

The Importance of Scenario Planning Functions for Company's Performance in The Contemporary Environment¹

Andrijana BOJADJIEVSKA DANEVSKA²

Abstract

Today's turbulent environment delivered through the global complexity and dynamic change requires from companies to develop the ability for researching the factors that initiate changes and capacity for anticipating the possible solutions to potential problems. Throughout history, the methods of forecasting and later the strategic planning, as way of establishing a vital link between the organization's future and the environment, are continuously applied. They complement themselves, but the strategic actions and business models they point out are limited only to the known events, factors and actors. With the scenario planning, companies develop plans for different alternative futures that may unfold and contain significant changes in the environment for which they otherwise have limited data. Through narratives and graphically presenting number of alternative stories about the future environment, companies actually include structurally different and unexpected future events, factors and actors in their plans and prepare adequate courses of actions for them. The purpose of this research paper is to emphasize the role that scenario planning has in dealing with uncertainty in the environment as the only certain element of the future, and thus to expose its functions it offers to managers to test their alternatives in dealing with potential constraints or seizing future opportunities. For the research, empirical research was conducted among 52 Macedonian companies by distributing questionnaires (online and physically) for determining the degree of application of scenario planning method and its functions.

Keywords: Scenario planning, Scenario, Turbulent environment

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² PhD Faculty Member, International Balkan University, Skopje, andrijanab.danevska@ibu.edu.mk, <https://orcid.org/0000-0001-8969-0105>

Introduction

Modern companies are open systems. They collaborate, communicate, exchange information, goods and services on each day in a very fully interconnected system, in order that any change within the chain affects each of them. Any change within the industry, legislation or political power affects its internal organizational processes. In other words, changes are the foremost certain element within the environment. Theoretically, this is often well-known to several managers, but their brooding about the longer term and therefore the changes that might occur is rigid and proof against acting in accordance with the emerging conditions within the environment. This happens as a result of them, being passive, avoiding the signals given by the environment and moving along the road of less resistance to learning and spreading knowledge throughout the corporate or ignorance of the way to act in conditions of uncertainty.

Today, the standard or usual conditions in industry, markets and corporations are literally translated into turbulent environment, which is ruled by chaos, risk and uncertainty (Kotler & Caslione, 2009). The turbulent environment, defined by academicians, is an expanded and upgraded uncertainty within the environment. It's conditioned by the amount of complexity within the environment and also the degree of its dynamics (Glassman et al., 2005, p.6). The greater the quantity and variety of external and internal forces or pressures that affect the corporate the more complex is that the environment and also the tougher it's to predict or control. Dynamics refers to the degree of change within the factors within the environment and therefore the probability with which the factors will change. Dynamic environment occurs when factors within the environment change rapidly and / or suddenly, without or with little warning. So, when several factors suffer rapid change at the identical time, then the organizational environment is turbulent. The turbulent environment may have impact over companies in two manners, i.e. in some companies will cause a defensive reaction and vulnerability (by cutting costs), while in others, conditions are going to be recognized as a chance, from which the corporate will benefit. During this context, managers can ask themselves the subsequent questions: Does the company want to follow the conditions in the industry or will it be the one who determines them? Will the environment impose changes that the corporate will adapt to, or will it consider them ahead, develop appropriate plans and techniques, and be a market leader, or can it introduce them by itself?

If a company within the contemporary turbulent environment has to constantly monitor and anticipate change, and at the identical time to adapt, how will it do all this, if it's already deeply specialized and arranged in accordance with a call made within the past? As already known, within the new economy, companies depend on resources, skills and knowledge that are valuable, rare, difficult to imitate and that there are not any substitutes. And yes, this refers to assembling a competitive strategy, which needs plenty of effort and investment in developing competitive advantages, but successively it makes the corporate less flexible. How long will it reckon the corporate to adopt to new technological advances, to implement sudden changes in legislation, or to retort to inflation or recession? This suggests that in the long term, using identical or similar resources and capabilities increases the chance of reducing a company's adaptability and organizational profitability. Collins and Porras (1996) stated that companies that enjoy everlasting success have long-lasting and unchanging core values and clear intentions, while their business strategies and activities are infinitely adaptable to a changing world. Once created, a competitive advantage does not last forever. Competitive advantages have to be constantly changed and improved resulting in higher levels of proactivity and uniqueness. In this way, companies create the longer term by themselves. By continuously asking the question "What if?" managers can constantly review their long-term plans and goals, looking to the long run and also the opportunities or threats it'll bring. This implies that today's activities are initiated and performed in terms of possible future events. Finally, this presents the essence of scenario thinking.

Scenario planning as a technique of effective planning within the enterprise may be a key technique for addressing uncertainty. In fact, through scenario planning, managers begin to think systematically about the longer-term global business environment and anticipate the changes that will occur, the issues related to them, and also the alternatives to deal with them. Thus, in keeping with Schwartz (1991), scenario thinking is an art within which macro environment scenarios allow managers to gauge the answers to a good array of possible futures.

Scenario planning as a method of effective planning in the enterprise is a key technique for dealing with uncertainty. In fact, through scenario planning, managers begin to think systematically about the future global business environment and anticipate the changes that may occur, the problems associated with them, and the alternatives to address them. Thus,

according to Schwartz (1991), scenario thinking is an art in which macro environment scenarios allow managers to evaluate the answers to a wide array of possible futures.

Based on the previous discussion trends, the paper will attempt to answer the following research questions:

- a) Which are the scenario planning functions?
- b) Are these functions of scenario planning applicable in Macedonian companies?
- d) Where does the scenario planning derive its importance?

These research questions will be answered with the help of theoretical and practical literature on scenario planning, like journals, reviews, e-books, and published scenarios from private and public sector. Additionally, data from empirical research conducted by the author and other authors related to the application of scenario planning and its impact over company's performance will be used.

Literature Review

Although scenario planning began as a method of planning in the defense system of the United States in the 1940s, scenario planning is experiencing its renaissance with its rapid application in the corporate sector due to the increasing complexity of the external environment. Planning in a dynamic and turbulent environment faces systemic thinking, building new mental models, and continuous organizational learning to define organizational goals, policies, and plans. The overall research in this area so far, which belongs to the practical and academic papers, strives to emphasize the importance of scenario planning. In fact, there has been a great deal of interest in applying this method of planning especially in times of declining economic activity, i.e. when companies face changes that are incomprehensible and unpredictable.

Traditional planning is based on continuous monitoring and analysis of past trends and their extrapolation into the future. That is, by using such planning methods, managers complete their picture of the future only on the basis of past events and thus are unprepared to welcome the future. On the other hand, scenario planning as a method of effective planning in the company is a key technique for dealing with uncertainty. In fact, through scenario planning, managers begin to think systematically about the future global business environment where they have

embodied the uncertainty, thus anticipate the changes that may occur, the problems associated with them, and test alternative responses to address them.

The question of scenario planning is addressed by a number of authors and the sources that are used when defining it, the methodological explanation, and practical utility arise from articles written by practitioners of scenario planning in the private and public sector, literature dedicated to future research and empirical research on scenario planning as a long-term planning technique. Table 1 shows summed up literature review of different definitions of the term scenario planning, from which it can be concluded that there is no single, or precise and clear definition that shows the true meaning of scenario planning.

Table 1. Definitions of Scenario planning

Author	Year	Definition
Porter	1985	Scenario planning represents the organizational view of the future environment.
Huss & Honton	1987	Scenario planning is a mixture of many disciplines that encourages planners and managers to think broadly about the future.
Schwar tz	1991	Scenario planning is a methodological thinking about the unthinkable. Not always being right about the future is a better solution than sometimes defining the future accurately.
Simpso n	1992	The process of constructing alternative futures for the external business environment.
Bloom and Menefee	1994	Description of a possible or probable future.
Collyns	1994	Imaginative leap into the future.
Thoma s	1994	Scenario planning is an inherent learning process that challenges current comfortable and ordinary organizational thinking by focusing on the question of how the future can be different from the present.
Schoemaker	1995	Strictly defined methodology for creating possible futures in which organizational decisions are made.
Heijden	1997	1) External scenarios are "internally consistent descriptions of possible futures; 2) Internal scenario is "causal connection of discussions and connection of activities with the goal", or "path through the individual cognitive map.
De Geus	1997	Prediction techniques - discussions and documents whose purpose is not to predict or plan, but to change the attitudes of the individuals who use them.
Ringlan d	1998	Part of strategic planning related to techniques and technologies for managing future uncertainties.

Bawden	1998	Scenario planning is one of the many forecasting techniques used in the strategic development of companies, which depletes the individual's ability to imagine and learn what is intended.
Fahey & Randall	1998	Scenarios are descriptive narratives of credible alternative projections of a specific part of the future.
Alexander & Serfass	1998	Scenario planning is an effective futuristic technique that allows planners to examine the probability of an event occurring or not, knowing that the probability is zero for those elements that determine organizational success.
Ogilvy & Schwartz	1998	Creation of narratives or stories about alternative future environments in which today's decisions are made.
Tucker	1999	Creating stories of an equally credible future and planning for advancement.
Kahane	1999	An effective method of identifying critical future uncertainties and exploring "blind spots" in the company.
Kloss	1999	Scenarios are literal stories of the future and they are credible and based on the analysis of the interaction of a number of variables in the environment.
Wilson	2000	Scenarios are a management technique used to improve the quality of decision-making among top managers and to make solid strategic decisions.
Godet	2001	Simply put, the scenario presents the future reality with the intention of clarifying current activities in terms of possible and probable futures.
KPMG	2010	Scenario planning covers the capabilities, processes, resources, and techniques involved in identifying, analyzing, and communicating selected scenarios.

Source: Adapted and expanded with author's additional findings from Chermak, T.J. (2011), *Scenario Planning in Organizations: How to create, use, and assess scenarios*, Berrett-Koehler Publishers Inc., San Francisco, p.15.

However, from the above presented definitions of scenario planning, the reviewed articles and the practical uses of scenario planning it can be deduced that the ultimate purpose of scenario planning is for the company to understand the dynamics and the complexity of the industry and the wider environment in which it operates in order to respond as best it can to the changes that may occur or to encourage the occurrence of the desired situation. Thus, the ultimate purpose is realized through the scenario planning functions. Scenario planning functions at the same present and the link between scenario planning and strategic planning. In practice, scenario planning *integrates with the forecasting and strategic planning methods and constitutes a complete planning framework*. Uncertainty in the environment and its impact on the overall organizational performance represents one of the biggest strategic challenges that business faces. In a turbulent environment, scenario planning supports the overall process of strategic planning, by providing basis for strategy development, evaluation and opportunity to test and

improve the strategy. According to Azalia and Stein (2017), Lindgren and Bandhold (2009), Ramirez and Wilkinson (2016) organizations have used scenario planning as an integral part of strategic planning process.

In this manner, scenario planning fulfills its basic functions of gathering different types of information about the future, researching the future and identifying future opportunities and threats from the environment, and of evaluating and selecting strategies. By fulfilling these core functions, scenario planning furthermore expands managers' mental models, fosters managerial awareness of uncertainty in the environment, encourages and accelerates the continuous organizational learning process, serves as a testing platform for business models, and finally, creates a flexible company which is robust to sudden radical changes.

Functions of Scenario Planning

According to Schwartz (1991) with the usage of the scenario planning method, the company's manager exercises the future environment. Scenario planning uses a holistic approach for integrating all the possible future events, factors, and actors, which contribute to the creation of different pictures of the future environment. Taking into consideration that scenario planning results in the creation of multiple scenarios (and this is only one phase in the planning process) it enables managers to be prepared with full artillery of alternative strategies. When conducting the process of scenario planning it can be noted that by itself it performs several functions, where some of them are visible and clear, while others are blurred and cannot be seen, but this does not mean that they do not contribute to the increased significance that is given to the scenario planning method. In the table below 2, these functions are shown.

Table 2 Scenario Planning Functions

Core Functions
1. Assessment and evaluation of strategies.
2. Integration of different types of data for the future.
3. Thorough research of the future and identifying future opportunities.
Modern/Contemporary Functions
4. Encouraging managerial awareness of environment uncertainty.
5. Expanding managers' mental models.
6. Encouraging and accelerating continuous organizational learning.
7. Platform for business model testing.
8. Creating flexible company which is robust to sudden radical changes.

Source: Adapted and expanded with author's additional findings from Chermak, T.J. (2011), *Scenario Planning in Organizations: How to create, use, and assess scenarios*, Berrett-Koehler Publishers Inc., San Francisco, p.15.

Scenario planning functions were investigated in a qualitative study conducted by the author, in 52 Macedonian companies from nine different industrial sectors, where companies were asked to assign a degree (on a Likert Scale from 1 to 7) to which they are exercised. According to the same study, the degree of application of scenario planning was determined which showed that the average degree to which scenario planning is applied is 4,98, i.e. high intensity of moderate degree towards a significant degree.

According to the results from the research, the following findings related to scenario planning functions are discussed:

1. Assessment and evaluation of strategies. Scenarios serve as a basis for evaluating and selecting strategies (Kahn&Wiener, 1967). Furthermore, Leemhuis and Porter (1985) have suggested developing a matrix in which the results of each strategy are calculated in different scenarios. Because no strategy often fits best in every scenario, Porter (1985) formulates a strategy selection guide, such as "bet on the most likely scenario" or "save flexibility". With this scenario planning function managers are encouraged to evaluate strategic decisions by using multiple scenarios, by which they may appreciate the importance of choosing more flexible assets or alternatives — even if doing so is not the most optimal choice for present-day conditions. (Phadnis et al., 2016). Regarding this function when asked, Macedonian companies noted average to significant degree of using scenario planning for the purpose of testing current and/or newly proposed strategies in terms of different scenarios, i.e. the weighted average grade

was 4,54. 25% answered that with a moderate degree they test their strategies in terms of multiple scenarios, 23% with a significant degree, 17% with a high degree, and 12% with a very high degree, while 13%, 4% and 6% answered that they test their strategies in terms of multiple scenarios with low, very low degree and do not test at all, respectively.

2. Integration of different types of data for the future. Scenarios, better than any other future-oriented technique, allow the integration of different types of data. In addition to quantitative data, scenarios include qualitative data, results from other forecasting techniques, and soft and fuzzy variables (Linneman & Klein, 1985). This feature is especially useful as an important part of the knowledge and information used to formulate strategies. Macedonian companies assigned a significant degree of including not only quantitative data but also qualitative data in the planning process and formulating strategies, i.e. the weighted average was 5,31. Additionally, when asked about the types of data they use in the process, 19% used intuition, 31% used information obtained from informal sources; 65% used detailed elaborated data and reports from authoritative institutions, such as the Chamber of Commerce, State Statistical Office, private consulting companies; and 77% used detailed elaborated data and reports prepared by the planning department and 4% used data from different sources.

3. Thorough research of the future and identifying future opportunities. The third function of scenario planning is directed toward exploring the future and identifying what might happen and how the company might react or respond to future developments. This enables anticipation of the unexpected and provides creation of an early warning system (Wack, 1985). According to the author's study, when participants were asked about the degree to which scenario planning provides them with early warning signs about upcoming threats or opportunities, 6% assigned a moderate degree, 31% assigned significant degree, 25% assigned high degree and 13% assigned very high degree, 13% assigned low degree, 8% very low degree, while 4% answered that there isn't any early warning system. In this manner, companies develop several plans in the event of a crisis based on scenarios (Raubitschek, 1988) or a system for monitoring the environment (Reibnitz, 1988). By researching and anticipating the future, the scenarios help in identifying the massive huge changes and strategic problems that the company will face in the future and in generating strategic alternatives for effectively dealing with them. Additionally, when Macedonian companies were asked about the degree to which scenario planning enables

them to discover new opportunities, with a weighted average grade of 5,04 (significant degree), Macedonian companies accessed that scenario planning significantly enables them to discover new potential areas of business, product, or market.

4. Encouraging managerial awareness about environmental uncertainty. Scenario planning enables managers to better cope with uncertainty by helping them to understand the environment and its systems. (O'Brien&Meadows, 2013; Heijden, 1996) The degree to which managers observe the future environment of the company as complex and uncertain was 4,38, i.e. average. By all means, scenario planning brings uncertainty to Macedonian managers by confronting them with fundamentally different future situations.

5. Expanding managers' mental models. Scenarios challenge managers' existing mental models and confirm corporate beliefs (Millett, 1988). Mental models embody how individuals see the world, how individuals know and think about the world, and how individuals act in the world (Chermack, 2003). The turbulent environment asks companies to be flexible and adaptable to changing conditions, but it is commonly believed that mental models are difficult to change (Chermack, 2003). However, according to Heijden et al. (2002) scenarios help individuals repeatedly to see reality from multiple perspectives, so that they can think creatively and use the scenarios as a communication tool. In other words, when creating scenarios different individuals, groups of employees, and managers are included which results in thorough discussions that reveal and align, different pictures of the future, and in building consensus about the future environment of the company. By providing the managers with these expanded or/and more mental models scenario planning enables organizations to foster dynamic capabilities to respond to the environmental changes and adapt to them (Ramirez&Wilkinson, 2016). In the surveyed Macedonian companies, scenarios are formulated with the inclusion of different groups of employees, managers and experts. According to the results from the research, 42% of the surveyed companies regularly involve employees from different business units who have specialized knowledge and experience in the process of building scenarios, 56% regularly involve the board of directors or other top management bodies, 37% regularly include middle-level managers of the management hierarchy (managers of departments or business functions), 19% regularly, and 27% periodically include lower-level managers of the management hierarchy (managers of smaller organizational units operating within separate

departments or business functions), 13% regularly and 23% periodically include external experts and consulting companies and 21% regularly and 23% periodically include working groups composed of employees from different departments, functional managers and external experts. Additionally, when asked about the changing assumptions, beliefs, and experiences they include when conducting scenario planning, 80% answered that scenario planning significantly enables Macedonian companies to continuously revise and update their assumptions about the future in order to implement them in the formal process of planning. 6% answered that there isn't any update or change in the assumptions they use when scenario planning, 2% have assigned a very low degree of including updated assumptions, 4% have assigned a low degree, while 8% have assigned a moderate degree.

6. Encouraging and accelerating continuous organizational learning. As a continuation of the previous function, scenario planning allows for employees to collectively act according to the observed future events, to collectively develop new theories for them and act together, which in the end means that the process of organizational learning takes place (Kolb, 1984). In order to achieve shared mental models, changes in knowledge and/or behaviors of team members must occur (Glick et al., 2012). The model of continuous learning is based on the idea of continuous company development. Alike scenario planning, the continuous learning model considers multiple futures that are equally likely to occur and that represent the inseparable uncertainty of the environment. The results from the research have shown that 19% of managers assigned a moderate degree to which they continuously learn and together create a "common language", 21% assigned a significant degree, 23% assigned high degree, 17% extremely high degree, while 20% assigned very low and low degree of continuous learning and creating a common language. In total, when weighted average grade was calculated, Macedonian companies stated that the degree to which they continuously learn and create a "common language" together was 4,96, i.e. nearly significant.

7. Platform for business model testing. Scenario planning allows the assessment of possible changes and outputs from various events in the environment and how they would affect the business model. Environmental, political, socio-cultural and economic changes will consolidate and create new opportunities or threats and change existing markets. Within the proposed macroeconomic changes different alternative scenarios are created which allow to be used as

platform, or wind tunnel where companies' business models are tested, i.e. opposed. This allows for continuous business model update in relation to the changing conditions in the environment. When evaluating business models, and particularly their revenue streams, it can be stated that they are subject to high volatility and uncertainty due to the turbulence in the environment. Traditional strategy tools, such as Porter's generic competitive strategies, five forces, experience curves, and portfolio analysis, are becoming increasingly unreliable due to today's high volatility, shortened product lifecycles, and increased complexity of organizational networks (Westerlund et al., 2014). Therefore, scenario planning is a prominent tool in corporate strategy that is often used to systematically depict possible outcomes of strategic decisions and thus provide measures for reducing risks (Amer et al., 2013). According to the results from the research, 17% assigned a moderate degree of business model testing in multiple scenarios, 31% assigned a significant degree, and 15% extremely high degree, while 6% answered that there isn't any business model testing when scenario planning, 4% assigned very low degree, and 12% assigned low degree. In general, Macedonian companies responded that the average degree of business model testing in multiple scenarios is 4,88.

8. Creating a flexible company that is robust to sudden radical changes. According to Peter Senge (2014), the company that continuously learn, has presented the disciplines of system thinking, personal development, mental models, shared vision and team learning. All of these disciplines are present and inseparable from the scenario development process (Wright, 2000, p.437). Hence, scenario planning improves the organizational condition and ability in the long run, in terms of creating a robust organizational system that better copes with unexpected radical changes. And in the short term, it increases the organizational ability to adapt by more skillful monitoring of the environment. In fact, scenario planning allows organizations to act on a new situation, or even disrupt the current flow of events, rather than react to it. This is a result of selecting a robust strategy in the scenario planning process across a variety of futures (Ramirez&Wilkinson, 2016; Heijden, 1996). According to the results from the conducted research, 15% answered that with a moderate degree scenario planning allows them to better anticipate the future and to be ready with appropriate activities and strategies for the sudden changes in the environment, 29% assigned a significant degree, 15% assigned high degree and 23% assigned extremely high degree, while 14% assigned low (10%), and very low degree (4%) and 4% stated that there isn't any improvement in anticipating in the future or in the

readiness with appropriate activities or strategies for the sudden changes in the environment. Macedonian companies, in general, noted that scenario planning significantly allows them to better anticipate the future and to be ready with appropriate activities and strategies for the sudden changes in the environment, i.e. weighted average 5.

By integrating scenario planning into the organizational planning framework companies are able to aggregate and prepare for a number of scenarios that can drastically affect their operations and performance. In this manner, companies are fully aware that today's competition in a turbulent environment sets new rules in strategy building and in the way economic, social, political, and industrial trends interact. In other words, developed and integrated scenarios in the entire organizational planning process keep the company awake and alert to any new sudden and radical changes. Therefore, in a turbulent environment scenario planning is of particular importance (Bielinska-Dusza, 2013, p.147) and the application of the scenario planning method is an optimal response to the increased turbulence in the environment.

Functions of Scenario Planning

In the modern business world, the concept of strategy and strategic planning is different from that concept of the 1980s of the 20th century. Strategy is constantly revised, due to the uncertainty that dominates the real world. That is, when there is increased uncertainty in the decision-making context, scenario planning is a necessary integral part of strategic planning. It encourages the company to think about the future, in terms of the probability of certain events from the external and internal environment, the diversity of those events, as well as thinking about the "unthinkable".

The importance of scenario planning functions is that it allows managers to be aware of the reality that they live in an uncertain world and that it is possible to think about this uncertainty in structured ways. Each generated scenario contains a hypothetical, but also an explicit picture of the future, which is used for thinking and discussing the consequences of strategic alternatives or for formulating strategies and ultimately for performance improvement. In this manner, scenarios are explicitly integrated into the strategic planning process. By complementing the strategic planning, scenario planning allows and /or contributes to the creation of resilient companies with flexible strategies that are prepared for future challenges.

At the empirical level, numerous case studies are published by companies that apply scenario planning as an integrated part of strategic planning, but there is only a limited amount of research on the application and effects of scenario planning on company performance. Several authors have conducted studies related to this link between scenario planning and organizational performance. However, there is a difference in the literature regarding authors' metrics for a company's performance.

Performance evaluation comprises of usage of objective or subjective measures for assessing companies' successes, provided that accurate information is provided (Chow& Stede, 2006; Panigyrakis & Theodoridis, 2009). Objective measures include financial data, such as net profit, turnover, return on investment, return on capital employed, and inventory turnover, while subjective measures tend to rely on managers' and key role players' (owner) perceptions of business performance (Phillips et al., 1999). However, Kaplan and Norton (1992) proposed the balanced scorecard model, involving measurement of four main aspects of businesses and is considered as a mission-related output, meaning that its goals will define the appropriate performance outputs (Swanson&Holton, 2001). The balanced scorecard model focuses on both financial and non-financial performance, as well as, takes into account the organization's vision and strategies. Briefly, a balanced scorecard as a strategic management performance tool evaluates business performance from four different perspectives, financial performance, customer perspective, internal business perspective, and innovation and learning perspective.

According to Phelps et al. (2001) there is a positive relationship between financial performance (faster growth, higher return on capital, and higher profitability) and scenario planning. Furthermore, their results have confirmed that scenario planning can be used as a tool to improve financial performance (Phelps et al., 2001). Moreover, empirical results of the research conducted by Chermack et al. (2017), Chermack et al. (2006), and Inayatullah (2009) indicated that the practice of scenario planning promotes organizational learning practices and thus leads to better financial performance (Aliya&Maheen, 2017; Kim et al., 2017; Prieto& Revilla, 2006).

Regarding the aspect of customer performance, which was measured by: market share, customer retention, acquisition, satisfaction and profitability, empirical results from the research conducted by Kuye and Oghojafor (2011) showed that scenario planning leads to an

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increase in the sales level and market share of the companies by introducing the unique services/products. Furthermore, Sarpong and Maclean (2011) have found that scenario planning leads to increase in innovation capabilities, which leads to an increase in the level of customer satisfaction and customer value (Abdulai et al., 2018; Weng et al., 2012).

According to Drew (2006), scenario planning contributes to the improvement of internal business processes, which actually refer to the organization's ability to innovate, employ creativity, utilize the appropriate technology, and enhance adaptability in order to excel at activities that create value (Kaplan&Norton, 2004). Scenario planning enhances creativity and thus provides a useful tool in identifying new technologies, discovering new possible alternative development paths, and preparing the company for the new upcoming opportunities which have aroused due to new technologies. Therefore, scenario planning allows organizations to act on a new situation rather than react to it, thus, enhance its ability to manage emergencies (Ramirez&Wilkinson, 2016; Heijden, 1996).

If measuring a company's performance from the fourth aspect of learning and growth Kaplan and Norton suggested focusing on employees' efficiency, problem solving abilities, and skills development through training. According to Glick et al. (2012), scenario planning can be considered as a training tool that contributes to increasing the skills of employees and development of human resources in general. Furthermore, it can be stated that scenario planning enables finding innovative and robust solutions to address complex problems and solve it in effective manner. (Arafet&Ali, 2018; Bennett et al., 2016; Burt et al., 2017; Schwartz, 1996; Heijden, 1996).

Abuzaid (2018), in a qualitative study conducted among 121 multinational companies, found that there is a positive and statistically significant relationship between scenario planning and the four components of strategic performance: financial performance, customer performance, learning and growth, and internal business processes.

According to Visser and Chermack (2009), who investigated the link between scenario planning and 7 multinational companies' performance from a qualitative perspective, found that scenario planning is interwoven in the process of strategic planning and it has a great impact over managerial decisions. Overall, interviewed participants regarded scenario planning as an effective intervention with a positive contribution to the firms' performance. More precisely,

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they have revealed that scenario planning was useful in exploring the business environment and future risks, isolating trends, understanding interdependent forces, and considering the implications of strategic decision-making.

Conclusion and Recommendations for Further Research

Scenario planning has been adopted by a number of companies from Western economies, the application of which is most frequent in conditions of increased turbulence in the global market, such as the last economic crisis in early 2008 and recent developments related to COVID 19 pandemic and conflict in Ukraine, which many analysts and experts categorize as warning signals for the outbreak of World War III. At the same time, political upheavals, sudden changes in global value chains and turmoil are taking place around the world, affecting overall economic growth and development. Given these dynamic and changing conditions, the need arises for companies to monitor, forecast and anticipate changes in order to remain competitive and maintain or improve their performance.

The importance of scenario planning is not in finding one or the true picture of the future environment, but it is about exercising its functions for the ultimate purpose of creating a highly flexible company that is robust to turbulent environments. This is done through scenario planning integration into the strategic planning framework, which, finally, has positive impact on a company's performance.

This research paper showed that the level of application of scenario planning and its functions among 52 companies in Republic of North Macedonia is moderated with intensity towards significant, i.e. 4.89 and that the participants are acknowledging and practicing its functions. However, the author's empirical study does not offer additional research and data regarding the relationship between the scenario planning application and company's performance, which is considered as a limitation of this study. This asks for further investigation of how scenario planning might influence the performance of Macedonian companies.

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