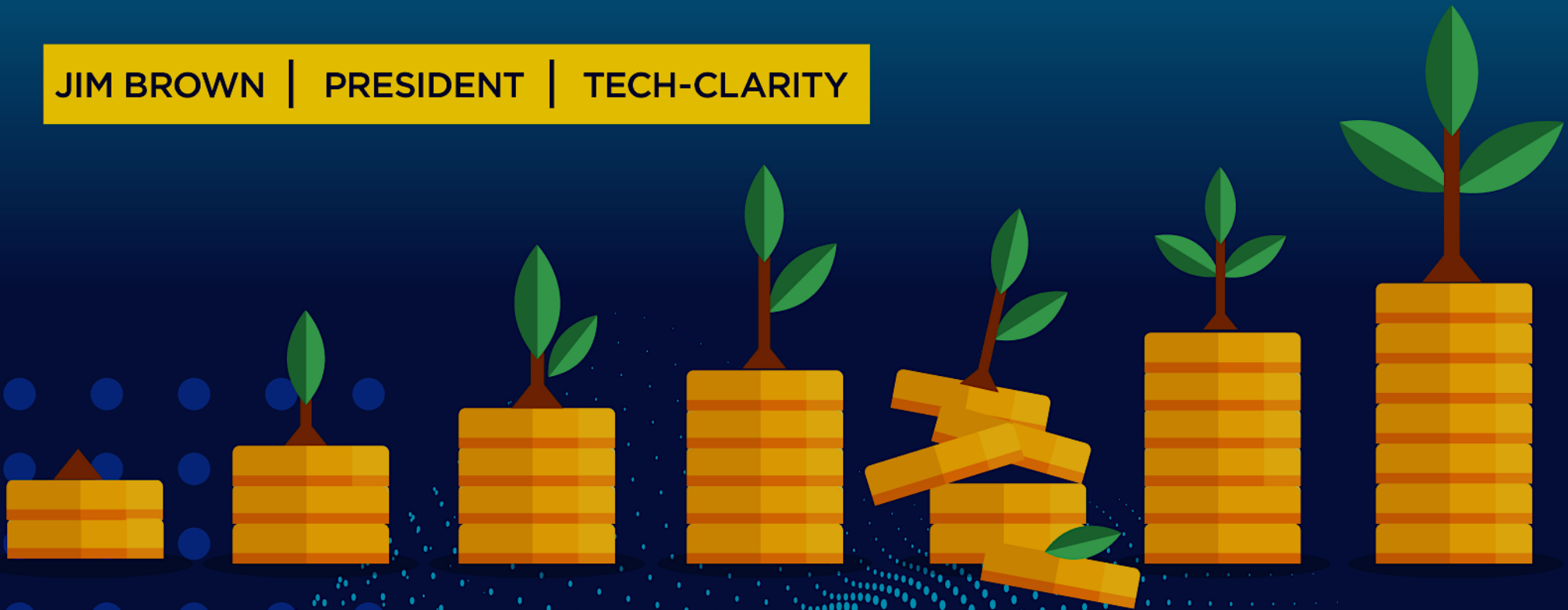


Business Sustainability (and Survival) **STRATEGIES 2020**

JIM BROWN | PRESIDENT | TECH-CLARITY



Business Risk and Disruption Threaten Viability

Global Disruption Extends Existing Business Sustainability Threats

Our 2019 research, *Executive Strategies for Long Term Business Success*, shared that sustained business viability was already at risk from disruption. The study found that companies must adapt to shifts in business models, technology, the environment, and socio-economic factors to remain competitive.

The business impact of COVID-19 has dramatically altered the marketplace, adding additional disruption on top of existing risks. How are companies prioritizing limited resources and capabilities to survive the current disruption without losing sight of the pillars of long-term business sustainability? We surveyed over 190 companies to gain some insight.



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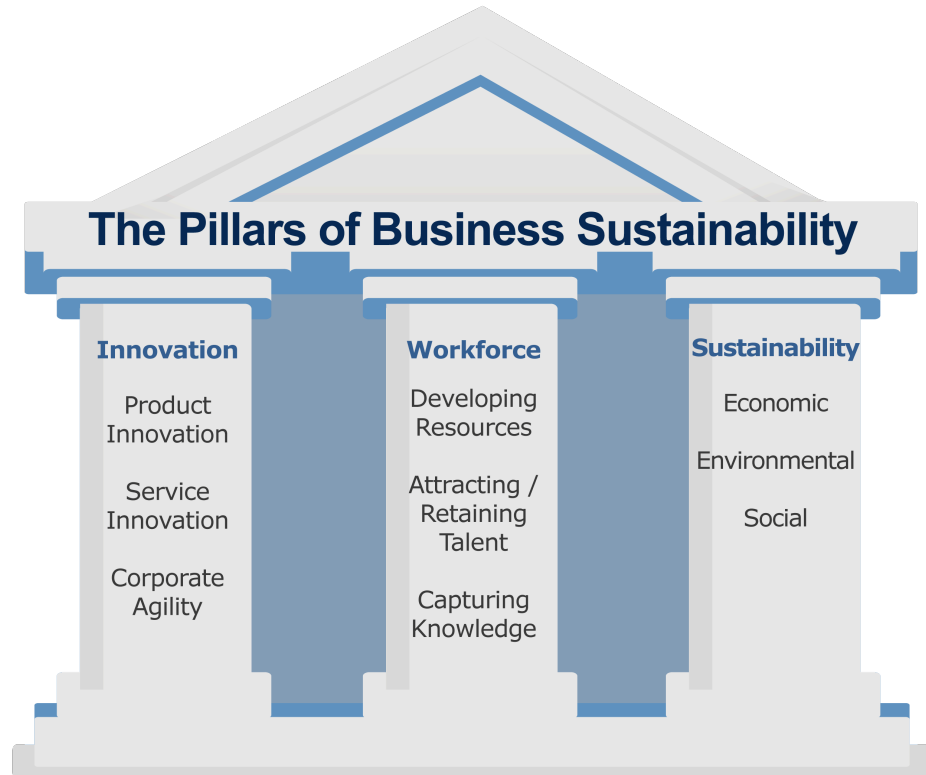


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Global Disruptions Compound Business Risk

Recognizing Turbulent Times

In 2019, we asked, "How has business risk and disruption increased for your market over the last five years?" About three-quarters of companies shared that risk and disruption increased, and a full one-half of companies with over 10,000 employees said that it had grown "significantly." Market disruption is the status quo, as only 4% said that market upheaval had decreased.



Seeing Beyond the Crisis

Now, many companies that were already fighting for their competitive position in a rapidly changing world are facing their own viability. The economic fallout from the global pandemic will undoubtedly alter the world marketplace dramatically. Despite the crisis, however, companies still recognize the need to focus on long-term business sustainability.

Taking Perspective on Global Disruption

Global challenges, and currently COVID-19 in particular, have significant personal and professional impacts. While we continue to hear that this is an "unprecedented" time, periodic global disruptions are the norm. This survey investigates the impact of global disruptions on business strategy. Most respondents were likely responding with the current pandemic in mind, but disruption could also apply to other world events such as earthquakes, tsunamis, volcanic activity, hurricanes, and human-created events like terrorism or armed conflict.

As we'll see, the impacts of the global disruption caused by COVID-19 aren't the only risks companies face. Current survey results show that the overall sentiment about business risk and disruption has stayed much the same into 2020. While addressing the impacts of the pandemic are urgent, other challenges have not subsided.

Despite global disruption, companies must continue to focus on the pillars of business sustainability to ensure long-term success and viability.

Disruption Impacts Company Strategies

Responding to the Impact of Global Disruption

We asked companies “how global disruption has impacted” several areas related to the pillars of business sustainability. The responses are both encouraging and concerning.

Accelerating Digital Transformation

The impacts of COVID-19 have caused many companies to increase focus and/or accelerate their digital transformation initiatives. Recent conversations indicate that digital transformation is seen as an essential means of surviving the current crisis.

Some companies are digitalizing to survive, while others are doing it to create a competitive advantage.

Maintaining Investment in Innovation and Agility

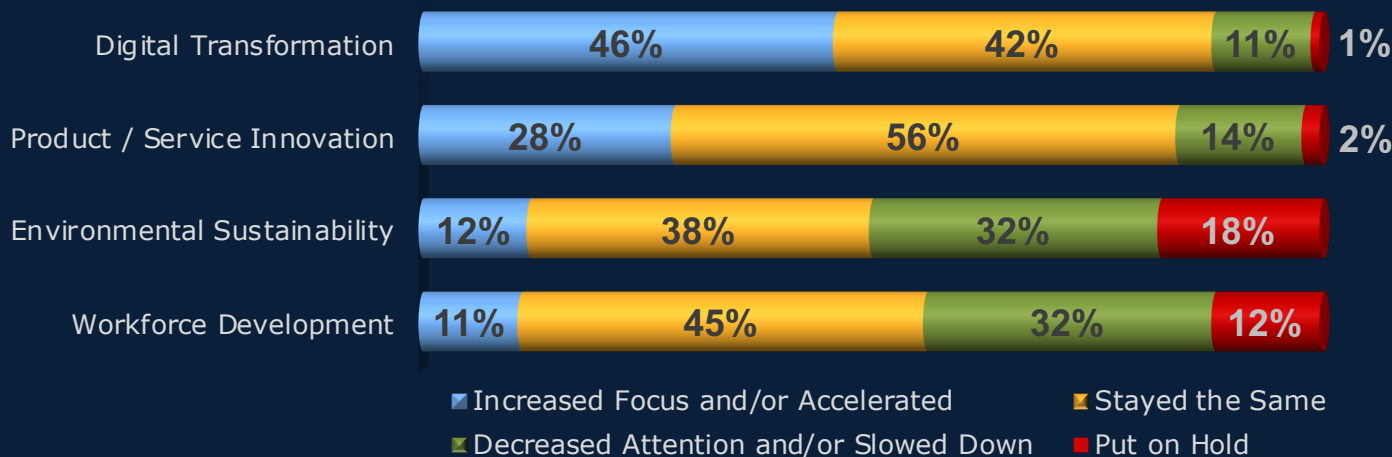
Companies also see product and service innovation as keys to survival as they reinvent their offerings to provide value in today’s new reality. It’s encouraging to see that about one-half of companies have kept their focus on innovation, and another one-quarter has put more emphasis on it. Innovation is a necessary tool to survive today and fuel long-term growth.

Recognizing Lower Priority on other Pillars

Other initiatives, including developing the workforce of the future and improving environmental impact, are receiving decreased attention, slowed down, or even being put on hold.

In general, though, this survey finds that companies are reducing the focus on areas they recognize are highly important to long-term success and profitability due to their inability to make them a priority at the current time. They are in survival mode.

Disruption Impact on Business Sustainability



Companies are shifting to provide value in the new reality. The vast majority have either increased their focus and/or accelerated their digital transformation and innovation efforts or at least maintained their current level of focus.

Strategies Understandably Reflect Disconnects

Examining Long-Term Business Success Priorities

We asked companies to “rank the strategic importance and current level of priority placed on factors impacting long-term business sustainability” as high, medium, or low in respect to strategic importance and current priority. We started with the three pillars identified in the prior research and made modifications to reflect current circumstances. We adjusted the business sustainability pillar, which is the combination of economic, environmental, and social sustainability, by splitting out digital transformation. The adjustment was important due to the high focus it received in the prior study. We also added, “managing the impacts of global disruption” to better understand how disruptions like COVID-19 impact the importance and priority of strategic needs.

Acknowledging that Importance and Priority are at Odds

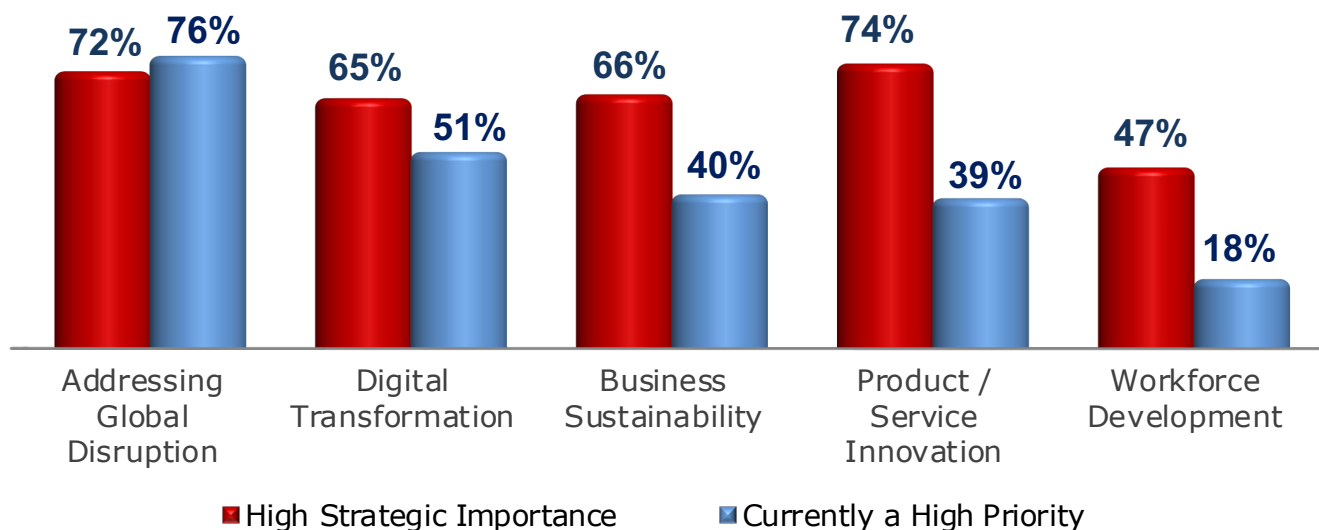
Not surprisingly, companies are operating with disconnects between their strategies and their operations.

There are clear differences between what they recognize is important to long-term business success and what they consider current priorities. Clearly, some items are not getting the attention they need! The current priority lags the level of importance to long-term success in all initiatives other than one. It’s noteworthy that the one area that gets a slightly higher current priority than strategic importance is digital transformation.

Accepting that Companies are in Crisis Mode

As we’ll see later in the eBook, the issue is not a lack of recognition of the importance, but an inability to address all issues during a crisis. We believe these differences are a temporary reaction and will readjust as companies begin to operate in the new normal.

Strategic Importance and Priority of Factors Impacting Long-term Business Success



Companies are operating with disconnects between what they recognize is important to long-term success and what they can currently focus on, placing the highest priority on global disruption.

COVID has Multi-Faceted Impacts

Considering the Impacts of Disruptions

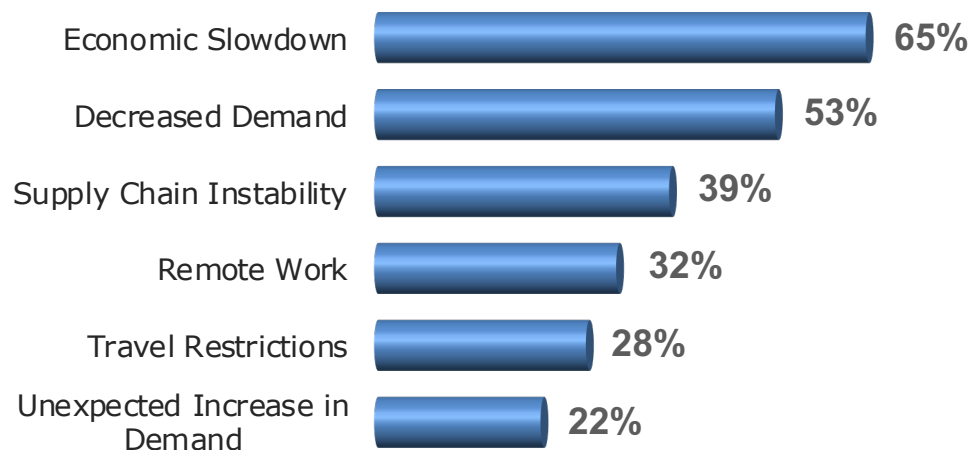
COVID-19 is not the first global disruption to businesses and value chains, and it won't be the last. Over the last decade or so, we've experienced earthquakes, tsunamis, volcanic activity, hurricanes, and human-created events like 7/7 or 9/11. Events like these have short- and long-term impacts.

COVID-19 is impacting companies of all kinds. We asked companies, "Which of the following impacts of the global disruption will most affect your company strategy?" The most pronounced impacts are direct financial impacts, including the overall economic slowdown and decreased product and service demand. But these aren't the only challenges companies face, and their strategies need to acknowledge and account for them in combination with other challenges and priorities. For example, global disruption like the tsunami cause supply disruptions, which caused many companies to rethink their sourcing strategies based on geographical risk. Decreased demand in combination with unpredictable supply is a challenging combination.

Identifying Blind Spots

Not all impacts of disruption are apparent to everyone in the organization. For example, surveyed executives aren't very likely to consider supply chain instability, while 57% of managers and 58% of individual contributors believe the issue impacts strategy. Supply chain instability is often an outcome of disruption, although some don't recognize that with COVID-19. Similarly, the majority of managers see remote work and workforce reductions as issues that impact strategy, more than other organizational levels. Companies need to share information about challenges across organization boundaries to ensure they aren't missing impacts.

Disruption Impact on Company Strategy



Analyzing Impacts by Sector

Some industries are hit harder by the disruption. For example, 91% of companies serving the automotive industry and 81% in industrial equipment share that the economic slowdown will impact strategy. Almost three-quarters (71%) of life sciences companies and over one-half (59%) of medical device companies say remote work impacts their strategies, perhaps because they must adhere to strict regulatory requirements or because they have lower digital maturity.

The primary impacts reported from COVID-19 are related to the top line. Two issues, supply chain instability and impacts from workforce reductions and remote work, may be underestimated by some.

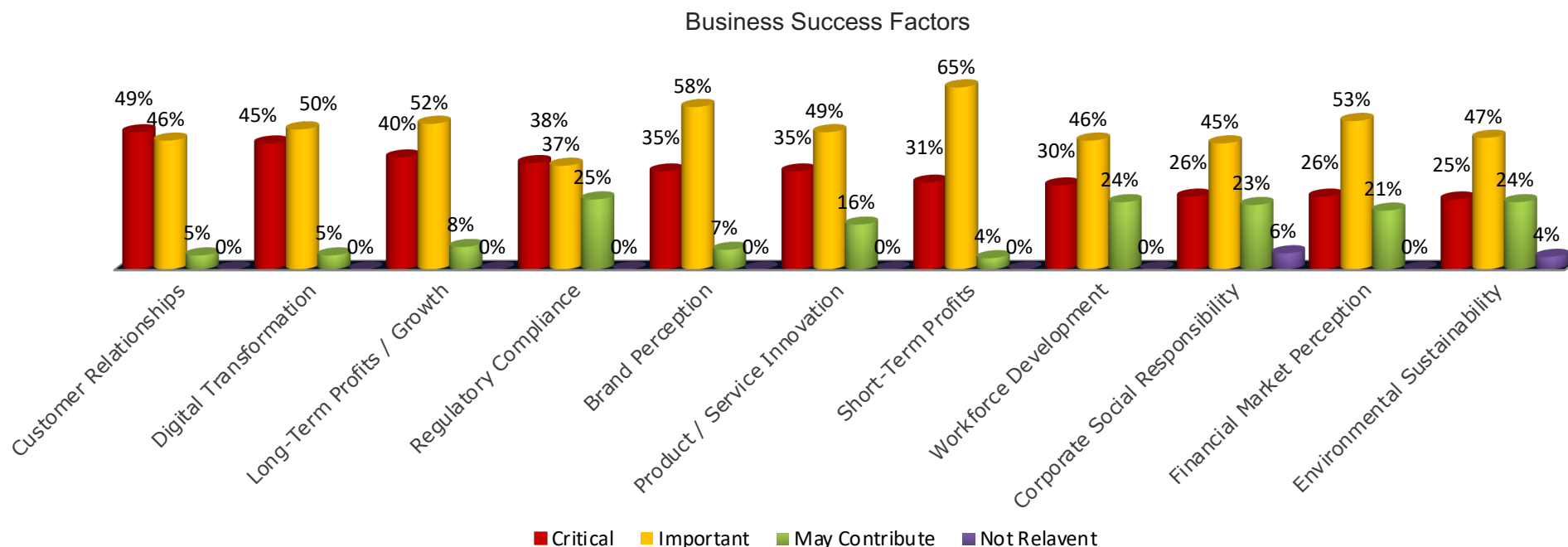
Recognizing What's Important to Long-Term Success

Recognizing that Global Disruptions Don't Change the Basics of Business

Let's step back to what drives long-term business success. In our prior survey, we asked, "how important are the following overall business factors to the long-term success of your company?" The responses show that there are many success drivers. These factors were likely in place before, after, and during many prior global disruptions. Companies can't ignore these factors while they address the current situation. However, they may adjust priorities and re-evaluate supply risk, diversification, globalization, business models, and other factors. Companies get through a crisis, learn, and then try to prepare for the next challenge.

Addressing the Pending Sustainability Crisis

Despite the focus on COVID-19, experts predict that environmental disasters and the impact of constrained resources will be more frequent and more severe due to climate change. Companies, and society as a whole, have a role in preventing the expansion of this issue in addition to becoming more resilient to maintain focus on long-term needs during challenging times.



Companies must address a combination of factors to ensure the long-term business success and viability. They must become agile and resilient to survive future disruptions.

Factors Influencing Strategy are Relatively Consistent

Analyzing Global Disruption Impact on Strategy

We asked participants, “Which of the following factors most dictate your corporate strategy and initiatives?” to evaluate what factors they consider when developing their strategies. Not surprisingly, most companies consider responding to the global disruption a top driver of their corporate strategy. Despite the prominence of global disruption, however, it’s not the only factor influencing strategy.

Realizing that Long-Term Financial Success Is Still Key

In the prior study, the top two factors influencing strategy and initiatives were new market opportunities and long-term growth goals. Companies still recognize the need to focus on long-term growth goals, with about one-half of respondents saying it influences their strategy. While current revenue streams are uncertain, only about one-half as many indicate that short-term profits are a driver as say long-term growth is, and only 12% of those in the C Suite see short-term profits as a strategy driver.

Accepting that New Market Appetite may be Diminished

One change that is likely due to the current financial climate is a decrease in focus on new market opportunities from 56% last year to 38% this year, although it still ranks near the top. There are some exceptions. Almost one-half (48%) of Industrial equipment companies and 59% of Medical Device companies say looking for new market opportunities drives their strategy. They are looking for new markets, possibly out of necessity and potentially to provide new value as needs change.

Knowing that Regulations Playing a Bigger Role

Environmental issues moved down the list of strategic drivers from last year. We believe this is because other things have taken higher precedence. One interesting change is the increase in focus on regulations despite a decrease in focus on direct social and environmental impacts. Companies may be reverting to government-mandated requirements instead of internal sustainability objectives as a way to level the playing field in a crisis. The increase may also be due to new, COVID-related regulations to protect consumer or workforce safety.



Despite the urgency of global disruption from COVID-19, it’s not the only factor influencing strategy. Companies are maintaining their focus on long-term objectives.

Companies Simply Can't Do Everything

Acknowledging Disconnects

The keys to company success and strategic drivers haven't fundamentally changed. But what companies are focusing on has. As the data shows, many things that companies recognize as critical to long-term success aren't currently a high priority. The need to focus on crisis response is likely the cause of these disconnects.

Observing that Challenges Have Changed Significantly

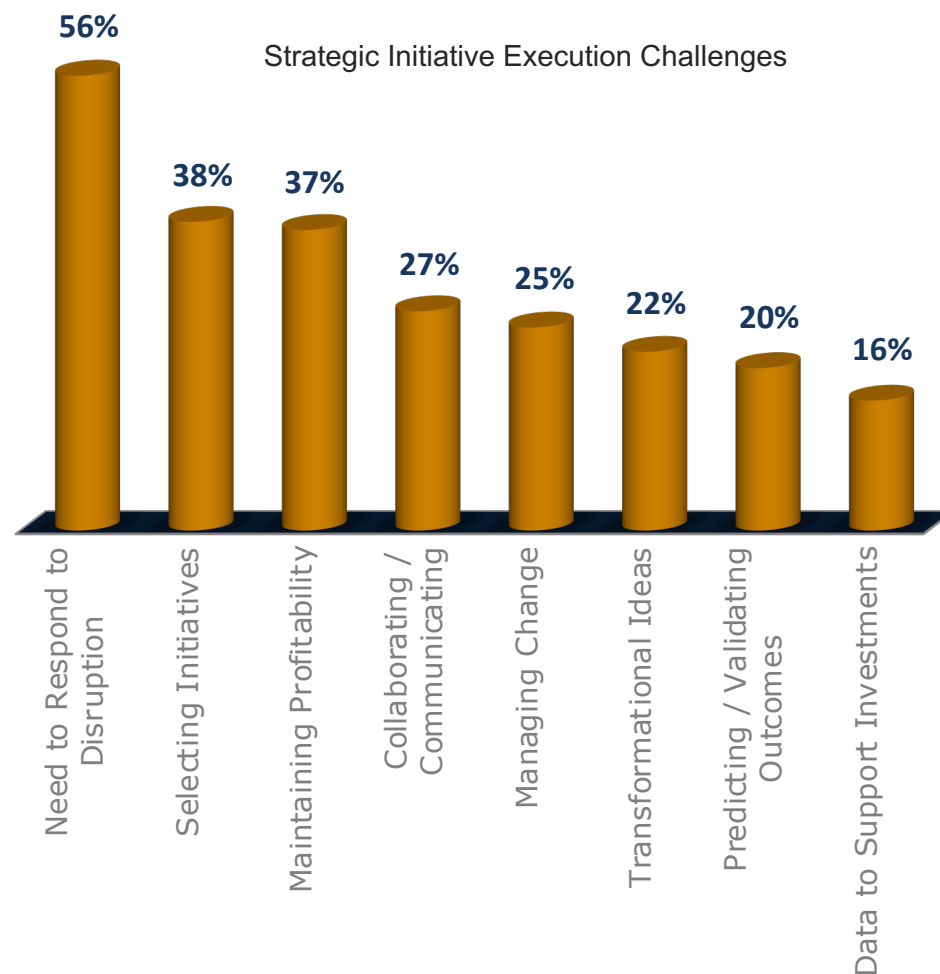
Last year, when polled about the "top challenges they face in executing corporate initiatives and transforming their businesses," over one-half of respondents mentioned challenges in developing transformational ideas and selecting the right initiatives. Over 40% said getting the right data to support investments, collaborating and communicating across the business, and change management were issues. This year, the focus is different.

It's hard to tell if the other challenges diminished or if respondents are just distracted by the most obvious challenge. Perhaps transformational ideas and choices may have become clearer or have been forced on them due to circumstances, reducing the need to choose.

Recognizing Disconnects are Due to Disruption

Disconnects in priorities stem from companies being in survival mode. For example, when asked specifically about the "top challenges related to environmental and social sustainability," 60% selected "decreased focus due to global disruption." This was mentioned twice as often as any other sustainability challenges, including changing regulatory landscapes, competing requirements, and local regulation complexity. Companies have to survive and can only execute so much. It's simply hard to get things done right now in most companies because they are focusing on survival, so they must make difficult tradeoffs.

Disconnects between strategic importance and current priorities are not due to a fundamental change in strategic drivers, they are based on companies' limited ability to execute corporate initiatives that demands hard prioritization and leaves important things out.



Business Transformation Leads Sustainability Needs

Being Aware that Economics are Still the Largest Drivers of Success

Let's drill down into some details on the economic, environmental, and social sustainability factors that impact long-term success. In the prior study, we asked, "How important are the following environmental, economic, and social sustainability factors to the long-term success and profitability of your company?" We identified that economic viability is priority one. "Ensuring business longevity with the right business model" is still the top priority, and significantly increased in criticality. Our recent observations show that companies see business model transformation as a way to survive or thrive in their new reality.

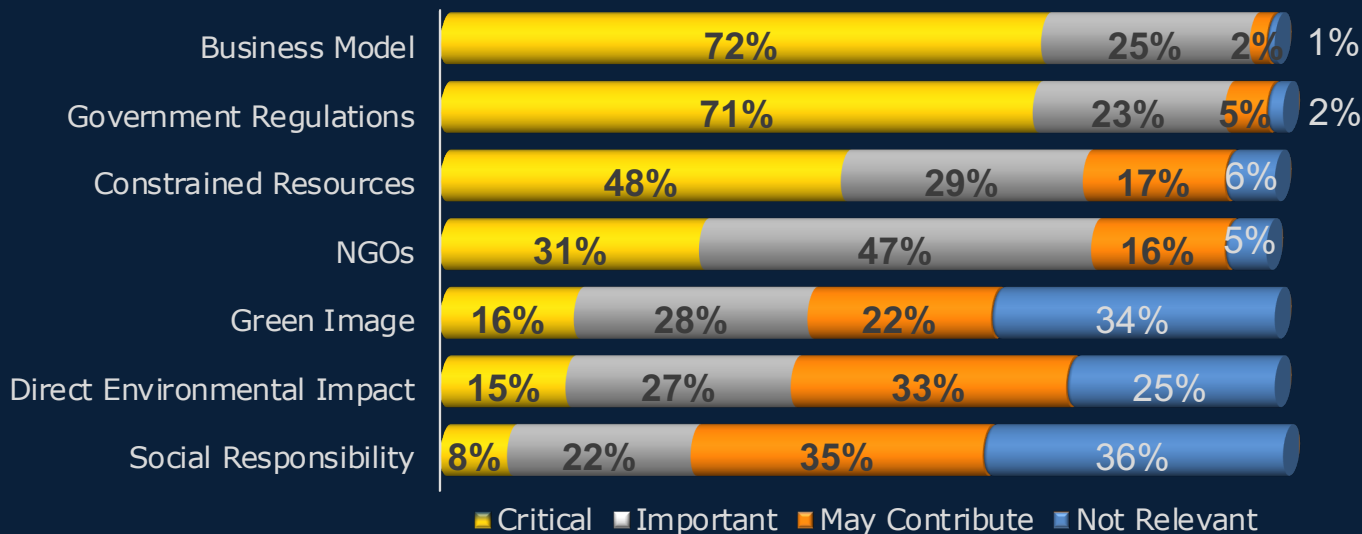
Considering Other Important Sustainability Factors

Likewise, "complying with government regulations" is still in the same second priority ranking, and has also grown in criticality. The importance of constrained / diminishing resources has increased as well. On the other hand, companies view that the criticality of maintaining a green corporate image, reducing the company's direct environmental impact, and improving the company's social impact have diminished in importance to long-term success. Although companies don't feel they can currently prioritize sustainability, we believe the focus will return after companies and their customers exit crisis management mode.

Planning a Path to Achieve Important Goals

The focus on the global disruption may have companies in "survival mode," but sustainability is still important. Recent discussions show that some companies want more regulation to help drive sustainability. They believe that regulation is the only way for them to be pushed, and that governmental rules are more likely to impact the supply chain and level the playing field so they can do the right thing instead of being undercut by somebody that doesn't care or practices greenwashing.

Factors Impacting Long-term Sustainability



Business model transformation is the leading factor driving long-term success and profitability. Companies must return to focus on all of the pillars of business sustainability quickly so they don't limit their own long-term success and viability.

Workforce Development Importance Has Increased

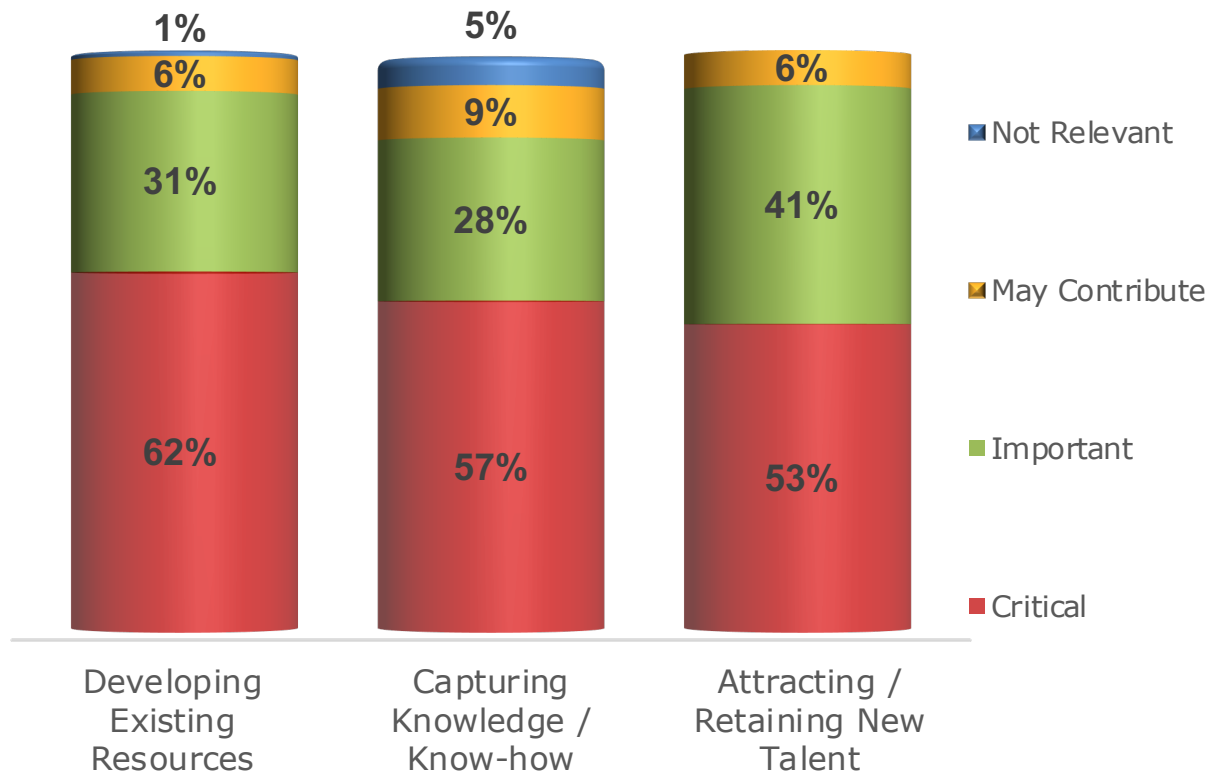
Looking Deeper into the Workforce Pillar

Let's take a more in-depth look into how companies say developing the workforce of the future impacts long-term business success. We asked companies, "How important are the following workforce development factors to the long-term success and profitability of your company?" The majority of respondents indicate that developing existing resources, capturing knowledge and know-how, and attracting new talent are all critical to long-term company success.

Workforce Becoming More Important in Disruption

Even though the priority of workforce development initiatives lags in strategic importance, as seen on the chart on page 6, the details show that companies still recognize the critical importance of investing in their workforces. All three of the factors examined related to workforce development have increased in criticality from last year. The importance of knowledge management has increased the most, rising to critical importance in 57% of companies as compared to 32% previously. Workforce turmoil and uncertainty likely fuel this increase.

Strategic Initiative Execution Challenges



Companies are firefighting at the moment, but they still recognize how important their people and investing in the workforce of the future are to their long-term success.

Conclusions and Next Steps

Companies are in Crisis due to COVID

The current economic and market impacts of COVID-19 have forced many companies into survival mode. The majority of companies (56%) say that responding to the global disruption puts challenges on their ability to execute on essential corporate initiatives. This creates disconnects between what they view as critical to long-term business success and their current priorities.

Accelerating Digital Transformation and Maintaining Innovation

Almost one-half of businesses (46%) have increased focus and/or accelerated digital transformation due to the pandemic. Digitalization is an important pillar of long-term business success that can help companies survive the current disruption and become more resilient for the future. Product and service innovation is also gaining or at least holding its ground. Innovation is a crucial way companies can pivot and adapt to changing markets, needs, and resources.

Putting Lower Priority on Workforce Development and Environmental / Social Sustainability

The research shows that companies are not placing as much priority or attention on other pillars, including workforce development and environmental and social sustainability. The responses do show, however, that they understand the long-term importance of these factors.

Maintaining Focus on Long-Term Success

Just over three-quarters of companies report that addressing global disruption is a high priority. While addressing the current global crisis is the obvious concern, companies must return their focus on all of the critical areas of business sustainability quickly. Despite short-term disruption, they must continue to build for the future if they want to remain viable.

Companies already struggling to cope with increased market risk and disruption must now do so despite the global impact of the COVID-19 pandemic. To survive, they are expanding their focus on two pillars of long-term business sustainability - digital transformation and innovation. These are survival tools for today and set the stage for greater future strategic benefits.

Companies have decreased their priority, however, on other critical pillars of business sustainability. They must reignite their focus on the workforce of the future, the environment, and social responsibility to remain competitive into the future.

About the Research

Data Gathering

Tech-Clarity gathered and analyzed data from 191 companies that research, develop, and/or deliver products and/or services to get a better understanding of what companies are doing to improve long-term business success. Responses were gathered by a web-based survey distributed through direct e-mail, social media, online postings, and 3rd party data collection.

Role

The respondents were company leaders including 24% Executive / “C-level,” 37% Vice Presidents, 21% Directors / Managers, and 18% Individual Contributors.

Organizational Function

Of the respondents, 22% were from R&D / Design / Engineering, 15% from General Management, 14% from Marketing / Product Management, 13% from Product Innovation / Product Strategy, 10% from Business Strategy, 7% from Digital Transformation, 6% from Operations, 4% from Project / Program Management, and others.

Company Size

The respondents represent a mix of company sizes, including 34% from

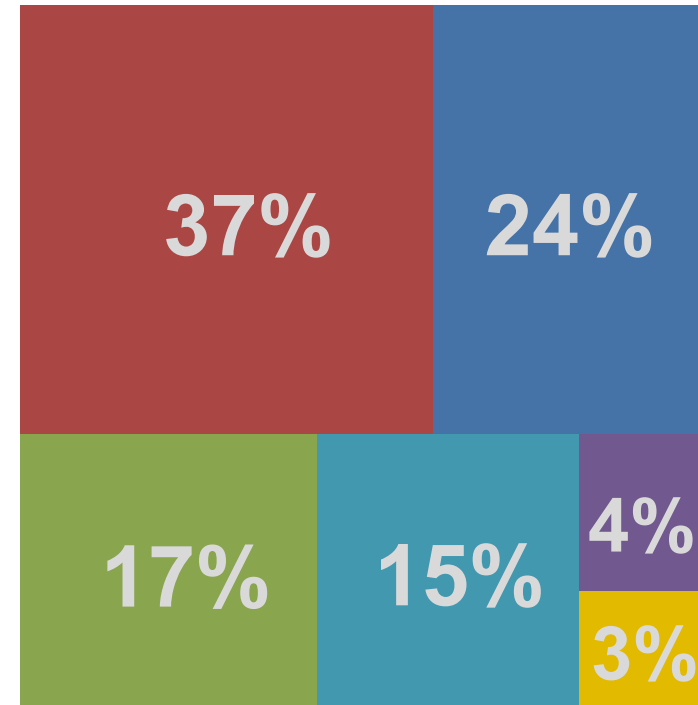
companies with over 10,000 employees, 28% with 5,001 to 10,000 employees, 15% with 1,001 to 5,000, and 23% from companies with 1,000 or fewer employees.

Industries

Responding companies serve multiple industries. Specifically, 21% were from Industrial Equipment / Machinery, 12% Aerospace / Defense, 12% Automotive / Transportation, 10% Consumer Packaged Goods (CPG), 9% Consumer Products, 9% Life Sciences / Biotech / Pharmaceuticals, 9% Medical Devices, 7% Building Products and Fabrication Lifestyle, 7% Energy / Utilities, 7% Home / Lifestyle, and others including Financial and Business Services, Marine / Offshore, Architecture / Engineering / Construction, Materials / Metals, Apparel / Footwear, Chemicals, and Government / Municipalities / Cities / Territories.

Geographies

Responding companies report receiving 10% or more of their revenue from North America 65%, Western Europe 55%, Asia 36%, Eastern Europe (including Russia) 9%, and other regions including Latin America, Australia, Middle East, and Africa.



- Executive, “C-level” (CEO, CFO, COO, etc.)
- Vice President
- Director
- Manager
- Non-manager, staff, individual contributor, engineer
- Other

Acknowledgments



Jim Brown
President
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About the Author

Jim Brown founded Tech-Clarity in 2002 and has over 30 years of experience in the manufacturing and software industries. Jim is an experienced researcher, author, and speaker and enjoys engaging with people with a passion to improve business performance through digital enterprise strategies and supporting software technology.

Jim is actively researching the impact of digital transformation and technology convergence in the manufacturing industries.



Tech-Clarity is an independent research firm dedicated to making the business value of technology clear. We analyze how companies improve innovation, product development, design, engineering, manufacturing, and service performance through the use of digital transformation, best practices, software technology, industrial automation, and IT services.

References

- 1) Jim Brown, "Executive Strategies for Long-Term Business Success," Tech-Clarity, 2019.

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About this eBook This is a follow-up to our *Executive Strategies for Long-Term Business Success* originally published in 2019.

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