BMO's Roles in Developing SME's Post COVID Business Strategies

Virtual (online) Capacity Building Program

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Masterclass 2

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Managing Director, Proxy Marketing Solutions Ltd. **© 2020**

Moti BLAU

- Entrepreneur & international marketer, ~30 years of international business, marketing & sales experience.
- Pioneered numerous international entrepreneurial, sales, marketing & business development endeavors in over 100 countries.
- Executed thousands of lectures and training hours on business & technical subject matters around the world.
- MD of Proxy Marketing Solutions Ltd. – international sales & marketing training, e-learning & consulting.
- CMktr, MCIM, MBA, BA, HND Elect. Eng., Certified Instructor.

CHARTERED MARKETER

LinkedIn: il.linkedin.com/in/motiblau

Proxy Marketing Solutions Ltd.

- Established 1997 as Limited company in Israel.
- Assisting companies (mainly SMEs') in maximizing their international business performance.
- Specializing in international marketing, sales & entrepreneurship.
- Consulting, mentoring & supporting executives on international business challenges & projects.
- Delivering training - courses, workshops and e-learning on international sales, marketing & business development topics.
- www.proxy-ms.co.il

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Objective & Agenda

- Understanding BMO’s roles in helping SMEs to develop post COVID business strategies.
- Agenda:
  - ✓ SMEs business strategy development – process & constrains.
  - ✓ SMEs Post COVID strategic challenges & opportunities.
  - ✓ The need of SMEs to re-strategies and the BMO's leadership.
  - ✓ SMEs strategic analysis – tools and BMO's interventions.
  - ✓ SMEs strategic direction development – model and BMO's roles.
  - ✓ Summary, Q&A.

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SMEs Business Strategy Development – Process & Constrains

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Organizational Strategy

- Direction & scope of an organization over the long term;
- Achieves advantage for the organization;
- Through configuration of resources within a changing environment;
- To meet the needs of markets and to fulfil stakeholder expectations.

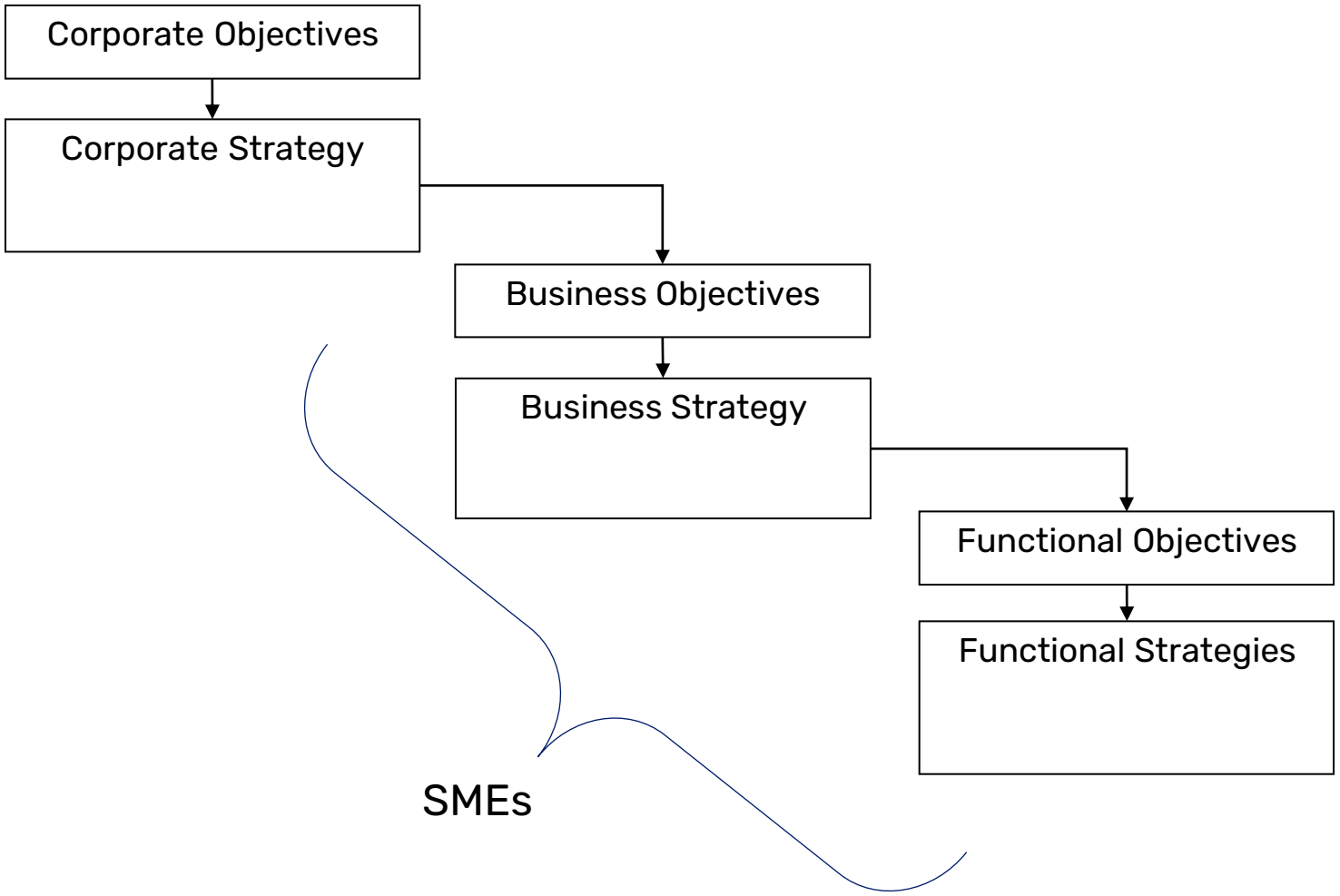
Johnson & Scholes (1999)

SME Strategy

- *Every business organization strives for superior performance, improved competitive edge and better return;*
- *The implementation of strategy management concept is one of the most important process to pave the way for survival, development, and growth.*
- *The government of India has given much attention to Small and Medium Enterprises (SME) under "Make in India" initiative, but strategy management is one of the core ingredients for sustainability and better financial performance.*

Chauhan & Singh (2019)

Hierarchy of Organizational Strategies



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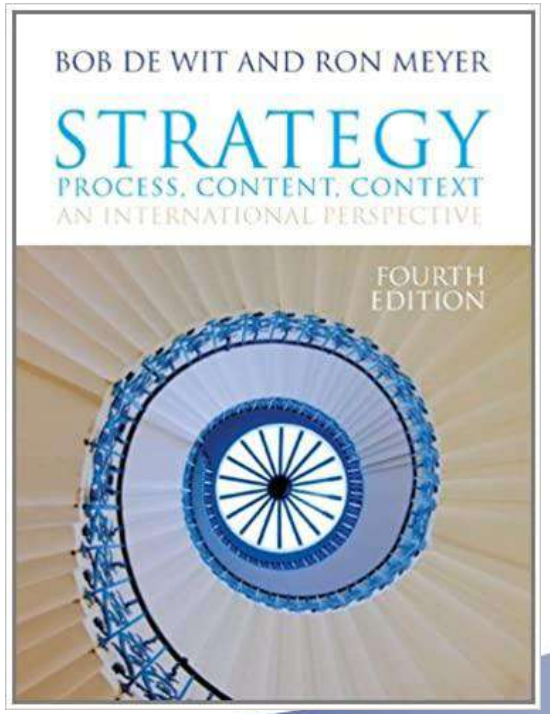
Strategic Objectives – Balanced Score Card System

- Includes multiple strategic objectives areas.
- Financials, Customers, Internal and learning group.
- SME's need more than just financial objectives.
- For additional information: https://www.valuebasedmanagement.net/methods_balancedscorecard.html

Kaplan & Norton (1996)

Dimensions of Strategy

- 3 dimensions: Process, Content, Context.
- Additional reading: https://www.scirp.org/html/2-1530139_55266.htm



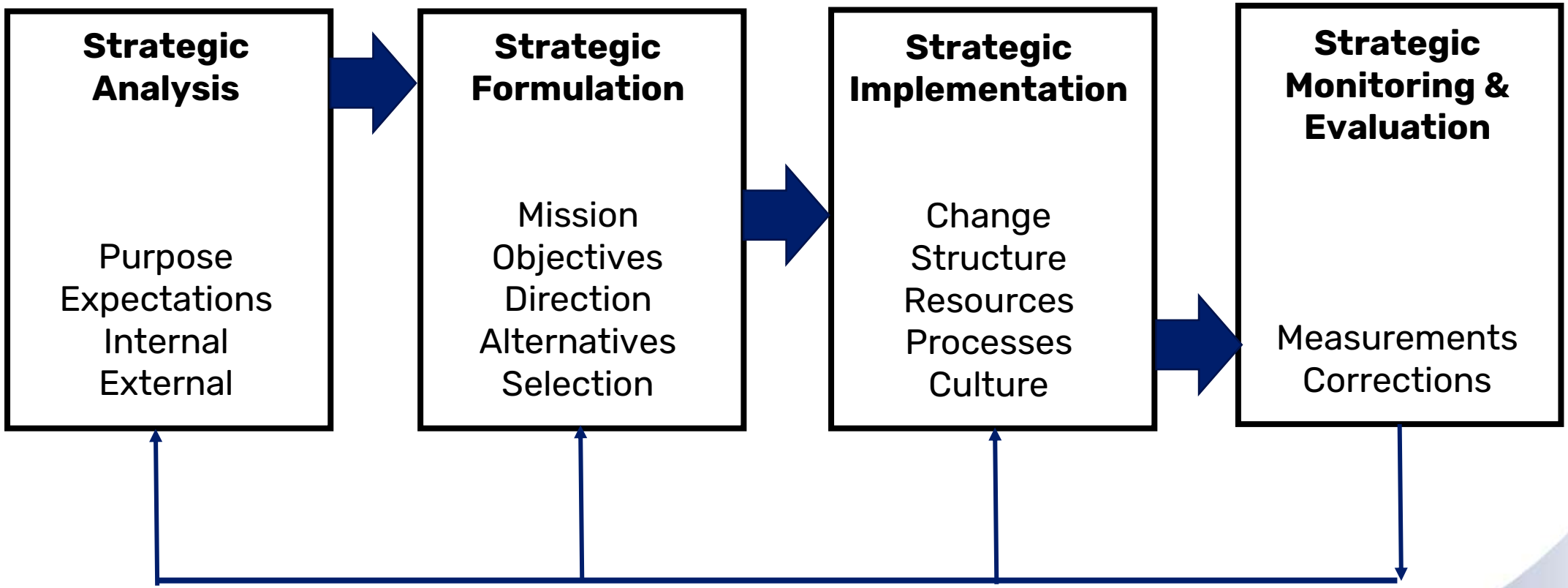
De-Wit & Meyer (1998)

Strategic Management

- The art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.
- Integrating various management functions to achieve organizational success.
- Strategic Planning has significant positive impact on performance of SMEs.

David & David, 2017, Kutllovci et al., 2012, Karel et al., 2013, Chauhan & Singh, 2019

Strategic Management Process



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Business Strategy Content – Key Elements to Consider

- Purpose - Vision, Mission, Objectives.
- Sustainable Competitive advantage – inside-out / outside-in , differentiation / cost / focus.
- Growth directions – development / diversification / acquisitions.
- Playfield - customers, market, industry, value network.
- Value Proposition – offering & uniqueness, value chain.
- Revenue sources, cost structure, profit potential.
- Cooperation / clustering / partnering / JV / channels / integration.
- Internationalization – globalization / localization / expansion / retraction / entry mode.
- Strategic innovation / value innovation.
- Digital transformation / Virtual / e-Business.
- Critical success factors, core competencies.
- Organizational structure & culture.
- Exit - Retrenchment / divestment / liquidation.

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SME’s Strategic Management Constrains

- Limited awareness & knowhow of strategic management.
- Do not understand what strategy, in their context, means.
- Lack of approach, tools & time to engage in strategic planning.
- Believe strategy is not for SME’s, do not see benefits and ROI.
- Does not have suficiant managerial attention & time.
- Short term perspective, pressure on limited resources.
- Strong biased perspective. Insider vs. outsider view.
- Afraid of change and increased risk from unknown.
- Afraid of complex and expensive consulting projects.

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Key Strategic Management Questions SME's Managers Ask

- Why is it needed? Why now?
- What are the benefits? What business problem will it solve?
- When we should do it, how long will it take?
- Who is responsible? level of involvement?
- Small incremental changes or large abrupt change?
- How can we create competitive advantage?
- Do we need to, and can we go international?
- How much money this will cost us?
- Is it risky? What are the risks?

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SMEs' Post COVID
Strategic Challenges & Opportunities

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Covid-19 Wide Impact on Global Business Environment

- Uncertainty, negative climate, stress, hope, confusion.
- Consumers - needs, demands and buying behavior.
- Organizations - needs, demands and buying behavior.
- Channels – from physical to virtual. Local to remote.
- Competitive – shock, contraction, expansion.
- Markets & industry sectors – collapse, minor effect, growth.
- All macro dimensions (PESTEL) have been affected.
- Globalization – contraction, localization, internationalization.

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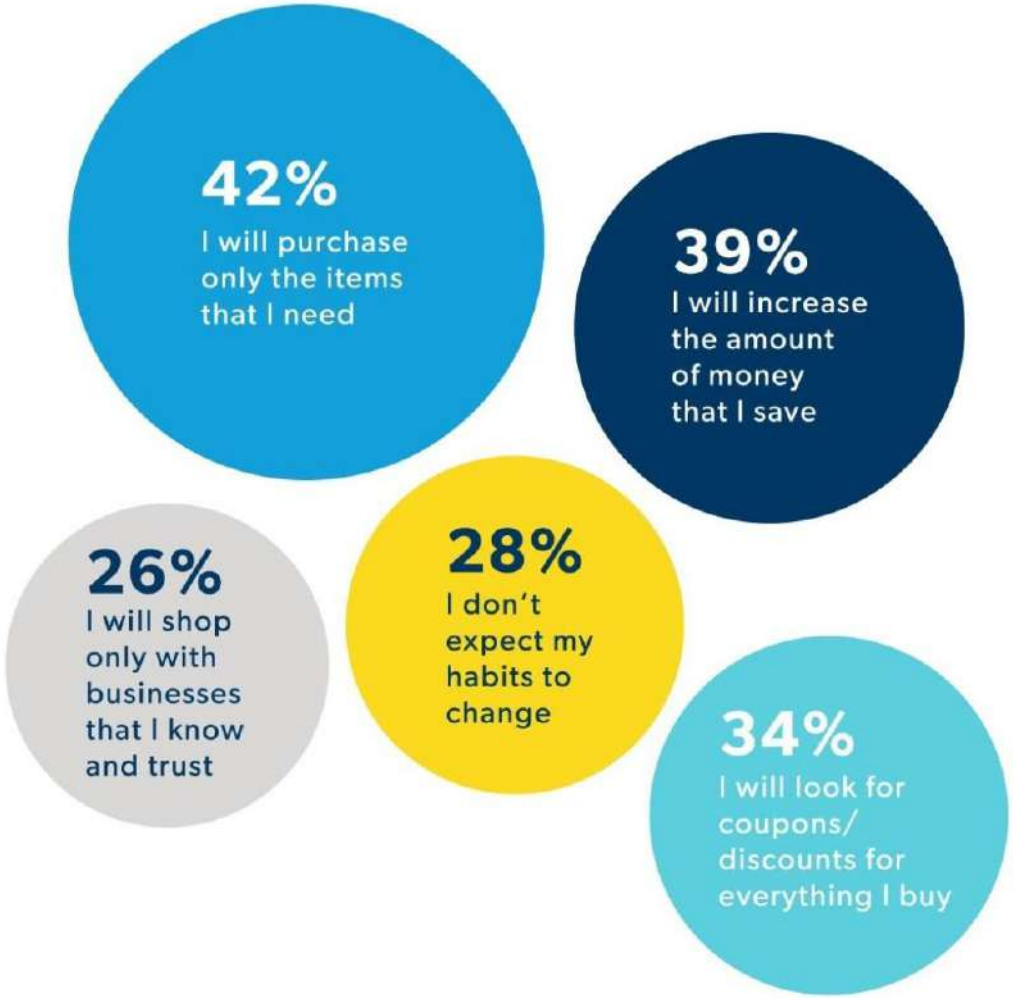
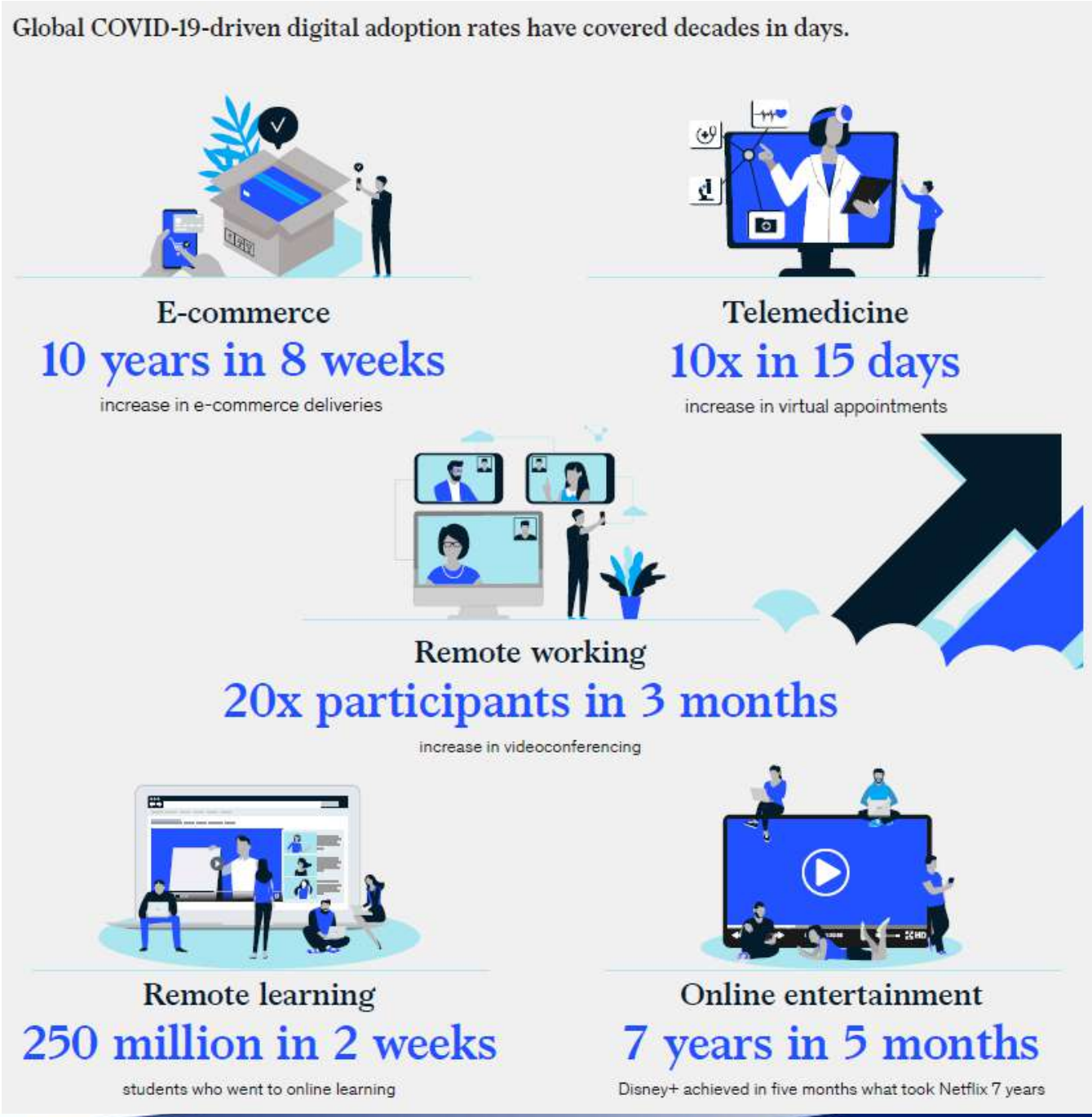
Examples of Covid-19 Business Effects (1)

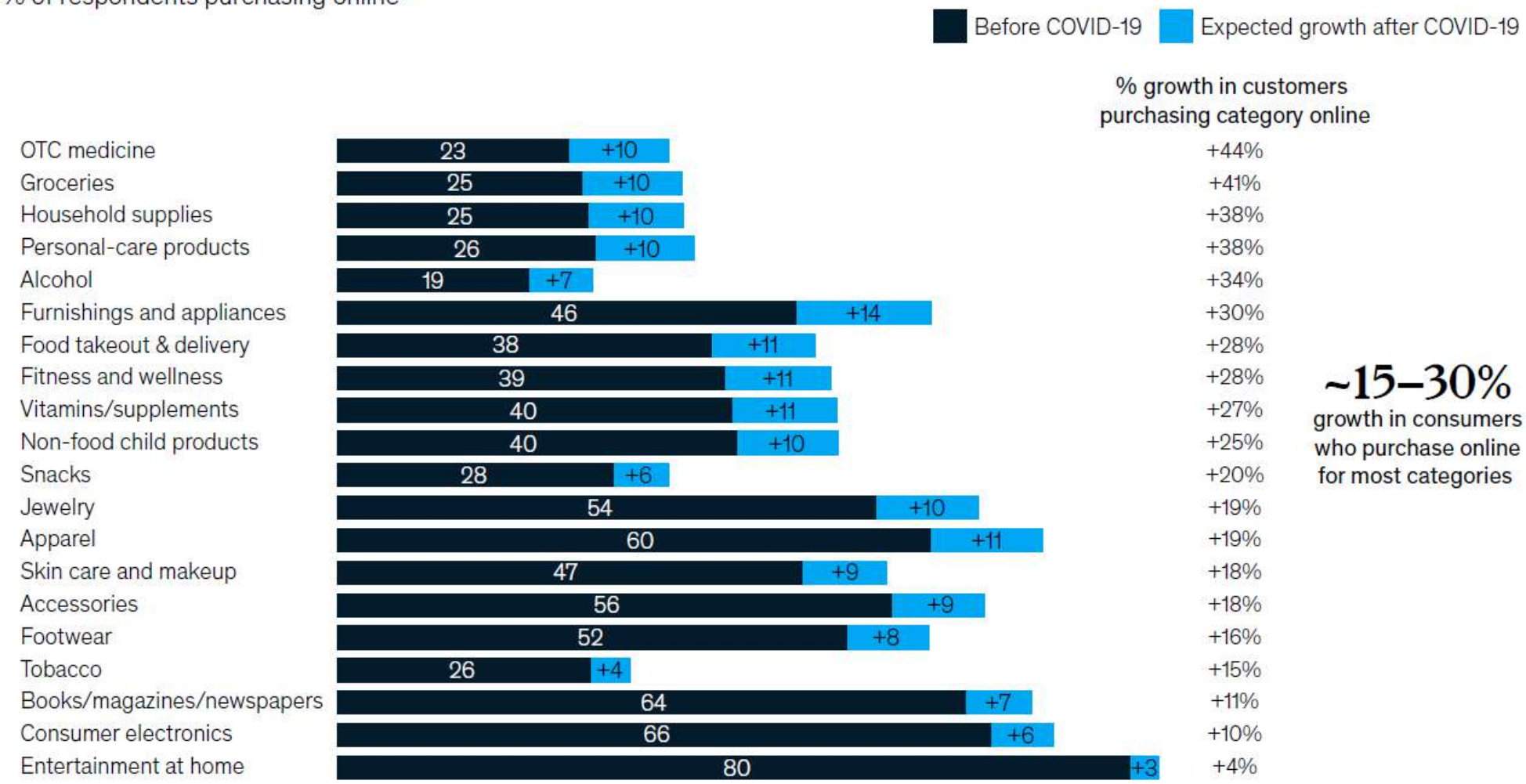




DSN (Oct. 2020), McKinsey (August. 2020)

Examples of Covid-19 Business Effects (2)

Consumers' use of online channels before and expected use after COVID-19[1,2]
% of respondents purchasing online[3]

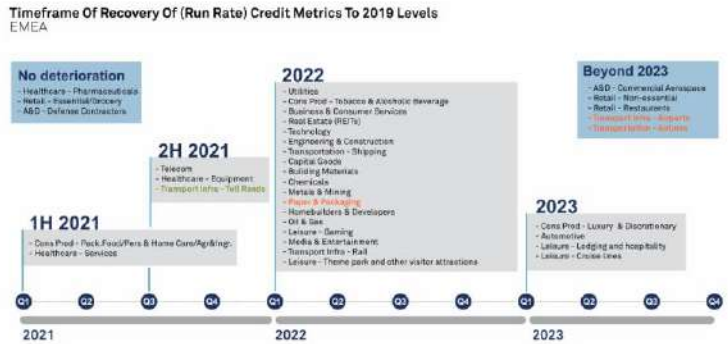


~15–30%
growth in consumers who purchase online for most categories

McKinsey (August, 2020 – US research base)

Some Covid-19 Business Related Opportunities

[COVID-19 Heat Map: Updated Sector Views Show Diverging Recoveries]



Sector Level Impact And Recovery
EMEA

Sector	COVID-19, Recession, and O&G Impact	2020 Estimates Vs. 2019			2021 Estimates Vs. 2019		Potential Neg. LT Industry Disruption
		Revenue Decline	EBITDA Decline	Incremental Borrowings	Revenue Decline	EBITDA Decline	
Healthcare - Pharmaceuticals	Low	No decline	No decline	No increase	≥2019	≥2019	--
Retail - Essential/Grocery	Low	No decline	No decline	<5%	≥2019	≥2019	--

McKinsey, Organic Produce Network (2020)

Work

Rise of unemployment
On-the-go consumption
Remote working

*"**20x** increase in Zoom daily participants"*

Source: Bond Capital

Learning

Spend on learning adjacencies
Remote learning

*"**~35%** of Netflix subscribers use it for educational content"*

Source: YouGov

Communications and information

In-person sampling decline
Shift in media consumption

Further migration to digital

Travel and mobility

Reduction in tourist spend and travel retail
Increase in domestic tourism

*"**80%** reduction in international travel and related tourist spend"*

Source: McKinsey analysis in partnership with Oxford Economics

Shopping and consumption

Surge in e-commerce
Preference for trusted brands
Decline in discretionary spend, trading down
Larger basket, reduced shopping frequency
Shift to stores closer to home
Polarization of sustainability

"Personal disposable income is not expected to recover to pre-crisis level until Q2 2024 in the US"

Source: McKinsey analysis in partnership with Oxford Economics

Life at home

Nesting at home
Surge in online

Home is recast as the new coffee shop, restaurant and entertainment center

Play and entertainment

Preference for digital entertainment
Entertainment channel shift (eg, cinema to streaming)
Additional play time

"Disney+ achieved in 5 months what took 7 years for Netflix"

Source: PhoneArena

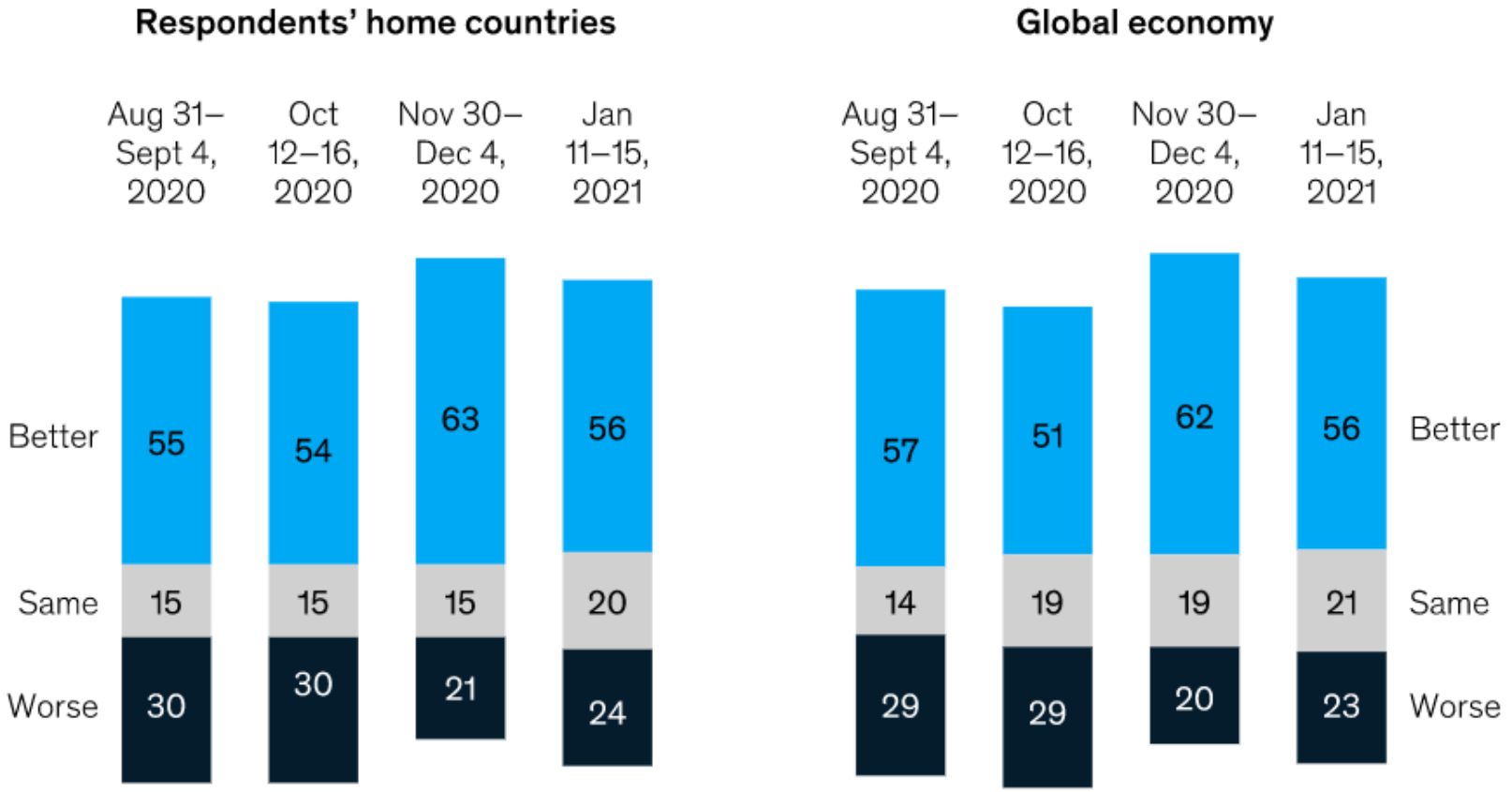
Health and well-being

Focus on health and hygiene
Accelaration of organic, natural, fresh
Fitness on-demand
E-pharmacy and e-doctor at scale

"Monthly year-over-year growth of organic produce in the US increased by 10x in March compared with January and February"

Executives maintain a positive outlook on the economy, though their views have tempered.

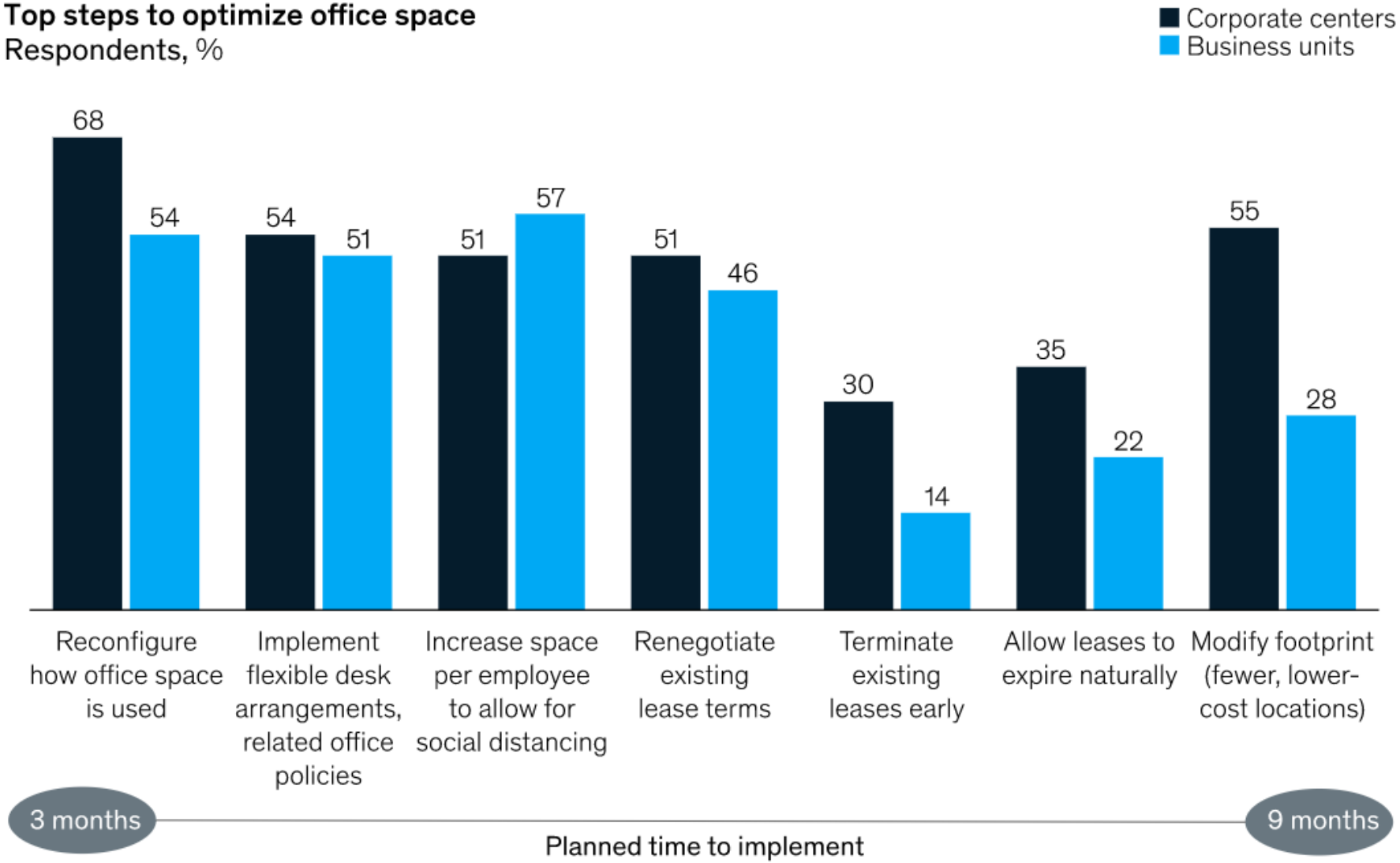
Expected changes in economic conditions, next 6 months,[1] % of respondents



[1]Figures may not sum to 100%, because of rounding. Sept 2020, n = 1,138; Oct 2020, n = 2,264; Dec 2020, n = 1,382; and Jan 2021, n = 1,025.

McKinsey - https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business

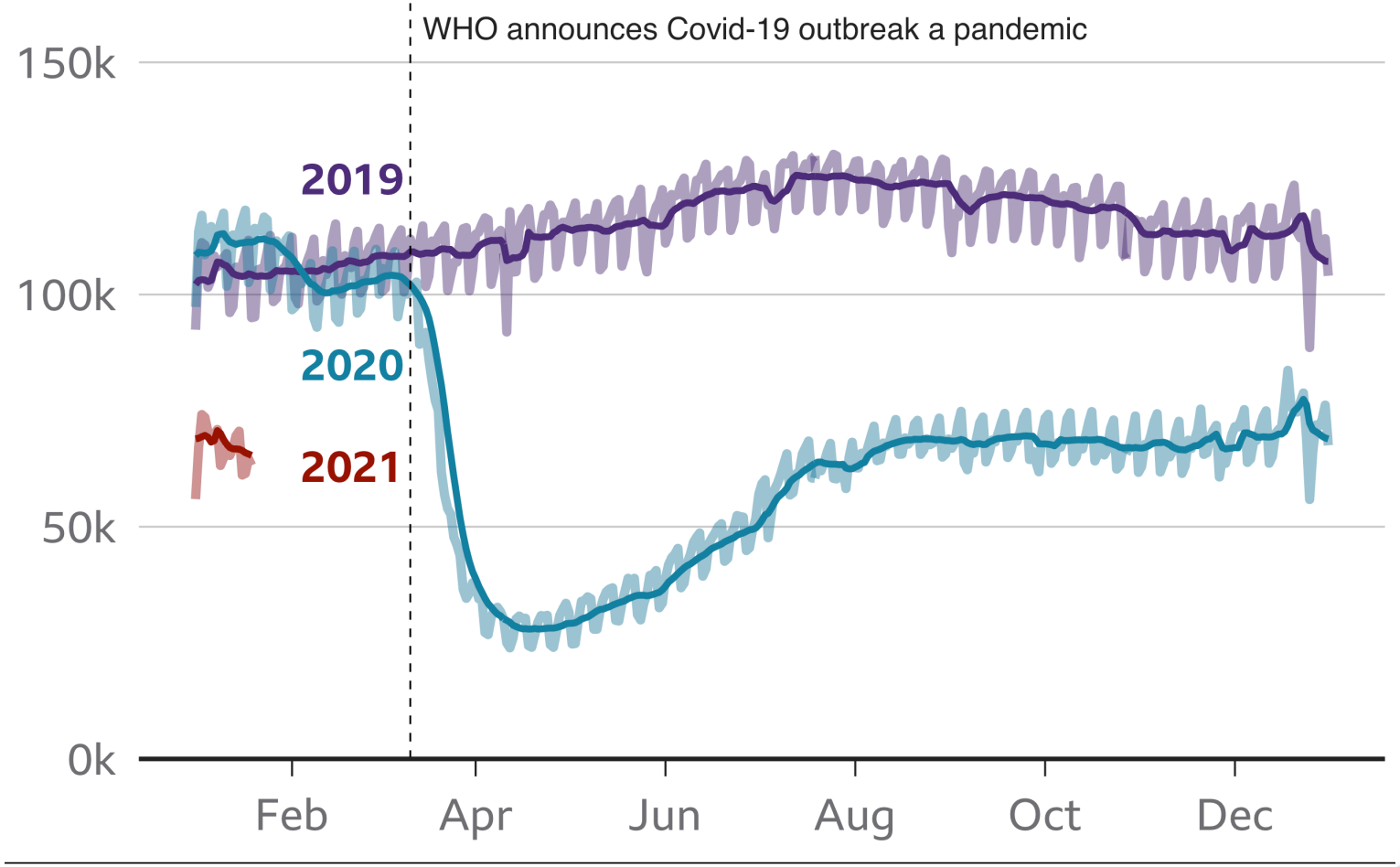
Corporate centers are planning a more radical optimization of office space.



McKinsey - https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business

Commercial flights remain well below normal levels

Total daily commercial flights with seven-day average



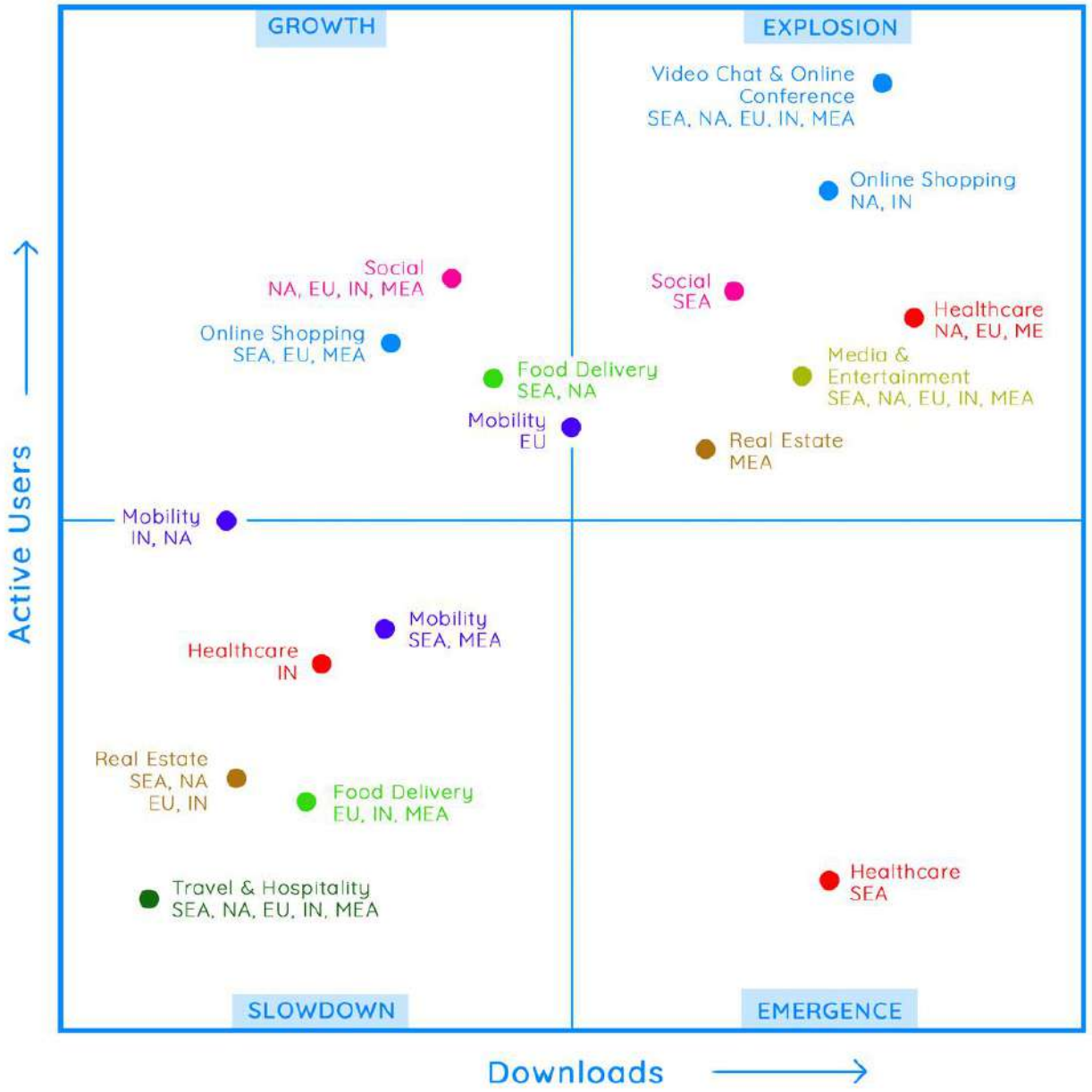
Source: Flightradar24, 24 January 2021, 00:01 GMT

BBC

BBC - https://www.bbc.com/news/business-51706225

Covid-19 Impact Quadrant

(based on mobile apps data by moengage & apptopia)



Moengage - https://exp.moengage.com/coronavirus-business-impact-worldwide.html

Recommended Reading

HBR - https://hbr.org/2021/02/what-covid-19-has-done-to-our-well-being-in-12-charts?utm_medium=social&utm_campaign=hbr&utm_source=facebook&tpcc=orgsocial_edit&fbclid=IwAR3GwmoQjSltZvt5_XnqPN0qvxuWg4RMqWvrbJTyU4hSVHeKk8nSTwa6c0g

McKinsey - https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19?cid=other-eml-alt-mgi-mck&hdpid=ef77708e-97cb-4375-abe3-bc174c2f6edf&hctky=1948647&hlkid=2098c121ea1e4b799a5c83d8ecadf9dd

Covid-19 Wide Impact – Globalization

- Pandemic has affected significantly globalization momentum.
- Some barriers are practical, some are political.
- Local suppliers have some advantages, but…
- Not all (new) customer needs can be answered locally.
- Digital transformation means distance has less relevance.
- Some competitors became weaker, some stronger.
- Globalization and international trade will not be stopped but major differences will emerge due to pandemic evolution.
- Specific, local or international sector opportunities need to be identified, assessed and selected.

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The Need of SMEs to Re-Strategize and the BMO's Leadership

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SME’s Face Changing Environment & Uncertainty

- SMEs realize significant changes have accord.
- The nature of the change and its future implications are not yet fully analyzed nor internalized.
- Many SMEs decreased activity, some are in survival mode, some even closed. Few SMEs are growing.
- Many business owners and managers are overwhelmed, looking for advice and support.
- Business decision making, now, more than ever becomes critically important.
- The COVID Pandemic is being challenged – what about the day after for SMEs? What is the timeframe? How soon, if at all, things will come back?

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SMEs Need To Re-Strategize. Now

- Understand quickly what has significantly changed in their near business environment (existing customers, channels, suppliers & competitors).
- Of these changes, which are likely to stay for good and which are temporary and bound to return to “normal”. Look at key drivers and trends most likely to stick.
- Identify immediate threats & opportunities, projecting these into the future (2-3 years), based on probable scenarios.
- Assessing how their organization able and should react to these changes. How to fill critical gaps.
- In other words – re-strategize, adapt quicky, forward looking.

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BMOs Possible Roles in SMEs Support - Examples

SME Challenge	Possible Support	BMOs Roles
Limited awareness to changes & challenges	Reflecting general and specific market / industry changes	General and specific impact, trends etc. – conferences and webinars.
Confusion, managerial paralysis	Mental support, objective and rational thinking support	Reviews, consulting, coaching, mentoring.
Relevant opportunities & risks identification	Specific market / industry impact analysis, drive & trends, future scenarios, SWOT	Experts reports & consulting, specific, methodical & projects training, support.
Setting new vision, realistic objectives, overall direction	Creativity, ideation, debating, outsider view,	Focus groups, brainstorming, consulting, mentoring.
Redesigning business strategy	Initiating, planning, driving & supporting formation (methods)	Interim management, management membership, observers.
Down to earth implementation planning	Outsourced planning, plans review and critic, feedback.	Service outsourcing, consulting, mentoring.
Execution and monitoring	Performance analysis, review, correction feedback	Auditing, analysis methodology, consulting, service providers.

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BMOs Roles – Overview

- Thought Leadership: rational, experienced, objective managerial thinking and decision support. Consulting, mentoring and coaching.
- Imparting Knowhow: market / industry / methodical knowhow sharing. Reports, conferences, webinars, courses, workshop, consulting.
- Project Support: methodical execution of analysis, audit, planning, reporting, monitoring, and ongoing participating in managerial decision making (meeting & debates). Interim management, advisory board, observing, consulting.
- Strategic Networking: strategic collaboration marketplace, channels, sourcing, grouping / co-tendering, innovation etc.

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SMEs Strategic Analysis – Tools and BMO's Interventions

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Didn't We Know?

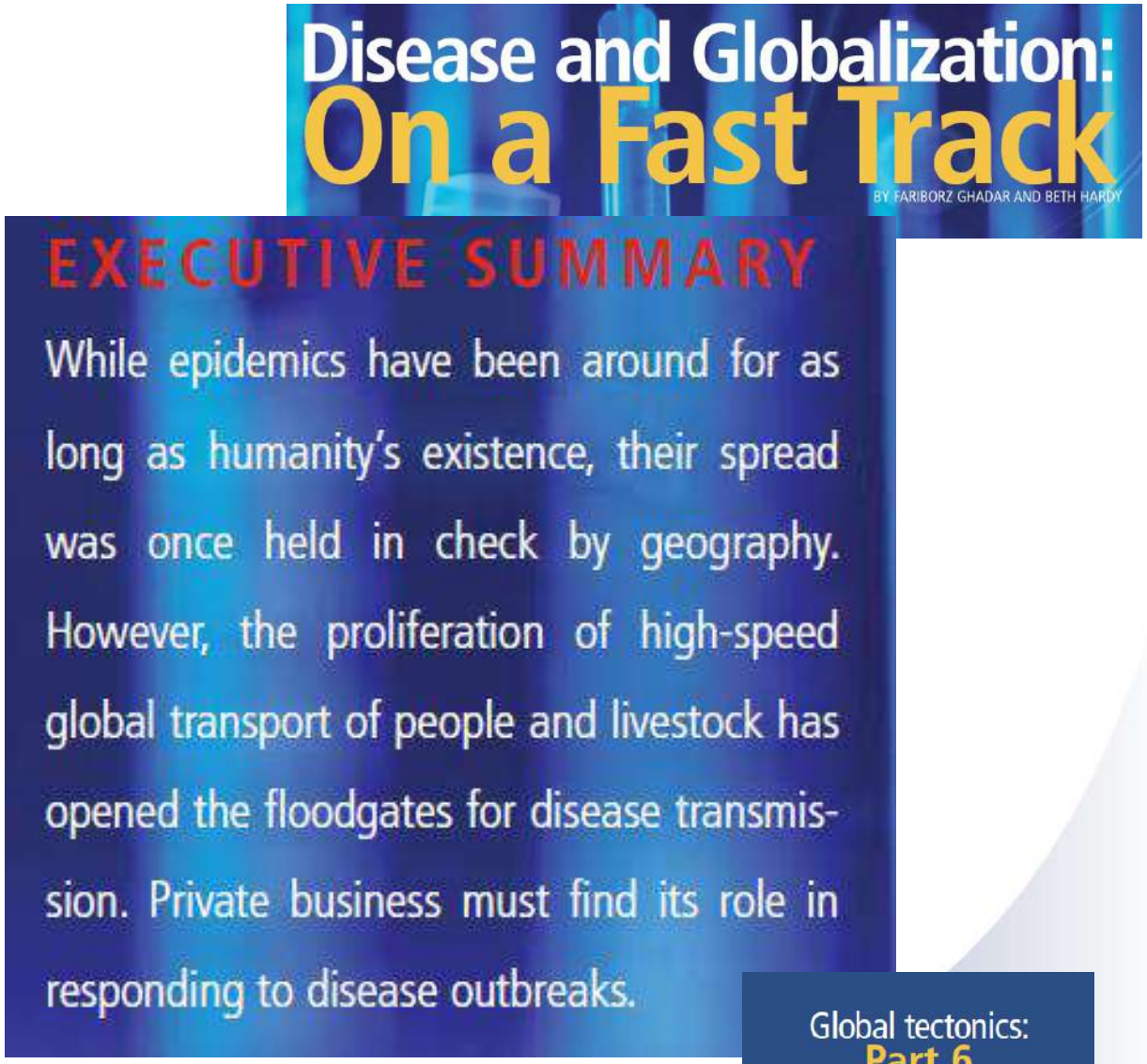
Avian Flu: A Test of Collective Integrity

The threat of a pandemic can teach governments, corporations, and nonprofits to prepare for the unthinkable.

by Susan Penfield and John Larkin

In a pandemic, a sudden jump in telecommuters could quickly overwhelm the Internet.

Strategy & Business, 2008



Industrial Management, 2006

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Strategic Analysis – Definition & Purpose

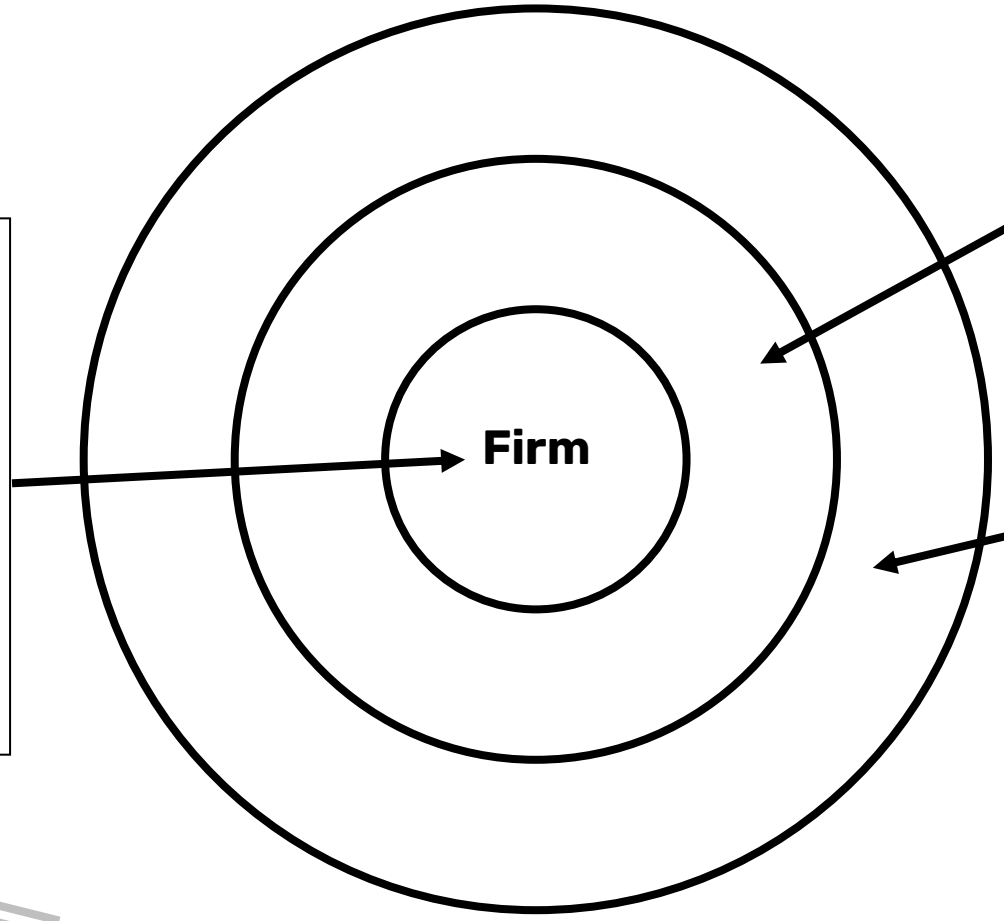
“Understanding the strategic position of the company in terms of its external environment, internal resources & competencies, and the expectations and influences of stakeholders”

To form a view (current & future) of:

- Key influences
- Opportunities & threats
- Strengths & weaknesses

Johnson & Scholes, 1999.

Analyzing the Business Environment – Key Components



Internal Environment
- Shareholders
- Performance
- Strategy
- Advantages
- Human Resources
- IP / Brands
- Competencies
- Financials
- Other resources

Strengths & Weaknesses

External Microenvironment:
- Customers
- Competitors
- Channels, supplier
- Supply Chain

External Macro Environment:
- Political
- Economical
- Social
- Technological
- Environmental
- Legal

Opportunities & Threats

SWOT

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Methods & Tools for Strategic Analysis - Examples

Analysis	Methods / Tools Examples
Environmental	PESTEL, Scenario analysis, Stakeholder analysis, Porter Diamond
Competitive & Customer	Competitor analysis, customer segmentation, management profiling, Competitive Profile Matrix (CPM), Matrix of Relative Advantage (RAM).
Enterprise	Benchmarking, 7S, Marketing Audit, Product line analysis, Value chain, Resources Audit.
Strategic / Industry	BCG, GE, Industry Analysis (5-Forces), SWOT, SPACE, TWOS, SWOT-Clock, Value Chain, Supply Chain.
Evolutionary	S-Curve, PLC, Patent analysis, War games
Financial	Financial ratios, Statement Analysis

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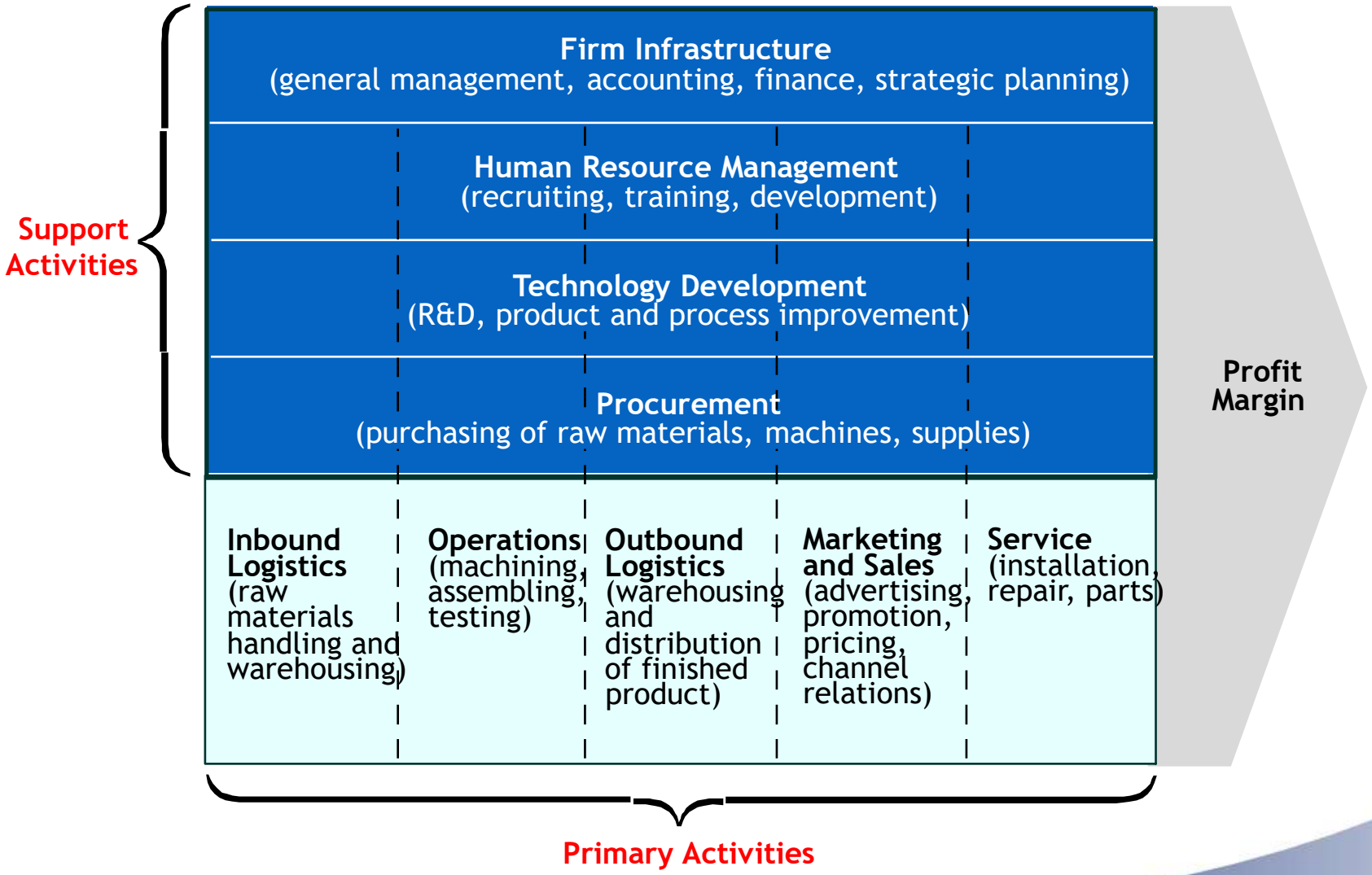
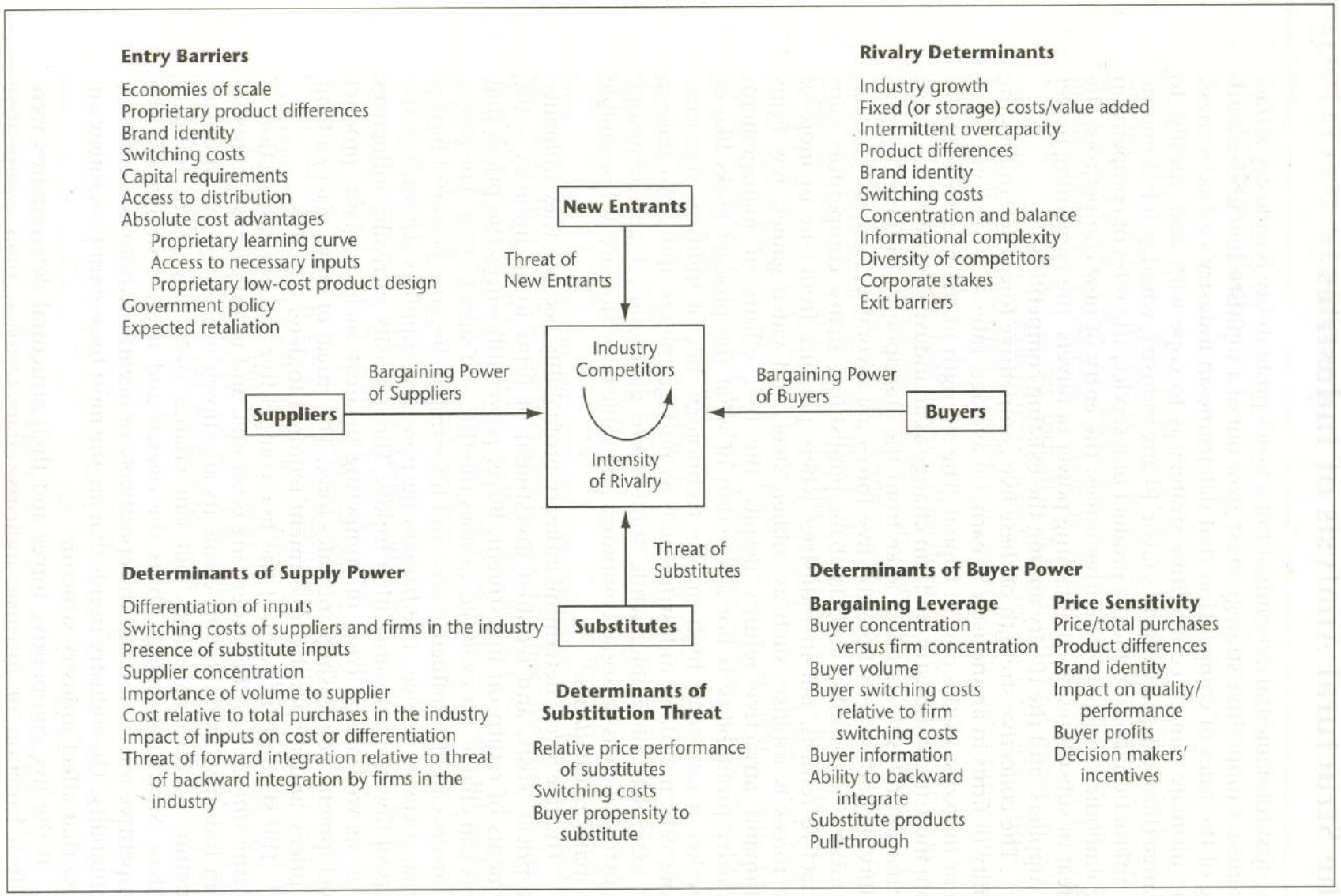
Value Chain Analysis



Porter, 1985

5 Forces Analysis



Porter, 1985

SWOT

Internal Strengths	Internal Weaknesses
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
External Opportunities	**External Threats**
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____

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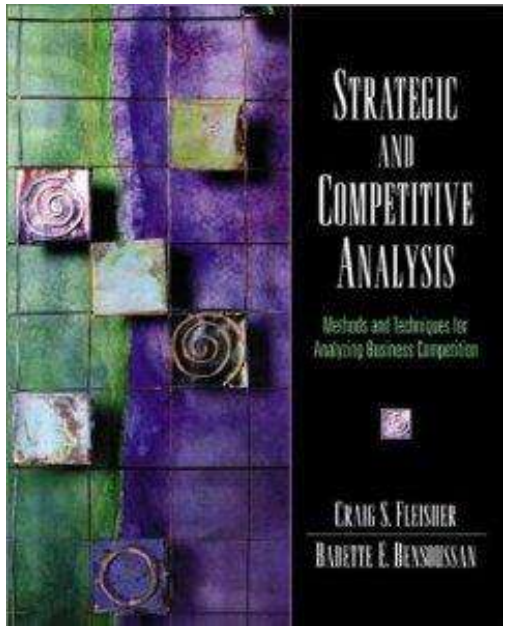
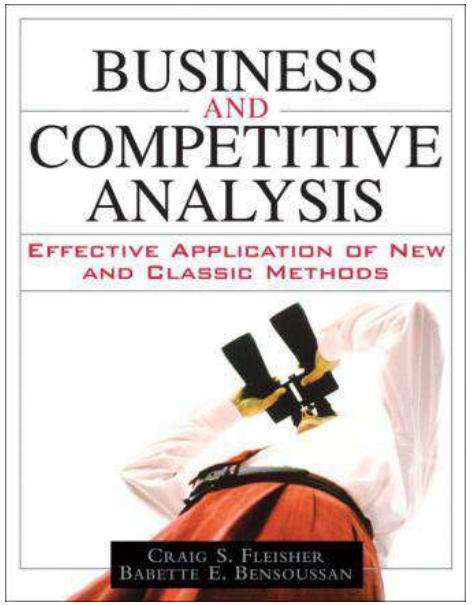
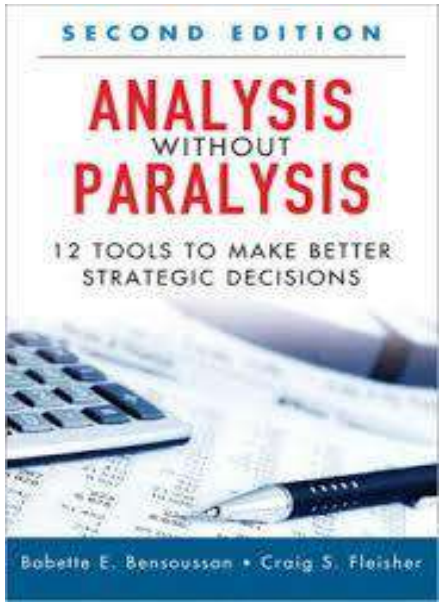
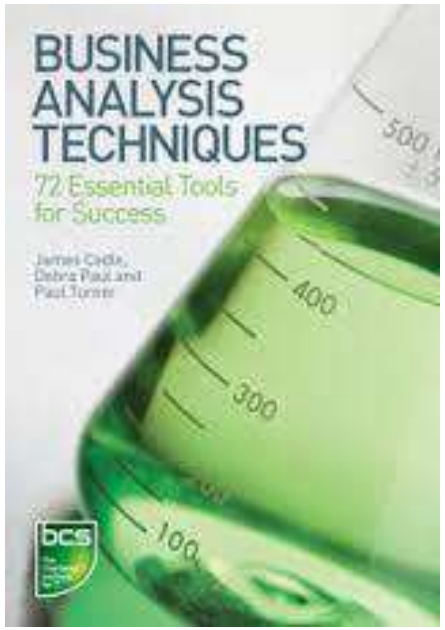
Sources for Analysis Methods and Tools









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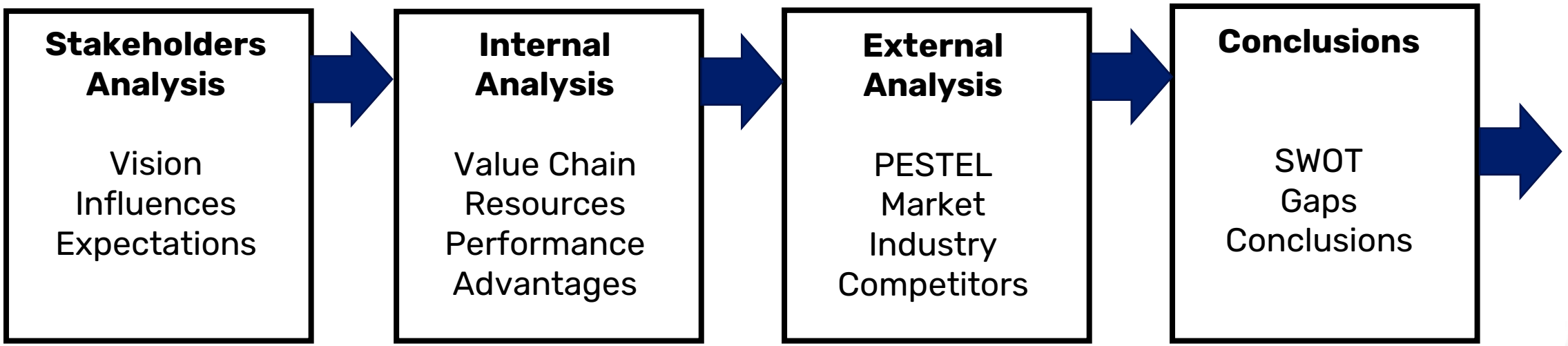
SME Strategic Analysis Framework - Example



Most SMEs find it extremely difficult to carry out, by themselves, a solid strategic analysis

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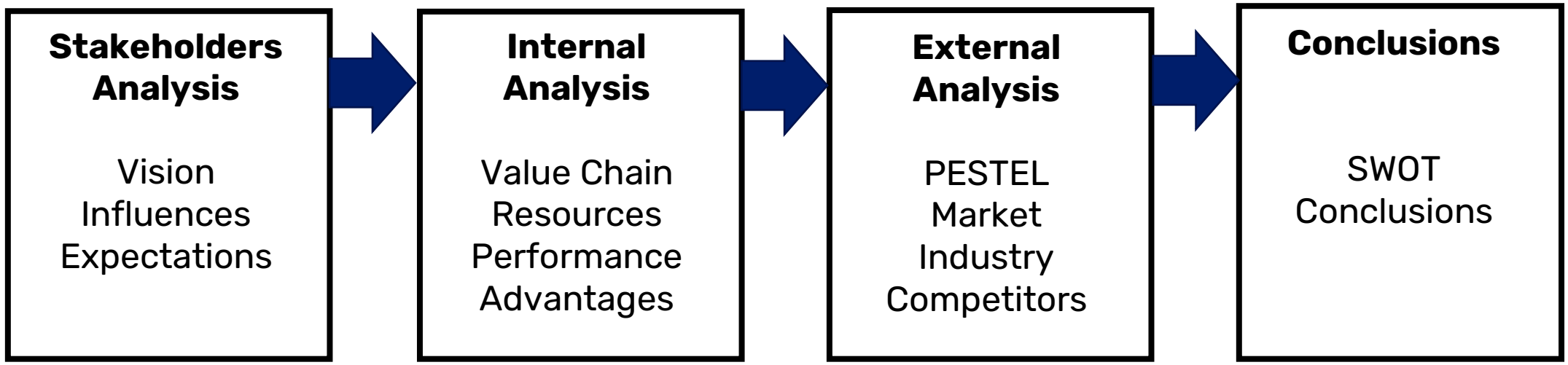
SME Strategic Analysis - BMO Intervention Examples



BMO Roles

Awareness Guidelines Trigger	Train Consult Review	Train Consult Audit Review	Train Reports Intelligence Consult	Train Consult Review Reflect

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SMEs Strategic Direction Development – Model & BMOs Roles

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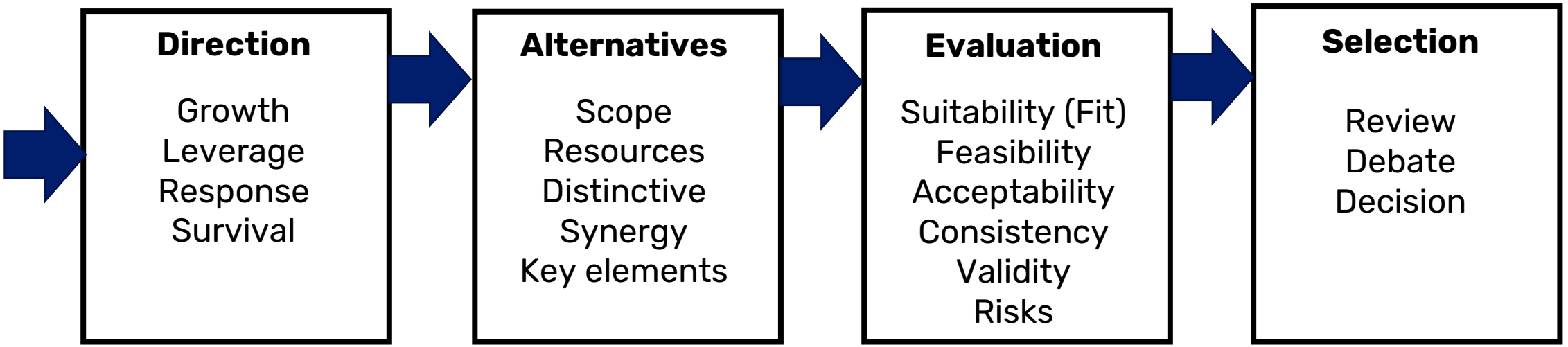
SME Strategy Formulation Framework - Example



Most SMEs find it extremely difficult to choose a specific strategy

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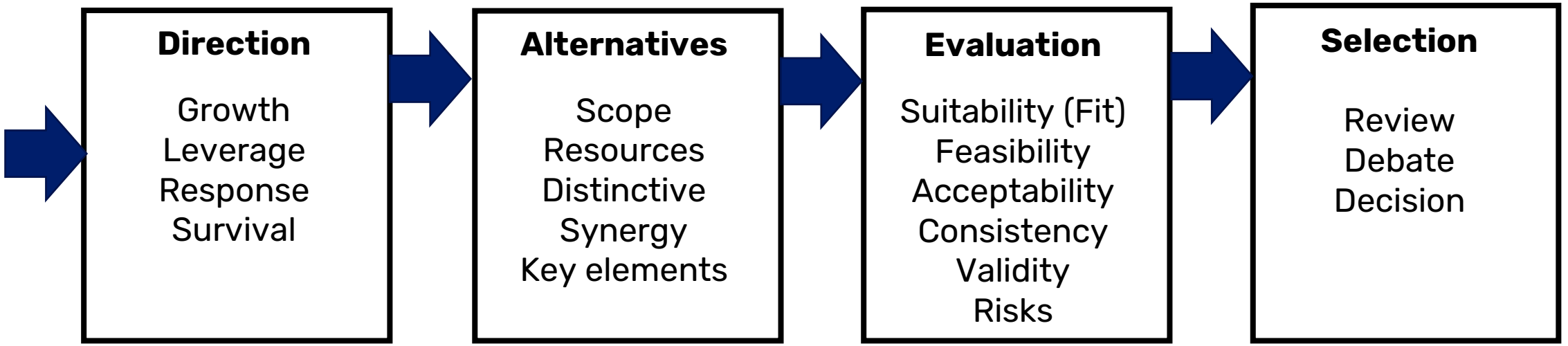
SME Strategy Formulation – BMO's Role Examples



BMO Roles

Guidelines Trigger Initiate	Train Tools Consult Suggest	Train Consult Ideation Suggest Review	Train Consult Review Reflect	Train Consult Review

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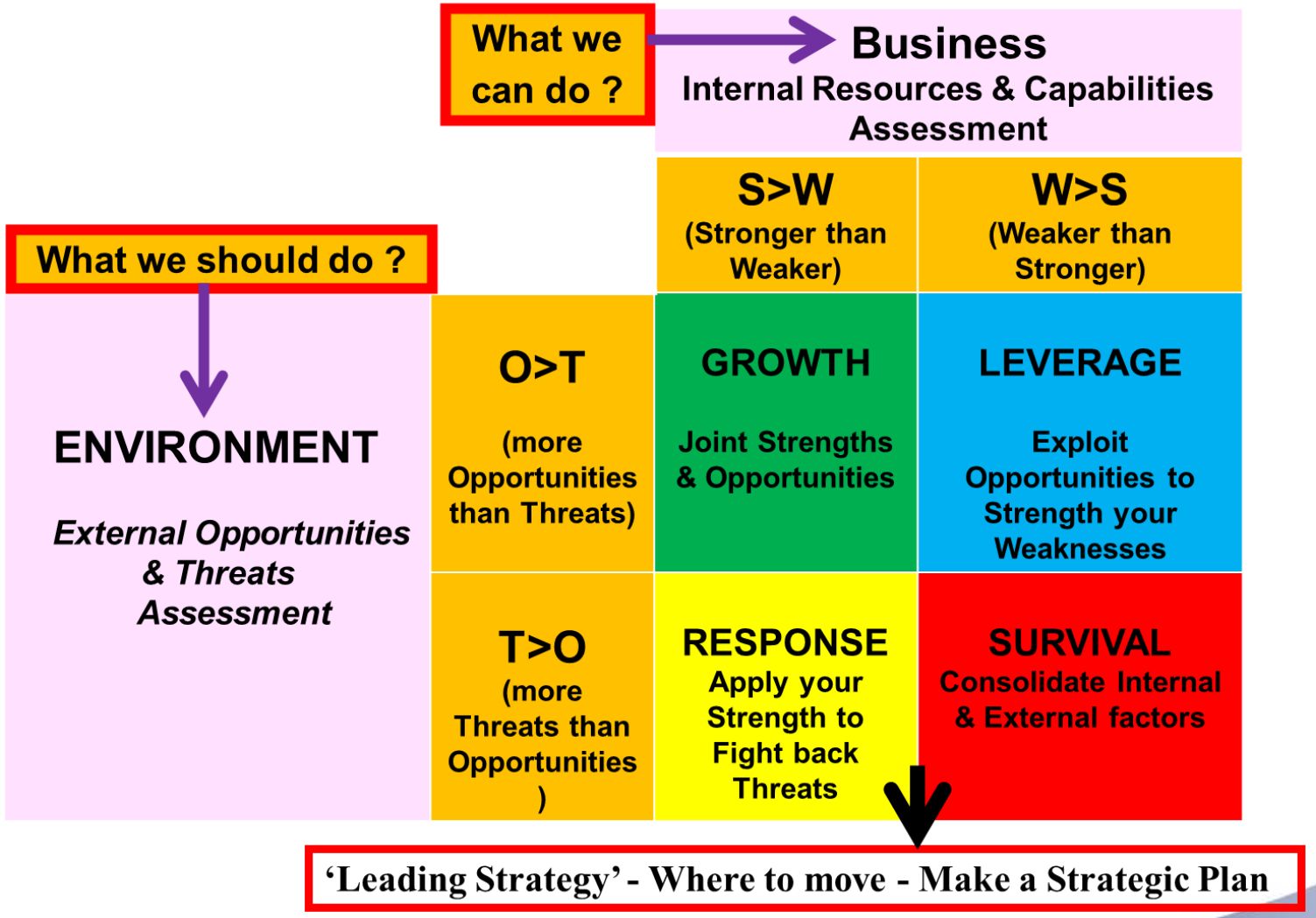
Strategic Direction Development – SWOTCLOCK™: Leading Strategy Matrix



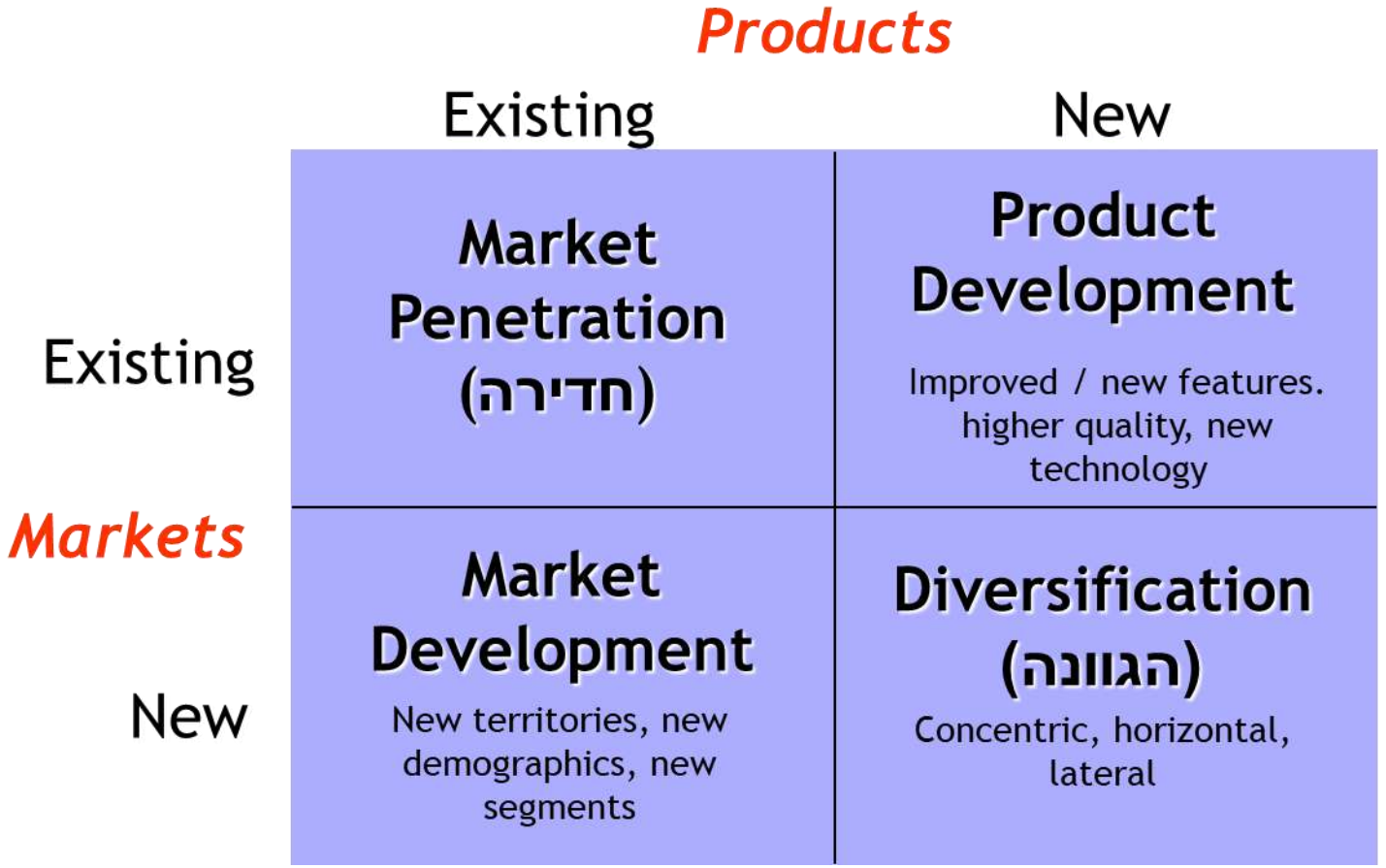
Strategic Direction Development – SWOTCLOCK™: Leading Strategy Dial Over Time

SWOT Diamond

S	T	W	O
102.5	77.50	42.50	45.00

Firm Vector	60.00
Environment Vector	-32.50
Leading Strategy	RESPONSE

Selecting Growth Strategies – Ansoff Matrix



Ansoff, 1956

Developing Sustainable Competitive Advantage (SCA)

- Advantage which Leads to superior performance.
- Cannot be copied or eroded by actions of rivals and is not made redundant by environmental changes.
- Two approaches to creating competitive advantage:
  - Outside-In (positioning)
  - Inside-out (Resources / Capabilities / Competencies)

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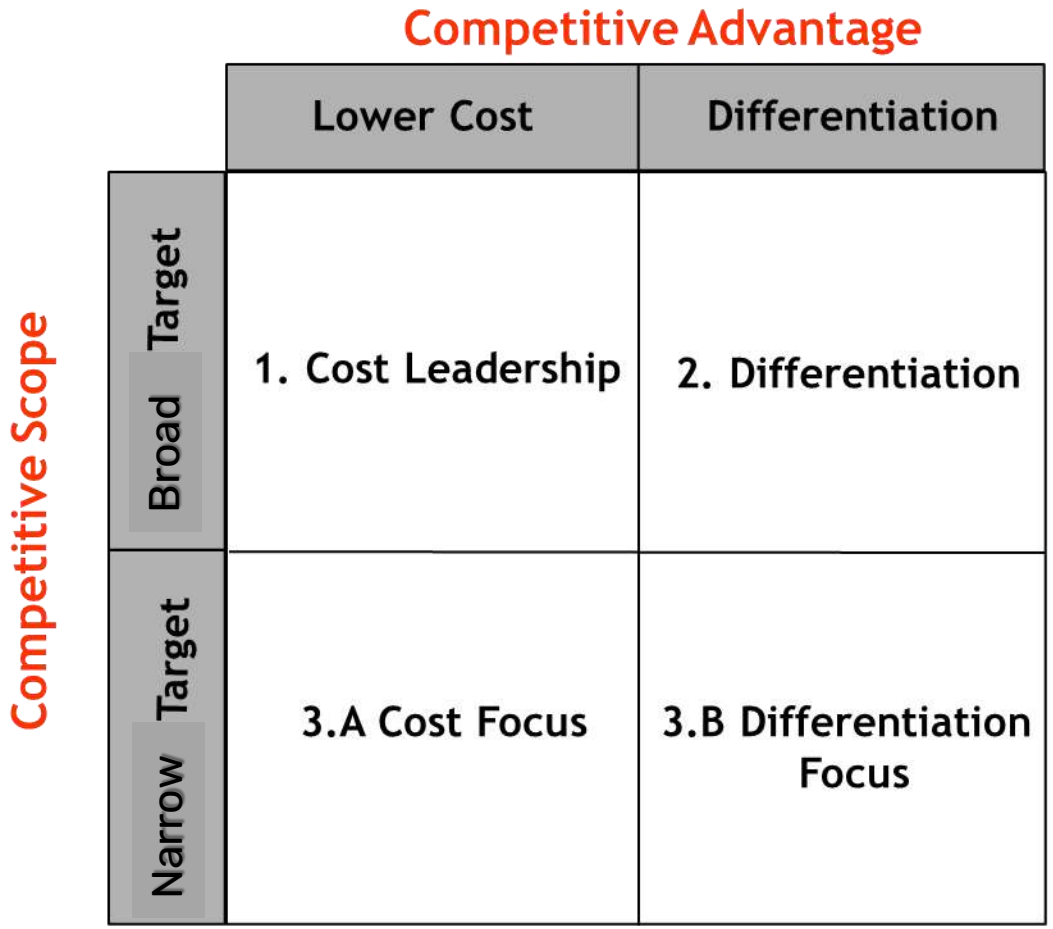
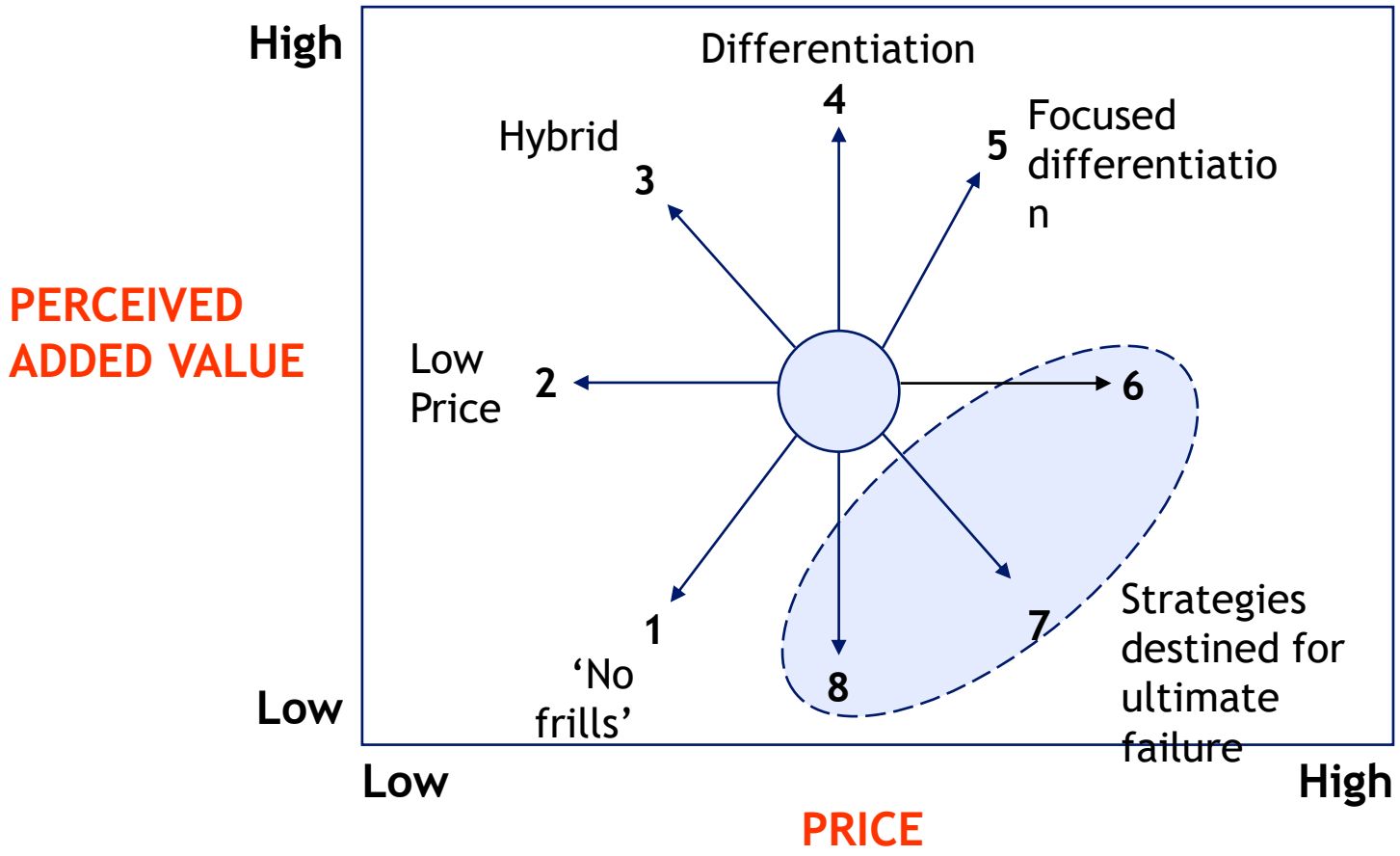
Developing Competitive Advantage – Porter Generic Strategies



Porter, 1985

Developing Competitive Advantage – Bowman's Competitive Strategy Options

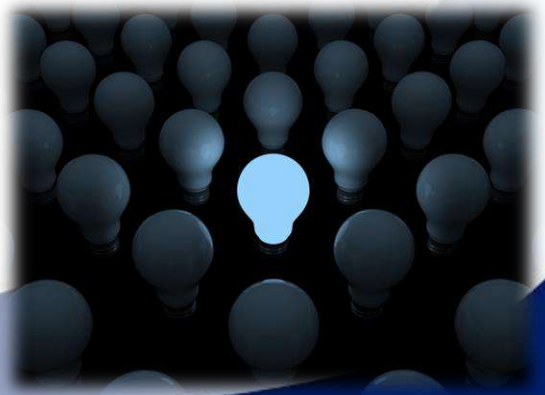


Johnson & Scholes, 1999.

Summary & Q&A

- Key Points discussed:
  - ✓ SMEs business strategy development – process & constrains.
  - ✓ SMEs Post COVID strategic challenges & opportunities.
  - ✓ The need of SMEs to re-strategies and the BMO's leadership.
  - ✓ SMEs strategic analysis – tools and BMO's interventions.
  - ✓ SMEs strategic direction development – model and BMO's roles.

- Questions ?



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THANK YOU!

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