

# Don't turn a crisis into a panic

From protectionist to opportunist, **Thomas Lawton**, Professor of Strategic Management from Cranfield School of Management, spells out four strategic responses to the global recession



**Crisis brings out the best and the worst in people and organisations. It also strips away any last vestige of competitiveness from**

those companies that have been propped up by unrealistic consumer confidence and unchecked spending. Similarly, it provides an environment within which the strong and the aggressive can expand and thrive, virtually unchallenged. Such has been the case with the present global economic crisis. Four types of strategic response are evident.

**1** Reactive negative (panic) response, adopted by companies in serious trouble. Think Woolworths in 2008. These organisations respond to the growing pessimism and declining sales but they do so in a fearful and unco-ordinated way, where any strategic logic or operational control goes out the window. The result is significant decline at best and outright failure at worst.

**2** Reactive neutral (protect) response, adopted by companies highly exposed sectors, hard-hit by global recession. Think of the large car companies like Honda or Toyota – good companies responding to bad times. Their response is to batten down the hatches, reduce or minimise resource utilisation and retreat into their organisational shell until the storm has passed. Three-day working weeks are introduced at many manufacturing plants in order to conserve and at the same time preserve. The result is survival and is likely



to be long-term success but innovation and dynamism may need to be rebuilt.

**3** Reactive positive (cloaking) response, adopted by companies that use the global downturn as cover for unpopular cutbacks and restructuring. Think of a corporation like Sony, which has laid off a significant portion of its workforce as part of a longer-term strategy, conceived before the recession, aimed at repositioning the company to be leaner and meaner. The objective is to bounce back quickly from recession and compete aggressively on cost and price with global competitors like Samsung. The result is likely to be positive and may lead to increased profit margins.

**4** Proactive (conquering) response, adopted by companies that see opportunity in the distress or inaction of competitors and the changing preferences

of consumers. Think of a company that is cash rich and operationally efficient, like Tesco, or Pfizer. Their response to global crisis is to expand international reach and market share aggressively, through organic growth or by acquiring weaker competitors. The objective is to come out of the recession as one of the strongest players in the industry. The result is usually just that, so long as the rush to grow is in line with the long-standing strategic objectives and intent.

Managers need to ask, 'Which category is my business in?' Then they must re-evaluate this position in relation to their pre-crisis strategy. Have they deviated from this strategy, or even abandoned it? Perhaps this could not be helped. But if this is the case, they must prepare for the upturn, and decide which mode they want to be in when it arrives. This will also enable them to make an appropriate instinctive strategic response when the next crisis occurs. **CR**

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