

## Preparing for the Recovery

**Kenneth A. Sawka**

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It might be hard to imagine now, but a recovery will follow the recession in which our economy has been mired for the past 18 months. And, just like the onset and the severity of the recession caught many business leaders by surprise, so too will the extent, nature, and pace of the recovery. Is your business prepared?

It is impossible to predict the future, and any business that sets its strategy on a single vision of future market conditions knows one thing: that strategy will not withstand the uncertainty inherent in the future, because the hoped-for conditions will not materialize in the ways your company wants them to. Trying to predict precisely when the economic recovery will begin, how resilient it will be, and how competitors, customers, and other players will behave when it starts is foolish. A scenario planning mindset to the recovery will most likely better position your company to benefit when it occurs.

Scenario-based strategic planning is a tool that enables organizations to create strategies by considering multiple plausible future environments in which the organization could be forced to participate. It operates under the premise that the future is unknowable and unpredictable, and setting strategy for a single-point vision of a “desired” future is risky. Doing so locks a company into pursuing a set of goals and objectives that may be out of sync with future conditions, and hampers a company’s ability to adjust to future market realities.

Fundamental questions surround the nature of the economic recovery, and multiple answers exist to each of them, underscoring the need for strategic resiliency and flexibility that a scenario-based approach can provide. For instance:

- Will consumer attitudes toward thrift remain post-recession, or will consumers revert to the mass consumption lifestyles that characterized the 15 years before the recession?
- Will long-term investment strategies become more risk averse, or will investors assume the recession is a “once-in-a-lifetime” occurrence and quickly revert back to high-risk, high-reward strategies?

- Will business trends that were in vogue before the recession, such as environmental sustainability and corporate social responsibility, return, or will companies shy away from activities that they perceive as superfluous to their core business?

More broadly, how will your business even know when the recovery is in full force? The severity of the recession has led some economists to believe that the recovery, by necessity, will be long and slow, and that there will be several head-fake economic improvements that will not, in fact, represent an honest recovery. The prospects of a “W” shaped recovery could be very real; have you considered the implications of a second downturn to your business strategy?

Our scenario planning work at Outward Insights has recently confronted these and other questions, and has helped our clients prepare for a range of circumstances. For instance, a financial services industry client has explored the conditions that would suggest a consumer and investment “return to normal” -- with pre-recession mindsets toward risk, consumption, and spending returning -- alongside scenarios that build a case for a lasting thrift mentality long after the recovery is in full swing. By strategizing for both circumstances, the firm is discovering strategies resilient under both sets of conditions -- suggesting that they will work almost no matter how the future unfolds -- while also preparing contingency plans to be deployed once there is greater clarity as to actual future industry and economic developments.

Don’t be caught unprepared by the economic recovery. Employing scenario planning to set a post-recovery strategy now can make your company more well equipped to thrive when the economy improves.

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