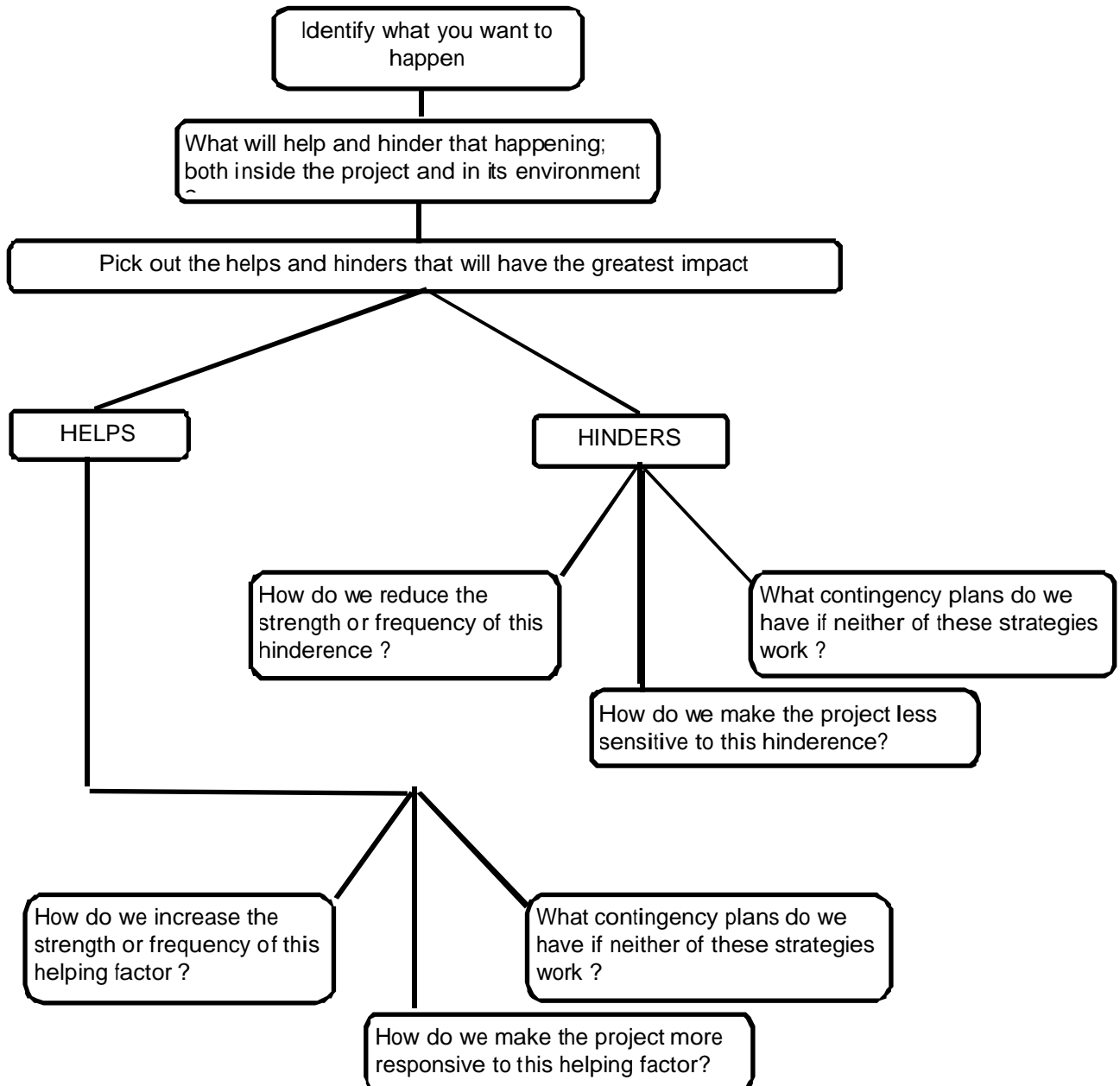


# ASSUMPTION BASED PLANNING

## BOB'S VERSION

The tool is based on the Rand Corporation's Assumption Based Planning. The description of ABP is appended. The diagram below shows a modified version I developed. I found that people had great difficulty working with "assumptions", so I took the basic idea and added a "force field" approach to it. This seems to work better.



# ASSUMPTION-BASED PLANNING

## THE ORIGINAL VERSION

Assumption-Based planning (ABP) is a planning method that helps an organisation to prepare to change its operations or plans if its corresponding underlying assumptions about the environment changes.

It was developed by RAND corporation to help the US Army with its mid and long range planning. It is found to be effective in *uncertain environments*.

There are five steps to ABP:

### 1. Identify important assumptions:

An *assumption* is an assertion about some characteristics of the future that underlies the current operations or plans of an organisation. An assumption is *important* if its negation would lead to significant changes in those operations and plans.

### 2. Identify vulnerabilities of assumptions:

The *planning time horizon* is the farthest point out that a given planning effort would consider and sets the limit of vulnerability of an assumption.

To find out which assumptions may be vulnerable within the planning time horizon, we must identify elements of change that indicate what could happen in the environment within that horizon.

An *element of change* is an event or condition that:

- Represents a change from today
- Is plausible within the planning horizon
- Is related to the organisation and its plans

What makes an assumption vulnerable are those elements of change that would violate the assumption or cause it to be wrong.

### 3. Define Signposts:

A *signpost* is an event or limit that clearly indicates that the vulnerability of the assumption is changing. It is based on the premise that the best approach in an uncertain environment is to do what needs doing now and watch carefully for changes that will resolve the uncertainties in the future.

Signposts are mechanisms for monitoring the uncertainties in an organisation's future and help an organisation to perform shaping and hedging actions.

### 4. Define Shaping Actions:

A *shaping action* is an organisational action designed to avert or cause the failure of a vulnerable assumption.

This step helps to decide whether a potential change is for the better or the worse, identifying how much control an organisation has over the assumption and exerting the control.

## **5. Define Hedging Actions:**

A *hedging action* is an organisational action intended to prepare an organisation better due to the failure of one of its important assumptions.

A hedging action is different from a shaping action and involves replanning. Arriving at a hedging action is based on rethinking the organisation's plans as though an important assumption has failed. It helps an organisation to act to preserve important options in the light of the possibility that an assumption will fail at a certain point.

Notes:

1. ABP can be carried out in sequence but the steps 3, 4 and 5 can be done in parallel or in a different order if steps 1 and 2 are completed. If the planning process is carried out in sequence it moves logically from 'how to think' to 'what to do'.
2. The products of the ABP process are signposts, shaping and hedging actions.

### **A possible process using ABP:**

1. Look at the key elements of the plans we have developed so far (not the strategic part).
2. Identify the important assumptions our plans make in relation to achieving the goals.
3. Take each 'important assumption' and compare it with each scenario we will analyse. Ask whether this assumption would be correct or incorrect if any of these scenarios became true during the period of the plan (five years).
4. Those that become untrue are "vulnerable" and we need to work out what to do about this.
5. Take each assumption and work out how we could "shape" events to ensure that the assumption is not violated.
6. Take each assumption and work out how we can "hedge" (i.e. alter the plan to ensure that it is more robust against their assumptions being wrong).