Scenario Planning allows executives to explore and prepare for several alternative futures. It examines the outcomes a company might expect under a variety of operating strategies and economic conditions. Contingency Planning assesses what effect sudden market changes or business disruptions might have on a company and devises strategies to deal with them. Scenario and contingency plans avoid the dangers of simplistic, onedimensional, or linear thinking. By raising and testing various "what-if" scenarios, managers can brainstorm together and challenge their assumptions in a non-threatening, hypothetical environment before they decide on a certain course of action. Scenario and Contingency Planning allows management to pressure-test plans and forecasts and equips the company to handle the unexpected.

Methodology

Key steps in a Scenario and Contingency Planning process are:

- Choose a time frame to explore;
- Identify the current assumptions and thought processes of key decision makers;
- Create varied, yet plausible, scenarios;
- Test the impact of key variables in each scenario;
- Develop action plans based on either the most promising solutions or the most desirable outcome the company seeks;
- Monitor events as they unfold to test the company’s strategic direction;
- Be prepared to change course if necessary.

Related topics

- Crisis Management
- Disaster Recovery
- Groupthink
- Real-Options Analysis
- Simulation Models

Common uses

- Scenario Planning
- Contingency Planning
- Alternative Futures
By using Scenario and Contingency Planning, a company can:

- Achieve a higher degree of organizational learning;
- Raise and challenge both implicit and widely held beliefs and assumptions about the business and its strategic direction;
- Identify key levers that can influence the company's future course;
- Turn long-range planning into a vital, shared experience;
- Develop a clearer view of the future;
- Incorporate globalization and change management into strategic analysis.

**Related Bain capabilities**

- Change Management
- Corporate Strategy

**Selected References**


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