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
Leading Through Crisis

Three Phases

Phase 1: Respond to the Crisis
Phase 2: Adjust Strategy & Operating Goals
Phase 3: Anticipate the Rebound
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

- **Depth and Length of Industry-Demand Disruption**
  - Less
  - More

- **Extent of Business-Model Disruption**
  - Less
  - More

- **Hardly anyone**
- **Shift your business model**
- **Sustain your business and restore operations**
- **Shape a new business**
- **Restructure your company and/or industry**

Source: McKinsey & Company
Respond to the Crisis
Step 1: Determine Depth & Duration of Crisis

PROTECT
- Furlough, voluntary leave, pay reduction
- Supplier concessions
- Near term efficiency measures

RESTRUCTURE
- Layoffs
- Divestiture
- Reorgs
- Capex cut

RIDE OUT THE STORM
- Variable cost savings
- Delay hiring, new spending, new raises
- Cancel events, low priority initiatives, travel

GET LEAN
- Near term efficiency measures
- Targeted layoffs
- Prioritizations

Source: Sequoia Capital, with thanks to Catchpoint
## Respond to the Crisis

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

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

<table>
<thead>
<tr>
<th>Triggers</th>
<th>Scenario A (better)</th>
<th>Most Likely Scenario</th>
<th>Scenario C (worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New MQLs</td>
<td>16,000</td>
<td>12,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Net New ARR</td>
<td>≥ $12M</td>
<td>≥ $0M</td>
<td>≥ −$5M</td>
</tr>
<tr>
<td>Cash Use</td>
<td>≤ $18M</td>
<td>≤ $19M</td>
<td>≤ $21M</td>
</tr>
<tr>
<td>Product Roadmap Goal</td>
<td>Ahead of Plan</td>
<td>On Plan</td>
<td>Behind Plan</td>
</tr>
</tbody>
</table>

**To Do:**
1. Agree on Triggers, 2. Set Monthly Goals for Each,
## 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)

<table>
<thead>
<tr>
<th><strong>Beginning</strong></th>
<th><strong>Middle</strong></th>
<th><strong>End</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Start With Context &amp; Background!</td>
<td>Outline New Plan Scenarios</td>
<td>Conclude Hopefully!</td>
</tr>
<tr>
<td>Describe Expected Market Changes</td>
<td>Explain Most-Likely Scenario</td>
<td>Explain Enduring Market Changes</td>
</tr>
<tr>
<td>Summarize Customer Data</td>
<td>Include Plan Detail for Credibility</td>
<td>Connect Company Strengths to the Future</td>
</tr>
</tbody>
</table>
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


“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**

<table>
<thead>
<tr>
<th>Examples</th>
<th><strong>Offense:</strong> Build &amp; Release New Product Module</th>
<th><strong>Defense:</strong> Consolidate Office/Facility Leases</th>
<th><strong>Efficiency:</strong> Improve Customer Time-to-Value (TTV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team Members</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Project Description &amp; Duration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Constraint</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Top Priority Goals/Metrics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Adjust Strategy & Operating Goals

### Step 3: Convene Regular Strategic Project Updates + Pro Tips

<table>
<thead>
<tr>
<th>Description</th>
<th>Pro Tips</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meeting Format</strong></td>
<td></td>
</tr>
<tr>
<td>Single strategic team meeting, divided into 3 sub-teams (one for each Move) with each providing updates</td>
<td>Use single team structure to create full view of Company progress and cross-sub-team synergies; CEO is a coach and participant</td>
</tr>
<tr>
<td><strong>Cadence &amp; Duration</strong></td>
<td></td>
</tr>
<tr>
<td>Once per week &amp; 90 minutes until well organized; move to monthly for regular updates</td>
<td>Appoint a non-CEO meeting champion to keep time; Publish agenda &amp; sub-team updates in advance</td>
</tr>
<tr>
<td><strong>Results Focus</strong></td>
<td></td>
</tr>
<tr>
<td>Require each sub-team to author a dashboard with clear, measurable goals</td>
<td>Use peer review to critique and improve key objectives and resulting dashboards</td>
</tr>
<tr>
<td><strong>Bench Strength</strong></td>
<td></td>
</tr>
<tr>
<td>This strategic team structure and interaction allows high visibility into lower-level leaders</td>
<td>Require all sub-teams to be led by non-Exec Staff members (optional)</td>
</tr>
</tbody>
</table>
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
Phase 2: Adjust Strategy & Operating Goals
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**

<table>
<thead>
<tr>
<th>Market Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Strategy</td>
</tr>
<tr>
<td>Product Strategy</td>
</tr>
<tr>
<td>Product Roadmap/Business Plans</td>
</tr>
</tbody>
</table>

Operating Budget

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# Anticipate The Rebound

## Step 1: Describe Market Vision

### 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”.

<table>
<thead>
<tr>
<th>Categories of Change</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td></td>
<td></td>
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<tr>
<td>Suppliers</td>
<td></td>
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<tr>
<td>Competitors</td>
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<tr>
<td>Technology</td>
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<tr>
<td>Economic</td>
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<tr>
<td>Socio/Cultural</td>
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<tr>
<td>Gov’t/Regulatory</td>
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</tbody>
</table>
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 (and vice versa)
### Anticipate The Rebound

**Step 4: Describe Company’s Business & Operating Plan**

<table>
<thead>
<tr>
<th>Business Plan Summary_FY 202X</th>
<th>Top Objectives</th>
<th>Major Projects</th>
<th>Resources</th>
<th>Dependencies &amp; Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Product Mgmt</td>
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<tr>
<td>Marketing</td>
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<td>Sales</td>
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<td>Operations</td>
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<td>Finance</td>
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<td>HR/Talent</td>
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<td>...</td>
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</tbody>
</table>

#### 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**
- Start With Market Vision; Set Context!
- Declare Expected Market Changes
- Describe Company Position & Strategy

**Middle**
- Explain Product & GtM Strategy “How”
- Use Marketecture Diagram & Key Decisions to Align on Company Position
- Highlight Clever, Integrated Product & GtM Strategy Decisions & Plans

**End**
- Describe Annual Operating Plan
- Summarize Business Plan Highlights (emphasizing functional integration)
- 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