



SheTrades

# SURVIVAL MECHANISMS FOR YOUR BUSINESS







“Objectives can be compared to a compass bearing by which a ship navigates. A compass bearing is firm, but in actual navigation, a ship may veer off its course for many miles. Without a compass bearing, a ship would neither find its port nor be able to estimate the time required to get there”

Peter Drucker





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# Introduction

What are survival mechanisms?

A way of **protecting** your business from **threats** through an **established process** by which something takes place or is brought about.



A business strategy can be defined as a set of competitive moves and actions that a **business** uses to attract customers, compete successfully, strengthening performance, and achieve organizational goals.

It outlines how **business** should be carried out to reach the desired ends.



## There are 3 generic strategies

- 1. Cost leadership strategy** – This is where a firm sets out to become *the* low-cost producer in its industry. A firm with this strategy sets as a goal to produce or provide a service for a lower operating cost than the competitors. This enables the firm to sell goods or services at the same selling price as the competitors and make a larger profit.
- 2. Differentiation strategy** - being different from every other firm. This is an emphasis on branding advertising, design, service, quality, and new product development. The firm adopting this strategy seeks to be unique in the industry. This uniqueness must be a feature for which customers will pay a premium price.
- 3. Focus strategy** - The focus strategy ignores most of a product or service market and focuses upon a particular niche. The niche could be a particular buyer group, segment of the product line, or geographic market.





“Strategy is simply resource allocation. When you strip away all the noise, that’s what it comes down to. Strategy means making clear cut choices about how to compete. You cannot be everything to everybody, no matter what the size of your business or how deep its pockets.”

Jack Welch



# Business survival classifications

## What is the threat?



1. **Objectivity** – business survival is one of the key objectives of being in business. For you to make a profit you need to have a lifeline.
2. **Competition** - Competition is the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and market share growth. Market competition gives you a motive to survive.
3. **Crisis** - refers to an unexpected unplanned situation or rather threat that suddenly dawns upon from a business out of nowhere. It means an event that threatens the very stability of a business.



# Types of crisis

## Understanding the threat

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1. **Financial Crisis** - A financial crisis occurs when a business loses value in its assets and the company can't afford to pay off its debt. Typically, this is caused by a significant drop in demand for the product or service.
2. **Personnel Crisis** - Personnel crises occur when an employee or individual who's associated with the company is involved in unethical or illegal misconduct.
3. **Organizational Crisis** - Organizational crises are situations where the company has significantly wronged its consumers. Rather than creating mutually beneficial relationships, these businesses used their customers as a means of benefiting the company.
4. **Technological Crisis** - Businesses heavily rely on technology to perform their day-to-day functions. So when that technology crashes, they have a lot more to worry about than a few missing emails.
5. **Natural Crisis** – These are those that you have no control over but are caused out of natural causes such as Earthquakes, floods, pandemics – COVID19 etc. The best way to handle natural crises is to be proactive.

# Types of crisis management

## Understanding the threat

1. **Responsive Crisis Management** - When a crisis hits your business, it's important to have a plan of action ready that matches the situation at hand. Responsive crisis management executes that plan and handles any unexpected roadblocks that may pop up.



2. **Proactive Crisis Management** – This crisis management anticipates a potential crisis and works to prevent it, or prepare for it. While not all crises can be prevented or planned for like COVID-19, actively monitoring for threats to your business can help your company reduce the impact of a potential crisis.

3. **Recovery Crisis Management** - Sometimes we don't even see the crisis coming, and it's too late to prevent the damage it caused. In these cases, your company may not be able to lessen the impact, but you can begin to salvage what's left of the situation.



# The biology of corporate survival

## Complex adaptive system

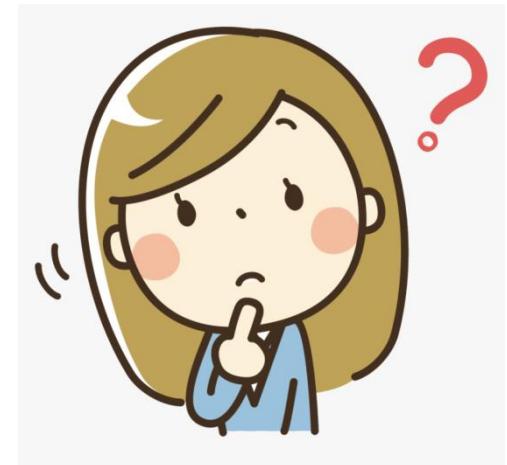
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### *What is it?*



**Complex adaptive system** - local events and interactions among the agents or people, can cascade and reshape the entire system—a property called emergence. The system's new structure then influences the individual agents, resulting in further changes to the overall system. Thus the system continually evolves in hard-to-predict ways through a cycle of local interactions, emergence, and feedback.



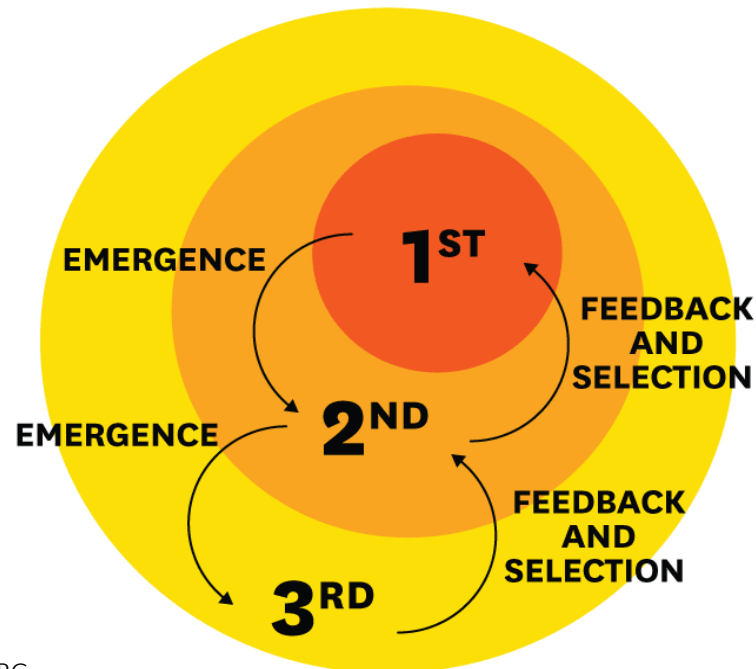
From "The Biology of Corporate Survival," January–February 2016 HBRORG

# The biology of corporate survival

## Nested system



Local interactions among agents in a complex adaptive system reshape the overall system in a process called emergence. Feedback and selection then affect the agents, resulting in further changes to the system. When systems are nested, these interactions cascade from one system to another. Thus business leaders must consider the complex interactions of systems at many levels beyond their own.





# The biology of corporate survival

## Nested system



Level	Nature	Business
First	THE POPULATION Individual organisms of the same species	THE COMPANY Individual employees
Second	THE NATURAL ECOSYSTEM Populations of species that depend on and compete with one another	THE BUSINESS ECOSYSTEM Companies that depend on and compete with one another
Third	THE BROADER NATURAL ENVIRONMENT Neighboring ecosystems and non-biological elements, such as the climate	THE BUSINESS ENVIRONMENT Overlapping ecosystems and other stakeholders, such as government entities



# Is your business strategy aligned to your risk management?



# Surviving the crisis

## Different risk environments call for different approaches



STRUCTURAL FEATURES	ADDRESS THESE THREATS TO THE FIRM
HETEROGENEITY: Diversity in people, ideas, innovations, and endeavors	COLLAPSE RISK: Change from within or outside the industry renders the firm's business model obsolete
MODULARITY: Barriers or loose connections between components of the business system and between business systems	CONTAGION RISK: Shocks in one part of the economy or business ecosystem spread rapidly to other parts
REDUNDANCY: Duplication that creates buffering capacity in components of the business system	FAT-TAIL RISK: Rare but large shocks, such as natural disasters, terrorism and political turmoil
THESE MANAGERIAL LEVERS	ADDRESS THESE THREATS TO THE FIRM
EXPECT SURPRISE, BUT REDUCE UNCERTAINTY Collect signals, detect patterns of change, imagine plausible outcomes, and take precautionary action	DISCONTINUITY RISK: The business environment evolves abruptly in ways that are difficult to predict e.g. COVID 19
CREATE FEEDBACK LOOPS AND ADAPTIVE MECHANISMS Monitor change, promote variation, experiment, amplify innovations and iterate rapidly	OBSOLESCENCE RISK: The firm fails to adapt to changing consumer needs, competitive innovations or altered circumstances
FOSTER TRUST AND RECIPROCITY Act in ways that benefit other participants in the overall system, and establish mechanisms that ensure reciprocity	REJECTION RISK: Participants in the business ecosystem reject the firm as a partner

# Surviving the crisis

## Strategic planning

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1. Plan for four distinct phases to the crisis



# Surviving the crisis

## Strategic planning

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***Awaiting the impact***—As individuals and businesses attempt to maintain a semblance of normalcy while the coronavirus has not yet had direct effects. We can expect changed work practices, contraction of demand, and uncertainty about making big investments.

***Withstanding the impact***—As health emergencies and business crises abound. Companies will struggle to operate as employees attend to sickness, supply chains break, and both B2B and B2C customers struggle to make purchases.

***Returning to normal***—As people yearn for old routines, the virus passes through a critical mass of the population so that immunity develops, and eventually vaccines become available.

***Sorting out the new industry dynamics***—As changed buying habits and behaviors, along with new business models and a revised competitive landscape, create both threat and opportunity. As with the financial crisis, the fourth phase may be a long one. Plan for it now, so that your actions through the earlier phases set you up for success in that end game.



# Surviving the crisis

## Strategic planning

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### 2 . Define the Challenges

It's tempting to focus on firefighting in a time like this, but it's crucial to consider the long-term challenges created. Be precise about the challenges to address so that your solutions can be assessed with the right lenses.



### 3. Clarify the Options

If you've defined your challenges well, it's usually possible to create a discrete and manageable set of options to address them. Dispassionately, write out their pros and cons. Note what further options they open up down the road, as well as which ones they might foreclose.

### 4. Build Scenarios

We can't assume we know how all this will end, but you can build scenarios specific to your business.

### 5. Make Decisions

Unlike normal times, in a crisis decisions cannot be procrastinated. You have to act and act fast!

# Hazards of planning in uncertainty

## 4 traps to avoid



### Trap 1: Fuzzy Objectives

Why are you writing a strategic plan? If you lack a detailed view of what choices the plan will inform, the document may not provide clear guidance when those calls need to get made.

### Trap 2: No Scenarios

When surrounded by volatility, it is convenient to choose one consensus view of the future and to create plans accordingly. This is hazardous. If companies do not clearly map out alternative scenarios, they can be unwittingly blind to how surprises may upend carefully laid strategies. Have a set of scenarios to evaluate, and consider placing a small number of bets to exploit seemingly unlikely scenarios should they come to pass.

### Trap 3: Too Many People

Industry upheaval often calls for tough choices, and consensus will not be possible. Pretending that a process will gain alignment simply invites passive-aggressive behavior, with participants feigning assent while they try to undermine key decisions behind the scenes. The result may be a messy compromise that fails to provide the organization with the focus required. In times of major uncertainty, seek input from many sources, but keep the most important decisions small.

### Trap 4: Too Rushed

Faced with a fire hose of challenges, many businesses in turbulent industries conclude they can dedicate only one meeting to strategic issues. That is a big problem. It is not necessary to spend several days in strategic planning but the process will be far more effective if it is staged over the course of two to three meetings. That is particularly true in times of crisis as with the coronavirus, when collective perceptions can vary rapidly from one week to the next. **Big decisions have to be framed and informed by data, and then thought through for execution.**



## Successful planning in uncertainty

1. Define what it means to win
2. Decide how and with whom you will win (i.e. the right markets and customer segments)
3. Determine competitive advantages
4. Defeat specific and articulable challenges
5. Develop growth options and the capabilities to move forward







## Words of wisdom – Survival mechanisms

1. Adaptability - changing business systems calls for rapid.
2. Avoid procrastination – make strategic moves now.
3. Consistency – Keep you brand vibrant and relevant in all the necessary spaces.
4. Differentiation – Rethink your uniqueness, what will make you stand out?
5. Embrace technology – like it or not, this is our new normal.
6. Creativity and innovation is wanting.
7. Sustainability – Sustainable inclusive business models have a proven track record of inclusive thriving.



# Professor Michael Porter – Harvard





We would love to hear from you...  
Any questions???

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THANK YOU





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