

Scenario Planning *is* Strategic Planning

Starting in Q2 2020, the early stage of the pandemic brought the global economy to a standstill. There was no end to the speculation on what would happen next. Optimists predicted a “V-shaped” recovery. Pessimists countered that the pattern would be “U-shaped”. Many observers thought a “K-shaped” recovery was far more likely to occur. About the only thing all could agree on was that billions (if not trillions) of dollars of revenue and market share would be available to those companies who got it right.

Winners	Losers	Change
Online retailers	Storefront retailers	Consumer shopping behavior
Prepared meals	Dine-in restaurants	Consumer shift to “stay at home”
Home improvement	Travel	Consumer use of discretionary income
Amazon	Target	Supply chain disruptions

As was the case in 2020, the outlook for 2023 is a study in mixed messages. Experts looking at the same data draw very different conclusions. Will it be a hard recession? Soft landing? Is inflation moderating? Will the Fed pivot on interest rates? Will the labor market cool?

In this continuing environment of extreme uncertainty, traditional approaches to strategic planning are ineffective: essentially an academic exercise. These approaches often take a backward-looking approach—the context from the previous year’s planning exercise is the foundation, minor updates are made to reflect shifts in company or competitor moves, and an updated, five-year plan spits out.

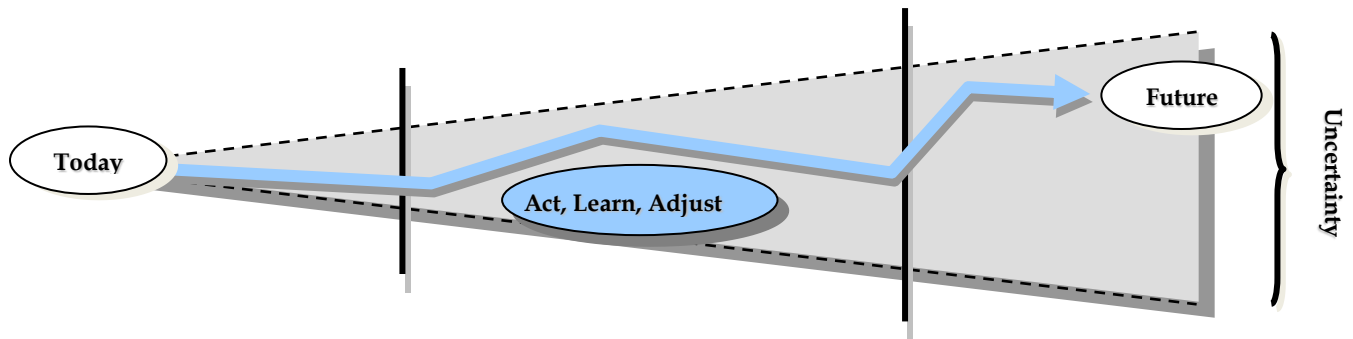
We believe the right approach to strategic planning takes the organization out of its comfort zone. A forward-centric approach challenges basic assumptions and resets the underlying context for go-to-market strategy plans.

We label this process—a form of scenario planning—**Look Forward/Look Back**. Scenario planning is a tool to identify the likelihood and priority of potential future scenarios for your industry and business. This approach is designed to use that framework for your business to be proactive in addressing potential issues that inevitably affect any industry. Creating a set of factors and potential scenarios as context for strategy will allow you to “preplan” actions, thus minimizing the time needed to act on any changes.

The Look Forward/Look Back approach follows a five-step process.

1. **Define the Context**—The planning context is established through a combination of internal and external factors. Internal factors document your goals/objectives and other key metrics that define the desired market position. External factors are represented by a detailed map of the market. The map should allow for a market-based predictive model of changes to come. Using internal goals and objectives and weighing them against the quantitative data and trends from an in-depth market map, creates a strong base for your business to build out the long-term strategy and identify the best avenues to navigate natural changes within the market.

A Framework to Link Market Evolution to Strategy



2. **Look Forward**—This step is designed to develop potential longer term market scenarios. Looking out over a 5–10-year horizon, you can describe a series of future states based on market specific factors (e.g., end-user evolution, competitive landscape, etc.), as well as broader external factors (e.g., economy, regulation, demographics) that are likely to define the way your market evolves. By looking further into the future and setting out your objectives, you can identify future customers, channels, competitive factors, product changes, etc. Establishing a variety of scenarios, as well as intermediate snapshots, allows you to monitor market evolution and assess implications.
3. **Look Back**—Start with the range of future scenarios and look back to the current state. Key differences defining market evolution are highlighted. You can identify which change factors are within your control—and act on these sooner. The look back perspective provides an honest look at your current business and identifies capability voids that need to be addressed, given the range of future scenarios. You will also find hidden points of leverage that can be exploited over time.
4. **Strategy Development**—Strategies must be aligned to the company goals as well as the defined future states. Strategies should address your desired market position, ideal channel partners and target end users. Ideally, this exercise will yield a series of on-the-shelf strategies that can be implemented based on which of the potential future scenarios occurs.
5. **Implementation**—As important as strategy is the organization’s skill in managing execution within the context of a changing market. Look Forward/Look Back defines the context. The organizational skill involves executing strategies while regularly monitoring evolving scenarios, assessing business impact, and adjusting strategy as a result. Implementation evolves along with market change, and issues can be addressed before they become detrimental to your business.

The past few years shined a light on the fact that most businesses are too reactive to change in their market. A Look Forward/Look Back planning approach will allow you to recognize emerging challenges and execute strategies well before competition can react. The time value of quicker action will be a competitive advantage in reaching your long-term targets successfully.

We’ve helped many clients integrate Look Forward/Look Back into their strategy planning processes. If your team wants to explore this approach, we would be happy to discuss your situation and our experience. Please contact Carl Cullotta at 224-239-2525 or cpc@lynncullotta.com.