

The Wisdom of Scenario Crowds

By Peter Kennedy

“The strategic decisions that corporations have to make are of mind-numbing complexity. But we know that the more power you give to a single individual in the face of complexity and uncertainty, the more likely it is that bad decisions will be made.”

— James Surowiecki, *The Wisdom of Crowds*

James Surowiecki’s best selling book, *The Wisdom of Crowds* (Doubleday, 2004), is a compelling argument for the benefits of collective thinking and problem-solving. Across a range of examples and case studies drawn from the natural sciences, technology, economics, and organizational behavior, Surowiecki asserts that large groups of diverse individuals consistently make decisions superior to those of even the most brilliant elite decision-makers. This is as true for solving complex technical or organizational problems as it is for guessing the number of marbles in a fishbowl. The many are smarter and wiser than the few.

Shared responsibility for big decisions is hardly a revolutionary concept. The management literature of the 1950s warned of corporate dictatorships. Peter Drucker wrote that senior managers should set the long-term goals for the organization, but argued that employees were perhaps best suited to devising ways for actually creating the plans to meet those goals. In more recent years, management theorists have argued that customers, suppliers, and business partners are also important potential contributors to the collective wisdom leading to wiser strategies and superior decision-making.

For the most part, this more expansive approach to decision-making has been limited to relatively narrow, short-term prediction challenges. Over the last decade, there has been a proliferation of interest in “prediction markets,” in which line personnel (and in some cases even customers and suppliers) contribute their market knowledge and experience in simulated market games, with the objective of anticipating future product performance and market impacts. Firms such as Hewlett-Packard, Pfizer, Siemens, and Corning have reportedly derived value from these kinds of exercises.

But prediction markets, while they can inform strategy, cannot carry the freight by themselves. Real strategy examines the fundamental direction of an organization and

ensures that products, supply chains, facilities, capital, and personnel are appropriately aligned to achieve desired strategic goals in a *future* market setting shrouded in complexity and uncertainty. This is not the kind of thing that can be credibly modeled or simulated. It is an inherently judgmental undertaking.

However, strategic analysis and decision-making should not remain the exclusive domain of the “C-suite” and their favored consultants. There are strategy development methods that make excellent use of the best thinking of the organization, including voices that are seldom heard when weighty decisions are being made.

FSG’s particular brand of scenario-based strategic planning is one such approach. Our scenario planning process starts with the formation of a project “core team” comprised of, typically, mid-level executives from across the organization but, importantly, not dominated by staff personnel. The core team is instrumental in developing the actual scenarios and designing the workshops in which those scenarios will be used.

It is in the strategy workshops where important elements of Surowiecki’s “wise crowd” requirements are evident (though it bears emphasizing that the attributes he writes about are not rigorously or intentionally followed). In these workshops, scenario world teams wrestle with challenging future market and operating conditions. Their goal at the end of several days of intense work is to forge a set of strategies that anticipate the operating conditions depicted in their particular scenario case. In these workshops, one can see evidence of Surowiecki’s four criteria for intelligent groups.

1. INDEPENDENCE

Great care is taken in selecting independent thinkers—accomplished individuals who are secure in their beliefs and opinions and not bashful about “talking truth to power.” (This is especially important in hierarchical organizations, where rank or title differentials can stifle dialogue if not managed effectively.) Furthermore, the “future” setting of scenario planning helps level the playing field of discussion and debate. Group participants who would otherwise hold special authority because of specialized expertise are less likely to be overwhelming in the influence they wield in their groups.

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2. DIVERSITY

Surowiecki writes that collective decisions are wise only when they incorporate large amounts of private information. A scenario workshop team needs to contain a rich cross-section of technical and functional backgrounds so that, collectively, sufficient expertise exists within the group to draft credible strategies and related implementation plans. In a typical scenario group, executive vice presidents mix it up with product engineers, internal auditors, and the creative types in marketing. Labor leaders should be involved if the workforce is heavily unionized. At times it may be wise to invite suppliers, distributors, and even customers as workshop participants. Surowiecki emphasizes cognitive diversity as opposed to the more common notion of sociological diversity (gender, race, etc.). From his experience, FSG believes that both notions are important to ensure that the pool of private information and perspectives is sufficiently large.

3. DECENTRALIZATION

The need to incorporate local knowledge and perspectives is self-evident, especially in this day of globally integrated markets. FSG has found that for many organizations involved in scenario planning this can represent a major investment of executive time and travel expense. But it is an investment that will yield huge dividends in term of richer scenario strategies that are more broadly accepted across the organization.

4. AGGREGATION

According to Surowiecki, a mechanism is required to turn multiple private judgments into a collective decision. FSG's scenario workshops inspire highly creative, open-ended thinking in a sufficiently structured program that drives logically to a set of scenario-specific actions that successfully anticipate future operating conditions. The aggregation builds throughout the workshop as group

members collectively explore their assigned scenario: What is it like to live and work in this world? What are the challenges, risks, and opportunities for the organization? What are critical success factors? And, finally, what measures should be initiated today to best prepare for this future operating environment?

FSG principals have been practicing scenario planning since long before *Wisdom of Crowds* appeared. FSG observations and experiences, gleaned from nearly two decades of working with some of the most dynamic private and governmental organizations, convince us of the rich and enduring value of participatory strategy development.

We find it interesting—and somewhat reassuring—to see Surowiecki's key tenets for smart decision-making present in our scenario-based strategic planning process. We would be the first to admit that the risk of “groupthink” does not disappear, even in a well-facilitated scenario workshop. But the existence of multiple scenario groups working independently over the course of a workshop certainly attenuates this risk.

Participatory strategy development will never be a substitute for the judgment of the CEO, who at the end of the day is still on the hook to sort out competing priorities and determine the best course for the organization. But in light of the complex and uncertain conditions that confront all organizations today, executive leadership is far more likely to be successful if the wisdom of a diverse, independent, and experienced crowd of colleagues is built into the process.

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