Scenario Planning

March 15, 2011

Overview

Kathy Keeley
Northland Foundation
Definition

Scenario planning is defined as a strategic planning method that organizations use to make flexible long-term plans based on generating a number of “what if” situations and then options on how they might respond to those situations.
Why Scenario Planning

Provides:

- The tools for an organization to respond to critical changes.
- Method for understanding specific trends and how to make decisions based on those trends.
- Organized process to link “what if” situations with action steps and financial impact on the organization.
When to Do Scenario Planning

- Environment changing – do not fully know how
- Funding is uncertain
- Organization needs to “entertain” various options for the future to determine strategies to respond to events outside of its control
- Structural deficit – lost of permanent funding
- Change perceived to be not short term but longer term
Scenario Planning

Four Major Steps in the Process

1. Environmental Scan
   - Knowns
   - Unknowns
     - Clients
     - Policies
     - Funding
     - Community

2. Critical Scenario Options
   - Impact
   - Critical Scenario

3. Financial Projections
   - Performance Based Budget
   - Cash flow Projections

4. Action Plan(s)
   - Implementation Plan
   - Managing Change
   - Continuous Monitoring

---

The Keeley Group
Overview Scenario Planning
Who Does Scenario Planning

- Board Task Force
- Staff
- ED and Finance Person
- Staff Teams
Sample Meeting Agenda

1. Introductions

2. Roles and Expectations of the Team
   - Attend up to four meetings
   - Contribute to brainstorming and consensus on scenario plans
   - Participate in scanning for trends
   - Review and critique financial information
   - Participate in committee so that all ideas are heard and discussed; build consensus to two or three scenario options

3. Scenario Planning Overview
   - Definition
   - Steps To the Process

4. Meeting Schedule

5. Core Values Discussion

6. Define the Knowns

7. Brainstorm the Unknowns
Step One

- Environmental Scan
  - Define your knowns
  - Define your unknowns

To Do This:
1. Assemble Your Team
2. Decide on means for gathering data and information
   - Surveys
   - Interviews
   - Focus Groups
3. Summarize the data
Input

- Survey – how to save money
- Staff meeting and teams
  - Give a dollar goal to cut
  - Seek input – not decisions
- Focus Groups
- Interviews
- “Best Practices”
Step Two

Determine Your Options/Most Likely Scenarios

- Brainstorm list – ask the what if question
- Determine impact of each option
- Determine most critical or likely option

To Do This
1. Review summary of Environmental Scan
2. Ask the Question of What IF This Happens – what would you do
3. Brainstorm Options
4. Determine impact of each option
5. Prioritize options
6. Select One – Most Likely and Drastic
“What If” Options

■ 10 – 15% - Making cuts
  ■ Reduction in pay
  ■ Change in benefits
  ■ Lower expenses
  ■ Lay-off/not fill positions

■ 20% or more – Restructuring
  ■ Eliminating programs and staff
  ■ Change workload and service delivery expectations
Process

- Mission
  - What does it take to meet the mission

- Performance based Budget
  - How best to meet the outcomes

- Service Sort
  - Define all services customer gets
Scenario

Most Likely
- Bulleted list
- Describe the restructure
- Programs and Services to Keep

Most Drastic
- Severe Circumstances
- Set target budget number
- Programs
- Outcomes
- Target Client
What If Scenario

- Issues
  - Management and Overhead
  - Contracting Out
  - Shared staff and services
  - Eliminate special grants if not fully funded
  - Mergers
  - Soft close
  - Hard close
Step Three

- Create Financial Projections for each scenario
  - Budget - adjustment
  - Cash flow projections

To Do This:
1. Need Budget by line of business
2. Need budget match chart of accounts
3. Use templates
4. Keep track of assumptions
Step Four

- Develop Action Plans
  - Objectives
  - Implementation Steps - task
  - Resources
  - Budget Impact

To Do This:
1. Action Plan Template
2. Committees/Workgroups
3. Financial Assumptions
### Action Plan Template

**Result:**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Tasks</th>
<th>Timeline</th>
<th>Person Responsible</th>
<th>Budget Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What Do You Do

- Plans go in the drawer
- Continuously monitor internal and external data
- Monitor plans for updates and changes
- Manage and prepare the culture for change
Lessons Learned

- Better prepared
- Takes internal or external leader
- Allow for angst and “grieving” as change is part of this process
  - Prepare for organization disagreement
  - Concern over jobs and employment
- Option – Budget – Action Plan – all three are needed to move to organizational understanding.
- Financial information key – has to be organized to provide useful information.