Integrating Scenario and Strategic Planning
Integrating Scenario and Strategic Planning

Challenge

Olin Corporation’s leadership seeks to craft a long-term strategy for the company. However, the planning team requires a far-reaching perspective on industry trends, the business environment, and legislation.

Solution

To place long-term thinking at the forefront of its strategy-setting, Olin builds scenario planning* into the annual planning process.

Solution Components

1. Scenario Research and Preparation »
2. Scenario Planning Exercises »
   - Understand »
   - Analyze »
   - Decide »
3. Incorporating Scenarios into Annual Plans »

Olin’s Key Lessons Learned

- Precede long-range/corporate strategy planning with scenario exercises
- Tackle no more than four scenarios at a time
- Identify triggers that are easy to monitor
- Attain senior-level buy-in for the scenarios and their role in the planning process

* Scenario planning is the process through which an organization develops a series of challenging and different—yet plausible—scenarios about the future and explores the risks and opportunities that each scenario offers.
Contents

Overview Page . . . . . . . 3
Olin’s Annual Planning Process . . . . . . . 4
Scenario Research and Preparation . . . . . . . 5
Scenario Planning Exercises . . . . . . . 6
Scenario Planning Exercises: Understand . . . . . . . 7
Scenario Planning Exercises: Analyze . . . . . . . 8
Scenario Planning Exercises: Decide . . . . . . . 9
Incorporating Scenarios into Annual Plans . . . . . . . 10
Business Results . . . . . . . 11
Key Lessons Learned . . . . . . . 12
Supporting Tools & Resources . . . . . . . 13
  Additional Scenario Planning Resources . . . . . . . 13

Business Results

- Scenario planning helped Olin pinpoint new market opportunities, which resulted in the company exiting declining markets (e.g., brass) and entering more profitable ones (e.g., Chlor Alkali).
- Scenario planning helped Olin grow its bleach market by a factor of five between 2005 and 2012.
- Olin increased its EBITDA from $78 million in 2004 to an estimated $415+ million for 2013.

Resources Required

- Three to four months to gather and review scenario-related source materials
- Dedicated member of the strategic planning team to collect data and create scenarios
- Access to scenario-related materials produced by industry, government, and consulting associations

Contact the Growth Team Membership™ (GTM)

GTMr@frost.com www.gtm.frost.com twitter.com/Frost_GTM

Source: Olin Corporation; Growth Team Membership™ research.
Olin embeds scenario planning in its annual strategic planning process

Scenario and Annual Planning Integration Process

**Objective**
Identify global trends that could influence Olin’s future profitability, revenue, footprint, and customer base

**Key Activities**
- Collect and analyze future scenarios by third-party research organizations
- Prioritize scenarios with the highest degree of impact and uncertainty
- Develop a range of scenarios for corporate- and division-level decision-makers to consider

**Objective**
Introduce stakeholders to scenario planning in general and the prioritized scenarios in particular

**Key Activity**
- Prepare corporate- and division-level decision makers for a series of scenario-based discussions

**Objective**
Assess the implications of each scenario for Olin’s businesses

**Key Activity**
- Discuss each scenario using key factors, including regional growth rates, energy prices, and currency rates

**Objective**
Create an early warning system for the scenarios

**Key Activities**
- Identify “triggers” that indicate a scenario is occurring
- Devise detailed contingency plans to implement if a scenario comes to pass

**Objective**
Ensure annual plans incorporate scenario implications

**Key Activities**
- Include scenario-based contingency plans in divisions’ strategic plans
- Consider scenario implications when making corporate long-range and strategic plans

**Key Players**

**VP of Strategic Planning and IT**
Role:
- Facilitate division- and corporate-level planning, including operational and scenario planning
- Manage and coordinate annual strategy implementation
- Inform planning activities, scenario planning, implementation, and M&A

**Division Planning Team**
Role:
- Formulate business-level strategic and operational plans
- Participate in scenario planning exercises

Composition: VPs/General Managers and functional leaders within each division (approximately 6–12 people)

**Corporate Planning Team**
Role:
- Formulate corporate strategic and operational plans
- Approve strategic and operational division-level plans
- Participate in scenario planning exercises

Composition: The corporate team (C-Suite) and heads of key functions, such as HR, Legal, and Finance (approximately 10 people)

Source: Olin Corporation; Growth Team Membership™ research.
Please contact us to learn how to access the full Best Practice Guidebook or for information on Growth Team Membership™.

Email us GTMresearch@frost.com

Visit us online www.gtm.frost.com

Follow us on Twitter