



Scenario Planning

Steve Player – *Live Future Ready*

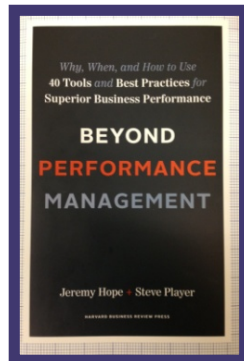
Virtual Spring Learning Lab, May 14th & 19th, 2020

About the Speaker

- Steve Player serves as the Managing Director of Live Future Ready. He also leads the Beyond Budgeting Round Table North America (BBRTNA) working with companies to implement continuous planning processes.
- Steve has over 30 years experience improving performance management. He is the co-author of *Future Ready: How to Master Business Forecasting* and *Beyond Performance Management* as well as five other books.
- Steve interviews CFOs for the CFOThoughtLeaders.com website discussing innovative finance and planning processes.



Steve Player
Live Future Ready



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Learning Objectives

1. To provide a quick overview of scenario planning methodology
2. What to do when you find yourself in a scenario where you haven't used the methodology



Budget Blue Print

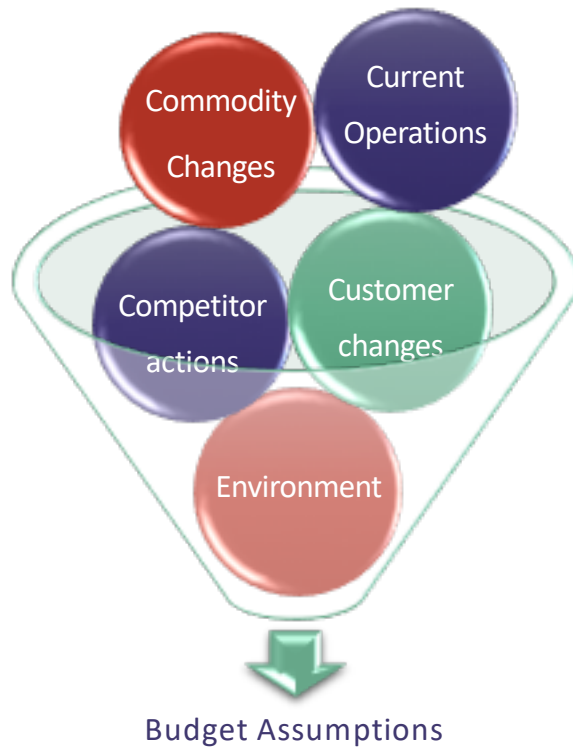


Seven Key Problems with Traditional Budgeting

1. Takes too long to prepare
2. Costs too much
3. Based on assumptions that turn out wrong
4. Causes gaming that erodes the ethical foundation of the company
5. Triggers unnecessary spending
6. Gives the illusion of control
7. “It brings out the most unproductive behaviors in an organization...” - Jack Welch, *Winning*



How Good Are Your Assumptions?



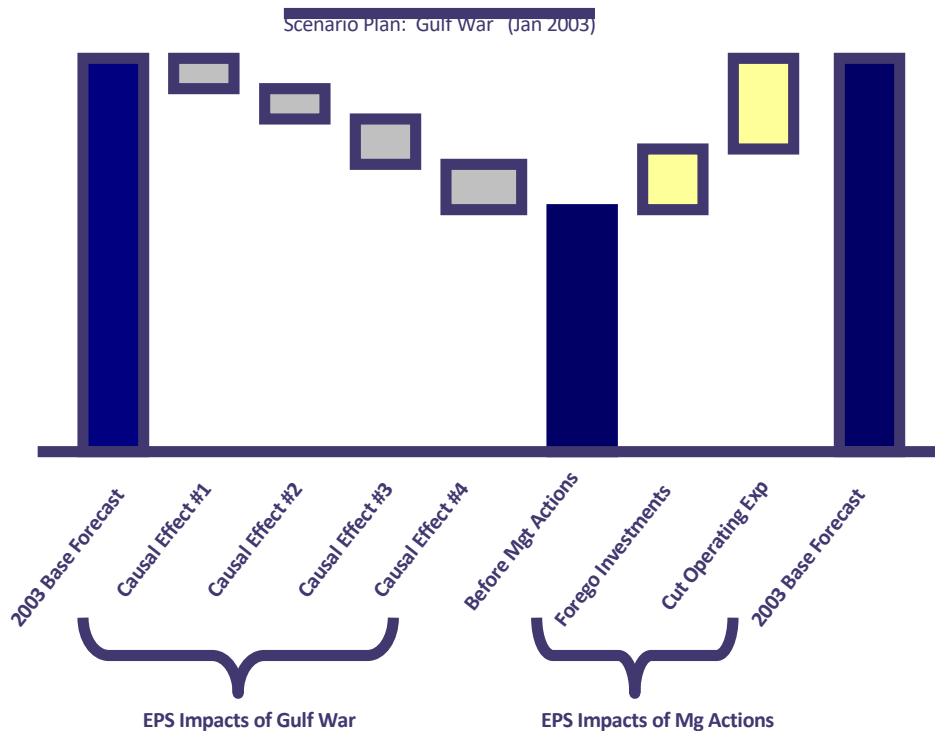
Lots of
uncertainty



How to Engage in Scenario Planning

Frequent scenario planning allows finance to forecast the potential impact of a range of uncontrollable events to the annual plan...

...and to create management “playbooks” to mitigate risks and take advantage of emerging opportunities



Risk and Opportunity Assessment

Business Unit: _____

RISKS

- Lower Business Travel
- Weakness in Equity Mkts
- Competitor New Prod Launch
- Additional Technology Development

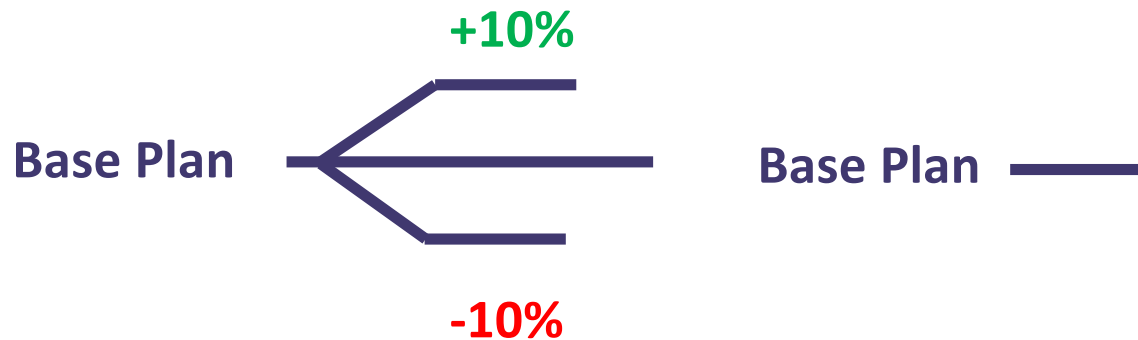
Opportunities:

- Early end to SARS epidemic
- Further economic recovery
- Improved credit quality
- Additional marketing opportunities

Pretax

Income \$ Q2 Q3 Q4

Scenario Planning – American Express



Building a More Effective Planning Process



GOOD

a. Create 4 to 7 planning scenarios

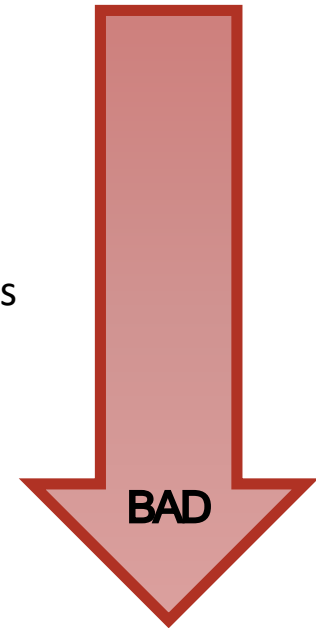
b. One so good you can barely spend all the money you are making

c. One so bad that it threatens bankruptcy

d. Issues/Opportunities
What causes these to occur?

e. What are your Leading indicators?

f. Build your game plans



Downsides Everyone Should Prepare to Defend

Worldwide shut down due to a global pandemic

**Key customer
goes out of
business**

**Key commodity
is in short supply**

**Environmental action
attacks your action**

Political unrest results in chaos



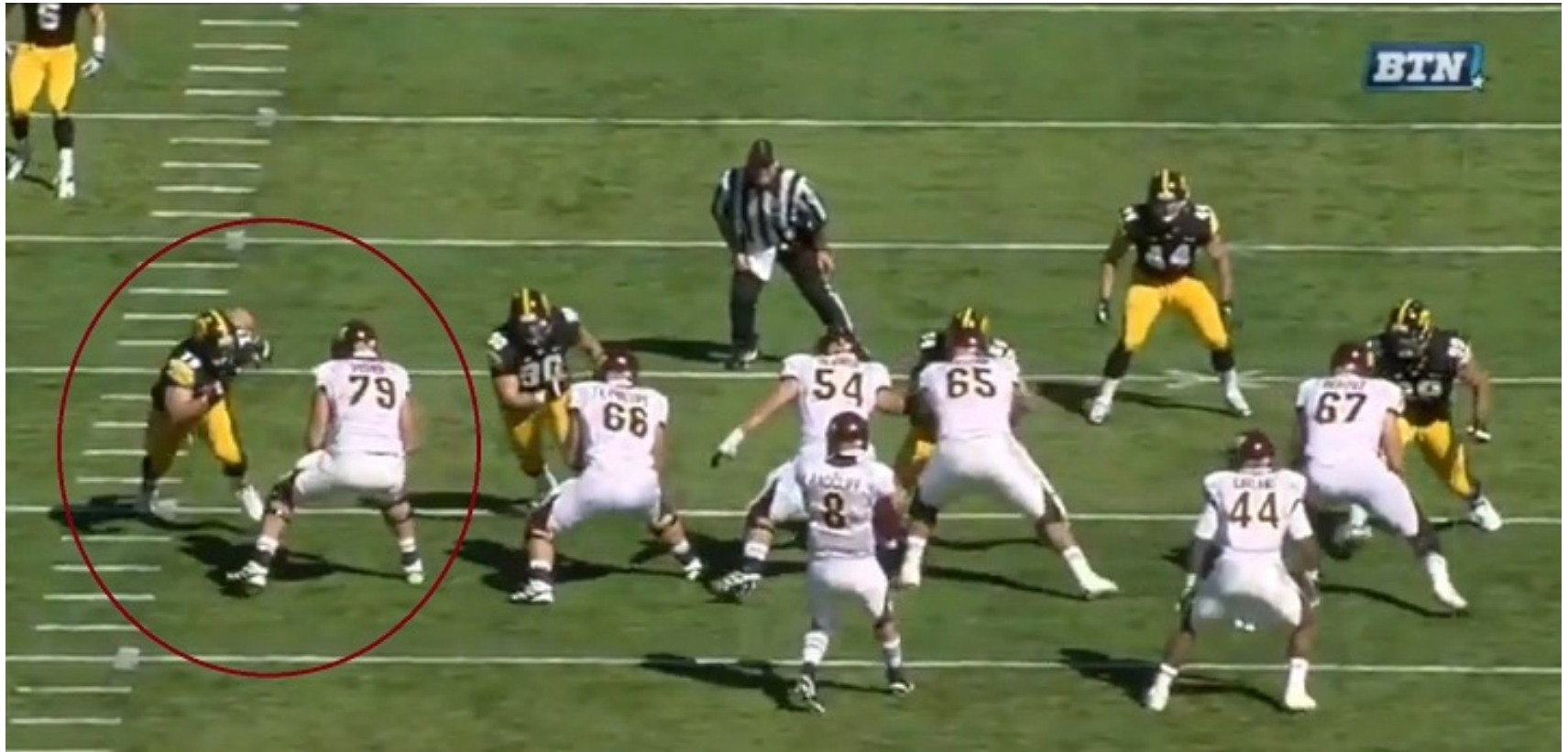
Competitors merge and become your biggest competitor

Upsides Everyone Should Look For

Pandemic creates higher demand



Develop Your Playbook



What plays should your organization have in your playbook? Why specifically?

- Identify your weak spots and take action to protect them
- What threatens your most valuable assets?

Looking for Leading Indicators

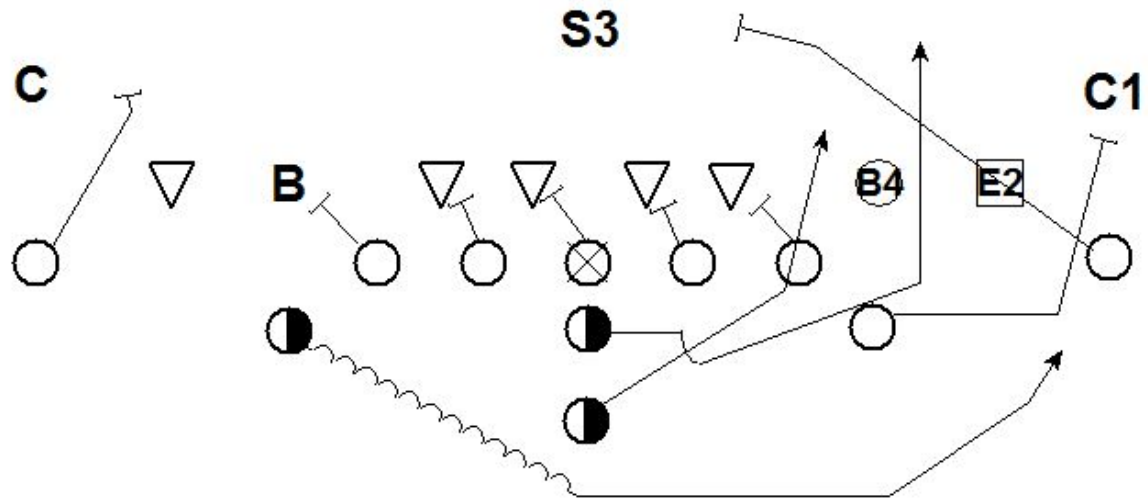
Leading

- Customer sentiment
- Order inquiries
- Request for proposal
- Advanced sales
- Customers' customers



Lagging

- Customer price index
- Customer delinquencies
- Unemployment
- Financial statements



Seven Steps to Scenario Planning

1. Brainstorm potential scenarios (upside and downside)
2. Identify what is required to successfully address each
3. Begin with extreme up and extreme down
4. Develop action plans
5. Identify and begin to track leading indicators of scenarios occurring
6. Identify the action triggers
7. Periodically refresh and expand plans

Source: Steve Player Scenario Planning Training

Building a More Effective Planning Process

