

The Hotel Yearbook 2023  
The Uncertainty New Normal



HY8



# **Scenario planning: How hotel groups are dealing with uncertainty**

**Woody Wade**

*Author of "See Your New Normal"*

## Synopsis

In this article, the author of “See Your New Normal”, Woody Wade, states that as professionals with responsibilities for the future success of companies, individuals will inevitably be called upon to make big, consequential decisions without knowing exactly what the future will be like and whether those decisions will turn out to be good or bad. It is important to understand how a decision can turn out to be terribly wrong, such as by not assessing the future and making a decision based on today’s circumstances but executing it in tomorrow’s landscape where conditions have changed. The conclusion is that good decision-making calls for foresight, the ability to foresee changes that could realistically materialize in the environment, understand the implications of those changes for the business, and increase the company’s chances of future success. The question is raised of how to achieve this foresight.

Let’s all hope we will not soon face another earth-shattering catastrophe like Covid, or dramatic economic and geopolitical pressures like the ones triggered by the Russia-Ukraine conflict.

But even if we’re lucky and are spared such disastrous developments, other big uncertainties affecting us are sure to arise – and when they do, we’ll have no choice but to confront them. As professionals with responsibilities for the future success of our companies, we will unavoidably be called upon to make big, consequential decisions, not knowing exactly what the future will be like in which these decisions will play out – and thus never 100% sure whether they will turn out to be good decisions... or bad ones.

Either way: make those decisions we must. It’s what we’re paid to do! Get them right, and all is well. But get them wrong, and the repercussions can potentially be very costly, maybe “only” in terms of short-run financial losses, but possibly also in terms of more important, longer-lasting outcomes, e.g. guest satisfaction, staff well-being, the reputation of our brand, even our very survival. In a business, everybody in a position of responsibility understands that decision-making entails some risk. And the bigger the decision, the bigger the risk. Unfortunately, decisions can sometimes turn out to be terribly wrong.

Does everybody understand, though, *how* a decision can turn out to be terribly wrong? One way is simple: Don’t assess the future, make a perfectly reasonable decision based on *today’s* circumstances, but execute it in *tomorrow’s* landscape – where conditions have changed in the meantime. This is not a guarantee of a bad outcome, of course, but if you follow this impetuous decision-making pattern, the odds are higher that things will not turn out as hoped.

The obvious conclusion is that good decision-making – our very reason for existence, don’t forget – calls for *foresight*, i.e. the possibility to foresee changes that could realistically materialize in our environment, visualize in advance the contours of the new landscape these changes could bring about, and understand what the implications of those changes would be for our business (and possibly our careers).

Just do that, and you’ll be in a much better position to make decisions today that make sense for tomorrow’s landscape – and increase your company’s chances of future success.

“Just do that.” Yes, but *how*?

My recommendation is to apply one of the most powerful foresight techniques developed in the business world in the last five decades: *scenario planning*. This is a structured method for visualizing future changes in “the big picture” – i.e. your strategic terrain – and grasping the potential impact they would have on you and your future success. The sole purpose of scenario planning is to get at the answer to this question:

## HOW COULD YOUR BUSINESS LANDSCAPE, SPECIFICALLY, BE DIFFERENT IN THE FUTURE?

The rationale for investing time and energy in scenario planning is simple: If you can anticipate alternative ways your strategic environment could realistically change over the next few years, you can buy time to get your properties and teams ready for the new terrain – one which you may already be well-prepared for, but one which might call for a different approach to even the most fundamental things you do, and are good at, today.

Since the methodology is about foreseeing future change, it is not only the challenges ahead that you can identify. You can also spot *opportunities*: chances to innovate, tailor exciting initiatives for the new terrain, and road-test new ideas and plans even before the future you’ve envisaged has materialized.

## HOW DOES THIS PROCESS WORK?

Is scenario planning complicated? Costly and time-consuming? Hard to put into practice? No, no, and no. In fact it is completely straightforward, based entirely on the logical premise that if you can identify the factors that could make the biggest difference to your future ability to operate successfully, but which are today uncertain as to their outcome, then you can visualize alternative ways those uncertainties might plausibly resolve themselves, leading to different futures, or *scenarios*.

“But there are dozens of factors that will affect our future,” you might understandably reply. “We’d be paralyzed trying to work out how every one of them could turn out.” You are correct! We are beset by uncertainties from every direction. Trying to determine – even just *imagine* – how they could all end up would occupy a think tank for years. Luckily, scenario planning does not require you to spend time predicting the potential outcome of *every* uncertainty in your environment. And in any case, most of them will only make some marginal difference to your future rather than significantly affecting the “big picture” you operate in. Instead, scenario planning has the advantage of focusing only on the most consequential unknowns – the so-called *critical uncertainties* – and explores what would realistically happen if they were to develop in different directions. What potentially radical change in your strategic landscape might you expect to see if the uncertainty turned out *this* way? What about *that* way? How would the future be different for us? Using this methodology, what you are aiming to do is visualize the game-changing transformations that could materialize – and which your company absolutely must be ready for.

There are many ways to organize a scenario generation process in an organization. At its simplest, a single individual could devote him or herself to the task, and dive into an analysis of your company's value drivers all alone, but as a rule, the outcomes of the process will be better if several people are involved, representing different operational and strategic functions, experiences, and perspectives. This way, the portfolio of alternative scenarios posited by the group is likely to be more thorough and credible, which is important for buy-in at the level of the company's senior leadership. So this usually means the involvement of around a dozen people.

A well-focused, interactive workshop can go through the various steps of the scenario building process in a single day. The outcomes are not only a description of (usually) four different future scenarios that could plausibly emerge for the company, but more importantly, some essential ideas of what an effective strategic response would be for each one. It's not enough just to "see" what a future scenario might look like; for the process to be of practical value, you also need to anticipate what that future would mean for the way you operate, and how you would deal with its specific features – favorable and unfavorable.

In other words, what specific actions would you have to undertake to meet the scenario head-on – to exploit its opportunities and tackle (or even avoid) its challenges? When would you have to take these actions? How much money, or other resources, would be required? Who would you put in charge? What support would he or she need?

"I have to lead for *tomorrow's* world," was how Jeff Immelt described his job when he was the CEO of General Electric a few years ago. He understood that the most crucial part of his job as a leader was to anticipate the future business landscape his company could encounter and prepare the entire organization to meet the opportunities and challenges it might bring.

It's the same for a geographically focused hotel company as it is for a globe-spanning conglomerate like GE. We must try to gain insights, in advance, about the way our terrain could evolve over the next few years. The alternative is not to worry about the future, sit back and simply wait for it to unfold... and hope it will be pleasant as – by definition – we find ourselves taken by surprise.



#### Woody Wade — Author of "See Your New Normal"

Woody Wade is a specialist in scenario planning for the hospitality industry, helping companies identify and understand the trends that have the potential to change their future business landscape and thus affect their future competitiveness. He is the author of "Scenario Planning: A Field Guide to the Future" (Wiley, 2012) and of the forthcoming "Hotel Yearbook 2036" which provocatively uses fiction as a framework for exploring the industry's very different competitive landscape two decades from now. Woody was previously an Executive Board member of the Geneva-based World Economic Forum, the foundation organizing the annual meeting of world leaders in Davos. He was also the Marketing Director of the Ecole hôtelière de Lausanne. He graduated in history from Indiana University and has an MBA from Harvard Business School.

#### Wade & Company — [woodywade.com](http://woodywade.com)

Wade and Company, based in Lausanne, Switzerland, uses a scenario planning methodology to help organizations foresee how their future business landscape may change, a strategically important capability. Headed by Woody Wade, the company facilitates scenario generation workshops for the hotel industry and other sectors, as well as NGOs, non-profits and governments.



# BirchStreet Pay Solution

Tired of writing checks? Worried about rampant check or credit card fraud? Want someone else to handle all of your supplier payments for you?

**BirchStreet Pay is the smarter way to pay.**

**Built to simplify  
and centralize**

**Elevate compliance  
to new heights**

**80%+**  
reduction in  
payment costs

**\$5,000+**  
overall savings  
from compliance  
improvements

**40%**  
reduction in  
paper checks

**100%**  
of your payments  
handled by  
BirchStreet Pay

Email [sales@birchstreet.net](mailto:sales@birchstreet.net) or visit [birchstreetsystems.com](http://birchstreetsystems.com)