



Achieving radical and sustainable improvement in top line performance

***Holy Guacamole!
We Never Thought This Could Happen!***



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"A business without a contingency plan is
like a skydiver with only one parachute!"
.....KappaEast



The Situation

Yup, these are the famous last words when the following happens:

"We just lost our biggest customer unexpectedly to a competitor."

"Our key supplier of critical parts has declared bankruptcy."

"Our core design team just resigned in mass."

"We have been sued for patent infringement and the court has issued a temporary restraining order on all future sales."

"The government has declared that our class of product or service is harmful to your health."

"Two of the market leaders have simultaneously announced deep priced cuts."

"Our Board of Directors has issued a directive to institute a 10% staff cut."

"One of our 'C levels' has been arrested and it is in all of the news media outlets."



The Challenge

Does your business have a contingency plan? A contingency is an unexpected event or situation that affects the market share, financial health or image of a company. It is usually a negative event but can also be an unexpected positive event such as closing a mega deal ("Good news, we won the mega deal." "Bad news, we won the mega deal and we can't deliver.") Anything that unexpectedly disrupts a company's strategic plan and expected operations can inflict severe harm. That is why smart companies create contingency plans for possible situations such as the ones outlined above. The idea is to enable management to be in a position with a pre-researched and proactive plan to immediately take/regain control of the situation. While the most common types of mishaps are outages that are caused by natural disasters (fire, water, power failures, explosions, earthquakes, bad weather), the ones that we are addressing in this bulletin are those of a crisis management, asset security, mismanagement and reorganization class.

Contingency planning is based upon scenario development and allows executives to explore and prepare for several alternative futures. Scenario development and contingency planning avoids the dangers of simplistic, one dimensional or linear thinking. It does this by asking the "what if" question, enabling the planning team to challenge their assumptions in a non threatening, hypothetical environment (not under pressure) to decide on a course(s) of action. A "role playing" mindset allows management to test these backup strategies (also known as Plan B) to equip the company to handle the unexpected.

Next Steps

There are several key steps in building a contingency plan.

1. Start by setting up a Contingency Planning Committee with a committee leader.
2. Choose a time frame to explore.

3. Create varied yet plausible scenarios.
4. Identify current assumptions and thought processes and examine the "What ifs" and negative impact these assumptions can have.
5. List what you plan to do and develop action plans for the most desirable outcomes.
6. Document the plan and communicate it. A thorough review will help find things that were missed the first time.
7. Test the contingency plan through role playing and event simulation.
8. Be sure to review the plan from time to time. Never assume everyone knows what to do.



Benefits

When company's develop contingency plans they:

- Develop greater insights into their business
- Safely raise and challenge widely held beliefs and assumptions
- Can identify key weaknesses that can be fixed before the fact
- Increase buy-in to the staying power to the company's strategic plan
- Develop a clearer view of the future

For additional information about contingency planning, please contact KappaEast at kappainfo@kappaeast.com

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