
A good strategy can turn crisis into opportunity



By Javier Gimeno , INSEAD

According to the press, we are in the middle of the “ten days to save the Euro”. Although this may sound a bit sensational (it’s not clear how any country could exit the Euro without incurring economic suicide), it is evident that we are in the middle of unprecedented financial uncertainty in Europe, and that business leaders need to consider the impact of possible scenarios for their concerns.

This is good moment to consider what we have learned from the previous crisis, and understand how strategy can help organizations prepare to weather a possible storm.

During the 2008 global financial crisis, some organizations claimed that they had abandoned their strategy and planning processes, and focused instead on managing for survival. Although this may not sound very strategic, it is true that only those who survive the short term and left standing to strategize for the long term. Maintaining liquidity to support operations, building reliability in the supply chain, managing counterparty risk – those

are important survival skills. But certainly, strategy also plays a role in distinguishing who benefits or suffers most from a crisis.

A recent paper by Geoffrey Martin and Manuel Becerra, presented last month at the Strategic Management Society conference, provides some evidence about performance resilience of firms during the 2008 crisis. Using a sample of over 7,000 publicly traded U.S. corporations, they found that companies with greater income stream variability and lower performance during the 2003-2007 period suffered more after the 2008 crisis. Although the study did not examine the specific strategies of these companies, it suggests that those firms with strong competitive advantages prior to the crisis, and good risk management practices, were able to weather the crisis much better than their rivals. Indeed, for those with competitive advantage, a crisis may be an opportunity to strengthen competitiveness and gain market position. As executives in cyclical industries know, there are always good bargains to pick after a downturn. But the prize goes to those companies that were strategically prepared before the crisis.

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