

How Scenario Planning Could Have Saved a Giant and Resurrected Another

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Introduction

The need for long-term planning has never been more prevalent amidst the unprecedented economic landscape caused by COVID-19. We are witnessing accelerated pace of legislative changes with the acceptance of digital signatures, organizational changes with widespread working from home orders and consumer behaviour changes with technology reliance. To ensure the long-term survivability of businesses, strategic foresight is necessary. One key aspect involves scenario planning. This is the process of categorizing and compartmentalizing different outcomes, the implicit risks associated with them and potential mitigation strategies offering valuable strategic foresight.

In considering the application of strategic foresight, we will be looking into Kodak, a corporation that failed to innovate or successfully plan for strategic outcomes, and Apple, a corporation that defied the status quo and remained successful through continuous planning.

Case Study: The Fall of Kodak

What Happened: Missing the Bigger Picture

Kodak's senior management team prioritized the sale of film photography and development over other potentially more lucrative business lines. This shortsighted view is a hinderance to long-term planning because it emphasizes short-term profits and losses over longer term survivability of the business. The invention of the digital camera was made by Steven Sasson, a Kodak employee, but when he brought it to the attention of his superiors, he was met with blatant disregard for the invention.

“But it was filmless photography, so management’s reaction
was, ‘that’s cute - but don’t tell anyone about it.’”
- Steven Sasson via The New York Times (02/05/2008)

Senior management feared digital photography would jeopardize their film service lines and were reluctant to invest heavily into an unproven technology that could potentially cannibalize their sales. The underlying cause of myopia, the lack of foresight and strategic thinking, led them to deny the possibility that, over time, the quality of digital cameras may improve, and costs may lessen as the technology is widely adopted.

Why it Happened: Deconstructing the Photograph

The senior management's biased viewpoint of film photography led them to neglect employees that offered contradicting viewpoints to the table. The management's mindset was not “how can we adapt to the changing economic environment”, but rather “how can we continue to sell our products despite declining growth in sales”. Thus, their incohesive firm dynamic and their inability to consider external factors in their strategic discussions of the firm's future was the ultimate cause of their descent.

In the late 1980s, the Kodak board of directors elected Kay R. Whitmore over Phil Samper as the successor of CEO position. The determining factor: Samper had an appreciation for digital technology whereas Whitmore believed film photography would be the future of Kodak.

"Mr. Whitmore said he would make sure Kodak stayed closer to its core businesses in film and photographic chemicals, where analysts have said most of Kodak's earnings problems are concentrated."

- via The New York Times (12/9/1989)

These executives failed to consider the firm as an entity and treat it with a holistic mindset. Considering the thoughts and opinions of the engineers like Steven Sasson, or market researcher Vince Barbaa may have provided some insights the direction industry and the technology.

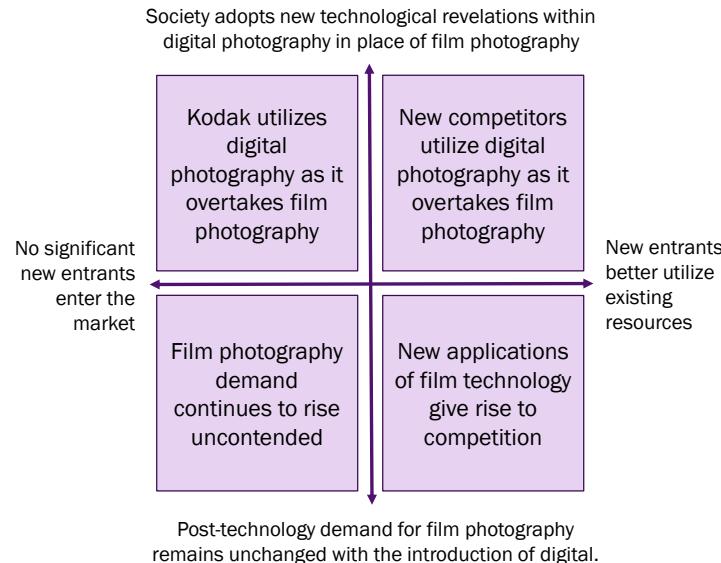
Lessons Learned

For a business to survive, it needs to be able to adapt to the changing economic landscape. Long-term scenario planning allows for businesses to do just that by considering the firm's capabilities and the trajectory of their industry. This process allows for an objective view of the most probable outcomes to occur and to prepare against. Analyzing the associated risks with each outcome can provide guidance in crafting mitigation strategies. These strategies then in turn help the firm realize their strategic objective despite the obstacles encountered.

In analyzing Kodak's strategic options, four scenarios have been determined. The scenarios are dependent on the adoption of new technology and the potential for new entrants to better utilize existing technology. As a result, the four scenarios sum to:

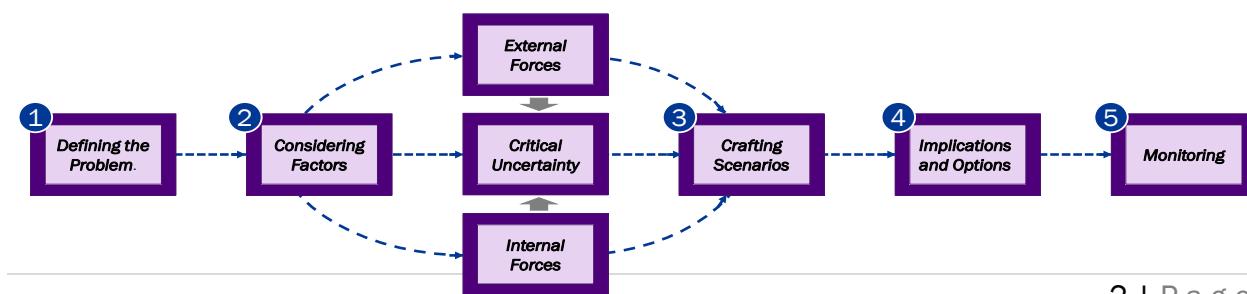
- **Innovators Lead:** new competitors better utilize digital photography as it overtakes film
- **Incumbents Lead:** Kodak adopts digital photography as it overtakes film photography
- **Status Quo:** Film photography demand continues to rise with no effect of digital
- **Competitors Lead:** Film photography continues to rise with new entrants utilizing new technological capabilities.

Exhibit: Hypothesized Scenario Set for Kodak



In maintaining an objective decision-making process, Kodak could reward employees and executives who question the status quo and consider these differing viewpoints with the necessary funding and support within the organization. Integrating a series of decision-making tools may have helped Kodak in crafting unbiased, objective decisions with regards to evaluating opportunities.

Exhibit: Scenario Planning Process



Case Study: Apple's Seeds of Growth

Today, Apple is a household name most known for its revolutionary product lines that changed the landscape time and time again with innovations such as the iPod, the iPhone, and the iMac. However, when Apple's Co-founder, Steve Jobs, returned to the company as CEO in 1996, this industry titan of a company was struggling to stay profitable.

Over the next decade, Apple released numerous products that propelled the technological landscape and exponentially grew the company to the international empire it is today. However, to have the strategic foresight to design innovative products roots to the need for long-term scenario planning. As a result, Apple's products sometimes were intentionally designed to cannibalize one another. Jobs realized that in creating scenarios of the various iterations of their products, Apple could attract wider array of customers that were loyal to the brand. Apple's iconic products - the iPod Classic, iPod Touch, iPhone, iMac, iPad - were not outliers that happened to yield great results. Rather, these products were the most successful iterations in an extensive product line.

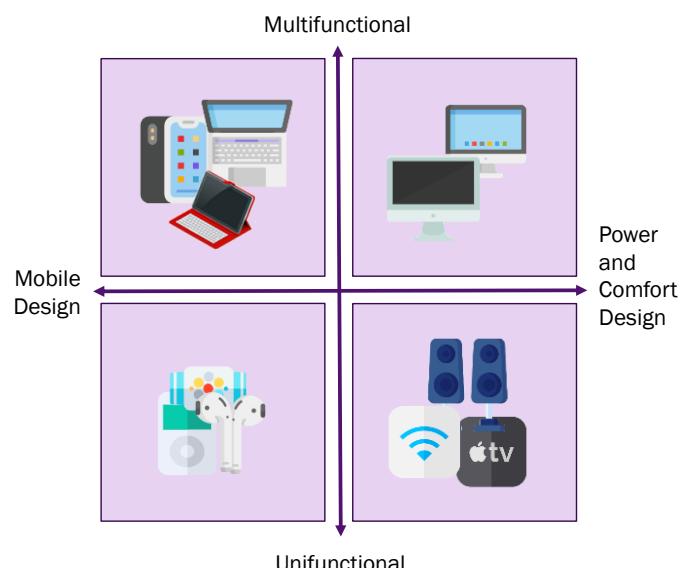
Apple is never reliant on a single source of revenue and has consistently explored different iterations of their core product lines. Some of their product offerings were not well received; these include the G4 Cube, the Hockey Puck (USB mouse) and the 3rd generation iPod shuffle. The notion of scenario planning is to prepare for these different outcomes and adapt the best solutions.

Their products can vary by functionality and design.

- iPhone, iPad, Macbook
- iPod, Smartwatch, Airpods
- iMac, Apple Cinema Display
- Apple Airport, TV, Speakers

The launch of the iPod and subsequent variations attracted a wider consumer base by offering niche uses. For those that disliked Macbooks due to their weight, Apple launched Macbook Air, a lightweight alternative ideal for students. For those that disliked laptops altogether, Apple offered iPads with keyboard integration. Through scenario planning and implementation, Apple gains the financial freedom to diversify their product line and continues to research and develop new products.

Exhibit: Hypothesized Scenario Set for Apple



Final Thoughts

Scenario planning and the subsequent development of strategies will lead to the growth and success of organizations. Building the basis for scenarios and their respective likelihoods and impacts allows for developing strategies considering these scenarios. Businesses, big and small, can benefit from strategic planning as it provides new perspectives and ideas for implementing new strategies or mitigating the risks of existing ones.

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