

Succeeding beyond the coronavirus pandemic

How to plan and act fast now to reshape your business to the new realities and the new opportunities

Stuart Cross, April 2020



Preparing to Succeed in the Post-COVID World

Over the past few weeks, management teams across the country have worked tirelessly to manage the impact of the COVID-19 pandemic on their business. Looking after the safety and security your people, managing cashflow and operational emergencies and simply staying on top of the day-to-day changes will, I'm sure, have taken up most of your time.

There will have been little or no time to think beyond the next few weeks. At one business I know, there is a daily executive video conference at 8.00 am. Of these, four are devoted to managing issues covering the next 24-48 hours, while one is focused on planning the next 1-4 weeks. This last meeting is called the long-term planning session!

Managing day-to-day is essential at this time. But you also need to think about how you are going to succeed in the next waves of this crisis. And you need to think about and plan for that now.

As the health crisis – the first wave of it, at least – starts to recede, a second crisis will grow in importance. This is the COVID-19 economic crisis, and there are three things that are pretty certain about it even now:

Reality 1: We are facing a deep and potentially lasting recession

The economic shock of COVID-19 will be bigger than anything we've seen in our lifetime. Take the UK, for example. A sample of 14 banks and economic forecasting businesses, reviewed by the BBC, suggests that the country is heading for a 6-10% decline in GDP this year, with a 10-25% hit to Q2 GDP alone. The government's own Office for Budget Responsibility gives an even more bleak assessment for 2020: a GDP hit of 35% in Q2 and 12% decline for the year as a whole.

This picture is repeated across the globe. The World Bank has said that South Asia is facing its worst economic performance in 40 years, while the World Trade Organisation has forecast a decline in international commerce of 12-32% this year. Finally, the IMF believes that world is facing the worst economic crisis since the Great

Depression of the 1930s and that there will be only a partial economic recovery in 2021.

The impact of this recession will vary by sector, but, despite the government's best efforts, is likely to mean higher unemployment, lower disposable incomes and weaker demand across the economy. Recognising and responding to this new economic reality should be at the heart of your post-COVID business strategy.

Reality 2: Social, political and business attitudes and behaviours will change

All crises lead to changes in attitudes and behaviours. My mother still has a 'make-do-and-mend' approach to life resulting from her experiences in WWII, while the 2003 SARS virus crisis in China accelerated the growth of on-line shopping.

Exactly how attitudes and behaviours will change is hard to predict with any precision, but here are some reasonable possibilities:

- ***An accelerated shift to on-line shopping.***
As shops have shut in the lockdown, more people are using on-line shopping than ever before. It is more than possible that these behaviours will lead to an acceleration in on-line channel growth in the post-COVID world. Amazon, for instance, has just announced that it is hiring 75,000 more workers to cope with its growth in business, on top of the 100,000 new staff it added last month.
- ***Greater focus on our immune systems.***
Tragically, the virus targets those people with the weakest immune system. Developing a strong immune system will become more important to healthcare providers but also to every individual. Exercise, eating well and the use of effective supplements could well rise higher in our list of priorities.

- **The ongoing search for value-for-money.** As in the 2008 crash, companies that offer great value are most likely to be the winners. In the UK, brands such as Aldi, Lidl, Primark and RyanAir have flourished and it's likely that value brands will once again have an advantage. As a result, all businesses will need to seek more efficient ways to serve their customers.
- **More home working and less work travel.** Most executives are starting to realise that, by using technology effectively, they can run their business effectively without leaving home. At one food company, for instance, travel and accommodation expenses have fallen by over 90% at a time when sales have seen double digit growth! Over time, as lease agreements allow, companies are likely to move into smaller, lower cost premises without any impact on their sales performance.
- **More pressure for de-globalisation.** It is likely that economic recovery will be best served by countries working together to create the conditions for growth. The early signs are not encouraging, however. Trade and political tensions between the US and China are increasing, for example. Elsewhere, President Macron of France has recently called for more sourcing and manufacturing closer to home to protect supply chains. His calls are likely to be repeated by other national leaders, increasing the likelihood of protectionist measures and a rise in trade barriers.

Reality 3: There is no going back to 'business-as-normal'

The post-COVID recession, and the changes to our lives and structures that will result from it, mean that there can be no going back. That is why all business leaders need to start looking forward and preparing for the next phase of this crisis, rather than just dealing with their current list of issues.

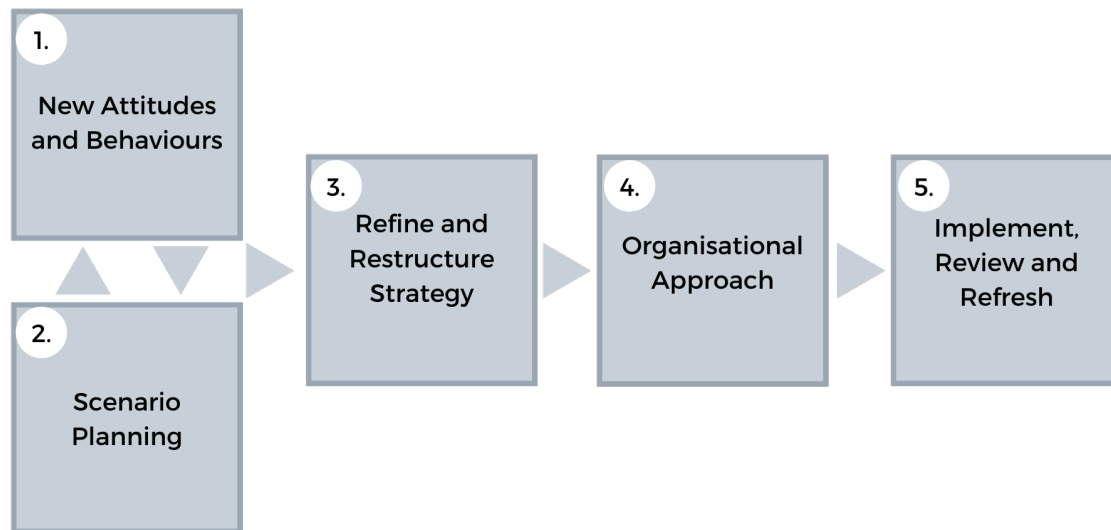
As part of that planning, there are three attitudes that will most help you create a positive outcome and raise your chances of success:

1. **Think big.** For most companies, incremental change will not be sufficient. You will need to think far bigger and bolder and be willing to consider more radical changes to your markets and your business. For example, what is your response to a double-digit reduction in the value of your market over the next 12 months?
2. **Greater operational efficiency is a given.** New strategies that fail to significantly improve efficiency will have little chance of success. The pressure on providing greater value-for-money to customers is such that step-change efficiency gains are going to be crucial to protect and minimise the impact on margins, particularly when you're also likely to be looking to bring at least parts of your supply chain closer to home and away from lower-cost countries.
3. **Speed and agility will trump everything.** The ongoing uncertainty and the likelihood of rapid changes to your markets mean that pace will trump perfection even more than now. You will need to raise your organisation's game when it comes to accelerating the pace of change, developing and delivering new ideas at pace, as well as your ability to shift focus and resources away from loss-making activities to winning initiatives. Finding ways to organise and lead this greater level of speed and agility across your organisation is a critical task that you need to start now.

The leadership and strategic challenge resulting from the COVID-19 crisis is enormous – but it cannot be avoided. While most of the people in your organisation should continue to focus on the immediate day-to-day issues, you should now also establish a smaller team to consider the longer-term implications, challenges and opportunities.

A 5-Step Plan for Reshaping Strategy and Accelerating Success

Figure 1: Strategy Development Process



There are five steps in the strategy development process (Figure 1), but the key is to work through this process quickly. There are two factors that will help you to gain value and success from this process.

First, you need to work at pace. You haven't got months to make your first decisions; you should be aiming to complete the work in no more than two or three weeks. As we'll discuss in Step 5, you will then need to update and refresh your assumptions and plans as you go through the coming months and new information and insights become available.

Second, you need to be willing to confront the big issues head-on, accepting the world as it is now, not how you'd like it to be. You can't assume that everything will work out for the best; you will need to face into many issues and challenges that seemed impossible just a few short weeks ago.

Step 1: New Attitudes and Behaviours

During the lockdown period, attitudes and behaviours are already changing. People who have previously avoided on-line shopping are now using that channel to buy groceries and

other goods, for instance, while managers are realising that it is possible to use technology to run meetings, rather than travelling across the globe to have a face-to-face session.

Your objective at this stage is to try and understand, as best you can, what these changes in behaviours will be and how long they're likely last. More specifically, you should seek to identify which of these behaviours will stick beyond the crisis.

The attitudes and behaviours are not just about consumers. They cover a variety of sources, including:

- **Government policy.** What new policies and regulations are likely to be introduced by governments? For instance, will there be incentives for greater local manufacturing in certain industries?
- **Ways of working.** How will working practices change, including issues such as working from home and business travel?
- **Consumer behaviours.** What attitudes will drive consumer choices and how will people

change the way they shop for different products and categories?

- **Social attitudes and behaviours.** How will people's general lives evolve? For example, will people look to eat more healthily than before the crisis, and will having a strong immune system become more important to us?
- **Business operations and activities.** Will companies change their operating models and supply chains? For example, will companies look to widen their sourcing base and reduce their reliance on single-source suppliers?

For each of these sources of behaviour, you should determine your best view of how the world will change both in the short term (next 6-9 months) and longer term (9-18 months). You should then assess the potential impact of these new attitudes and behaviours on your business model – operations, supply chain, marketing, sales, finance, technology and people management etc. – and also against your strategy and priorities.

As a result, you will now have a starting point for how your business may need to change and evolve in the coming months, highlighting critical challenges and opportunities.

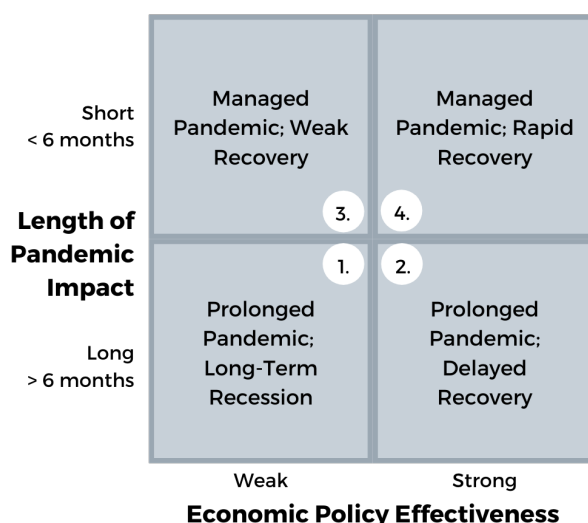
Step 2: Scenario Planning

Most strategy development work makes a single set of assumptions about how markets will develop. That is no longer possible; there is simply too much uncertainty. Instead, developing a range of future scenarios and testing your business model and strategy against each one is needed to identify your critical priorities.

Using scenarios will force you to face into difficult issues that you might otherwise avoid. Importantly, using scenarios isn't about deciding which future is most likely. Instead, the work should be focused on understanding the robustness of your strategy in a range of possible futures, and what you need to do now to have the best chance of succeeding whatever happens in the wider world in the months ahead.

You may wish to develop your own scenarios. If so, they should be based on thinking through the biggest uncertainties facing your business environment. As a starter, I have built on some work by McKinsey to create four possible futures, each with a different outcome on two dimensions: (1) how well government policies will support a rapid economic recovery; and (2) for how long the pandemic will have a significant impact on our daily lives (Figure 2).

Figure 2: Four Covid-19 Scenarios



Each of the four scenarios set out in Figure 2 is possible, but it's impossible at this stage to determine which will happen. Instead, you should focus on undertaking the following work:

- Flesh out the impact of each scenario on your markets, your customers and your wider business environment;
- Take each of the scenarios in turn and identify where your business will face significant risks and challenges, as well as any major opportunities;
- Filter your current strategic initiatives against each scenario, establishing whether they would still be relevant in those circumstances and whether should be accelerated, slowed or even dropped; and
- Likewise, identify what other new initiatives you would want to pursue under each scenario.

Step 3: Refine and restructure the strategy

The outputs of the scenario analysis will enable you to determine whether your overall strategy – your key goals, objectives and overall direction – remain broadly valid or need significant amendment. If you assess that you need a more radical strategic shift, you should focus on what this means for your target customers, your key products and services and your preferred channels and markets, as well as your competitive strategy and how you are seeking to win.

The work will also give you a view of the relevance of your big strategic initiatives. The assessment you've made will now enable you to develop three initiative 'buckets':

- **"No regret" initiatives.** These are major initiatives that deliver positive results in all scenarios and should therefore form the backbone of your new strategic agenda.
- **"Bigger bets".** These are initiatives that deliver a strong positive impact in some scenarios, but may lead to negative results in others. Your approach here should be to establish and implement action plans that

enable you, if possible, to get going while limiting your risk. For instance, you could start these projects in a small way, but also establish a series of stage-gates on your investment and actions, so that you only release resources if conditions are favourable for the initiative.

- **"Watching briefs".** These are options and higher-risk, high-potential initiatives that you may pursue – depending on how conditions evolve – but where you don't need or wish to make a call at this point. Thinking through these possible initiatives up front will enable you to act with greater pace and focus in the future.

Step 4: Organisational implications

In addition to your business strategy, the outputs of this work will also have implications for your organisation. Establishing changes to both your 'hard' organisation – structures, systems and processes – and your 'soft' organisation – skills and capabilities, leadership style and communication and engagement – will be required, both to deliver the revised strategy effectively, but also to operate effectively in a post-COVID world.

This is also a good point to understand how you wish to evolve the organisation's role in its communities and, if appropriate, to reset the company's corporate social responsibility agenda.

Step 5: Implement, review and refresh

The final step of this process is really the first for the wider organisation: it is to get going. Creating a clear communication and engagement plan and establishing a governance and performance management systems that can operate through the uncertainty and turbulence are both critical steps.

It is essential that you move at pace, but you must also ensure that you keep all your teams updated on progress and changes in the plan. As a result, you should:

- Establish a series of focused 90-day plans for each initiative, with clear outputs, KPIs and milestones;

- Build a wider corporate scorecard, based on your scenario analysis, that enables you to understand both the performance of the business as well as the evolution of the wider environment. That way, you can determine which of your scenarios is emerging as a 'winner';
- Review progress regularly (at least two-weekly), so that you can shift focus, priorities and resources depending on external conditions and internal performance; and
- Be prepared to update this work if circumstances materially change. Staying on top of what is happening in your markets is critical to plotting a course through the crisis and delivering the best possible results

for your customers, your people and your business.

The COVID-19 virus has created a level of business and societal change and uncertainty that exceeds anything most of us have ever experienced. Your initial priority is, of course, to keep your people and the business safe in the short term. But the winners in the post-crisis world will be those that were also able to sense, develop and deliver a longer-term plan.

These five steps offer you a road map to win both through and beyond the crisis, enabling your business to get ahead of the emerging economic emergency and deliver market-leading results over the next few years.

About Stuart Cross



Stuart Cross is a consultant and coach who helps market-leading companies accelerate growth. Since its launch in 2006 his firm, Morgan Cross Consulting, has attracted clients including Walgreens Boots Alliance, Green King, Dunelm, GSK, DFS, Morrisons and TD Ameritrade.

"I have worked with Stuart Cross for over a decade. Stuart has always helped me to think and act differently, and that is the key to innovation in any leadership role." **Alex Gourlay, Chief Operating Officer, Walgreens Boots Alliance**

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