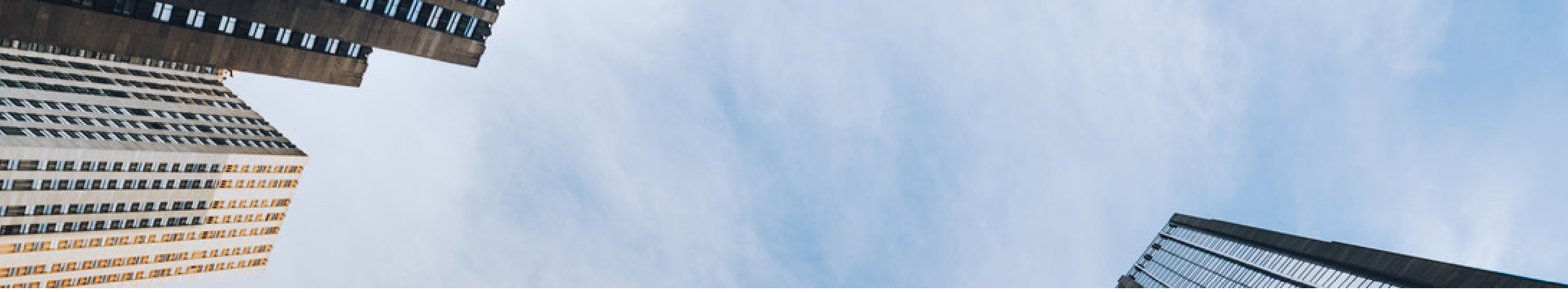

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Growth Strategy Resilience: Five Questions to Ask to Avoid Overcorrecting in a Crisis

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The Coronavirus pandemic is presenting unprecedented challenges to businesses across many sectors, driven by issues such as weakened customer and consumer demand, disrupted supply chains, and people management challenges. The immediate priority for leaders is to protect their employees and to minimize the near-term financial impact. This includes focusing on the core business, scaling back non-essential investments and shifting resources to near-term revenue generating opportunities.

While we don't know the full extent of the Coronavirus' impact, the crisis will highlight a range of longer-term strategy questions that leaders will need to ask. However, when the public health crisis subsides, and companies are stabilized, it will be essential to return quickly to profitable growth. To do that, companies should resist narrowly focusing on the immediate crisis only and instead maintain a broader strategic aperture in order to reduce the risk of an overcorrection that could irreversibly damage longer term priorities. Such an over correction has at least three important consequences:

First, scaling back the growth portfolio partially solves one problem (near-term financials) only to create another. A strong pipeline of new growth projects ensures that as core businesses wane, there are new sources of revenue that will come online. Gut those early stage projects and you create a hole down the line. This is particularly important as stopping projects completely introduces significant restart costs. Team members with knowledge are lost. Partnerships and pilots will need to be reestablished. And valuable ground is lost as competitors that are able to demonstrate greater resilience will leap ahead.

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Second, while no one would wish for a crisis, it does create motivation for change and potentially new opportunities as well. For example, as more companies are forced to embrace remote work or consumers get accustomed to social distancing, there may be patterns of behavior that are the basis for new operating models and/or market opportunities. Furthermore, now is the time to leverage your organization's growth strategy and innovation capabilities to understand the nature of these emerging opportunities and rapidly revector initiatives to ensure alignment. Radical retrenchment on your growth portfolio, with the implicit (or explicit) abandonment of the existing growth strategy, leaves a kind of growth strategy vacuum that will make it difficult for leaders to evaluate new opportunities and drive consistent decision making across the organization.

Lastly, it can demotivate your team – whether senior leadership, middle management, or line staff. Employee motivation and retention is driven by a belief in future prospects of the company. This is conveyed through a motivating mission and vision, but also tangibly reinforced by the investments a company makes in future growth. If those are perceived as at risk each time there is a present crisis, thoughtful employees will understand that the future strategy is not robust and has a low likelihood of ever coming to full fruition. Preserving critical elements of a company's growth portfolio can provide something for employees to rally around and conveys a sense of stability.

Given the unprecedented nature of the Coronavirus challenge and related market disruptions, companies will no doubt need to scale back their investments in new growth opportunities (particularly for the hardest hit industries such as airlines, hospitals, or hospitality). However, the focus should not be pitting stability against new growth but rather finding the right balance to avoid over correcting. Answering five key questions can help leadership teams to determine this balance.

1. Does the Coronavirus necessitate any fundamental changes in our growth strategy?

Leaders must first assess whether there is a change in the fundamental importance or optimal timing of the projects in their growth portfolio, or whether new opportunities should be added. While some opportunities may need to be pushed out as partners and customers are focused elsewhere, there may be some that actually require acceleration.

For example, the healthcare industry that has long pushed for more telemedicine to improve patient experience and reduce costs may actually want to accelerate those efforts to take advantage not just of the increased near-term demand for such services, but of the longer-term demand that will likely result from increased awareness and experience with virtual solutions.

2. How do we adjust the portfolio underlying our growth strategy?

Good growth portfolios have a mix of opportunities that are balanced against many dimensions (e.g. focus, timing, risk/return). With fewer resources to allocate to new growth efforts, companies need to reevaluate their portfolio and make adjustments including deciding which projects to stop, delay, continue, or accelerate. They should explicitly look to maintain projects less exposed to existing market uncertainties and that can be brought forward commercially, perhaps with less ambitious targets.

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As leaders consider what they need to stop doing, they should look not only at the new but also at late life-cycle or low value-add activities that may be undertaken today more out of habit or inertia. This will come to light by ensuring that forward-looking strategic alignment is considered alongside financial considerations when rationalizing resource allocations.

3. How can we continue to make progress with fewer available resources?

Even with a more focused portfolio of growth projects, leaders will need to find ways to make progress with fewer resources. One mechanism to do this is refocus growth project teams on evaluating only the most critical deal-killer risks. Most growth projects have a range of uncertainties the team is trying to assess. Revisiting which risks are most critical and least certain can sharpen the focus of a project team on a smaller, but still essential, set of risks. Quickly assessing these is the fastest and most efficient way to reduce a project's risk and continue to make progress.

4. How do we effectively protect our growth resources?

In times of crisis, there will be a strong organizational pull on leaders and employees to stop the bleeding. There will be skeptics who believe that investing in the future during a crisis wastes critical resources. As such, it's critical that the organization understand who needs to support growth projects (and who does not) and exactly what those resource commitments are. This often requires providing some degree of ring-fenced protection for leaders and teams focused on evolving the growth strategy and portfolio.

5. How should we communicate our plans to employees and other key stakeholders?

Many leadership teams have redoubled their focus on communications to help inform employees about immediate actions (e.g. work from home best practices). A soon to be equally important challenge will be communicating to employees, the market, and other key stakeholders how the company will return to profitable growth, including the adjustments to the focus and timing of key strategic initiatives. One critical tension to manage is messaging around broad-based cost rationalization and continued investment in future growth. These don't necessarily need to be done through the same communication channels, but they should be coherent and not conflicting.

While infection rates may begin to flatten and subside in the coming months, consumers, the economy, and individual companies will be digging out for an extended period of time, with the eventual "new normal" potentially looking quite different from the pre-Coronavirus world. Leaders will need to balance addressing the near-term challenges with not completely pausing the engine that will support the mid-to-long term health of the organization.

About The Authors

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About Innosight

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