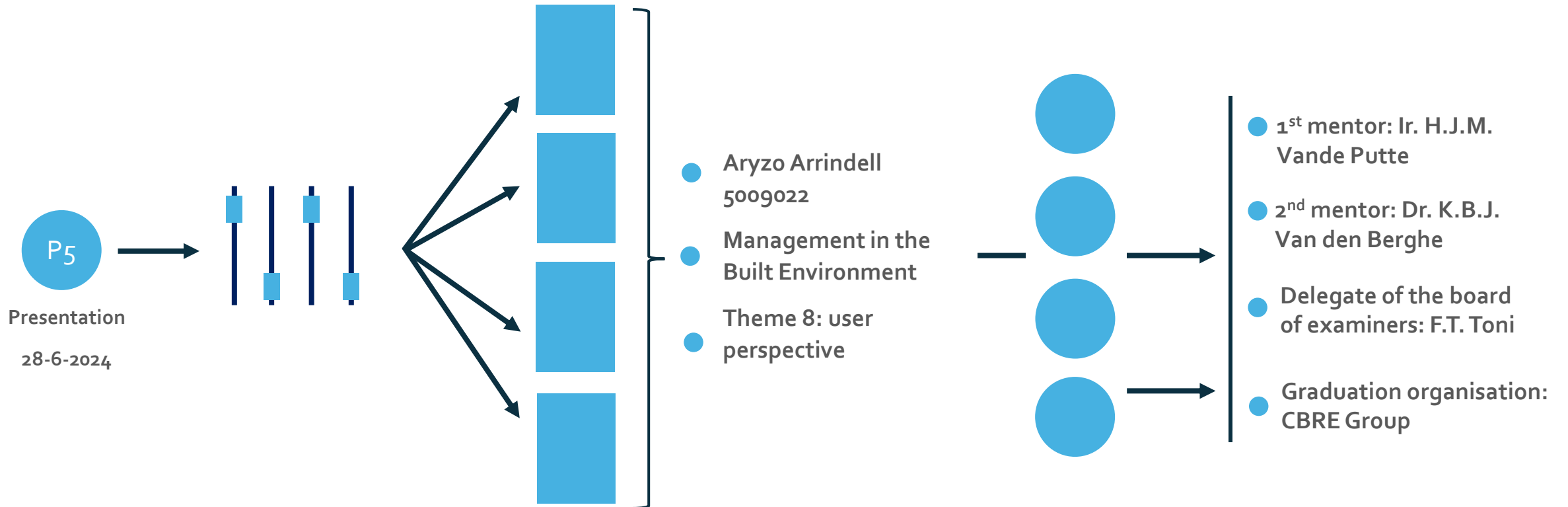


A combined approach – exploring the unification of explorative and normative scenario planning in the context of CRE portfolio strategy



Content

- Introduction
- Research aim and questions
- Conceptual Design
- Research framework, methodology and planning
- Findings
 - Scenario Planning
 - Corporate Real Estate (CRE) Portfolio Strategy
 - Combined Scenario Planning (CSP) design
 - CSP impact
- Conclusion
- Discussion
- Reflection

Introduction

Thinking about the future

Postmodernism

- Future is based on current power structures/struggles
- Are of such complexity that it cannot be steered
- Futures that 'overcome us'

Positivism

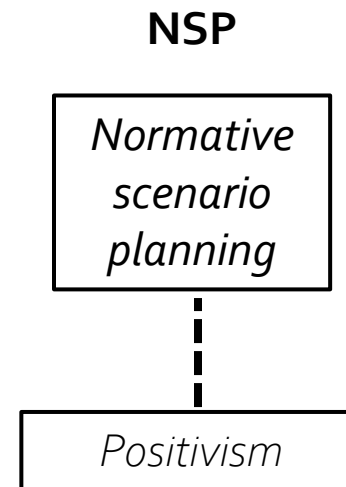
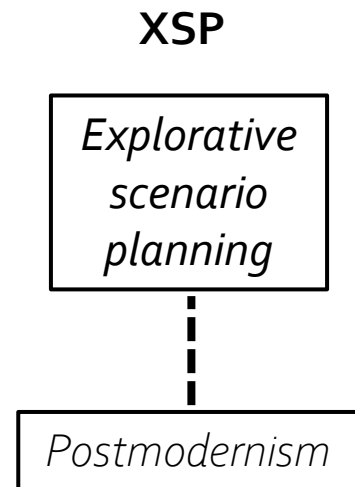
- Future can be calculated
- Future is steerable

Critical Realism

Sousa (2010)

- Balance between the former two
- Some factors always beyond control
- Paradox of observing systems (Luhmann, 1995)

The future in practice

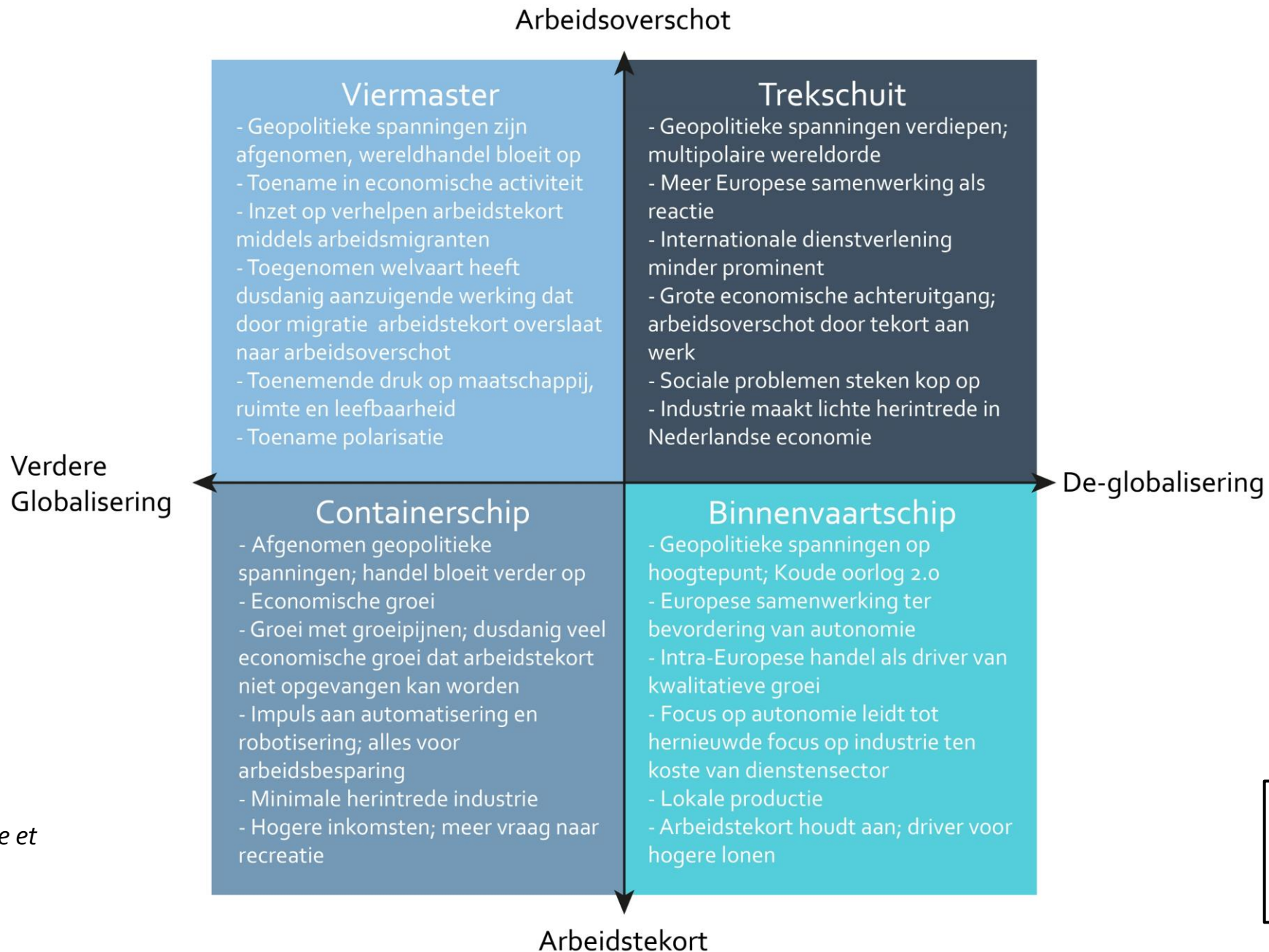


Explorative Scenario Planning

*Explorative
scenario
planning*

XSP

- Origins in military and later Shell
- External uncertainties form basis
- Private sector focus
- Explores different possible futures
- Allows for *reacting* to a future that 'overcomes us'



Van den Berghe et al. (2023)

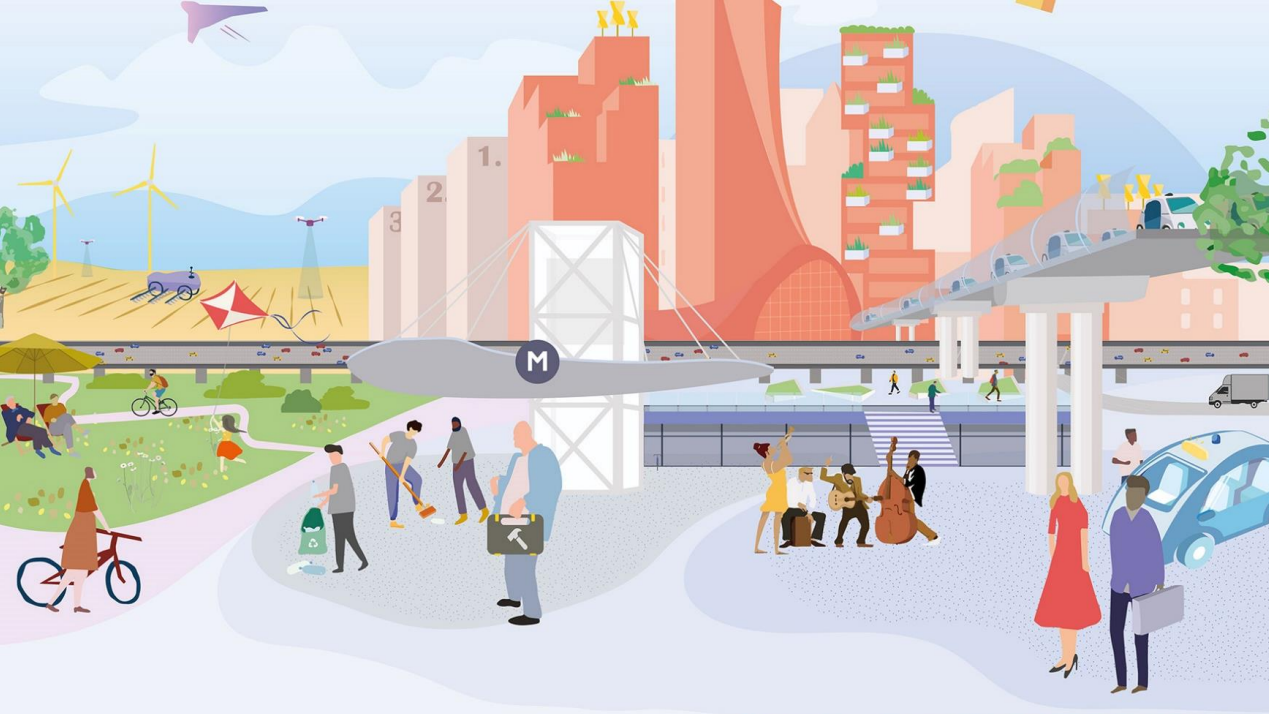
*Explorative
scenario
planning*

Normative Scenario Planning

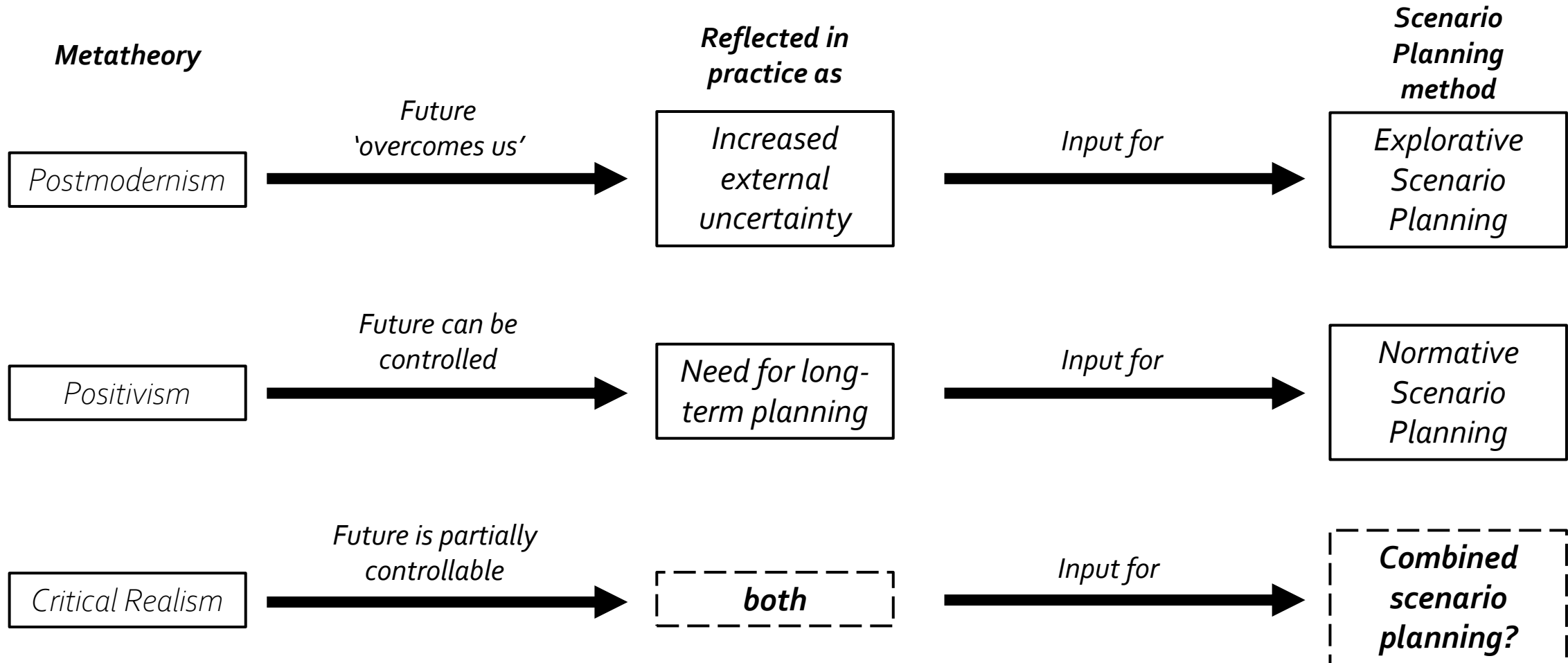
*Normative
scenario
planning*

NSP

- Origins in French think tank (Centre d'études prospective)
- Focus on long-term planning
- Public sector focus
- Aims to create different futures
- Allows for *acting* towards the future

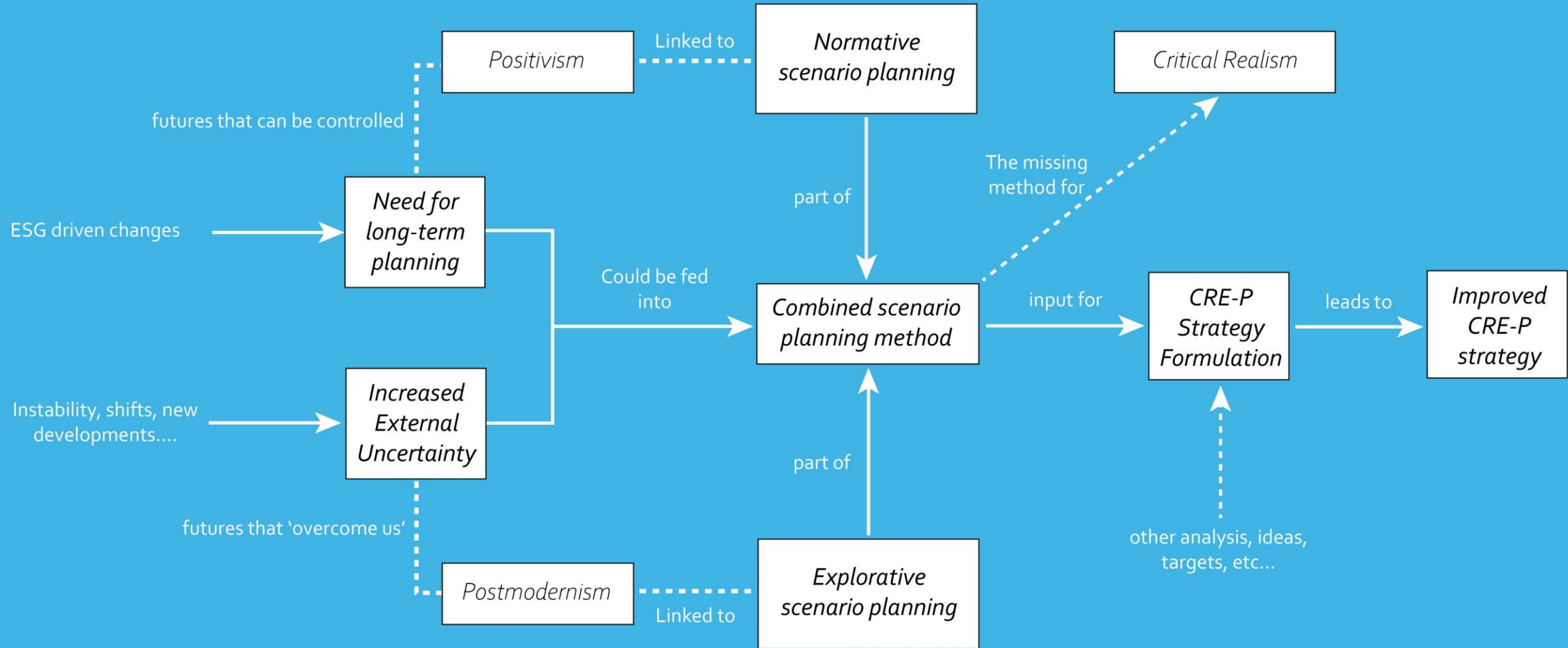


Thinking about the future



Research aim and questions

Research Aim



"Can explorative scenario planning and normative scenario planning be combined in a single method and what could be its impact on corporate real estate portfolio strategies?"

Research Questions

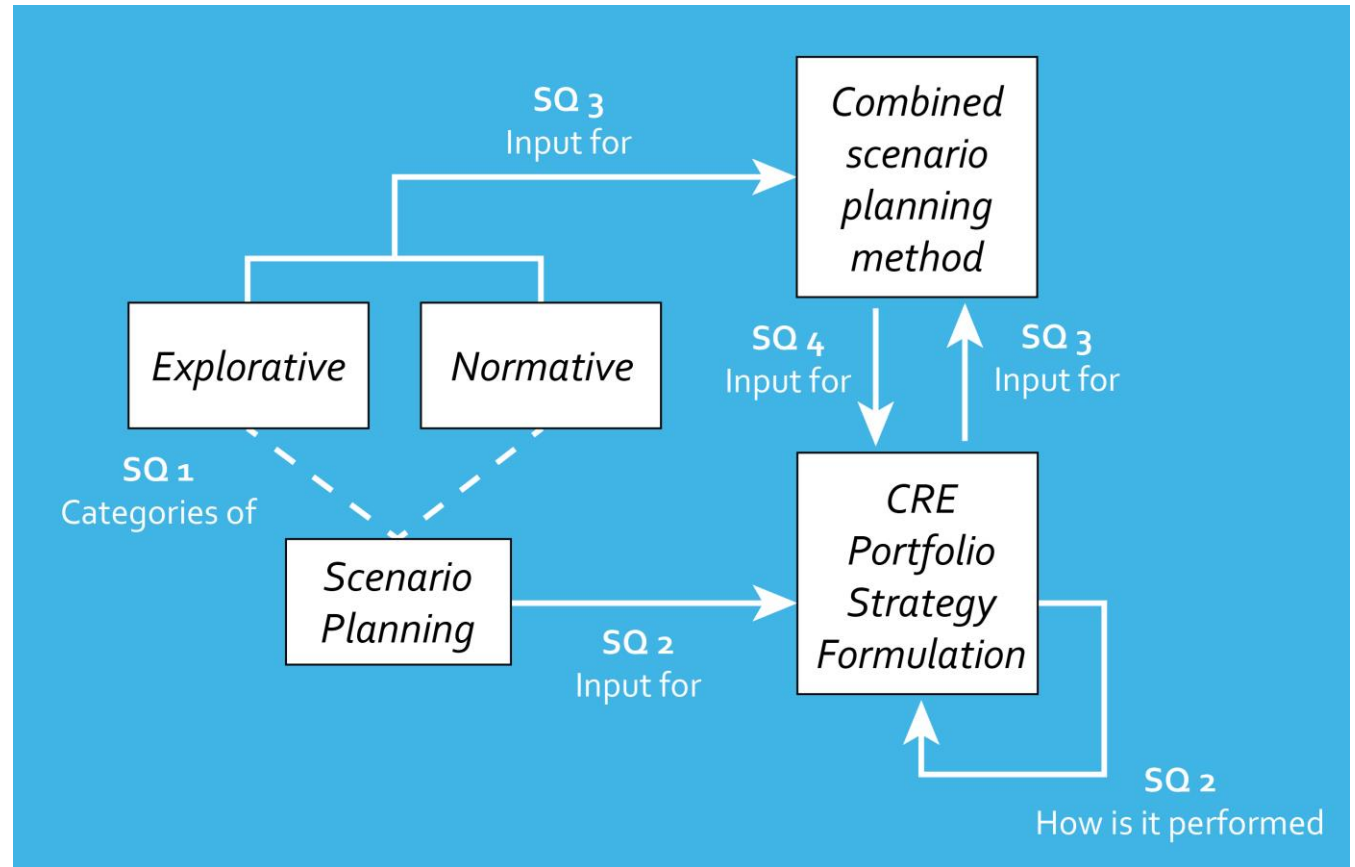
"Can explorative scenario planning and normative scenario planning be combined in a single method and what could be its impact on corporate real estate portfolio strategies?"

1. How do explorative scenario planning and normative scenario planning compare to each other?
 1. How were these methods developed?
 2. How are produced scenarios used?
 3. What is the methodology used?
2. What are corporate real estate portfolio strategies?
 1. How are corporate real estate portfolio strategies formulated?
 2. What internal and external factors influence the formulation of corporate real estate portfolio strategies?
 3. How is scenario planning used in formulating corporate real estate portfolio strategies?
3. How can explorative and normative scenario planning be united in a combined scenario planning approach?
4. How would a developed combined scenario planning method impact the context of corporate real estate portfolio strategy formulation?

Conceptual Design

Conceptual Framework

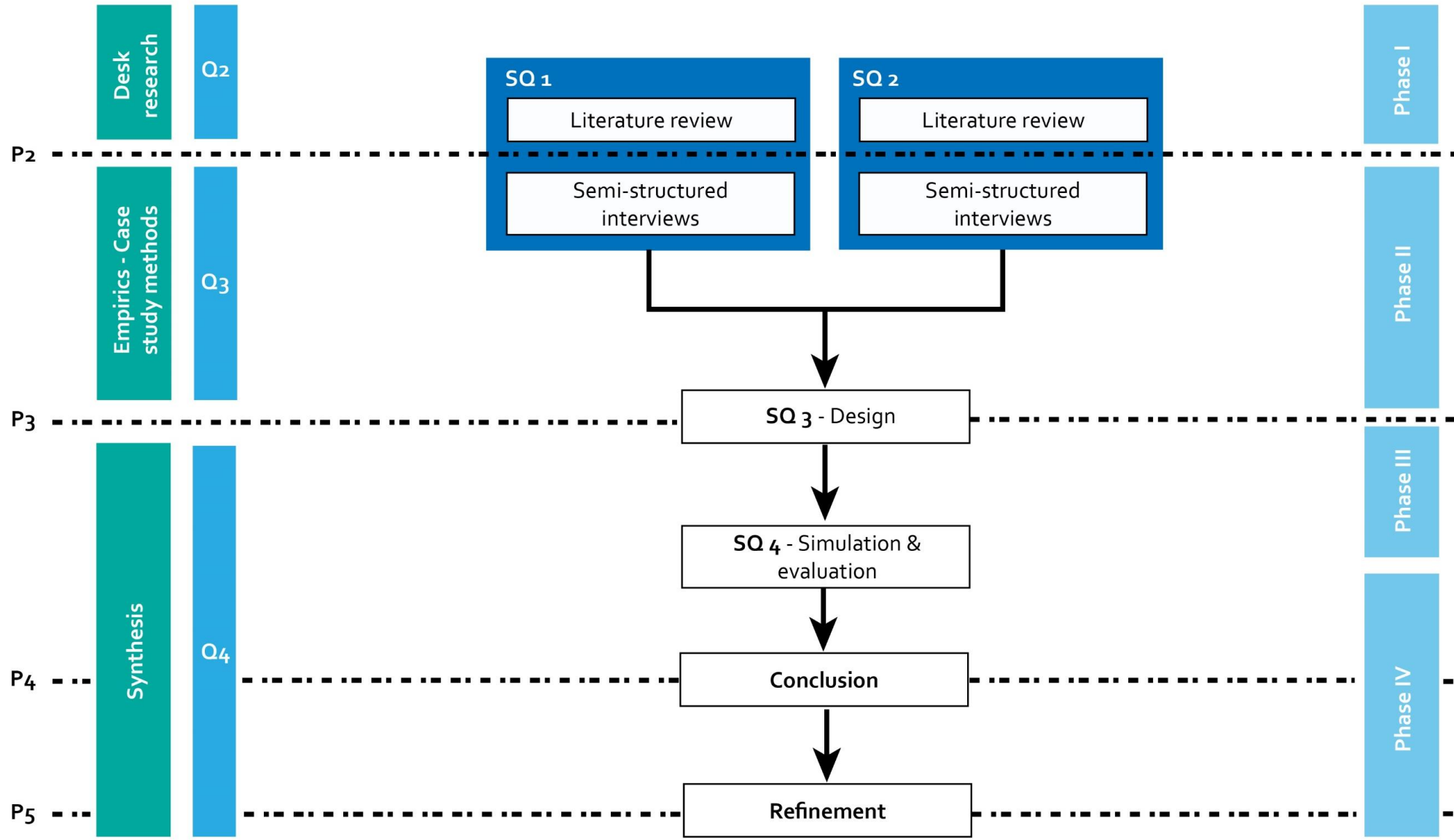
1. How do explorative scenario planning and normative scenario planning compare to each other?
2. What are corporate real estate portfolio strategies?
3. How can explorative and normative scenario planning be united in a combined scenario planning approach?
4. How would a developed combined scenario planning method impact the context of corporate real estate portfolio strategy formulation?



Literature gap

- Lot of research on XSP and NSP
- Limited research on combining XSP and NSP
- Experiments based on Carlsson-Kanyama et al. (2008)
- Focussed on integrating participatory backcasting
- Different contexts to CRE

Research framework, methodology and planning



Findings

Findings – Scenario Planning

Techniques

- Literature review
- Semi-structured interviews
 - 30-45 minutes
 - 4 Scenario Planning experts
 - 2 XSP & 2NSP experts (private practice, PBL, and RIVM)
 - Participants had over 20 to 30 years experience with scenario planning
- Evaluation of current state of theory against current practice

SQ 1

Literature review

Semi-structured
interviews

Findings – Scenario Planning

Development

- Both took place during late '50's and early '60's
- XSP as an answer to a changing geopolitical order and to react to this
- NSP due to dissatisfaction with forecasting methods
- XSP related to Anglo-Saxon world
- NSP related to France



Pierre Wack

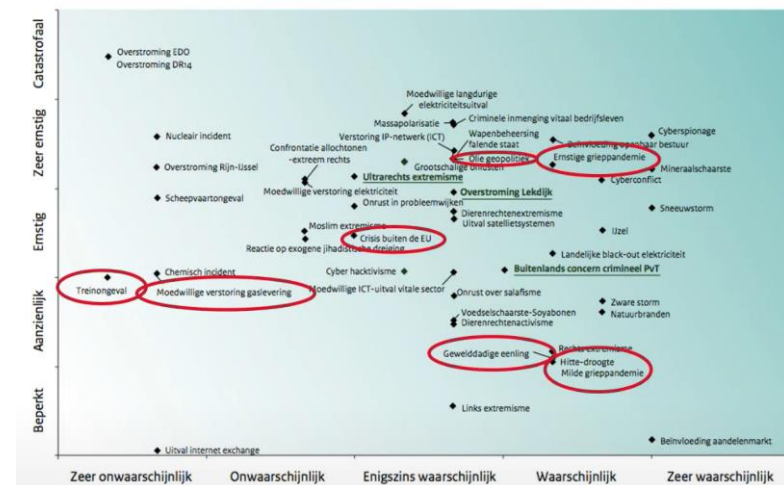


Gaston Berger

Findings – Scenario Planning

Methodology and techniques

- Practice confirms literature
- XSP and 'methodological chaos'
- Archetypical vs. incident scenarios
- NSP has clear base method
- Interviews, workshops, literature, delphi
- Beyond scenarios with PBL



Incident scenarios

Findings – Scenario Planning

Use of scenarios

- XSP for 'seeding the future' (Wilkinson et al. 2013)
- NSP as input for new policy and shaping the future
- Both are important as discussion tools

Findings – Scenario Planning

Influencing the future

- Important for stirring discussion
- Inconvenient truths
- Influence of scenarios directly on the future
- Other stakeholders apply pressure to steer or prevent publication



Ministerie van Economische Zaken
en Klimaat



What to communicate?

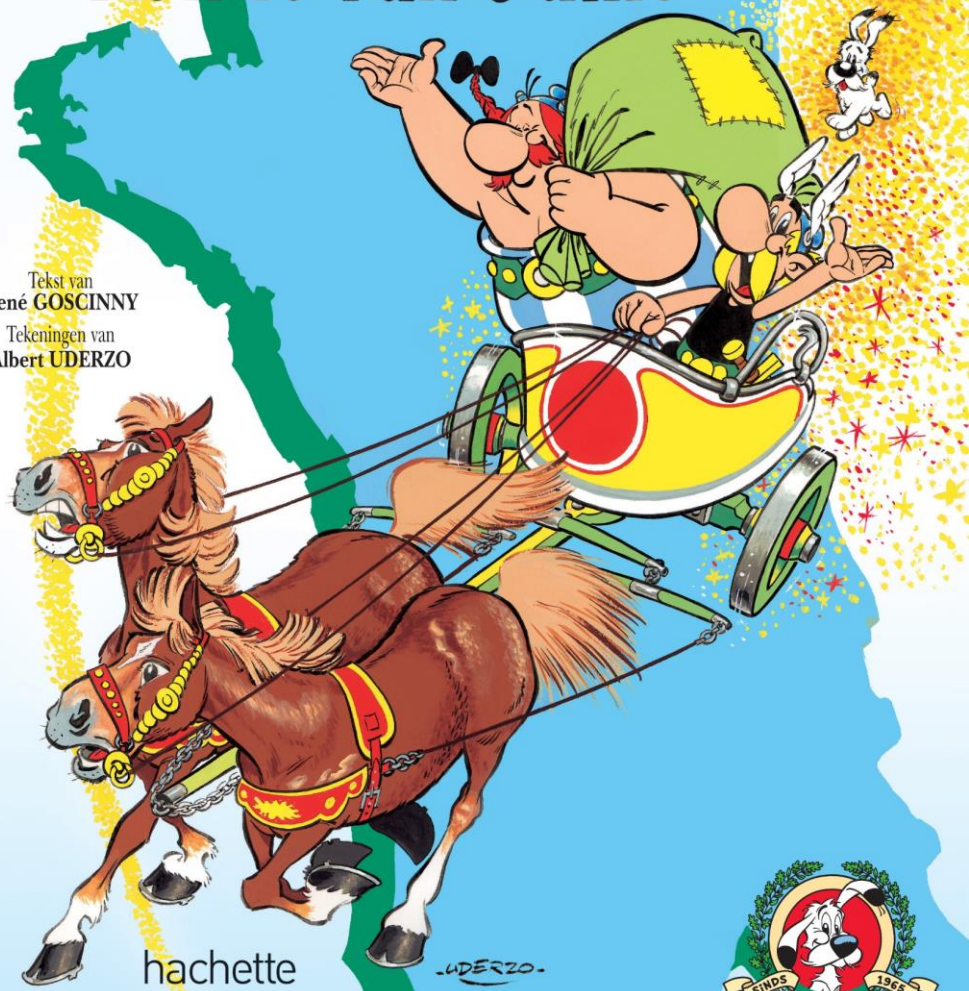
R. GOSCINNY

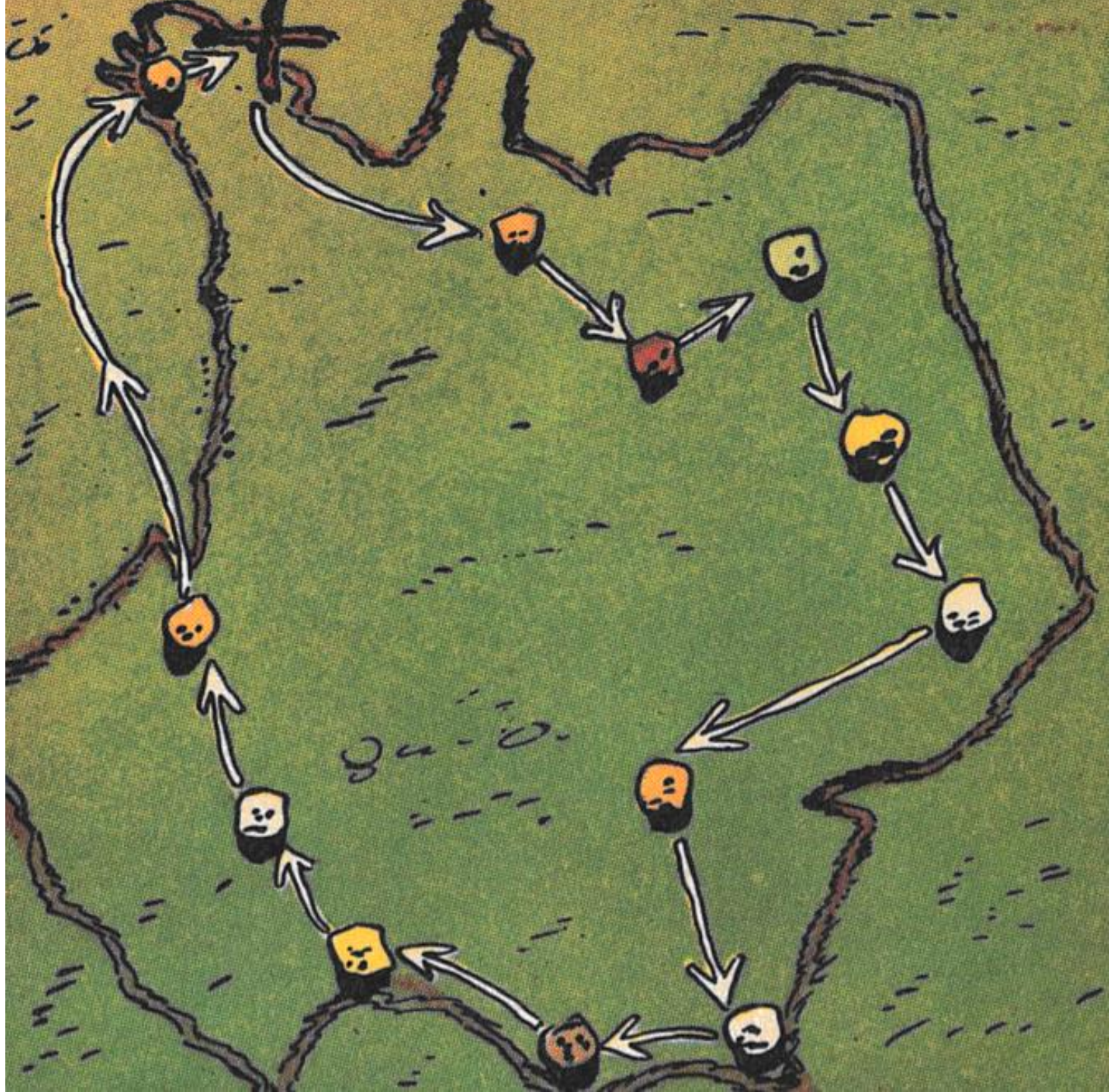
Asterix

A. UDERZO

Asterix en de Ronde van Gallië

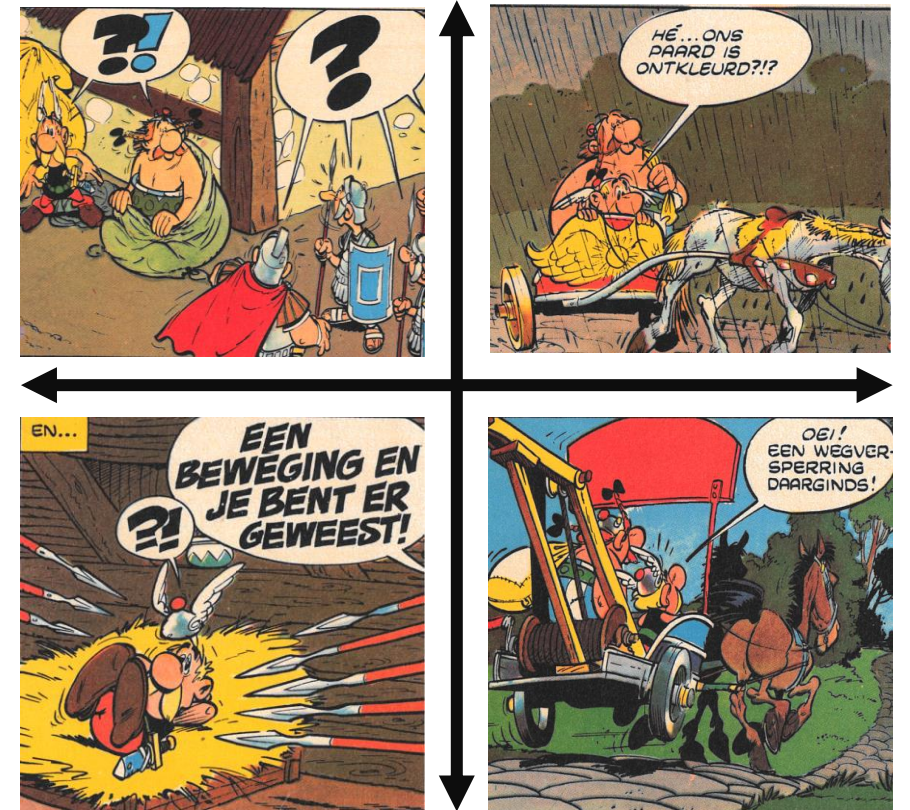
Tekst van
René GOSCINNY
Tekeningen van
Albert UDERZO







Explorative Scenario Planning (XSP)





Normative Scenario
Planning (NSP)



Combined Scenario Planning (CSP)



Findings – CRE Portfolio strategy

Techniques

- Literature review
- Semi-structured interviews
 - 30-45 minutes
 - 3 CRE portfolio managers
 - Different sectors: Banking, Pharmaceuticals, Retail
 - Participants had over 15 to 20 years experience
- Evaluation of current state of theory against current practice

SQ 2

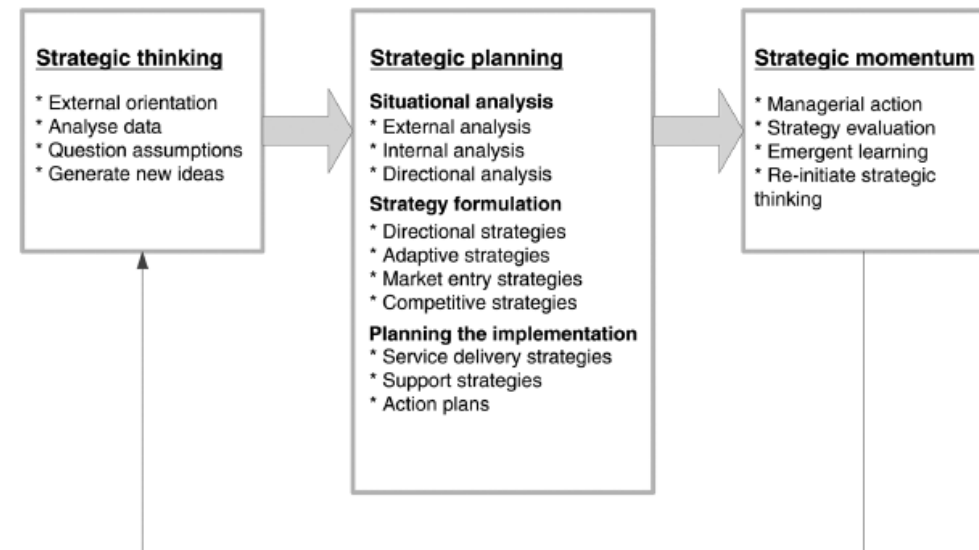
Literature review

Semi-structured
interviews

Findings – CRE Portfolio strategy

Strategizing process

- Practice largely confirmed theory
- Analysis, goals, stakeholder management, strategy testing
- Four steps named in interview align with strategic thinking map

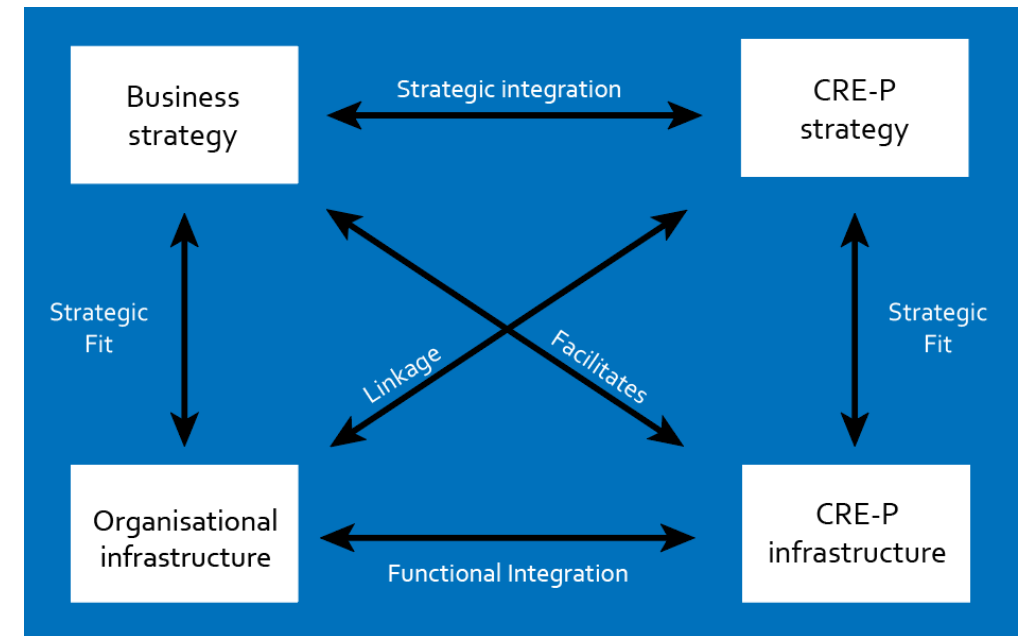


*Strategic thinking map as developed by Swayne et al.
(2006)*

Findings – CRE Portfolio strategy

Internal & External factors

- Alignment of theory and practice
- Internal – adapted framework of Henderson & Venkatraman (1989)
- External – dependent on company and CRE
- Economic factors



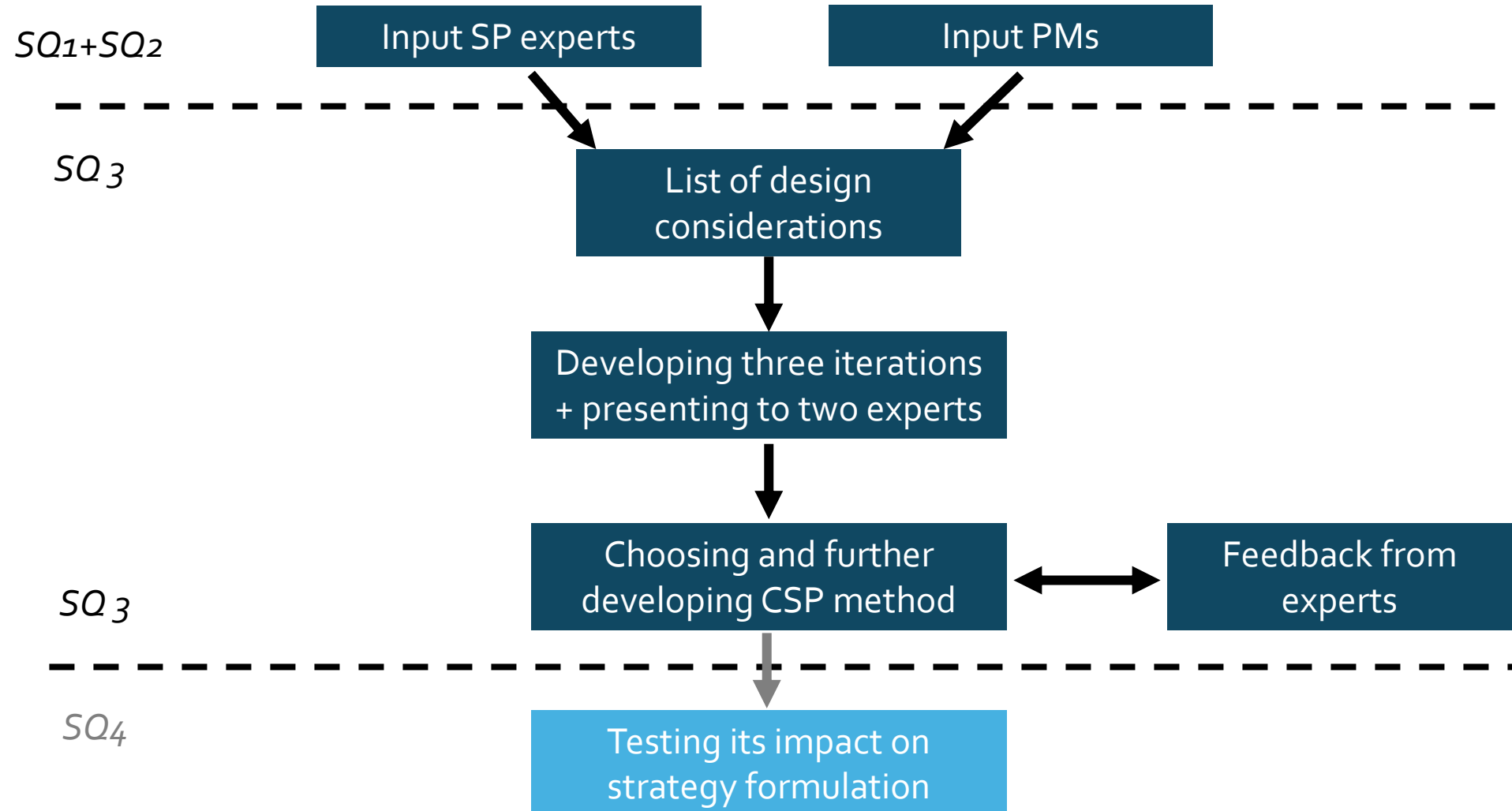
The place of CRE portfolio (CRE-P) strategy within a business. Adapted from Henderson & Venkatraman (1989)

Findings – CRE Portfolio strategy

Use of scenario planning

- Only limited use of scenario planning in strategy formulation
- 'What-if' scenarios (Börjeson et al., 2006)
- Option analysis or evaluation
- Long-term planning paradox

Empirics – CSP design



Findings – CSP design

Design Considerations

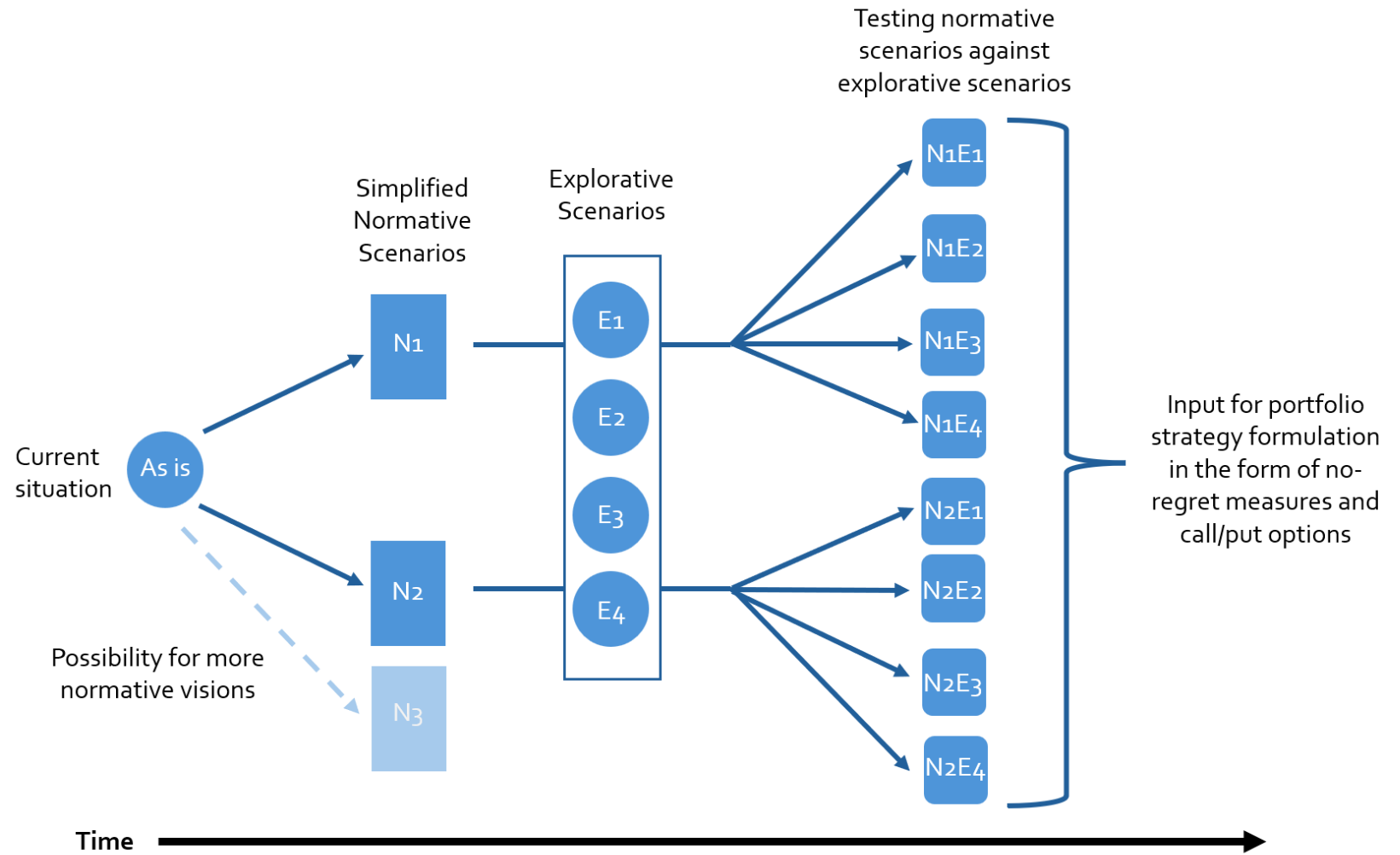
- Re-use this data, or to keep the amount of new data necessary for performing the method limited
- Able to be applied with the least amount of FTE as possible and as quickly as possible
- Should be easy to carry out
- Able to be clearly communicated

Findings – CSP design

		Explorative Scenario Planning (XSP)	
		Large influence	Small influence
Normative Scenario Planning (NSP)	Large influence	Equal weight	NSP>XSP
	Small influence	XSP>NSP	Equal weight

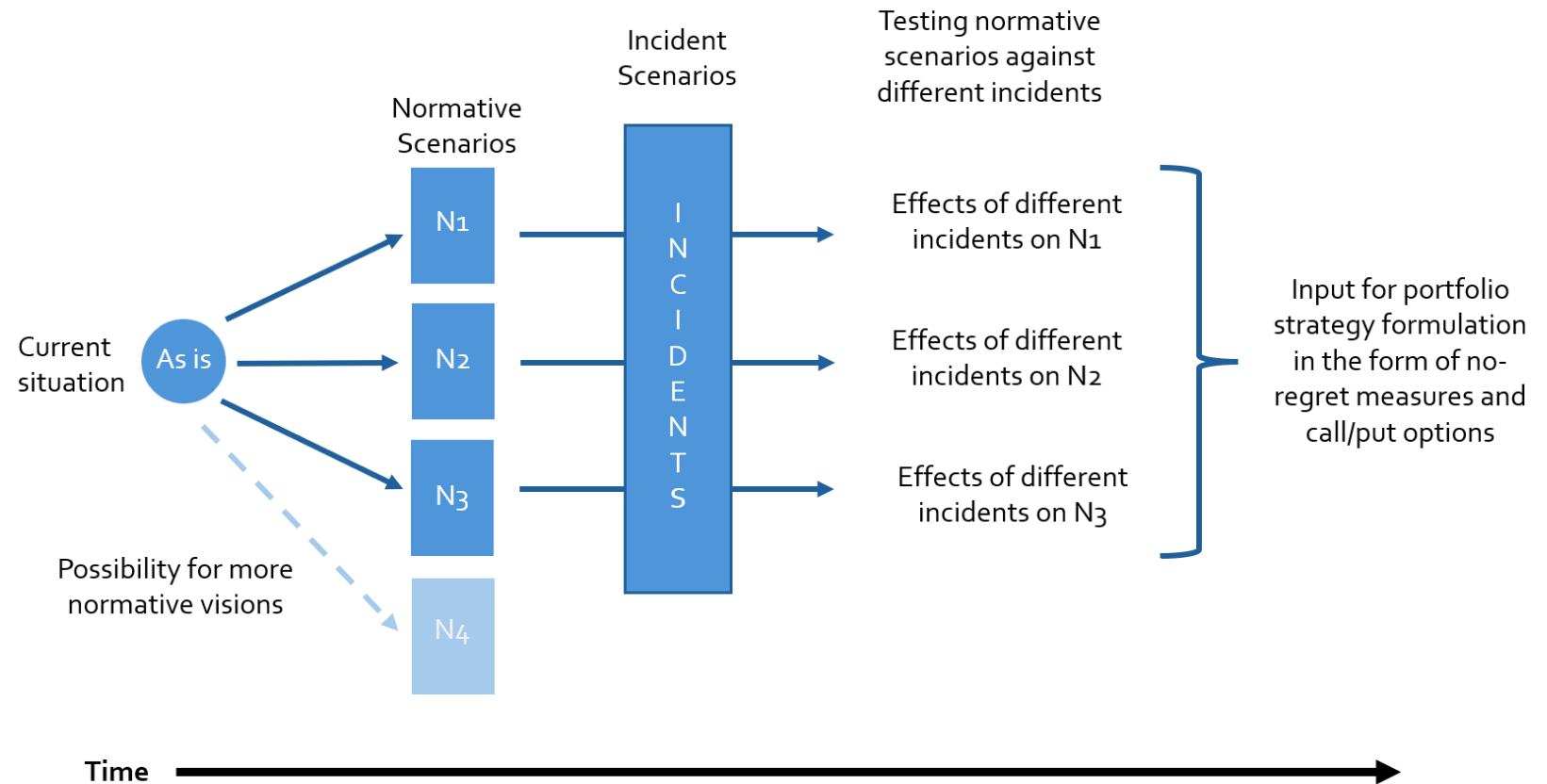
Iteration I

XSP>NSP



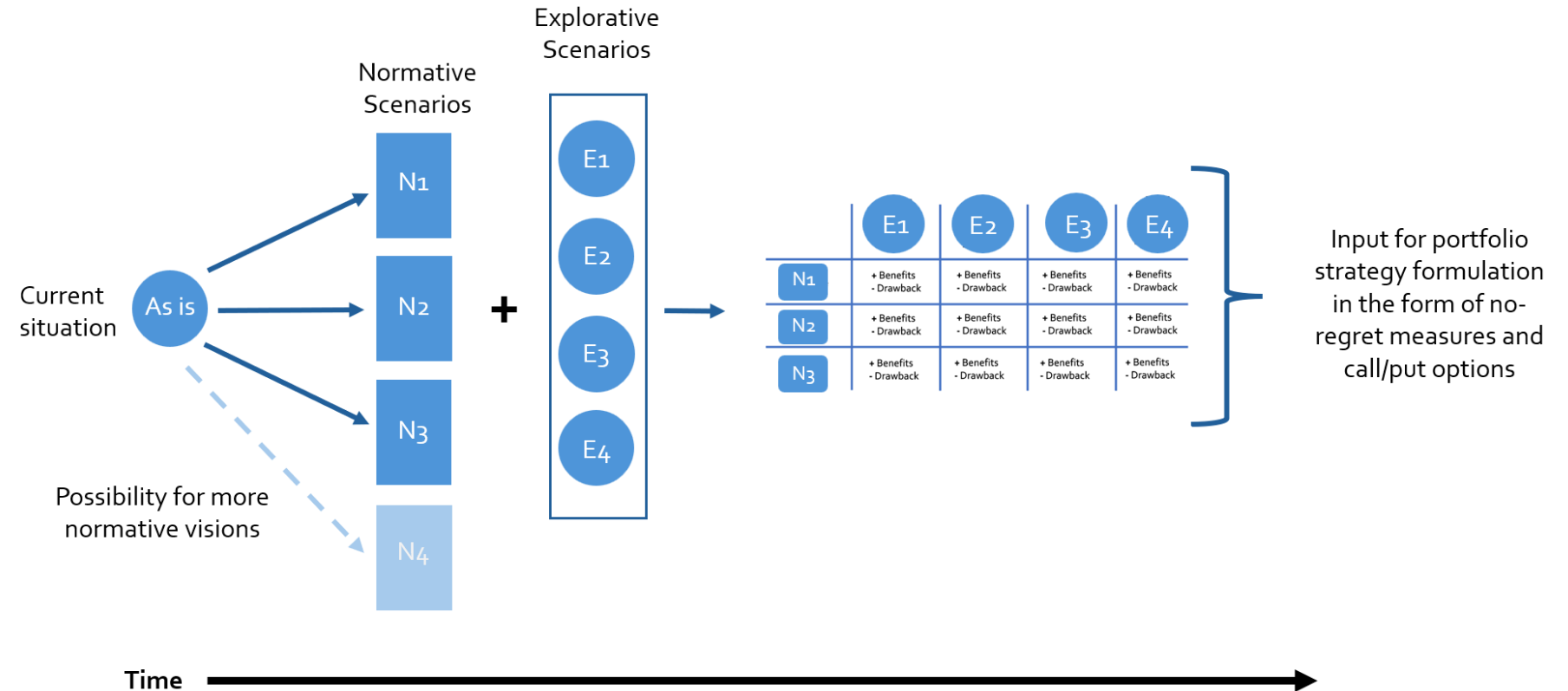
Iteration II

XSP<NSP



Iteration III

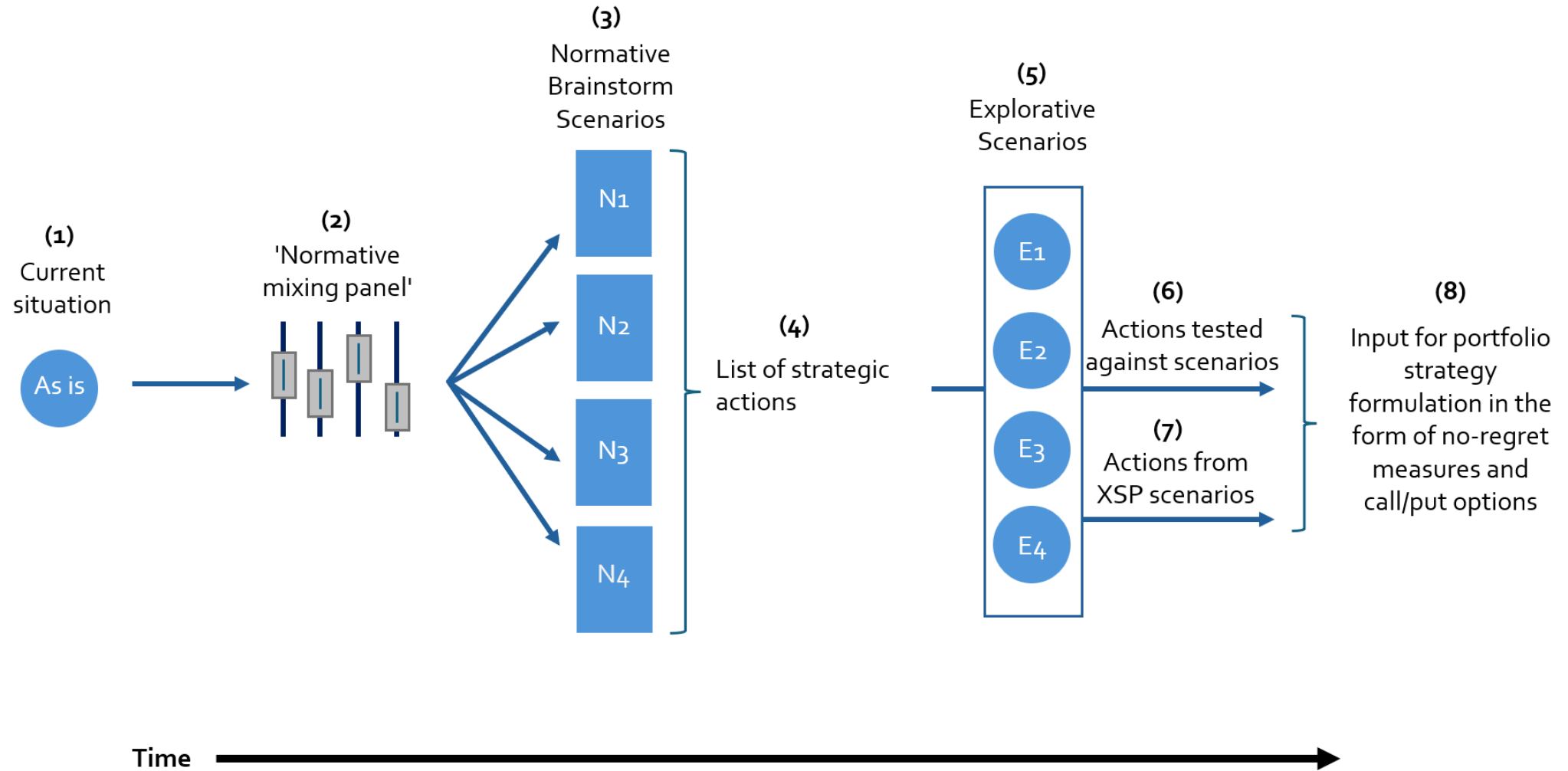
XSP=NSP



Findings – CSP design

Iteration choice

- After considerations, it was decided to further develop **Iteration I**
- Design considerations were mostly fulfilled
- Comments from the portfolio managers pointed to this method being the most likely to be understood and applied
- Key was simplification of the normative scenarios as well as suggestion that explorative scenarios do not have to be developed by the user



Step 1 – analysing portfolio and company 'as-is'

- Gathering qualitative data concerning the portfolio and the company
- Business strategy, targets/goals, current CRE strategy/concepts, remote working policies, values, etc.
- Goal of this step is to identify the factors that we can influence; this will form the basis for the switchboard

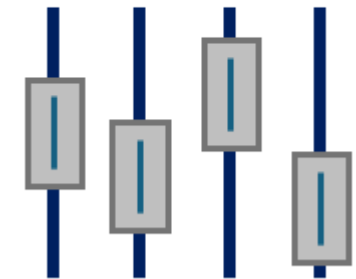
Current
situation



Step 2 – Developing a 'normative mixing panel'

- Based on qualitative data from step 1, we choose the different switches and their minimum and maximum values
- Max. 4 sliders should be chosen, more would give too many potential options and makes writing the scenarios too much work
- Only minimum and maximum values; this limits the potential options and promotes looking for the extremes and prevents 'certification'

'Normative
mixing panel'



Normative Brainstorm Scenarios

Step 3 – Developing normative brainstorm scenarios

- In a brainstorm session, portfolio managers can play around with different switchboard sessions
- This can be done in a group setting with other stakeholders or in combination with the use of large language models such as chatgpt as a sparring partner
- The normative scenarios present different ways of how the targets (as found in step 1) can be reached
- The time horizon for these scenarios should align with dates for targets as set out in step 1

N₁

N₂

N₃

N₄

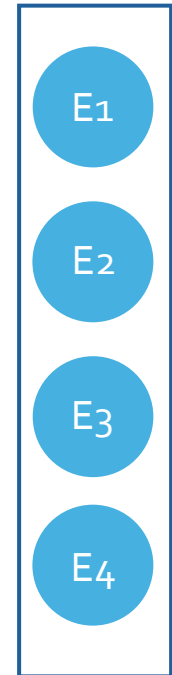
Step 4 – Developing potential strategy measures

- From the normative scenarios potential strategy measures can be developed.
- For example: if a scenario states that a company achieves its ESG targets by forfeiting their worst properties. A potential measure could be to oblige staff to work 2 days remotely
- This way, managers are forced to think creatively about different strategy options on how the targets/goals for the portfolio and company can be reached

Step 5 – Choosing or developing explorative scenarios

- Depending on the context of the application, the user can either decide to choose scenarios as published by another party, or to develop these themselves
- When choosing already developed scenarios it is important that these are relevant:
 - Time horizon similar to normative scenarios
 - Recent study
 - Should consider the sector for which the CRE is studied
- If resources are available to develop these scenarios self, it is advised to adopt an adapted method of Postma & Liebl (2005), for this is a relatively simple 5 step method
 - I. STEEP-analysis of external drivers and trends
 - II. Trendclustering
 - III. Drafting an impact-uncertainty matrix
 - IV. Selecting the axes for a 2x2 scenario matrix
 - V. Drafting the 4 scenarios

Explorative Scenarios



Step 6 – Testing normative measures

- The measures from step 5 are tested to see if they work in each different explorative scenario
- If a measure works in all scenarios, it can be considered a no-regret measure
- If a measure works only under specific circumstances, it could be developed into a call or put option to be exercised if that scenario turns to reality

	XSP 1	XSP 2	XSP 3	XSP 4
M1				
M2				
M3				
M4				
M5				
M6				

Step 7 – Developing measures from explorative scenarios

- Based on the explorative scenarios themselves, measures can also be developed
- For consistency, this should also be done in the form no-regret measures and call/put options. This makes communicating the final results easier

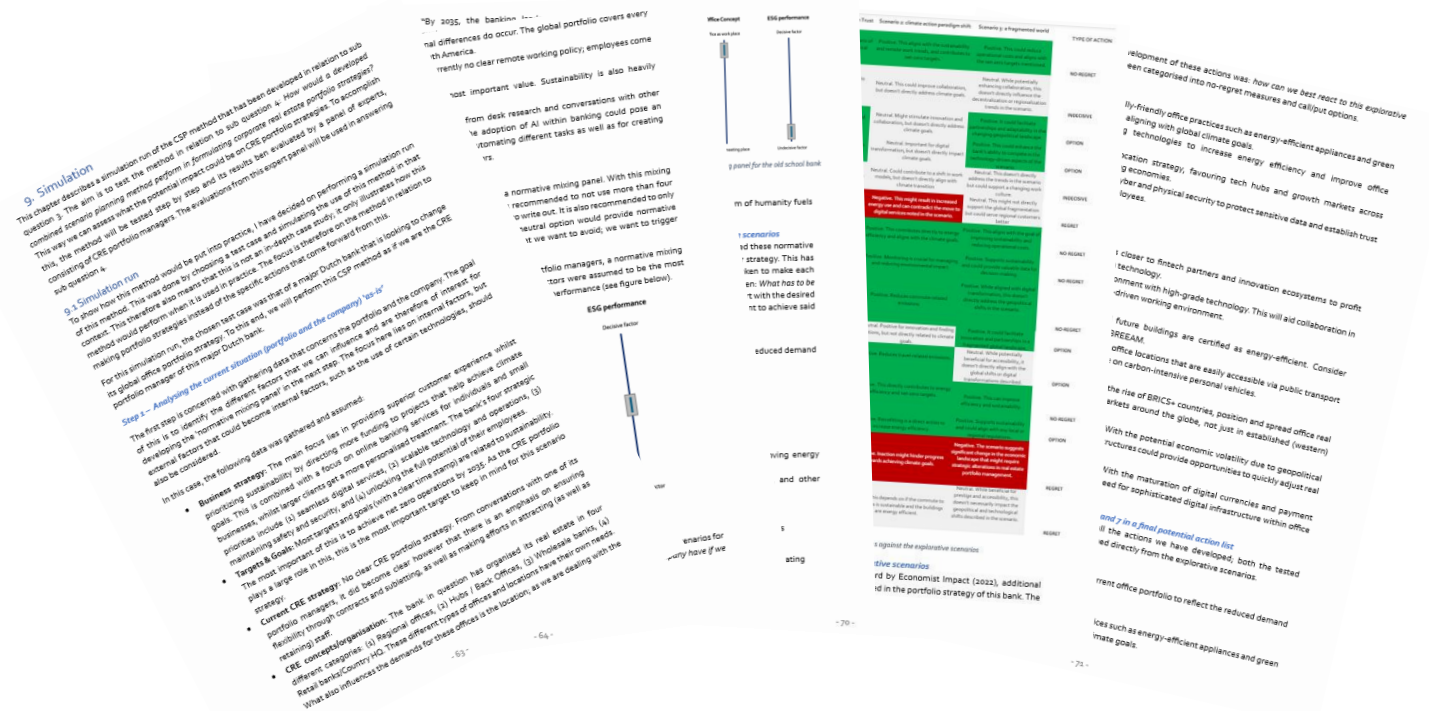
Step 8 – Bundling the results

- The concluding step is to bundle the no-regret measures and call/put options from step 6 and 7 in a single document

Findings – Impact of CSP

Simulation

- Fictional bank
- Through all steps to test CSP method
- Evaluation → focus on methodology



Findings – Impact of CSP

Expert panel evaluation

- 3 portfolio managers with 10+ years experience
- Questions on ease-of-use, practical performance, considerations for use and improvement recommendations
- Agreed on potential as discussion and decision support tool
- Real-world testing needed
- Adding 'regret-measures'
- Developing toolbox

Conclusion

"Can explorative scenario planning and normative scenario planning be combined in a single method and what could be its impact on corporate real estate portfolio strategies?"

Conclusion

Main conclusion

- It is possible to unite XSP and NSP in a single method
- Impact through being a discussion and decision support tool
- Further development and testing is necessary however

Scenario planning

- Practice largely confirms literature
- Influence of scenarios on future larger than theory suggests

CRE portfolio strategy

- Practice mostly confirms literature
- Less use of scenario planning than theory suggests

Discussion

Discussion

CSP Method

- Greater emphasis on design of the method
- Infinite iterations
- Design considerations

Philosophy

- Confirmation of paradox of observing systems
- Cannot immediately disprove postmodernism/positivism
- How steerable is the future
- Critical Realism and CSP as a balance

Reflection

Reflection

Research

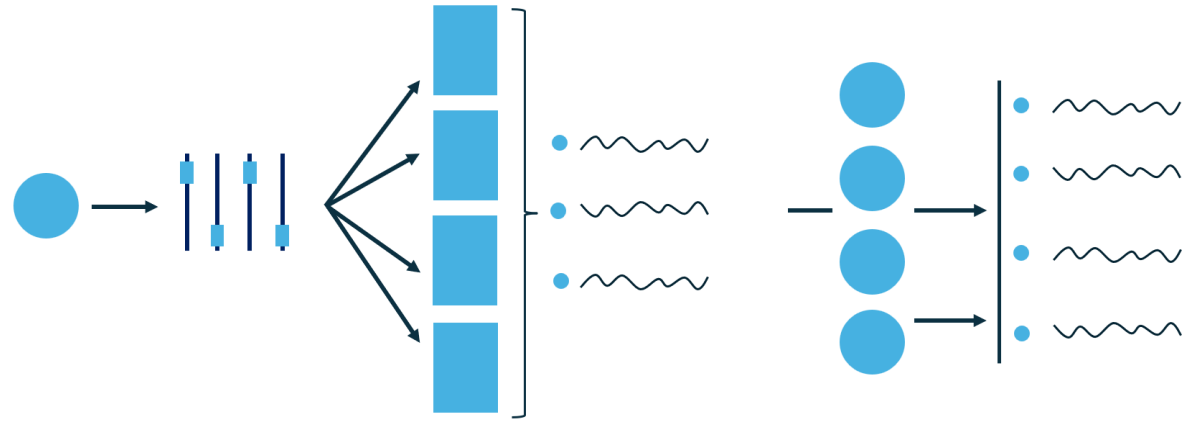
- Deep into the literature → overcomplications
- Interviews as evaluations of theory
- Research through design limitations
- Document analysis

Findings

- Finding the balance between 'overcoming' and steering the future
- Operationalisation of critical realist theory

Personal

- Deepening understanding of SP, Strategy and CRE portfolio management

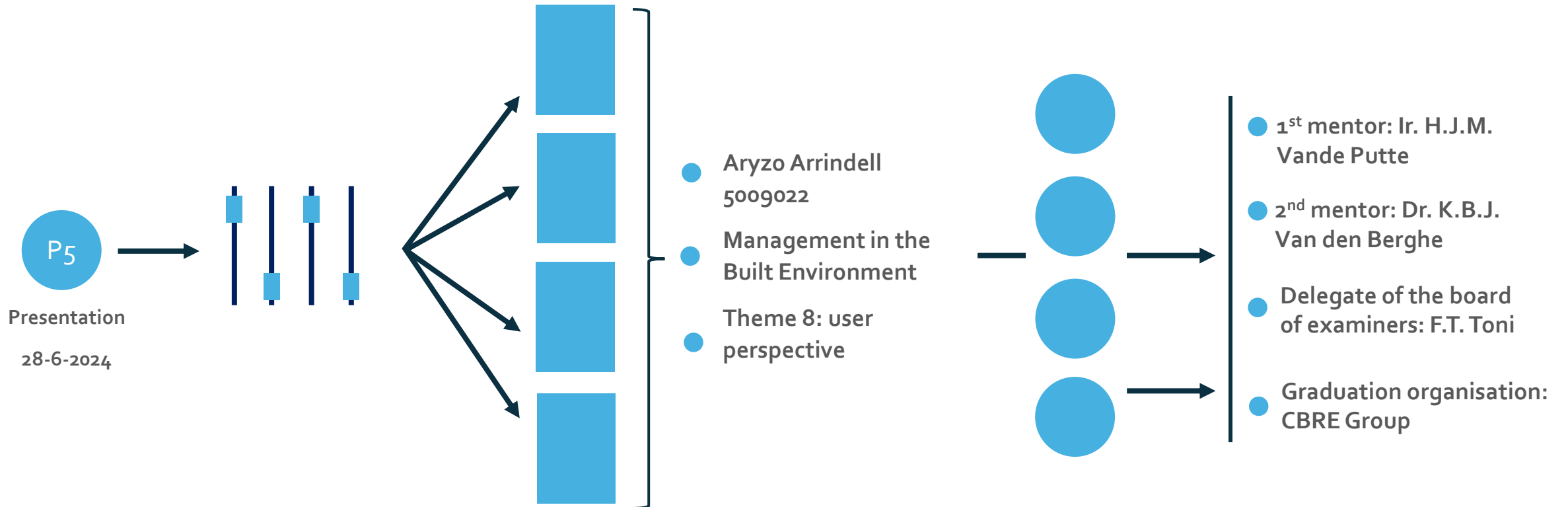


ASTÉRIX EN OBELIX!
BRAVO!

HOERA! HOER
LEVE ONZE HELD



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