

# Implement viewpoints

STRATEGY & GROWTH

STRATEGIC AND OPERATIONAL STEPS TO MAKE A DIFFERENCE

## Take a systematic approach to the downturn

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Most companies are exposed to the economic downturn to some degree. History shows that a downturn is bound to change the structure and competitive landscape of many industries. Even in less exposed industries, some companies will get out of the downturn strengthened while others are weakened.

In this viewpoint, we share our view on how to take a systematic approach to strategy in a downturn. This is based on our experiences in supporting leaders and companies in dealing with the present downturn situation.

### Five step downturn planning model

The saying “If you fail to plan, you plan to fail” underlines the importance of being as well-prepared for opportunities and threats as possible. During a downturn it has proven even more critical to have a plan – very often in the form of a contingency plan. The reason to this is that a lot of uncertainties and risks are at work, and therefore it is important for leaders to have an as firm and fact based plan as possible.

Another old saying (by Dwight Eisenhower) states that: “plans are nothing, planning is everything”. In other words, it is the process of building,

monitoring and revising the plan that is beneficial, not the plan itself. We cannot predict the future, but we can prepare and adapt – an ability that is particularly critical in the present turmoil.

Thus, we advocate that we should have a clear process for planning, monitoring and adapting. In table 1 we have illustrated this process in a five step downturn planning model. The purpose of the process is to secure a platform for winning.

### 1. Common point of departure

In tough and dynamic times it is natural to have reactions based on intuition rather than facts – immediate actions are required and hence day-to-day decisions are made based on the most recent (and often undocumented) information. This often leads to decisions and actions pointing in different directions, confusing both the market and the organisation. At worst everybody will duck and focus on own (short-term, sub-optimising) tasks, and very often internal and external

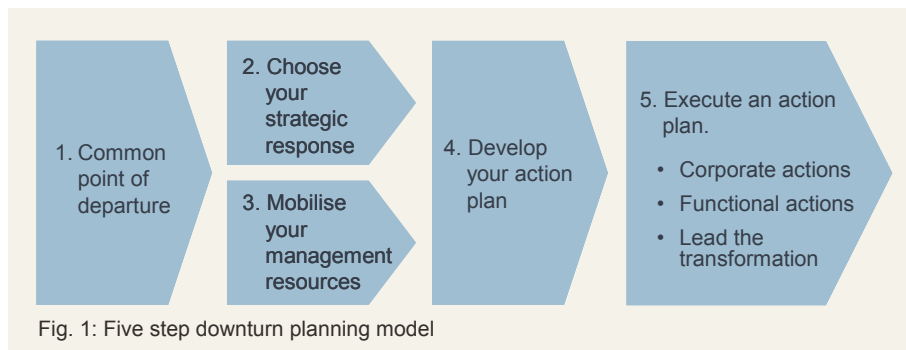


Fig. 1: Five step downturn planning model

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communication suffers and is centered on bad news only.

There is a need for a balanced, shared and informed point of departure to handle the crisis and downturn in a proactive and professional manner leaving the company in a stronger position.

Through discussions with stakeholders and focused analyses we propose that the management team compose a short and clear document stating the situation and point of departure:

- A “downturn SWOT” (see separate Implement viewpoint on “Downturn SWOT”)
- The outlook based on facts
- Performance and development in relation to competitors
- Constraints and room of action: ownership, legally, financially, requirements etc.
- Risk exposure and profile
- Cost structure and variability
- Major investments and commitments underway
- Skills in the senior management team (and other key persons) to deal with crises and downturn management

Sharing this point of departure provides an overview, forces a forward

thinking and injects a feeling of “being in the same boat – fighting against the same enemy”. Furthermore, it will act as the baseline for the communication with the organisation. Establish this “current state”-view together with maximum involvement, with maximum team spirit. The need for a “winning together”-attitude and feeling in the management has never been greater.

**2. Choose your strategic response** (see separate Implement viewpoint on “Choose your strategic response to the downturn”)

Depending on the situation and the individual perceptions there will often be a tendency to focus more on the “problem side” than the “opportunity side” of a downturn – especially if a company is in an industry exposed to the downturn. The common point of departure including the “downturn SWOT” will help you balance these views. Based on this, the optimal strategic response can then be selected: “Reduce to survive”, “Focus to protect” or “Invest to build”.

Choose your approach and live it out 100% as your guiding mindset. Only with a committed and crystal clear ambition can you bring the organisation through the downturn.

Be aware to balance the three strategic responses. You will need a more granular approach than ever – e.g. some business units should have an aggressive acquisition strategy, while others should be divested etc. Marketing might cut 50% off resources while we invest 25% in sales or 2 strategic R&D projects. Remember to revisit your existing strategic business plans – in order to be totally aware of what parts of your “old” strategy to pursue, and what parts have stalled. It is instrumental to avoid creating any diffusion of the strategy and goals, because it will influence individual performance.

Also, “kill complexity” should be a core element in any contingency plan right now – we advocate that “kill complexity” is put on the top of any management agenda – in all functions of your company. In a demand rich environment, new initiatives grow in all functions which drive complexity in others – this makes sense in an isolated evaluation, but not on company level. Make an evaluation of #projects in R&D, #SKU's in production, # of segments and sales processes in sales and marketing etc. Derive 25% complexity from all functions - the ripple effect in other functions is dramatic. 3. Mobilise your leadership resources

## WINNING IN A DOWNTURN REQUIRES A DUAL STRATEGY

# Choose your strategic response to the downturn

Well thought out strategies and plans often fail, because of a lack of a passionate and fully committed management behind them. The reasons to this are many and only human:

- Key people do not make sufficient time and mental focus available to be fully engaged, because of underestimation and old habits
- Management does not organize to deliver human over-performance over a longer period of time, and the organisation returns to “normal status” after a while
- There is a tendency to “hope for the best”, which means that efforts are often too late, too weak, or not fully executed
- People at all levels are used to, and get energy from nurturing “darlings” (projects, customers, activities, persons etc.), and hence they are reluctant to change focus, even if they in-

Be brutally honest when evaluating your own and your team’s ability to take the lead, and create a new set of habits that you must follow during the transition period

tellectually know that it is the right thing to do

We might have experienced some specific challenges that could generate the recognition: Everybody is too busy to take new actions or change

their behaviour; communication is limited due to the fast rapidly situation – leaving people uneasy and guessing. No overall plan is communicated, and initiatives are partially conceived, panicked and with no rational and common idea to back it up. Step up to your leadership ambition.

#### 4. Develop your plan of action

Based on the situation and the cho-

Design a plan based on a few, symbolic, and powerful initiatives that can be communicated clearly and implemented with power. Link the corporate and functional initiatives tightly together to ensure a “one direction pull” in both communication and actions

sen strategic response, you have to develop a targeted and focused action plan to fulfill the strategic intentions. In the Implement viewpoint “Downturn strategic responses from a functional point of view” we have outlined some corporate and functional actions to be considered supporting each of the three strategic responses:

- “Invest to build”
- “Focus to protect”
- “Reduce to survive”

Make a clear plan and agree on what hard data you will act on when. Very often you will need to revisit the plan

more frequently than normally, because conditions, numbers, and estimates change all the time.

You need to decide on how to react before the situation arises – e.g. if estimates are index 80 we will do this ... etc. You will probably also have to revisit your budgeting process – existing budgets will often not give sufficient insights to make decisions in time. Many companies have a “contingency budgeting process” where “quick and dirty” budgets are prepared monthly – build a simple model that will do the trick.

#### 5. Execute action plan

The execution of action plans in a downturn needs to be rigid and flexible at the same time! We advocate a fairly rigid project management setup to steer and manage the plan – with much to lend from traditional best practice project management. But at the same time, make sure you have the agility and flexibility in the projects to change the focus and plan fast – the dynamic environment will influence your ongoing projects.

The execution must contain three elements: Firstly, there are corporate actions covering strategic as well as financial initiatives. Secondly, there are specific functional actions to support corporate actions as well as to ensure operational excellence throughout the

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organisation. Finally, there are change management actions related to ensuring a strong, energetic organisation that can and will help you pursue your strategic goals! These actions are often not prioritised as highly as the strategic and operational actions, although the right change leadership can boost your position and performance on all levels (see separate Implement viewpoint on "Change Management through downturn"!).

In the Implement viewpoint "Downturn strategic responses from a functional point of view" we have collated some practical "viewpoints", statements or good advice on different functional areas coming directly from the sources – our most skilled consultants and clients.

Our ambition is to help our network in these tough times, and we hope that this Implement viewpoint has given you one or two ideas for your journey. If you need further inspiration or detailed inspiration on some or more of the concepts described, please contact one of the consultants below. We provide information, connections to industry peers facing the same challenges, a toolbox for handling specifics, an inspirational meeting on the subject etc.