



Leading Through Crisis

Accelerate Your Business
Even in the Midst of Disruption

Coronavirus / COVID-19

Unprecedented

- Broader and Deeper Than Any (modern) Past Crisis

Uneven

- Some Industries & Businesses Are Better Positioned Than Others

Unclear

- Requires An Iterative Approach as Business Horizon Unfolds

Leading Through Crisis

Three Phases

Phase 1: Respond to the Crisis

Phase 2: Adjust Strategy & Operating Goals

Phase 3: Anticipate the Rebound

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Respond to the Crisis

Five Steps

Step 1

Determine Most Likely Depth and Duration of Downturn

Step 2

Plan For Up To 5 Scenarios

Step 3

Agree On the “Currently Most Likely” Scenario

Step 4

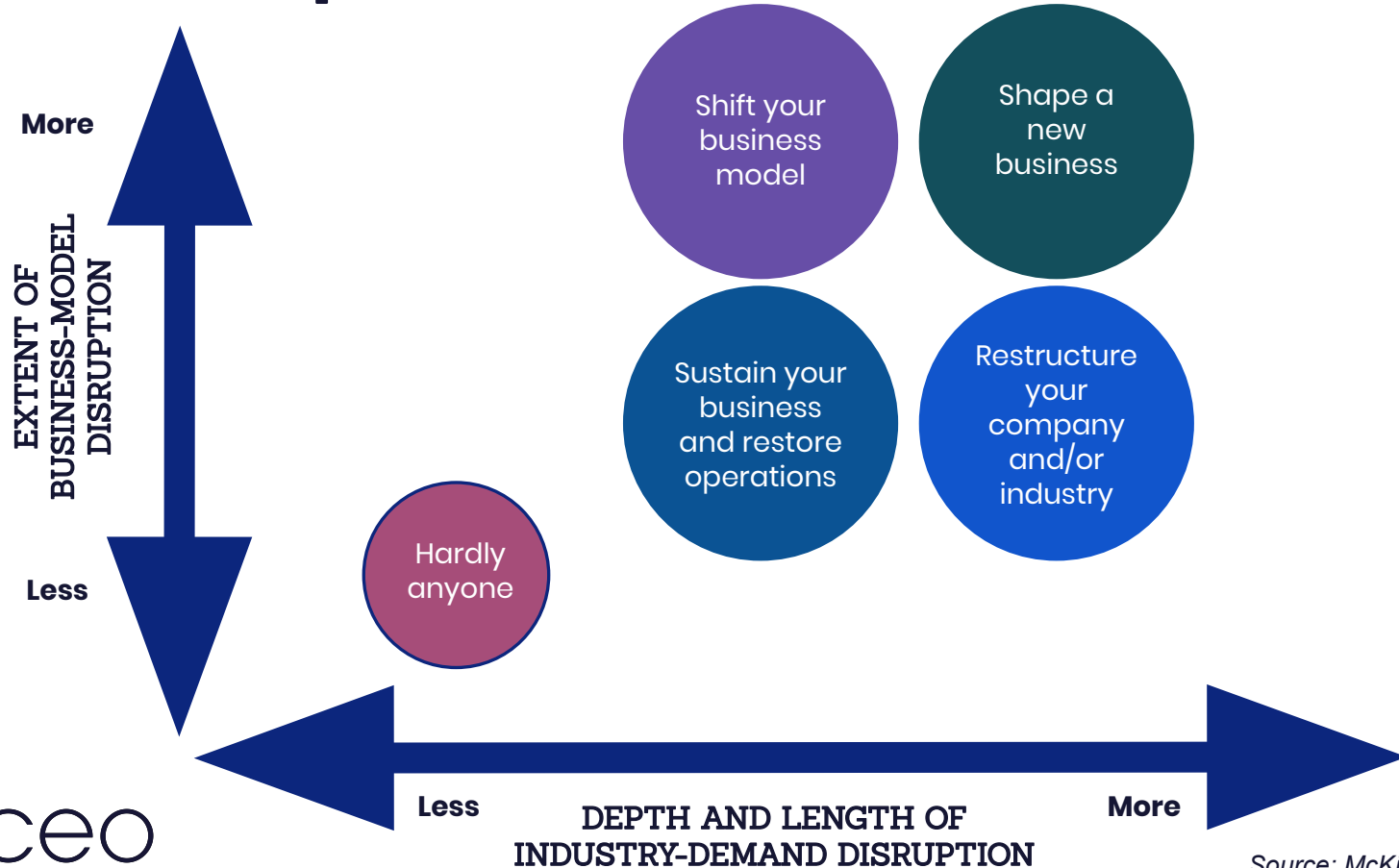
Build & Monitor Triggers That Could Change Most Likely Scenario

Step 5

Communicate with Board, Employees, Customers, Partners, the Market

Respond to the Crisis

Step 1: Determine Depth & Duration of Crisis



Respond to the Crisis

Step 1: Determine Depth & Duration of Crisis



Respond to the Crisis

Steps 2 & 3: Plan for Up to 5 Scenarios; Agree on Most Likely Scenario

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Comments
Probability	5%	20%	30%	35%	10%	$\Sigma = 100\%$
Depth & Duration*	15% Revenue Decline; 3 months to recovery	25% Revenue Decline; 5 months to recovery	50% Revenue decline; 5 months to recovery	50% Revenue decline; 9 months to recovery	50% Revenue Decline; 12+ mos to recovery	Revenue impact vs. Plan
Net New ARR & ARR End of Year*	\$18M / \$68M	\$12M / \$62M	\$0M / \$50M	-\$5M / \$45M	-\$12M / \$38M	Total Book of Business
Required Cost-Cutting (% & \$)*	5% / \$7.5M spend reduction	10% / \$15M spend reduction	30% / \$45M spend reduction	40% / \$60M spend reduction	50% / \$75M spend reduction	Includes COGS & OpEx
Net Profit or EBITDA EOY						
Cash Used & Balance at End of Year*	\$14M Used / \$36M Balance	\$18M Used / \$32M Balance	\$19M Used / \$31M Balance	\$21M Used / \$29M Balance	\$22M Used / \$28M Balance	DSOs vary for each scenario, affecting cash
HC Reduced / HC End of Year	25 / 475	50 / 450	100 / 400	125 / 375	200 / 300	HC impact vs. on-board
Company- Specific Metric						
Long-Term Business Model Disruption	Mild	Moderate	Substantial	Substantial	Extreme	
Assumptions and Comments	Ride It Out: reduce variable cost, hiring / salary freeze	Protect: broad, near-term reductions and efficiencies	Get Lean: organizational re-design; re-consider Target Market	Get Lean: organizational re-design; re-consider Target Market	Re-Structure: organizational re-structure; re-define Target Market	

Respond to the Crisis

Steps 2 & 3: Scenario Planning - Pro Tips

- **Depth & Duration** - Requires senior management team alignment on scenario probabilities
 - *Pro Tip: To answer the question “how will my business / ARR trend during the next 9 months?”, first answer the question “how will my customers’ business trend during the next 9 months?”*
- **ARR End of Year** - Requires forecast for each major ARR sub-category
 - *Pro Tip: New ARR + Churn ARR + Expansion ARR + Downsell ARR = Net New ARR*
- **Required Cost-Cutting** - Reduction in Total Operating Costs (COGS + OpEx)
 - *Pro Tip: For capital-intensive business models, add a “Capital Expenditure” metric*
- **Cash Used** - Requires specific assumptions about customer payment behavior (DSOs)
 - *Pro Tip: If important, add a row for near-term capital-raising methods needed for each scenario*
 - *Examples: Insider equity funding, additional bank loan or debt draw-down*

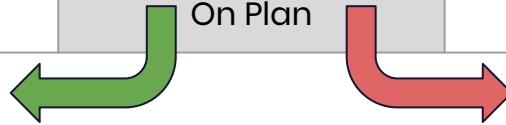
Respond to the Crisis

Step 4: Build & Monitor Triggers

Trigger – an important and agreed-upon leading business metric, goal or action that signals the success or failure of a scenario

Example:

Triggers	Scenario A (better)	Most Likely Scenario	Scenario C (worse)
New MQLs	16,000	12,000	8,000
Net New ARR	≥ \$12M	≥ \$0M	≥ -\$5M
Cash Use	≤ \$18M	≤ \$19M	≤ \$21M
Product Roadmap Goal	Ahead of Plan	On Plan	Behind Plan



To Do:

1. Agree on Triggers, 2. Set Monthly Goals for Each,
3. Measure Constantly, 4. Adjust Most Likely Scenario Appropriately.

Respond to the Crisis

Step 5: Communicate

Tell Your Great Story

- Remind investors why they chose to invest originally (and why they should invest more)
- Remind employees why they chose to join (and why they should remain energetic)
- Remind customers why they chose you (and why they should remain loyal)
- Tell the market that your Company is strong and will thrive (despite the crisis)

Beginning

Start With Context & Background!

Describe Expected Market Changes

Summarize Customer Data

Middle

Outline New Plan Scenarios

Explain Most-Likely Scenario

Include Plan Detail for Credibility

End

Conclude Hopefully!

Explain Enduring Market Changes

Connect Company Strengths to the Future

Leading Through Crisis

Three Phases

Phase 1: Respond to the Crisis

Phase 2: Adjust Strategy & Operating Goals

Phase 3: Anticipate the Rebound

Adjust Strategy & Operating Goals

Four Steps

Step 1

Determine Offensive Move(s), Defensive Move(s) & Operating Efficiency Move

Step 2

Name Leaders and Create Strategic Projects/Initiatives For Each Move

Step 3

Convene Regular Strategic Project Updates

Step 4

Communicate Progress Regularly With All Stakeholders

Adjust Strategy & Operating Goals

Step 1: Determine Offensive, Defensive & Operating Efficiency Moves

Roaring Out of Recession - Harvard Business Review, March 2010

“Companies that master the delicate balance between cutting costs to survive today and investing to grow tomorrow do well after a recession.”

“Within this group, a subset that deploys a specific combination of defensive and offensive moves has the highest probability—37%—of breaking away from the pack.”

“[The best] companies reduce costs selectively by focusing more on operational efficiency than their rivals do, even as they invest relatively comprehensively in the future by spending on marketing, R&D, and new assets. Their multi-pronged strategy is the best antidote to a recession.”

- *Ranjay Gulati, Professor, Advanced Management Program, Harvard Business School*
- *Nitin Nohria, Dean, Harvard Business School*

Adjust Strategy & Operating Goals

Step 1: Determine Offensive, Defensive & Operating Efficiency Moves

Definition & Examples

- **Offensive Moves** – designed to drive revenue and market share
 - Build and release new product module designed to amplify expansion opportunities
 - Launch new digital marketing campaign technique to replace live event activities
 - Create new customer success bundle that helps existing customers find add'l value
- **Defensive Moves** – designed to protect downside loss and preserve cash
 - Consolidate office/facilities to reduce lease expense
 - Evaluate sale of an aged or obsolete asset to raise internal cash
 - Outsource a portion of G&A activities to low-cost partner
- **Operating Efficiency Move** – designed to make a key process area more efficient
 - Improve CAC\$ and CAC# by X% (or improve Magic Number from X to Y)
 - Improve Customer Time-to-Value from X days to Y days
 - Improve Quote-to-Cash time from X to Y (or Decrease DSO from X to Y)

Adjust Strategy & Operating Goals

Step 2: Name Leaders and Create Strategic Projects

Examples	Offense: Build & Release New Product Module	Defense: Consolidate Office/Facility Leases	Efficiency: Improve Customer Time-to-Value (TTV)
Leader			
Team Members			
Project Description & Duration			
Primary Constraint			
Top Priority Goals/Metrics			

Adjust Strategy & Operating Goals

Step 3: Convene Regular Strategic Project Updates + Pro Tips

	Description	Pro Tips
Meeting Format	Single strategic team meeting, divided into 3 sub-teams (one for each Move) with each providing updates	Use single team structure to create full view of Company progress and cross-sub-team synergies; CEO is a coach and participant
Cadence & Duration	Once per week & 90 minutes until well organized; move to monthly for regular updates	Appoint a non-CEO meeting champion to keep time; Publish agenda & sub-team updates in advance
Results Focus	Require each sub-team to author a dashboard with clear, measurable goals	Use peer review to critique and improve key objectives and resulting dashboards
Bench Strength	This strategic team structure and interaction allows high visibility into lower-level leaders	Require all sub-teams to be led by non-Exec Staff members (optional)

Adjust Strategy & Operating Goals

Step 4: Communicate

Tell Your Adjusted (Great) Story

- Remind investors why they chose to invest originally (and why they should invest more)
- Remind employees why they chose to join (and why they should remain energetic)
- Remind customers why they chose you (and why they should remain loyal)
- Tell the market that your Company is strong and will thrive (despite the crisis)

Beginning

Start With Updated Context & Background!

Describe Expected Market Changes

Summarize Latest Learnings

Middle

Explain Updated Most Likely Scenario

Describe Progress -> Most-Likely Scenario

Summarize Strategic Projects

End

Reveal Strategic Project Detail

Discuss Strategic Project Update Cadence/Format

Conclude with Call to Action!

Leading Through Crisis

Three Phases

Phase 1: Respond to the Crisis

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Phase 3: Anticipate the Rebound

Anticipate The Rebound

Five Steps

Step 1

Describe the Most Likely Future Market Environment (Market Vision)

Step 2

Describe the Company's Preferred Strategic Market Position (Company Strategy)

Step 3

Describe How the Company Will Reach The Preferred Strategic Market Position (Product & Go-to-Market Strategy)

Step 4

Describe & Align the Company's 12-month Priorities and Required Resources Across All Functions (Business Plan & Operating Plan)

Step 5

Communicate the Company's Vision, Strategy & Plan

Anticipate The Rebound

Vision-Strategy-Plan



company budget

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
NET INCOME	1,234,567	1,345,678	1,456,789	1,567,890	1,678,901	1,789,012	1,890,123	1,901,234
Revenue	2,345,678	2,456,789	2,567,890	2,678,901	2,789,012	2,890,123	2,901,234	3,012,345
Cost of Sales	1,111,111	1,111,111	1,111,111	1,111,111	1,111,111	1,111,111	1,111,111	1,111,111
Operating Expenses	1,234,567	1,345,678	1,456,789	1,567,890	1,678,901	1,789,012	1,890,123	1,901,234
Depreciation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Interest	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Income Tax	73,567	73,567	73,567	73,567	73,567	73,567	73,567	73,567
Other	76,567	76,567	76,567	76,567	76,567	76,567	76,567	76,567
Operating Income	1,234,567	1,345,678	1,456,789	1,567,890	1,678,901	1,789,012	1,890,123	1,901,234
Non-Operating Income	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0
Other Expenses	0	0	0	0	0	0	0	0
Income Before Tax	1,234,567	1,345,678	1,456,789	1,567,890	1,678,901	1,789,012	1,890,123	1,901,234
Income Tax	73,567	73,567	73,567	73,567	73,567	73,567	73,567	73,567
Net Income	1,161,000	1,272,111	1,383,222	1,494,333	1,605,444	1,716,555	1,827,666	1,938,777

Anticipate The Rebound

Step 1: Describe Market Vision

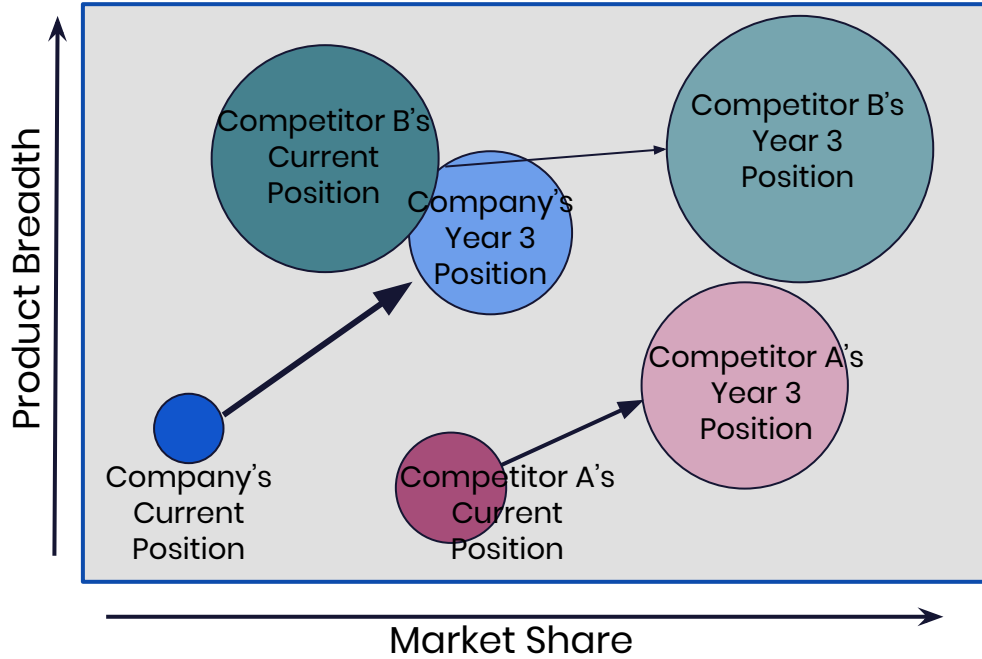
Categories of Change	2020	2021	2022	2023
Customers				
Partners				
Suppliers				
Competitors				
Technology				
Economic				
Socio/Cultural				
Gov't/Regulatory				

Pro Tips

- Market Vision is NOT about your Company and all about the environment in which you compete
- Look for things where the rate of change is changing
- Find the changes that will endure beyond the crisis
- For each cell, consider the specific changes likely to occur each year (#, \$, relative power)
- Ultimately, this Table of all Changes becomes a list of most important “Declarations About the Future Market”
- Output here drives discussion of Company Strategy & Position

Anticipate The Rebound

Step 2: Describe Company Strategy & Position



Pro Tips

- Describe the Company's Current & Desired 3-Year Market Position (relative to alternatives)
- Build 1-3 Strategic Group Maps to Illustrate and Explain this Position
- Use Market Attractiveness-Business Position Matrix Where Helpful
- To start, Create 3-Year Financial "Model" to Clarify Resource Constraints and High-Level Boundaries
- Output: Summarize Company Actions for each Market Vision declaration, including clarity on target markets, resource priorities, organizational structure, skills and processes to improve and constraints to overcome.

Anticipate The Rebound

Step 3: Describe Product & Go-to-Market Strategy



Pro Tips

- Create a Great Product Marketecture
- Involve senior Product & GtM teams; require cleverness and alignment
- Start with Ideal Customer & Buyer Persona(s); Be Clear on Buyer Journey
- Model Preferred Customer Consumption Pattern into Product Strategy and Feature Plans
- Use Diagram to Note Strategic Product Priorities and Choices: build, buy, partner
- Use Colors to Emphasize Current vs. Future-Phase Product Development
- Use Product Strategy to Influence Go-to-Market Strategy (& vice versa)

Anticipate The Rebound

Step 4: Describe Company's Business & Operating Plan

Business Plan Summary_FY 202X	Top Objectives	Major Projects	Resources	Dependencies & Risks
Engineering				
Product Mgmt				
Marketing				
Sales				
Operations				
Finance				
HR/Talent				
...				

Pro Tips

- Create 12-mos Financial Operating Plan, which clarifies resource levels for ea function
- Top Objectives should be measurable and cascadable
- Major Projects should align with Top Objectives
- Resources includes people, skills, outsourced/consulting talent, and more
- Dependencies should cite needed resources and projects in other functions
- Great Plans come from cross-functional alignment; teams should work together!

Anticipate The Rebound

Step 5: Communicate

Tell Your New Great Story (Your Vision, Strategy & Plan)!

- Remind investors why they chose to invest originally (and why they should invest more)
- Remind employees why they chose to join (and why they should remain energetic)
- Remind customers why they chose you (and why they should remain loyal)
- Tell the market that your Company is strong and will thrive (despite the crisis)

Beginning

Middle

End

Start With Market Vision; Set Context!

Explain Product & GtM Strategy “How”

Describe Annual Operating Plan

Declare Expected Market Changes

Use Marketecture Diagram & Key Decisions to Align on Company Position

Summarize Business Plan Highlights (emphasizing functional integration)

Describe Company Position & Strategy

Highlight Clever, Integrated Product & GtM Strategy Decisions & Plans

Conclude with tie back to Market Vision and provide call to action!

Leading Through Crisis

Three Phases - Conclusion

Phase 1: Respond to the Crisis

Phase 2: Adjust Strategy & Operating Goals

Phase 3: Anticipate the Rebound

The Man in the Arena

“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; . . . ” - Teddy Roosevelt

Appendix

Related But Random Ideas:

- If a CEO / Business anticipates little/no negative impact or even positive impact from the crisis, then utilize any relevant concepts or elements from Phases 1 and 2 and simply fast-forward to Phase 3 (which should always be appropriate).
- Build a centralized response team (strategy team) that creates unity and alignment at the same time it is devising the business' best crisis response and then (when ready) its' go-forward strategy. Ideally, this centralized team will work together through Phase 1, 2 and 3.
- If your business is negatively impacted by the crisis, the centralized response team should prioritize where every incremental dollar goes beyond your survival plan, then adjust as your confidence grows or declines.
- Align on what experiments you want to run and what big bets you are willing to take (as leading indicators suggest).
- Expect more from the Board, even involving members (where valuable and appropriate) at the right points in any of the three Phases. Minimally, use the summary output from each Phase as an opportunity to specifically communicate with the Board and with the goal of gaining their alignment and on-going commitment to the CEO and Company.
- Create a Great Story as a key output from each Phase and then use that story (or a derivative) to communicate with all relevant audiences.
- Adjust incentive compensation (at all levels) to align with new spending levels, execution plan and strategic priorities