



## Using strategic thinking and scenario planning to deal with the coronavirus (opinion)

Submitted by Paul N. Friga on March 13, 2020 - 3:00am

Coronavirus, or COVID-19, has landed in the United States. It is probably much more prevalent than is currently reported, and the number of people infected will continue to grow. What is not certain is the magnitude of the impact on our society. But the very nature of universities -- large numbers of individuals in close proximity, regular community gatherings and global interactions -- suggests that we all need to take this very seriously and strategically.

The purpose of strategy is to take organizations to new heights through differentiated visioning, rigorous prioritization, purposeful resource allocations and increased morale through confidence in leadership. One of the many strategy tools designed for situations like the coronavirus is scenario planning. Originating from and frequently used in military situations, scenario planning is essentially a future-oriented exercise whereby strategic planners envision different scenarios and then identify key operational and strategic dimensions for their organization that would require specific actions under the different scenarios. The process and content are designed to enable organizations to deal with uncertain futures in a way that continues the goal of aligning resource allocations and actions with priorities, acknowledging that those priorities may shift as the environment dynamically changes.

I have been teaching scenario planning to business school students, corporate executives and military flag officers for several decades and believe that it could be a helpful tool for university leaders at this important and challenging time. In this article, I will present a high-level scenario analysis for the coronavirus in colleges and universities, suggest different initiatives for consideration and present high-level recommended actions under all scenarios.

### Scenario Plan Analysis: Coronavirus and Colleges

The first step in scenario planning is to identify plausible scenarios and assess relative likelihood of occurrence. McKinsey's Global Health + Crisis Response Team issued three potential scenarios on Feb. 28 and continues to update its [outlook](#) [1] on the coronavirus for businesses. Shown below are the three scenarios:

1. Quick recovery (least likely)
2. Global slowdown (base case)
3. Global pandemic and recession (conservative case)

The quick-recovery scenario predicts that outbreaks grow until the second quarter of 2020 but begin to slow; the economic impact is mostly felt in the first quarter and will bounce back to normalcy in the second quarter. Global slowdown envisions a major slowdown through the third quarter of this year, with China controlling and restarting its supply chain in the second quarter. Impact on sectors will vary based upon magnitude of transmission, the death rate, seasonality effects and consumer reaction. Hardest-hit areas will be aviation, tourism, hospitality and consumer goods. Finally, global pandemic and recession would result in economic malaise through the end of 2020, with widespread interruptions in supply chains, air travel and the like and continued community outbreaks.

The next step for analysis is to think through impacts on a particular context, such as on colleges and universities. I have identified several key dimensions of campus life, examples of what I call context variables, that will be affected differently under scenarios, as shown below:

- Teaching
- Operations
- Community
- Financials

Finally, I've suggested different strategic initiatives under different scenarios for each of the context variables. Of course, this is a high-level generalized analysis, and each college or university will need to customize its strategies based upon its distinct mission, size, governance and strategy. Shown below is the net result of the analysis, from my perspective.

Context Variables	Quick Recovery	Global Slowdown	Global Pandemic and Recession
<b>Teaching</b>	Little effect; some student absenteeism; cuts in study abroad programs	Major effect on many campuses on spring residential classes and canceling of study abroad programs	Dramatic effect -- spring, summer and fall in-person classes canceled/switched to online format
<b>Operations</b>	Some affected employees	Many employees affected and not able to work; others work from home; conferences canceled in spring and perhaps summer; employee travel limited; major campus cleaning	Campus shutdowns through end of fall semester; employee layoffs/furloughs; coordinate with health-care organizations to handle surge requirements
<b>Community</b>	Decreased attendance at events	Canceled attendance at sporting and other events; coordination with local department of health and other communities on risks/actions	Canceled fall sports, concerts and major events; preparation for shutdown of local tourism/restaurant offerings
<b>Financials</b>	Minor 0.2 to 0.49 percent of operating expenses	Major .5 to 4.9 percent of operating expenses	Dramatic 5 to 50 percent of operating expenses

Given this analysis, here are some suggested key actions, with a focus on Scenarios No. 2 or No. 3, as they are more likely at this point.

### Scenario No. 2: Global Slowdown

- Support all employees who are sick and adopt flexible work-from-home arrangements
- Switch spring classes to online format to finish the semester. Inform students not to return to campus.
- Return all students from study abroad programs.
- Establish new campus cleaning protocols.
- Identify short-term working capital sources for decreases in spring and summer revenue.
- Limit faculty and staff travel to essential only.
- Cancel major crowd events or hold without the crowds.

### Scenario No. 3: Global Pandemic and Recession

- Cancel summer and fall residential classes. Switch to 100 percent online format.
- Partner with other colleges and universities with robust online offerings to keep students moving forward with academic programs.
- Work over the summer to create online content.
- Dramatically decrease on-campus operations and shift resources to help health care with surge needs.
- Lay off/furlough non-operations-critical employees.
- Establish a significant financial reserves fund/sources for a possible dramatic drop in revenue due to canceled classes (no tuition), lost government subsidies, decreased auxiliary revenue (such as hotels), negative productivity, lost international students and so on.

I also recommend that you consider the following steps no matter which scenario unfolds.

- **Engage in basic scenario planning.** Expand the general analysis I've provided and customize for your campus, including revenue and expense impacts.
- **Establish a response team or task force.** Involve key faculty members, administrative cabinet members and marketing/communications employees, as well as other subject-matter experts.
- **Communicate with your entire campus community regularly.** Provide honest and transparent communications with an effort toward sharing your focused attention and resources designed to demonstrate concern for employees and students and proactive planning. (Best practice is that this comes from the president and chancellor and also from leaders of units as they develop their plans.)
- **Stress self-preservation and hygiene.** Launch PR programs for hand washing, controlled coughing, individual quarantining, less touching and more social distance.
- **Dedicate adequate resources to this cause.** Include personnel and appropriate spending. This will vary from institution to institution, but plan for significant impact, especially for Scenario 3 -- perhaps of up to 5 percent or more of operating expenses.
- **Tighten finances.** Freeze any discretionary spending to conserve cash for unforeseen needs. Examples include nonessential capital projects, expansion of new programs, employee benefit changes and the like.
- **Protect employees and students.** Encourage health-care visits and provide sanitizing infrastructure throughout your campus.
- **Demonstrate flexibility.** Consider modifying options/formats for completing classes and degrees (this can include the use of new videoconferencing capabilities such as Zoom for the campus).
- **Pause initiatives.** Realize that this crisis will require significant leadership time and attention and other efforts may need to go on hold for now.
- **Remain calm.** By staying on top of the situation, planning properly and supporting key actions, the institution will weather this storm. And panic will just induce shortsighted reactions.

We know that our world, country and higher education ecosystem will survive this challenge. My goal is to lay out a tool that may help colleges and universities think through the options and strategically improve their ability to respond, not to invoke fear.

In fact, the coronavirus outbreak offers a great opportunity to be proactive and help our country move forward; it could be a catalyst to create changes in our higher education model that are long overdue, such as increasing online teaching capabilities. The old adage of "Hope for the best but plan for the worst" comes to mind as I consider my campus and many others.

*Paul N. Friga is a clinical associate professor at the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill, where he teaches courses in management consulting and strategy. He leads numerous strategic planning initiatives on the campus. He previously worked as a management consultant for PricewaterhouseCoopers and McKinsey & Co. He also co-founded ABC Insights, a consortium of universities working to make higher education more efficient and effective.*

### Editorial Tags:

Coronavirus [2]

### Image Source:

Istockphoto.com/art-sonik

Is this diversity newsletter?:

Disable left side advertisement?:

Is this Career Advice newsletter?:

Trending:

Live Updates:

liveupdates0

Source URL: <https://www.insidehighered.com/views/2020/03/13/using-strategic-thinking-and-scenario-planning-deal-coronavirus-opinion>

### Links

[1] <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business?cid=other-eml-alt-mip-mck&hikid=0c9161c2e2ed44079b452c62336fdc0c&hctky=2033692&hdpid=5d2d919f-402a-4cc1-bb7f-cd772a29f8d0>

[2] <https://www.insidehighered.com/topics/coronavirus>