

Strategic Planning in a Downturn

It is critical that businesses engage in strategic planning during difficult economic and business environments so that they 1) completely understand the realities and possible outcomes from the current situation, 2) they spend their money and time in the most productive manner, and 3) they capture opportunities that often arise through shifting market and customer circumstances.

The reality is that the basic process for creating a strategic plan during a downturn is not different than in good times, but there are nuances to the approach that will improve the chances of creating a winning strategy during a downturn.

We offer this step by step process for strategic planning during a downturn.

Step 1

What makes strategic planning different in a downturn or a crisis is the attitude and approach taken when the chips are down. Some companies panic and make bad decisions (like cutting costs in the wrong places) while others create a sense of urgency which leads to smarter risk taking.

It is critical that you retain faith that you will prevail in the end, regardless of the difficulties; and that you confront the most brutal factors of your current reality.



Step 2

Understand that strategy development works like a filtering process and it must take a holistic approach by looking at and documenting:

- **External Realities** – Understand customers, market conditions, competitive realities; all of the things that on the surface you cannot control.

- **Internal Factors** – Understand organization specific issues and challenges and realities including people, systems, processes, infrastructure, capital, etc.
- **Market Realities** – This is external. It is critical to understand the nature of your relationship with your customers and how the market perceives you.
- **Outcomes** – Defines what you want to achieve.

Step 3

Engage in the Vann Group's own CORE exercise. We developed CORE because too many business leaders have been through too many "SWOT" (Strengths, Weaknesses, Opportunities and Threats) exercises through the years. When you do the same thing too many times, you come up with the same answers. During a downturn it is critical to trigger fresh thinking that stretches your comfort zone and is never tainted by "conventional wisdom".

CORE frames the discussion in a fresh and more productive manner. It works like this:

- **Challenges** - These are the areas of the company and industry that can adversely impact the company's short and/or long-term performance.
- **Opportunities** - Articulate the upside of the current circumstances for the company and industry.
- **Realities** - These are the undeniable facts that impact the company. They are self evident.
- **Expectations** - Given the reality of the challenges and opportunities, this is the essential understanding of the company's prospects.

Step 4

Engage in the Vann Group's own "It's Good to the King!" exercise. This is particularly useful in family owned or any business with a strong and dominant leader. Essentially, you provide all members of your strategic planning team with the ability to anonymously identify what they would do to improve the company if they were running the show with no constraints. Ask them to identify specific processes, practices, functions and strategies across functional areas, looking at:



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- Employees
- Infrastructure
- Business processes
- Communication
- Product/service development
- Sales and marketing efforts
- Financial and administrative management

This exercise will generate a goldmine of innovative ideas.

Step 5

Develop a deep and thorough understanding of your customers:

- Who are they?
- What do they need?
- What do they value?
- How do they measure that value?
- How do they perceive you?
- How does the market perceive you?

There should be two critical outcomes of this exercise. The first is to understand your brand – or the perception that your customers and the market have of you. It is important to be objective and honest that your brand is what exists not in your mind but in the minds of others. Brands are a critical component of strategic planning, because the strength of your brand will impact 1) the price that customers are willing to pay for your product, 2) the extent to which customers will be loyal to your product over your competitors, and 3) the extent to which customers and partners will referral you to others.

The second outcome should be to identify how you can create and deliver additional value for your customers that they cannot find elsewhere. That is, what else can you do for your customers that they need and value that they cannot get elsewhere.

Step 6

Now, take all of the information and ideas that you have developed thus far, and engage in the 4 Actions Framework espoused by W. Chan Kim and Renee Mauborgne in their best-selling book, [Blue Ocean Strategy](#).

The point of this exercise is to identify what you can do to increase your value to customers (from step 5 above) while at the same time becoming a lower cost and more nimble operation by reducing or eliminating activities that are not valued by customers and therefore do not command a price high enough to create target profit margin. It looks like this:

Eliminate: Which activities should be eliminated entirely?

Raise: Which existing activities should be further emphasized in order to increase value that will fuel the economic engine?

Reduce: Which activities should be reduced?

Create: What new activities should be created in order to deliver greater value to customers that they cannot find anywhere else in the market.

Step 7

Lastly, you'll want to test your hypotheses against your Hedgehog and your Big Hairy Audacious Goal or BHAG. Both concepts were created by Jim Collins, the author of [Good to Great](#) and [Built to Last](#).

A Hedgehog is a simple, crystal clear concept that flows from a deep understanding about the intersection of 1) what your company is passionate about, 2) what you can be best in the world at, and 3) what drives your economic engine.

According to Collins, a BHAG (pronounced bee-hag) is a 10 to 30 year objective that serves as a unifying focal point of effort and should galvanize people and create team spirit. It is crisp, compelling and easy to understand.

Thinking through the strategies developed in Step 6 against your Hedgehog will help you be sure that 1) you can energize your organization around these strategies (passion), 2) you can execute your strategies successfully (best in the world), and 3) you'll be profitable (economic engine).

Understanding your strategies in this context will also help you to execute fast, because any business activity that does not fit your Hedgehog is irrelevant.

Similarly, tying your strategies to your BHAG will make you nimble and productive through the energy and focus that it creates among all employees.

In closing, these steps and concepts are important in all economic circumstances, but are especially critical during tough times. The more energy, objectivity and commitment to this process taken by business leaders; the more successful the outcome will be.



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