

BUSINESS RESILIENCE DURING THE COVID-19 PANDEMIC

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ABSTRACT

The COVID-19 pandemic has completely changed the way of life for most people over the past year. Simple practices such as going to the grocery store or conducting a meeting look entirely different. This includes the way that businesses operate. Those that have come out of this pandemic showing resilience have adopted the mindset of quick innovation that has allowed them to maintain relevancy to the changing times. Several characteristics of these resilient businesses have emerged including adaption of new technology, innovating quickly, and developing scenario plans. This has resulted in a fundamental change to how business is being conducted lending more towards e-commerce, digital products, and contactless methods of payment and delivery. These trends became necessary during the pandemic and many are likely to maintain into the post-pandemic time. Companies desiring to stay successful must be willing to adopt these changes and continue to be flexible in the inevitable unpredictability of the future.

Key words: *business resilience, COVID-19 pandemic, business innovation*

JEL Classification: *M21*

INTRODUCTION

Just a few short months after the discovery of the COVID-19 virus, the world began to shut down. As people began to quarantine, the fundamental workings of everyday life changed dramatically. Businesses began to close, people lost their jobs, others started working remotely from home, and new health protocols were put in place throughout the community. Life completely changed and that included how businesses operated.

They were no longer able to continue with business as usual in the way they were pre-pandemic. With restrictions from world health agencies and governments, businesses that wanted to remain in operation needed to change how they functioned. This sudden need to adapt, separated the businesses that were able to change with the times and remain successful and those that struggled and even unfortunately had to close their doors. From this crisis emerged organizations that were able to remain resilient and showcased a pattern of characteristics that helped these companies remain effective during the changing times.

LITERATURE REVIEW

With the shifting face of business due to the COVID-19 pandemic, it has been necessary for companies to alter the way they conduct business. Now over a year after the start of the pandemic, surveys and business leaders have begun to establish what has transpired in the wake of the pandemic and specifically its effect on business. An overarching theme is how businesses that have succeeded have demonstrated resilience. According to McKinsey & Company, “resilience is the ability of a business to withstand, adapt, and thrive in the face of shocks that are internal and external, as well as known and unanticipated” [1]. This is exactly what organizations encountered during the pandemic as the massive external shock of a virus necessitated their unanticipated need to adapt.

A recent study conducted by McKinsey & Company, surveyed 300 senior executives in Europe to understand their response to the pandemic. Eighty percent of executives responded that they believed their organization to have effectively responded to the changing times with 90% of those citing business-model innovations as an important strategic initiative [2]. There were several overarching themes of the finding of this survey including the importance of business-model innovation, how the pandemic exposed weaknesses, and the predicted continuation of business innovation past the pandemic. These business innovations were found to be in five main areas: new digital products, new partnerships, adjustments to the supply-chain model, sales-model changes, and faster product development [2]. These modifications in business largely focused on the consumer as the pandemic completely changed the type of products customers were interested in and how they went about interacting and purchasing these products.

Similar to the finding of McKinsey & Company, Firth, a cybersecurity Practice Leader for EY, commented on the changes from the pandemic in several areas including customer demand, global supply chain, and workforce management. He continued on to conclude that future health emergencies are a given and in order for a company to maintain resiliency, a business continuity plan is necessary as well as an evolving resiliency strategy [3]. Other business leaders such as Akash Takyar, CEO of Leeway Hertz, express similar sentiments in what it takes to remain resilient during changing times. He stresses the importance of engagement with employees, remodelling supply chains, communicating with stakeholders, and developing a resiliency plan [4]. Although having a contingency plan has not been found to be enough, but instead, “businesses need to embed resilience, once established, more

deeply in their language and especially in their practice, to prevent it from atrophying” [5]. The business environment is ever evolving, and a continual analysis of possible scenarios and the development of plans is a common sentiment among business leaders during this COVID-19 pandemic.

EMERGING TRAITS OF RESILIENT BUSINESSES

From the existing literature and online articles, some trends have emerged from what resilient businesses have done during the COVID-19 pandemic to stay successful. One large theme is business innovation. It is clearly established that consumer needs changed during the pandemic as priorities shifted from extra spending on items such as concerts and dining out, to more foundational basic needs and those that supported health. Being able to access groceries and basic necessities such as toilet paper was at the forefront of many consumers minds. Additionally, accessing these products in ways that protected their health was of utmost importance. These changes to consumer’s needs required innovation for businesses. In order to stay relevant, businesses needed to develop products that catered to the new priorities of the consumer as well as the limitation in access many experienced.

Business innovation extended beyond meeting new consumer needs, to the day-to-day operation of organizations. This included supply chain models as new health protocols limited warehouse workers and production, as well as changes in transportation, especially on an international scale. Marketing and sales operations required reinvention as people were not out in the community being exposed to the same messages as before the pandemic. Resilient businesses were able to innovate in a variety of areas to be able to continue with production and sales.

Along with the emerging trend of innovations in areas such as products, delivery, and operations, adaption of technology was a characteristic seen among effective businesses during COVID-19. Many of the new innovations put in place relied heavily on technology to be implemented. As people were quarantined, technology became the main method of communication, marketing tactics, and browsing and purchasing of products. This required many businesses to expand their infrastructure to accommodate such needs. Microsoft CEO Satya Nadella said during a recent quarterly earnings call, “We’ve seen two years’ worth of digital transformation in two months” [6]. Successful businesses either had these types of technology systems in place or were able to rapidly implement the necessary technology in order to stay relevant to the changing times.

A characteristic of resilient businesses that were able to maintain success during the pandemic was speed. The world shut down, changing everything in just a matter of weeks and those that waited to implement changes, hoping things would just go back to normal, quickly fell behind. Time was of the essence in order to maintain business operations and those willing to be flexible and shift to the changing demands got a jump forward in their position among competition. A result of the speed of changes is a widening of the gap between the top and bottom performers in industry [6]. Some of this gap widening is due to shifts in demand as discussed with consumer needs, but much is

due to the acceleration of trends before the crisis. Those companies that were quick to implement the emerging trends began to pull ahead of the competition and those who were stuck in the ways they had always conducted business started falling behind.

BUSINESS ADAPTATIONS DUE TO COVID-19

These trends of innovation and technology adapted by resilient businesses have led to some specific adaptations in how business is fundamentally being conducted. There has been an increase in online shopping and purchasing as well as digital services and products. Being quarantined led to minimizing contact as much as possible which resulted in new ways of conducting sales such as with contactless payment and pickup. Consumers were also no longer being exposed to marketing and advertising throughout the community so increases to targeted marketing on the internet was experienced. Companies that were able to quickly create digital services and contactless ways of doing business were able to continue to meet the needs of their customers.

With many businesses being urged or required to close their offices, the emergence of remote working soared. Instead of commuting and coming into the office every day, employees were working from computers from the safety of their own homes. This required increases in technology for communication, meetings, and conducting business. Resilient businesses were able to quickly adapt to allow their employees to work remotely while those that did not have the structures in place to do so, quickly fell behind and lost weeks or months of productivity.

LASTING EFFECTS OF COVID-19 ON BUSINESS

Many of these changes that have been implemented during COVID-19 are not just passing trends but, in many ways, may be here to stay and have lasting effects on how companies operate. While many believed remote working would lead to a decline in productivity, the opposite was seen in many situations. Instead, employees were able to be more flexible to accommodate the needs of their family during this uncertain time. While there are advantages to coming together as a business community, such as establishing a feeling of belonging, the future may see an adoption of a hybrid model. [7]. This allows for the benefits of both continued flexibility with some remote work while still gathering a few times a week to build community.

E-commerce is another trend that is likely to continue past the pandemic. In 2020, e-commerce grew at two to five times the rate of before the pandemic [8]. Many consumers have become accustomed to finding products online and the ease of being able to search for what they need from the comfort of their own home. According to McKinley Consumer Pulse, “roughly three-quarters of people using digital channels for the first time during the pandemic say they will continue using them when things return to ‘normal’” [8]. E-commerce as well as in-home consumption are expected to continue to a large extent past the pandemic and is a changing environment business must be willing to adapt.

It has been necessary for business to adopt these trends and others to stay relevant during the pandemic and those companies that are waiting for this all to pass hoping things will go back to the way they were before, are going to be left behind. The COVID-19 pandemic has fundamentally changed the way that business is being conducted and many of the innovations that resilient businesses have established during this time will continue into the future.

MAINTAINING RESILIENCY INTO THE FUTURE

As a whole, the COVID-19 pandemic has clearly showed that being resilient is a necessary quality for a business to remain successful throughout change. This pandemic is not the final crisis that organizations will face and being prepared for the future and the possibility of other disruptions is of utmost importance to remaining resilient. Looking into the future, businesses would benefit from preparing for the inevitable crisis to come by developing scenarios that take into account the wide range of possible circumstances. This will allow for stress testing of the portfolio and planning strategic moves [2]. Having a plan to maintain resilience also increases the ability to recognize threats faster, reduce initial shock, recover more quickly, and have better outcomes [9]. The difference in these areas is what largely contributes to companies being able to effectively navigate crisis situations and avoid being left behind.

Additionally, being fast and bold with innovation has been a cornerstone characteristic of organizations that have been successful, and this will continue to be necessary during future disruptions. Taking risks with speed allows a business to take steps forward and innovate, which during the COVID-19 pandemic largely contributed to the widening of the performance gap within industry sectors. No one is able to exactly predict what the next crisis will bring but developing scenarios as well as being willing to implement bold strategies in quick time will continue to separate those businesses able to stand in resilience.

CONCLUSION

The COVID-19 pandemic has deeply changed the way that business is conducted throughout the world. In a short matter of time, businesses were forced to close and completely change the way that they operated. Those that were ill-equipped to deal with the shifting circumstances, didn't have a plan in place, or were simply unwilling or slow to innovate, struggled. Those companies that were willing to step up and make bold moves in confidence were able to transform and adjust to continue to meet their customer's needs. The underlying importance of being adaptable and innovative during the COVID-19 pandemic has emerged which has led to the implementation of new practices such as digital services and contactless transactions. Many of these changes are here to stay and businesses that have been open and willing to change have emerged as resilient despite the very uncertain times.

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