

# Scenario Planning

**This Power Tip will help you use your cashflow management skills to do scenario planning for your business, and to review investment opportunities. These skills are important as you plan and grow your business.**

Business  
Power Tips



## What is Scenario Planning?

Scenario planning is looking at different situations that could affect your business and work out strategies to use if these situations become realities. Scenario planning uses your cashflow tool to estimate the impact of potentially favourable and unfavourable events that could impact your business.

A good and simple scenario to start with is working out what would happen to your cashflow if you only achieved half your expected sales:

- Would your business still be viable?
- What would you do?
- How would you manage your costs?

Another scenario could be planning for different seasons. A large number of small businesses are particularly busy at certain times of the year and quieter at other times, e.g. retail and service businesses in tourist destinations or regions with a high rainfall wet season:

- How can you plan for your business to provide other products and services that will keep your business going during those quieter times of the year?

- How could you manage your stock and inventory to reflect slower sales periods?

By working through these types of scenarios, you'll not only be prepared to deal with a particular situation if it comes up, but you might spark new ideas that you can incorporate into your business to make it more profitable, as well as being more resilient to situations that are beyond your control.

The best way to do scenario planning is to use your cashflow spreadsheet. By changing things on your cashflow you can determine what scenarios have the biggest impact on your business. Many Rivers can help you with that if you don't have one or aren't sure what to do.

Analysing your cashflow and how it changes with different scenarios - like different seasons and different levels of business activity - can unlock very useful knowledge to help you plan and forecast your business needs and growth.



**Watch the full video:**  
[www.manyrivers.org.au](http://www.manyrivers.org.au)

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## Investing in Your Business

A cashflow spreadsheet can also help you pick the right time to make a new investment. Each time you invest in your business, you need to consider two important questions:

1. Can my business cover the cost of this new investment?
2. Does this new investment add more value to my business than the cost of the investment?

Both of these questions need to be answered with a resounding YES! This includes whether you make the investment from cash in your business or you use a loan to make the investment. Most of us would like a nice, new shiny piece of equipment for our business, but it needs to create extra value that is more than its cost!

### Remember:

If you take out a loan to purchase stock or materials, it's critical that the loan is fully repaid before the stock or materials are fully consumed. Otherwise, you will still be paying the loan without any way to bring in revenue.

Finally, if there is an investment that you are considering that will create value for your business in the years ahead, there are techniques that can help you assess whether this investment will provide a satisfactory return. If you are considering a complex investment, make sure that you connect with your Many Rivers Business Coach. They can help you with information so that you can make a good decision for your business.

**Many Rivers has a team of business coaches that can discuss your various cash flow scenarios with you.**

**The team can help you establish strong cash flow management practices that are right for your business, so get in touch with us and ask for help.**