

Scenario Planning for Supply Chain

Your 4-step guide



Overview

Supply chain leaders can use this step-by-step guide to:

- Identify and prioritize critical driving forces
- Create and effectively communicate scenarios
- Use scenarios to continuously revise supply chain strategies

Before you start:

- Establish the timing, roles and responsibilities for the scenario planning process.
- Determine the scope the scenario plan will cover, such as the end-to-end supply chain or a specific route to market, channel, geography, or business unit or functions within the supply chain.

Step 1:
Set objectives
and build scenario
planning teams



Step 1

Set objectives and build scenario planning teams

Define the objective of the scenario planning exercise



Identify the strategic decisions that require pressure-testing or strategic questions that require answers. Specify the time horizon and geographic boundary the strategic decision needs to address.

Establish the scenario planning team

Bring together a working team of relevant stakeholders, including leaders from the supply chain organization, business units and other leaders across the enterprise, to ensure scenarios capture all relevant perspectives.



Advice from peers

“Don’t conduct a scenario planning exercise before identifying a strategic decision you want to inform. Vague, unscoped questions (for example, what is the future of artificial intelligence?) are not good candidates for a scenario planning exercise.”

Technology Company

Step 1

Gather multiple perspectives to build scenarios

Head of supply chain strategy

“The central team found emerging trends in ...”

Supply chain functional leaders

“Our suppliers, customers or employees are seeing ...”

Corporate strategy

“Our company’s competitive advantage will be based on ...”

CSCO

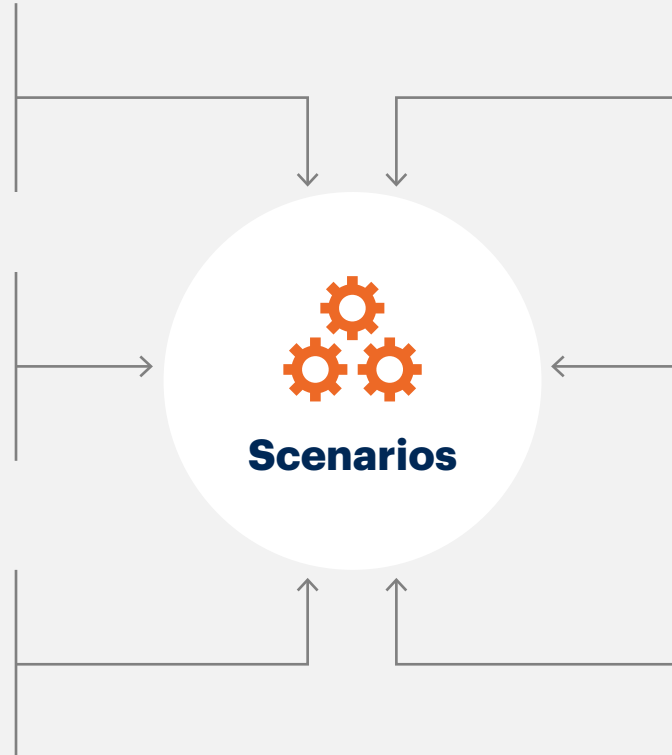
“To ensure we align with business priorities, we will have to ...”

Cross-functional leaders (finance, IT)

“To mitigate the impact of cross-functional dependency, we will have to ...”

HR partner

“Based on the department trends, the impact on workload would be ...”



Source: Gartner

Step 2:
**Identify driving
forces and critical
uncertainties**



Step 2

Identify driving forces and critical uncertainties

Determine and prioritize the key driving forces

Identify internal and external forces that influence the scenario planning objectives and shortlist the critical driving forces based on their degree of influence and vulnerability.



Determine the likely truths and uncertainties

Analyze key trends and potential states for each driving force to determine the likely truths and critical uncertainties. Then, engage with internal stakeholders and external strategic customers and suppliers to revise the likely truths and uncertainties based on their feedback.

Step 2

Analyzing driving forces

Driving force	Likely truths		Critical uncertainties	
	Likely truth	Fact base source	Uncertainties	Range of future directions
Example: Customer product and service expectations	Example: Diversity of customer requirements to a long tail of SKUs	Example: Customer and provider feedback/data	Example: Service level, cost and lead time expectations for different products	Example: High to low

Step 3:
**Develop scenarios
and corresponding
signposts**



Step 3

Develop scenarios and corresponding signposts

Develop potential scenarios based on the information gathered



Create a range of uncertainties for any two driving forces at a time to create a series of scenario matrices, and use the likely truths to define the scenarios. Assess these decisions using a single-scenario matrix based on the two critical driving forces and develop a final list of three to six scenarios.

Create signposts or triggers to determine which scenarios might occur



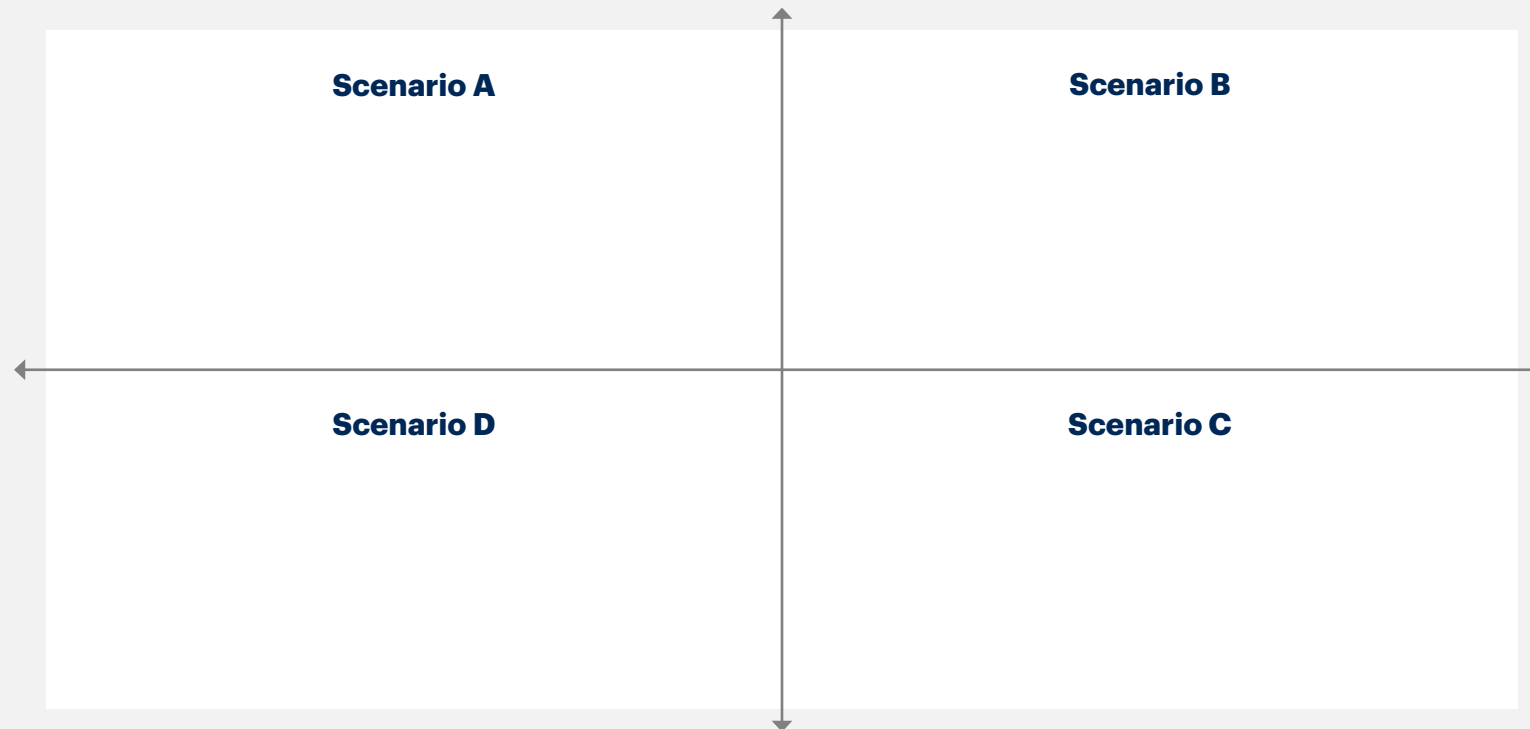
Brainstorm with your team to identify measurable signposts or scenario triggers to alert supply chain leaders when a particular scenario might arise, and define their expected date of occurrence.

Test the plausibility of critical scenarios with the scenario planning team

Select a representative to present the scenarios to the working group, asking the group to assess the scenarios along specific dimensions and revise based on feedback.

Step 3**Scenario development tool**

Write the extreme outcomes of each uncertainty on the two ends of the axes. For each quadrant, analyze how the two extreme uncertainties' outcomes will interact when considered simultaneously within the context of the likely truths identified.



Step 4:
Use scenarios
to facilitate and
refine supply
chain strategy



Step 4

Use scenarios to facilitate and refine supply chain strategy

Pressure-test the current supply chain strategic plan and its initiatives



Collaborate with functional leaders across the supply chain organization to determine whether their planned initiatives to support the strategic plan are robust enough to ensure that the supply chain can stay on course to achieve the strategic plan objectives under each scenario.

Create an action plan to respond to potential scenarios

Review the results of the pressure-testing exercise to articulate the adjusted strategy and goals for each scenario and define the ownership and timelines.



Prioritize action plan responses

Look for similarities across the action plans for each scenario and prioritize executing on those plans that cut across multiple scenarios to maximize response efforts.

Step 4 Scenario action plan prioritization

Strategic options	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Response priority
Action plan response option 1	Decelerate	Accelerate	Accelerate	Continue	1
Action plan response option 2	Start	N/A	Stop	Start	2
Action plan response option 3	N/A	N/A	Decelerate	Accelerate	3

■ Accelerate
 ■ Decelerate
 ■ Start
 ■ Continue
 ■ Stop

Rank response options by prioritizing those that cut across multiple scenarios and those with the most “start” and “accelerate” approaches.

Review your performance

To further improve the scenario planning process, review your performance by:

- Documenting key lessons learned from the scenario planning exercise conducted
- Seeking feedback from the scenario planning team and external stakeholders on the scenario planning exercise
- Reflecting on the accuracy of the scenarios and documenting lessons learned



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