



**Find certainty
and discover new
opportunities with
scenario planning**





Uncertainty is predictable

Business leaders have always had to make their peace with uncertainty.

In recent years, things are less predictable than ever before. If you ask someone, “How are you dealing with the current crisis,” you might have to specify which one you mean. Uncertainty seems to be the only constant.

Fast, data-driven scenario planning is the key to dispelling uncertainty, mitigating risk, and uncovering new opportunities to position the business for growth. And the Office of Finance should be leading the way. Data and reporting are in our DNA.

Prophix is dedicated to helping finance leaders find certainty for their department, and for the organization at large. To help you get started, we asked experts in finance and technology for their advice on scenario planning, financial forecasting, and more.

The when and what of scenario planning

At the base level, scenario planning is a structured method of evaluating what might happen in the future. Data-driven scenario planning helps businesses work towards the best possible future, while simultaneously planning how best to weather other potential outcomes.

There are two crucial components of scenario planning: accuracy and speed. **Accuracy** comes from using a wide variety of high-quality data collected across the organization. **Speed** comes from using machine learning to power data analytics. When accuracy and speed combine, you have the ability to create meaningful scenario models at any time.

Up next, Tom Hood offers specifics on which contingencies should be included in your scenario plan.





Tom Hood

EVP – Business Growth and Engagement, Association of International Certified Professional Accountants and Business Learning Institute



Plan for the most common contingencies

Contingency planning is a subset of scenario planning and often focuses on sustainability and significant risks that can threaten the existence of the business over a period of time. This pandemic has heightened the need for contingency planning as few were prepared for the size and scope of this crisis.

The most common contingencies revolve around all of the core areas of the business and especially the financial statements - balance sheet, income statement and cashflows. Next comes the contingencies around the business situation and economic impacts. Contingencies like magnitude and duration of the crisis are great starting points.

Then there are areas to consider like the impact of the crisis on customer concentration, supplier concentration, A/R collections risk and the impact on your financials. Other contingencies can consider business model innovation and possible scenarios for the company to survive and thrive.

“ This pandemic has heightened the need for contingency planning as few were prepared for the size and scope of this crisis.”

@tomhood

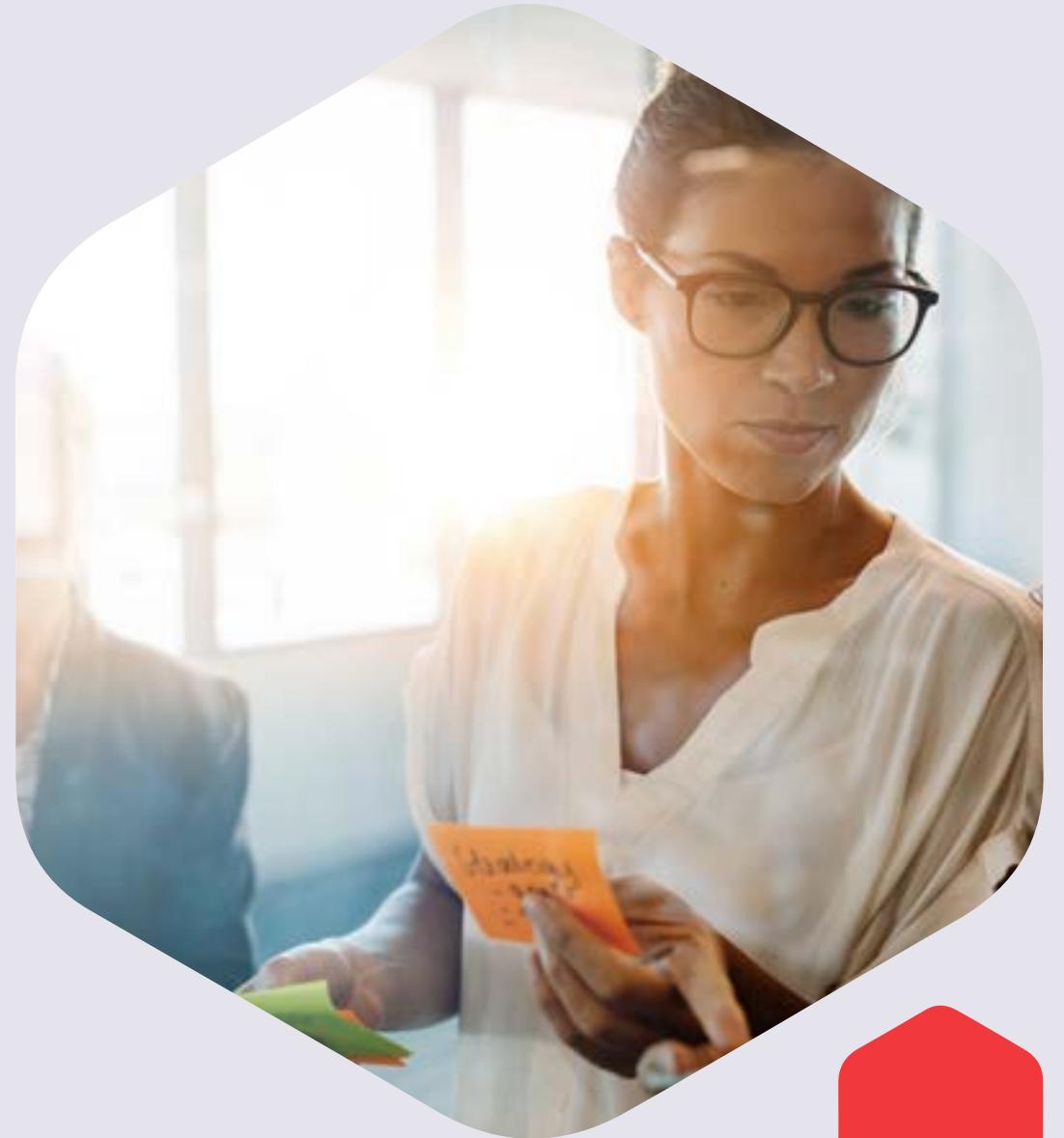
Prepare for planning

Scenario planning starts by laying a few ground rules and pulling together the stakeholders that will participate in the session.

First, define your objectives and scope. For example, you might want to determine potential weather events disrupt your supply chain – that’s the objective. Your scope would be a time frame: next year’s hurricane season.

Second, define your key drivers. These are the variables that might affect your objectives and scope. Using the example above, an internal driver is an employee’s ability to work remotely. An external driver is a vendor partner’s ability to deliver supplies in inclement weather. A market force is the changing consumer demand due to the potential severity of the hurricane season.

In the following pages, Kenneth Fick shares his advice on assembling an all-star planning team, and Jack McCullough adds his tips for laying the groundwork for success.



Assemble an all-star team for scenario planning

Because forecasting and scenario planning is designed to facilitate action, it is important that it not be performed in isolation. It requires the buy-in of senior leaders in all functions of the company including operations, sales, finance, marketing, IT and supply chain. This can be effectuated through forming a cross-departmental team.

By working collaboratively, the team can define the assumptions used in the various scenarios and the impacts their decisions, the actions of their competitors and the macro-environment will have on the company.

Ensuring that your team is made up of cross-functional leaders that can provide strategic perspective will help ensure that forecast scenarios are evaluating the right information, and that the right decisions are made and actions taken.

“ [Scenario planning] requires the buy-in of senior leaders in all functions of the company including operations, sales, finance, marketing, IT and supply chain.”
@PTFofBusiness



Kenneth Fick
Financial Planning &
Analysis Professional





Set goals and lay the groundwork for success

To set the groundwork for scenario planning in their departments, make sure that the people involved in the exercise understand the goals of the process, as well as the realities your organization faces. It is likely that your company has challenges unlike any it has ever faced, but it also has opportunities as well. Finance leaders need to understand both.

Also, your team likely consists of optimists, pessimists, and realists. All bring value to the process, but it is important to understand which you are talking to.

Finally, accurate and agile decision making has never been more imperative for CFOs. Incredible technological solutions are available right now. Invest in those that support your organization.



Jack McCullough

President, The CFO
Leadership Council



“ It is likely that your company has challenges unlike any it has ever faced, but it also has opportunities as well. Finance leaders need to understand both.”

@Jack_McCullough

Collect and analyze data

For most organizations, quantity of data isn't an issue. The challenge is finding relevant, high quality data that is ready for analysis. The type of data you choose to use will vary depending on your objective and scope, but could include:

- Historical business data from the ERP
- Sales data from the CRM
- Personnel data from HR
- Pipeline data from Marketing

A Financial Performance Management (FPM) platform is essential for consolidating data, creating a single source of truth, and performing analysis.

[Read on for advice from Kimberly Ellison-Taylor on selecting the most relevant data for your scenario planning.](#)





Focus on the most critical need

There are several areas your business could focus on during times of uncertainty, so it's important to prioritize and not "boil the ocean." Choosing a focal point will provide direction and make the process more realistic and actionable. However, it's important that your focal point not include assumptions. For instance, asking "What services will our customers request in 2025?" is better than "How can we further enhance the revenue of a specific area?" because the latter presumes that specific area will still be relevant and/or required – which isn't a given.

Identify the internal and external drivers that could likely affect your business.

That could be anything from technology adoption and changes in consumer spending patterns to a global pandemic and civil disorder. But try not to get too granular because, as situations evolve, your team must be able to pivot scenarios at a moment's notice – which is increasingly difficult as scenarios become more complex.

“ Try not to get too granular [in scenario planning] because, as situations evolve, your team must be able to pivot scenarios at a moment's notice.”

@kellisontaylor



Kimberly Ellison-Taylor

Chief Executive Officer
KET Solutions LLC



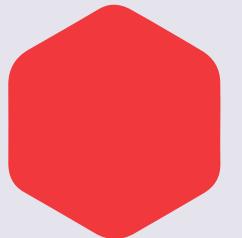
Develop and apply scenarios

The process of constructing and testing scenarios requires a combination of creative, hypothetical thinking and data analysis. Use your data analysis for the underpinnings of each scenario, but develop a narrative description for each one as well.

The goal is to create a convincing story that will compel everyone in the organization to follow the contingency plans for each scenario, with plenty of detail that sets the scene and brings it to life.

Once your scenarios are fully fleshed out, make sure to share them broadly across the organization. Work with stakeholders in each department to share your mitigation strategies and contingency plans that arise from your scenario exercise.

On the next page, CFO Amie Roach shares how her team uses FPM for faster and more accurate scenario planning.





Use the right technology for faster, more accurate planning

Historically, all our budgets and forecasts were done in Excel. However, spreadsheets are usually all over the place, take forever to prepare, and when you change one thing, you have to make sure it's changed everywhere else. So, when we moved to utilizing Prophix, it has really improved our processes.

With Prophix, we can pull in our actuals, build processes, and easily update dates. You can also include your staffing and benefit costs, things like that.



Amie Roach
CFO, Lochmueller Group



Using a FPM platform helps us make sure we have our data already in place so that we can focus on the big picture. So, I think that's been really helpful for us because it's allowed us to be faster and more accurate.

“Using a FPM platform helps us make sure we have our data already in place so that we can focus on the big picture.”

[@lochgroup](#)

Maintain and update

As you might imagine, it's not enough to model scenarios once and then let your contingency plans gather dust.

The point of fast, data-driven scenario planning is to do it more frequently. Measure the accuracy of past models, refine your approach, model future possibilities, and do it all again as circumstances continue to evolve.

It's best to work with live data for up-to-the-minute modeling. If you're copying and pasting numbers from last quarter, your models will be out of date before you finish the planning process. The right FPM connects to live data feeds, maintaining a near real-time record.

In the next few pages, experts Ryan Van Hatten and Angie Grissom offer tips on how to know when to refresh your scenarios.





Aim for a rolling scenario planning model

I would recommend that updates to scenarios be performed on a rolling basis. This could mean doing it monthly, but at the very least it should be quarterly.

In today's world, things change rapidly, so adding an extra month or quarter of knowledge to a model will increase its accuracy.

A complete re-evaluation of your models should generally be completed any time there is a significant change to the economy, to your industry, or to your business.

One tip is to be conscious of being asked questions by the business about how X impacts the forward-looking KPIs. If your model doesn't incorporate X and you hear X being discussed more frequently, then it's time to consider it as part of your modeling.

“A complete re-evaluation of your models should be completed any time there is a significant change to the economy, to your industry, or to your business.”

Ryan Van Hatten @Prophix



Ryan Van Hatten
Chief Operating Officer,
Prophix



Leadership must promote a forward-looking culture

I believe that businesses should make planning an ongoing activity, involving the key leadership team as well as up-and-coming leaders in the business.

“What if” scenarios need to be something discussed on a regular basis so that key decisions involving customers and clients’ needs, buying options, employees safety and remote capabilities are a discussion item. All of these factors influence planning: investments, technology, hiring, employee rights and options, strategic partnerships and client relationships.

Regular firm leadership meetings should include these topics as they relate to the overall health and longevity of the business.

“ I believe that businesses should make planning an ongoing activity, involving the key leadership team as well as up-and-coming leaders in the business.”

@atgrissom



Angie Grissom

Owner, The Rainmaker
Companies



Find certainty with Prophix One™, a Financial Performance Platform

Fast, accurate scenario planning requires two key components:

- 1. Up-to-date and comprehensive data,** consolidated and ready to be analyzed.
- 2. Processing power and intelligent automation** for sophisticated analysis.

Simple spreadsheets – and even more sophisticated business intelligence programs – aren't powerful enough to consolidate and analyze the mountains of data needed to drive truly intelligent scenario planning.

A financial performance platform, like Prophix One, makes it possible to conduct complex data analysis, identify trends, and create accurate, up-to-the-minute scenario models. Prophix customers can create rolling forecasts that update frequently and automatically, empowering truly data-driven decision making.

Uncertainty may be the only certainty right now, but uncertainty doesn't have to translate to unnecessary risk. With rolling scenario planning, businesses can prepare for multiple potential futures, while capitalizing on opportunities in the present.

Ready to upgrade your scenario planning and more? **See Prophix One in action.**