


# Chapter 19

## Turning a Crisis Into an Opportunity: Innovation During the Pandemic

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### **ABSTRACT**

*The impact of the COVID-19 pandemic has not been uniform across industries. In some, we have witnessed a remarkable degree of innovation which has seen the establishment of a vast array of business models. By contrast, in others innovation has been rather slack. These conflicting trends raise the questions of whether the COVID-19 pandemic has accelerated the demise of certain industries or hastened the emergence of others. By coupling the crisis management literature with organizational learning theory and by relying on 23 in-depth interviews, the chapter provides a taxonomy of the various types of innovation responses to the existing crisis and disruption. The taxonomy is instrumental to gain a better understanding of how companies across countries and industry sectors respond to disruption by innovating and the valuable lessons that can be drawn from this experience.*

### **INTRODUCTION**

The COVID-19 pandemic has had severe repercussions from an economic and social point of view, having a detrimental effect for production, exports and supply chains for most industries. Within this context of unprecedented change, this chapter analyses the process of adjustment adopted by a vast array of industries in response to the pandemic. The recent COVID-19 crisis has radically revolutionized and transformed the business environment. This ranges from the way firms react to this suddenly needed transformation by shortcutting the way they provide their products and services (Lee and Trimi, 2021),

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how they can transform their supply chain infrastructures to adapt their products (Samson, 2020), and to how they enhance and extend their service and performance capacity according to disruptive market demands (Sharma et al., 2020). Overall, these developments have led firms in the industry to fundamentally change the ways they “do business”, in particular the ways they organize and conduct activities across the firm and the industry with customers, vendors, partners and other stakeholders. In this very dynamic context, it becomes an imperative for companies to reinvent themselves by often introducing innovative products or novel business models and by utilizing their existing resources and capabilities as well as combining them with new ones (George et al., 2020). For example, L’Oreal promptly pivoted to produce hand sanitizer in short supply and freely distributed it to hospitals, pharmacies, care homes, and food stores.

However, while the majority of the academic articles published so far on the COVID-19 crisis mostly focuses on either supply chain disruptions (Sharma et al., 2020; Samson, 2020), internal organizational disruptions (Carnevale and Hatak, 2020) or the impact of the crisis on customers (Hall et al., 2020), our work embraces a more holistic approach by focusing on a cross-national and cross-sectorial comparison of those innovation strategies that ultimately might as well yield to growth opportunities. In particular, since crises are defined largely by uncertainty, we couple approaches from grand challenges (George et al., 2016), the crisis management literature (Boersma et al., 2022) with organizational learning theory (Bundy et al., 2016; James et al., 2011) to gain a better understanding of how companies across countries and industry sectors respond to disruption by innovating, and the valuable lessons that can be drawn from this experience.

### **Research Aim**

By drawing on the relevant literature, the purpose of this study, therefore, is to develop a taxonomy that allows to classify the different types of innovation responses towards crisis and disruption. The proposed taxonomy is instrumental to develop a set of valuable lessons that can have a broader applicability, beyond the COVID-19 crisis.

### **Research Significance**

The impact of the C19 pandemic has not been uniform across industries (George et al., 2020). In some, including education we have seen a remarkable rate of innovation which has seen the establishment of a vast array of business models (Cooper, 2021). By contrast, in others such as in the tourism and hospitality industry innovation has been rather slack (Lai & Wong, 2021). These conflicting trends raise the questions of whether the C19 pandemic has accelerated the demise of certain industries or hastened the emergence of others? This chapter endorses the view that while the pandemic has tested the agility and the resilience of firms, it has also forced us to question the assumptions underlying established theoretical framework that drive managerial decisions along with managerial practice.

### **Chapter Structure**

This chapter comprises five sections. While the next section provides the theoretical foundations for our work by highlighting the relevant theories, namely a brief overview of the literature on crisis management and organizational learning theory, the third section of the chapter describes the methodology adopted.

The fourth section describe the findings. The final section provides the conclusion by highlighting the original contribution of our work, the managerial and the policy implications stemming from our findings, their limitations along with directions for future research.

## LITERATURE REVIEW

### Grand Challenges and Ensuing Organizational Responses

According to George et al. (2016), grand challenges require the coordinated and sustained effort from multiple and diverse stakeholders toward a clearly articulated problem or goal. Solutions typically involve changes in individual and societal behaviours, changes to how actions are organized and implemented, and progress in technologies and tools to solve these problems. Thus, the tackling of grand challenges could be fundamentally characterized as an organizational problem. To this end the authors separate the studies into two broad themes: (1) studies that provide management insights on how global problems can be tackled; and (2) studies that identify mechanisms and contexts by which grand challenges affect organizations and institutions such as business environments. Within this taxonomy, given our focus on organizational adjustment (Williams et al., 2019) our research falls into the latter category.

Within nowadays' business environment complexity and volatility and given the recursive nature of grand challenges (Clemente et al., 2017), it becomes of pivotal importance to fully understand the implications stemming from organizational responses. Organization scholars increasingly advocate for research that addresses grand challenges, noting that "*the fundamental principles underlying a grand challenge are the pursuit of bold ideas and the adoption of less conventional approaches to tackling large, unresolved problems*" (Colquitt & George, 2011, p. 432). An environmental shock, such as the COVID-19 pandemic, is an unanticipated and disruptive change in the firm's external environment (Meyer et al., 1990). It is severe and affects specific organizations (Brege & Brandes, 1993), industrial segments (Sheppard & Chowdhury, 2005) and entire economies (Singh & Yip, 2000).

### Crises Management

How companies respond to such changes in their external environment has become an increasingly relevant matter. Ecological theory (Hannan & Freeman, 1977, 1984) provides a helpful angle, arguing that organizations exhibit inertial tendencies, which can be attributed to four different internal constraints: political factions supportive of vested interests, organizational history that might prevent consideration of alternative strategies, investment in plant, equipment and specialized personnel, and limits on information received by decision-makers. Organizations that fail to respond to the changing environment, or respond in an inappropriate fashion, may be susceptible to failure.

At a systemic level, resilience has been defined as the "*capacity [...] to proactively adapt to and recover from disturbances that are perceived within the system to fall outside the range of normal and expected disturbance*" (Boin et al., 2010, p. 9). According to Dentoni et al. (2020), resilience can be interpreted through two dimensions. First, the amount of disturbance a system can absorb while remaining within the same balancing state, and second, the degree to which the system is capable of self-organization, learning, and adaptation. The field of ecology has focused mostly on the first dimension - the capacity to *absorb* disturbances. From an ecology perspective, this "absorbing" capacity of the system can be measured in

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terms of the persistence of the relationships within a system (Holling, 1973). The second dimension of resilience was established in the early 2000s when social scientists engaged in multidisciplinary work with ecologists in developing the so-called adaptive ecosystem management perspective (Berkes et al., 2003). From this perspective, resilience can be observed as a capacity to *adapt* to disturbances (Norberg & Cumming, 2006). This adaptive capacity takes place as actors engage in a “*recombination of evolved structures and processes*” in response to external changes (Folke, 2006, p. 259). This perspective suggests that organizations need to learn and change in anticipation of disturbances (Berkes et al., 2003; Kinzig et al., 2006).

Furthermore, when dealing with external shocks, companies must above all develop or activate dynamic capabilities with which they can adapt their resource base to the changes in the external environment (Teece et al., 1997; Eisenhardt & Martin, 2000; Peteraf et al., 2013). In this line, the dynamic capability approach is a useful lens that allows to provide guidance on how managers can keep the business afloat when dealing with uncertainty and volatility (Teece, 2007). Companies must be able to develop capabilities to respond to rapidly evolving market conditions (Lin & Wu, 2014). Within dynamic capabilities, ambidexterity plays a crucial role (Mei, 2014). Companies frequently attempt to gain a competitive advantage in their market through innovation that requires both exploration to tap new opportunities and exploitation to enhance existing capabilities. The ability to excel at these conflicting modes of innovation is termed organisational ambidexterity (Andriopolous & Lewis, 2009).

Crisis and disaster management models are recognized as significant in organizational disasters and crises studies. Within the crisis process, Bundy et al. (2016)’s literature review highlights three core stages: pre-crisis prevention, crisis management and post-crisis outcomes stages.

## **Organizational Learning**

But do organizations learn from crises? And if they do, how? These questions have been an ongoing debate among scholars for over two decades (Ghaderi & Paraskevas, 2021). This debate has focused on the pessimist versus optimist perspective, inquiring into whether organizations are capable of learning from a crisis (e.g., Zhou et al., 2018) and on the individual versus organizational perspective towards identifying the learning agents (e.g., Stemm et al., 2018). There is a quite well established consensus that organizational crises are conducive to the process of intensive organizational knowledge acquisition. Crises also trigger organizational changes that otherwise would have not taken place. Therefore, shaping the ability of an organization to learn from a crisis is an important antecedent for its capability to cope with future crises.

By matching up the crisis management and organizational learning stages, and focusing on the within-organization dynamics of managing risk and complexity, James et al. (2011) and Lampel et al. (2009) highlighted the role of top management to react to crises and either frame them as threats, thus being more limited in their efforts, or as opportunities to be more open and flexible towards change in an emergency situation, learning from it and developing organizational capabilities (Bartsch et al., 2020). Here, the authors stressed the importance of moving beyond the status quo to generate new competitive advantage hence learning from a crisis situation (Bundy et al., 2016; Hunt et al., 1999). Organizational learning is considered an important element of crisis handling (Pearson and Clair, 1998). An organization’s ability to change behaviour in response to an experience or changes (e.g., a crisis) is defined adaptive organizational learning (Glynn et al., 1994). As James et al. (2011) stressed, there is a need to investigate organizational extraordinary performance and positive change and opportunities for

organizations to flourish following a crisis. Nonetheless, a considerable part of the literature on strategic management has highlighted that incumbents often fail due to their dominant position, market share, and established way of operating which lead to avoiding risk, instead of focusing on innovation (Christensen, 2015; Schumpeter, 1947; Tellis, 2013). In these regards, the organizational learning literature defines competitive inertia as the level of activity that an organization exhibits when altering its competitive stance in areas such as new product, pricing, advertising, service introductions, or market scope (Hunt, 1999; Miller and Chen, 1994). The theory highlights drivers to inertia, where Miller and Chen (1994) claimed that good past performance contributes to competitive inertia leading to stagnation in products, policies and methods that often underlies inadequate adaptation to a changing environment. Instead, a diversity of markets discourages it, leading to organizational evolution. Crisis is thought to play a key role in initiating change (James et al., 2011). The organizational learning theory on the notion of inertia therefore provides a valuable lens for this research, where organizational responses in dealing with crises can determine success and future crises.

## **Theoretical Lens**

Despite the increasing adoption of crisis management theories to assess how companies learn from crises and risks, the theoretical models that currently exist (e.g., Brockner and James, 2008) are not fully specified, but tend to be conceptual and generic (James et al., 2011). In particular, there is an opportunity to gain a deeper understanding of managerial perspective on innovation responses and processes to COVID-19 as a disruptive event and across different sectors, which this work aims to fulfil.

## **METHODOLOGY**

By relying on extensive semi-structured interviews, we explore the innovation actions and strategies implemented in response to the current COVID-19 crisis. The respondents were selected with a purposive sampling technique (Yin, 2017). The 23 interviews are overall representative of a taxonomy of different responses, involving: potential and temporality regarding COVID-19 crisis (i.e. temporary changes dependent on crisis; long-term changes independent of crisis) and degree of innovation of product/ service and market/ consumer segment (i.e. existing product and market; new product and market). The selected firms offer a wealth of diversity since they tend to operate in different industries (e.g. hospitality, automotive, fashion and creative industries, e-commerce, education) across a variety of countries (e.g. US, Italy, UK, Germany, Denmark, France, Spain, China). The 23 interviews followed a structured research protocol, where themes for discussion were informed by the literature on crises management, product innovation and organizational learning theory, and were formulated to understand changes in the firms related to COVID-19 crisis and temporality of effects on the firm along with the main lessons learnt.

Interview respondents were recruited from the research team's contacts and invited to participate through e-mail, LinkedIn and telephone calls. In-depth interviews were conducted with 23 senior informants who were deemed as knowledgeable about the companies' relevant innovation activities. This allowed the development of a close dialogue (Clark, 1998) with practitioners who had relevant expertise and depth of involvement, thus enabling rich analysis (Patton, 2002) to understand the phenomena under investigation. Interviews were conducted from spring 2020 to early 2021, recorded and transcribed.

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The primary data collected through the interviews was then triangulated and complemented by secondary data, in the form of media reports and company documentation. The interviews and the secondary data collected were then analyzed following established qualitative analysis principles of thematic analysis, using the research protocol to guide the data coding (Guest et al., 2012; Miles et al., 2014) in order to identify possible patterns in the firms' innovation responses to the COVID-19 crisis. Coding labels were revised as data collection and analysis proceeded iteratively, and conducting a back-and-forth examination of theory and data (Spiggle 1994). This rigorous interpretive process continued until data saturation meant no new themes were emerging from the analysis. We conducted members check with 3 senior informants, through an ongoing dialogue with the participants via sharing results, consulting and running workshops. This resulted in the provision of additional reflections and insights about how our findings might apply to their circumstances. Our analytical process ultimately led to the development of a taxonomy that allows to classify the different types of innovation responses towards crisis and disruption.

## **RESULTS AND DISCUSSION**

Findings showed that the response of the most proactive organizations has been shaped by some of their distinctive resources that make them adaptive survivors. These are namely the *widespread creativity*, the *contagious enthusiasm* that swipe through the industry, and the *emotional attachment* to the businesses since some of them are family businesses that often own heritage brands. Many of the organizations investigated showed *resourcefulness*, being able to turn a crisis into a viable opportunity, *ambidexterity* by exploring new opportunities capitalizing on their existing core capabilities and know-how. *Promptness* as they were able to seize the relevant opportunities in a timely manner, *pragmatism* and *flexibility* as they were able to strategize and implement change within the time constraints imposed by the crisis. Thus, our findings show the ability of successful organizations to develop new capabilities (Bartsch et al., 2020) that have allowed them to learn from a crisis situation (Bundy et al., 2016; Hunt et al., 1999). In this section we provide a classification of the various types of innovation responses to the existing crisis and disruption, derived from our analysis as depicted in Table 1 below. These responses are classified according to the temporality of changes depending on COVID-19 crisis, and degree of innovation of product/ service and market/ consumer segment. This classification will then allow us to draw valuable lessons that organizations across countries and industry sectors can learn from each other, and that can help build competitive advantage and resilience beyond the COVID-19 crisis.

### **Temporary Changes Depending on COVID-19 Crisis, Existing Products**

Several firms adapting to crisis through temporary and ad-hoc solutions emerged. This involved prompt, short-term changes to the ways of operating, with only minor changes to existing products or services. Examples involved flexible hospital solutions and hotels and schools temporary converted into isolation hospitals to treat COVID-19 affected patients. In a rapid search for more beds, the Manager of Ayre Gran Hotel Colón in Madrid, Spain, explains that “*our hotel has been repurposed to fight the pandemic. We have offered our hotel beds and facilities for nursing staff, vulnerable populations and anyone fighting the spread of coronavirus.*” Along similar lines, prompt agility was manifested by Air Dolomiti. Their Vice President stressed that, despite the airline sector's fixed ways of operating which make it hard to implement agile solutions, “*Especially during pandemic times, agility has become a key concept for*

*Table 1. Classification of innovation responses to COVID-19 crisis*

Temporality depending on COVID-19 crisis Innovation product/ market	Temporary depending on COVID-19 crisis	Long-term changes independent of COVID-19 crisis
Existing product (and existing/ new market/ customer segment)	<ul style="list-style-type: none"> <li>• Ayre Gran Hotel Colón, turning hotel facilities into hospital solutions</li> <li>• Barbieri, providing flexible hospital solutions</li> <li>• Air Dolomiti, providing special flight routes during pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• Deliveroo Essentials, food delivery from supermarkets</li> <li>• Gousto, partnering with local supermarkets and farmers</li> <li>• LogMeIn, extending online meeting and education provision</li> <li>• Cisco Webex, enhancing software versions</li> <li>• TooGoodToGo, empowering restaurants' takeaway services</li> <li>• OmniLabs, providing telepresence robots</li> <li>• Anthropology, expanding into home design and loungewear</li> <li>• Alibaba, livestreaming latest collection with celebrities</li> <li>• Amazon, adapting supply chain to serve higher demands</li> <li>• Lamborghini, creating an app for car customization and interaction with customer service</li> <li>• Oysho, extending into sports line and providing fitness classes</li> </ul>
New product (and existing/ new market/ customer segment)	<ul style="list-style-type: none"> <li>• Miroglio, producing gowns and masks</li> <li>• Ferrari, producing ventilators</li> <li>• Luxottica, producing medical eyewear</li> <li>• Bosch Healthcare, using viral testing devices in tents</li> <li>• Kinderheldin, providing midwife services online</li> <li>• Distillerie Mazzari, producing hand sanitizers</li> </ul>	<ul style="list-style-type: none"> <li>• Gousto, setting up Table for One Million event</li> <li>• Balenciaga, debuting new runway format customized video game</li> <li>• Airbnb, creating virtual experiences in a set of contexts</li> <li>• Lululemon, providing a virtual reality mirror to practice yoga and check postures at home</li> </ul>

*airways.*” They started running more national flights, following restrictions on international travels leading to preferences of tourists to travel within Italy. Their CEO commented that *“In those days [of pandemic] it is not anymore a plus to be adaptable, but it is becoming a requirement to survive in the industry. Our recovery strategy is a fresh approach in targeting a new set of inflated destinations”*. According to him, *“The fear brought by the pandemic implied a repositioning of the image by communicating a sense of safety.”* This was implemented by offering “COVID-free” flights where passengers had to be tested before boarding. These temporary reactions show the flexibility and agility of the top management to pivot and solve a problem caused by market disruption (Zhou et al., 2018; Bundy et al., 2016; Hunt et al., 1999), especially in contexts in which existing products and services are not utilized due to an emergency situation.

### **Temporary Changes Depending on COVID-19 Crisis, New Products and Customer Segments**

Another cluster of firms emerged to reply to crisis by adapting their solutions in a temporary way, by shifting into new product or service solutions, hence targeting a new customer base and / or a new

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market. This involves a swift response of companies to learn by the crisis and promptly adapt their solutions. Several informants shared the view that this reaction could be related to marketing and brand promotion, to generate PR and media interest and gain publicity for the company, involving a short-term, visible initiative, as opposed to a long-term benefit for the community as a whole. This differs from the development of long-term dynamic capabilities to respond to rapidly evolving market conditions (Lin & Wu, 2014). Independently of this, many respondents agreed that this short-term, rapid solution showed reactive responses to manage the pandemic crisis and leading to the development of organizational capabilities (Bartsch et al., 2020).

Examples include fashion companies starting to produce medical gowns and gloves to assist medical staff dealing with the emergency, cosmetics companies starting to produce hand sanitizers and lotions, and eyewear companies providing medical eyewear. Italian company Distillerie Mazzari producing food alcohol represents a valid example of how the supply chain was adapted to the pandemic. The company reacted to the pandemic by shifting its production to a new product, namely it opened a new production line, using the existing machinery, to *“Produce products dedicated to sanitation, including hand sanitizer and cleaner for surfaces using the alcohol we used originally for our main products”*, their Manager of Alcohol Department explained. The company created a joint venture with another company responsible for packing and distributing the final product. This allowed Distillerie Mazzari to quickly pivot to the new market needs, thanks to the ability to collaborate with other businesses and outsourcing the capabilities needed (i.e., for distribution and packaging), thus showing the prompt reaction of top management to see opportunities in the crisis and learn from it by being flexible in outsourcing needed skills (Bartsch et al., 2020; Bundy et al., 2016; Hunt et al., 1999). The top management could also see the potential in their response to the COVID crisis beyond the immediate terms, as they state that *“The tendency to wash and sanitize hands and surfaces more often will remain anyway because, once we have the vaccine for COVID-19, it cannot be excluded that there will not be some other infections that can affect us. Our attention to hygiene will stay high”* (Manager of Alcohol Department). This evidences the company’s strategic thinking and ability to jump onto opportunities (James et al., 2011).

Furthermore, adaptation of existing services into new operational contexts emerged being another area where organizations showed proactive attitude to face the crisis. The German motherhood care company Kinderheldin started offering midwife services online instead of home visits, thus showing flexibility turning an existing service to supply for customer needs during the pandemic. The CEO of Kinderheldin states that *“Figuring out that German health insurances were willing to finance online health-services, we reached over 400 new clients for our digital midwife classes within 3 days.”* This is a remarkable pragmatic change that the company has undertaken to react to market changes by showing resourcefulness. While the service provision is likely to go back to what they offered prior to the pandemic emergency, some degrees of blended delivery of health service might remain.

### **Long-Term Changes, Existing Products**

Findings revealed that in many cases a key success factor consisted in firms applying a long-term transformation of their product or service offering, in terms of adapting their existing business model to better serve an existing market and reach out to a broader range of customers within that market segment. Consider, Italian brand and manufacturer of luxury sports cars Lamborghini that responded to the pandemic crisis by launching an invitation-only app allowing customers to *“Configure their own vehicle, constantly monitoring the work-in-progress, which can be thought of as a collaboration in the designing*



*process*” explains their Head of Product. This prompt reaction has allowed the company to pivot to an online offer of their service, without losing the co-creation aspect between the brand and the consumer, also allowing them to expand their data collection. The interviewee goes on explaining that *“the app gives the possibility to configure the car, be in contact with the dealer and the company, share content such as videos, photos during the production phase until delivery. In this way we can profile customers, know their history.”* These changes are likely to stay long-term, as consumers’ habits are likely to change and become more technology oriented and expect higher levels of services from companies. Therefore, Lamborghini showed the capability to adapt to external shocks and learn from them (Folke, 2006).

To fight crisis stagnation of many industries, especially hospitality where many activities were not allowed during the pandemic crisis, a strong spirit of creative adaptation emerged from several organizations. For example, UK company Gousto providing subscription-based fresh food and recipes box delivery partnered up with local supermarkets through the initiative “Food Finder” allowing customers during lockdown to shop online at local supermarkets through an app powered by Gousto. Gousto also expanded their services by partnering up with local farmers to supply for the rapidly increased demand for recipe boxes, as their Acquisition and Retention Director explains, *“with lockdown measures being imposed, we suddenly saw a sharp increase of our customers’ demand, and new customers wanting to join in too. As we could not expand our supply chain facilities so promptly, we partnered up with local farmers to serve more customers, and at the same time that gave the possibility to farmers to use our facilities and infrastructures to help distribute their products”*. This pragmatic response shows the ability of the most proactive businesses to partner up and join forces with other players to help expand one’s customer base or innovate the existing business model to face sudden changes (Eisenhardt & Martin, 2000; Peteraf et al., 2013).

Within this cluster, several apparel companies started to collaborate with designers and expand their offering into home design and new loungewear products, as the lockdown forced people to spend more time at home. Several fashion retailers expanded their online channels, by offering further delivery and return options, and better ways of visualizing products online and interact with the brand’s customer care teams. In China, Little Red Book, Weibo, and Taobao have been livestreaming their latest collections, making them shoppable with Chinese influencers. As Alibaba’s Relationships Director comments, *“We think livestreaming is very important. Currently, around 60 percent of our livestreaming audience is from lower-tier cities.”* This shopping channel therefore helps businesses in China expand and reach a broader customer base, using celebrities and shows formats to provide entertainment and connect with their customers during the lockdown phase. As these trends towards online shopping and engagement are likely to remain post pandemic, due to the crisis triggering societal trend changes, those companies that have been embracing innovation have shown dynamic capabilities to adapt their resources due to changes in the external environment (Eisenhardt & Martin, 2000; Peteraf et al., 2013), thanks to a visionary and highly responsive top management and internal organization capabilities (James et al., 2011; Lampel et al., 2009).

### **Long-Term Changes, New Products and Customer Segments**

Few cases emerged of firms who disrupted their ways of thinking and operating, expanding into new products or services to reach a new customer base, and with long-term changes that are likely to stay post pandemic. This cluster of “true innovators” emerged from a creative response of the organization to the crisis (James et al., 2011), and included the organizations’ ability to adapt functional core processes

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(Bartsch et al., 2020; Boin et al., 2010). Here, strong innovation embracement and an agile, flexible approach characterized the company (Bartsch et al., 2020), by forcing it to think outside the existing customer base and product offering. This involved the provision of online parties and experiences, and online events. Consider, for instance, online marketplace for lodging Airbnb, that during the pandemic could not see their business of home rentals progress as usual. They quickly pivoted and started *“Offering online experiences, which are hosted on Zoom and that can be done completely remotely at home. Registered participants can join on their desktop, tablet, or mobile device.”* Says their Director of Communications. Participants can choose from a range of online experiences, *“Live interactive sessions, conducted over Zoom by guides around the world, for small groups of “tourists” stuck at home”* explains their Director. *“Over the course of an hour or two”,* he goes on telling, *“The hosts dive into a wide range of artistic, cultural, musical, culinary, and athletic topics: “Dance Like a K-pop Star,” presented live by a guide in South Korea; “Cooking with a Moroccan Family,” from Marrakesh; “Tokyo Anime and Subcultures,” from Japan.”* This has shown the agility and resilience of the company, proactively adapting to external shocks (Boin et al., 2010; Berkes et al., 2003) through changes that are likely to stay post pandemic, since consumer trends have been changed. The new format of online experiences represents in fact an inexpensive way to carry users away from their physical locations that is likely to stay, and be merged to in-person experiences, post pandemic.

Several fashion brands embraced new ways of delivering their catwalk shows during the fashion weeks, going virtual to find new way to engage their audience. Luxury fashion brand Balenciaga, for example, debuted a novel runway show format thorough a customized video game where guests could register (with a long queue), to then interact with avatars wearing the Fall 2021 collection. *“If there is one thing that this Pandemic has given to us”* Comments CEO of innovation studio Kinestry, *“that accelerated growth of digital experiences. Balenciaga took the first dive into the metaverse by presenting their collection in a virtual world game. And now, their breaking the gaming industry by partnering with Fortnite to create a digital collection of in-game wearables for your Fortnite characters.”* This shows an attempt to deliver a new format in the midst of the pandemic, showing fast adaptability of companies (Dentoni et al., 2020) when entire fashion runway seasons were forced to cancel, and involving a set of stakeholders to interact with the new collection. This tendency to move to the online, metaverse world is likely to stay post pandemic, involving fashion shows and virtual spaces to “hang out” and experience brands, due to changed society trends and the advantages of online experiences.

## **Overview of Main Findings and Achieving the Research Aim**

Our in-depth interviews with senior informants from organizations spanning across an array of industries and countries allowed us to develop a detailed taxonomy that classifies the different types of innovation responses towards crisis and disruption, thus achieving the research aim. In particular, our data analysis reveals a classification of responses around temporality of changes depending on COVID-19 crisis, and degree of innovation of product/ service and market/ consumer segment. Our taxonomy can be summarized around the following four clusters:

1. Companies implementing prompt, short-term changes to the ways of operating related to COVID-19 crisis, applying minor adaptations of existing products and services through ad-hoc solutions.
2. Companies introducing temporary changes related to COVID-19 crisis by shifting into new product or service solutions to target a new customer base and / or a new market.

3. Companies applying a long-term transformation of their product or service offering, in terms of adapting their existing business model to better serve an existing market and reach out to a broader range of customers within that market segment.
4. Companies disrupting their ways of thinking and operating, expanding into new products or services to reach a new customer segment, and with long-term changes that are likely to stay post pandemic.

Overall, our findings showed that some industries are more proactive than other in innovating to respond to the COVID-19 crisis. The technology and healthcare industries stood up significantly as they both had to cope with the sanitary emergency. Other sectors such as the hospitality and the fashion industry also showed remarkable creativity in coming up with rather unexpected solutions to keep their business afloat. Moreover, our data shows that company size is not playing a major role on how firms engaged with innovation, but top management vision and overall organization capabilities, together with the promptness to team up and collaborate with other organizations, were key to survive and ultimately lead to innovation.

This classification has then allowed to develop a set of valuable lessons that organizations across countries and industry sectors can learn from each other, and that can help build competitive advantage and resilience whose implications can be far reaching, well beyond the COVID-19 crisis. These lessons are outlined in the managerial implications section below, as well as in the theoretical implications stemming from the findings.

## **CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH AREAS**

The recent COVID-19 crisis has suddenly changed the way organizations across industries “do business”, acting as a catalyst for change. This has shown different behavioral responses of organizations across industries. In this scenario, adaptability, development of new skills, merging competences and unique strengths have emerged as key elements of success. Although various studies have been conducted on how the COVID-19 pandemic has disrupted organizations across industries focusing on specific aspects, our work provides a more holistic approach, conducting a cross-national and cross-sectorial comparison of organizations’ innovation strategies. Our aim was to develop a taxonomy classifying innovation responses towards COVID-19 crisis and disruption, with the view of providing valuable lessons that could have had wider applicability and could help businesses innovate beyond the COVID-19 crisis. We therefore contribute a classification of key responses in the form of a taxonomy around change temporality, types of products/ services and segments targeted, as presented in the above section.

### **Theoretical Implications**

Our classification of the various types of firms’ innovation responses to the existing crisis and disruption, largely depending on top management commitment to deal with disruption, provides valuable insights to risk and crisis management and wider implications for organizational innovation and growth. In line with James et al. (2011) and Lampel et al. (2009), a strong commitment from top management to react to crisis, and the resources available to deal with it, including overall change embracement across the organization and capabilities (Bartsch et al., 2020), are needed for the management of the responses to

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the crisis. These aspects in turn influence the capability of firms to collaborate with other businesses to exploit know-how and resources available. Whilst strategically engaging with partners, maintaining alignment with the overall brand image and identity emerged to be of pivotal importance. In particular, our findings revealed that the adaptive behavior of firms does not depend exclusively on their size and degree of establishment. In other words, in contrast with the literature (Miller and Chen, 1994; Tellis, 2003) some of the most reactive firms emerged being incumbents with established market share. Accordingly, our findings revealed that the flexibility and promptness of organizations to learn from crises and adapt to them, is what drives success (Stemn et al., 2018; Glynn et al., 1994; James et al., 2011). Our work therefore contributes to the strategic management literature, especially concerning grand challenges, crisis management and organizational learning.

## **Managerial Implications**

Our work contributes a framework for managing crisis and business growth and innovation. The framework, drawing from the different initiatives undertaken by the firms clustered according to their innovation response, is instrumental to explicate a set of lessons that can be valuable to managers and practitioners from a variety of different industries. In a time in which businesses more than ever need to innovate to survive and thrive through crises and the rapid pace of market change, our study provides recommendations to managers on how to deal with crises in the future, and how to innovate to respond to disruption.

In particular, key lessons emerging from our study include that success from embracing the crisis calls for managers to encourage and nurture a mind-set and practice that are open to intensive experimentation, including multiple trial and error iterations infused with action learning. In turn, this demands a high degree of resilience within the organization. As our findings show, embedding learning via experimentation, action learning cycles, resilience and an entrepreneurial mind-set is the critical point of departure if the potential successes and benefits of embracing the crisis are to be attained. Our findings highlight the key role of top management to embrace innovation, and then diffuse it across the organizations. Therefore, a leadership team that is strongly open to respond to crises, and who in turn can effectively communicate decisions, and the rationale for the same, to employees across the organization, emerged as a fundamental aspect to thrive competitive advantage. Another key lesson concerns the importance of collaborating across industries, maximizing resources and know-how to face prompt shifts in the market (e.g., Gousto collaborating with local farmers and supermarkets to supply for increasing demand for local products; Balenciaga collaborating with the gaming industry to showcase their catwalk shows online in an immersive and interactive way). Finally, being able to foresee what market trends are likely to stay from disruption generated from a crisis, and which ones are more likely to be temporary, is fundamental for managers to make important decisions on how to pivot and which investments to make. Although foreseeing the future is not possible, joining forces across industries and a solid knowledge of the target segment, emerged to be key to future proof businesses.

## **Limitations and Future Research Directions**

While our work provides valuable insights that contribute to the existing literature and provide managerial recommendations, it is recognized that it has some limitations. Our data collection involved one interview per firm. While participants were carefully selected based on their role and expertise, as well as availability, to provide valuable insights on the issues investigated, several interviews across various

internal (and external) stakeholders would have contributed to obtain a richer, more critical view on the phenomena. Furthermore, we collected data at one specific point in time, when the COVID-19 crisis had outburst. This highlights the opportunity for a longitudinal study to understand the challenges and opportunities deriving from the adopted behaviors of the organizations, hence how that impacted organizational performance. In this direction, future research could tease out organizational responses to crises to understand whether it is part of organizational characteristics (i.e., being prone to change) or a COVID-19 specific organizational tactic. Finally, future research could investigate whether a firm builds up a reputation for strong vs. poor crisis management, and whether that impacts external reputation and internal employee confidence in the tactical decisions.

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