

The Thought Leadership Series Peter Schwartz Thinking the unthinkable

An interview with Peter Schwartz, scenario planning futurist

By Des Dearlove

The internationally renowned futurist, Peter Schwartz is a leading advocate of scenario planning - a technique that helps organizations "think the unthinkable" by creating alternative stories, or scenarios, about how the future might pan out. His 1991 best-seller *The Art of the Long View* introduced the concept and vocabulary of scenarios to companies around the world.

For a futurist, Schwartz has an impressive past. Before joining Royal Dutch/Shell in London, he was the director of the Strategic Environment Center at SRI International, one of Silicon Valley's most prodigious research centers. At Shell, he was mentored by Pierre Wack, the company's celebrated head of planning, and from 1982 to 1986 he was head of scenario planning. Under Schwartz's leadership, Shell's scenario planners had some notable successes. In 1982, for example, they speculated that oil prices could collapse to \$16 a barrel. They also foresaw the collapse of the Soviet Union years before it happened.

In 1987, Schwartz co-founded GBN (Global Business Network) which specialises in helping organizations apply scenario planning. Now part of the Monitor Consulting Group, GBN's clients include many Fortune 500 companies, the US defense research agency DARPA (Defense Advanced Research Projects Agency) and the CIA. He has also written a string of influential books and articles, including *When Good Companies Do Bad Things* - co-authored with Blair Gibb. Co-authored with Peter Leyden and Joel Hyatt, his most recent book *The Long Boom* predicted a 25 year period of uninterrupted economic growth and prosperity. The subsequent recession appears to disprove his theory.

Schwartz has also worked as a script consultant on a number of films, including *Deep Impact*, *War Games*, and *Sneakers*. Most recently, he assembled a team of futurists to envision the world in 2058 for Steven Spielberg's latest film *Minority Report*.

Peter Schwartz talked to Des Dearlove about the evolution of scenario thinking and his work with the CIA.

How would you describe yourself? Consultant, writer, speaker?

Yes, yes and yes. I do all of the above and I'm also a venture capitalist. The way I really think of myself is as someone who helps organizations think about the future.

How did you get involved with making the film *Minority Report*?

I had worked on several films before and GBN had worked on another one for DreamWorks a few years ago called *Deep Impact*. So when Spielberg wanted to do *Minority Report* the first thing they did was call us and say can you help us create the future. We assembled a team of 20 people and spent three days in a hotel with Steven and the art director. We wrote the bible for the movie. If you see the film all the technical details except the core story which was by Philip K. Dick, came from us

Is scenario planning more relevant to the post-September 11 world?

Thinking the unthinkable has become a useful idea again. The magnitude of change, the shock, in the short-run and the long-run that such an event could happen is quite profound. It has put uncertainty back on the table in a big way. We've seen this reflected in our business. Since September 11 a lot of consulting companies have had trouble; we have not.

In the 1940s Herman Kahn at the Rand Corporation used scenario planning to explore potential nuclear war scenarios. But could anyone have predicted September 11?

It was the most predicted event in history. It was predicted by so many people - myself included, I might add. It was so obvious that the fact that we were not prepared is a crime. Osama Bin Laden said he was going to do it. And he did what he said he was going to do.

We wrote for the Rudman Commission, [Hart-Rudman Commission into US national security in the 21st century] that the forces of Bin Laden and Al Qaeda would fly a jumbo jet into the World Trade Center and major buildings in Washington. We weren't the first or the only ones

who said that. A number of people said it. If you just read what Bin Laden said and looked at the history and his behaviour. He went after the World Trade Center before, and he comes back for his targets if he doesn't get them.

So this was the easiest thing in the world to predict. You couldn't know that it would be on September 11 but you could know it was coming. Over the course of the summer there were lots of signals that something big was about to happen, and this is the thing that he was most visibly planning.

Have the risks increased for business?

The risks have become greater. It's not just a matter of perception, it is real. The threat of war, the threat of conflict and that disruption is very real.

How has scenario planning evolved from the Rand Corporation in the 1940s to Shell in the 1970s through to the present day?

First of all there is a recognition that big complicated methodologies and elaborate computer models are not the optimal way. It has moved away from formal planning-like processes more toward a thinking tool. And it's not much more profound than that. So it's a methodology for contingent thinking, for thinking about different possibilities and asking the question "what if?"

So it's more an art than a science?

Absolutely. That's why I called my book *The Art of the Long View*. The second thing that is quite important is it has moved away from a focus on the external world toward the internal world of the executive. This was Pierre Wack's big insight at Shell. The objective is not to get a more accurate picture of the world around us but to influence decision making inside the mind of the decision maker. The objective of good scenarios is better decisions not better predictions.

How easy is it for someone in India or China where there is a paucity of good information to generate useful scenarios?

I was just in China a few weeks ago and they have now begun serious efforts at that kind of contingent thinking. I don't know about India. Singapore is a very active practitioner of scenario planning. Quite a lot has been done in Thailand and Malaysia. We just worked with the national oil company of Malaysia Petronas - they were introducing scenario planning. In much of Asia this notion has begun to take hold.

Presumably though the quality of the information you feed in affects the quality of the scenarios?

What's interesting about China is that things are really changing. The government tries to block people getting access but they're not very successful. And they don't fight too hard, and if you don't make yourself too obnoxious you actually have access to very good information. There's no question that the quality of the information you use has an enormous impact on the quality of the results. Good information is essential. That said it's harder to do this in places like Saudi Arabia.

Do different sets of people come up with the same scenarios given the same information?

We just tried that experiment a few weeks ago for the first time. We had two back-to-back scenario groups both looking at political scenarios for the world. One was all non-Americans the other was all Americans to see if they came up with different views of the world and they did - quite strikingly so. We did the non-Americans first and then the Americans and about two-thirds of the way through we showed them the non-American results, and had them react to that as well.

What were the big differences?

The overwhelming message was the antipathy non-Americans now feel towards the US. And Americans just weren't seeing that at all. There was no war on terrorism anywhere outside the US. In fact, there was a clear perception that the US was the problem. The scenario that everyone else was talking about was how could you constrain the US, not how could you defeat terrorism. So there are completely different perceptions of the world.

And you also do scenario planning with the CIA?

Yes. We've been working with them now for about six or seven years. This is new. They consciously didn't do multiple scenarios they were asked to do only one scenario and of course this always led them to be surprised because they always came up with the least surprising scenario by definition. The most probable is more of the same. Therefore you always throw out the outlying scenarios - like there will be an Iranian revolution; Haiti will collapse; or that the Soviet Union will go away - big one. But now that's changed.

Your book *When Good Companies Do Bad Things* looked at corporate ethics. On a scale of 1 - 10 how seriously has the reputation of corporate America been damaged by Enron and other recent scandals?

Ten. It is a really big deal - both domestically and globally. Domestically there's been a tremendous loss of faith and we see it reflected in the stock market - quite understandably. Globally, there is an undermining of US stature around the world because we have been pressing the notion of free markets, capitalism, big corporations and so on and saying that it creates jobs and prosperity and so on. Now we find that a number of major US corporations were dishonest. I think that will take a long time to come back.

What happened to The Long Boom you predicted?

Some parts of it have persisted and some have changed. The Long Boom was predicated on two big ideas. One of which is still right the other of which has been fundamentally challenged. The two big ideas were massive technological change driving productivity growth and new industries. That idea is still right. The other idea is now much more open to challenge and that is the idea of globalization bringing many more people into the global economy. We've seen both a political push back against globalization in the streets of Seattle, and Genoa and elsewhere, and the disruptions caused by the events of September 11, and we've had a US administration that is less interested in globalization and more interested in global domination. And so as a result the political process has moved against globalization. Now we have to consider whether that will continue.

Is the world becoming more uncertain?

The world has always been uncertain. If it seemed less uncertain before it was only in appearance. It has always been really uncertain. It was, is and will be.

Source: The Business, 22/23 September 2002
Des Dearlove - des.dearlove@virgin.net