concepts, our theoretical lens help us to offer an alternative interpretation to understanding the managerial desire to consume concepts and ideas about the future, and signal to themselves and others their beliefs about the unknown future and its influence on creating value and capturing competitive advantages.

The paper is structured as follows. First, we provide an overview of intuitive logic as a dominant methodology employed in scenario planning exercises. Next, we introduce the concept of conceptual consumption and its vicissitudes on peoples’ desire to consume concepts. We then explore the relative strength of conceptual conception to show how managers’ desire to consume concepts may encourage them to engage in intuitive logic as a methodology in scenario planning even when other methodologies offer more utility. Finally, we develop some propositions and identify potential empirical indicators to provide insights into the effectiveness of intuitive logic as a scenario planning methodology.
The intuitive logic methodology

Among the plethora of scenario planning methodologies, the intuitive logic approach has received the most significant scholarly attention [Bradfield et al., 2005]. A key characteristic of this dominant approach to organizing scenario planning is its reliance on a group or a variety of key actors in developing plausible multiple scenarios of the future in ways that inform and support decision making that embraces and integrates the full set of potential political, economic, social, technological, ecological and legal (PESTEL) factors that shapes the future. Promising strategic opportunities for the identification of novel opportunities and limitations in the fleeting business environment, variants of the methodology has been proposed each consisting of sequential discrete actions and prescriptive steps [Foster, 1993]. The typical generic steps underpinning the methodology (Table 1) is outlined by Wright and Cairns [Wright, Cairns, 2011].

The starting point of scenario work according to this methodology depends on the purpose of the scenario undertaking. It is generally related to a particular management issue or area of general concern, which in turn determines the focus in terms of the driving forces to be examined. Thus, the intuitive logic based scenario work can be either descriptive or normative and the scope may be extremely broad as in the development of global scenarios or narrowly focused on a particular issue [Bradfield et al., 2005]. The final output of the intuitive logic methodology is a coherent set of logically linked scenarios in discursive narrative form; moreover, the narratives are often embellished with pictures, newspaper clippings and vivid graphics for effect, most of which are contrived.

The concept of conceptual consumption and the intuitive logic methodology

Consumption remains an important construct in understanding human basic needs and survival. With the advent of modern technologies, the nature of consumption in everyday life has broadened to include the consumption of ideas, information, and concepts [Ariely, Norton, 2009]. The implication is that we do not only engage in physical consumption. Rather, we continuously engage in other virtual forms of consumption that constitutively enhance our welfare. For example, consider our daily interactions with brands, our proclivity to read blogs and stories, and how we have internalized research findings about the impact of a daily walk in the woods on our health. Such pervasive consumption or utilization of concepts, ideas or information — often based on previous experience(s) — has come to be known as conceptual consumption [Ariely, Norton, 2009]. The inventiveness of the range of non-physical consumption, as argued by [Ferraro et al., 2009], has the potential to shape our beliefs and attitudes, to influences our decision making, and even impact on the formation and perpetuation of our individual and collective preferences. From this perspective,

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<th>Table 1. Generic steps underpinning the intuitive logic methodology of scenario planning</th>
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Source: [Wright, Cairns, 2011].
we argue that managers’ desires to consume information, ideas and concepts — about the future in this case — has a fundamental role in shaping their behaviour and subsequent engagement with scenario planning. We found four classes of conceptual consumption that we feel can be best used to explain potential managerial engagement with scenario planning. These include: ‘expectancies’, ‘goals’, ‘fluency’, and ‘regulatory fits’. We encourage readers to probe the psychology literature further for a more comprehensive review of other seemingly paradoxical or self-abnegating behaviour that can also be grouped under the broad rubric of conceptual consumption. In the next section, we briefly review these constructs and show how they may help to extend our understanding of managerial engagement with scenario planning.

Consuming Expectancies

Creating expectations about the possible outcomes of different courses of action is known to be one way to cope with uncertainty when making decisions [Zeelenberg et al., 2000]. Human expectation from a particular activity determines their commitment to it. Scholars have noted that stating the expectation from engaging in a certain behaviour can increase the likelihood of performing it [Fitzsimons, Morwitz, 1996; Morwitz et al., 1993]. For instance, expecting humour influences peoples’ enjoyment of comedy movies and makes them more likely to watch such films in future. Such expectations guide perceptions about what constitutes knowledge, and also shape behaviour since people tend to seek confirmations of their beliefs [Fiske, Taylor, 2008]. Thus, by consuming expectations, we refer to how managers’ expectation of generating value from scenario planning may influence their propensity to engage with scenario planning exercises. The implication of our conjecture is that managerial expectations of the possible outcomes of scenario planning may affect their engagement with it. For example, managers might often ask themselves what would happen if they were to rely on the intuitive logic methodology or traditional forecasting techniques that rely on number crunching. Alternatively, they simply ask whether it might be better to opt for another scenario planning methodology. As argued by [Olson et al., 1996, p.211], ‘expectancy’ forms the basis for virtually all behaviour. In this regard, the outcome expectancies of using the intuitive logic methodology might influence managerial behaviour in the following way: If expectancies are favourable, the result is a renewed effort to engage with scenario planning and discussion processes. If their expectancies are sufficiently unfavourable, the result is reduced effort, or even complete disengagement from further attempts [Armor, Taylor, 1998; Zeelenberg et al., 1998].

Although expectancies tend to be confirmed most of the time [Olson et al., 1996], it should be noted, however, that expectancies influence not just perception and internal experiences but also external events without conscious awareness [Chen, Bargh, 1997]. While violations of expectancies are not uncommon [Zeelenberg et al., 2000] managerial expectancies are likely to be either positive or negative. If managerial expectations on probing the future via the intuitive logic methodology are positive, there is more likelihood that managers will prefer it for their scenario planning exercise. However, if their expectations are negative, it is very likely that they opt for another methodology to complete the scenario planning exercise. In the case of a negative experience, expectancies have been violated resulting in negative emotions [Zeelenberg et al., 2000]. In the context of deciding whether to use an intuitive logic methodology for scenario planning exercise, there are at least two ways in which these violated expectancies can result in the experience of negative emotions. The first way entails situations in which the chosen option ends up being worse than the rejected options. This is the case when intuitive logic methodology was the chosen option because it was expected to be the best, yet it turned out that another scenario planning methodology would have been better. Following these ‘bad decisions’, managers are likely to experience regret. The second way is if the intuitive logics as the chosen methodology results in an outcome that is worse than expected. Such ‘disconfirmed expectancies’ often give rise to the experience of disappointment. Accordingly, this may have a measurable effect on their engagement with the intuitive logic methodology.
Taken together, these suggest that preconceptions and ideas with or without experience with the intuitive logics methodology can modify their engagement with it. Consuming expectancies, from our study’s perspective, imply that managers’ perceived expectation in the use of the considered methodology for scenario planning may influence their behaviour, and thus their engagement with it. Thus:

**Hypothesis H1a**: Managerial perceived expectations of using intuitive logics methodology during the scenario planning exercise will positively influence their engagement with it.

**Hypothesis H1b**: Managerial perceived expectations of using intuitive logics methodology during the scenario planning exercise will negatively influence their engagement with it.

**Consuming Goals**

Most theories on goals have emphasized conscious choice and guidance of behaviour on a moment-to-moment basis resulting in an increasing probe into the nature and functions of goals in psychology and consumer behaviour [e.g. Gollwitzer, Moskowitz, 1996; Oettingen, Gollwitzer, 2001]. We refer to consuming goals as an integrated pattern of beliefs, attributions, and effects that produces behavioural intentions [Weiner, 1986; Koestner et al., 2002]. Goals are seen as cognitive structures that can be represented in terms of movement and progress toward some abstract and desirable end state or in terms of commitment to a fixed and desirable end state [Fishbach, Dhar, 2005]. People’s choices are therefore usually driven by multiple underlying goals, each of which — if viewed in isolation — may appear conflicting [Jung, Pawlowski, 2009]. For example, individuals simultaneously believe in saving for retirement as well as taking luxurious vacations, doing well academically and socializing actively with friends, and so forth.

Setting goals therefore serves as a strong motivating factor in enacting action. From this perspective, we argue that the predominant behaviour of managers in a scenario planning exercise is simply to consume goals. In other words, managers’ choice of scenario planning as a tool to probe the future is usually driven by the underlying goals of understanding and creating a future business environment. This implies that the goals set for a scenario planning exercise implicitly influence the extent to which managers are likely to actively participate and engage with the process. These goals cannot be set in stone and are often difficult to quantify; believing that such goals are likely to be achieved serves to motivate and shape the consistent choice of actions. This means that the goal set for an activity shapes peoples’ reaction to and involvement with it. Consequently, the agenda of the scenario planning exercise serves as a reference point that drives peoples’ effort and engagement with it. We argue that this is consistent with the first step in the intuitive logic methodology which is about agenda setting. A carefully crafted agenda on the part of the facilitator is therefore imperative in getting managers to actively engage with the scenario process.

The regulation of multiple goals requires the facilitator to consider both the progress in moving towards the goal as well as the strength of commitment to the goal [Koestner et al., 2002]. We propose that the level of commitment to goals set for scenario planning exercises will potentially have implications for regulating managers’ behaviour during the process and subsequent actions. Consequently, if the choice of intuitive logics methodology is used to infer the general level of managers’ commitment to a scenario planning exercise goal(s), and those goals are consistently met, then they are more likely to engage with it. This conclusion led us to the following hypotheses:

**Hypothesis H2a**: The goals set for a scenario planning exercise will positively influence managerial engagement with intuitive logic methodology.

**Hypothesis H2b**: The commitment to the goals set for a scenario planning exercise will positively influence managerial engagement with the intuitive logic methodology.
Consuming Fluency

Consuming fluency refers to the ease with which stimuli are processed and experienced due to several occurrences [Ariely, Norton, 2009]. Zajonc showed that being exposed to a stimulus leads to more positive affective reactions [Zajonc, 1968]. Furthermore, Whittlesea found that exposure to stimuli — whether conscious or not — leads to more positive affective reactions due to perpetual fluency resulting from familiarity [Whittlesea, 1993]. This means that the more frequently stimuli occur, the more relevant stimuli are familiar, and consequently the greater the scope for liking which impacts judgement and behaviour [Ferraro et al, 2009; Fang et al, 2007; Simmons, Nelson, 2006]. However, we know that scenario planning is frequently treated as an episodic exercise. Nevertheless, the rapidly changing business environments observed today [Sarpong, Maclean, 2011] mean that organizations must carry out scenario planning exercises regularly in order to stay in tune with their short-lived markets and technologies. Managers who frequently organize these exercises are more likely to understand how they are relevant to their organization’s competences and are more likely to be committed to such exercises, which in turn means they are more likely to be engaged in such processes. Thus:

Hypothesis H3a: The frequency of scenario planning exercises will positively influence managerial engagement with the intuitive logic methodology.

Hypothesis H3b: The sense of ‘feeling right’ when a manager uses the intuitive logic methodology during a scenario planning exercise which will positively influence their subsequent engagement with it.

Consuming Fit

The idea of consuming fit originated from the concept of ‘regulatory fit’, which is itself closely related to consuming fluency. A consuming fit proposes that people generally experience a regulatory fit when they pursue a goal in a manner that sustains their regulatory orientation. Thus, by consuming fit we refer to the feeling of ease accompanying tasks that are easy to process [Ariely, Norton, 2009]. Having a right feeling during a task increases motivations which align with behaviour [Higgins, 2000, 2005]. Thus, human feelings or views shape behaviour and attitudes towards a particular task. From this perspective, consuming fit arguably increases managerial perceptions that scenario planning is the ‘right’ way to engage with the unknown future and thus increases their sense that what they are doing is important during the scenario planning process. We therefore propose that a scenario planning exercise, which involves pursuing a goal as discussed in the previous section, is itself evaluated more positively when the strategic nature of the methodology used (i.e. the intuitive logics) fits the regulatory orientation of the managers pursuing the goal.

Combining these together, consuming fit we argue influences phenomena ranging from the amount of effort managers devote to tasks [Vaughn et al., 2006], their susceptibility to persuasive appeal [Cesario et al., 2004], and to their ability to engage in effective self-control [Hong, Lee, 2008]. Consuming fit implies that managers’ perceived feelings, when engaging with intuitive logics during scenario planning exercises within their regulatory orientation, may influence their behaviour. Accordingly, this may have a measurable effect on their engagement with relevant exercises. If managers feel intuitive logic will help them achieve the goals of the scenario planning exercise, then they tend to engage in the process. However, if managers think that intuitive logic is not good enough to help them achieve their scenario planning goals, then it is likely they will not engage in it. We thus hypothesize that:

Hypothesis H4a: Managerial regulatory fit during a scenario planning exercise will positively influence their engagement with the intuitive logic methodology.

Hypothesis H4b: Managerial regulatory fit during a scenario planning exercise will negatively influence their engagement with the intuitive logic methodology.
Discussion and Conclusion

In this paper, we argued that managerial engagement with scenario planning exercises has been quite problematic, especially when managers are not very sure about the value that can be captured from such exercises. Focusing on the intuitive logic methodology, we drew on the psychological idea of conceptual consumption as a meta-theoretical lens to develop our understanding about when managers are more likely to engage and participate actively in scenario planning exercises. In doing this, we partially integrated the literature on scenario planning and conceptual consumption to provide a common predictive basis for examining managerial engagement with scenario planning in practice. In addition, we developed some propositions to advance our thesis. While these propositions are not exhaustive, they may serve as a starting point for future empirical investigations into managerial engagement and participation in scenario planning exercises. We suggest that future research delves further to empirically testing our hypotheses, and if possible, ascertaining whether similar hypotheses could be generated in the context of other tried and tested scenario planning methodologies such as the probabilistic modified trends, competitive intelligence and cross impact analysis.

While our paper provides some significant insights into managerial engagement with scenario planning, it has some limitations. Our scant review of the burgeoning literature on the conceptual consumption construct means that we might have missed opportunities to develop some of the ideas we presented more substantially. Future investigations drawing on conceptual consumption hold enormous possibilities. We hope that this study will be an important stepping-stone towards a new exploration in scenario planning research that can greatly enrich our understanding of managerial and stakeholder engagement with scenario planning.

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References


