

May 19, 2020

Prescriptions for a Good Plan

Thank you for those of you who shared their positive feedback on our Prescriptions for Managing through Turbulent Times. In this note we continue to provide our thoughts as the Covid drama evolves in order to offer our perspectives to colleagues. These comments will be briefer, but we hope no less poignant.

We mentioned in our last letter that the first steps were critical:

- Take care of your family (and self)
- Take care of your team members
- Develop a plan for this radically changed environment.

Over the last two months the panic that was prevalent in mid-March has receded somewhat (as can be seen by reopening in certain jurisdictions). To some degree as some may feel the immediate risks to their own life and livelihood are reduced their confidence increases. Just as making decisions in panic is unwise, the recession of panic may also lead to some overconfidence.

The need to structure a plan which you are now implementing remains paramount.

The reality is the risks are still with all of us and no one knows the future. Without proper data and widespread uniform testing the risks are unknown and unobserved. While the range of possibilities medically may have narrowed, financially they remain quite uncertain for different sectors. For example, some stay at home sectors are positively booming while others in consumer oriented industries are in deep distress.

A proper plan is critical in assisting an organization to react as conditions evolve through the range of possibilities. It should be noted that the future path for your organization can markedly change direction. A plan should see through the firm's sustainability throughout those changes.

To the at end we offer KalNes Prescriptions for a Good Plan:

1. The foundation of a new plan is a proper **management mindset**. Management must recognize and differentiate, with a sense of humility, what it does not and can not know. Where do you need to gather more information and by when? Information directly creates option value to a firm. Management must also recognize that planning for a range of unpleasant but realistic outcomes is not a signal of weakness or failure but prepares one to be in a position of strength.
2. A plan will **utilize the firm's key levers in its success**. Identify the most valuable people, customers, product / service lines, suppliers and stakeholders and the key competitive edges in its future. The firm will develop tactics to align the interests and outcomes of those levers with its future. A lack of resources available now but a potential future scarcity needs to be considered in the possible escalation of the crisis.

3. Your plan will consider the **range of possibilities for those levers based on possible scenarios**. That range of possibilities should include the worst case scenarios. But they should also consider the possibility of unknown outcomes in a chaotic environment (consolidation in an industry) developing favourably for a firm's position. A number of scenarios should be developed. A clear mapping which generates a list of the required resources particular to your firm in each scenario is a must. Where scenarios are catastrophic, the key factors preventing those outcomes should be identified.
4. **Achievable and measurable goals** should be outlined for each scenario (sustaining cash balances, maintaining market position, developing dominance in certain areas will be unique to your circumstances). Common themes across those goals should be teased out to develop a baseline objective that suits most scenarios. This is the objective that will suit communications. As we mentioned in our first letter communication with stakeholders is key. Stating a clear and consistent message, aligning the firm's strategy to its goals under a variety of potential scenarios will engender the confidence required in management.

At a minimum scenarios in the covid world should include:

- A) a slow easing into normal conditions over 6-18 mos
- B) an easing but then a series of periodic shutdowns whose unpredictability create challenges to resource commitment
- C) the potential for a much more damaging future wave (whether it is second, third or fourth or so on)

Weak or ill-defined or stale strategies will be more exposed to failure in these times. A new strategy that recognizes what a post covid world looks like is imperative. The business planning activities above should only serve to enhance the strategic rethink required and that effort would not be wasted. Furthermore, this planning does not end until effective treatments and a semblance of society having managed to a new equilibrium has evolved.

It goes without saying that this level of thinking is significant of work. Of course, passionate leaders are thinking about their circumstances constantly. This framework gives them a constructive way to channel those thoughts into a cohesive plan for surviving potential 2-8 quarters of extremely difficult business challenges.

The desired outcome is that the firm will successfully survive and then prosper in any scenario

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