

Scenario Planning: A Recovery Blueprint for AE Firm Leaders

Greenway Group
Foresight for the Business of Design

A fundamentally different type of planning is needed during a crisis such as COVID-19. A pre-crisis strategic plan will not get you through. I came across a quote attributed to former heavyweight champion, Mike Tyson. He said, 'Everyone has a plan until they get punched in the mouth.' Ouch! That boxing metaphor seems to fit the situation. The same idea can be applied to our businesses. Successfully executing strategic plans and business development plans *last year* assumes a somewhat predictable underlying operating environment. The first quarter of 2020 changed all that. The COVID pandemic (the punch in the mouth) has dealt AE firms along with the entire world economy a major blow, upending plans but it need not be a Knock-Out.

Scenario Plan facilitation helps teams to think through the potential developments, assess thresholds and triggers for making different decisions, and map out both short term and longer-term strategies and tasks, communications and information that will help make

In our experience consulting with firms for over 25 years we have seen few firms that have crisis response strategies in place. Some AE firms have developed contingency plans that are mostly related to the loss or incapacitation of an owner or 'key-man'. Those rare crisis response strategies we have seen on occasion tend to be in the category of natural disasters like floods or fires that bring a host of infrastructure limitations. We have not seen a crisis like this pandemic that was addressed and anticipated in any AE firm crisis strategy response (pre-March 2020). **We advocate developing a Crisis Response Blueprint in the coming weeks**

and months. The main content of the Crisis Response Blueprint is a Scenario Plan (once the initial health and safety steps have been taken to protect your people).

SCENARIO PLANNING

One of the biggest responsibilities of leaders right now is to develop the best response to an evolving situation based on the company's circumstances once the immediate crisis passes.

Whether it is called Scenario Planning, What-If Planning, or Contingency Planning, you need to evaluate the potential impact of the crisis on the practice of the firm.

Scenario planning requires a framework to begin with. We start with these issues:

1. Gain a realistic view of your starting position. You need a baseline. Your existing strategy can be a starting point for assessing what has changed.
2. Develop scenarios for multiple versions of your future.
3. *Establish your point of view and stand for a goal that will matter above all else. This big idea will bring coherence and determination to your evolving tactical response.*
4. Determine actions and strategic moves that are robust across scenarios.
5. Set trigger points as indicators to act at the right time. It isn't about starting with the perfect plan: it's about being on the fastest recovery flightpath.

CAVEATS

The aim isn't to debate which scenarios are more likely but rather to explore what is possible and be ready for anything that looks plausible.

Don't be tempted to eliminate the most extreme eventualities. That is where scenario analyses often fail, resulting in simplistic variations of a base case. While some scenarios may seem too dire to contemplate, that doesn't mean they should be disregarded.

The point isn't to develop detailed plans right now, but rather to figure out your broad direction and the big thematic idea around which you can form a strategic response to the crisis.

There are two major axes we use to organize each scenario.

1. **The Depth of the Disruption** to Client Demand caused by the crisis
2. **The Duration of the Disruption** caused by the crisis.

The Depth of the Disruption to Client Demand Caused by the Crisis

How far and how fast will project demand diminish in your practice sectors and in the overall construction industry? In sectors like air transportation and hospitality, the change in demand was immediate and severe. For other industries, the changes have been less impactful so far. Telecoms, life sciences, data centers, and some technology companies have experienced less abrupt changes—and in some cases those changes are positive.

The Duration of the Disruption Caused by the Crisis

The second variable every leader is monitoring is the length of time it will take to contain the virus. This is harder to assess. It requires watching for signs that governments and citizens are acting to control the crisis and looking to the experiences of other countries. It requires listening to the public health officials for updates on how this virus might behave.

Develop an Aligned Point of View on the Leadership Team

Firm leaders need to develop an aligned point of view about how different scenarios are likely to play out for their firm. Establish a dashboard of metrics that help to assess how quickly each scenario is approaching. That dashboard will also include traditional business metrics that you would be monitoring

regularly. It should also include public health data, insights about potential government actions, and real time economic data and measurable client sector impacts.

Scenario Planning needs to include financial metric ‘triggers’

- Tailor the scenarios current and past performance.
- Identify variables that will affect revenue and costs.
- Model cash flow, P&L, and balance sheet in each scenario. Identify triggers that could drive breach of covenants or significant liquidity events.
- Identify trigger-based actions to stabilize the firm in each scenario (A/P, A/R optimization, cost reduction, divestments, M&A).

CHANGING STATUS QUO ROUTINES

In addition to planning for possible scenarios, the mindset of firm leaders shifts to accommodate a new crisis landscape. Altering status quo routines will need to be adjusted. For example, it will be tempting to focus in meetings only on the immediate and reactive concerns. Of course, this is a priority but as important is to supplement leaders’ short-term focus with a specific and separate agenda meeting that focuses on the longer term issues the crisis will likely impact. When conditions change, the pace of decision making needs to keep up with a dynamic situation with leaders and the whole firm staying in lockstep, sharing more frequent updates on operations, while not losing sight of the longer view.

Altering standard routines and agendas help leaders respond to a more dynamic landscape.

A standard update meeting would include all the new information from the last update. A helpful frame for an agenda would be: What do we know, what don’t we know, and what do we need to know?

Longer-term future focused meeting would focus on assessing and adjusting future plans.

This leadership meeting would serve as a forum to enable discussion and critical decision making. The risk of doing it all together is that leaders and teams will be pulled in different directions and lose focus on critical priorities and decisions.

Leaders' planning during crises should be all about contingencies, scenarios, and what-ifs. Planning for both short term and longer-term scenarios will provide the firm with a blueprint for options and a methodology for designing your crisis response.

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Greenway Group serves as trusted skilled advisors and facilitators who focus on strengthening design-based businesses. Our work facilitating Scenario Planning during the COVID-19 crisis is conducted in an engaging virtual workshop format.

The core of our mission is to help our clients succeed. When we can help to make lasting improvements to an AE business, we also help to scale that firm's contribution to society—designing places that matter, providing engaging jobs, stimulating economic growth in their communities, and achieving the firm's ideal vision of the future.