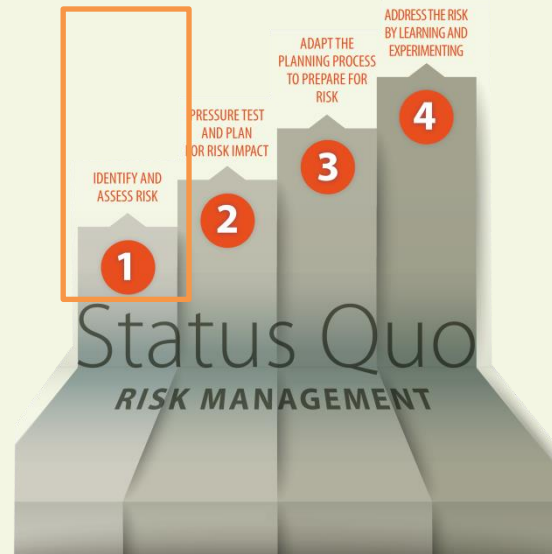


Status Quo

RISK MANAGEMENT PLAYBOOK



1 IDENTIFY AND ASSESS YOUR STATUS QUO RISK

- Identify current and future trends and market shifts
- Pinpoint telltale signs of market shifts that may create opportunities or catastrophies
- Specify historical lock-ins or "sacred cows" subject to the greatest risk of revenue or profit failure

For most companies, the least understood step of the Status Quo Risk Management playbook is the first step: "Identify and Assess Risk." Typical companies react to new market information only after it becomes obvious, and that information is poised to impact sales or costs (almost always negatively.) A distinguishing characteristic of more nimble companies is their ability to identify potentially impactful trends early.

Paying attention to marketplace trends allows a company to improve both offense and defense. An existing product line can be positioned vis-a-vis the opportunity or threat created by a trend, while new products or services can be developed to take full advantage of the new trend.

Utilizing trends in planning requires a formal process to accumulate trend information and include it in marketing, operational and financial plans. The objective is a consistent, cross-functional discussion at senior levels, focusing the organization's efforts to better serve evolving customer needs and ensuring continued profitability.

Don't try addressing trends as a background task, as that assures substandard implementation. Rather, be upfront about utilizing a formal intelligence network to receive, assess and synthesize disparate data. Twice every year, or even quarterly, this trend information should be presented and discussed to guide project decisions and resource allocation.

Identify and Assess Risks

1. Playing Field
2. Team Effort
3. Present and Discuss
4. Monitor
5. Train

TAXI COMPANIES BUILT EVER TALLER BARRIERS TO ENTRY TO PROTECT REVENUE. BUT THEY FAILED TO SEE THE POWER OF MOBILE TECHNOLOGIES THAT WENT AROUND THE BARRIERS DIRECTLY TO THE CONSUMER. THOSE BARRIERS NOW LIMIT THE FLEXIBILITY OF TAXI COMPANIES TO ADAPT AND THEY ARE FIGHTING FOR SURVIVAL.

Identify and Assess Status Quo Risk

“DON'T PLAN FOR WHAT YOU KNOW, PLAN FOR WHAT YOU DON'T KNOW”

-Create Marketplace Disruption

RISK MANAGEMENT PLAYBOOK

1. Playing field

Start by identifying the areas where trends will have the most impact. Areas already feeling the effects of a market change would have the highest priority. Other business units may prioritize individual products, product lines, specific customer segments or technologies that require monitoring.

2. Team Effort

Each trend to be monitored should be assigned to one person or small group. Once trends are identified, individuals with specific expertise must be chosen to capture and analyze market information.

3. Present and Discuss

Create a consistent format for presenting trend data, to help digest it and synthesize it into traditional planning and historical approaches using historical data sources. Open dialog is important for leadership to assess the opportunities and threats based on input from those gathering the information and offering different viewpoints based on trends.

4. Monitor

Incorporate a broad range of trends into business decisions and focus monitoring activity on near term/high impact trends.

5. Train

Individuals responsible for gathering and processing trend information will often require additional training to help recognize trends and gauge their impact on the business. You must go beyond simple brainstorming in order to overcome historical lock-ins. Use a risk assessment matrix and outlier designation analysis to consider options not previously discussed.

It is important to remember that trend analysis has rarely been a part of formal strategy, operations or financial planning processes. These are steeped in using historical data, almost wholly internal, comparing one time period to another without incorporating external data on competitors, changes in technology, distribution shifts or customer/market shifts. Thus it takes a concerted effort, formalized, in order to improve planning using trends.

Often it is very valuable to have a guide as any company starts this process. Trend gathering and analysis is a skill any organization can develop, and this can happen faster and more efficiently by utilizing people who have “been there, done that” often many times before. Coaches can help with the tasks of defining trends, identifying data sources, accumulating data, recognizing impacts and adding to tools like those mentioned above.

We all like to find a target and take our shots. But in a dynamic world, targets are always moving. The status quo is always changing. If we don't understand the changes, and recognize where things will be in the future, planning efforts can lose value because the assumptions are no longer valid.

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.