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Strategic agility in a time of crisis

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Jérôme Couturier
ESCP Business School

Davide Sola
ESCP Business School

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Jérôme Couturier
ESCP Business School

Davide Sola
ESCP Business School

Abstract

This impact paper focusses on *Strategic Agility* in a fast-changing world, turning crisis into opportunity. We are currently seeing many companies focussing on surviving the impact of Covid-19 in the short-term. But a few organisations have already shifted their focus to the post-Covid world, thinking flexibly and preparing for very different, disruptive ways of doing business. These few are likely to be the success stories of the post-Covid era, thanks to their agility in the way they think and act strategically.

Keywords: Strategic agility, Disruption, Disciplined experimentation, Affordance

Strategic agility in a time of crisis

In the past 10 years, the issue of strategic agility has been climbing to the top of the CEO's agenda. This is not only because of an acceleration in the process of globalisation, but also in anticipation of future black swan events. Covid-19 has sharply underlined the importance of this topic. Many executives are stressing the importance of being strategically agile in a context of disrupted markets which will undoubtedly produce a great many losers and a few big winners, with the latter being the companies who have anticipated the challenges and opportunities more effectively. In "normal" times, it tends to be hard to change positions and market share is conquered gradually in reward for consistent effort. Times of crisis are different, offering real opportunities for those organisations that are prepared to adapt their strategy swiftly, disrupt their own business model, and execute with speed.

The Covid-19 context and its strategic opportunities

For some time, the media have been fixated on trying to figure out exactly when the crisis will be over, lockdown relaxed and normality resumed. But we are coming to realise that there will be no "back to normal". Experts from the economic, business, medical and political arenas are touting a variety of scenarios, all of which highlight the fact that a "New Normal" will emerge with no return to the pre-Covid era. Not surprisingly, long-term predictions differ widely, as they depend on assumptions about factors that are currently unknown, such as the way the virus may mutate and spread, and the nature and effectiveness of interventions by health systems and governments. We are moving into uncharted territory, as policy makers respond to the threat of imminent recession. Since the impact of Covid-19 is likely to be with us for a long time, it is wise to accept that the new normal, or at least its first stage, starts now. This new normal is predicted to be different from our recent past. This means that opportunities will arise for those who can anticipate this new future. We are facing what American philosopher Thomas S. Kuhn called a "change of paradigm" (or for Gaston Bachelard a "*rupture épistémologique*"), when the past and its underpinning assumptions must be abandoned, in order to embrace a future of opportunities and discoveries. But these new opportunities will be unevenly distributed as consumer behaviour shifts as a result of the crisis, and only those who can figure out today what disruptive moves their organisation must take will have a chance to lead their industry into a post-Covid tomorrow. This is where thinking strategically with an agile mindset becomes imperative.

What it takes to be strategic agile

A review of the literature shows that strategic agility for organisations refers to the continuous adjustment and readjustment of strategic direction, with a view to developing innovative ways to create value (Weber & Tarba, 2014). This is achieved by bringing together dynamic capabilities, such as strategic sensitivity, resource fluidity and collective commitment (Doz & Kosonen, 2010), in a way that retains flexibility without losing efficiency (Junín, Sarala, Tarba, & Weber, 2015).

Becoming strategically agile through being "both stable (resilient, reliable, and efficient) and dynamic (fast, nimble, and adaptive)" (Aghina, De Smet, & Weerda, 2015) is essential for multinational enterprises with global value chain exposure to not only survive the

unprecedented market changes induced by Covid-19, but to identify and create new value. Leading scholars such as Nassim Nicholas Taleb see the current crisis, which is often referred to as a Black Swan event due to its unpredictability and wide-reaching repercussions, as an unparalleled opportunity for companies to become resilient. The disorder, volatility, and uncertainty they are confronted with on a daily basis can act as a catalyst for change and create what has been called an antifragile mindset. Taleb suggests that antifragility goes beyond robustness and is a mindset that thrives on randomness and uncertainty and is not afraid to make mistakes. To turn adversity into advantage, companies must be ready to embrace the turmoil and instil a love of experimentation and problem solving into their DNA. No company can control Covid-19, but strategically agile ones will find novel but fruitful avenues for their business in the midst of the crisis.

Agility in strategic thinking can only start when we are ready to give up some of our preconceived ideas, and even some of the commonly accepted benchmarks or best practices in the industry. It means understanding what the core challenges are, what new opportunities are emerging and what is possible in this new environment. It is about making new assumptions about what customers want, about their future behaviours, and about your new business model. Those assumptions cannot be tested through classical market research. Asking the market what it may want in a world that does not yet exist is largely futile. The only useful test is courageous trial and error. This demands disciplined experimentation, a readiness to make mistakes, learning lessons quickly, and pivoting or changing your assumptions repeatedly until successful. All of this has to be done with almost scientific rigour in order to test out the new assumptions that will lead to a paradigm shift. Doing so gets companies to understand what they can “afford”, that is where the strategic affordances are located in a new world of many possibilities. As psychologist James Gibson who coined the concept of Affordance puts it, “perceiving, acting and knowing” are key activities to better seize the unfolding new world.

Strategic Agility in Action

History teaches us that every major global shock creates winners as well as losers. The rapidly-altered business landscape and the changed terms of competition benefit those who adapt swiftly and risk bold moves. For example, the SARS outbreak of 2003 and its repercussions cleared the board and opened the way for the rise of e-commerce giants such as Alibaba and JD.com. Apple, whose CEO Tim Cook famously said "we believe in investing during downturns" represents another example of a company which adapted drastically and built resilience during Black Swan events such as the dot-com crash and 9/11.

Covid-19 is likely to follow the pattern of past crisis in that it will produce some winners; those companies who are able to be strategically agile. Recently, we have observed three types of strategically agile moves:

1. Identifying opportunities leading to new blue ocean markets.
2. Scaling existing products or services to the new normal.
3. Accelerating digital transformation, upgrading it from a change management challenge to a vital necessity.

Let's illustrate with some examples:

1) Identifying opportunities leading to new blue ocean markets:

There are a number of companies finding opportunities in adversity. A frontrunner in adopting blue ocean strategy during Covid-19 is **UVD Robots**, a Danish robotics manufacturer. In 2018, UVD Robots launched a self-driving disinfection robot for hospitals. But they did not stop there. Spotting the emerging need for disinfection in supermarkets and malls, UVD Robots has recently entered this new, uncontested market space. They are currently manufacturing and selling disinfection robots to sterilize stores in Thailand and planning to expand internationally.

Another potential blue ocean is the one identified by **Astound Group**, a global design & fabrication company that specializes in the delivery of state-of-the-art events, retail environments and exhibits, which found its business highly disrupted by Covid-19. They had to pivot their strategy to focus more on the opportunities that emerged during this crisis. These included the urgent need for temporary hospitals using tents or existing structures, as well as supplying containment kiosks and assessment centres. In addition, they are also providing government agencies and other organisations with containment solutions and safety barriers – an unoccupied market that only recently came into existence but which is likely to expand rapidly.

Finally, the fact that people were not able to visit friends and family in person due to lockdown restrictions resulted in skyrocketing demand for video chat apps. One of these apps is **Houseparty**, which has seen 50 million sign-ups just in the month of March (2020). The company was recently acquired by Fortnite maker Epic Games and has managed to combine video chat with their gaming expertise to offer multiplayer games during video calls. Houseparty is focussing on a freemium strategy as the app and most games are free to play, but are charging for add-on features and for some of the premium games.

2) Scaling existing products or services to the new normal:

Several companies have emerged to take full advantage of the opportunities offered by the new normal, such as the need for body temperature scanning and social distancing.

Vodafone, the telecommunications giant, is focussing on leveraging and adapting existing technologies to develop solutions (in collaboration with its partners) to support its corporate clients in dealing with the pandemic in Italy. In particular, Vodafone Business has been successful in launching thermo-scanners (devices to be placed at the entrance of offices and shops capable of quickly detecting the body temperature of employees or visitors) and social-distancing bracelets (devices capable of interacting with one another to warn when the distance between two employees or visitors goes below two meters), which are now becoming standard across the country.

Lavender Hill Clothing, a British sustainable fashion brand, realised before most others that there would be a demand for face masks that not only would protect the wearer from viruses but would also be of high quality and a fashion statement – a market segment that did not exist before. Their founder redirected their manufacturers to produce the fashionable, triple-layered cotton face masks that are now available online from their website.

Another example is **Dyson**, the British technology company that has pioneered vacuum cleaners and fans, which exploited existing expertise to manufacture ventilators that are portable, efficient and do not require a fixed air supply.

3) Accelerating digital transformation, upgrading it from a change management challenge to a vital necessity.

Covid-19 was the reason for accelerating the digital transformation in numerous companies.

The Italian company Treccani, a leader in sales of encyclopaedias and precious books with annual turnover of €80 million, entered the school and education industry in 2017, setting up a subscription-based online platform (Treccani Scuola) aimed at middle and high schools. The emerging Covid-19 crisis forced it to accelerate its digital transformation process. Leveraging its digital assets, it moved its school online platform to a freemium-based model, resulting in impressive growth in active users within a few weeks, from 20,000 in 2019 to more than 200,000 currently, operating with a totally renewed business model.

MSD, a leading global animal health business, has partnered with LinkyVet in France, a high-tech company in telemedicine, to offer remote consultation options to veterinary practices across France. In a lockdown situation where pet owners cannot visit their vets, LinkyVet's platform allows a consultation with a certified veterinarian via video call. This has been a catalyst for the digital transformation of numerous veterinary practices in France, allowing them to maintain relations and create connections while social distancing. It also provided MSD with a strategic opportunity to serve their vet clients better, while accelerating the transformation of their digital services.

Conclusion

These turbulent times, possibly the most disruptive since WW2, will inevitably lead to a polarisation in the fortunes of many industries, with the majority coming out seriously weakened, if not bankrupt, but a few emerging much stronger. These will be the ones who have adapted the fastest though being agile in their strategic thinking, based on a culture of disciplined experimentation, readiness to make mistakes (but learning from them fast!), thinking big, starting small and acting swiftly.

We do not have a monopoly on prediction. We offer these insights whilst acknowledging the risks of drawing lessons from a crisis still in progress. Nevertheless, it is a safe bet that those companies that are able to think strategically and employ an agile mindset are better placed than others to survive and even do well in turbulent times.

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