



FROM THE RESEARCH BENCH

Scenario planning starts when a trigger moves a resource

Three scenarios are not a decision. A trigger-to-resource test shows when scenario planning changes an operating choice and when it remains exploration.

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MANAGEMENT SUMMARY

Scenario planning explores possible futures, but an operating team needs a separate test for use. This bounded reading of Phelps, Chan, and Kapsalis keeps scenario use, triggers, resource moves, outcomes, and causal interpretation apart. It shows what two exploratory studies can and cannot establish, then offers a blank decision card for a reader to complete. A scenario passes the card's operational test only when a stated trigger changes a named resource decision. If every branch produces the same allocation, the work may still improve thinking, but it has not shown an operating mechanism or a performance effect.

Keywords: Scenario planning · Decision quality · Resource allocation

Your leadership team has three scenarios on the wall and one budget line to approve. The practical question is not whether the scenarios sound plausible. It is whether a stated trigger would change a named resource decision. For this piece, scenario planning becomes operational only when that link is visible. If every branch produces the same staffing, capacity, budget, or sequencing choice, you may have useful exploration, but you have not yet shown a trigger-to-resource mechanism.

That is a deliberately narrow test. It is an author's operating framework, not a definition borrowed from the literature and not a claim that scenario planning improves performance. It gives a team a way to separate what a scenario exercise says from what it has actually changed.

What constitutes rigorous scenario planning, and what is mere speculation?

Phelps, Chan, and Kapsalis describe scenario planning as an exploration of possible futures. Their useful boundary is that "scenario planning is neither forecasting nor prediction." A scenario is a structured description of a possible environment, not a number that claims to be the most likely outcome. That distinction matters because a scenario deck can be persuasive without specifying what anyone will do differently.

A forecast usually asks what demand, revenue, or volume is likely to be, given a model and a set of assumptions. Scenario planning asks what the world could look like if a combination of conditions unfolded. Those objects can sit beside each other, but they should not be treated as interchangeable. Fildes, Goodwin, Lawrence, and Nikolopoulos study judgmental adjustments to quantitative forecasts, where an initial statistical forecast, a human adjustment, and an actual result can be compared. That is a different evidence object from a set of possible futures. The distinction is also why a forecast override should not be smuggled into a scenario claim. The forecast adjustment evidence deserves its own test.

The difference is not academic decoration. If a team calls every planning document a scenario, it becomes impossible to tell whether the document was used to explore uncertainty, revise a forecast, allocate a resource, or defend a decision already made. A clean vocabulary is the first control.

What did empirical research by Phelps actually discover regarding strategic commitments?

The source most often used to support a performance claim about scenario planning is an exploratory paper by Phelps, Chan, and Kapsalis. It contains two small studies, and both deserve to be read at their actual scale.

In the water-industry study, the researchers contacted 28 companies in England and Wales and received 22 responses. Five respondents reported no scenario use. The reported pattern paired an apparent financial signal, including return on capital employed, with poorer results on several water-service measures. That combination is interesting, but it is not a clean effect estimate. The companies were not randomly assigned to scenario planning, the measures do not collapse into one outcome, and other explanations remain open.

The IT study returned 25 questionnaires. Eleven respondents were classified as scenario users and 14 as non-users. The authors report tentative associations between scenario use and performance, but the comparison is small and exposed to uncontrolled differences between the groups. A user group may differ from a non-user group in leadership, market position, planning maturity, or another factor that the study did not isolate.

The paper's conclusion is correspondingly careful. The authors call the findings preliminary and note that other causal effects were not ruled out. That wording is not a footnote to be removed for a stronger headline. It is the boundary of the result. The studies support curiosity about a relationship. They do not establish that scenario planning caused better performance, that one scenario architecture is superior, or that a resource move occurred inside the observed firms.

Table 1 The evidence boundary around scenario planning

Object	Status	What the evidence lets us say	What it does not let us say
Scenario planning	Source-held	It explores possible descriptions of the future and is not forecasting or prediction.	It improves performance by definition.
Water study	Source-held, exploratory	28 companies were contacted, 22 responded, and five respondents reported no use; an apparent financial signal sat beside poorer service measures.	Scenario use caused the financial or service pattern.
IT study	Source-held, exploratory	25 questionnaires returned, with 11 users and 14 non-users; the reported associations are tentative.	The comparison generalizes to other firms or proves an effect.
Trigger-to-resource link	Author framework	A named trigger and a named resource move make an operating mechanism inspectable.	Phelps et al. validated this as an intervention.
Outcome and causal interpretation	Not reported as a chain in the source	A reader can record the result and the interpretation separately.	Scenario use itself proves the result or its cause.

Phelps, Chan & Kapsalis (2001), *Journal of Business Research* 51(3), pp. 224–231.

The table has an important blank space. The source reports scenario use and performance measures, but it does not trace a particular trigger, the resource decision that followed it, the person who owned that decision, or the result of a later review. That is an absence from the reported study object, not proof that the firms had no such practices. It simply means the performance pattern cannot be explained by a mechanism that the paper did not observe.

This is the same discipline used when reading any evidence review: a number can be real and still answer a smaller question than the headline asks. Likewise, recognizing that competitive intelligence begins with incomplete information prevents strategic planners from delaying resource reallocation while waiting for impossible certainty.

How does actionable scenario planning construct a verified decision chain?

The operating translation is a card, not a theory of scenario planning. It asks a team to make six objects visible:

- 1 Branch assumption. Write the condition that distinguishes one possible future from another. Keep it concrete enough to revisit.
- 2 Observable trigger. Name the signal that would show the condition is becoming real. Give it a date, threshold, event, or review window.
- 3 Resource move. Specify what would change: capacity, hiring, inventory, budget, sequencing, supplier commitment, or another scarce resource.
- 4 Owner and review. Name the person with authority to act and the date when the trigger will be reviewed.
- 5 Outcome to watch. Record the result that would matter after the move. Keep financial, service, operational, and learning outcomes separate rather than forcing them into one score.
- 6 Disconfirmation. State what would make the branch or the resource move look wrong. Without this field, a scenario can absorb every result and remain impossible to learn from.

This is an audit schema, not a claim that organisations always work in six steps. It makes the potential action and later challenge visible.

Figure 2 The trigger-to-resource decision card

BRANCH ASSUMPTION	OBSERVABLE TRIGGER AND DATE	RESOURCE MOVE	OWNER AND REVIEW	OUTCOME TO WATCH	DISCONFIRMATION
One condition that could be true.	Signal, threshold, event, or review window.	Capacity, budget, hiring, sequencing, or another scarce resource.	Person with authority and review date.	Financial, service, operating, or learning result.	What would make the branch or move look wrong.

Blank reader-input fields. If every branch leaves the resource decision unchanged, label the exercise a context exercise under this test and do not claim that it demonstrated an operating mechanism.

Author's own worksheet. Every field is reader input; no local case, operating number, or Phelps result is supplied.

Why do deferred capital commitments not invalidate proactive scenario planning?

The strongest counter-case is simple: a scenario exercise can improve a team's questions without producing a different budget line. A board may discover that the same product, people, and capacity remain sensible across several plausible futures. The value may be in noticing which assumptions deserve monitoring, which options should remain open, or which risks need an owner. A stable allocation does not prove the exercise was useless.

The narrower point is about the claim being made. If the claim is that scenario planning created an operating mechanism that improved performance, the mechanism needs an observable decision object. If no trigger changed a resource choice, the team should describe the work as exploration, learning, or option generation under this test. That language preserves its possible value without pretending that a causal chain has been shown.

This distinction also protects the team from false precision. A resource move can be recorded without being treated as a success. A result can be recorded without being treated as caused by the scenario. A scenario can be useful without being converted into a forecast. Each object keeps its own boundary.

Where does empirical evidence on strategic scenario planning reach its limits?

Phelps, Chan, and Kapsalis give a reason to investigate scenario use, not permission to claim a general performance effect. Their water study combines an apparent financial pattern with poorer service measures. Their IT comparison is small, with 11 users and 14 non-users among 25 returns. The authors call the conclusions preliminary. Those facts should travel with every summary of the paper.

This piece therefore does not say that three scenarios beat one forecast. It does not say that scenario planning improves performance. It does not say that a trigger card is a novel or validated intervention. It says that a reader who wants to make an operating claim should record the intermediate decision objects and keep observed outcomes separate from causal interpretation.

How should leadership test scenario contingency triggers in the next strategy review?

- 1 Write three branch assumptions in one sentence each. Avoid labels such as optimistic or pessimistic unless the underlying condition is explicit.
- 2 Add one observable trigger and a review date to each branch. If the trigger cannot be observed, rewrite it.
- 3 Name the resource move that would follow the trigger. If the answer is always keep everything unchanged, record that result rather than forcing a mechanism.
- 4 Assign an owner who can act, and define the outcome and disconfirmation fields before the review.
- 5 At the review date, record what happened, what changed, and whether the original resource move still deserves support.

If the three rows remain blank at step three, the scenario work may still be worth keeping. Label it accurately. It is a context exercise until a resource decision differs by branch, and it is not evidence that scenario use caused a performance result.

The useful upgrade is not a more dramatic scenario deck. It is a visible chain from a possible future to a trigger, from the trigger to a resource choice, and from that choice to a review that can disagree with the original story. That chain gives an operating team something to inspect while preserving the small, exploratory conclusion the evidence can actually carry.

Evidence base. The analytical frame also draws on these additional sources: Fildes et al. 2009. The links identify the exact works; they support the mechanisms and boundary conditions discussed here, not every claim in isolation.

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END OF ESSAY

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