

Scenario planning for a Trump presidency

Martin Pergler (Feb 12 2017, ultimately unpublished article draft. Please quote only with permission)

At sunrise of the Trump presidency, too many Canadian businesses are just now asking what it might mean for them. Simple, pragmatic scenario planning can help.

It's true that stock markets have priced in broadly lower business regulation and taxes. It's also clear U.S. protectionism will increase and many signature Obama policies will be rolled back. But behind these expectations lies a spike in uncertainty. The Republicans control Washington but are divided. Trump's advisors hold divergent views on crucial issues. Trump himself seems to favour ad-hoc deals over consistent, predictable policy. Prediction is therefore even more perilous than usual.

Many executives are falling into three traps. Some retreat in the face of ambiguity. They pretend it's a season of *Game of Thrones*, enthralling but without real-world implications for their business. Others personally passionately debate politics with friends, but their personal biases (whatever they are) get in the way of impartial, actionable conclusions. Finally, some have become news junkies, analysing each day's events and punditry, but lost in short-term complexity.

This is exactly a situation where scenario planning – real, useful, pragmatic, not the pie-in-the-sky – is useful. Doing it well isn't hard, but requires several steps.

First, start with 2-3 broad complementary dimensions, with plausible “bookends” for each one. For instance, will the pendulum swing long-term to global trade protectionism, or is globalization fundamentally irreversible? Will a Trump-Putin entente increase geopolitical stability, or will cowboy diplomacy lead to flare-ups with China and in the Middle East? Alternatively, has 2016 ushered in a Republican or a populist/centrist decade? And to what extent will Canada follow in upcoming Provincial and Federal elections?

These initial dimensions should feel too high-level. Now you can deepen them and whittle them down to be specific to your business. Regarding protectionism, is what really matters to you the U.S. tariffs on your Canadian product? Or is it the impact on your U.S. competitors' cost structure? Or the impact on your Chinese suppliers' financial health? Rather than geopolitical stability overall, maybe your priority is impact on global oil prices. Your initial broad dimensions ensure you aren't too caught up in your status quo before you prioritize what's relevant for you. For instance, an educational institution settled on attractiveness to “refugee” U.S. students and academics, and commodity prices (correlated to the Canadian dollar) which affect their long-term economics.

The bookends of your customized dimensions should lead to 3-4 complementary, relevant, and plausible scenarios. It's useful to consider if you need a final “wildcard” scenario. For instance, a biotech startup settled on trade policy and health care reform as its custom dimensions, but added the wildcard that a deeply-conflicted Trump administration manages chaotically without clear policy.

Now comes the payoff: flesh out the narrative of each scenario, focusing on the impact on your business, including cascading consequences on you via your customers, suppliers, and competitors. Would your company realistically thrive, survive, struggle, or spectacularly fail in each scenario? Most importantly, what can be done to improve resilience, build flexibility, or capture opportunities? What steps should be taken now? What are signals to watch for to start them later, or to revisit the situation?

While scenario definition thrives on creative disagreement – pessimists versus optimists, coworkers with different political beliefs — this part of the exercise, what to do about it, is a collaborative, consensus-driven one. Temporarily live in each scenario’s world rather than predict its likelihood.

The use of bookends during scenario definition may have led to plausible, but not probable narratives. That’s fine. A whiff of stress-testing is helpful to combat tunnel vision and limber up your response muscles. Don’t expect to look back later and say, “we nailed it!” Success is considering the right relevant dimensions and range of outcomes, not a perfect prediction with one specific narrative.

Finally, consider how this event-driven scenario exercise should be embedded in your company’s strategic planning and risk management processes more systematically. Ideally, you should have been thinking through Trump-win scenarios nearly a year ago, when Trump emerged as a credible Republican prospect, or at worst in the fall, when Trump’s chance of winning steadily rose. A few companies did this, but not many. Getting ahead of the game now may mean broadening your lens, not just focusing on Trump, but also on Brexit and other geopolitical factors. Or on populism and globalization, or alternative futures for the middle class in the developed and developing worlds more broadly.

Back in 1936, F. Scott Fitzgerald wrote, “the test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function.” Go be a genius.

About the author:

Martin Pergler is principal at [Balanced Risk Strategies, Ltd.](#) He has 16 years global experience in risk management and strategic planning under uncertainty as an independent consultant, and previously with McKinsey & Company in Montreal, Singapore, Prague, and Singapore.

Martin has over 30 published articles and presentations on risk-related issues at major conferences, including the Globe and Mail (on currency protection in 2008) , forbes.com (on cascading risk effects), China Business News, the McKinsey Quarterly, as well as academic conferences.