

SCENARIO PLANNING FOR ORGANIZATIONS' SUSTAINABLE DEVELOPMENT: USING SCENARIOS FOR EFFECTIVE CHANGE MANAGEMENT

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The complexity and the dynamics of the organizations' environment determine the level of uncertainty which they face, and a turbulent environment, defined from these aspects presents the most complex, and rapidly changing environment. Strategic planning enables companies to understand the complexity of the environment, to anticipate and respond to changes, and to define how the future will look like, but scenario planning wraps up the whole process of planning into a future framework - "the future will be like this". As such, scenario planning leads to the establishment of a flexible organization which is robust to sudden radical changes, through thorough research of the future, enhanced managerial awareness of environmental uncertainty, and enhanced organizational learning. Furthermore, scenario planning may be used for many business applications, such as risk management, crisis management, contingency planning, change management and many more. In the case of change management, managers by implementing scenario planning, identify the signals of change from the internal and external environment, examine their effects and formulate plans for adopting changes. Therefore, this research paper aims to show the relationship between scenario planning and change management processes in organizations striving towards sustainable development in the contemporary turbulent environment.

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1 Introduction

According to Cassar (2019) organization's sustainable development presents adopting business strategies and activities that meet its needs and stakeholders while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future. Translated on a micro level, the concept of sustainable development demands that organizations not focus only on goals of maximizing profits, but and on environmental and social goals (Rockström and Sukhdev, 2015). Standing from this point of view organizations need approaches that will enable them achievement of environmental protection, social well-being and economic growth (Paul, 2022). However, given the trade-offs that might arise between these aspects, organizations need to make an accurate balance between the achievement of profits, human resources well-being, and environmental protection. In the era of a sustainable and inclusive economy, there is no space for short-term revenues and long-term goals of maximizing profits and creating value primarily for shareholders. Organizations have to commit to social and environmental responsibility, i.e. to preserve the planet Earth and to enable people to be well, productive and empowered (Schoenmaker & Schramade, 2019).

The concept of sustainable development, imposed on the evidence of climate change, population growth and modernization (Armitage & Johnson, 2006; Curry et al., 2012; Butler et al., 2014), additionally increases the complexity and the dynamics of changes that happen in the business environment. Organizations in this constellation of complex and dynamic, i.e. turbulent environments, are facing continuous challenges, tasking managers to commit to sustainability and induce appropriate changes in their strategies, structures, processes, and culture. To be effective in these tasks, managers must lead organizations through transformational and complex changes. These transformational changes on the organizational level require:

1. Strategic planning based on scenarios that present alternative images of the future environment; and
2. Effective change management at an organizational level.

Strategic planning and the formulation of strategic plans for technological development, marketing, and sustainable development (or for any other purpose) is applied by any type of organization. However, despite the enormous effort that is put into these strategic plans, most of them are either not fully implemented or fail due to a lack of full understanding by all employees. The root of this common problem lies in the fact that the strategic plan is based on an envisioned single forecast for the future. However, this future might be incorrect, leading to undesirable outcomes and not leaving space for adaptation (reformulation of strategies) under the newly changed external and internal organization factors. Therefore, contemporary planners and managers should exploit the uncertainty in alternative future environments, i.e. scenarios and use these scenarios as test conditions for the strategies to determine which strategies are effective in different scenarios (Danevska, B.A., 2022). Scenarios can be used to build a signal system that allows planners to change strategies without waiting for the next planning cycle (Ringland, 2010). In this situation, scenario planning gives the company the greatest advantage.

When analyzing scenario planning functions (Chermack, 2011; Danevska, B.A. 2022) the value of it can also be found and as basis for effective change management.

Scenario planning through its functions of thorough research of the future, integration of different types of data for the future; and enhancement of managerial awareness of environmental uncertainty, provides a solid foundation for determining the need for change. In other words, scenario planning provides identification and prioritization of key drivers and uncertainties that shape the future. More specifically, the identified key drivers are called predetermined elements in the process of scenario planning, and they can be somewhat similar for companies operating in the same industry. In the case of achieving an organization's sustainable development, for instance, planners envision the changes in climate change, the loss of biodiversity, the behaviour of organizations' stakeholders (customers, government, shareholders, employees, suppliers, and community), energy consumption, poverty, social exclusion etc. All these predetermined elements cannot be controlled or influenced by a single organization and they form the basis of each developed scenario. However, the critical uncertainties are changing the direction of the scenario narratives. When discovered in the scenario planning model, they represent the "aha moment", that forces managers and planners to expand their mental

models. This facilitates the next stage in the change management process when companies are preparing and planning for change. Examples of such critical uncertainties might be major technological, macroeconomic, legal shocks or ecological catastrophes, and these uncertainties have the power to fundamentally change businesses (Wulf et al., 2010). From this point of view, scenario planning can foster the development of dynamic capabilities to respond to environmental changes (Ramirez & Wilkinson, 2016). Furthermore, scenarios are used as “wind tunnels” for assessing different strategic alternatives towards changes and implementing them in the third stage of change management models.

The implementation of strategies is facilitated by the newly acquired institutional knowledge developed from the simulations of different strategies in the developed scenarios. Managers, planners, and employees, through effective communication, share the visions and actions that lead to the desired goal. In total, the process of scenario planning by itself presents adaptive and continuous learning on an organizational level, because it incorporates the three fundamental steps of perception, theory building, and acting (Balarezo et al. 2017).

The last stage of change management models involves ensuring that the changes implemented within an organization become ingrained into its culture, processes, and systems, and continue to deliver value even after the initial implementation phase. Scenario planning enables organizations to build resilience that helps them better withstand challenges and continue to sustain the changes despite external pressures.

Considering how scenario planning can facilitate the change management processes, still in the literature, cannot be found many articles and empirical evidence of connecting and using scenario planning as a strategic tool for change management. Therefore, this paper tries to narrow down this gap and give a further base for researching this relationship, i.e. how scenario planning complements change management models towards sustainable development. The paper is divided into three sections, where firstly, a literature review is given, secondly, the methodology of investigating this relationship is shown and lastly findings from the research are presented and discussed.

2 Theoretical Background / Literature Review

Scenario planning used as a tool for futures thinking enables dealing with and in an uncertain environment. Furthermore, when organizations are in the process of development, organizational changes imply instable and uncertain environment and without built strong value system and embedded culture for sustainability, people fail to adapt to change.

Organizational change towards sustainable development is a transformational change that asks for a larger scale and scope of changes. As each transformational change, an organization's sustainable development involves at the same time redefinition of mission, strategy, organizational structure, human resources, organizational performance, business processes and culture (Harvard Business School, 2020). From a change management perspective, success in sustainable development depends on the organization's human resources, i.e. capacity to deal with the embraced changes, and customers and stakeholders that "adopt and use" sustainability in the first instance (McNevie, 2024). The emphasis in an organization's sustainable development is on people (Doppelt, 2010) and their ability to grapple with and manage complexity. Scenario planning enables overviewing and structuring of this complexity in the external and internal environment. In the literature related to change management towards sustainable development, many authors, such as Sancak (2023), Stouten et al. (2018), Benn et al. (2014), and Doppelt (2010) only propose organizational change models for organization's sustainable transformation, thereby deriving or focusing on the most significant of the environmental, social and governance goals. Walker (2017) in her practitioner workbook published by the Institute of Environmental Management and Assessment provides guidance and approaches to change management towards organizational sustainability, by considering all the change management theories classifications, models, and experiences of change agents, planners, and CEOs. Furthermore, according to the empirical evidence provided by Walker, scenario planning is used as a strategic tool for organizational transformation towards sustainable development. It was used to shift people's mindsets to another future environment where new risks and opportunities arise.

Scenario planning, as a strategic tool for moving towards sustainability has been investigated by other researchers but mostly on a national, community or global level. For instance, Butler et al. (2016) investigate how scenario planning used on a community level can be utilized when planning for adaptation. Romero et al. (2016) findings from central Romania, have shown that scenario planning can be used for generating consensus, sharing the vision among all stakeholders and as an input for a long-term transition towards sustainability, including for the design of strategies and action plans. However, the research conducted by Benn (1999) goes on an organizational level by investigating how scenarios can help libraries in their sustainable development. In conclusion, he remarks that the main issue is how sustainable development is achieved and what it requires.

3 Methodology

Based on the theoretical background and empirical evidence provided by many authors in the area of scenario planning, change management and sustainable development, this research paper by using primary data tries to make a connection between scenario planning and change management towards an organization's sustainable development. The primary data were collected by surveying Macedonian companies from the aspect of how scenario planning can be used as a solid foundation for effective change management. The survey in Microsoft Forms was distributed via business social networks to reach a greater number of responses from different-sized companies coming from different sectors. The survey was filled out by upper and middle-level managers involved in strategic planning and change management, from January to March 2024.

4 Results and Discussion

The conducted research incorporates 21 filled-out questionnaires coming from the IT (4 companies), service (9), trade (3), financial sector (2), construction (1), food (1), and metal (1) sectors. The questionnaire was separated into two parts. The first part contains questions related to the demographic characteristics of surveyed companies and the second part, contains questions related to the character of planning in the business organization, i.e. the methods of thinking about the future, goals of planning, and utilization level of scenarios as tools for conducting the different stages in change management process.

According to the criteria of number of employees and domicile, the demographic structure of this research is as follows: 6 micro-enterprises, 11 small-enterprises, and 2 medium-sized enterprises, while 2 are foreign enterprises, and 19 are domestic enterprises.

Related to whether managers think about the internal and/or external environment and how they will develop in the future, only one service company thinks about how organizational external factors will develop in the future, while 20 companies think about how both factors will develop in the future. In the next question, managers were asked to assign a frequency of usage of different methods for thinking about the future on a Likert scale from 1-5 (where 1 - never used, 2- very rarely used, 3 – rarely used, 4 – very often used, 5 – always used).

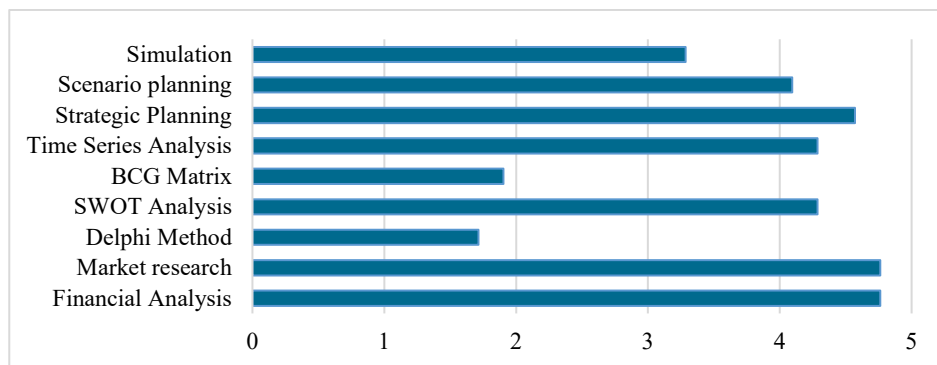


Figure 1: Frequency of using different methods of thinking about the future

Source: Own research

According to the results (Figure 1), the weighted frequency average, i.e. 4.76 have the methods of financial analysis and market research (very often used with tendency towards always used), strategic planning as a method has weighted average frequency of 4.57, scenario planning 4.09, time series analysis 4.29, and SWOT analysis of 4.29, which means that are very often used. Both questions, related to how internal and/or external environment will develop in the future and the methods that managers use for thinking about the future, provide evidence for existing a long-term and whole perspective among the surveyed companies related to their environment, and the usage of more sophisticated methods for thinking about the future.

Related to the purpose of planning, i.e. for what is used in organizations, managers have given the following answers: 28% answered that they were using the planning for strategic decisions; 22% for the design of operation processes; nearly 21% for routine decisions, i.e. for realization of everyday activities; and 27% for introducing changes, i.e. for initiating transformation in their organization. In conclusion, more than 50% of managers plan for making a long-term impacting decision and for transformational changes, which explains the attitude that managers have for planning, i.e. their focus on the future, strategic thinking, fostering a culture of adaptability and change management, which can be considered as a fundamental aspect of effective leadership and organizational development.

Since, the main research question in this paper is to assess the relationship between scenario planning and change management towards sustainable development, managers were asked to assess whether scenario planning and envisioned pictures about the future environment of their organizations' sustainable development have facilitated in the steps of conducting change management. According to the results: 57% agree that scenarios have helped them in identifying signals that ask for change management; 47.6% somewhat agree that scenarios helped them in identifying the objective of change management and in creation of vision of change, while around 43% agree that scenarios facilitate the creation of vision of change. 47.6% agree that scenarios help them in encouraging employees to think as expansively as possible about the possibilities for change, based on their strengths. 57% agree that scenario planning helps them in prioritizing the ideas/areas for action that might facilitate organization transformation for achieving change management objective, and 66.7% somewhat agree that scenario planning helps them in monitoring and evaluation of implemented actions towards achieving sustainability.

Actually, through scenario planning managers are systematically thinking about the future global business environment and anticipate the changes that will arise, the problems associated with them and alternative solutions. Scenario planning and the functions of scenario planning reinforce the organizational sustainable transformation and development, thereby complementing change management processes through continuous revision of organization's long-term plans and goals, looking to the future and the opportunities or threats it will bring.

5 Conclusions

Strategic planning and effective change management are two of the most important management processes that every organization needs to follow for pursuing sustainable development. Furthermore, a strategic planning approach based on scenario planning adds value to the whole sustainable transformation of an organization, in terms of ensuring effective implementation of planned changes. This is achieved through utilizing scenario planning functions that enable organizations to have: a platform for assessing alternative strategies; integration of different types of data for the future; thorough research of the future and future opportunities; encouragement of managerial awareness regarding environment uncertainty; expansion of managers' mental models; encouragement and acceleration of continuous organizational learning; platform for business model testing and flexible company which is robust to sudden radical changes. Furthermore, according to the results of the research, managers have answered that scenario planning complements change management processes, through assisting them in identifying signals that ask for change management (57%); identifying the objective of change management (47.6%); finding ideal and existing examples of the desired future, i.e. creation of vision of change (43%); encouraging employees to think as expansively as possible about the possibilities for change, based on their strengths (47.6); prioritizing the ideas/areas for action that might facilitate organization transformation for achieving change management objective (57%); and monitoring and evaluation of implemented actions towards achieving sustainability (66.7%).

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