

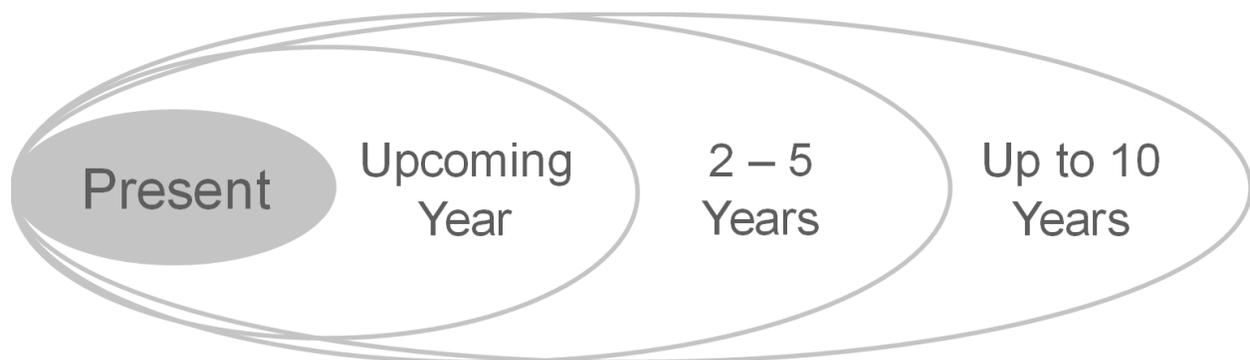
Scenarios Planning

The 14th of March in 2008 was a very bad day for Jim Cramer. Jim Cramer had a spectacular career in finance and is now the host of *Mad Money*, a popular TV program. Just three days prior, Jim had instructed his listeners to hold on to stock in Bear Stearns; however, on this day the shares dropped by 92%. Jim is a smart guy, so how did this happen? Despite his intelligence, Jim attempted to predict the future, which is impossible. While this prediction proved disastrous for Jim, the problem with predicting the future is much more widespread. Many businesses attempt to do this very thing in their strategic planning processes by trying to set up a strategy while assuming there is only one potential future and ignoring the probability of many alternate futures. The only thing we know for sure is that the future will be different from the present in some capacity. In light of the impossibility to predict the actual future, we must, nevertheless, plan for multiple future scenarios. How can a business improve their ability to better predict the future? We propose using Scenarios Planning as this method.

“Everybody has a plan until they get hit in the face.” – Mike Tyson

What is Scenarios Planning?

Scenarios Planning is a method of organizational planning that prepares for three different time periods / ranges into the future. Sometimes called Scenarios Thinking or Scenario Analysis, Scenarios Planning is a strategic planning method that organizations use to make flexible long-term plans. In our past articles, we have detailed the annual improvement planning process, also referred to as [Strategic Alignment](#). There is also a process where businesses identify near term trends in the market, which cover the next 2 to 5 years. The focus of this article is within the “Up to 10 Years” time frame.



Scenarios Planning is a complex method to make bold predictions for the next decade. The goal is not to predict the future, but to explore what the landscapes could look like when considering multiple futures.



The military uses Scenarios Planning for strategic and tactical planning: training for “likely events.” This way, if a situation does occur, they can simply “implement protocol #6”, just as they have been trained to do. We, of course, want to be able to do the same thing in our businesses. For example, what would a petrochemical company do if 98% of their revenues were usurped by a major technology change, such as electric cars? Is there a plan? Not just a desire, but a plan? Scenarios Planning creates the conversation that gets things moving. This is what keeps us from simply creating an annual improvement plan year-after-year without considering the long-term implications of external forces.

How it works:

1. Form a cross functional team from within the current business and from experts outside of the business.
2. Brainstorm with “What are the driving forces/ trends that could impact and are most relevant to our business in the next 10 years?” - ~80 items to be generated.

Use the **STEEP** model to ensure all trends/forces are considered:

- **S**ocietal
- **T**echnological
- **E**nvironmental
- **E**conomic
- **P**olitical

3. Using the matrix below, determine the impact/certainty of each trend/factor from step 2:

| | High Certainty | Low Certainty |
|-------------|--------------------------------------|---------------------------------|
| High Impact | We MUST Deal with These Items | Create Scenario Plans for These |
| Low Impact | Ignore These | |



6. Determine which scenarios are most likely to happen or most likely to not happen.
7. Create the business's response to the most likely scenarios to either take advantage of the opportunities or mitigate the risk.

| Scenarios | Response |
|-----------|----------|
| 1.1 | |
| 1.2 | |
| 1.3 | |
| 1.4 | |
| 1.5 | |
| 2.1 | |
| 2.2 | |
| 2.3 | |
| 2.4 | |
| 2.5 | |
| 2.6 | |
| 3.1 | |
| 3.2 | |
| 3.3 | |
| 3.4 | |
| 3.5 | |
| 3.6 | |

The Output from Scenarios Planning:

The team ends up with about 6 (+/-) bold predictions for their business and plans to respond to these predictions. These plans are contingency plans that can be put into action should one of the scenarios play out in the future. Using the link below, you can access the Excel file with the Scenarios Matrix. Feel free to share this link with others.

[Scenarios Planning](#)

Does your leadership team intentionally create scenario plans? If so, are they following a proven method? If you would like to develop your team's ability to plan scenarios, we can help. Our facilitation provides two things: vast experience in scenarios planning and the outside perspective that can inject reality into the discussions and plans. We also offer team, practitioner, and executive coaching, as well as a 200% risk-free guarantee on implementation work. For a no-obligation introduction meeting, please contact Paul Eakle at paul.eakle@driveinc.com or 865-323-3491.

