Strategic Futures Planning: Scenario Building Methodology – Emerging Risks

(a practical case at the Swiss Reinsurance Company)
OUTLINE

Futures @ Oxford

Scenarios

Swiss Reinsurance Company Methodology and Application

Closing Remarks
Futures @ Oxford Experience

- 50 – 60 years of different practices
- Wealth of experience
- Poverty of understanding
  (locked up)
  What works why and when? Or not?
Futures @ Oxford Vision

- Engine room of futures capability
  - Oxford hub/co-ordination; different programme parts led in different places
- Effective future-mindedness
  - theory and Practice
  - education, research and outreach, rather than training in scenarios
- Critical reflection
  - multiple ontologies, epistemologies and methods
  - beyond process, focus in purposeful interventions to ensure relevance and rigour
  - how does scenarios work ‘work’?
  - not just scenarios, but initial focus on scenarios, compare scenario work with other futures studies
- Focus on practical wisdom
  - space for effective collaboration and for building critical mass
Futures @ Oxford
Key Aspects About Scenarios

- Scenarios often confused with process (6 steps, 9 steps, etc.)

- Not ready-made recipes on how to develop deep-structure knowledge

- Scenarios are about something for someone
  - Know the client
  - Understand the purpose

- Scenarios are plausible not possible
<table>
<thead>
<tr>
<th>Positivist / Empiricist</th>
<th>Interpretative / Constructivist</th>
<th>Critical Realist / Poststructuralist</th>
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<tbody>
<tr>
<td>Prediction</td>
<td>Comparison</td>
<td>Making units of analysis problematic</td>
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<tr>
<td>Reliability, Predictive</td>
<td>Plausibility, Credibility, Relevance</td>
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<td>Validity, Generalisable</td>
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<td>Real world independent of our fallible knowledge</td>
<td>Mutual understanding of deeper structures</td>
<td>Language not symbolic but constructive of reality</td>
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<td>Forecasting</td>
<td>Scenarios</td>
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The SHELL method
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Scenarios

Key Aspects

- **Purpose**
  - Scenarios are about something for someone
  - Know the client
  - Understand the purpose, who is going to use them and what for

- **Plausible not possible**
  - Not a forecasting method

- **Different processes depending on purpose**
  - Deductive – easy to develop axis (outcomes), harder to build credible story lines
  - Inductive – for wider audiences, focus on building credible story lines within many stakeholders
OUTLINE

Futures @ Oxford

Scenarios

Swiss Reinsurance Company
Methodology and Application

Closing Remarks
Emerging Risk
SwissRe - Methodology and Application

Develop a scenario methodology for application within Swiss Re’s Emerging Risk Process and apply the methodology to emerging risks associated with renewable solar and wind energy production.
Iterative, not linear process though
SwissRe
Emerging Risk Process

Understand:
- The wider systems of decision making
- How the scenario process could fit and engage with the wider strategic conversations

Overview

Light Scenario Methodology

- Understanding the Risk Context
- Link with Reinsurance Industry
- Derive initial risk matrices
- Derive Key Contextual Drivers
- Scenario Development

Phase I

Research Internal & External Interviews

Phase II

Scenario Enrichment
- Develop Event/System Maps
- Implications for Risk Matrices

Phase III

Implications & Recommendation
- Link back to other scenario processes within Swiss Re
- Recommendation for Implementation
- Mitigation Measures
- NBD
- Analysis of key threats and opportunities

Threats
Opportunities

- Rapid prototyping
- Early warning systems

EXIT
Phase I: Context Understanding

- **Objective:**
  - Understanding the Contextual Topic
  - Understanding the Link to Reinsurance

- **Methodology**
  - Desktop Research
  - Expert and Internal Interviews

**Engaging the wider and whole system**

- **Scenarios are about something to someone**
- **Swiss Re business idea for energy / renewable energy**
- **Map strategic context**

**Phase II**

- **Objective:**
  - Understanding the Contextual Topic
  - Understanding the Link to Reinsurance

- **Methodology**
  - Research
  - External Interviews (Industry Experts)
  - Internal Interviews (Re-Insurance)
Phase II: Scenario Workshops

- **Objective:**
  Development and enrichment of key drivers of change and resulting scenarios

- **Methodology:**
  - Scenario Building Workshop
  - Scenario Enhancement Stage
  - Scenario Application Workshop
Scenario Building

Workshop 1

Time Line of the past

Energy events

Key Drivers from the past

Chorus of voices

Key Drivers from the future

Actors in Renewable energy

Contextual Actors

Clarify and Cluster key drivers

Key Drivers from the Actors

Transform drivers into axes

Develop story lines for each scenario

Combine axis to develop scenarios

Sharing of the resulting four scenarios

Enrich scenarios
Scenario Application

Workshop 2

Using the meta-axes to develop meta-scenarios

For each scenario, describe the system map

Describe the events in 2018

Describe past events leading to this future

Create the resulting story map

Brainstorm the middle term events

R/E Risks

R/E Opportunities

Reinsurance Risks

Reinsurance Opportunities

Swiss Re Strength

Swiss Re Weaknesses

Early Signals

Tracking and Monitoring of early signals
OUTLINE

- Futures @ Oxford
- Scenarios
- Swiss Reinsurance Company Methodology and Application
- Closing Remarks
Closing Remarks

• Scenarios are iterative, not linear

• Effective Project Management is critical
  – Design 1/3, 2/3 rule -> build, engage

• Do not fall in the trap of a fixed process, scenarios are about something for someone, each experience is unique

• Know the customer, who are the Scenarios for?

• Know the purpose, what are the Scenarios for?