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The global shocks have kept coming since COVID shut borders and choked supply chains. Boards have seen first-hand how quickly business conditions can flip and the lesson is unavoidable – disruption isn't rare anymore. Against this backdrop, scenario planning is returning to board agendas as a practical way to prepare for futures that can't be forecast with confidence.

What is scenario planning?

First developed in the 1960s by Royal Dutch Shell – and widely credited with giving the company a stronger strategy during the 1973 OPEC oil crisis – scenario planning is a technique in which leadership teams imagine different versions of a future operating environment. These versions are then used as “wind tunnels to test-fly their strategic choices”, explains Matt Braithwaite-Young, managing partner at strategy facilitators Turning Leaf. “Leaders can then assess whether their strategy would still be effective in different scenarios or whether there are potential futures where their plans would fall over.”

The scenarios also prompt boards to examine their assumptions and share their intuitions – a process that, according to Braithwaite-Young, strengthens relationships and lays the groundwork for genuine alignment in their final strategic direction. However, he stresses that scenario planning is not a method for modelling or predicting the future; instead,

it's designed to “envisage and use unlikely and extreme futures”, he says. “They are qualitative scenarios – rich, descriptive and designed to elicit creative and unexpected insights from a board.”

Why is scenario planning back in focus?

“It may be no coincidence that the method is gaining popularity again,” says Braithwaite-Young. “It's a useful tool to help capital-intensive firms operating in uncertain and unstable contexts, with energy a perfect example. That is, when the future is uncertain and firms want to avoid being unnecessarily trapped by their investment choices if the world develops differently.”

For Trudi Lang, former director of strategic foresight at the World Economic Forum, scenario planning is a critical precursor to setting organisational strategy, especially in an environment defined by disruption. “Disruption is now a feature of our environment,” she says. “The degree of uncertainty means people increasingly appreciate there's more than one scenario they have to be aware of and navigate.”

Regulation is also pushing organisations towards more rigorous future analysis. The government, seeking to build resilience in a constantly evolving landscape, introduced legislation in 2022 – including the *Financial Accountability Regime Bill* – that requires financial institutions to better prepare for existential threats. Additionally, since January 2025, mandatory climate-related financial disclosures are linked to specific temperature scenarios – a shift expected to influence boardroom discussions across the economy.

For directors, these requirements raise an important question, says Lang. “How can we do this well and in a way that makes sense to our particular organisation?”

How do boards actually use it?

In a real-world context, boards start by identifying the decisions that matter most and the uncertainties that could influence those decisions.

Aleks Lupul, Deloitte Australia's global lead partner for Business Modeling, says considering different scenarios “helps directors and executives zoom out to apply a strategic, risk-based lens” over the business.

“You need to understand the key levers and drivers of your business, the external and internal factors that will have the greatest influence, and then explore the implications for your business or portfolio under different scenarios,” says Lupul, noting that trying to model every variable can be overwhelming. Instead, the focus is on the factors most likely to have a material impact.

Preparing for unpredictable futures

→ When nothing is certain, scenario-led thinking can provide boards with the framework to effectively position their organisations for future success.

Story by **Natalie Filatoff & Maja Garaca Djurdjevic**

All parties emphasise the importance of clarity. Namely, before diving into scenarios, boards need to define the purpose of the planning exercise. Braithwaite-Young notes low-risk, low-impact futures aren't worth developing. Boards should instead focus on the broader context. "The most predictable scenarios are often already modelled by the firm or industry," he says. "The better approach is to focus the board on black swan possibilities, or even impossibilities, that would have a big impact, but are unlikely to eventuate."

Lang says scenario work may reveal the need for input from specialists not currently represented inside the organisation, while Lupul points to the value of enterprise software platforms such as Anapla, Oracle and Workday. Traditional, Excel-based financial models can be equally effective, he adds, because they "limit complexity and avoid analysis paralysis".

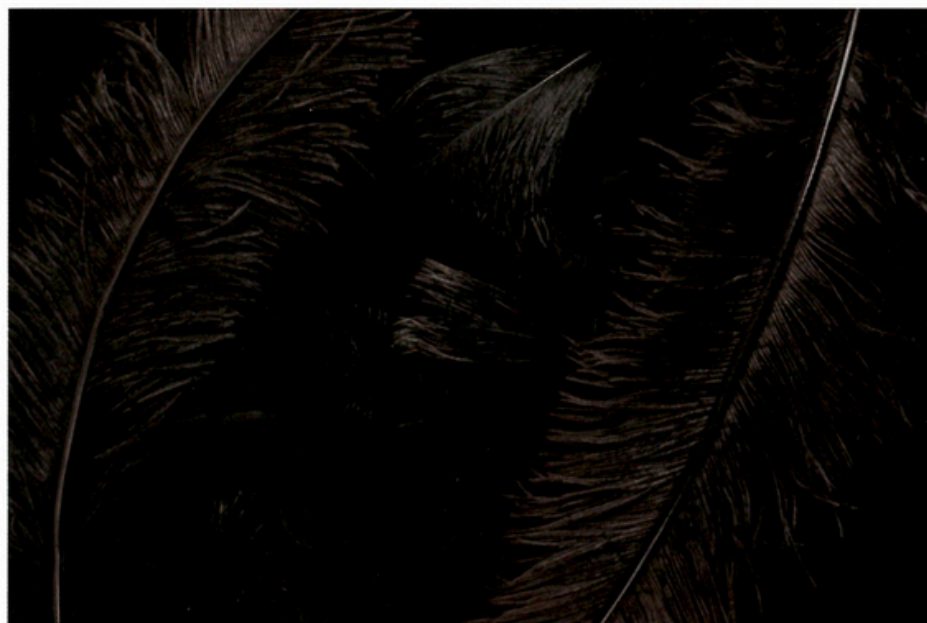
What do boards get out of it?

Scenario planning often improves strategic conversations. Directors bring diverse experience, which inevitably means differing views about what the future might hold. "Disagreements about the future are extremely helpful," says

The game plan

Matt Braithwaite-Young, managing partner at strategy facilitators Turning Leaf, outlines the steps to successful scenario planning.

- Create the most evocative worlds in the quadrants using descriptions and images (AI is great for this).
 - Discuss the "What if?" impacts of scenarios on current strategy.
 - Repeat the process several times.
 - Isolate key insights ("aha" moments).
 - Apply those insights to identify opportunities to improve the current strategy.
 - Develop new strategies and contingencies as they're required.
- Make time to do it, at least half a day, probably a full day.
 - Do the pre-work. Explain the process so people know what they're getting into.
 - Map the system together, including feedback loops. This is valuable for boards on its own.
 - Choose the scenario stretches, usually selecting two axes.



Lang, "because they're informed by what people are observing and analysing from different quarters."

Braithwaite-Young notes what's often overlooked is how the process of co-creating strategies creates a shared understanding of the organisation and its context. "The most critical part of scenario planning is that it's a brilliant tool for alignment and relationships between directors," he says. "It's the dialogue itself and the 'what if' insights that emerge, which represent the real value, not whether a particular scenario ends up being realistic, let alone actually happening."

Beyond this sense of cohesion, Lupul says organisations sometimes discover they may no longer be "the best owner or operator of certain assets or divisions". Scenarios can also clarify whether an acquisition strengthens the organisation across multiple emerging realities.

In highly uncertain environments where probabilities can't be assigned confidently, Lang says the real question becomes not only, "What do we do?" but "Who do we need to become in order to do well?" Examining identity through different futures, she says, "might, for example, lead an oil and gas firm to rethink itself as an energy firm". That kind of shift can unlock new strategic options.

What is a real-world example?

Braithwaite-Young recounts a situation where scenario planning prompted a business to change its core strategy.

"We worked with a property brand looking to use a standardised offer and identity over multiple markets. When the board developed scenarios [to assess] their competitive strengths in each one, they realised they were at risk of losing share in a premium market segment. They then developed a response involving a dedicated new team, offer and branding."

Often, adds Braithwaite-Young, a stretch scenario creates a shared insight into a risk or opportunity that can then be utilised in a more realistic operating context.

"The extreme of the scenario unlocks the insight, which can then be transported back into the more immediate planning and deliver a stronger strategy." ■

→ RESOURCES

→ A scenario planning guide for boards – Trudi Lang (ICAEW Insights) mrca.pub/4rovNeV

→ Capital allocation & resilient portfolios: Insights based on a Deloitte survey mrca.pub/43RRKsP

→ How Ghost Scenarios Haunt Strategy Execution (MIT Sloan Management Review) mrca.pub/48C1sSH