**"Do-undo-redo": unlocking sustainable strategic renewal in services after the coronavirus**

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While many nations, companies, and individuals are still reeling from the negative effects of the financial crash that began in 2007 and then ground on through the years, the Covid-19 has hit hardly affecting many economies, and specially those related to the service industries. Services are often among the first and hardest hit by turmoil. Families refrain from making more or less superficial expenses like dining out. Corporations slash travel expenses. Long-haul (longer stay) tourism shrinks and gives way to short-haul (local or regional) destinations, if any. Most consumers become savvier spenders and turn away from high-end services (upscale hotels, cruises, personal shoppers, club memberships and other positional goods).



While the negative consequences of crisis are clear, times of extreme uncertainty can be also windows of opportunity, if coupled with innovation and doubled down on long-term, sustainable growth strategies. Still, for many in leadership positions the central question at the core of it is: which is the best overall strategy in a downturn like this one – expansion or retrenchment?

Research on strategic renewal assumes that companies have competitive advantages that allow them to thrive in times of munificence, but in times of environmental scarcity only firms with even better competitive advantages will outcompete firms that rely on defensive strategies, specifically organizational downsizing. Our study of the most innovative European service organizations found substantial differences in the outcomes of the two strategic renewal pathways in terms of net sales and operating profits over the years after the 2008-2011 (Martin-Rios & Pasamar, 2018). We found that firms that took a forward-looking strategic approach during the downturn, increasing R&D budgets and retaining their staff, obtained better long-term financial, operational and market success than those cost-oriented firms that reduced expenditure on R&D and cut headcount as a reaction to the recession.

Our research on strategic renewal and innovation strategies developed by businesses in the creative industries (Martin-Rios & Parga, 2016a) and cultural heritage (Martin-Rios & Parga, 2016b) during the years of the Great Recession are also illustrative of the post-coronavirus scenario. To gauge the nature of these firms’ responses during the 2008-2012 study period, we examined accounts of the firms’ innovative activities, as a composite of technological and non-technological innovation practices. Those firms that responded to the crisis by means of investment on long-term innovative transformations were able to reinvent their service offering and, as a result, to outperform those firms with short-sight, unplanned initiatives.

In fact, innovation strategy and management plays a decisive role in the way service businesses cope with crisis. Our sectoral taxonomy of service innovation strategies shows big differences across the distinct service sectors (Martin-Rios & Ciobanu, 2019). Airlines, retailers, hotels or restaurants, in this sense, seek short-term strategies which cannot create proper business opportunities to circumvent recession. Firms in these activities find themselves deeply affected by managerial challenges in terms of anticipating and reacting to changes in the environment.

The pandemic has triggered a shift in priorities. We can anticipate that most of discussions among business owners, senior managers and professionals in the service industry are now shifting to short term strategic adaptation in alignment with the impact of COVID on their operations. Our research shows there is another way.

**Inspired by the Red Queen**

“Well, in our country,” said Alice, still panting a little, “you’d generally get to somewhere else — if you run very fast for a long time, as we’ve been doing.”

“A slow sort of country!” said the Queen. “Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

The Red Queen in Lewis Carroll’s Through the Looking Glass reminds us of the importance of long-term strategic adaptation activities. Compared to short-term external threats, global crisis brings together environmental uncertainty, increased complexity, ambiguity and unpredictability. To recover, service firms face the unique opportunity of developing sustainable organizational responses aiming to increase their tolerance of uncertainty and to nurture sustainable sources of organic growth.

Yet, the transition toward sustainable business is not without obstacles. Many service businesses are quite simply reluctant to embrace sustainable management. For others, sustainability relates to long-term goals to address the greatest global challenges related to inequality, poverty, environmental degradation and climate change. In their eyes these purposes have little to do with business transactions and decisions, where the problems are more pressing.

In fact, it is quite the opposite. Sustainable business models and sustainability practices describe effective strategic and operational responses by businesses to these challenges. The current pandemic creates the scenario for new processes of sustainable strategic adaptation and renewal – to disrupt inertia by modifying or replacing the business´s core competencies and capabilities to ensure long-term performance and survival. Our ongoing research on sustainable innovation in the craft beer industry (Martin-Rios & Erhard, 2019), suggest that breweries that are actively integrating sustainability innovations into their service offering achieve planned growth and forge a strong attachment to their local communities and lasting relationships with stakeholders all along the value chain.

This is the time run at least twice as fast to rewire current systems and practices and to foster sustainable business models and to incorporate sustainable practices, processes and SOPs. The shift requires profound changes in the way we do ‘business as usual’. The future of service firms depends on it.

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