

# How innovations in strategy have picked up with COVID-19

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## Abstract

**Purpose** – The purpose of this article is to explore how corporate strategies have been impacted by the COVID-19 pandemic.

**Design/methodology/approach** – A wide array of literature has been surveyed. Also, several senior executives have been interviewed. And two senior management counterparts have provided inputs. The approach taken is thus exploratory and pre-paradigmatic. This sets the stage for potential empirical investigations.

**Findings** – There seems to be a clear shift towards more web-based inputs regarding the way corporations are executing their strategies. Surprisingly shorter-term strategy implementation seems to be rather effective. More fundamental shifts in strategies, however, seem to depend a lot on executives' abilities to travel, and this have been severely curtailed.

**Research limitations/implications** – The propositions that are stated in the paper have not been tested empirically. This sets clear limitations regarding generalizability.

**Practical implications** – It seems important to strengthen firms' capabilities regarding distance-driven strategic execution, as well as strengthened cash flow management.

**Social implications** – There seems to be a clear shift towards more nationalization, and a slowing-down of globalization.

**Originality/value** – While many of the findings might be seen as rather self-evident, there is nevertheless originality in the way that COVID-19's impact on firms' strategies has been analysed.

**Keywords** The pandemic, Virtual strategies, Behavioural changes

**Paper type** Research paper

## Introduction

As we know, the advent of the COVID-19 pandemic has brought with it several new ways for many corporations to pursue their strategies, most of them based on making more effective use of digitalization. Novel sources of data are becoming available, opening up more and better ways for firms to understand their customers. Firms are thus being nudged to “listen” to these new “voices” from their customers, at least those organizations who are hoping for continuing success and service, to be willing to experiment with their strategic approaches, to implement changes with more speed and indeed to have more flexible mindsets [1].

Full attention to the spread of this pandemic is not only given by individuals and companies but also by national authorities, such as the UN and WHO, who therefore are also exploring, trying and implementing new strategies. The UN, for instance, has recently come out with a report which stresses that speedy response is key, requiring strong leadership, open-mindedness, as well as learning from past experience. Not to consider one's own entity (individual, firm, country) as unique, thus thinking that aloofness to the problem is acceptable, seems to be critical too (Zakharia, 2020). The WHO, as well as various national authorities are recommending extensive programs for vaccination, testing



and contact tracing. Its worldwide-monitoring efforts seem to point towards so-called new waves, perhaps especially in parts of the so-called developing world (India, Brazil, Africa) as well as continuing high rates of infection in several developed countries (France, Germany . . .). New variants of the COVID virus are also emerging. In other words, this pandemic is accelerating the necessity for new strategies, regardless of who one might be and is working for.

New analytics and systems are supporting this direction or drive, perhaps particularly relating to attempting to find new routes-to-market, including by applying cloud computing (Marmara, 2017; Schweidel, 2014). Home deliveries and ordering via distance are examples of what seem to emerge as a result. Another example is the establishment of new pick-up points within the distribution process, as done by the Swedish retailers IKEA, for instance (Torekull, 2020). Remote areas for example, can be served by home deliveries, but in some cases, suppliers also can consolidate deliveries in other non-home pick-up points, along with other suppliers.

In general, COVID-19 seems to be reshaping our habits, similar to other moments of other major life change shifts such as, for example, when we get married, buy a home, or give birth to a child. Our insights regarding consumer preferences are indeed evolving: less travel, less physical contact, fewer gatherings with many people (sports events, theatre, orchestra, or performances, etc.), more shopping from home and new online payment systems. And seeing and managing new customer data is becoming increasingly important. We are witnessing an enhancement of behavioural science along with more consumer data from online data generation.

We know that the swing towards more web-based commerce allows for obtaining more and more relevant data, so as to understand one's customers better. Janine Gibson, for instance, head of *Financial Times'* (FT) digital platforms and projects, claims that this news organization now has a better understanding about the preferences of its "newspaper" readers, (the paper is now available digitally in addition to the conventional printed version). Data collected for example, allows the FT to see that readers are now quickly browsing through FT in the morning for an overview of the news, a more in-depth read of certain parts over lunch and more briefly returning to pieces of interest in the evening, and to generally shorter articles as well as more on so-called lifestyle issues. But the overall vision of FT remains the same, namely a deep commitment to reporting on and analysing a full pallet of the news in an unbiased way. Customer data may be more easily available and more detailed, but company or organizational purpose stays central and consistent. This short case on FT reveals it all. On the one hand, we are able to get better consumer insights, leading to better tweaking our products, new routes-to-market and so on. On the other hand, market research, featuring better data analysis cannot help a company with its basic vision, as we saw from our FT example. Or, another example, Steve Jobs had a vision for the smart phone business of Apple and is famously quoted for never asking the customer. He simply had a clear vision (Isaacsson, 2011).

To face a pandemic such as COVID-19 is a first-time experience for me, including seeing how the emergence of the pandemic seems to change corporate strategies, as well as our own lives, in significant ways. Over the years I have observed many corporate success stories, as well as failures, even bankruptcies. And others as well as I, have researched what might be effective corporate responses, even in turbulent times (Lorange, 2008, 2019a). Also, I have been deeply involved in strategic developments for the rapidly changing educational institution sector (Lorange, 2019b; Rumelt, 2012). But I have never before experienced anything as dramatic as this.

In the following I shall briefly discuss what I now see as key shifts when it comes to five areas of strategy formulation and implementation: The bulk of the article shall focus on basic strategic shifts, and there shall then be relatively brief discussions of four related issues such

as innovations, and what this might imply especially for global firms/globalization, smaller-to-medium sized firms as well as so-called networked (platform) firms.

We find the conceptual framework identified by Dr. Chris [Howard](#) to be useful here:

(1) Respond: immediate actions

Then

(2) Recover: restart, reopen, create a plan

Then

(3) Renew: learning, implement what works.

We shall also see that for each of the five fundamental shifts that we shall discuss there might be two “competing” forces impacting the degree of change. On the one hand, there shall, as always, be a call for liberation, entrepreneurialism and individual freedom, to a large extent similar to what we had in most western democracies up until the COVID-19 pandemic. Let us label this Factor A. On the other hand, we envisioned that quick, decisive governmental response has been key when it comes to constraining the spread of the virus. Typical examples here are lockdowns (of schools, theatres, restaurants, sports events, etc.), rules regarding vaccinations and social distancing (1 m, 1.5 m, 2 m, . . .), testing, tracing and/or mandatory wearing of face masks. We shall label this Factor B. As we shall see, Factors A shall tend to lead to a re-establishing of things more-or-less the way they were before COVID-19. Factors B, on the other hand, shall tend to lead to more fundamental permanent changes. And, as we shall also see, the challenge for policymakers shall be to arrive at a meaningful balance between these two opposing views. In parentheses, it also appears as if it is the case that a meaningful balance might be more easily reachable when the governmental sector is relatively small, and with well-educated citizens ([Micklethwait and Woolridge, 2020](#); [Zakaria, 2020](#)).

### Strategic shifts

*Strategic shift I – A. Where COVID-19 has accelerated a change, but a temporary one*

Let us first discuss the three broad areas where the emergence of the coronavirus pandemic seems to have led to accelerations of change. However, as noted, these change processes are likely to slow down or even revert back to the old “normal” when the basic threat from COVID-19 is over. Some epidemiologists believe that we might expect that there shall come a string of new such severe virus threat outbreaks over the next years, however. In that case the change process that we shall discuss shall in all likelihood, be expected to continue in a reasonably forceful manner and this shall be the case even if we “only” shall be faced with initial waves of COVID-19 so far. If there shall be no more deadly virus threats in the immediate future, however, then we can expect the evolution of the factors now to be discussed to be slowing down, or even recessing somewhat, but probably never fully meander back to their pre-pandemic status.

“Cash is king”. Most businesses shall be concerned with what they would consider to be major increases in uncertainty for them, due to the coronavirus threat. Impacts on their businesses from various aspects of regulations imposed on societies by governmental bodies (lockdowns, travel restrictions, social distancing, limitations on crowd sizes, . . .) are likely. Accordingly, businesses shall be prone to focus much more on enlarging cash reserves, often also to pay down loans, even early, implying penalties. Other sources of cash outlays such as payment terms to sub-suppliers, rent, and so on, are also likely to be re-negotiated. Some firms might even sell off what they might consider non-core activities, so as to concentrate its financial and managerial resources on its core. Cash is generated

through all of this. In total, these actions represent a shift towards a shorter-term strategic time horizon.

This would be in contrast to the more long-term focus on growth, which has traditionally been driving many corporate strategies until the emergence of COVID-19. Growth might typically in the past have been achieved through investments in new plants or equipment, as well as in the development of new markets. Growth might of course also be achieved through selectively acquiring other companies.

Two comments should be made at this point, returning to the dichotomy and shift from relatively higher focus on growth to relatively higher focus on consolidation:

- (1) What about possible industry concentration that might be resulting from this? What about streamlining industries, with fewer actors, and perhaps less competition. Is the traditional strategic dictum that high market share should still be valid to be a profitable leader in one's business segment? We do not have clear answers here. But it seems as if there may now be a shift away from such industry leader focus. A case in point might be the now abandoned merger between LVMH and Tiffany's in the luxury goods industry.
- (2) What about the stock price? One would of course expect this to suffer, when aggressive growth strategies might no longer be so directly pursued. Such "softening" in stock values has however until now been largely avoided due to massive infusions of central bank funds.

A brief note is merited before moving on: One might argue that there is perhaps little evidence, including empirical, that suggests that a firm may have to settle for either profits (short-term; cash) or growth (long-term). [Chakravarthy and Lorange \(2007\)](#) have argued for why one might not have to choose a view that does not seem to be widely shared among senior executives in business ([Chakravarthy and Lorange, 2007](#)).

*Route-to-market changes.* Digitalization, which is a clear precondition for the strategic shifts we shall discuss in this section, opens up a better understanding of customers and allows for powerful analysis of large sets of consumer data, typically through cloud computing. We shall highlight two strategic shifts typically stemming from new thinking:

- (1) Ordering from home. This practice has picked up dramatically, and not only because it reduces the potential threats to become contaminated by the COVID-19 virus when visiting crowded stores. This is, however, probably primarily suited to the purchasing of relatively standard, often generic products and/or being promoted through trusted brands (such as Nestlé, for example). Consumers basically shall know what they are to purchase already!
- (2) Bundling of product lines increasingly also seems to take place such as what we seem to be seeing, for example, at Amazon. This is clearly related to a drive towards more effective home delivery systems, and perhaps also to easier ways to order from home. The President/CEO of Whole Foods, John [Mackey](#), a division of Amazon, has a clear view supporting this; "we must lead with 'love'!" The "old" methods of distribution were often too competitive (war between the chains!); capitalism should be reimagined, now to imply win-win-win, and no longer win-lose. Customers shall increasingly get what they want, including home delivery of broad ranges of items, as long as they are willing to pay.

*Ways to pay.* This is also changing. Increasingly we now pay with our mobile phones. These are coded in such a way that we shall be able to pay in many stores by simply positioning them next to a store's already existing credit card payment machine. Credit cards are, of

course, still extensively used too. The use of conventional cash, on the other hand, seems to be on the rapid decline. In the Scandinavian countries, for instance, there seems to be almost no cash in use anymore. In general, we seem to be on the way to a cashless society with full speed!

Health concerns are clearly major factors in these drives. To pay via one's mobile phone is probably "safer" than to pay with a credit card, and clearly "safer" than paying with cash.

Powerful and convenient ways to do electronic-based payments via banks, the postal sector, even the public sector (tax payments, for instance) have long been part of our day-to-day life.

*Strategic shift I – B: trends that shall, in all likelihood, take place anyway*

We see as significant trends shifts towards more powerful practices that seem to be taking place. One might, of course, argue whether the evolution of some or all of the five factors to be discussed have been sped up when it comes to their change evolution or not. My sense is that these irreversible changes would have taken place anyway.

- (1) Move towards more focused block chains.
- (2) More automation. To save costs is key. This includes to increase quality through amelioration of human errors as well.
- (3) Recycling, and more focus on the so-called Circular Economy (Stabel, 2019). Powerful examples are the recirculation of plastic, glass, metal and paper containers and waste, the recirculation of building materials and so on (Lorange, 2020a).
- (4) Store-in-stores. The large supermarkets and mall outlets seem to be out, and we see a clear movement towards more specialized outlets, for excitement and convenience (Laenzlinger and Lorange, 2020).
- (5) Booking systems, for travel, air/train/cruise and other reservations (hotels, car rentals, ...).

*Strategic shift II-A: basic shifts in strategic innovations*

We shall briefly discuss how the emergence of the COVID-19 pandemic probably shall contribute to accelerated evolutions of strategies.

This has to do with so-called COVID-safe packaging, i.e. wrapping of most goods in materials that can either be cleaned by the consumer back at home, and/or disregarded – extensive shifts towards wrapping in plastics comes to mind (example: most produce in the grocery stores).

As we know, COVID-19-driven regulations specify that many executives shall have to work from home. This may, however, make it harder for organizations to innovate at least in the longer run, since we know that innovations most often take place when groups of executives work together face-to-face (see, for instance, Christensen and Rayner, 2003). To interact via Zoom or via other types of video and audio platforms on laptop devices will probably not do it!

Now to likely to continue with force, even after the end of this pandemic:

- (1) The interrelated dimensions of delivery systems and lighter products come to mind. Examples of the former have already been discussed – home delivery, electronic rather than physical mail and so on. There are many examples of the latter, closely linked to advances in materials science (ships (Lorange, 2020a), aircrafts, cars, ...), typically to increase efficiency of fuel usage.

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*Strategic shift III: how shall globalization fare now, with the COVID-19 pandemic flourishing, and what about the strategies of global firms?*

It seems appropriate to make a few comments relating to globalization and global firms' strategies both when it comes to factors expected to more-or-less return to pre-pandemic states (A) as well as factors not expected to return to the "good old mode" (B). Let us first discuss the former, i.e. where business impacts from the pandemic shall eventually diminish, so that we might expect in time to be returning to relative normality. Obviously, we see that there is much less trade, but, that this already seems to be coming back, at least in part (Zakaria, 2020). We shall however expect an unevenness geographically when it comes to the speed of recovery, with, for instance, China already coming back much faster than Europe and the United States. This unevenness has particularly troublesome implications for some industries such as, for instance, the large East-West container ship trade, or the mid-sized bulk carrier segment. International airlines shall of course also suffer when it comes to this. As we know, there are wide-spread restrictions regarding travels between many countries. Ferry operators are also suffering. Hotels are generally also feeling the loss of volume from business executives.

*Strategic shift III – B. Business impact from the pandemic, and not expected to return to "the good old ways"*

We are seeing a clear trend towards more protectionism, as evidenced by the various trade stalemates that are emerging, such as free trade embargoes, as well as withdrawals from free trade networks. One might of course speculate whether this populist philosophy will continue. This author believes, however, that this type of populism shall be with us for a long time. One consequence of this says that national governments shall have to build up their own managerial bureaucracies to be able to effectively implement protectionism.

We are already seeing a trend towards more local production, as well as local distribution, largely as a result of the above. The large Minnesota-based manufacturer 3M, for instance, has 35 or so plants producing facemasks, for protection against the COVID-19 virus. Each produces largely for the local market where each plant is located. US-based consumers are largely getting US-produced masks, and so on, according to 3M's CEO, Mike Roman (Zakaria, 2020).

The logistics/distribution systems of many global firms shall evolve towards becoming "multi-regional" too (S.E. Asia, the Baltics, the Caribbean, etc.). We see this particularly well when it comes to shipping. Bulk shipping is evolving this way, now being served with relatively smaller container ships and/or bulk carriers.

*Strategic shift IV: strategic implications from the COVID-19 pandemic for small-to-medium-sized firms*

Much of what has been discussed so far applies to smaller-to-medium-sized firms too. We shall, however, have to bring up two additional issues:

- (1) First, the issue of preserving cash, already discussed among Strategic Shift II, is perhaps particularly critical for small-to-medium-sized firms. This implies having to make staff lay-off decisions with particular speed. Also, curtailing manufacturing, so as to avoid expensive inventories (and write-offs) due to loss of demand, as well as plant closings (and restaurants, . . .) are normal for small firms.
- (2) Lack of strong financial resources typically prevents such firms from surviving a long shut-down. Examples of highly exposed firms are hotels, restaurants, barber shops, health studios, event managing businesses and so on. Some of these smaller firms might not be able to come back after the end of the pandemic due to lack of capital and/or no longer having relevant human resources.

*Strategic shift V: strategic implications from the COVID-19 pandemic for so-called networked firms (platform firms)*

Here too we have already discussed a set of factors that apply equally to this type of firm. These basically represent changes that already tended to be well on their way before the present pandemic and that shall be expected to basically come back to past normality, thus leading to relatively minor strategic changes. As we have seen, each of these factors might be expected to lead to rather permanent strategic changes. However, two more issues are worth noting:

- (1) Networks imply that there are strong links of trust among key entities in a network. But it is, of course, harder to build trust when being unable to physically meet. Web-based video conferencing, including using Zoom, is not a fully effective substitute here. So, the very backbone of networked firms may become weakened over time!
- (2) In line with this, as already implied, it may be harder to rely on extensive outsourcing, now that protectionism seems to be on the rise also. How then can platform firms remain a realistic option? Again, we may see this type of firm evolving into obscurity.

**Conclusions**

We have argued that the COVID-19 pandemic is having a profound impact on many companies' strategies – large or small, national or international, networked or not. A shorter-term time horizon seems to have emerged now which is driving strategy. And Melinda Gates for instance, claims that 25 years of progress in the malaria vaccination has been lost in 25 weeks of COVID-19. There is a growing scepticism regarding safety, which is a concern. A key question then would be whether this trend might reverse after the pandemic is over, i.e. with a more long-term strategic time horizon to come back again, perhaps with more innovation and growth.

This author fears that since we are already seeing new waves in many countries, it may take quite some time before we are back to "normality". Further, many experts fear that new epidemic waves may be expected to come more frequently, and become more global as well in the future (Zakaria, 2020). It is, in particular, argued that the Earth is being built up by us humans to such a degree that animals shall have significantly less space for themselves than they need to. There is a new closeness to human settlements, and new epidemics can more easily come about. Global air transport also makes for an easy spread of pandemics, worldwide.

Resilience building shall of course be key: careful resource management, better trend forecast benchmarking, more effective cost control and so on, all discussed in this article. Brand importance and the power of the clear intellectual property rights are also key.

So, we see, probably beyond doubt that the COVID-19 virus pandemic has led to a permanent shift in the way we humans work, behave and interact, and thus, also significantly impacting most corporations' strategies. And this shift is likely to last, whether we like it or not!

**Note**

1. Many authors have made good summaries of what might be effective top management leadership practices today for successfully evolving their strategies, i.e. for moving corporations towards this new stage. See for instance, David Rubenstein's good summary (2020).

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