

# React to the Coronavirus (COVID-19) Outbreak via Raising Business Model Resilience

Published 12 March 2020 - ID G00721238 - 10 min read

By Analysts [Daniel Sun](#), [Monica Basso](#)

---

Initiatives: [CIO Leadership of Innovation, Disruptive Trends and Emerging Practices](#) and [5 more](#)

The global outbreak of COVID-19 is a crisis that may impact business models and disrupt continuity of operations of companies around the globe. This research explains how CIOs can contribute to the process of raising current business model resilience against external events such as the COVID-19 outbreak.

## Overview

### Key Challenges

- Companies tend to have traditional business continuity strategies and plans that focus on the continuity of the resources and processes, but omit the business model. However, the (unsuitable) business model itself can be a threat to continuity of operations in external events, such as the global outbreak of COVID-19.
- Given that few CIOs are familiar with the connection between business models, continuity of operations and business model resilience, they cannot systematically and actively contribute to the process of raising business model resilience for ensuring continuity of operations.

### Recommendations

CIOs seeking to lead innovative and disruptive practices and emerging trends should:

- Master a strategic and systematic approach for raising the resilience of current business models against COVID-19 outbreaks, by examining the five phases of the approach. These include defining the business model, identifying uncertainties, assessing the potential impact, identifying any design changes and executing those changes.
- Contribute to the process of increasing the resilience of current business models by presenting the framework to, and engaging with, senior business leaders to fully understand current business models, potential uncertainties and the impact of those uncertainties. Resilience can also be increased by designing and executing IT's change plans and strategies to offset the impact of uncertainties.

### Strategic Planning Assumption(s)

By 2021, one-fifth of the CIOs who drive the process of raising business model resilience to enable continuity of operations during the COVID-19 outbreaks will be promoted as part of the senior leadership team.

## Introduction

According to the World Health Organization (WHO), COVID-19 has hit 109 countries/territories/areas outside of China (data as of 10 March 2020), and the risk of a global COVID-19 outbreak/pandemic becomes increasingly higher. This has become a significant continuity of operations challenge to companies within various industries like hospitality, tourism, retail, transportation and manufacturing.

Facing this, companies need to leverage a systematic approach to strengthen the resilience of their current business models to ensure their ongoing operation. As for CIOs, they can play a key role in this process, since digital technologies and capabilities can influence every aspect of business models. Figure 1 indicates that a business model encompasses four dimensions and 10 aspects of business model change and innovation. Take the impact of augmented analytics on business model change and innovation as an example. This digital technology can be applied to identify and address customer needs and pain points, strengthen relationships with existing customers, enhance employee productivity, enhance the functions and efficiency of existing channels and drive cost reduction and optimization, and so on. For more detailed examples, see [“Leverage Augmented Analytics to Drive Digital Business Model Innovation.”](#) CIOs should grasp the opportunity of the COVID-19 outbreak as a driver for contributing to increasing business model resilience, setting up their foundation to become true business leaders and win more trust from their CEOs.

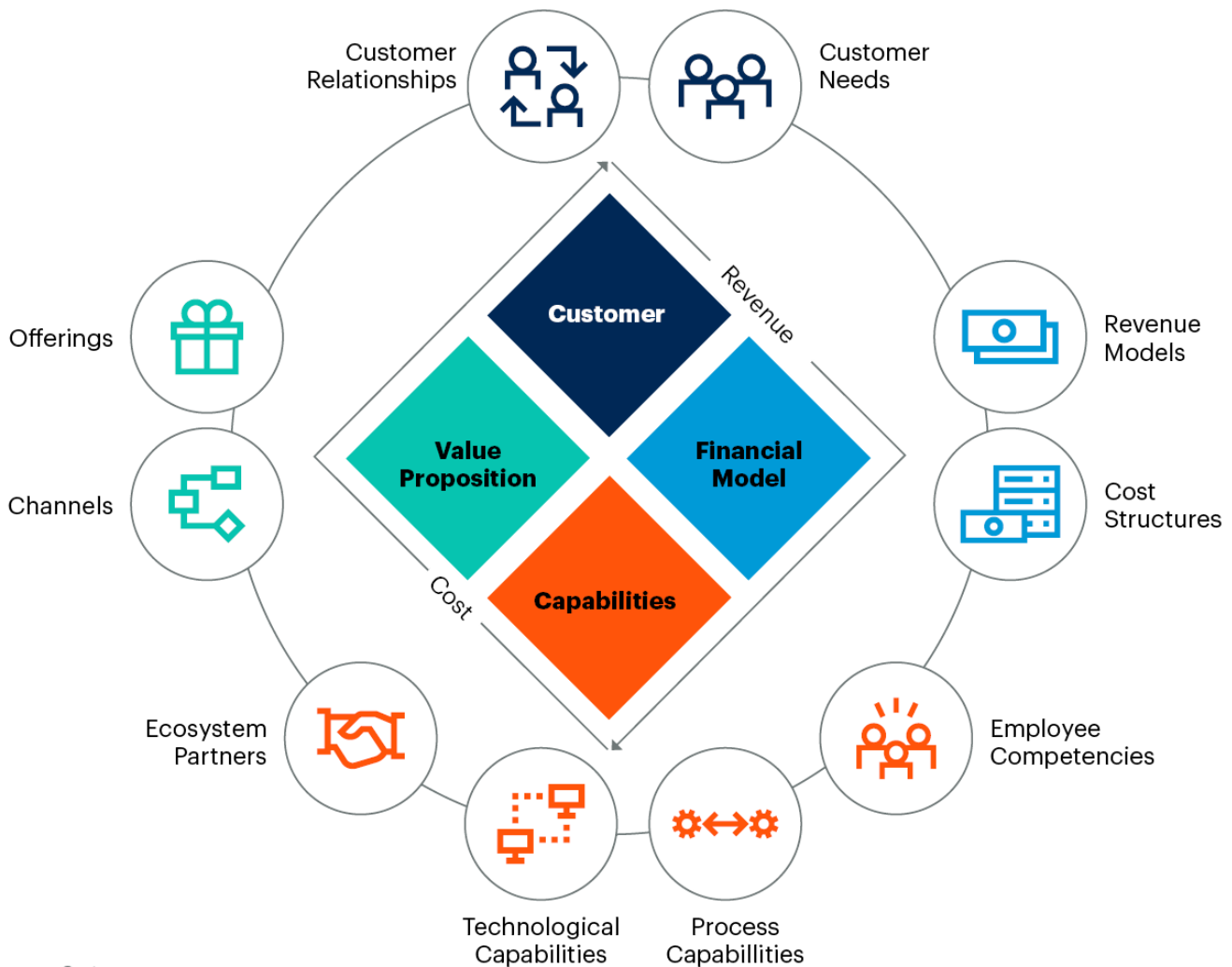
The objective of this research is to:

- Introduce a strategic and systematic approach for raising the resilience of current business models.
- Explain how CIOs and IT can contribute to the process of increasing the resilience of current business models.

The research is intended to provide companies and CIOs with a systematic approach in ensuring continuity of operations successfully. But it does not mean you should stop your current activities and initiatives that have been considered necessary. Doing them simultaneously will increase the chances of success.

### Figure 1. 10 Aspects of Business Model Innovation

## 10 Aspects of Business Model Innovation



Source: Gartner  
721238\_C

## Analysis

### Master a Strategic and Systematic Approach for Raising the Resilience of Current Business Models

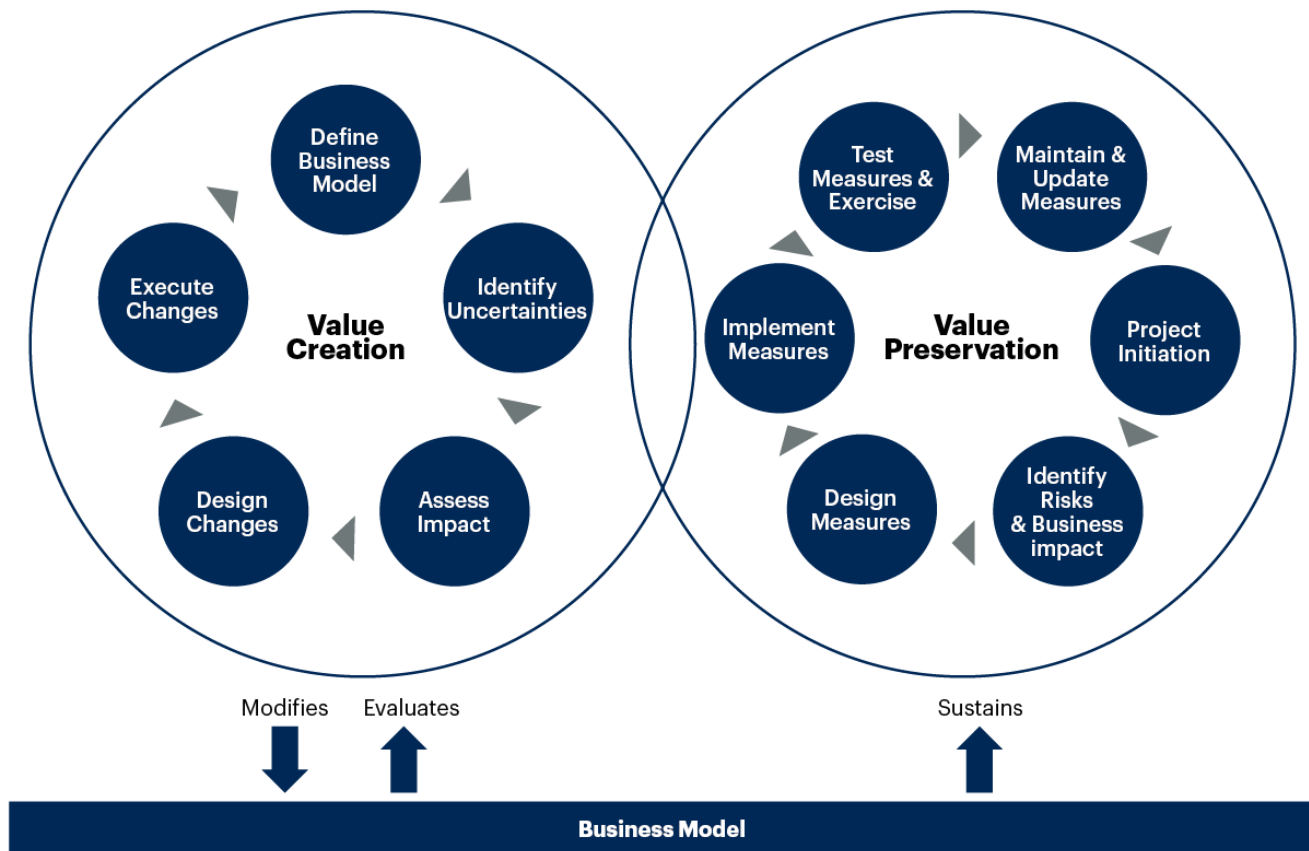
Figure 2 shows a recent strategic business continuity management framework. <sup>1</sup> The framework consists of two parts:

- **Value preservation:** Sustaining the continuity of the company business model (BM)
- **Value creation:** Evaluating and modifying the BM to raise BM resilience

In this research, the “value creation” part of the framework will be referenced and contextualized as a strategic and systematic approach for boosting BM resilience.

**Figure 2. Strategic Business Continuity Management Framework**

## Strategic Business Continuity Management Framework



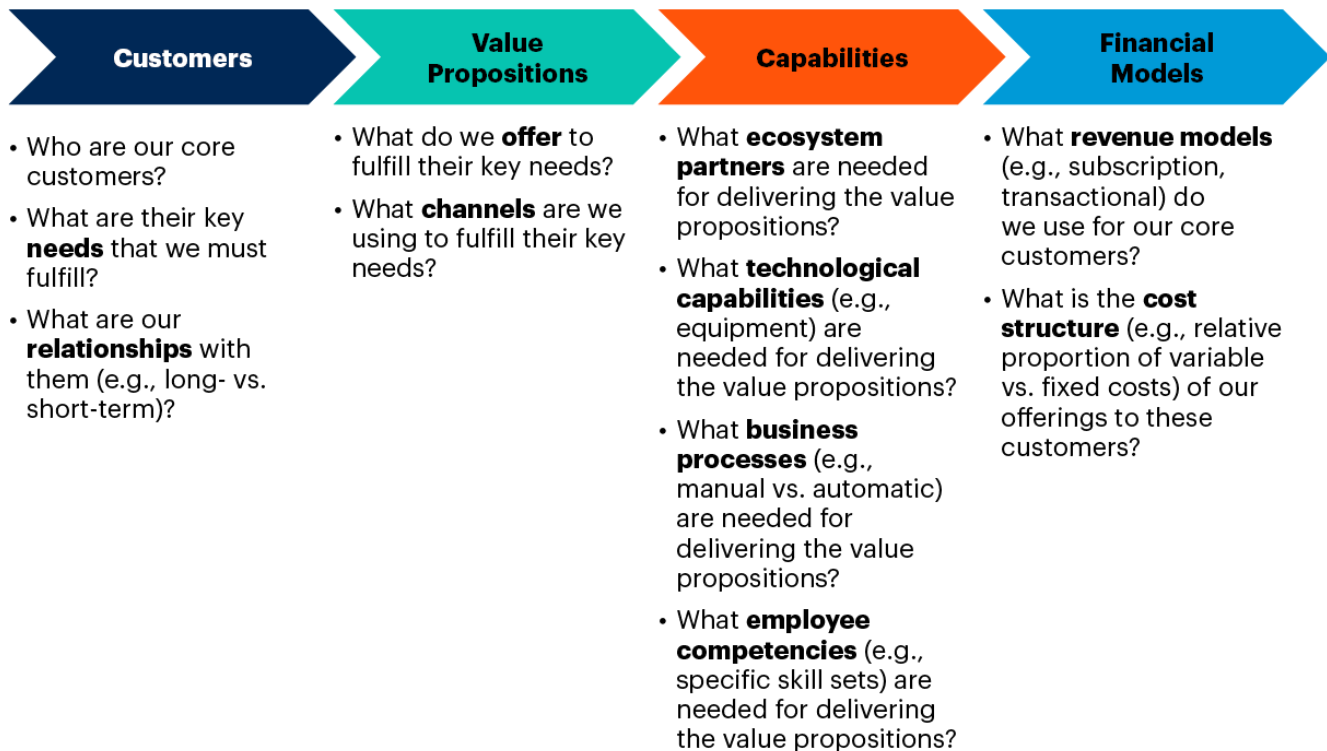
Source: Gartner  
721238\_C

The recommended approach encompasses three BM evaluation phases (define business model, identify uncertainties, and assess the potential impact) and two BM modification phases (design and execute changes). The methodologies introduced in Phase 1 and 2 are particularly important to CIOs.

**Phase 1 – Define the business model:** Facing the contingency of COVID-19 outbreaks, companies should first focus on their core customers who are essential to their continuity of operations. Then they can refer to a process of defining their current business models by asking 10 questions (see Figure 3). This process responds to the aforementioned business model framework (see Figure 1).

### Figure 3. The Process of Defining Your Current Business Models

## The Process of Defining Your Current Business Models



Source: Gartner  
721238\_C

**Phase 2 – Identify uncertainties:** This step can be carried out through a strength, weakness, opportunity and threat (SWOT) analysis, or by brainstorming. Given the wide range of uncertainties and threats, this step can benefit from a heterogeneous group of participants with diverse backgrounds and interests, particularly where IT is normally involved. The assessment of the identified uncertainties does not need to have any scientific precision, but can be founded on estimated likelihood. In other words, it is not necessary to enumerate and estimate the consequences of the uncertainties for organizational resources and processes. Companies should focus on the risks that the uncertainty poses to the components of the business model. Figure 4 demonstrates a simplified example of how a traditional retailer identifies uncertainties from the COVID-19 outbreaks (in other words, the qualitative analysis of identified uncertainties).

**Figure 4. An Example of Identifying Uncertainties**

## An Example of Identifying Uncertainties

Business Model Component	Business Model (Innovation) Aspect	Defining Business Model	Identifying Uncertainties
■ Customers	Customer Needs	Convenient, high-quality and in-store shopping experience	Customer needs will change significantly (e.g., product categories).
	Customer Relationships	Customer aged 50+ are loyal customers while others have alternative options (e-tailers)	Less loyal customers will come to the stores while disloyal ones choose e-tailers.
■ Value Propositions	Offerings	Food and beverage products	Some products (e.g., alcoholic beverage) become less popular and have high inventory levels, while some others see a stock-out.
	Channels	Retail stores	Few customers will come to stores. So retail stores become a less effective and efficient channel.
■ Capabilities	Ecosystem Partners	Traditional order acquisition and execution	The salesperson cannot go to the outlets regularly, and distributors take a much longer time to deliver.
	Technological Capabilities	Traditional retail systems (e.g., on-premises POS)	Many customers prefer not to have contacts with store clerks during the transaction or payment.
	Process Capabilities	Traditional processes of order, promotion, new launch, in store and payment	Many of these traditional processes (e.g., order, new launch) will be largely disturbed.
	Employee Competencies	Store clerks sell products and provide customer services	Since fewer customers will come to stores, stores will be overstaffed with traditional store clerks.
■ Financial Models	Revenue Models	Transactional and offline revenue	Revenue stream will be largely affected.
	Cost Structure	High fixed cost, particularly committed fixed costs (e.g., real estate taxes)	Less revenue, along with high fixed cost, cause a high cost pressure.

Source: Gartner

Note: POS: Point of sale

721238\_C

**Phase 3 – Assess the impact:** The purpose of this step is to assess, or even quantify, the impact of the identified uncertainties. [“The Business Impact Analysis: A Digital Business Essential”](#) introduces the business impact analysis (BIA) life cycle and explains, in detail, its preparatory methodologies, of which the BIA framework is suitable for assessing and quantifying the impact. The framework consists of:

- Developing impact categories
- Developing impact time frames
- Defining cyclical impacts
- Defining business impact scales and scoring
- Weighting impact parameters
- Identifying and assessing risk dependencies

Although the BIA process is not normally led by CIOs, a general good understanding of it is still necessary, as IT plays an important role in the process, which will be explained in the next section.

**Phase 4 – Design changes:** The purpose of this step is to design change strategies to address potential impacts. While some impacts can be addressed easily, some cannot, or may even be impossible to address. However, at this point in the process, the emphasis is to develop tentative strategies rather than estimate their feasibility. Selecting and executing changes will follow in the next phase. CIOs and IT should leverage digital technologies and capabilities to facilitate the designed changes. This will be explained in detail in the following section.

**Phase 5 – Execute changes:** In any case, the decision on which changes to execute is principally a decision for senior leadership teams. The strategies for changes defined in the previous phase provide essential input for this decision process. Senior leadership teams should select the strategies they feel most compelling to implement, which is often based on both economic calculations and intuition.

## Contribute to the Process of Increasing the Resilience of Current Business Models

The previous section enables CIOs to get familiar with the process of increasing business model resilience, while this section focuses on explaining what actions CIOs and IT should take to contribute to each of the five phases along the process. The methodologies introduced in the actions for Phases 4 and 5 are particularly meaningful to CIOs.

**Preparatory actions:** Get familiar with, and then present, the strategic business continuity management framework (see Figure 2) to senior leadership teams. Emphasize the fact that the current business model itself could be a threat to continuity of operations in the event of COVID-19 outbreaks. Thus evaluating and modifying the current business model to strengthen its resilience must be conducted as soon as possible. Meanwhile, clearly advise the senior leadership teams that business model changes and business continuity management strategies take months to implement, and that companies should first focus on easy risks to mitigate.

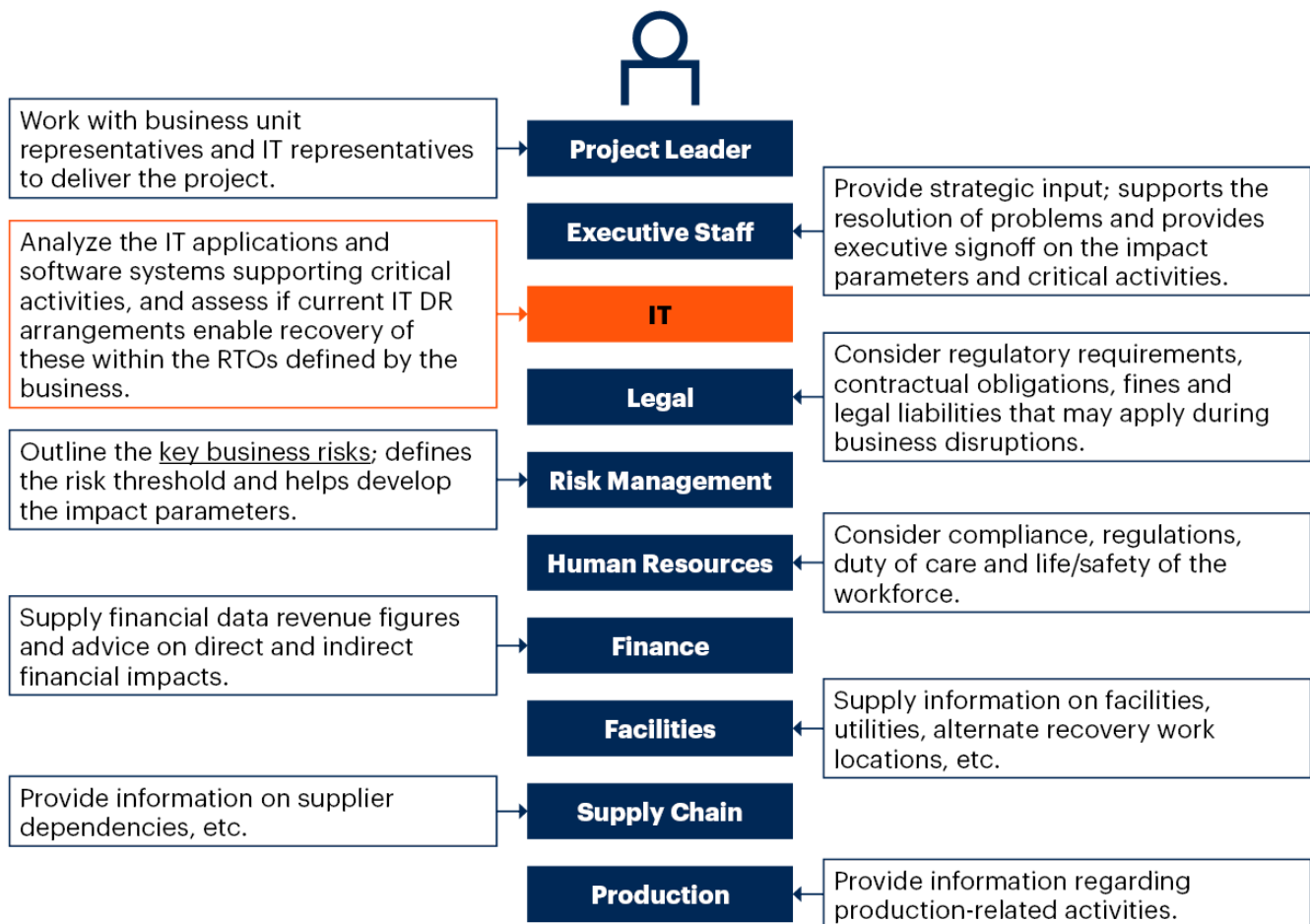
**Actions for Phase 1 – “Define the business model”:** Although CIOs do not normally lead the process of defining business models, they should proactively engage with senior business leaders to run through the 10 questions detailed in the aforementioned framework (see Figure 3). This is foundational for CIOs to actively participate in modifying current business models.

**Actions for Phase 2 – “Identify uncertainties”:** Participate or coordinate the brainstorming sessions to identify any uncertainties of COVID-19 outbreaks. Present and articulate the potential uncertainties and threats from IT’s perspective (such as IT infrastructure, applications and software systems).

**Actions for Phase 3 – “Assess the impact”:** Propose and actively participate in the project for BIA, in which multidisciplinary members will form the project team. Figure 5 provides an example of the BIA project team and highlights the role of IT in the team.

Figure 5. Business Impact Analysis Project Team

**Business Impact Analysis Project Team**



Source: Gartner (October)

Note: Titles and names vary within organizations, but the general principles apply.

DR: Disaster recovery, RTO: Recovery time objective

721238\_C

**Actions for Phase 4 – “Design changes”:** Once the company designs business change strategies, CIOs and IT should proactively look for IT initiatives to facilitate the change success. Let’s use the aforementioned example of a traditional retailer. One big uncertainty to the “channel” component of their current business model is, “Few customers will come to stores. So retail stores become a less effective and efficient channel.” (see Figure 4). The impact of this is high to the business, particularly from a cost structure perspective, such as fixed cost from shop clerks and real estate taxes and utilities. So the retailer can set up a change strategy with a focus on enhancing the effective use of their stores. One reference to this is with “new retail” in China (for more details about new retail, see [“Demystify ‘New’ Businesses Through Business Model Innovation”](#)), where part of the stores are converted into warehouses and distribution centers for adding the online business. The stores can play multiple roles and their usefulness will be enhanced. Then the traditional retailer can design other business change initiatives, such as expanding and optimizing their product portfolio. Figure 6 is a good example framework for CIOs and IT to design IT change initiatives. And having an estimated timeline and costs planned is important during the COVID-19



outbreaks, since companies need to act fast, and within their budget, to increase their chances of survival. The whole point here is about resilience and survival for traditional players, rather than achieving superior firm performance. This framework also enables selecting and executing changes in the next phase.

Figure 6. A Framework of Designing IT Change Initiatives

**A Framework of Designing IT Change Initiatives**

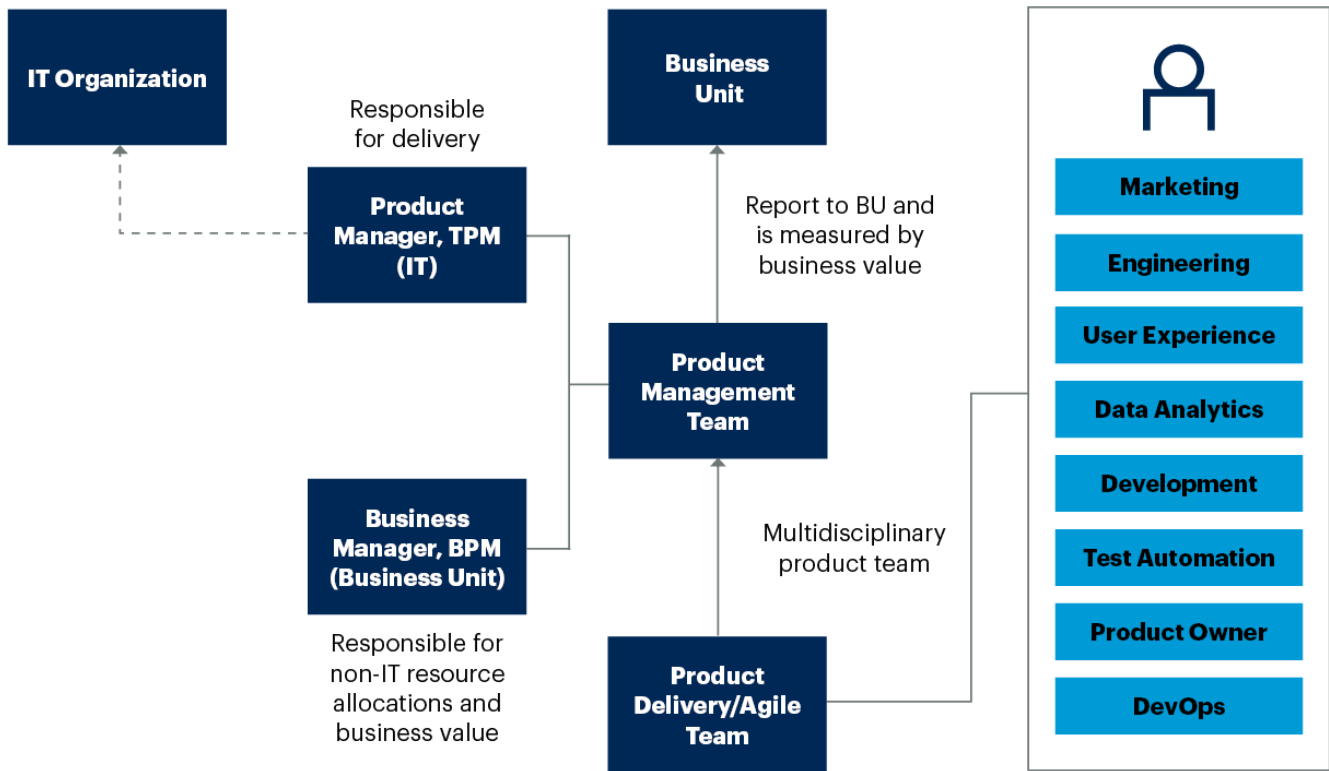
Business Change Strategy	Business Change Initiative	IT Change Initiative	Estimated Timeline	Estimated Cost
Redefine stores to enhance their effectiveness and usefulness	Convert half of stores into warehouse/distribution centers for online business	...	...	...
	Expand and optimize product portfolio	...	...	...
	Add online business	Develop own e-commerce platform	3 months	\$20k
		Choose third-party e-commerce platform or leverage social e-commerce	1 month	20% of sales revenue
	Train some shop clerks with warehouse operation skills	...	...	...
	Other initiatives ...	...	...	...

Source: Gartner  
721238\_C

**Actions for Phase 5 – “Execute changes”:** Once senior leadership teams select the business changes and IT change initiatives, CIOs should apply an agile approach in executing the initiatives. For instance, they can form an agile (product) team, in which multidisciplinary team members should be included (see Figure 7). During the execution of IT initiatives, two product managers are allocated. Whereas technical product managers (TPMs) are responsible for delivery, business product managers (BPMs) are in charge of non-IT resource coordination and the business value of product delivery. Before the IT initiative (or the product) is delivered, the whole team reports directly to the designated business unit leading the business change initiative. This enables the alignment between business and IT and ensures delivery speed and quality. In crises such as COVID-19 outbreaks, agility, speed and quality are crucial for enabling the continuity of operations.

Figure 7. Building an Agile Product Team to Execute IT Change Initiatives

**Building an Agile Product Team to Execute IT Change Initiatives**



Source: Gartner  
 Note: Dotted line report during product development  
 TPM: Technical product manager BPM: Business product manager  
 721238\_C

**Acronym Key and Glossary Terms**

BC	business continuity
BIA	business impact analysis
BM	business model
BPM	business product manager
BU	business unit
DR	disaster recovery
POS	point of sale
RTO	recovery time objective

TPM	technical product manager
SWOT	strength, weakness, opportunity and threat
WHO	World Health Organization

## Evidence

<sup>1</sup> [“Business Continuity of Business Models: Evaluating the Resilience of Business Models for Contingencies,”](#) International Journal of Information Management.

[“How Retailers Can Keep Up With Consumers,”](#) McKinsey & Co.

[“Modern Retail Versus Traditional Retail – What Are the Differences in the Logistics?”](#) Streamline Supply Chain Blog.

## Recommended by the Authors

[Leverage Augmented Analytics to Drive Digital Business Model Innovation](#)

[The Business Impact Analysis: A Digital Business Essential](#)

[Demystify ‘New’ Businesses Through Business Model Innovation](#)

[Coronavirus \(COVID-19\) Outbreak: Short- and Long-Term Actions for CIOs](#)

## Recommended For You

[How to Drive Business Model Innovation by Adopting a Checklist Approach](#)

[Launching a Tech Business Within Traditional Companies: Examples and Implications for CIOs](#)

[Eight Ways Ecosystems Supercharge Business Models](#)

[Ping An Technology Uses an Incubator Model to Transform From Traditional Insurer to Tech Giant](#)

[Leverage Your Enterprise Operating Model to Shift From Efficiency to Adaptability](#)

investment advice and its research should not be construed or used as such. Your access and use of this publication are governed by [Gartner's Usage Policy](#). Gartner prides itself on its reputation for independence and objectivity. Its research is produced independently by its research organization without input or influence from any third party. For further information, see "[Guiding Principles on Independence and Objectivity](#)."

[About Gartner](#) [Careers](#) [Newsroom](#) [Policies](#) [Privacy Policy](#) [Contact Us](#) [Site Index](#) [Help](#) [Get the App](#)

© 2020 Gartner, Inc. and/or its Affiliates. All rights reserved.