Planning a Strategic Pivot

September 15, 2020 7 min read

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“It’s not going away, and we have to face that reality.” That’s what the CEO and founder of a high-tech manufacturing startup with 180 employees told his leadership team in early July to convince them they needed a strategic pivot to address COVID-19.

Previously, the startup’s executives took things one step at a time, putting out the various COVID-related fires that flared up: supply chain disruptions, canceled orders, employees having difficulties with work-from-home setups or needing flex-time to manage kids or elderly relatives.

Seeing more of the broad picture, the CEO realized the company was going in the wrong direction. One of the board members recommended my recently-published book on strategic pivoting to adapt to COVID and plan for the post-pandemic recovery.

After a quick read, the CEO convinced the other leadership team that the company needed to do a strategic pivot to address COVID. He had his executive assistant contact me and arrange for a facilitated strategic retreat dedicated to addressing the pandemic, which became my sixth of nine such engagements thus far. This article summarizes my experiences helping a range of companies – five startups, three established middle-markets and a business unit of a Fortune 300 company – pivot for our new abnormal reality.

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Forward

Challenging business model assumptions

Invariably, the first step is reassessing assumptions about the organization’s business model. That means initial brief meetings with the leadership team where we discuss the kind of fires they are facing.

For example, the manufacturing startup faced a new challenge in selling its high-tech products. Known for its superior quality, the products were flying off the shelf previously; the company actually had trouble keeping up with demand.

Now, the startup’s salespeople reported that the decision-making process changed. Accounting put much more pressure on operations managers to prove that the quality of the products brought sufficient ROI. Couldn’t they get by with lower-cost options?

While the startup invested in innovation to ensure the quality of its high-tech products, it didn’t have a clear measurement of ROI for the innovation. After all, operations people focused on quality, not ROI. As a result, some of its customers, with apologies, chose to buy lower-cost alternatives.

Other companies faced a range of similar problems, in sales and other areas. Often, the news came as a surprise to other members of the leadership team, even the CEO; all were busy fighting fires in their own areas.

Gathering internal information

With more awareness of the business model assumptions challenged by the pandemic, the next step involves gathering

internal information for a revised strategy and business model.

Those who lead a department and are present at the strategic retreat gather feedback from their direct reports on how to revise each department's goals, structure and relationship to customers (external or internal) in light of the challenged assumptions in either of three scenarios.

- In the first scenario, a vaccine with over 90 percent effectiveness would be found by spring 2021, and the pandemic mostly over by spring 2022
- In the second, this vaccine would be discovered by spring 2022, and the pandemic mostly over by spring 2023
- In the third, we would never find a vaccine more effective than 50 percent, just like we haven't found a vaccine more effective than that for the flu

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Strategy day

Up next is the strategic retreat. It should be a two-day event, with one day for broad strategic planning and another for operationalizing the strategy.

The high-tech manufacturing startup's team struggled extensively with accepting the reality of changing marketplace demands. Its operations team established a sense of identity and team spirit around innovation as a core value. Its marketing and sales made innovation a fundamental element of their pitches. They kept veering away from the reality that they needed to shift from innovation to ROI measurement.

The CEO and I kept steering them back. I had to use the full range of my facilitation skills to keep the conversation on the right track, an especially challenging task since it was a virtual retreat.

The leadership team of a late-stage SaaS startup with more than 500 employees was surprised that the large majority of their direct reports shared feelings of work-from-home burnout and “Zoom fatigue.” In this area, as an expert in emotional and social intelligence, I could provide substantial support.

It’s key to realize that those issues stemmed not simply from burnout. It goes much deeper.

- Pandemic-related mental health challenges such as anxiety/depression/trauma/grief
- COVID-related pragmatic challenges, such as kids staying home
- Social isolation from friends, family, and community events, as well as our previous outside hobbies and entertainment
- Poor work-from-home environments with inadequate home office setups
- Lack of skills in effective virtual communication and collaboration
- Being deprived of the fulfillment of those basic human needs — sense of connection, tribe, meaning and purpose — that we naturally get from work

To address this requires not only financial support for home office setups or flex time to address pragmatic pandemic challenges; it also requires professional development in effective virtual communication and teamwork. Moreover, it requires professional development in emotional and social intelligence, to enable employees to recognize and address the emotional and social gaps left by the pandemic.

Operations day

The next day should be focused on operationalizing the strategic changes in the business model. You need to address potential threats and opportunities in a variety of future scenarios and revise the previous day’s strategy if needed.

These scenarios need to include at least the three different COVID futures described above and several different potential economic recovery scenarios (K, U, W, V, L).

An enterprise data analytics startup with over 120 staff recognized an unexpected opportunity. It had long been trying to get some lucrative client accounts held by several competitors. The startup's CEO knew that most of the competitors' leaders had a dismissive attitude toward COVID.

The startup decided to adjust its marketing and sales to demonstrate the steps it was taking to pandemic-proof. Salespeople called on the competitors' client accounts and told them about these steps and offered to provide support if the pandemic lasted longer than the most optimistic predictions and the competitors couldn't uphold their previous high standards.

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Next steps and follow-up

At the conclusion of the operations day, determine specific next steps for each new initiative that you discussed. Decide on approximate resources required and metrics of success. Choose one member of the leadership team accountable for implementing the initiative, with others potentially involved in the effort. Finally, prepare a report for the board of directors on the retreat, highlighting how the strategic pivot will help the company adapt to various scenarios of COVID and the economic recovery.

Follow up on all the next steps in the weekly leadership team meeting or whatever other leadership team forum your company already uses. Then, in a month, have a half-day event where you assess the strategy shift and make any corrections to strategy and/or implementation as needed. Do the same in three

months.

While nothing can guarantee success, I can guarantee that taking these steps will maximize your chances of not only surviving but thriving in these troubled times.

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