

CASE STUDY

SCENARIO PLANNING

Technology manufacturer
charts success path
through complexities
of COVID fallout.

SITUATION

A technology manufacturer began their annual planning process during the global Covid-19 pandemic, only to realize their situation may be worse than expected.

OPPORTUNITY

Growing companies often find the budgeting and forecasting process overwhelming or ineffective. As practiced—if practiced—by many small and medium businesses, the result is often focused on the income statement and isn't viewed as practical or realistic.

ACTION

With a background in economics and experience with the relevant finance tools, our fractional CFO helped the company understand that the planning focus needed to be informed by, and focused on, the balance sheet. The approach included:

- Developing the economic logic of how revenue might change and when
- Aligning executive leadership and key stakeholders around the opportunities and constraints presented by the balance sheet and the competitive environment
- Creating a multi-year financial model and identifying critical variables
- Leading scenario planning to quantify and plan for uncertainty about each critical variable

BENEFITS

With a robust financial model in hand, our fractional CFO helped the executive leadership team articulate the corresponding narrative to the board of directors and shareholders. As a result of this process the team was able to:

- Secure buy in to their multi-year plan from key stakeholders
- Understand the possible challenges and have prepared to address them
- Gain clarity around priorities and roles going forward

DISCUSSION

Business owners, directors and management occasionally fall into the trap of discussing hypothetical future details without agreeing on the fundamental nature of their situation. As might be expected, this doesn't tend to be productive. In addition to expertise in the tools and theory of this type of planning, a fractional CFO can bring a clarifying outside perspective to the process; helping others 'zoom out' and bringing significant value to the business.

This case study is based on an ongoing fractional CFO engagement to provide oversight of the Client's accounting, tax, financial planning and analysis, and its treasury management functions. Engagements like this are a very cost-effective way of accessing a sophisticated financial perspective. This case describes one of several valuable outcomes to the Client over the course of the engagement. These fractional engagements typically last until a client has grown enough to necessitate a full-time CFO.