

SCENARIOS AT WORK

Oxford Scenarios Programme



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‘Scenario planning gave us the flexibility to adapt in the wake of the 2008 financial crisis’

As a housing association, we build and manage non-market housing. That is, we manage housing for people for whom the market doesn’t work, or for whom the market doesn’t provide the sort of housing they need, such as people with disabilities, who need adapted housing, or people with mental health problems. We operate mostly in Dorset and Somerset, and own 9000 houses. We are often called a social business in that we do not exist solely to make a profit but for the benefit of the community.

Before 2008, housing association growth had traditionally been countercyclical. We were in fact useful agencies to keep housebuilding going even when the markets did not seem to encourage it. We could borrow money at low rates or receive public funding to build houses when the private sector was weak.

But then came the 2008 financial crash and all the associated upheaval and disruption. It seemed to be changing the

rules, and housing associations were not immune. As I started to try to make sense of the chaos and think about our strategy and planning for the future, I realised that I needed to plan for multiple futures.

So I looked around for an education programme that would help me with that approach to strategic planning, and as an Oxford graduate it was natural for me to look at what Saïd Business School had to offer. I was very taken with the Scenarios programme – I knew that, coming from Oxford, it would be rigorous, but I also liked the idea that it would bring in people from all around the world. I signed up for the weeklong programme.

You can’t predict the future or control it – the sense of things shifting was very strong in the wake of the 2008 crash – but you can explore what the future might consist of, and learn how to build this into your business. Just bringing scenarios thinking into our planning processes has made us as a business less rigid. We are now more flexible, but not woolly.

After I had been on the programme I brought in an external consultant on scenarios planning, who has developed some software that has deepened the benefits of this method for us. During our last strategy discussion, we worked

‘The most important idea I took away from the programmes was that it is possible to be rational about something that is unknowable.’

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through all the strategic options with the consultant and presented them to the Board. We found that having worked through different scenarios made our proposed strategy more defensible and it was much easier to seek endorsement of our approach. The methods and openness required by scenarios planning has in fact made Magna more open to questioning and being questioned.

Our strategy was approved, but what is really satisfying is the knowledge that we have other strategies hidden in the drawer, all solid and all well thought out. If circumstances change, we don't have to go right back to the drawing board, but we can switch if necessary to another approach. One of the most important decisions we made as a result of our scenarios exercise was the policy decision to reduce our borrowing and wind down our debt. Piling on borrowing can result in a loss of flexibility for the organisation – the requirement to pay back the debt is relentless and, for an organisation such as ours, it can be disastrous.

Sure, if you are a commercial developer, if you are convinced that you can borrow £1m and turn it into £2m, then borrowing is a good thing, and fuels the creation of jobs and building of new houses. However, as a social business, we do not have the same prospects of personal and corporate reward to compensate for risk. We build and maintain houses to keep in perpetuity, and do not have the opportunity to trade them to offset the debt.

The scenario planning discipline has given us the tools to be able confidently to envisage and plan for a future rather different from the past, and one more appropriate for our sector. It's been four years since I participated in the programme, and I can honestly say that it has had a major positive impact on our business. I like the approach now even more than I did when I was first learning about it.

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