

Renewal of the Business Strategy, a Prerequisite for Success in the Past-Pandemic Future

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Abstract

The multi-sectorial and multi-dimensional effects of the COVID-19 pandemic and the invasion of Ukraine affect the entire existence of mankind which is found in the new reality. The new reality which is characterized by changes in social, material, economic and health life, also requires business transformation. Companies need to find the right solution that will allow them to absorb the effects of the pandemic and find the appropriate way, methods and tools for success in the new reality.

Several strategies for rapid post-COVID development are advanced in the literature. They remain valid even the conflict between Russia and Ukraine delays and complicates their practical realization. The 3R variants are suggested strategies that would correspond to the imperative to succeed in the new conditions. The 4R strategy which is the synthesis of the stages of 3R strategies i.e. Respond, Recovery, Reset, and Renew offers the best chances for success. The strategy begins with immediate measures against the effects of the pandemic that ensure that the company stays safe (respond). The success of response allows the beginning of the efforts for short-term recovery, after which is necessary the reset i.e. reconsider and restructure the strategy to integrate it into the new reality. Renew is the last strategic step that focuses on the future, but not anyway. The new strategy must be successful in the uncertain future which requires overcoming the difficulties created by the pandemic and entering a new stage of development and success.

Keywords: COVID-19 pandemic; invasion of Ukraine; new reality; renewing strategies

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Introduction

The COVID-19 pandemic has a multi-dimensional severe and cumulative impact that is the result of mass deaths and disrupted economies. At the same time, the protection measures have facilitated the loss of jobs, damage to businesses and the postponement of projects. Thus, there were 220.3 million unemployed in 2020 compared to 187.3 million during the previous year. In 2021, the number of unemployed rose slightly until about 220.5 million to diminish until 205 million in 2022 according to the forecast ([statista.com/statistics/266414](https://www.statista.com/statistics/266414)).

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Globally, the rising unemployment has led to an increase in extreme poverty. The International Monetary Fund (IMF) estimates that 115 million people suffered from extreme poverty in 2020 and 90 million fulltime jobs will probably lost by 2021 (Baker P., 2021). The causes that fueled the growth of extreme poverty are the measures taken by governments to mitigate and counteract the economic effects of the pandemic which amounted to USD 12 trillion or 12% of global GDP, according to IMF's October 2020 World Economic Outlook (Baker P., 2021). The consequences of these measures have materialized in the increase of government debt too, in 2020. European Union countries had the largest debt of over 90% of GDP in 2020 and it will continue to remain high until 2026 according to the IMF2020 Outlook (Baker P., 2021). The closure of borders and repeated delays in deliveries due to the pandemic have disrupted the global supply chains, resulting in disruption of the supply of many goods and services. This phenomenon has forced companies to reconsider the supply solution by creating and using more localized supply chains to avoid high costs and uncertainties. At the end of 2021, other operational obstacles appeared, such as difficulties in finding workers and rising commodity prices. The commodity prices such as semiconductors, natural gas and steel have risen as well as costs of container-shipping. The need to reduce carbon emissions and the imminence of measures that states need to take quickly to this end add an additional long-term challenge. In this complex and surprising landscape, the companies are specifically positioning themselves against the risks induced by the pandemic that could affect their entire activity. A study by McKinsey found that the five risks that were considered the most dangerous for business in most regions of the world are those included in Table 1.

Table 1. Top 5 risks of business growth

Region	Supply chain strategy	Labor shortages	Policy on regulator changes	Changing customer needs	Weak customer demand
North America	38	45	25	18	11
Developing markets	34	7	27	20	26
Asia-Pacific	30	19	19	33	29
Europe	29	23	25	18	20
Greater China*	25	13	17	24	12

*Includes Taiwan and Hong-Kong

Note: Potential risks to grow for respondents companies, next 12 months, % of respondents.

Source: McKinsey.com/business-functions/Survey

The supply-chain disruption and labor shortages are higher risks to company growth in the coming year as the numbers in Table 1 show.

When appeared to recover from the shock caused by the COVID-19 pandemic, Russia's invasion of Ukraine poses huge new risks to the world economy. The pandemic has induced more vulnerabilities globally but two are highlighted by their spreading effects and these are high inflation and disruption of commodity and financial markets. The shocks that accompany the invasion have worsened both vulnerabilities which are manifested in the form of high commodity prices (Holland P. et al, 2022; Global economic implications of the Russia-Ukraine war, 2022). Standard and Poor's global ratings considers 2022 to be a year of divergences and an accelerated rift that will redefine the global economy (Global COVID-19: Impact Key Takeaways, 2022). The many negative phenomena and processes created by the invasion of Ukraine by Russia have a multi-dimensional, multi-structural and multi-dynamic impact. As reality shows, it is difficult to quantify and, especially, to eliminate the risks and effects of the conflict between Russia and Ukraine. One thing is certain that they represent the background jam managed to respond, recover, reset, renew model of the company existence and activities in the conditions of a new reality created by the effects of the pandemic and redefined by the successive shocks created by the new crisis that has the power to maintain the conflict in Ukraine.

At the corporate level, the problems created by the conflict between Russia and Ukraine are added to the unfavorable effects of the pandemic which has not disappeared, although it has calmed down. The new problems that further fuel the difficulties of many countries in supplying grain, oil, gas and others add to rising prices and inflation. All this has an impact on the companies that notice the decrease of their capacity to fulfill their obligations and objectives.

The context created by all the consequences of the contradictory dynamics existing on a global, continental, national and corporate scale exerts pressures for the elaboration and use of new strategies and models. They must use as variables many of the new parameters created by the internal and international relations and mechanisms of the countries, and the economic blocs such as European Union.

The impact of the COVID-19 pandemic and that of the invasion of Ukraine explained above and many others have caused problems and will continue to reshape the environment in which companies operate, emphasizing its existing characteristics, namely change dynamics, insecurity, volatility and ambiguity. All this confirms the emergence of a new reality or a new normal in which the whole life and economic, technological and social activities must take place in order to overcome the difficulties and obtain the best possible performances. The companies need to find the right solutions for their situation. They need to develop and implement a strategy that help each company absorb the effects of the pandemic and the conflict, in the first place. Then, they must find the appropriate

way, methods and tools for rebalancing and make the necessary efforts to succeed in the short, medium and long term development in conditions specific to the new reality.

The characteristics of strategy for the development of companies in the new reality

The new reality and its importance for the interests of companies

The impact of the COVID-19 is found in all constituent parts of the existential model of life. In the social component, the daily life, family and social relations, health, leisure, work schedules and communications are disrupted. In the economic sphere, the crisis induced by COVID-19 Russia-Ukraine war changed the foundation of the world economy, companies and businesses as well, and ways of life at the business level.

Many of the consequences of the way COVID-19 changed the existential model have a transformative impact on business. Thus, the long term has become short term and the definition of the job is changing. The collaboration helps solve problems more than competition, while the supply chains, especially the international one, fragment and reconfigure. The length of time a product goes through the stages from idea to market is also shortened. These changes, as well as many others, are forcing industries and companies to reinvent themselves through upskilling and reskilling. At the same time, there is a growing awareness that caring for the planet, the rational use of resources and combating the effect of global warming are becoming mandatory and concrete steps must be taken to reduce the accelerated negative impact of existing practices. These numerous trends, processes and ways of evolution shape the content of the technological, economic, social and environmental components of the existential model that becomes the new reality or the new normal. The Russia Ukraine war adds new changes in a negative way to the existing trends and evolutions both directly and through the harmful consequences that affect the content of the new normal induced by the pandemic.

The companies involved or which want to enter the business are in the new reality of which they are also part and all their efforts in order to achieve their goals must include its specificity. Efforts in this direction already exist both in business practices and in the specialized literature dedicated to the subject. These options for finding solutions for renewal and success include approaches to strategies to be followed by companies to succeed in the short, medium and long term. The suggested strategic alternatives are dominated by those that include three stages, but some of them are partially different in terms of content. The 3R strategies are

recommended two variants, namely Respond, Reset, Renew (Aggerwal G., 2020) and Respond, Recovery, Renew (Howard Ch., 2021). Another approach suggests that recovery and reset are possible if the company is involved in priority strategic areas specific to the post-pandemic effort. These areas are revenue recovery, recovery operations, rethinking the company and accelerating the adaptation of digital solutions (Sneader K.; Sternfels B., 2020).

The characteristics of the business strategy for success in the post-pandemic future

The strategy that ensure the success in the future post-pandemic must meet a set of characteristics that support the achievement of success under the conditions required by the new normal.

The strategy is inclusive. This means that it must take into account the imperatives of resetting the whole company in the future. Only a reoriented, recalibrated and renewed business creates the general conditions for business to return to the pre pandemic parameters and find the direction for success in an uncertain environment. In both the present and the future, the success depends on the inclusion of all the elements with potential support for success in the strategy.

The strategy is visionary. A visionary strategy involves not only adaptation and recovery. It forces the business to rethink and renew itself, in order to succeed in the future, offering solutions that match the immediate reality and trends and even anticipate them.

The strategy is resilient. The efforts to stay afloat and to renew the entire business must not only be appropriate and the results must be maintained throughout the time period and in all markets where it is used.

The strategy is sustainable. The sustainability depends on the existence and the operationalization of a strategy that can be maintained for as long as possible due to the allocation of necessary resources and their intelligent management.

The strategy is flexible. The flexibility seems to be increasingly difficult to ensure. In the conditions of an increasingly difficult future, the flexibility becomes an essential condition for success and, at the same time, its insurance involves high risks and is difficult to assume and counteract. This means that the business must be able to adapt its activities, being aware of the risks that cannot be counteracted at least partially for different periods of time.

Most appropriate post-pandemic successful strategy

The framework for the success of the strategy

Finding and using the right solutions at a fast pace depend on the ultra-fast and complex changes that are specific to the post-pandemic and post-war and they will influence the success of the strategies used in the future. The uncertainties, ambiguities and rapidity of changes that are specific to the post-pandemic and post-conflict environment further complicate the business environment. As a result, developing long-term strategies becomes more difficult as even strategic principles change. Thus, a new business landscape takes shape that makes it difficult to identify the appropriate necessary framework to predict the trends on which the strategic activities will be framed. At the same time, identifying the forces that make easier the success remains essential to achieving goals.

Under these terms, a significant help can be provided by the CLEVER model of the five dimensions of success proposed by A. Lanterri (2021): Collaborative Intelligence, Learning Systems, Exponential Technologies, Value Facilitation, Ethical Championship, and Response Decision Making. CLEVER framework facilitates the identification and analysis of drivers needed to formulate the strategy in an environment dominated by complexity, volatility and ambiguity. Those who use this model can better understand the forces that help make valid decision in the new reality.

Collaborative Intelligence involves coordinating the various skills held by interested companies. That intelligent character consist in the collaboration formulas that are based on the best skills held. Some businesses combine human and machine skills, while others coordinate groups of people with different qualifications and skills who have different backgrounds, expertise and experience. Some companies pool their own resources and the knowledge of external collaborators to work on a new innovation.

Learning Systems derive from the need to provide relevant information in the context of the existence of a volume and extreme diversity of data to which the companies have access. The processing of these data is possible only with the help of AI that facilitates the development of the necessary algorithms. In this way, any database can be processed, thus obtaining the information necessary for the analysis applied to the specific business solutions.

Exponential Technologies induce the dynamic progress of results. Exponential Technologies that are extremely dynamic by their nature are best suited to this requirement which allows them to become more and more accelerated. Therefore, the use of the latest state-of-the-art digital solutions plays a particular role in the up-

dating and accelerated transformation of economies, businesses etc. from value creation to consumer behavior.

Value Facilitation. The exchange is the one that confirm or not the value. The seller offers to the buyer what he considers valuable to him. In turn, the buyer gives the seller what the latter considers to be more valuable, usually money. The ease with which the exchange of values is carried out determine, to a large extent, the access of value-based transactions and operations. The digitalization facilitates quick access to offers and speeds up the negotiations, as the exchange of value can be done entirely virtually. The benefits translate into faster growth using less capital and higher profits.

Ethical Championship is the confirmation of the imperative that the value creation must also benefit society not only the creative business. Confidence in large, transnational companies is declining due to the belief that they are too selfish and do not contribute enough to social welfare. This trend convinces them to find solutions that have a positive social impact along with profit which positions them better in society and facilitates their acceleration of innovation and favorable exchanges.

Response Decision Making becomes a must as the rapid, sometimes unexpected changes in the technological, economic and social world landscape facilitate the emergence of new and subtle challenges that companies are obliged to take into account in order to make a coherent, responsible, and rapid strategic and tactical decisions. Thus, they must quickly learn how to find solutions that correspond to the new processes and trends. Responsive decision making becomes, under specific pressures, a strategic driver in the process of adapting strategic decisions.

Recommended strategy for rapid post-COVID development

The 3R strategies undoubtedly have their strengths. However, as they are each of them does not fully meet the requirements of the post-COVID successful strategy. The respond, recovery, renew strategy would be more complete by explicitly and firmly include the reset while respond, recovery, reset strategy requires the explicit renew phase. The strategy proposed by Sneader and Sternfels (2021) focuses on content and the temporal sequence of activities is only implicit. Therefore, the strategy that include the four essential steps namely Respond, Recovery, Reset, Renew together with the essential component of each offers the best chances for success.

Response is the first stage when the business takes immediate measures to stop the shortcomings on various levels caused by the impact of the effects of the pandemic. These can be losses of markets, customers and money, labor, disruption of

mechanisms and the operation of the supply chain. The goal in this phase must be “stay safe” which means executing the existent strategy until a new strategy is developed (Eight ways to emerge stronger from the crisis, 2021). The implementation of strategic response makes the company to take care of the employees, to execute specific activities i.e. to reopen, the employees rehire activities, to resupply and allocate the necessary sums of money through re-budgeting (Howard Ch., 2021).

Recovery follows the answer when, based on its success, the active effort of short-term recovery is initiated. In order for the company to solve as many problems as possible, the recovery must be thought of as a process consisting in several steps. Identify and prioritizing the business opportunities with a focus on earning opportunities is needed first

because the company needs financial resources to recover. The development of an agile, dynamic operational model is the next step to ensure an adequate response to the urgent need to decide and act. The progress already made by the company proves to be a real support, if it has already started using agile methods. Models with these features include video conferencing, giving more power to remote teams, and more (Sneider, Sternfels, 2020). The dynamism and speed of the activities and procedures carried out can be the source of competitive advantage, given that the affected companies strive to recover money, markets, customers, and so on. The objectives, activities and resources required must be included in the recovery plan.

The Reset stage has as a starting point the situation existing after the recovery which, together with the evaluations and forecasts made, contributes to the improvement of the action plan for the new reality, for the future. The reset should aim at reconsider and restructure the strategy so that all activities are contained into the new reality. In order for such objectives to be achieved, evaluations and forecasts must be carried out, organizational agility and growth must be identified (Howard Ch., 2021). Rapid modernization as a special part of the reset must be achieved through automation, the use of technologies to increase productivity, and the launch of new products, for example. A research conducted by McKinsey in 2021 found that business leaders realize that in order to solve the difficulties and succeed in laying the foundations for a successful rebirth under the new normal, priority must be given to digitization, AI, and automation as the driving forces of productivity and profitability in the next three years, as shown in Table 2.

Table 2. Productivity drivers that will most affect profitability by 2024, by priority ranking

Drivers	Rank 1	Rank 2	Rank 3
Digitization, AI, automation and tech enablement	39	18	13
Operation process	20	26	12
People and organization	17	16	18
Resilience and operational agility	11	16	15
Environment, social and governance	13	15	9

Source: McKinsey Global Survey on CXO Productivity, 2021

Another research by McKinsey confirms the priority of digitization. Of the 350 senior executives surveyed, 91% said they plan to keep increasing digital technology investment in the years to come (COVID-19: Briefing note #84, December 8, 2021).

Renew is the strategic stage that focuses exclusively on the future. Its goal is for the company to develop a new strategy for the future that is based on the conditions created by the new post-pandemic reality and advance solutions that will ensure success in an uncertain future. Automation, digitization and new technologies will continue at the same pace in the future, expanding to new components and processes. Accelerated digitization will accentuate the changes in working methods, the remote work included, which will require a workforce with new skills. Rapid innovation with the sales, buying techniques, customer-seller relationships, and payment methods will change dramatically along with strong changes that continue to drive demand and supply. All these and many other things will affect the creation of competitive advantage and gaining value for customers. New sources of competitive advantage and new customer value proposition can be found as a result of innovation for new product development, accelerated product development, mass customization, improved environmental sustainability, more interconnected management and viable ecosystem management (Sneader and Sternfels, 2020; Bos, 2021; Baker, 2021).

The successful fulfillment of all requirements at each stage above facilitates the development of a new strategy that reset the objectives and content in accordance with the specific of the new reality. The new reality as result of the consequences of the pandemic puts pressures upon the strategic future of the companies. The resources, the experience, the impact of coronavirus remain multiple and no two companies are in the same state and situation. However, the pandemic and what will follow will force the companies to rethink their business model and strategic positioning, if they want to survive and succeed in obtaining the best possible results under the new conditions. The success will depend first of all on finding the right solution for each case and the company with priority in terms of creating the

business model that will allow the company to beat its competitors targeting the same market segment or targeting the same market segment that can be defended. The following two cases show how the companies in question generated high profits by targeting specific profit segment with innovative business models by increasing the value for customers or reducing costs (Barns J., 2021; Wass J., 2021).

General Electric chose to increase its profits with the help of high value. The company sold engines, spare parts and services mainly on a standalone basis. Each market segment for which one or another of the products was intended to become more and more vulnerable as the focus shifted from niche market competition to price competition. General Electric found that customers want airplanes to fly without crashing and not parts that allow this performance. The company reacted by developing a new business model called On Point which was sold as “power by the hour”. According to the new model, the airline company do not pay for the plan but for the time it flies with it. As a result, General Electric eliminated its competition by redefining the industry and its market segments recorded the fastest grow.

SFK is a manufacturer and distributor of bearings. Its business with OEMs dominated sales while aftermarket business was logging. To correct the situation, the company created a new structure named aftermarket division. Staring from the specifics of the products sold, it was found that they address two different market segments. As a result, the division specializes in each of them setting up two compartments, namely industrial aftermarket and automotive aftermarket.

Industrial aftermarket delivers bearing for car repairs. Industrial customers aim to minimize the time required to replace bearings. The management has developed kits to help these customers extend the life of bearings. Automotive aftermarket customers had to be able to choose the right bearings and obtain the instructions and accessories necessary to make the right bearing selection decision. For these customers, hundreds of specific kits have been developed, including components, tools, accessories and instructions. As a result, profit increased ten times.

Conclusions

“Trouble never comes alone” is an old saying that fits perfectly with the situation created by the COVID-19 pandemic and Russian invasion of Ukraine. The pandemic and the invasion has many negative effects, many of them unexpected and the supposed ones take shape and have consequences that are hard to imagine. All these upsets almost all the activities and relationships generated by the action of the driving forces of functioning and progress to aspects of life. The results of the unfavorable dynamics of the COVID-19 and the conflict impact have made and continue to remain the object of efforts to stop them as soon as possible.

Social relations, family health, school, leisure, work schedules and communication are disrupted and even stopped. The impact of the pandemic and especially this of the conflict is drastic in the economic sphere. The companies face numerous and varied obstacles created by the effects of both from the mode of operation the specific processes to the losses and the cessation of activity sometimes. All this and many other cumulative effects alter the existing pattern of life and create a new reality or a new normal. That is why all entities specific to social, economic and technological relations must find ways to adapt and find the right solutions for development. The right solutions can be found if the company's overall strategy is rethought and renewed.

Proposal for new strategies for the future already exist. Among them, the 4R strategy seems the most justified to be elaborated and used because it has the necessary characteristics being highlighted by its content proper to each stage which includes the elements from all other variants. Thus, the company can reach the position of developing a new long-term strategy that ensure success in an uncertain future.

The company's strategy which allows overcoming the difficulties created by the pandemic and ensure its successful development in an uncertain future obliges each company that adopts it to make technological, financial, material efforts that few companies can support. Therefore, rethinking and innovating the existing strategic model in a solid, agile, dynamic strategy can be successful if companies are supported and cooperate with government, financial, banking and health systems. By doing so, the companies can more easily overcome the obstacles and difficulties created by the COVID-19 pandemic and the invasion of Ukraine and enter a new stage of development and success.

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