Strategic Futures Planning: Scenario Building Methodology – Emerging Risks

(a practical case at the Swiss Reinsurance Company)
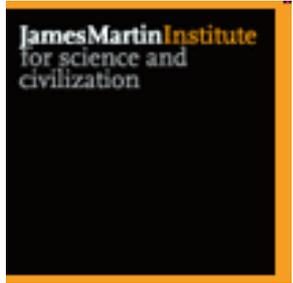
OUTLINE

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

Futures @ Oxford

Ontology and Epistemology of Futures Studies

Positivist / Empiricist	Interpretative / Constructivist	Critical Realist / Poststructuralist
Prediction	Comparison	Making units of analysis problematic
Reliability, Predictive Validity, Generalisable	Plausibility, Credibility, Relevance	
Real world independent of our fallible knowledge	Mutual understanding of deeper structures	Language not symbolic but constructive of reality
Forecasting	Scenarios	
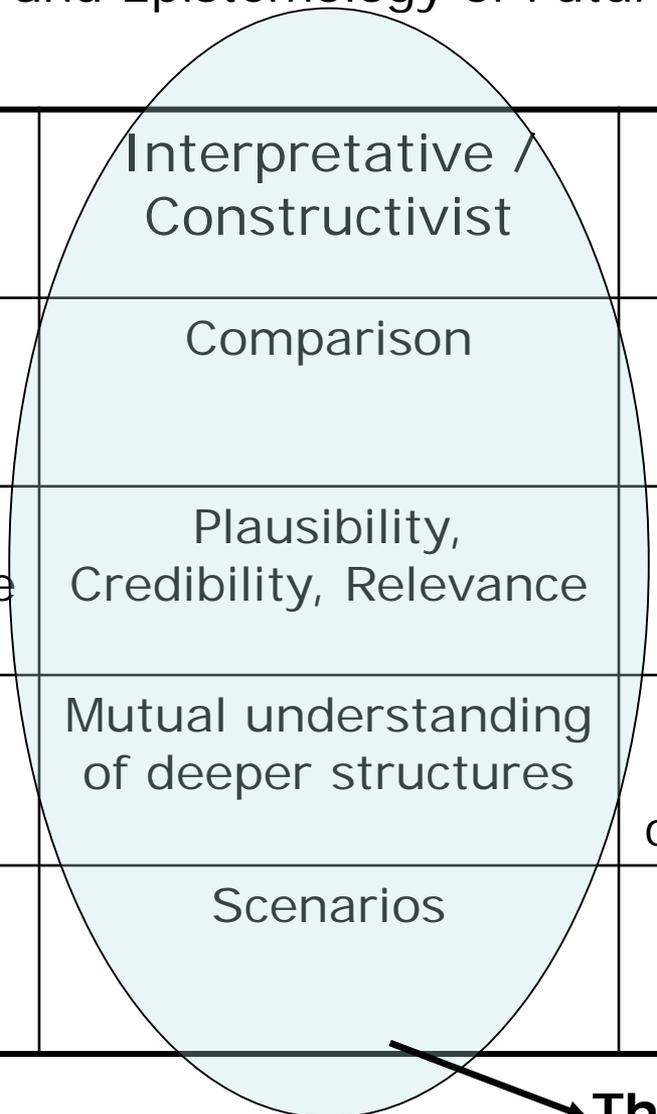
The SHELL method

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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
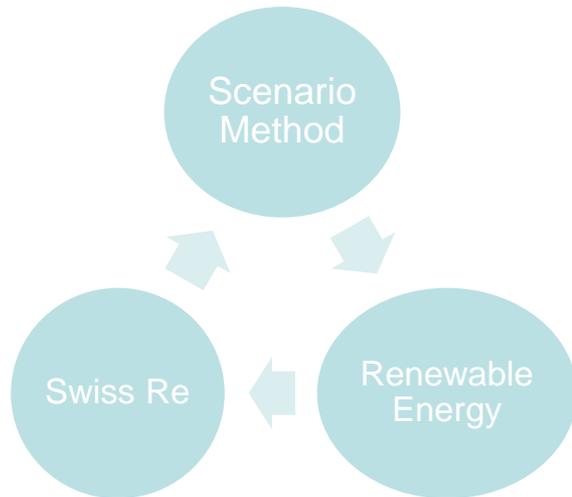
OUTLINE

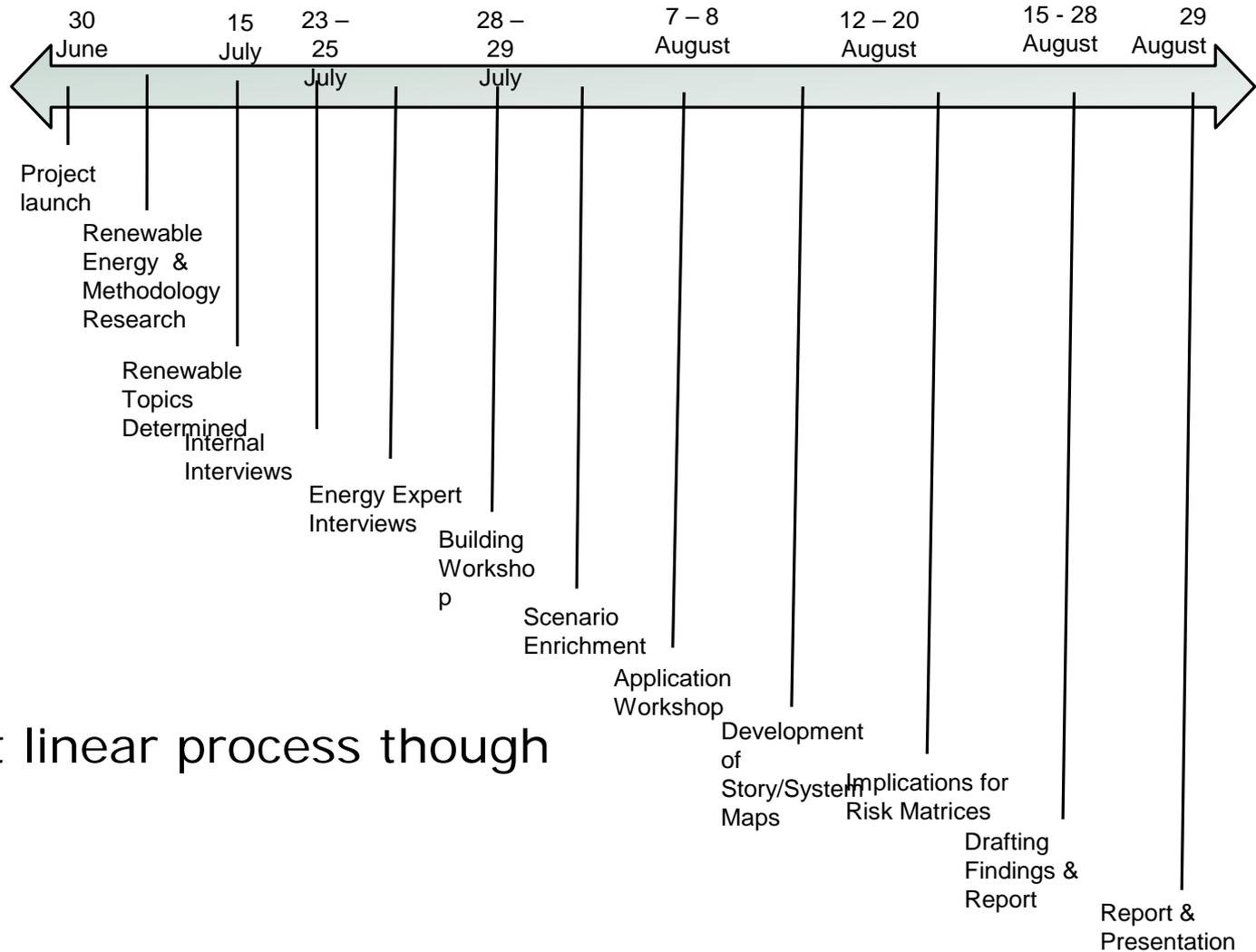| |
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| Futures @ Oxford |
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Emerging Risk
SwissRe - Methodology and Application

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
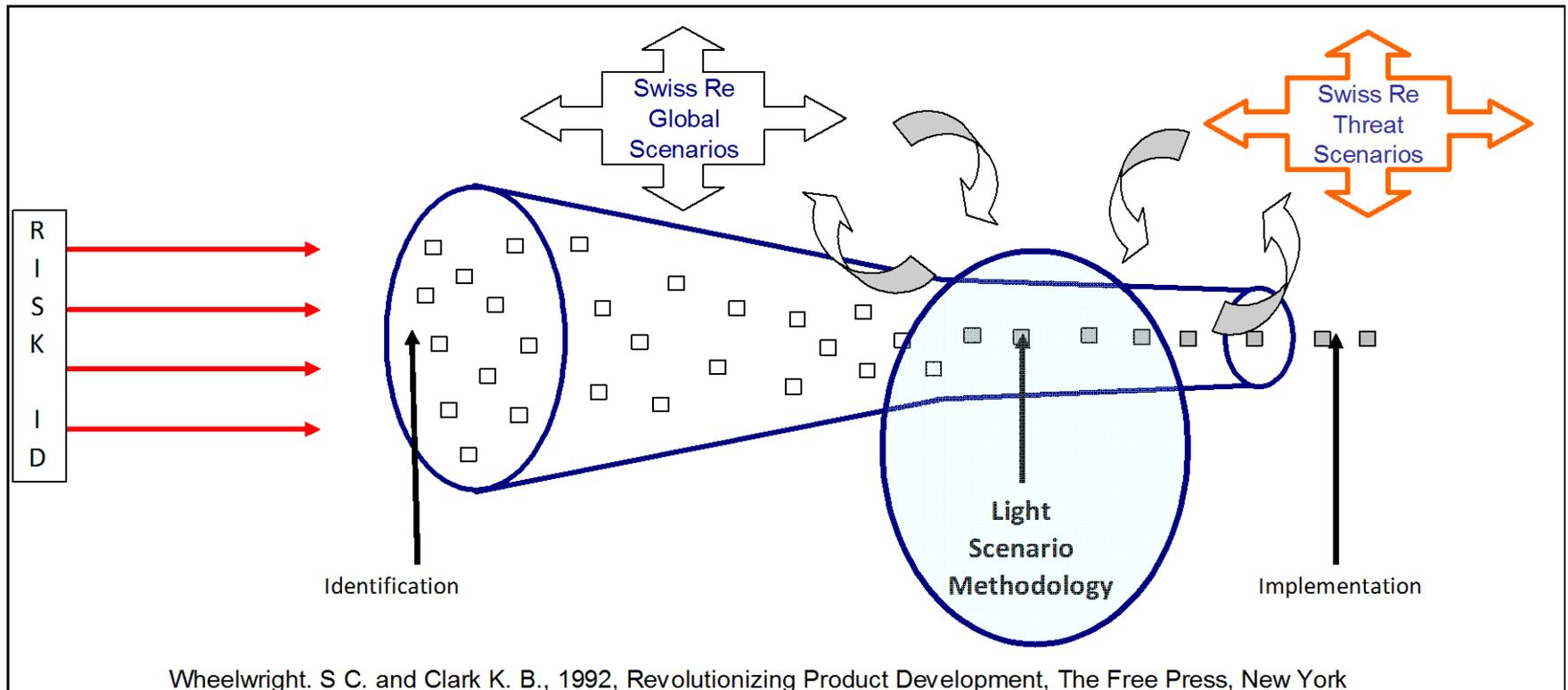
Project Timeline

| 30 June | 15 July | 23 – 25 July | 28 – 29 July | 7 – 8 August | 12 – 20 August | 15 - 28 August | 29 August |

Project launch

Renewable Energy & Methodology Research

Renewable Topics Determined

Internal Interviews

Energy Expert Interviews

Building Workshop

Scenario Enrichment

Application Workshop

Development of Story/System Maps

Implications for Risk Matrices

Drafting Findings & Report

Report & Presentation

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
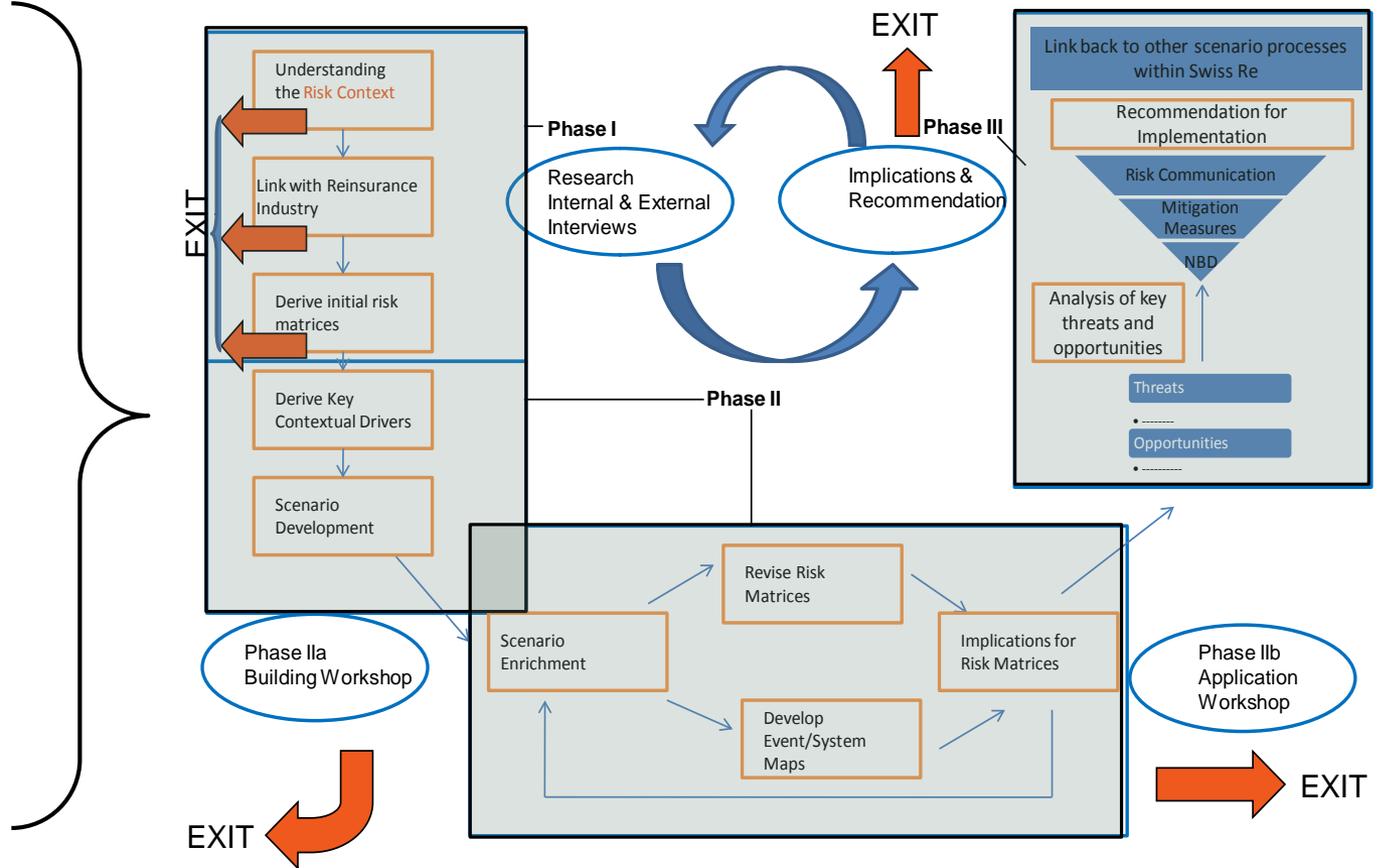

Wheelwright. S C. and Clark K. B., 1992, Revolutionizing Product Development, The Free Press, New York

Overview
Light Scenario Methodology

Phase I:
Context Understanding

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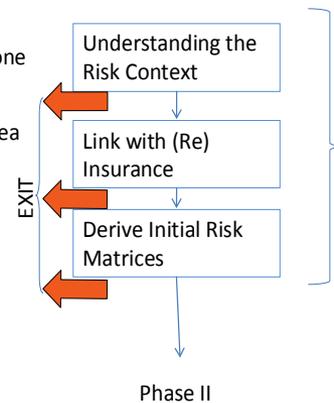 - Understanding the Link to Reinsurance

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

Engaging the wider and whole system

Phase I

Scenarios are about something to someone

Swiss Re business idea for energy / renewable energy

Map strategic context

EXIT

Understanding the Risk Context

Link with (Re) Insurance

Derive Initial Risk Matrices

• Research
•External Interviews (Industry Experts)
•Internal Interviews (Re-Insurance)

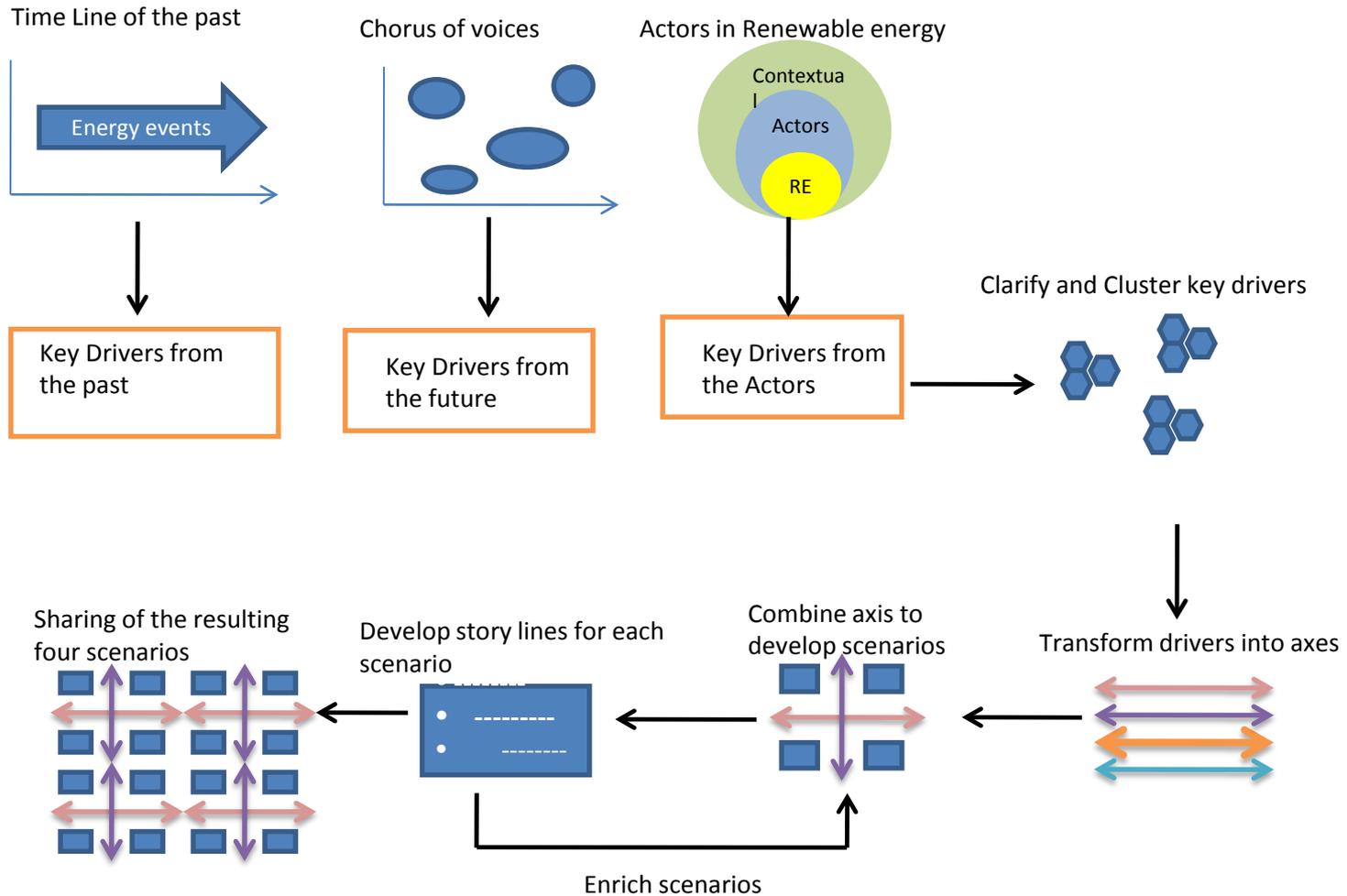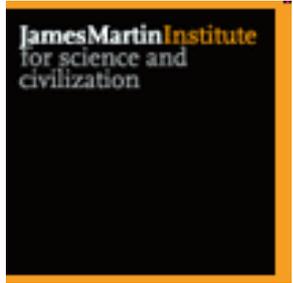Phase II

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

Chorus of voices

Actors in Renewable energy

Contextual

Actors

RE

Key Drivers from the past

Key Drivers from the future

Key Drivers from the Actors

Clarify and Cluster key drivers

Sharing of the resulting four scenarios

Develop story lines for each scenario

Combine axis to develop scenarios

Transform drivers into axes

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

2018

Create the resulting story map

Brainstorm the middle term events

Describe past events leading to this future

Past – '08

Use the understanding of the context to develop:

R/E Risks
• --------

Reinsurance Risks
• -------

R/E Opportunities
• ----------

Reinsurance Opportunities
• --------

Swiss Re Strength
• -------

Swiss Re Weaknesses
• ----------

Early Signals

Tracking and Monitoring of early signals

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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?