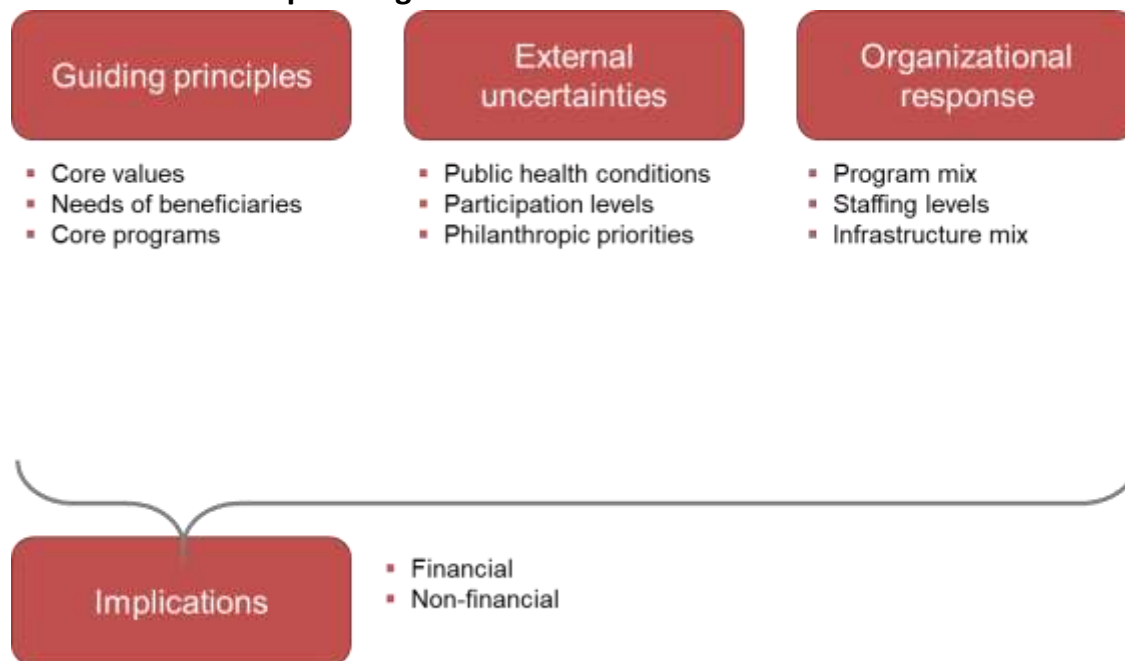# Guide to Scenario Planning

May 18, 2021

What is scenario planning?

- Articulation of possible choices and outcomes given different parameters
- Informed by hypothesis of external conditions and choices made in response
- Should be grounded in shared guiding principles
- Projects 12 to 18 months at a high level

Factors in scenario planning

Guiding principles
- Core values
- Needs of beneficiaries
- Core programs

External uncertainties
- Public health conditions
- Participation levels
- Philanthropic priorities

Organizational response
- Program mix
- Staffing levels
- Infrastructure mix

Implications
- Financial
- Non-financial

Scenario planning process

1. Articulate guiding principles
- What is the core of your mission and vision you wish to preserve?
  - What do you see as your responsibility to beneficiaries?
  - What do you see as your responsibility to partners and others in the community?
  - What are your commitments to equity and justice? How will you preserve these?
  - Are there pieces of current strategy that are critical to preserve?
- What pieces of mission, vision, and values have been challenged?
- In a world of difficult tradeoffs, what pieces of the mission, vision, and values should be prioritized, and why?

2. Set the parameters
- ▪ Estimate the potential parameters for each external uncertainty:
  - o Might **public health conditions** continue to be an issue?
  - o How might **need and participation levels** shift over time?
  - o Are there issues of **timeline**?
  - o Are there **unexpected factors** that have suddenly emerged?
- ▪ Define the worst case scenario
  - o Highlights the implications of fixed costs
  - o Clarifies the cash needed to start or restart programming
  - o Provides a baseline sense of cash need

3. Identify choices
Given the parameters you identified and your guiding principles, identify the choices you might make to respond:
- ▪ What **programming** would you offer?
- ▪ What might you need to do to respond to **external uncertainties**?
- ▪ What **staffing and infrastructure** do you need for **programming**?

4. Estimate implications
- ▪ What are the implications for **budget and operations**?
- ▪ Are there any **one-time investment** needs?
- ▪ How do shifts in scale and timing of revenue, expense, and capex impact **cash flow**?
- ▪ Are there implications on **contributed revenue** for programmatic choices?
- ▪ What are implications for **cash position**?

5. Assess scenarios
- ▪ What are the **potential financial risks** associated with each scenario?
- ▪ How does each scenario respond to the organization's **guiding principles?**
- ▪ Is the organization set up for **sustainability?**

5a. Assessing new programs
- ▪ What are the costs?
  - ▪ One-time investment to develop and launch
  - ▪ Ongoing direct costs
  - ▪ Implications for other efforts
  - ▪ Opportunity cost
- ▪ What are the benefits of the programming, both financial and non-monetary?
  - ▪ Earned revenue
  - ▪ Implications for contributed revenue
  - ▪ Mission imperative
  - ▪ Community obligation
  - ▪ Awareness or presence in the market

- - Testing new ideas
  - Taken together, do the costs merit the benefits?
    - Is this the experience you want to offer your community?

6. Track results
- Cash flow analysis: https://nff.org/fundamental/cash-flow-projection-template
- Rolling quarterly projections: estimate projected year end results against budget on a quarterly basis