

What is your adaptive strategy post-COVID19? – brief#4

“The vision consisting in thinking that the economy has been put to sleep and that when we are going to wake up the patient, everything will set off again is a mechanical vision of things.” Emmanuel Faber, CEO Danone, 6 May 2020.

As we move away from the initial shock of the COVID19, our attention is turning to the re-entry into a post-crisis world but what constitutes the new reality? Learning from all this will be a long process as the scale of assumptions and beliefs shaken by the COVID19 crisis are so vast. So how can executives prepare a re-entry strategy in a context when so much has changed externally yet so much is still the same inside in the company?

Following the 1929 crisis, many companies suffered, others made remarkable turn arounds. For example, Procter & Gamble was able to pivot by reframing their market positioning from declining sales in groceries toward selling soap and beauty care. It must have taken courage and vision for their executives to question what was then a core focus of their business. A century later, P&G has just reported the highest rise in US sales in a decade. This example brings to our awareness two themes when it comes to strategy design and decision making in changing times:

- to confront our own confidence in how we see the world
- to accept that to move on we need to let go of some of our beliefs

We see the world through our filters

Business strategies and organizational models are founded on pre-crisis mental models. A mental model is nothing else than a set of filters we have acquired that shape how we see the world. These models simplify and guide our understanding of a complex reality. Under normal circumstances, they make us more efficient. They will speedily channel our attention to certain aspects of a situation, have a significant influence over the decisions we make, while leaving, other equally important aspects in the shadows and they therefore act as important filters. In times of change, this hardwiring can prevent us from seeing events and trends with new lenses.

What you thought you knew may no longer be true

Researchers suggest that companies stall because the things they believed the longest or the things they believed the most deeply are no longer valid. Being aware of those mental frames, especially in troubled times, and being able to reframe becomes essential so that you do not spend your energy solving the wrong or pre-COVID problems and increase your options for decision. As an example, in the 1990s, Encyclopaedia Britannica lost half its sales because its frame of the world was to sell hard-copies of an encyclopaedia. It got overtaken by Microsoft Encarta who saw itself in the business of selling knowledge, not in the book publishing business which was too limiting a frame.

Back to May 2020, where does one start? How to rethink some of the decisions made before the crisis? Together with my partner Simon Sijbrands, who has also just written on filters, we have developed an approach to support the delicate exercise of re-adjusting a strategy to the post-crisis context by identifying blind spots influenced by filters and help make more informed decisions. Feel free to reach out.

To find out more:

- On the filters and mental models: Winning decisions, | Russo & P Schoemaker (2002)
- On the rise and fall of companies post-1929: article by Olson and van Bever, When growth stalls in Harvard Business Review, March 2008, <https://hbr.org/2008/03/when-growth-stalls>
- and on the P&G story, <https://www.mentalfloss.com/article/20837/5-great-depression-success-stories>
- For another perspective on filters, see the article of my partner Simon Sijbrands <https://www.simonsijbrands.nl/en/simon-sijbrands/blog>