A Six-Step Framework For Scenario Analysis

Trusted **Financial Leadership** to *Create the Next™*

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1. Start with Your Strategic Goals

Assign someone to track leading indicators and schedule regular reviews. Scenario planning is not a one-time exercise. It is an ongoing process that keeps your strategy connected to reality.

2. Identify What Could Impact Success

What are the biggest variables that could help or hurt those goals? Think about sales volume, pricing, hiring challenges, supply costs, or financing. Focus on the factors that are both uncertain and important.

3. Create Three Realistic Scenarios

Develop three narratives: Upside, Base, and Downside. Each should reflect a different mix of assumptions for the key variables. Keep them grounded in reality. Your team needs to trust the inputs.

4. Model the Financial Outcomes

Turn each scenario into a clear financial picture:

- Revenue
- Margins
- Expenses
- Cash flow

Present the results visually so your leadership team can quickly compare the impact of each path.

5. Define Actions in Advance

For each scenario, decide what you would do and when. If a Downside scenario unfolds, would you:

- Cut costs?
- Adjust pricing?
- Delay expansion?
- Seek outside funding?

Decide now, not later.

6. Monitor and Adjust

What must your business achieve over the next one to three years? Maybe it is entering a new market, protecting a cash buffer, or growing a new service line. These goals are your starting point.

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