

## Zeti Akhtar Aziz: Overview of scenario thinking and planning

Official remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia and Chairman of the International Centre for Leadership in Finance (ICLIF) Board of Directors, at the ICLIF's Seminar on "Overview of Scenario Thinking and Planning", Kuala Lumpur, 5 October 2006.

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I am very pleased to welcome you this morning to ICLIF's Scenario Thinking and Planning Seminar. There has been growing interest amongst corporations and policy makers in the usefulness of scenario thinking and planning as a strategic tool. In the current environment that is rapidly changing and highly uncertain with new risks emerging, we need to be better positioned to be prepared for the future. Scenario thinking and planning may offer a solution to managing such situations. Good scenarios have been used most productively by many multinationals to challenge perceived business expectations. Scenario analysis and planning have also been extensively used by policymakers to ensure a state of readiness to respond to sudden or significant changes in the environment.

Scenario analysis and planning is particularly relevant to the financial services sector in which the pace of change has accelerated exponentially in this recent decade. Unpredictable shifts in the environment have also heightened the uncertainty and increased the unpredictability of the future. Thinking about the possibilities and probabilities thus becomes relevant. Scenario analysis and planning offers a solution. Scenarios however, are not projections, predictions or preferences but rather it provides a way of making sense of uncertainties and in addition it challenges our assumptions about what the future holds.

Scenario building today is synonymous with thinking broadly and more freely about a problem, enlarging the frames of reference and involving different worldviews, rather than seeing a situation from a single perspective. Essentially scenario planning interventions have been most useful in supporting the construction of multiple frames of future states of possibilities. The process of scenario planning enhances the evaluation and integration of information and promotes contingency planning.

Scenarios are also important for risk management. As risk is inherent in any business activity the framework becomes a useful tool in risk assessment and management. Most of all a major risk in the current environment is the lack of preparedness for how the environment might change and for the new challenges that may emerge. To attempt to predict these changes in any specific manner in this environment would be highly speculative. The risk management process therefore involves preparing for, rather than attempting to predict the change. This would promote an increased level of preparedness to cope with the inevitable changes.

Scenarios also help to connect strategies and action plans to our visions. Using scenarios will essentially widen our perspectives, increase our understanding of the issues and developments. It also allows us to see opportunities that we may otherwise miss. New developments emerging would be seen from different angles and perspectives. The framework thus promotes a greater awareness and appreciation of the wider range of issues and will allow the potential to see things earlier and thereby respond to them more promptly. Thus, embedding scenario analysis and planning in our organizational activities is aimed at enhancing the potential for the organization to successfully maximize its position in a rapidly changing and highly uncertain environment.

Ladies and Gentlemen,

This seminar is part of ICLIF's skills building and knowledge sharing initiatives. Our ultimate aim is to create a critical mass of high calibre leaders who can bring their organizations from good to great.

Dr. Robert Bood and Mr. Ronald Bradfield, the two domain experts who have been conducting Scenario Thinking and Planning Programme for ICLIF, will shed more light on these areas in the course of the seminar. We hope you will benefit from the session, I wish you a productive and successful seminar.

Thank you.