

Status Quo

RISK MANAGEMENT PLAYBOOK

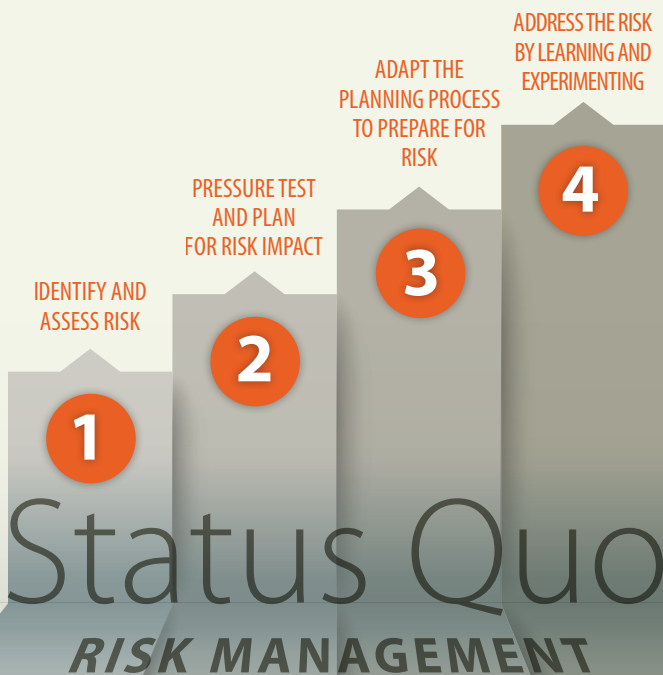
STATUS QUO RISK is the risk of external market shifts rendering historical strategies, business models and operations unable to grow, or even maintain revenues and profits. Organizations rarely fall into problems because they stop being good at their key success factors. Rather external markets shift, reducing the value of those key success factors. Doing more of the same will not improve results.

Long-range planning systems are designed to plan based on history more than future scenarios. They are not designed to identify trends or market issues as actual risks, similar to compliance, safety or legal risks.

High performance management teams excel at creating and operating the business model, but by definition are not positioned to challenge the business core or foundational success formula. As with other forms of risk, they are often too deeply involved in managing critical day-to-day activities to fully see and address future market shifts.

Implementing a Status Quo Risk Management Program with a third-party can help organizations avoid these pitfalls, prepare for the future and adapt to significant market shifts.

**IF YOU DON'T PREPARE FOR
YOUR FUTURE AND CHANGE THE GAME,
SOMEONE ELSE WILL DO IT FOR YOU.
WHERE WILL YOU BE WHEN
YOUR MARKET SHIFTS?**



1 ASSESS IDENTIFY AND ASSESS YOUR STATUS QUO RISK

- Identify current and future trends and market shifts affecting your business
- Pinpoint telltale signs of market shifts that may create opportunities or catastrophes
- Specify historical lock-ins or “sacred cows” subject to the greatest risk of revenue or profit failure

DID NEWSPAPERS EVER FULLY UNDERSTAND THE RISK OF ON-LINE CLASSIFIED OR KEYWORD ADVERTISING TO THEIR BUSINESS MODEL? TODAY THE BASTIONS OF NATIONAL JOURNALISM ARE REELING FROM THE BRINK OF BANKRUPTCY, OR HAVE BEEN RESCUED BY NON-NEWSPAPER OWNERS.

2

PRESSURE TEST

PRESSURE TEST YOUR PLANS FOR VULNERABILITY TO STATUS QUO RISK

- Identify future scenarios in which Status Quo Risk is magnified
- Identify speed with which scenarios are developing and isolate triggers for impact on business results
- Estimate future impact from “worst case” scenarios (revenue, profits, employee base, brand, supply chain, and other)
- Provide objective, external Status Quo Risk critique and pressure testing of the in-house team’s long range plan and assumptions

PRESSURE TEST PLANS TO THE BREAKING POINT SO YOU KNOW WHAT THE CONSEQUENCES WILL BE

All plans are based on assumptions about the future. Too often, those assumptions are for the future to closely reflect the past. External risks that may obsolete best practices are difficult to identify, assess or incorporate into long-range plans. Pressure testing plans to identify how, or when, there could be a large (even catastrophic) impact is counter to most management team dynamics.

STATUS QUO RISK IMPACTS ARE ALWAYS BIGGER AND FASTER THAN EXPECTED. THE RAPID DEVELOPMENT OF SMART PHONE APPS CAME FIVE YEARS FASTER THAN ANTICIPATED AND ELIMINATED PROFITS FOR HISTORICAL CATEGORY LEADERS.

3

ADAPT

ADAPT THE PLANNING PROCESS TO PREPARE FOR STATUS QUO RISK

- Make trend analysis and scenario planning a robust part of future plans
- Maintain a regular and sustained process to constantly identify new trends and new scenarios
- Implement a process to identify and track core and fringe competitors
- Implement a Board reporting process and discussion format for overviewing important trends and new scenarios, as well as monitoring Status Quo Risk triggers and anticipated impact on revenues, operations and profitability

Historical long-range planning processes must be modified to utilize trend analysis to use forward-looking scenario planning to drive expectations. Competitive analysis must evaluate not just the usual or biggest competitors, but equally important innovators in the shadows that will stun leaders and change the game.

UNSEEN TRENDS CAN TURN COMPETITORS INTO GAME-CHANGING MARKET DISRUPTERS. MP3 MUSIC PROVIDERS KILLED PROFITS IN CD-BASED MUSIC COMPANIES. FLAT-RATE MOBILE PLANS PUT LONG DISTANCE PHONE COMPANIES OUT OF BUSINESS.

4

ADDRESS

ADDRESS THE RISK BY LEARNING AND EXPERIMENTING

- Implement teams focused on staying ahead of or addressing Status Quo Risk factors
- By participating rather than spectating, access primary market information on market shifts
- Feedback primary market information on trends and future scenarios to the planning process
- Report on primary market information related to shifts to the Board for discussion
- Give teams the room and resources to learn and experiment with new business models
- Continue and sustain the process

PARTICIPATE, DON'T SPECTATE, SO THAT YOU HAVE DIRECT PERSPECTIVE AND PRIMARY INSIGHT TO MARKET SHIFTS. THIS LINE OF SIGHT GIVES YOU THE ABILITY TO SEE AND DRAMATICALLY REDUCE STATUS QUO RISK. VIRGIN HAS CREATED MORE THAN 40 SUCCESSFUL BUSINESSES IN TWO-DECADES WITH A LOW RISK PROCESS OF RAPID EXPERIMENTATION.

FOR A STATUS QUO RISK ASSESSMENT, OR TO PUT IN PLACE A STATUS QUO RISK MANAGEMENT PROGRAM, CONTACT ADAM HARTUNG AT ADAM@SPARKPARTNERS.COM OR 847-726-8465.