

7 steps to supercharge scenario planning

A guide for closing the gaps between finance and operations.



Why start with scenario planning?

Companies using scenario planning produce more feasible plans. The approach uses planning technologies to predict future scenarios, gauge the impact of potential future business changes, and visualize risks, including:



Fluctuating demand



Supply constraints



Uncertainty in logistics

However, for scenario planning to work, organizations must align across core functions. The gap between finance and operations must be significantly reduced to build a culture of collaboration and break down organizational silos.

Follow these seven steps to get started.



#1

Align on customer success

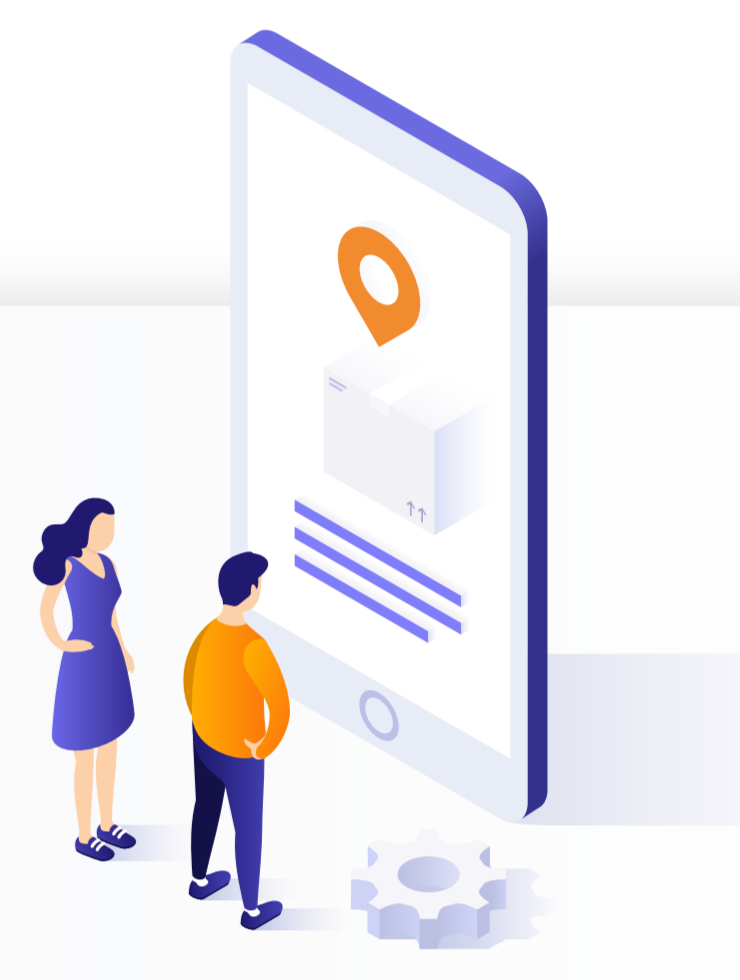
Align supply chain planning efforts to customer needs. Regularly assess go-to-market plans, streamline distribution allocation, and analyze assumptions to evaluate methods for shifting and shaping demand.



#2

Design

Agree on inventory perspectives and make deliberate decisions aligned to investment strategies. This helps balance asset strategies and inventory plans while consistently examining the structure and purpose of inventory and the effects of complexity.



#3

Conduct continual assumption analysis

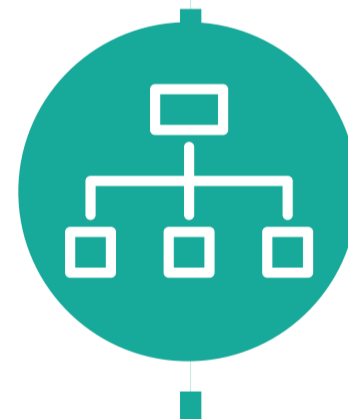
Identify and address any potential risks to your supply chain by introducing the right technology to scrutinize assumptions, review horizontal processes on a quarterly or monthly basis, and ensure everyone in the organization understands limitations and market changes.



#4

Measure

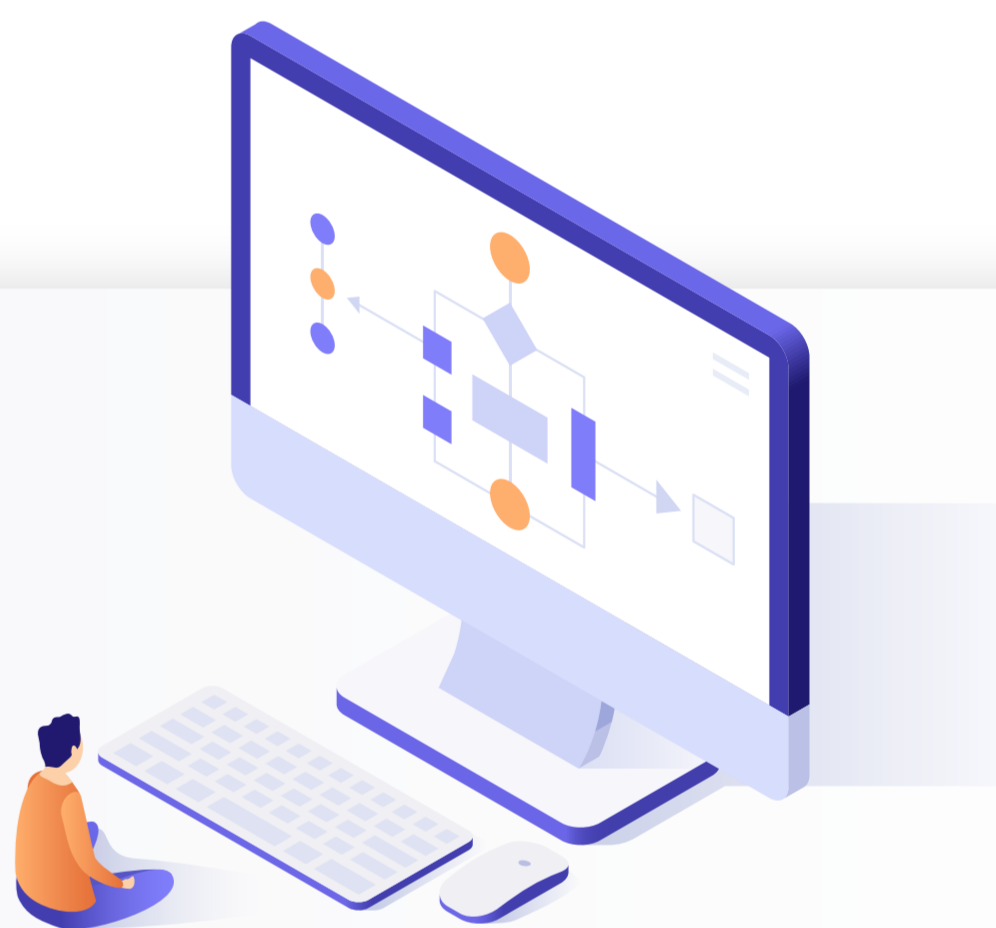
Shift from functional measures to agree on a well-rounded scorecard. A well developed scorecard comprises of eight to ten metrics encompassing growth, inventory turnover, profitability, customer service, safety, and asset utilization. It also establishes the right organizational incentives, such as bonuses.



#5

Establish governance

Clarify the decision-making process within the organization to precisely outline the responsibilities of the regional team, the global organization, and the division leadership, particularly to understand the profit and loss (P&L) leaders.



#6

Define supply chain excellence

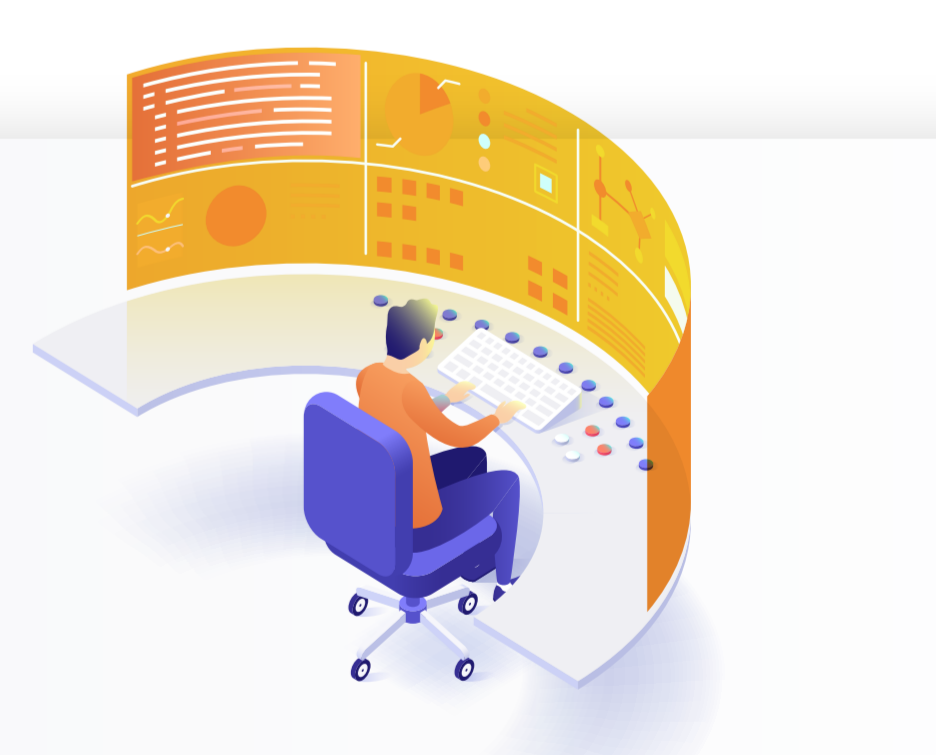
There is no one-size-fits-all definition of supply chain excellence. However, key factors that contribute include responsiveness, efficiency, and agility. Businesses operate with diverse supply chains and each has its own unique needs, so it's important to establish a consensus on what drives success.



#7

Align horizontal processes

Consistently synchronize the analysis of horizontal processes to ensure assumptions around product lifecycles correspond with operational excellence approaches.



What are the five horizontal processes to drive alignment?

1

Revenue and volume management

Analyze the baseline lift or market potential and the efficacy of demand-shaping initiatives. Established companies assess the effectiveness of demand shaping to reduce demand fluctuations.

2

Sales & Operations Planning

Align the organization to balance opportunities, minimize risk, and control limitations when making lead time decisions.

3

New product introductions

Utilize stage gate management to introduce new products and build towards success. Scenario management enhances decision-making during the product launch cycle to improve outcomes.

4

Corporate social responsibility or ESG

Coordinate physical and digital components of supply chains to reduce environmental impact.

5

Supplier development

Enrich trading partnerships and provide value to the value chain.

Discover why companies who use scenario planning produce more feasible plans:

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