

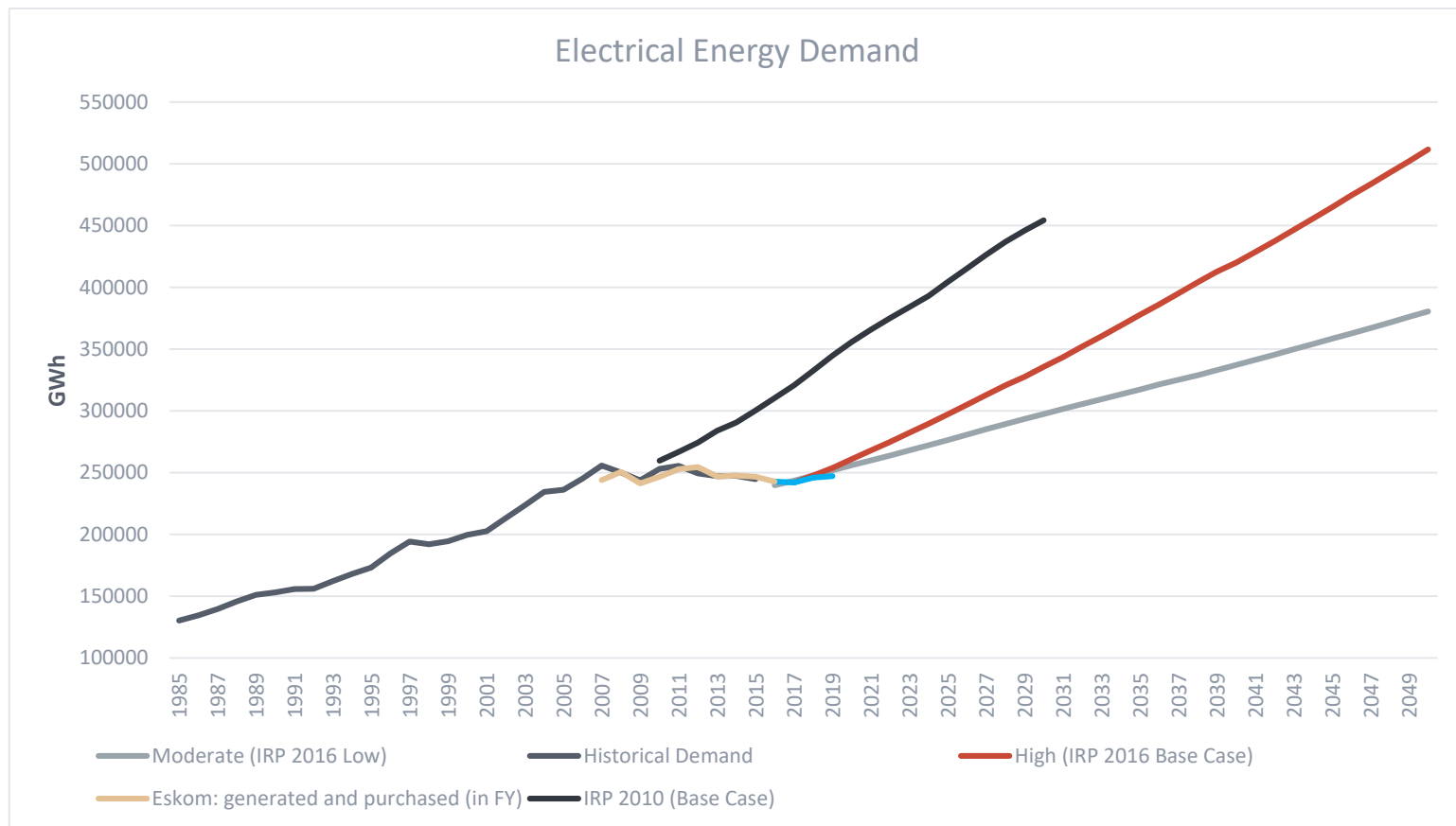
PLANNING STRATEGIES IN THE FACE OF UNCERTAINTY

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UNCERTAINTY PRESENTS CHALLENGES THAT ARE GENERALLY UNDERESTIMATED

- Demand forecasting is generally of little use other than for the short-term.



UNCERTAINTY PRESENTS CHALLENGES THAT ARE GENERALLY UNDERESTIMATED(2)

- Future contingencies often cannot be foreseen;
 - Global economic and political changes
 - Changes in the nature of demand
 - Substitutes
 - Socioeconomic changes
 - Migration, etc.
 - New competing technologies
 - Environmental constraints
 - Regulatory, institutional policy changes, failure, etc.
- Complexity and bounded rationality is often underestimated
- Most planning approaches do not come to terms with the level and nature of uncertainty
 - e.g. IRP / IEP



WE NEED PLANNING STRATEGIES THAT RECOGNISE THE NATURE OF UNCERTAINTY

- What do you do when you know that the future is unknowable?
- We need planning strategies that are not premised on accurate forecasting or perfect human knowledge
- Planning approaches should from the outset:
 - enable us to switch tack and adjust to new and possibly unforeseen circumstances.
 - properly value strategies that limit our exposure if unforeseen contingencies occur, and
 - Correctly trade off
 - economies of scale vs simplicity (not complex) vs embedded option value
 - Compare different strategies based on their resilience in the face of uncertainty and ability to respond appropriately.



PLANNING TO PROSPER IN THE CONTEXT OF UNCERTAINTY

- There is no viable alternative to recognising the nature of uncertainty
- Overly complex mega projects that are locked-in and cannot adjust to changing market circumstances represent a highly risky strategy.
- Plans / strategies should be:
 - Incremental;
 - flexible;
 - have shorter lead times;
 - have smaller project sizes; and
 - be simpler.
- This will reduce exposure; increase feedback loops and learning cycles; enable changing direction if necessary; lower risk of cost and time overruns.
- In the real world the “science of muddling through” is mostly more successful than large-scale master planning.

(Lindblom 1959)



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