

Recovery strategy

Cut with courage and create
a future perspective



INTRODUCTION

In the previous chapters, we have been discussing the correlation between business environments and strategy approaches and their impact on leadership and culture. What happens if everything falls apart? When the global economy collapses, as we witnessed during the financial crisis of 2008 and as we are witnessing during the current Corona crisis, it is difficult to look ahead. Nationwide lockdowns, companies going bankrupt, supply chains coming to a standstill. In our ninth article, we will describe a situation where two seemingly irreconcilable approaches can actually be seen together. In this article, we address the double challenge for management: how do I lead my company through an ultimate battle of survival and how do I prepare for my new place in the post-crisis era. In short: how do I increase the flexibility and resilience of my people and how can I react more adequately in the future to sudden change that instantly made my plans obsolete.

Recovery strategy: Contraction and Exploration

The key challenge of leaders in managing an organization through the transformation path is the opposing character of the two phases. First the phase of Contraction: the need of short-term orientation, efficiency, discipline and clarity of direction, and, second the phase of Exploration: the view on the long term, innovation, growth, flexible adaptation and empowerment.

The challenge for leadership is to resist the urge to focus solely on the first part, cutting costs and killing all initiatives for growth. The company needs to

survive, but when the economy starts to recover, which companies will have prepared themselves in time for future growth? Which companies are the ones that sit on the front row and profit the most from recovery, while the others are still trying to get up from the floor?

A Recovery strategy renews the vitality and competitive edge of a firm when it is operating in a harsh environment. For successful recovery, companies will go through various phases of transformation.

Phase 1: Contraction: economizing and maximizing performance

In this phase of Contraction, the focus will be on restoring the financial viability of the company and the creation of a plan for the journey back to growth. Painful cost cutting and other defensive measures in combination with strict planning are familiar approaches for staying afloat. Although these kinds of approaches are quick and obvious and deliver tangible results, they are not, by themselves, a recipe for long-term success. Economizing without the launch of a new strategy focused on innovation and growth, will not be enough for long-term success. The guiding principal for the first phase of transformation should be to maximize immediate performance, allocate all available resources for maximum result while simultaneously preserving long-term options for success.

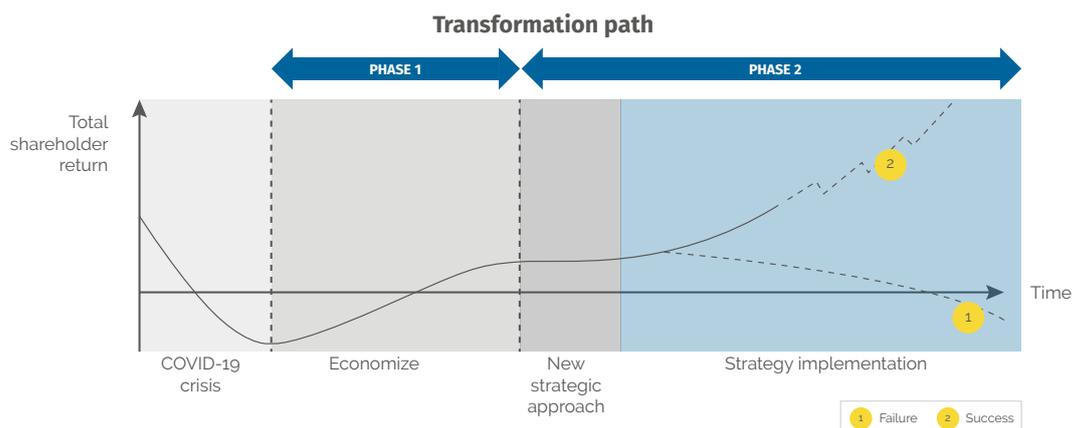
Phase 2: Exploration: developing a new strategic approach

The development of a new strategy during the Exploration phase will start with a key question: what will the new needs of our clients be and which consequences and opportunities does that offer us? For this approach, companies will need to develop a vision about the shift that will be triggered in their respective markets, due to the changing needs of clients. In order to spot emerging trends, a close follow up of market data can be helpful. Based on this vision about the shift in the market, many organizations will need to innovate strategically and often make multiple fundamental changes to their business model. The challenge for leadership in this stage will be to define the new perspective and persuasively communicate the new strategic approach, despite the fact that the company's main focus is still on short term survival.

High-stake game

Executing the new strategic approach is a high-stake game that demands dedication of everyone involved in the organization. The biggest challenge is to make the step from economizing to growth once again. During the first phase, the organization is internally focused, and its approach top down, in the second phase this approach has to have made a one-hundred-and-eighty-degree turn: the mindset needs to be externally focused and working in line with the new strategic approach. The scenario of failure with implementing the new strategy is represented in the transformation with line one and successful implementation with line two.

Leaders of organizations have the task to distinguish between temporary and more permanent changes in markets. One thing is certain, most markets will shrink as a result of the economies that turn into a depression. When the size of the markets will reduce, organizations will see the need for a transformation that will have a short-term impact (survival) and a long term impact (growth). In the following diagram, the transformation of an organization is depicted:



Strategic transformation

The success of a new strategic direction depends, besides on the ability to implement, mainly on the ability of an organization to tune into the (future) needs of clients. From previous experiences we have, while working with our clients, gathered four pieces of advice that contribute to success when an organization is going through a strategic transformation:

- Cut with courage and vision: Economize rigorously in the first round, because different rounds of cost cutting can be demoralizing and create a situation in which a platform for a new strategy will be destroyed;
- Make a deliberate break with traditional ways of working: If you remain to operate as usual, you will prevent the organization from moving towards a mindset of renewal;
- Create a future perspective: communicate what the future looks like and which strategic priorities will contribute to that;
- Empowerment of non-leadership-level: during the implementation of the new strategic direction this empowerment will create the base for learning, increase flexibility and absorb inevitable setbacks.

Interested in a further conversation?

If you recognize this situation are looking for support, we are able to support you and your organization with the following services:

- Definition new strategic priorities and development of your change communication plan to guide your through your strategic migration;
- Measurement of your organizational culture, by using the organizational and traits scan from OCAI and give your team insight how to manage the culture during the two phases of the transformational path,
- Reviewing the leadership styles from your team members and provide them with reflection opportunities on how these styles relate to the transformation ahead; and
- Coaching you and your team members through the transformational path.

Strategia Business Consulting and The Amsterdam Leadership Academy have a strong background in supporting companies where these types of questions arise. Interested to share ideas and receive our feedback? We will be happy to join you to have a good discussion about your Strategy & Leadership challenges.

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