# Strategic Approach to Overcome Crisis

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## Abstract

The Covid-19 pandemic has brought about unprecedented economic damages highlighting the strengths and weaknesses of businesses. It is also evident from the present crisis that the needs and assumptions of enterprises can change rapidly and unpredictably. Instead of spending more time and effort on trying to prevent a crisis, companies should instead, prepare for them. Bracing for future uncertainties and challenges demands continuous reappraisal and farsightedness. The strategic choices made by enterprises today have long-term implications. Companies need to frame strategies in the light of a broader and fast-paced business ecosystem. This study focuses on certain general and specific strategies that businesses should adopt to deal with the present crisis and prepare themselves to navigate through an unpredictable future. This will help organizations to face any crisis as an opportunity to reinvent and adapt themselves. Additionally, some strategic decision-making models and methods have been discussed that will aid managers to make appropriate decisions. It is the right time for companies to take stock of their business and formulate appropriate strategies to be prepared for any unpleasant circumstances in the future.

***Keywords:*** *Business model, Corporate restructuring, PESTEL analysis, Prospect theory, Scenario Planning, Strategic decision-making, Supply chain, Technology*

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## Background

We live in uncertain and challenging times. There are unprecedented changes taking place that pose severe threats and challenges to both businesses and people. Numerous changes including the pace of technological development, changes in the economic and business environment, political uncertainty, etc. make it difficult to perceive what the future holds and when it is the right time to make critical decisions and proactive judgments. Due to the swift and irregular pattern of change, it has become of paramount importance for businesses to formulate appropriate strategies when challenged with uncertainties. In the past few decades, the world has witnessed devastating economic crises – the OPEC (Organization of the Petroleum Exporting Countries) oil price shock in 1973, when an oil embargo was declared by the OPEC member countries terminating the export of oil to the United States and its allied nations; the Asian crisis in 1997 which started by way of currency devaluation in Thailand and gradually caused a decline in the stock market and import revenues along with government upheavals in the South-east Asian countries; the global financial crisis in 2007-08 triggered by a slump in the US subprime lending market along with the bankruptcy of Lehman Brothers and international banking crisis. Today, we are faced with another crisis - the novel coronavirus pandemic which has sparked worldwide catastrophe encompassing global humanitarian and economic crisis.

The prolonged lockdown has resulted in enterprises facing a plethora of difficulties and challenges to regain business momentum. Companies will need a strategic approach to surmount the present uncertainties and challenges to regain economic momentum. The objective of this paper is to specify certain general and specific strategies that businesses should adopt to surmount the present crisis and build their ability to grapple with any challenging and unpleasant circumstances in future. Additionally, some strategic decision-making models and methods are specified that will aid managers to take proper decisions. The strategies described in this study are of great value to organizations to overcome any crisis and survive in the long run. These strategies can be adopted by any kind of business organization belonging to any industry; they are equally applicable to all types of economies.

## General Strategies

The Covid-19 pandemic poses a number of challenges to businesses. To overcome these challenges and survive this crisis, they need to adopt certain strategies. Companies need to follow certain general strategies before devising any specific strategies. Organizations need to take immediate action to strategically alleviate the unprecedented impact of the pandemic on their business and come out stronger in the new normal.

## Analysing the present external environment through PESTEL analysis

PESTEL (Political, Economic, Social, Technological, Ecological, and Legal) analysis is an important strategic tool for businesses. This tool helps them analyse the current political, economic, social, technological, ecological and legal environment in which the business operates. Amid this global pandemic, before framing any kind of strategy, it is very important for businesses to understand the current external environment in which they are operating and to figure out the changes that have taken place in the macro-environmental drivers due to the crisis.

Companies need to determine the extent to which the changes in political, fiscal, trade, and taxation policies can affect their organization and how they can avail the benefits of measures taken by the government during this economic turmoil. Changes in economic factors like inflation rate, unemployment rate, demand for goods and services, exchange rate, etc. should be properly assessed to identify their impact on business and its profitability. The emerging trend in social factors like the needs and wants of customers, their lifestyle, etc. should be analysed. Currently, consumers are shifting towards online purchase and their need for safety and hygienic measures has increased. Assessing the present rate of technological development and innovation is also important to keep pace with these changes and stay ahead of the competition. Companies need to evaluate the impact of Covid-19 on ecological aspects, environmental and health issues in the workplace, CSR (corporate social responsibility), etc. Changes in legal factors like laws and regulations due to the pandemic should be properly assessed by companies to carry out their operations within the stipulated guidelines.

## Developing new business model

The post-covid-19 world is going to be radically different from the pre-covid-19 world. Therefore, traditional or existing business models can no longer be fruitful for companies to carry out their business profitably. Based on a rapidly shifting business environment, companies need to design their new business model. Enterprises should rework their existing business model to embrace the power of technology, to better connect and communicate with consumers and enhance customer services in this fast-changing world. The business model should have the capability of expanding the customer base of the enterprise without incurring many overhead expenses. Enterprises need to reshape their business model to enable cloud-based infrastructure and enhance agility and resilience capability so that they can quickly adapt to changes and weather any challenging situation in the future. According to a global survey of business leaders conducted by HLB, the global advisory and accounting network, the key attributes for the success of the future business models are a more flexible workforce, mobility, and cloud-enabled architecture. Enterprises should pivot to a new business model that is tech-enabled, develops an omnichannel approach, and is more viable and relevant in the present situation. Organizations that fail to emphasize on business model innovation may face problems to survive during this crisis.

A very recent study by Kraus et al. (2020) highlighted that family firms in western European countries adapted their business models within a short period to the changing environmental conditions to cope with the present crisis. During this unpleasant situation, the managers used several strategic models having long-term and short-term consequences to safeguard liquidity, improve viability and ensure long-term survival of the firms. They were engaged in temporary business model adjustments, business model innovation, process streamlining and adoption of digital tools to respond quickly, efficiently and effectively to the present plight with the aim to surmount this crisis and emerge stronger from it. Ritter and Pedersen (2020) suggested that to overcome the crisis, the business model needs to be anti-fragile (global distribution, excess warehouse capacity, online and remote access capabilities, etc.), robust (IT and logistics), and adaptive (shift to online service, temporary mask, ventilators and PPE production, etc.). In case a business model is not able to support itself during a crisis, it can rely upon outside support like government aid, investor funding, etc. or may suspend the model temporarily and reopen it after the crisis. Beqiri's (2013) study specified that the failure of many enterprises in Albania during the global financial crisis 2007-08 was not due to the crisis alone but managements' failure to innovate their business model to deal with the crisis. Wenzel et al. (2020) identified four types of strategic responses to the present crisis: retrenchment (cost-cutting measures), persevering (preserving business activities), innovation (innovating business model), and exit (discontinuing business activities).

## Specific Strategies

After following the general strategies, companies need to adopt certain specific strategies to overcome the present crisis and prepare themselves for dealing with any kind of unpleasant and unexpected situation in the future.

## Corporate restructuring as a strategy to overcome crisis

Enterprises around the world have been affected due to the economic disruptions caused by the Covid-19 pandemic. To emerge profitably from the crisis, enterprises need to be agile enough to swiftly calibrate or modify their strategies to the financial and economic turbulence caused by the pandemic. Even while navigating the present economic shocks, companies should plan ahead for the coming phases of the pandemic and also for the post-pandemic period. As per research by McKinsey & Company on the Asian crisis of 1997 and the global financial crisis of 2008-09, enterprises that have acquired, merged or divested strategically performed better than companies that were either dependent on a megadeal to recover or were too conservative. Corporate restructuring strategies help companies to quickly adapt to the changing economic environment. Companies having a through-cycle approach to mergers and acquisitions (M&A) can accelerate their strategic shifts during the economic downturn, can better weather the present crisis and strongly emerge in the next normal.

During the time of sluggish economic growth, as is the current scenario, it becomes difficult for enterprises to expand only in an organic way. Companies should seek other avenues to grow and increase revenue, the fundamental one being inorganic growth strategies that involve M&A, divestitures, etc. The 'Make in India' initiative of the Government of India (GoI) will favourably influence the corporate restructuring environment as it is designed to aid in broadening the global market share of Indian manufacturers while encouraging foreign enterprises to invest in India. While strategically carrying out corporate restructuring activities, companies may consider a few vital ideas or themes. These ideas revolving around corporate restructuring decisions of companies outlined below, would elucidate their comprehensive inorganic strategies and also possibly determine the value attained by the companies in the specific moves that they make.

***Consolidation within sectors by adopting barbell strategy:*** The economic disruption set off by the present pandemic has caused crevices in the structure of industrial sectors. These could turn out to be the early indication of an opening gulf between enterprises having adequate funds and those who do not have it. The financial soundness of companies with available funds will probably develop into a substantial competitive advantage in terms of capital availability, customer relationship, etc. in the post-lockdown period when the economy will start emerging towards growth. Therefore, consolidation within sectors by adopting a barbell strategy can be fruitful in the present circumstances. The barbell investment strategy is based on the concept that to establish a balance between risk and reward, investment should be made in high risk and no risk assets without investing in moderate-risk assets. Thus, companies that do not have sufficient funds can consolidate with companies having sufficient funds to cope with the present situation.

***Divestitures and carve-outs:*** Some companies may have certain segments or subsidiaries that contribute a very low percentage to the total earnings and have a large amount of debt in the capital structure. These segments or subsidiaries do not perform well and thus should be sold out through equity carve-outs or divestitures. In the post-lockdown period, these companies may face difficulties to grow since leverage pressure may rise and paucity of capital can arise. Therefore, the need for non-performing and non-core portfolio divestitures and carve-outs will probably rise. Divestitures and carve-outs bring about an infusion of cash to the present enterprise. The sale proceeds derived from these divestitures or carve-outs can be used for investing in the profitable segments, portfolios or subsidiaries that are expected to provide higher returns to the company. This will also help in curtailing fixed costs and deleveraging the balance sheet.

***Acquiring regional enterprises:*** To gain success in retail and consumer goods, a strong brand is required along with extensive distribution and supply chain networks. Small enterprises are facing a liquidity crunch in the wake of Covid-19. The sales of consumer goods are falling since retailers are scaling down and rationalizing their assortments while buyers are switching to online purchases. For these industries, established enterprises may focus on acquiring local brands that are highly robust in a specific area, domain or other niche markets. By acquiring these local brands, the parent companies can revive them by utilizing the subsisting trade relationships, reinforcing the brand value of the acquired company while accessing new customers.

***Augmenting technological capabilities:*** The Covid-19 pandemic has changed the way business operates. Augmenting digital technologies and analytical capabilities by employing automation hybrid cloud-based services, customer-personalization strategies and other digital business models have become very pertinent at present. Due to Covid-19 induced economic turmoil, companies are encountering financial pressure to fund start-ups and incorporate digital technologies. Therefore, acquisitions, joint ventures, and mainly acqui-hiring (also called talent acquisition) will not only financially help companies to start up, but will also provide skilled employees having technical expertise, thus fulfilling their digital and analytics aspirations.

***Strategic alliances and partnerships:*** In the post-pandemic era, industry borders may become less prominent as enterprises switch over to digital channels. According to a report of Performics India in April 2020, during the lockdown period, the usage of online courses related apps increased by around 40 percent in comparison to the pre-lockdown period; similarly, social media usage and chat services increased by around 42 to 43 percent; there was also a rise in usage of fitness and health apps by 20 percent, gaming apps by 26 percent and video streaming by 11 percent. The enterprises that are digitally agile may extend their business across these areas. This drift can pose fundamental problems for industries like pharmacies, retailers, logistics firms, etc. Therefore, strategic alliances and partnerships with an objective to share customers, gain access to data, integrate value propositions, and cross-selling will be the critical lifelines to aid such enterprises to remain pertinent within their industries.

***Vertical integration:*** As a result of the present economic downturn, the supply chain has been badly disrupted. Restoring the supply chain network is the current need of the business. In order to build up and reinforce the supply chain network, enterprises can pursue backward integration by merging with or acquiring their raw material suppliers. This will enhance the control of the company over its supply chain process, increase the efficiency of the production process, and will help in saving costs.
Due to the Covid-19 pandemic, many companies have lost their market share and customers. Enterprises can increase their market share through forward integration by merging with or acquiring business units that were their customers. This will also improve their control over the distribution channel and help in minimizing costs.

***Programmatic M&A:*** Companies can pursue multiple small M&A deals that will lead to a substantial amount of market capitalization over several years rather than depending on an occasional large transaction. As per a report of McKinsey and Company, enterprises that systematically and consistently undertook midsized M&A deals generally deliver a better return to shareholders than enterprises that don't. Companies pursuing a programmatic approach to M&A through the business cycle usually outperform peers.

During this challenging time, companies need to be proactive and carry out active portfolio management along with prioritizing potential corporate restructuring ideas or themes. They should revisit their M&A strategies to regain their former position and come out stronger and more profitable from the crisis.

During the last few months, several global M&A activities have taken place in the wake of Covid-19. On 7th May, Zoom, a popular videoconferencing application announced acquisition of Keybase, an end-to-end encryption specialist company. Facebook agreed to acquire Giphy, a popular search engine for movable images and gifs on 15th May. Microsoft announced the acquisition of Softomotive, a robotic process automation software provider company of the UK on 19th May. On 22nd June, Microsoft announced its intention to acquire CyberX, an Israeli cybersecurity company. On 26th June, Amazon, an American multinational technology-based company, announced its acquisition of Zoox, a self-driving vehicle company of California for $1.2 billion. On 6th July, Uber, an American multinational ride-hailing enterprise agreed to acquire Postmates, an American food delivery business in an all-stock takeover deal for $2.65 billion (www.computerworld.com). As per the report of the Economic Times on 16th July 2020, Google has decided to acquire a 7.7 percent stake in Reliance Jio, an Indian telecommunications company for Rs. 33,737 crore. The chairman of Reliance industries also mentioned that the company will get strategic partners in petrochemicals, retail, and energy businesses in the future.

## Technological transformation is indispensable for long-term survival

This is an era of technological transformation with swift changes and developments taking place at a great pace. Therefore, enterprises need to keep abreast of the changes in this technology-driven business environment to remain competitive and survive in the long run. Technological transformation is an ongoing process, where there always exists room for improvement to bring a better internal working environment along with improving external interaction with stakeholders. Integrating business and technology objectives and strategies to frame a single unified strategy is imperative to facilitate business and technological functions to concretely integrate, innovate, and concurrently generate values to the organization.

There has been a paradigm shift in the way businesses are operating today. It has become vital for enterprises to incorporate digital technologies to keep pace with rapid digital transition. Companies should develop their ability to digitally reimagine their enterprise to transform the digital landscape of the business by developing new business processes or modifying existing ones to facilitate better services for stakeholders. It is always a challenge for enterprises to adopt new technologies; higher the impact a technology possesses, greater is the challenge. Owing to its probable impact, it is perceived that Artificial Intelligence (AI) is particularly hard to implement. Still, if it is implemented mindfully, the process may be relatively smooth. Adopting suitable technology will prepare the business for any challenge, no matter what the future brings. AI is normally used to automate repetitive works, trim down the margin of error, and facilitate human workers to focus on other more productive domains of operation. Therefore, adopting AI and other technologies does not mean downsizing the workforce. AI should be used by enterprises to aid employees in enhancing productivity instead of replacing them. As per a study by Babic et al. (2020) based on AI, when enterprises make it clear to their employees that they are using AI to aid the employees in their work rather than replacing them, they considerably outperform enterprises that do not set this objective or do not clearly explain their AI goals to their employees. AI can be implemented in different phases as a teammate, assistant, monitor and coach of the employees so that they can work hand-in-hand with the employees. The greater the focus of the organization on employees helping AI and AI aiding employees, the more is the value generated by the organization.

## The road map for proper execution of a cohesive business technology vision requires the enterprise to focus on four aspects

***Future of business work, workplace and workforce*** – Rapid technological development and market dynamics are reshaping the dimensions of work, workplace and workforce of the business. Owing to the emergence of technologies like cloud services, AI, robotics, etc., the pattern of work has changed. Therefore, the business needs to give time and effort in managing technology to deliver strategic business outcomes. For carrying out work related to new technology, businesses will require fresh skills and capabilities. Hence, companies need to acquire talent and train employees to develop their skills. Empowering employees with appropriate tools, techniques, etc. is essential to smoothly carry out operations in a tech-enabled business environment. Fostering a culture of continuous reskilling and training is essential since things are always changing and technological development is an on-going process. Also, companies need to modify their workspace so that it becomes conducive to innovation and collaboration of business and technology functions since the workplace design substantially contributes to developing work practices and cultures that will help in keeping the workforce engaged and motivated. The business workplace should be tech-friendly so that the workforce can perform their work smoothly and efficiently.

***The agility of technology operating model*** – To keep up with technological evolution, the technology operating model needs to be more agile, concerted, and product and customer-oriented. Increasing speed and agility of the technology operating model requires proper collaboration between the business and technology function so that technology remains embedded in business areas. Agility not only demands changes in core functions but also in supporting functions like servicing and so on. For a sustainable agile transformation, leadership and management form the fundamental base. How managers and leaders evaluate and behave towards the changes, is critical. Agile transformation helps in managing the technological environment of the business efficiently and delivering greater business value.

***Strategic investment in technology*** – As enterprises adopt new technology, the significance of strategic technology investment is rising. The organization should strategically invest in technological aspects so that it helps in providing a firm base for the future growth of the business. It will also create an agile, secure, and reliable technological environment with transparent investments having evident metrics and accountability. Enterprises should shift applications to hybrid-cloud based services, implement ERP based system, enhance the capabilities of existing business models, and create a dynamic technological infrastructure to meet present and future business needs.

***Risk and Resilience*** – When technology is merged within the fabric of the business, threats related to cyber-attacks often increase rapidly. Therefore, enterprises must have a robust cybersecurity system to detect and respond to cyber risks and threats efficiently to make sure that business operations are modestly affected. Also, technology-associated vulnerabilities in goods or even in business systems can result in product failure. Hence, cybersecurity should be integrated into product design to alleviate unpleasant surprises.

***Customer engagement*** – Technology should be appropriately developed so that customer engagement can be enhanced. It is important to understand the needs and preferences of customers to transform, innovate, and develop new products as per their needs. To globally expand the business, it is essential to reach customers at any place at any time which can be achieved through the use of proper technology. This will also help to address the complaints and feedback of customers. Increasing customer services and developing products as per their needs is vital for long-term survival and building a sustainable brand.

Corporate leaders must create a business ecosystem where technology and innovation thrive since they help in developing a sustainable competitive advantage. Leaders should identify opportunities where technological aspects can aid in generating sustainable business value, along with involving business functions with prototypes and ideas that will stimulate innovation. To blend business and technology functions efficiently, changes in business culture, enterprise-wide participation, enterprise agility, and human-machine interaction are very important. Corporate leaders should envision the future of their business as one in which technologies like AI, robotics, etc. magnify human capabilities and intelligence, instead of replacing them. Business-technology strategy must compel the entire organization to transform so that the enterprise is able to quickly respond to the ever-changing market and business conditions. This will develop the organization's resilience capabilities to help it cope with any unpleasant circumstances. A case study undertaken by Lee et al. (2019) revealed that companies using AI-based technology to innovate their business models and modify their corporate culture showed significant improvement by gaining competitive advantage over their competitors and transforming their global competitive landscape.

Managing uncertainty through scenario planning:

Amid this global pandemic, enterprises have no other alternative but to lay stress on surmounting immediate challenges and threats. But the decisions taken by the management demand foresightedness since they may have repercussions in the future. In their endeavour to find their way through the economic and financial upheavals, organizations need to plan their course of action in order to link their present moves to the future outcomes. The best way to achieve this is to focus on strategic foresight which develops the ability to adapt to changes that may occur in the years ahead. It does not emphasize on forecasting the future but aims at creatively prefiguring multiple future scenarios that will aid in amplifying the capability to sense, shape, adjust and build for the future. The essence of strategic foresight lies in the fact that it does not aid in discerning what to think or imagine about future possibilities but prioritize on how to think and explore plausible futures. Therefore, the business needs to resort to strategic foresight as it helps in making better decisions.

One of the most notable tools of strategic foresight that the business needs to adopt is scenario planning. Scenarios are data-driven stories about alternative and possible futures to reframe present perceptions. It does not predict the future but helps to sketch a variety of possibilities for the future that is plausible and logical, and builds up the ability of the business to make better decisions under uncertainty. It encompasses several stages. Firstly, the business needs to identify the drivers that are responsible for shaping future operating and market conditions. Secondly, how these forces may interact need to be explored; then, the business needs to imagine or lay out a range of plausible future scenarios and accordingly revise the present mental models based on these scenarios. Lastly, the business should employ these new models for formulating strategies that will prepare the enterprise for whatever the future holds.

Scenario planning can be devised to furnish suitable directions regardless of the type of organization in which it is adopted. However, to run the scenario process, the organization needs to follow the following key guidelines:

***Right people should be invited to participate*** – Scenario planning is done to challenge mental models based on how the world works. The organization needs to gather or invite participants having substantially diverse organizational roles, personal experience and viewpoints in order to establish the conditions for success. For effective strategic conversation, three powers are essential i.e. the power to perceive, think and act. The organization will require people who represent these three powers for effective strategic conversation.

***Key drivers, assumptions and uncertainties should be identified*** – The enterprise needs to identify the key driving forces (i.e. social, economic, technological, environmental, political and legal) and critical uncertainties that affect its business and industry. The assumptions need to be explicitly enunciated in the current strategy of the business. The organization also needs to specify the kind of future it anticipates by implementing the current strategy.

***Imagining plausible, but radically different future scenarios*** – This can be regarded as the toughest part of the planning process. The organization needs to develop a range of plausible future scenarios. This can be done by forming a kind of matrix with two axes as two critical uncertainties and each of these issues or uncertainties can be prioritized using 'high' and 'low' categories. Based on this, the organization can sketch four plausible future scenarios. Without merely predicting from present trends, the organization needs to push its imaginative power to think what the future may look like in the next 5 years, 10 years, or even 15 to 20 years. This phase involves a high level of creativity and judgment to differentiate a scenario that extends the limit of plausibility from the one that does not. The facilitators should be forward-thinking with innovative imagination along with maintaining the fences of reality.

***Inhabiting these future scenarios*** – Scenario planning turns out to be more effective when it becomes an immersive experience. Businesses can develop artifacts like fictional newspaper articles, video clips, etc. from the future which usually aid in challenging present mental models.

***Segregating the strategies that would be useful for a range of plausible future scenarios*** – The organization needs to form teams along with engaging junior participants who can put forth their ideas and views. Each team should be presented with plausible future scenarios based on which they should specify what strategies they would frame now to operate efficiently and better in that particular future scenario. Once the strategies are developed by each group for their specific future world, the organization needs to assemble and compare all these notes. While comparing, they need to look for commonalities, sort them out, and accordingly figure out plans and investments that will be consistent across multiple future scenarios.

***Implementing these strategies*** – Now the enterprise needs to shift from exercise to execution by implementing those strategies that would be useful for a range of possible futures. The enterprise needs to establish a formal system in which the management should explicitly elucidate in what manner their plans will help to cultivate the new strategies of the enterprise.

***Ingraining the process*** – To yield the greatest benefits in the long-run from scenario planning, the enterprise needs to develop an iterative process that will continuously orient the enterprise towards the future along with keeping tabs on the present, and vice versa. This will aid the organization to survive under the worst conditions and to prosper during the best conditions.

To manage future uncertainties, it is important for businesses to develop plausible future scenarios and revise the business model and devise plans and policies based on those future scenarios. Only by institutionalizing strategic foresight can the organization build up its ability to sense, shape and adapt to whatever the future brings. By using scenario planning, the enterprise will be able to plan for ever-changing future operating and market conditions.

## Mitigating risk of supply chain disruption

Covid-19 has caused world-wide disruption of supply chain networks which has adversely affected the business world. Companies need to frame proper strategies to manage their supply chain networks and should focus on mitigating the risks of supply chain disruption to avoid facing challenges in future. The supply chain risk can be considered as one of the key drivers affecting the business as it has a potential impact on the revenue generation process of the company. Considering future challenges related to the risk associated with supply chain disruption and the resultant impact on revenue, the companies need to devise strategies to manage such risks and reduce the impact on revenue. By categorizing the degree of risk of supply chain disruption and the impact on revenue into high and low categories, four situations can be obtained as diagrammatically presented in Figure 1.

The risk of supply chain disruption can be classified as low risk if two or more qualified suppliers are available, and as high risk if there is no available alternative to the existing supplier. Based on the degree of impact on revenue due to loss of supplier or material, the impact on revenue should be classified into high and low categories. The four situations that can be developed are low impact on revenue and low risk of supply chain disruption, high impact on revenue but low risk of supply chain disruption, low impact on revenue but high risk of supply chain disruption, and high impact on revenue and high risk of supply chain disruption. The strategies that will be relevant for each of these situations are stated below. This will help the companies boost resiliency and minimize supply chain costs.

**Figure 1 – Different degrees of risk of supply chain disruption and impact on revenue**

| | | | |
|---|---|---|---|
| Impact on revenue (If supplier or material is lost) | High | **High impact** on revenue but **a low risk** of supply chain disruption | **High impact** on revenue and **high risk** of supply chain disruption |
| | Low | **Low impact** on revenue and **low risk** of supply chain disruption | **Low impact** on revenue but **high risk** of supply chain disruption |
| | | Low (Two or more qualified sources are available) | High (No alternatives to existing sources are available) |
| | | Risk of supply chain disruption | |

***Low impact on revenue and low risk of supply chain disruption:***

- Suppliers undergoing any changes like merger and acquisition, corporate restructuring strategies, lawsuits, etc. that may enhance the sourcing risk of the company need to be properly monitored.
- Some suppliers may depend on the same sub-tier suppliers for materials or parts that are critical for the company to carry out its operations. Therefore, the enterprise needs to properly identify these suppliers as any disruption in the sub-tier suppliers' supply chain can disrupt all the suppliers' supply resulting in unavailability of critical materials that can disrupt the production process.
- The company needs to know where the manufacturing and warehousing sites of the suppliers are situated. If the sites are located in the same place, then the company should seek geographical diversity.

***High impact on revenue but a low risk of supply chain disruption:***

- Suppliers need to be monitored by the company round-the-clock as any disruption can cause high impact on revenue.
- The company can source raw materials from two suppliers on a proportionate basis rather than one supplier; for example, 75% of the materials can be sourced from one supplier and the balance 25% from the other.
- The company needs to identify suppliers that are critical for the company to carry out its operations and in the nature of loss that may arise if these sources are disrupted. For these critical suppliers' sites, the company should buy insurance to cover the loss that may arise as a result of any disruptive events.

- Sub-tier suppliers that may direct the use of materials or parts of the suppliers that are critical for the company to carry out its operation need to be properly identified by the company.
- The production site, warehouse and distribution locations of the supplier should be properly mapped by the company to ensure that all are not located in the same region.

***Low impact on revenue but high risk of supply chain disruption:***

- Suppliers need to be monitored by the company round-the-clock since the risk of supply chain disruption is high.
- Sub-tier suppliers and their locations need to be properly identified by the company.
- The company needs to find out where the suppliers manufacture and store the raw materials and parts for the company.
- If the suppliers manufacture and store the parts and materials in the same place, then the company should ask them to build and store the parts and materials in multiple locations. The company should especially ask this if there is no alternative to the present suppliers.
- The company needs to ensure that its direct suppliers should have an exhaustive risk-management plan. For instance, the direct suppliers should include measures to identify and monitor their own suppliers, add alternative sources for those suppliers that have the highest-risk, etc. in their risk-management program.

***High impact on revenue and high risk of supply chain disruption:***

- Suppliers need to be properly monitored by the company round-the-clock since the risk of supply chain disruption is high and any disruption can cause a high impact on revenue.
- The company needs to find out where the suppliers manufacture and store the materials and parts for the company.
- The company needs to identify the suppliers that are critical for the company to carry out its operation and the nature of loss that may arise if these sources are disrupted. Therefore, for these critical suppliers' sites, the company should buy insurance to cover the loss that may arise as a result of any disruptive events.
- The sub-tier suppliers that may direct the use of materials or parts of the suppliers that are critical for the company to carry out its operations need to be properly identified and monitored by the company.
- The sole-source suppliers can be helped by the company to develop alternative sources and can be asked to manufacture and store parts in multiple locations.

The company needs to ensure that its direct suppliers should have an exhaustive risk-management plan. For instance, the direct suppliers should include measures to identify and monitor their own suppliers, add alternative sources for those suppliers that have the highest risk, etc. in their risk management program.

## Prospect theory – decision-making under risk:

Prospect theory, pioneered by Kahneman and Tversky (1979), is based on decision making under the conditions of risk. Decisions are made on the basis of judgments. However, the decision-making process is a challenging task for leaders under the condition of risk and uncertainty when the outcomes of the events cannot be predicted with clarity. Internal conflicts can arise while making decisions over value trade-offs. It becomes tougher when choices support contradictory goals and values. How these choices can be framed and assessed while making decisions is addressed by the Prospect theory. It helps to predict decision-making when an individual is faced with different choices involving losses or gains with different levels of uncertainty. It describes that under the condition of uncertainty, decisions are made either to ensure a gain or to avoid losses. The theory outlines that decision-makers tend to be risk-averse when it comes to seeking gains or potentially increasing their wealth; however, while dealing with potential economic losses, they are relatively risk-seeking, as when a leader is amid crisis. For instance, investors place more weight on perceived gains than losses since losses give rise to greater emotional impact. Consider two separate financial advisors presenting the same mutual fund in two different ways to an investor. One advisor describes the fund by highlighting that for the past 10 years, it has generated above-average returns, but the returns have been declining in recent years. The other advisor informs that the fund has generated average returns of 12% over the past 3 years. Prospect theory assumes that although the same mutual fund is presented to the investor, he is more likely to buy the mutual fund from the second financial advisor since the fund's rate of return has been expressed as an overall gain rather than portraying as having high returns and losses.

Prospect theory connotes that the choice process of individuals encompasses two stages: an early stage of editing accompanied by a second stage of evaluation. During the editing phase, individuals preliminarily evaluate the prospects. Prospects are coded as gains or losses and are identified with respect to some neutral reference point. In the second phase, prospects are implicitly evaluated by assigning a 'decision weight' on the basis of the probability of occurrence of each outcome and a 'value' on the basis of the outcome relating to their reference point to each potential outcome of the prospect. The prospect whose outcomes have the maximum aggregate of weighted values is chosen. The formula for the evaluation phase, as stated by Kahneman and Tversky is:

$$U = \sum_{i=1}^{n} \pi(\mathrm{p_i})\mathrm{v}(\mathrm{x_i})$$

Where, U = overall or expected utility of the outcomes to the individual making the decision.

$x_1$, $x_2$ = potential outcomes.

$p_1$, $p_2$ = respective probabilities of the potential outcomes.

v = the value function (assign a value to the outcome).

Prospect theory depicts three biases that individuals rely on while making decisions -

*Certainty* - "When people tend to overweight options that are certain and risk-averse for gains."

*Isolation effect* - "The tendency of people to disregard components that are common for all prospects."

*Loss aversion* - "When people prefer to minimize or avoid losses in order to acquire equivalent gains."

Understanding these above-mentioned biases properly would help persuade individuals in taking appropriate action and decisions (Harley, 2016).

Since its inception, Prospect theory has been used in a variety of contexts including finance for analysing trading behaviour (Barberis, 2015), business (Ahmed et al., 2014; Ramirez et al., 2018; Fiolet and Haas, 2015; Bromiley and Rau, 2019), political decision making (Passarelli and Ponte, 2018), etc. Several researchers have claimed that Prospect theory is an eminent theory underpinning the strategic decision-making process (Ahmed et al., 2014; Gonzalez-Ramirez, 2018). There exist several empirical studies highlighting the application of Prospect theory in business decision-making (Holmes et al., 2011; Barberis, 2012; Bogliacino and Gallo, 2015; Velumoni, 2017; Vis and Kuijpers, 2018, and others).

Bromiley and Rau (2019) claimed that Prospect theory has great relevance in strategic choices made by the CEO (Chief Executive Officer) and for business contexts involving enterprises where a single entrepreneur makes strategic choices and decisions for his/her firm. Gonzalez-Ramirez et al. (2018) argued that managers' decision-making process of family-owned agribusinesses in Argentina under the conditions of risk is better explained by Prospect theory than by Expected Utility theory. The decision-makers have a greater focus on short-term aspects because of their strong desire to avoid losses. This would aid in designing programs and policies to help agribusinesses in ensuring greater sustainability by managing contradictions across the triple bottom line. Vis and Kujipers (2018) disclosed that in the context of foreign policy decision-making, most of the decision-makers (around 80%) behave in line with the Prospect theory. Velumoni (2017) examined the behaviour of Indian investors and found that the behavioural factors (Prospect theory variables) exert significant influence on equity investment decisions of investors.

Fiolet and Haas (2015) empirically explored the behavioural tendency of managers of construction businesses in decision making under risk and found that they applied Prospect theory for making important decisions promptly and frequently as required by construction projects. This helps to understand how construction leaders make decisions thereby preventing losses caused by illogical behavioural patterns and also aid leaders to deal with them. Bogliacino and Gallo (2015) performed a test of Prospect theory to assess the risk attitudes of entrepreneurs in Colombia and depicted that this behavioural theory satisfactorily fits the data. Barberis (2012) argued that Prospect theory being a decision-making model under risk is best suited to organizational settings where attitudes to risk have a vital role to play. It has been extensively applied in the area of finance and insurance. However, the application of Prospect theory has also extended into other areas of economics such as contract theory, industrial organization, and consumption choice, among others. Holmes et al. (2011) put forth that Prospect theory has been widely applied in organizational settings in diverse streams including negotiations, human resource management, executive compensation, affect and motivation, firm risk-taking behaviour and association between organizational risk and return.

Therefore, from the above analysis, it is clear that Prospect theory can be applied in several fields at the organizational level which will help managers take appropriate action and make proper decisions during any challenging and uncertain period.

## Strategic decision-making models and methods

Strategic decision-making deals with planning and designing strategies of the firm, initiatives for M&A, make or buy options, required disinvestments, internal reorganizations and investments in new products, assets or markets (Ahmed et al., 2014; Nutt, 1999). The present crisis has brought forth complex challenges and problems before managers of firms. They are facing several difficulties and time constraints to make appropriate decisions. However, it is critical to make strategic decisions to overcome the crisis. Rahman and Feis (2009) suggested four strategic decision-making models and four strategic decision-making methods under varying time pressure and complexity that would be an appropriate tool for decision-makers to make proper decisions when confronted with complex problems and time constraints. Figure 2 portrays the decision-making models and methods that are best-suited under different degrees of complexity and time pressure (high-low).

**Figure 2- Different strategic decision-making models and methods under varying conditions of complexity and time pressure**

| Complexity | | Time pressure: Low | Time pressure: High |
|---|---|---|---|
| | High | Incremental model<br>Delphi method | Garbage Can model<br>Environmental Scanning method |
| | Low | Rational model<br>Management Science method | Bounded Rationality model<br>Nominal Group method |

## Under the conditions of low complexity and low time pressure

***Rational decision-making model*** - Rational model assumes that the decisions made by decision-makers are based upon complete information. Under this model, first, objectives are identified, then possible alternatives to achieve these objectives are developed and thoroughly analysed to select the best possible alternative (Uzonwanne, 2016). For details, please see: https://www.researchgate.net/publication/311761486

***Management Science method*** - This method uses a series of decision-making steps in a sequential and specific manner. First, the problem is defined, then alternatives are identified, some criteria are developed, alternatives are evaluated, an alternative is chosen, the decision is implemented and finally results are analysed. Some modern methods of management science are Novel Approach to Imprecise Assessment and Decision Environments (Munda, 2006), Multi-attribute Value Theory (Simpson, 1996), Rough Set Theory (Pawlak, 1991), and so on. For details, please see: https://www.researchgate.net/publication/289142649

## Under the conditions of high complexity and low time pressure

***Incremental model*** - Incremental model reduces complicated problems (or complex decisions) to a tolerable level (a series of simple decisions). There are two types of incrementalism: disjointed incrementalism and logical incrementalism. Rajagopalan and Rasheed (1995) argued that this model is pertinent to several areas of policy-making ranging from strategic decision-making in business to incremental government policies. For details, please see: https://www.researchgate.net/publication/289142649

***Delphi method*** - This method involves a structured process of gathering and distilling information from a group of experts through a set of questionnaires organized with controlled opinion feedback. It is a useful communication device and method of making a decision among a panel of experts, enabling the formation of a panel judgment. For details, please see: https://www.researchgate.net/publication/308653253_The_Delphi_Method

## Under the conditions of low complexity and high time pressure

***Bounded Rationality model*** - Bounded rationality decision process model is related to the real world practical decision-making process. This involves the fabrication of new alternative solutions through modifying currently implemented solution or existing decision rules. The search for alternatives is sequential, motivated by goals and objectives and incorporates satisfying behaviour. When a 'good enough' solution is found, the search is terminated. For details, please see: https://www.sciencedirect.com/science/article/pii/S1474667017534916

***Nominal Group method*** - This is a structured method of decision-making by groups or committees used when quick decisions need to be made along with taking into consideration every opinion. This facilitates the balanced participation of every member, generation of rich ideas and formation of a rank-ordered decision set on the basis of mathematical voting method. For details, please see: https://associationofaesthetists-publication.onlinelibrary.wiley.com/doi/epdf/10.1111/j.1365-2044.1980.tb03924.x

## Under the conditions of high complexity and high time pressure

***Garbage Can Model*** - It is a simulation model of business decision-making under the conditions of uncertainty, ambiguity and complexity. It is built upon intricate and chancy interaction or interplay of four independent organization streams namely problems, solutions, participants and choice opportunities. For details, please see: https://study.com/academy/lesson/the-garbage-can-model-of-decision-making.html

***Environmental scanning method*** - This method assists the organization to plan the future course of action by understanding and identifying the external forces of change to make appropriate strategic decisions so that the business can effectively respond and adapt itself to improve its position and performance in the future. It helps to identify opportunities and threats, avoid surprises, gain competitive advantage and plan strategies for the short term as well as long term. For details, please see: https://www.toppr.com/guides/business-management-and-entrepreneurship/entrepreneurship-creativity-and-innovation/environmental-scanning/

Table 1 portrays the examples of companies using different strategic decision-making models and methods under varying degrees of complexity and time pressure.

**Table 1- Examples of companies using different strategic decision-making models and methods under varying degrees of complexity and time pressure**

| Decision-making models/methods | Condition | Company |
|---|---|---|
| Rational model | Low complexity and low time pressure | Procter and Gamble (P&G) Canada - Decision relating to employee benefits |
| Management Science method | | Ford Motors - Decision regarding building strategic alliances |
| Incremental model | High complexity and low time pressure | *Google* - Decision regarding the expansion of international market |
| Delphi method | | *Boeing* - Decision regarding designing new aircraft to deliver support, efficiency and superior design to airline customers |

| Decision-making models/methods | Condition | Company |
|---|---|---|
| Bounded Rationality model | Low complexity and high time pressure | *National Fruit Collection* (UK-based firm) - Production decision-making |
| Nominal Group method | | *Mattel* (Chinese toy firm) - Toy recall decision to ensure public safety |
| Garbage Can model | High complexity and high time pressure | *Washington Mutual* - Decision regarding sub-prime mortgage-related problems |
| Environmental Scanning method | | *Pioneer Electronics* - Decision regarding designing new products, innovating and acquiring a competitive advantage over rivals |

Source: Rahman and Feis (2009)

Some other strategic decision-making models that can be used by the management to make decisions are discussed below:

***Mintzberg's General Model of Strategic Decision Process*** - This model was proposed by Mintzberg et al. (1976) which consists of three phases: identification, development and selection phase. Different opportunities, crises, and problems arising from the external and internal business environment that involve decision activity are identified in the identification phase. The development phase involves several types of modification, search and design behaviour and finally, in the selection phase, one alternative is selected for action after evaluating a few feasible alternatives. For details, please see: http://dx.doi.org/10.2307/2392045

***The Cynefin Framework*** - The Cynefin Framework, developed by David Snowden in 1999, is a problem-solving tool that describes five approaches to strategic decision-making (i.e. simple, chaotic, complicated, complex, and disorder) based on cause-and-effect relationship. This helps to evaluate the situation precisely and respond appropriately. For details, please see: https://www.mindtools.com/pages/article/cynefin-framework.html

***Multi-criteria Decision Analysis (MCDA)*** - Montibeller and Franco (2010) pioneered the use of the MCDA model of strategic decision-making that addresses decision problems around multiple, normally conflicting criteria. Following a set of procedures, the MCDA model helps to assess complex decisions on the basis of distinct, conflicting criteria and provides an overall option order from most to least preferred one by deriving scores. A series of techniques are used in MCDA such as analysis, concordance, weighted summation, etc. to score, rank and assign weights to the decision-making criteria on the basis of stakeholder preferences. For details, please see: https:www.researchgate.net/publication/225938306

## Applicability and Generalizability

The strategies specified in this paper would be highly useful for the management of an organization to cope with any kind of unpleasant or uncertain situation in the future. The strategies are equally applicable to any form of business organization in any industrial sector. In the wake of Covid-19, not only have developing and underdeveloped economies suffered, developed economies have also been severely affected. Therefore, the strategies are relevant for all types of economies, whether developed, developing or underdeveloped. Also, the strategic models and methods discussed in this paper will assist the management to make appropriate decisions and frame proper strategies to survive both in the short run and long run, and to thrive.

## Conclusion

From the current Covid-19 crisis, it is evident that the requirements and assumptions of businesses can alter rapidly and unpredictably. In the face of challenges and uncertainties, businesses should frame effective strategies that will build a process of iterative reappraisal and develop their ability to predict, shape, frame, and adapt to whatever the future holds. Organizations must analyse the current external environment, identify their strengths, weaknesses, opportunities, and threats so that they can magnify their capabilities to seize those opportunities by strategically re-modelling their business structure, which is pertinent in the present scenario. Enterprises need to harness the power of imagination with an objective toward fabricating a dynamic linkage between planning and operating by institutionalizing strategic foresightedness which facilitates the organizations to cope with any kind of future uncertainties. Companies should also focus on corporate restructuring and technologically develop themselves to stay competitive and survive in the long run. Agility, innovation, and reskilling need to go together to create a technology-friendly business environment so that they can quickly respond to whatever the future holds. The management should make appropriate strategic decisions during this crisis to overcome it. This will aid the enterprise not just to surmount the present crisis but also to be prepared for any unpleasant circumstances in the future.

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