Futures thinking (and how to do it...)

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Planning for the future

'We all accept reality as it is presented to us,' The Director, The Truman Show

'Never has humanity combined so much power with so much disorder, so much anxiety
with so many playthings, so much knowledge with so much uncertainty.'
Paul Valéry, 'Historical Fact' (1932)

1 The shape of the world today

Trade unionists need little reminder of the rapid pace of change in the world around them – public sector workforces across the globe are at the forefront of their countries’ struggles to adapt to the rigours of a globalised world. The wave of economic neo-liberalism that swept the globe in the 1980s and 1990s led many governments to dismantle their traditional welfare states, but the changes associated with privatisation and the new public management did not offer a coherent answer to the problems that many governments were facing.

In the 2000s, the challenge faced by governments across the globe is to prove once again that they can be relevant to solving the problems faced by their populations. But this means very different things in different countries. For the developed world, the challenge is to redesign the state to deal with a post-industrial economy – meeting the demands and collective needs of increasingly individualised knowledge workers who want high standards of service. In the developed world, the challenge is either to provide the basics of a good life and the drivers of economic growth, or to manage high levels of growth in an inclusive and socially-just fashion.

These challenges are being played out in a world that is increasingly interconnected and unpredictable. Every year, every decade, we are surprised by social, political or technological upheavals that come out of the blue¹. As trade barriers start to fall, the world is becoming a more competitive place for everyone – the writer Thomas Friedman recently urged Westerners to accept the fact that their economies would be severely challenged by emerging markets like India and China. The opportunities for global collaboration and mutual economic advantage are vast, but so is the danger that globalisation will leave too many people behind.

Phillip Bobbit argues that one key result of globalisation is the shift from welfare states to ‘market states’ – in which governments’ rhetorical commitment to securing equality is replaced by a promise to help people take advantage of the opportunities of the global marketplace.

At the same time, our global interconnectedness makes it harder for governments to predict and intervene in social and economic problems. Today, hurricanes on the West Coast of America raise the price of petrol in the UK, corporate mismanagement in Japan sends share prices tumbling in Paris, while climate change caused by European countries causes horrific droughts in the Amazon basin. Cause and effect are no longer close in time and space. This new interconnectedness was highlighted by the New Zealand writer Rod Oram, who describes the 9/11 attacks on New York as “interdependence day”.

¹DEMOS
Public servants play a unique role in this process of global upheaval. They are charged with administrating change, helping their populations to survive and successfully adapt to a changing world. But they are also citizens themselves, with their own goals for their country, and their own aspirations for a better life.

As their representatives, trade unions have a legitimate interest in shaping the future direction of their countries in socially-just ways. But shaping the future is not easy. To shape it, we must first understand it, and that means learning to grasp and live with its uncertainty. There are three key barriers to doing this:

1. **Clinging to the past**: simply going back to an imagined golden age of welfare state provision is unlikely to do the job – governments have to change to meet the challenges of a different world – the question is, how?
2. **Buying the official line**: faced with the sheer uncertainty of the future, it is all too easy to retreat into a reliance on policy documents and other people’s visions, but these seldom provide a reliable guide
3. **Defeatism**: faced with the uncertainty of the future, some people simply give up trying to influence it and decide to let things take their course.

The truth is that we can effectively respond to the challenges posed by the future – both as individuals and through representative institutions like trade unions. But doing so requires a new way of thinking.

In this paper, we set out a simple but powerful argument for using scenario planning. Demos has used this approach with a wide variety of organisations, from senior police officers and teachers in the UK, to trade unionists in New Zealand.

### 2 Why thinking about the future is important

"*The future’s already here. It’s just unevenly spread.*" – William Gibson

From the Bible to Marx, people have always sought to predict the future, but usually their efforts meet with little success. The sheer number of factors that shape the future, and the complex way they interact, makes prediction impossible. It only takes one disruptive new technological advance, an unforeseeable war, or a natural disaster, and even the best-laid plans can be rendered useless.

The point of scenario planning is, therefore, not to tell us what will happen in 15 years time, but to help us live with the inherent uncertainty of the future. Scenario planning works on the basis that many of the trends that will drive the future are already visible today – we know, for instance, that aging populations in the developed world could have a major impact on immigration patterns. By identifying the trends we know are important, and combining them in different ways, we can tell effective stories about the future, and plan to meet its uncertainty.

When Demos runs scenario planning exercises, we use a rigorous assessment of current trends and participative workshops to develop a small number of distinctive
stories about the future. Typically, the process produces 3-6 different ‘best guesses’ of how the world might look in up to 15 years time.

The scenarios are useful because they allow organisations to develop strategies that will work in all conceivable futures – the key question they answer is not ‘what will the future look like’, but ‘how can we prepare for all likely futures’. Once completed, scenarios serve two main purposes. The first is protective: anticipating and understanding risk. The second is entrepreneurial: discovering strategic options of which you were previously unaware.

As the technologist Stewart Brand argues: “Scenario planning ensures that you are not always right about the future, but - better - that you are almost never wrong.”

3 Six steps to the future

The scenario planning process can be broken down into a number of different phases. It usually starts with a problem to be solved, or a decision that must be made. Clarifying precisely what the issue or problem is a prerequisite for a successful scenario planning exercise. In the case of Demos’ work in New Zealand, the PSA wanted to understand what public services could look like in 2020 so that it could develop a policy and lobbying strategy to influence the New Zealand government.

Scenarios only work when they are credible and challenging. This has two implications. First, the scenarios have to be developed in partnership with the people who will use them – if the aim is to help a trade union plan for the future, then the process will have to involve trade unionists.

But if the process only involves trade unionists, there will be a danger of ‘group think’ – everyone might come up with the same point of view. So it is also important to use outside experts and other contributors who can bring in new ideas and challenge your existing assumptions.

Phase one: understand the relevant data

The first step is to think through all the trends that might affect the decision you need to take about the future. For instance, in New Zealand, we knew that factors like energy supplies, public attitudes to the state sector, and the ethnic and demographic mix of the population would be important. A quick way to identify the key trends is a PESTLE analysis. This involves brainstorming trends in six key areas:

- **Political** – eg likely election results, political participation, policy trends
- **Economic** – eg likely economic growth, poverty rates, changes in national and international markets
- **Social** – eg levels of individualism,
- **Technological** – eg developments in computing, biotechnology
- **Legal** – eg likely changes in law

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• Environmental – eg impact of climate change

This list of factors can be strengthened through participative brainstorming workshops with members of a union and outside experts – in New Zealand we did workshops with 20 people to identify important trends. We then located the most up-to-date statistics and trend data available to help inform the next phase of the project.

Phase two: Identifying important and uncertain factors

The aim of this phase is to work out which of the trends are the most likely to affect the future. The aim is to rank the trends according to their importance and their uncertainty. This will help you sort the trends into three different categories:

- Trends that are important and unpredictable. Often known as ‘critical uncertainties’, these trends are the most important to consider
- Trends that are important but predictable – factors like demography, and climate change. These are things we know will happen in the future
- Trends that are unimportant, and therefore shouldn’t be a priority for thinking about the future.

The important trends you’ve identified are known as ‘driving forces’ – the factors that will shape the future. In New Zealand, we used a day-long workshop with 15 participants to rank the trends. Perhaps the best way to do this is using a matrix similar to the one in Figure 1.
Phase three: Exploring driving forces

Phase three explores how the driving forces might play out. For each driving force, it is important to identify both the current situation and how it might change in the future. For instance, if energy availability is a critical uncertainty, you would think about the factors that affect it and try to understand how it will change – is it possible that energy supplies could be heavily constrained, or that new forms of energy will be created? What impact would that have on your decision? What are the different alternatives that can be envisaged and what is the range of possibilities?

By the end of this phase the scenario builders should have reached agreement on a small number of driving forces (both predetermined and uncertain) that should be reflected in the final set of scenarios. In New Zealand, we decided that the key factors that would shape the future were ‘popular support for public services’ and ‘economic success’.

Phase four: Developing sketch scenarios

Create up to four scenario stories, setting out how the driving forces could play out, as well as how they could interact. The best way to do this is often on a graph like the one set out below. In this case, we considered how different trends might interact – what would New Zealand’s public services look like if there was high economic success and low support, or low economic performance and high support?

We worked back from those positions, for instance if there was low support for public services and high economic success, then we told a story about how a wealthier population would want to buy more of its services from the private sector.

![Four scenarios for the future diagram]

New Zealand 2020

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Phase five: Agreeing scenarios

In the penultimate phase participants should develop a common set of scenario stories by testing them with the people who will ultimately use them. By comparing the final stories to the decisions identified at the beginning of this process, participants can identify whether the scenarios are relevant. In addition, the stories should be plausible and internally consistent. If necessary, further discussion and analysis can be used to improve the plausibility, challenge, and relevance of the individual scenarios and the scenarios as a set.

Phase six: Implications for policy and practice

Once the stories are agreed, they can be explored. Users can reflect on the opportunities, constraints, and threats that each scenario presents. Finally, it is worth bearing in mind that policy recommendations ought to be developed with some acknowledgement that the environment in which they might be introduced could be very different from the one in which they were devised.

An example of some scenarios can be found at Appendix A. The scenarios are based on work that was undertaken by Demos and the New Zealand Public Services Association.

4 Overcoming barriers to change

Scenario planning works because the scenarios resonate in some way with what individuals already know which leads them to ‘reperceive the world’. However, there are a number of obstacles to scenario planning.

Firstly a mixture of scepticism, ignorance and a lack of appreciation of how scenario planning can support an organisation’ strategy can all lead to inaction. So explaining the value of scenario planning to individuals or an organisation is crucial if they are to be a success.

Secondly, organisations (such as trade unions and government departments) suffer from optical distortion – a tendency to overestimate what can be changed in the short-term, while underestimating just how much can be changed over the longer term.

Those countries which have most dramatically improved their economic and social performance over the past thirty years – such as Finland, Sweden, Singapore, Taiwan and Denmark – have all invested heavily in strategic, long-term thinking.

5 Committing to the future

Scenario planning is about rehearsing the future. To that end scenarios have to be simple, dramatic and bold. They need to cut through complexity and aim directly at
the heart of an individual decision. A common reaction by individuals in organisations is to dismiss scenarios as ‘aspects’ of what is happening now. So the role of scenario planning must be to arrange the factors so they illuminate the future, challenging people’s perceptions of what the world may look like instead of obscuring it.

Today this is more important than ever. In an uncertain and complex world the most important attribute an individual or an organisation can have is a creative imagination. People have an innate ability to build scenarios, and to foresee the future. We can simulate the past and the future in our mind, practicing different acts and judging which is best. In that spirit the following scenarios give a taster of how creative minds can produce pictures of the future.
Lonely social democrats

A succession of fuel price shocks in the mid-2010s has left New Zealand a more inward-looking nation that is focussed on improving quality of life and dealing with its own social problems, rather than securing economic growth. The government takes an interventionist approach to the economy in a bid to reduce dependence on expensive foreign imports. Public services become vital to supporting quality of life in a country that feels increasingly isolated. Politicians compete to show who can deliver the best outcomes, leading to an explosion of performance indicators and inspections.

The 2010s were a bruising decade for New Zealand. Buffeted by fluctuations in fuel prices, falling behind on growth and increasingly worried about racial tensions and growing inequality, New Zealanders elected a succession of governments that turned away from the global marketplace.

Public services have spent much of the past decade muddling through, but by 2021 the argument appears to have been settled in favour of relatively high investment and good standards of delivery. This sea change in attitudes is widely attributed to the government’s adept handling of the fuel crisis. Some commentators also point to the emergence of a new constituency in support of public services, combining the retiring baby boomers and activist elements of the increasingly important Maori and Pacific electorates.

This new constituency ensures that all the major parties now compete on the basis of who can deliver the best standard of service for citizens. Investment in health and social services is totemic for the baby boomers, who recognise that they will need help to lead active retirements, while education, skills and employment opportunities are key priorities for younger Maori voters.

A modernised form of ‘tax and spend’ economics is in vogue after a Labour-led government decided to spend its way out the recession that followed the fuel price hikes, briefly taking public spending as a percentage of GDP to highs not seen since the 1970s. High public spending has taken some of the edge off rising unemployment levels, but they remain high in an economy that is still adjusting.

The tax base is growing at a snail’s pace, but with the pressure of global competition lessened, governments are starting to feel more comfortable with higher levels of taxation. Revenues are buoyed by a scheme that seeks to attract wealthy European retirees to a New Zealand that sells itself as an idealised version of 1950s life.

The public management practices followed by ministers in 2021 would be largely recognisable to a member of the Clark governments of the early 2000s. But the politicians are increasingly desperate to prove that their investment is delivering results, and over the last decade this has led to an explosion of data collection,
inspections and performance indicators. These have been slowly extended to local government, leading to complaints of a take over by Wellington.

Most public servants dislike the attempts by outside inspectors to assess and improve services, but some are quietly pleased at the way their country is developing. Old union hands who remember the ‘bad old days’ of the 1990s can sometimes be heard telling younger members that things have never been better.

But some people entering the public service in the late 2010s feel let down by a lack of vision and excitement in their jobs. For young people in particular, the world seems a much smaller place with fewer opportunities for successful careers, and those who can afford it spend more time than ever before in economically vibrant Australia or bustling London.

Journalists have picked up on the lack of vibrancy in politics. They joke that there is such a degree of policy consensus between the main parties that Statistics New Zealand increasingly decides who wins elections. The politicians retort that the country has entered a new era of politics where what matters is not “what’s left or right, but what’s right or wrong”.

There have been piecemeal reforms of the public sector over the past 15 years. Primary health organisations have led the way in helping the state influence people to live better lifestyles, while education and adult social services have moved in the direction of customising their services to meet individual needs.

The reforms have not been radical, but they have slowly made the public sector more responsive, helping it to win greater public support. The private sector still plays a part in providing services, and National-led coalitions place an emphasis on driving the domestic economy by using business and the voluntary sector to deliver public services.

New Zealand has prepared relatively well for the wave of retiring baby boomers it will face in the coming years, but there is still anxiety over who will fund state pensions. With their young people leaving and being replaced by older, richer foreigners, some politicians worry that their country could simply become a retirement playground for the world.
The Blame Game

It feels like New Zealand’s public services have been on a rollercoaster ride for the last 15 years. The voters have alternated between increasingly unstable Labour- and National-led coalitions, creating fast and sometimes dramatic changes in public expenditure as the left tries to increase spending and the right to reduce it. The public feels like neither side is delivering on promises of economic growth and public service improvement. The result is a dramatic loss of faith in the ability of the state to solve New Zealand’s economic and social problems. The public demands more choice over where it purchases services and there has been radical devolution of power to cities and iwi.

It’s not that the politicians of the 2010s didn’t notice the long-term challenges they face. It had been obvious for some time that New Zealand had failed to create enough of the high-value industries that it needed to drive economic growth – no one could ignore rising unemployment. And there was no shortage of Maori and Pacific politicians ready to warn about the increasing polarisation of different ethnic groups in Auckland.

The real issue is the lack of consensus about how to solve those problems, with the main parties still fundamentally divided on a whole range of issues. Combined with the ‘revolving door’ politics and weak coalitions of the 2010s, this has meant that no party has had the mandate or the time in office to develop long-term solutions.

By 2021, most New Zealanders have decided that they need to solve their own problems - there is an automatic assumption that no one can do a worse job than the government. There are two clear demands on the table: greater choice about who they buy their services from, and radical devolution to local authorities and iwi.

Private companies from South Africa and Australia have responded to this new attitude by setting up chains of low-cost private schools and hospitals in New Zealand’s cities during the 2010s. These new institutions fuelled demand for education and healthcare vouchers, which were finally introduced in 2018. The value of the vouchers is weighted towards the poor, who can afford to take up many of the available school and healthcare options, even thought the wealthy can ‘top up’ their vouchers with their own money.

The push towards devolution was led by Auckland’s mayors, who increasingly resent what they see as the drain on the city’s resources by squabbling national politicians. The city is now run by a single mayor under the Auckland Regional Council, which has wide-ranging powers over economic development, transport, education and healthcare.

The city is attempting to re-brand itself as an international business hub and there are increasing calls from the mayor for Auckland to be able to keep more of its
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own tax dollars. Refusing to be outdone, mayors across New Zealand are pushing for similar levels of devolved responsibility.

The new environment has encouraged Maori to start down the path of parallel economic and social development to the ageing Pakeha majority. The more enterprising iwi are using the new voucher system to make a profit from delivering education, health and social care services directly to Maori. Some of New Zealand’s most exciting companies have developed from iwi business-nurseries. But there is increasing concern about the creation of two nations in one country.

Those public services that cannot be devolved or marketised are subject to intense pressure for greater efficiency and effectiveness. Spending is permanently tight for people working in these areas and cuts are a constant threat for those who cannot prove their value to the public.

Some public servants adapt well to the new environment, starting up their own businesses and consultancies to deliver services. The devolved city governments can be exciting and innovative places to work. But the many who cannot keep up with the pace of this new world feel undervalued and under pressure. It becomes increasingly difficult to attract staff into some parts of the public sector.
Affluent consumers

New Zealand’s economy is booming. The country has become a world leader in biotechnology and a creative hub for the south Pacific. The economic boom is attributed to a new breed of business whiz kid inspired by the successes of Sam Morgan. But underlying this economic achievement was a deliberate attempt by successive governments to adapt to the pressures of globalisation through lower tax and deregulation, shrinking the public sector in order to boost the economy. The new generation feels it succeeded despite the state, not because of it. The affluent upper and middle classes take an increasingly consumerist approach to public services. They are prepared to pay tax for a good safety net, but not much else.

The Economist magazine has dubbed the new economy ‘Kiwi Capitalism’ – arguing that New Zealand’s entrepreneurs combine business flair with a strong sense of values. The country’s business ethic comes from Sam Morgan, but its economics are from his father, the neo-liberal economist Gareth. A Maori middle class has emerged over the past 15 years and is seen by many to be an equal participant in the country’s economic success.

The new business class doesn’t want growth at any cost and they are happy to see a safety net provided for the poor and vulnerable. But a decade of low spending in the 2010s has made public services seem second best. The new entrepreneurs feel that they made their success on their own, and they have become used to taking a consumerist approach to public services, shopping around for the best healthcare and education.

Several of the new entrepreneurs have made their fortunes by offering cheap and easy versions of public services directly to the public. Privately provided health insurance, private tuition and online learning are increasingly commonplace.

Most cities now have a thriving branch of EZService, a charitable one-stop-shop created by a consortium of business leaders that provides people with advice about how to put together the best package of public and private sector services to suit their needs. EZ advisors act as consumer advocates, loudly critiquing services through the media when they consider them to be under performing. For a significant part of the population, their first phone call when faced with a problem is not to the state, but to EZLine – the company’s Auckland-based call centre.

Public services have responded by radically diversifying their own offering, essentially trying to compete with the private sector on its own terms. Most children get part of their state education from a national, internet-based learning database, which offers access to a digitised curriculum and personalised teacher support via e-mail. The service is widely seen to have cut costs and delivered greater choice, although one result of the reduction in teaching staff is an increasing use of private tuition and home schooling.
In Wellington, the government has taken on a radically new role. Its traditional core business as an employer and provider of services has greatly diminished. Most policy advisors spend their time working in a commissioning and market management role, ensuring that all of the public, private and voluntary sector providers in the public services market meet minimum service standards and that there are enough places to go around. The directly employed public sector workforce has shrunk dramatically as the market has grown, making union organisation far more difficult and collective bargaining nigh on impossible in some areas.

Benefits and traditional public goods such as regulatory services remain an important part of the public service system, and are largely under the direct control of the government in Wellington. Local government is seen as an unloved necessity, and most councils have succumbed to the pressure to hold referendums on local tax levels, leading to overall spending reductions.

Some New Zealanders like the diversity and choice that the new system has created, but others are bewildered by the explosion of consumerisation and uneasy about its social impact. It is becoming clear that despite continuing government attempts to help the poor make the most of the system, some people from disadvantaged backgrounds are falling behind the mainstream of society.
Brand New Zealand

New Zealand has been transformed over the past 15 years - forging a distinctive identity that combines economic success, creativity, green values and a high quality of life. Economically, the country has embraced the knowledge economy. Socially, it has embraced a new generation of Maori leaders and entrepreneurs. Public services have played their part in creating this transformation through major investment in children and the development of a more creative, open, democratic and participative style of management. Ministers say that government today is as much about solving people problems as delivering services.

Many New Zealanders see the last 15 years as the beginning of a national renaissance. Internationally, the country is now seen as representing a dynamic lifestyle brand, and there is strong competition for NZ citizenship among those who are tiring of the relentless pace of life in Europe and America.

The revival of New Zealand’s public services in the 2010s is seen by many as critical to the country’s current success. The process arguably began with the Secondary Futures project, which helped to build a strong consensus around the need for education reform. The government responded by launching a crusade for a more creative, dynamic and personalised education system to equip the country for the information age.

Spending on services for children became a national rallying point for New Zealanders, who became convinced that the next generation was their country’s best hope for success. By 2021, the younger generation sees the investments and sacrifices its parents made as the foundation of the new economy. Young people won’t write a blank cheque for public services, and they want to see concrete results for their money. But they believe public service at its best can be a tool for creating a better world.

The government went to great lengths to ensure that Maori were included in the new drive for success. Iwi were encouraged to use their treaty settlements to invest in innovative new knowledge businesses. The new generation of young Maori is finding ways to bring its values into the mainstream of New Zealand society, bolstering support for public services to support the vulnerable and helping to generate a new culture of participation and co-operation in civic life.

Those who worked in the public service 15 years ago often remark on how radically different things look in 2021. School reformers quickly recognised that it wasn’t enough to just improve the quality of education – factors beyond the classroom mattered as well, from drug abuse to the quality of parenting. So children’s services were ‘joined up’ at the local level, with social workers, schools, police and others working together under the guidance of democratically elected city children’s boards.

This holistic approach has spread across the public sector, with regional consortiums of local authorities taking on new responsibilities for setting up ‘super community plans’ to co-ordinate all the public services in their areas. The
superplans set strategic goals for the regional consortia, and central government departments are required to help deliver those goals.

This has helped to create a much more active democratic culture in New Zealand’s towns and cities. Some councils have used community planning as well as health and children’s board elections to convince the public that ordinary people really can influence the way the state works. This process of democratic renewal has not always been easy, but by 2021 some parts of the country feel a genuine sense of self-governance, with all communities engaged together on equal terms. People in those areas actively participate in solving their own local problems.

Ministers in Wellington also take a holistic approach. They have started setting broad, outcome-based targets across ad hoc networks of departmental chief executives, who are expected to work together to deliver better outcomes for New Zealanders. Targets are ambitious – ‘reduce violent crime by 20% over six years’, or ‘increase satisfaction with public services by 10% by 2015’. But they help the government to focus its resources on the really big problems that matter to New Zealanders.

These problem solving networks of departments are assembled on a project-by-project basis, with most incoming governments setting 3-5 outcome goals and then determining what collections of departments will be best suited to deliver them over a parliamentary term. Once the goal is delivered, the network is disbanded. Departmental staff have become used to being re-allocated to new teams and projects every few years, sometimes moving between departments altogether. They are increasingly flexible and multi-skilled.

Most chief execs understand that the only way to meet their goals is to provide the space for frontline delivery staff to tailor services to the needs of individual citizens and communities. In return, chief executives expect to see much more innovation to help contain costs and improve services. The state services commission has taken on a role as an innovation hub, capturing and sharing the best new ideas from across the public sector to improve departmental capacity.

Public sector pay rises are increasingly linked to productivity and innovation, with the state services commission using its role as the innovator-in-chief to assess how much progress each network of departments is making. Unions have had to change their tactics radically to secure pay increases, focussing increasingly on demonstrating their members’ concrete achievements.

The new ‘problem solving’ system makes heavy demands on public servants, who often complain that they are overloaded by the demand to deliver efficiency, innovation, democratic engagement and better services at the same time. The new culture of participation can add to this sense of overload, but it has also helped to create a state that is more legitimate, and which commands greater support and respect, than has been the case for decades.
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