

Strategy Huddle™ with MyStrategicPlan:

Positioning Your Organization for the Future in an
Economic Climate of Uncertainty

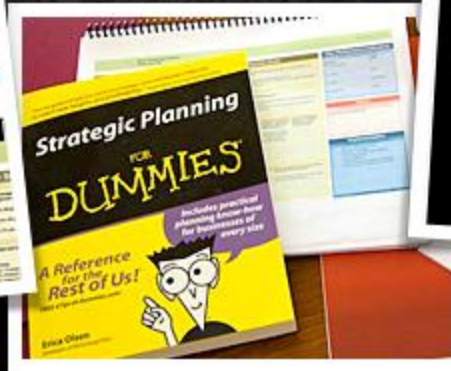
Welcome!

Powered by



- Purpose** Answer real-world questions, handle high-level strategy issues, and share best practices on strategy, execution, planning
- Duration** 45-60 minutes
- Your Role** Ask questions: Questions can be submitted via the Chat Box on right at any time. **
- Offer suggestions: Share your experience via the Chat Box during the topic at hand
- Details** Session is being recorded and a follow-up email this week will include a link to this huddle as well as the supporting slides.

- ⑥ In the past three years we have...
- ⑥ Managed 100+ strategic planning processes
- ⑥ Deployed 800+ strategic management systems (MyStrategicPlan, MyNonprofitPlan, MyChurchPlan)
- ⑥ Built consensus and commitment with 3,000+ executives, managers, boards
- ⑥ Empowered 1 million+ strategist & soon-to-be strategists



- I. Stat of the Month
- II. Topic: Positioning Your Organization for the Future in an Economic Climate of Uncertainty
 - Conduct a simple and comprehensive scenario planning processes
 - Leverage existing tools and resources to jump start your effort
 - Drive the results into your existing strategic or operational plans
- III. Tap into the Wisdom of the Crowd: Your Questions (Time Permitting)

Downturns are roller coasters for weak firms

Downturns are roller coasters for weak firms: 3x to 5x.

During downturns, weaker businesses are the shock absorbers of their industries - their margin swings are often three to five times that of the leader. That gives companies with strong, focused cores the opportunity to invest and gain ground on their competitors during the downturn and the subsequent recovery.

Source: "Global Strategy Practice: Profit from the Core: A Return to Growth in Turbulent Times," Bain & Company, February 2010 by Chris Zook and James G. Allen

What is it and why use it?

SCENARIO PLANNING: OVERVIEW & KEY CONCEPTS

What is it? A tool to...

Isolate certainties

To ask the “what ifs” and rehears how you may respond

Building confidence that your decisions are the best ones based on moving from uncertainty to certainty

When to use it?

- ✓ When you are starting updating your plan and need to re-imagine your vision, especially if the future is less than clear.
- ✓ When you are starting from scratch and want a robust way to ensure you are developing a strategic direction incorporating all the environmental trends.
- ✓ As a strategic thinking exercise to get your team to think outside of the box.
- ✓ To develop mini action plans for short-term risks.

How to conduct a simple scenario planning process?

**SCENARIO PLANNING:
TACKLING SHORT-TERM UNCERTAINTIES**

Shorter-Term “What Ifs”

- What if sales are flat this year or if sales decline by 20 or 30 percent?
- What if sales increase rapidly, such as 25 percent or more?
- What if accounts receivable collections slow by an additional 30 days?
- What if banks stop lending money?
- What if our biggest customer goes out of business or if we lose our biggest client? Chrysler
- What if we have a major public relations crisis such as a bad product or a lawsuit? Tylenol Aspirin, Valdez oil spill

Step-by-Step Scenario Analysis – Short Term

- 1. Define a timeframe for each scenario.** Some events may occur in 20 years, some in two. But you can't work with indefinite, open-ended scenarios.
- 2. Establish the primary variable in your scenarios.** Assess ways in which these variables may present opportunities or threats to your business.
- 3. Clearly articulate the scenario with a problem statement.** On a white board, write down "What if _____?" and fill in the blank. For example, "What if we lose our biggest client this year, resulting in a 50 percent decrease in revenue? Or what if new housing starts decrease this year by 20%?"
- 4. Flesh out the details of the scenario.** Clarify exactly the situation your company would be in.
- 5. Develop a trigger point and an action plan if the scenario in Step 5 should occur.** Know when to execute the action plan by having a clear trigger point. Then detail the top five steps you will take in the effect the trigger occurs. These are designed to work regardless of how the future turns out.

*How to conduct a comprehensive scenario
planning process?*

SCENARIO PLANNING: CONFRONTING LONGER-TERM UNCERTAINTIES

Big “What Ifs” – Long-Term Planning

- **Social dynamics:** This area includes specific demographic issues such as how influential youth might be in ten years, the growth of the Hispanic community, the tight labor market and the aging baby boomer generation.
- **Economic issues:** Macroeconomic trends and forces shape the economy as a whole, such as those headlines about the credit market, the bond market and the local housing market.
- **Political issues:** Outcomes of the legislative session impacted many local businesses as government cut back on spending due to lower sales tax receipts. Legislative changes can affect tax policies, regulatory issues, employment laws and the like.
- **Technological issues:** The key trends identified by research firm Gartner include mobile computing, change in telephony, the tight IT job market, business process outsourcing, and regulatory compliance issues

Step 1: Establish a clear cut decision(s) focus

- Identify the major issue or decision you are facing: For example, siting of a new plant, entering into a global alliance, entering a new market or revamping product distribution channels.
- Tying scenarios to needed decisions effectively links them to specific planning needs from the beginning.

How will the world respond to the need for more energy and less carbon dioxide?

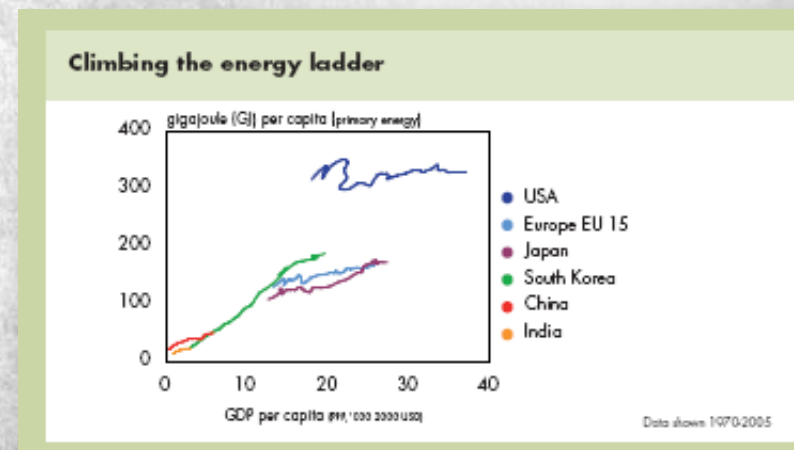
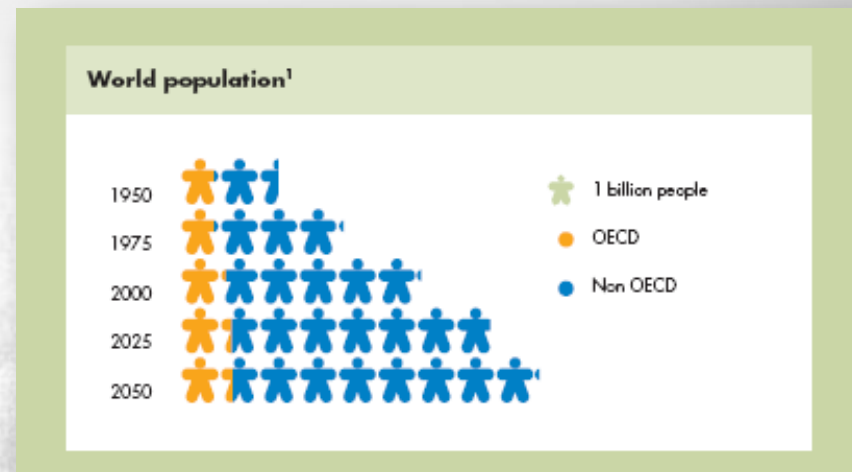
Step 2: Identify key drivers of change

- Identify the primary “driving forces” at work that are external forces affecting your company and industry.
- Identify which drivers are “predetermined.”
- Remaining drivers will contain a number of uncertainties. Sort these to make sure they are critical, key uncertainties. A critical uncertainty is an uncertainty that is key to our decision.
 - Acquire the research for all drivers where possible.
 - Develop forecast models if necessary.

Tip: Look for megatrends

Shell Example

- Step-change in energy use.
- Supply will struggle to keep pace with demand.
- Environmental stresses are increasing.
- World population has more than doubled since 1950 and is set to increase by 40% by 2050. History has shown that as people become richer they use more energy. Population and GDP will grow strongly in non-OECD countries.



Step 3: Select the most important drivers

- Do not complicate scenarios by selecting too many drivers.
- Formulate 3 to 4 scenarios with sharply contrasting futures:
 1. The baseline, business as usual, world as it is scenario.
 2. The scenario which one driver alone dominates.
 3. The scenario which the second driver alone dominates.
 4. One with both drivers present.
- Each scenario will provide a different answer to the decision.
- Each answer presents myriad implications that fundamentally change the business environment.

Shell Example

Scramble

Scramble –

- Policymakers pay little attention to more efficient energy use until supplies are tight.
- Likewise, greenhouse gas emissions are not seriously addressed until there are major climate shocks

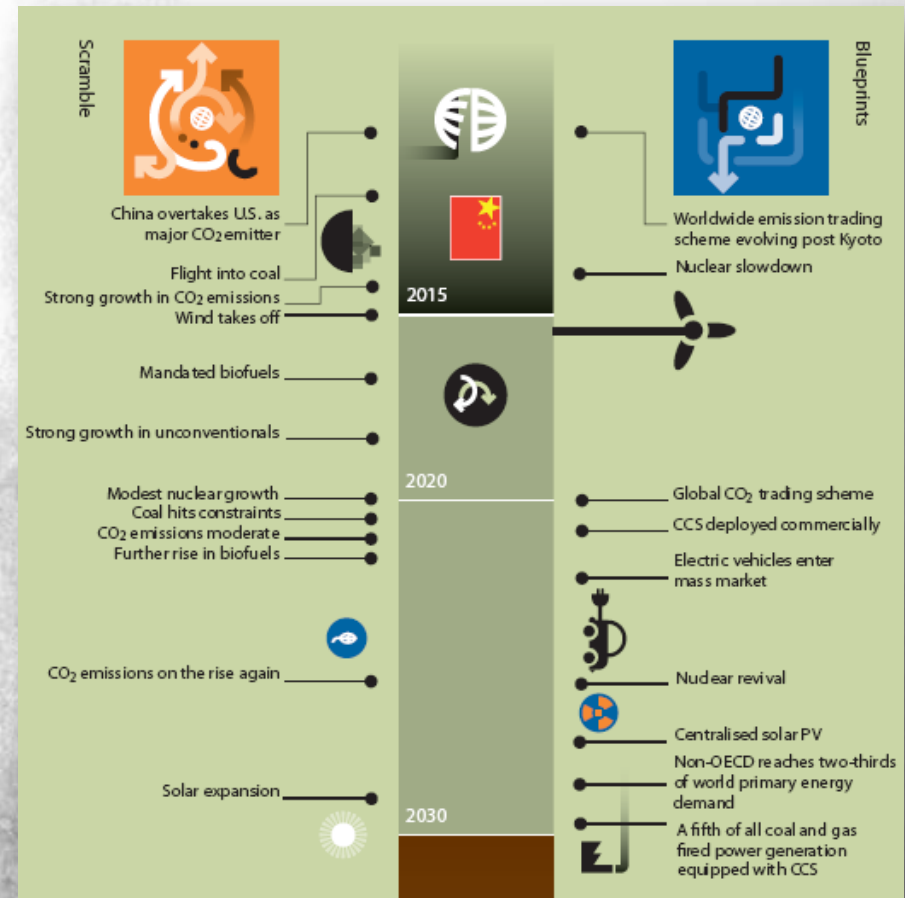
Blueprints

Blueprints –

- Growing local actions begin to address the challenges of economic development, energy security and environmental pollution.
- A price is applied to a critical mass of emissions giving a huge stimulus to the development of clean energy technologies, such as carbon dioxide capture and storage, and energy efficiency measures.
- The result is far lower carbon dioxide emissions

Step 4: Develop the scenario outline

- Give each scenario a creative name.
- Establish a timeline and brainstorm the future state by writing a short internally consistent story of the future.



Step 5: Determine implications of each scenario

- Within each scenario determine the implications for the issue or decision specified at the outset.
- Discuss what your decision or business response should be.
- This helps you to “rehearse” responses to those possible futures and spot them as they begin.
- It also raises people’s awareness of what is going on in the world and their understanding of how they interpret what they see to be proactive to signals.

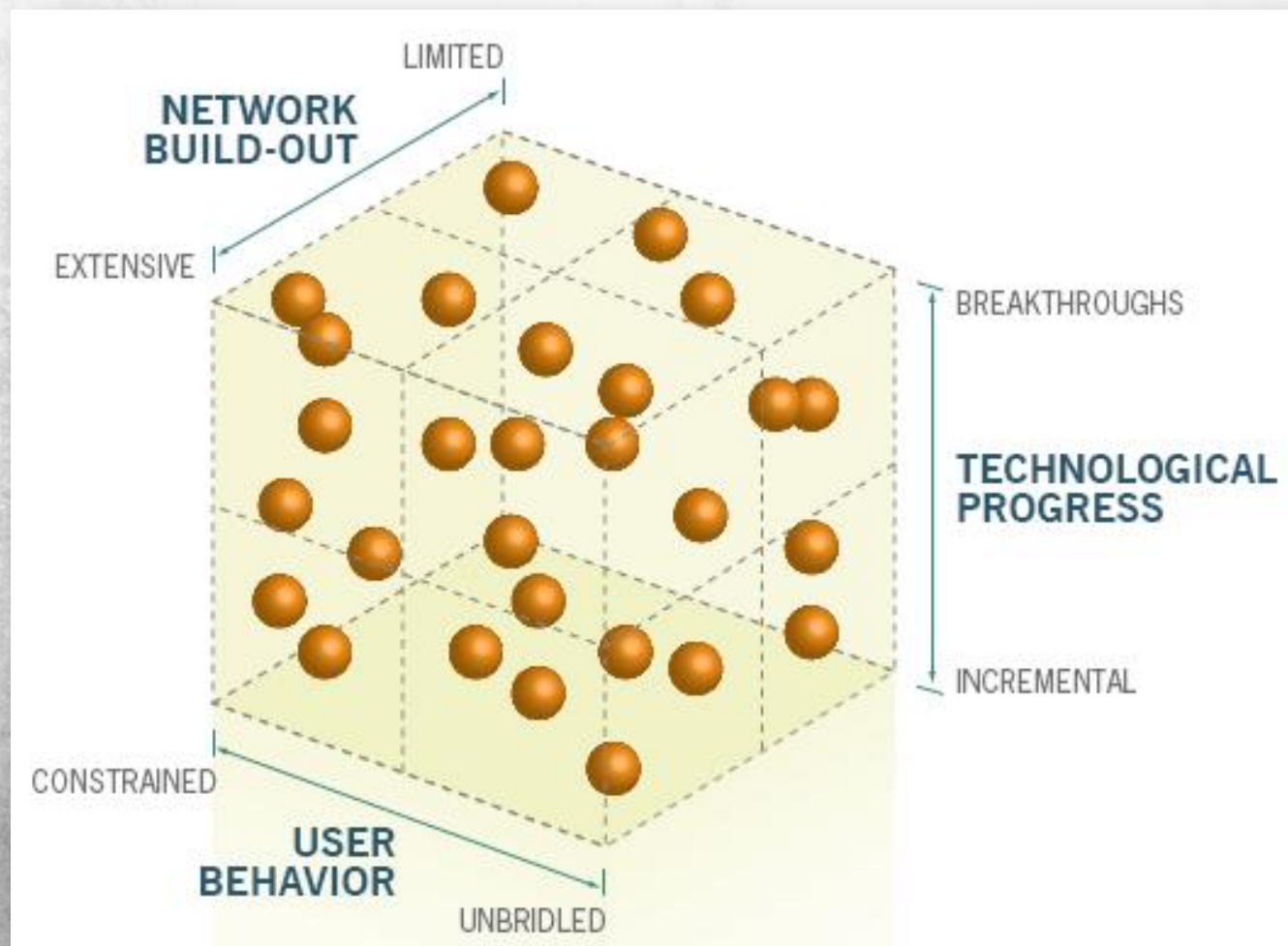
Step 6: Summarize overall strategies & action

- Use these scenarios to help form a consensus about the world and to recognize which ones are in play at any given time.
- Move from exercise to execution by identifying and taking action on strategies that work across multiple scenarios.

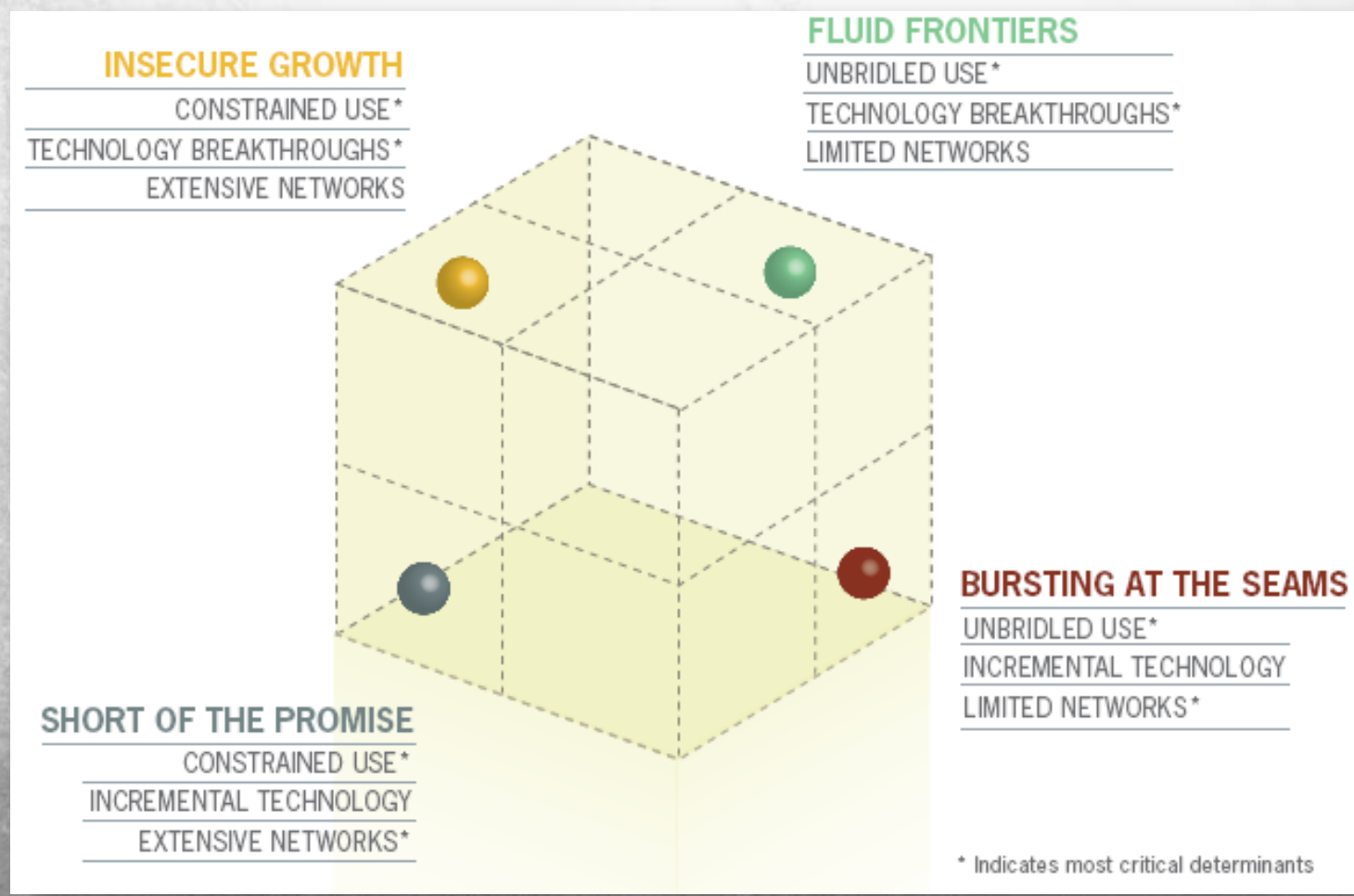
Future of Cities Scenario

Sustainability			
Green Clusters	+	Empowerment	
<ul style="list-style-type: none"> - Steady economic growth - Gov't spending in infrastructure - Community clusters develop - Inter-cluster transportation - Online dominant businesses - Urban agriculture - Utilize advanced technologies 		<ul style="list-style-type: none"> - Economic Transformation - High Investment in Sustainability - People move to city center - Green lifestyle/ transportation in style - Waste is food, Cradle to Cradle - Businesses in city center - Whole Foods Market 	
-	-	Business as Usual	+
Spiral of Distruction		Emotional Value	
<ul style="list-style-type: none"> - No action on sustainability - Economic depression - Edge cities grow city center doesn't -Corporations decline - Commodities in demand - Tension increase leading to war - No gov't spending 		<ul style="list-style-type: none"> - No drastic improvement in sustainability - Recession becomes new normal - Edge cities decline big cities grow - Gradual decline in climate stability - 7.8 billion people on earth - Economic cycles shorten - Oil Crisis - Gov't spends on infrastructure - Fast paced, high stress life 	
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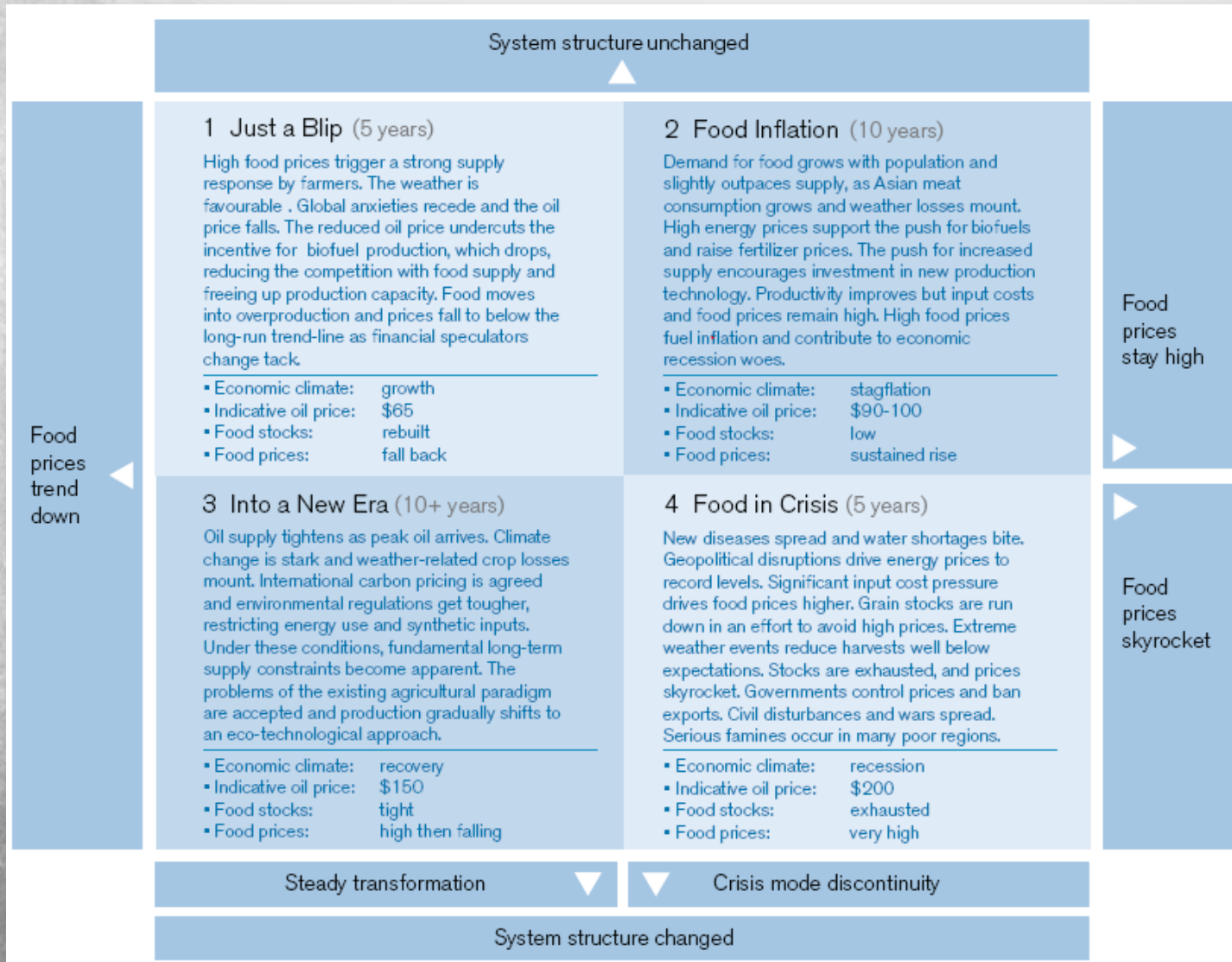
Future of the Internet



Future of the Internet



Future of the Food



Resources

- Shell – Scenario Planning
www.shell.com/home/content/aboutshell/our_strategy/shell_global_scenarios/
- Future of Cities
http://scenariothinking.org/wiki/index.php/RSM_MBA_2010_Scenarios#Future_of_the_City_Centre_2025
- Cisco Report – “The Evolving Internet”
http://newsroom.cisco.com/dlls/2010/ekits/Evolving_Internet_GBN_Cisco_2010_Aug_rev2.pdf
- Chatham House – “Thinking about the Future of Food”
www.chathamhouse.org/publications/papers/view/108816
- Scenariothinking.org

Summary – Connecting scenarios to strategy

- ✓ Evaluate a specific strategic decision.
- ✓ Evaluate your existing strategy.
- ✓ Developing your strategy based on a single scenario.
- ✓ Developing your strategy to address all scenarios.

Any insights you would like to share related to one of today's topics?

What are some change skill building questions you would like to discuss?

- ⑥ Next Date is August 24th @ 9:00am PT/12:00pm ET
- ⑥ Send in questions for the next Strategy Huddle to admin@mystrategicplan.com (reference the Strategy Huddle in the subject line)
- ⑥ Interested in sharing/presenting a best practice as a Strategy Leader? (send email to admin@mystrategicplan.com and reference the Strategy Huddle in the subject line)
- ⑥ Follow us on Facebook & Twitter @MyStrategicPlan
- ⑥ More great training available: www.mystrategicplan.com/resources
- ⑥ Today's session is being recorded and a follow-up email this week will include a link to this huddle as well as the supporting slides.

Get Expertise When You Need It

One-on-one guidance for those trouble spots in your planning

mystrategicplan.com/strategic-planning-consulting

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Receive a full plan and strategic process to drive your whole organization.

- A dedicated strategy advisor will guide you through the strategic planning process from start to finish.

\$5,995

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