



Business Adaptive Strategies in Crisis: **The Case of Portuguese Mask**

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ABSTRACT

The pandemic and all the consequences associated with the appearance and spread of the Covid-19 virus around the world forced many companies to find strategies to adapt and reinvent their businesses, to manage to survive during the pandemic crisis. The case studied in this dissertation is that of Iivity Brand Corp, with the creation of the Portuguese Mask brand, during the pandemic period.

Iivity is a Portuguese brand and communication agency, recognized in the field for having created several renowned brands in Portugal, as well as designing major branding and rebranding projects for several Portuguese companies. With the appearance of Covid-19, the difficulties of this industry were accentuated, reducing the number of clients and new projects, due to the fear of companies to invest during the pandemic. Iivity felt compelled to reinvent itself internally and look for answers to combat the scarcity of brand works. That was how the idea and creation of Portuguese Mask emerged, a totally Portuguese brand of masks, created by Iivity as a strategic response to the crisis environment.

The case study intends to serve as a pedagogical aid in the application of strategy and management concepts in a real company. The objective is that students and interested parties can interpret concepts and theories applying them to the case. During the dissertation some models and interpretations will be suggested, however, any further analysis and interpretation will help to build on the case from other points of view.

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ABSTRACT

A pandemia e todas as consequências associadas ao aparecimento e dispersão do vírus do Covid-19 por todo o mundo forçou muitas empresas a encontrarem estratégias de adaptação e reinvenção dos seus negócios, de forma a conseguirem sobreviver durante a crise pandémica. O caso estudado nesta dissertação é o da Iivity Brand Corp, com a criação da marca Portuguese Mask durante o período pandémico.

A Iivity é uma agência de comunicação e marca portuguesa, reconhecida no meio por ter criado várias marcas de renome em Portugal, bem como desenhado grandes projetos de marca e rebranding para diversas empresas Portuguesas. Com o aparecimento do Covid-19, as dificuldades desta indústria acentuaram-se, reduzindo o número de clientes e novos projetos, devido ao receio das empresas em investirem durante a pandemia. A Iivity sentiu-se obrigada a reinventar-se internamente e procurar respostas para combater a escassez de trabalhos de marca. Foi assim que surgiu a ideia e a criação da Portuguese Mask, uma marca de máscaras totalmente portuguesa, criada pela Iivity como resposta estratégica ao ambiente de crise.

O estudo de caso pretende servir como um auxiliar pedagógico na aplicação de conceitos de estratégia e gestão numa empresa real. O objetivo é o de que os alunos e interessados possam interpretar conceitos e teorias aplicando-os ao caso. Durante a dissertação serão sugeridas alguns modelos e interpretações, no entanto, qualquer análise e interpretação posterior ajudarão a construir sobre o caso noutros pontos de vista.

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Palavras-chave: estratégia; crise; portugalidade; pandemia; adaptação; comunicação; criatividade.

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CASE STUDY – COVID-19

Since the beginning of 2020 we are enduring one of the most challenging moments in the history of this century. The Covid-19 pandemic is ruining lives, companies, and markets, driving us to completely new scenarios. The globalized world we live in is struggling with a large range of issues because of the standstill of entire industries and markets due to this pandemic.

When we think about global companies and big corporations, we clearly understand that it is hard to maintain some “health standard” in a business that it is being affected worldwide but, frequently, the economic power, the experience gathered from previous local crisis and the capacity to invest and disinvest, depending on the momentum, helped a lot of big companies to stay afloat and operating even at a low pace. But what about the small companies? The companies that are focused on the domestic market, the ones that are specialized and completely oriented to a specific market in a specific country?

This case study highlights how the Covid-19 pandemic undermined the situation of Portuguese companies, specifically how the pandemic became the drive wheel towards the success history of a new Portuguese Brand creation. The role of Covid as an inspiration for Ivity Brand Corp and the story behind the Portuguese Mask.

IVITY BRAND CORP

Ivity Brand Corp is a Portuguese Branding Agency founded in 2005 by Carlos Coelho and Paulo Rocha, two former founders of- Brandia. Since the beginning, Ivity has always been focused on building and developing Portuguese Brands, the Portuguese Culture and something they call “Portugalidade”. Their positioning has always been supported by this pillar: creating brands that are proud to be Portuguese, that bring to the consumer/client the best that Portugal has to offer and, because of this working philosophy, vision and positioning the story of Ivity is closely connected with famous Portuguese brands.

In recent years, Ivity was directly involved in the creation and development of brands like Sata – Azores Airlines, Delta Cafés (and other companies from Grupo Nabeiro), Fidelidade, Luz Saúde, Sonae Group, etc.

The company has a yearly turnover of around 2.5 million euros.

STRUCTURE AND OBJECTIVES

Compared with the reality of the majority of other Portuguese Branding Agencies, Ivity has a different mindset when it comes to the work process. In an area where it is ever more common for agencies not having a lot of in-house workers, as they prefer to hire external services, outsourcing and freelancers Ivity has a clear preference for having the capacity to cover almost all of its “work needs” in-house. Before Covid-19 the agency had 36 employees, from Key Account Managers to designers, creatives to graphic designers, almost all the brand building projects can be entirely done in-house, with their own staff, a team prepared, specialized, and oriented to create and reinforce brands with a Portuguese label.

The purpose of having such a structure is clear: to be sure that every project or work developed by Ivity is driven by the idea of making a difference for brands and people.

BUSINESS AND COVID-19

BUSINESS BEFORE COVID-19

Before the Covid-19 pandemic began, business was “*going very well*” according to Diana Carvalhido, Creative Director at Ivity, “*we were receiving new opportunities and projects every week and the perspectives were also very good.*”

The increasing number of tourists in Portugal in recent years was one of the main reasons for growth in investment and this also led an increasing number of companies, cities and various institutions to procure rebranding projects.

Ivity was known for being associated to “very Portuguese projects”. The company developed multiple projects for specific cities that wanted to communicate their cultural heritage and build a brand that would attract tourists and visitors. Projects with insurers, health groups and some Portuguese food companies were part of the ongoing projects that Ivity was dealing with before Covid-19.

COVID-19

When the World started paying attention to the pandemic and its consequences were becoming global the business environment began to feel threatened about the coming times they would have to face, and some companies decided to reevaluate investments that they might save. In this scenario, rebranding and communication were the ones that ended up being more

affected by this fear and subject to a more “spare all you can” approach, cutting budgets that are, still, deemed not a priority.

The Portuguese national lockdown started in March 2020, when the first state of emergency was declared by the President of the Portuguese Republic (Comunicado do Conselho de Ministros de 19 de março de 2020), the country almost came to a complete halt, a lot of people changed their normal routine into a “work from home” scheme and a sort of state of panic spread out. There are a lot of testimonials about supermarkets with empty shelves due to this.

The hard times for the companies started then and the virus was not just a thing that could take over Portugal but something that was already changing our lives, our work life and, more precisely, businesses.

As a country that ultimately relied on tourism, Portugal was struck by the decreasing number of people visiting the country and, according to Diana, some projects that were being prepared for some regions came to a halt.

PORTUGUESE MASK

THE CONCEPT

As soon as the outcome of the pandemic became obvious and began to threaten businesses, at Ivity the plan was not “- How will we survive as a small company?” but “- How can we look at the pandemic, find a business opportunity and give to the people something that they need, and that will help them in these hard times”. That was the first reaction and maybe the first driver to the creation of the “Protecting People and Brands” disruptive project, that gave birth to the “Portuguese Mask”.

After a comprehensive brainstorming, to identify how the company could make a difference and, as Diana said, “make an impression on people”, the idea of building a Portuguese mask’s brand from scratch was born. This brand creation was based in some principles that were already important in other projects carried out by Ivity: “Portugalidade”, the effort to avoid disposable items and reduce waste and as mentioned before the ability to leave an impression on people, in this case, the aim being protecting people.

Summing up all these ingredients the idea of creating “Portuguese Mask” came to life in March 2020.

FIRST TIME – CHALLENGES

In order to put this into practice, Ivity had to enter the market and build everything from scratch, they came up with the concept, the pillars, but it was time to put into practice the idea on paper and make it real and the first thing that they had to face was: “what about the masks?”. In fact, for a creative agency, to come up with an idea or a concept that would make sense and fit the client’s needs is their usual work and what they strive for but, in this case, the challenge was different. They were creating a new brand inside their own company in a very turbulent context where their proposal was to bring something to the market that protected people, promoted Portugal and created a sort of positive mood for the hard times that we were facing.

According to some employees that took part in this brand creation process, the first real challenge was to find out and choose what type of cloth/material should be used for the masks. Days were spent visiting factories and testing different masks, trying to find a “breathable” material that was also comfortable and that could provide a high level of protection, that could be adjusted to be in line with the Portuguese and European guidance for non-disposable masks that started to be published then.

Finding a national provider that offered a quality product at a good price, in line with the Portuguese legislation, was one of the biggest challenges of the project, even if it was one of the first steps to build the brand, but it was only the first challenge. Starting a business is not an easy task and, in this case, PT Mask already had a name, a logo, a provider to manufacture the masks, but what about the sales process? And logistics? And the required human resources? What about stocks, packaging, delivery and all the other things required to officially launch this new business? Everything was ready in May 13, the day when PT Mask was launched in the market...but how?

PRODUCT

Diana described that the priority for the company was to have a quality product and it was the first and biggest objective, also described in the “about us” section of PT Mask website: *“We create, customize and produce in Portugal **textile community face masks certified by the Portuguese authority CITEVE**, to enable companies to protect their employees, their clients and their fellow citizens. It is our conviction that by protecting people, brands have a unique social opportunity, by working together with our world class textile industry, to protect our brand Portugal.”*

Then, it was also important to have a certain level of “coolness”, to find out if there was a company available to manufacture and customize masks, take care of its design, think about the look and how it would feel, it had to be distinctive and attractive, so Ivity invested in the colours, the designs, the capacity to customize the masks when a client asked, but also in customized and sustainable packaging. Also important was defining a competitive price, define how and where to sell and promote the masks. These questions will be answered in the following chapters.

HUMAN RESOURCES

A bit against the trend in the market of communication and branding agencies, where the number of employees was being reduced and that worked more in an outsourcing model, Ivity always had a different approach. They believe that to deliver quality projects and good proposals the company should invest in having their own “in-house” resources, confident that the company would benefit from this investment with better quality and a kind of general alignment that safeguarded the company values and mission in every single work developed. This sort of approach enabled that when PT Mask was thought and launched Ivity had nearly 40 employees working full time and given the decreasing number of projects, due to the pandemic, they were still employed but, some of them, had less to do. This could be a problem for the company because they had more resources than they needed at the time, its structure was a bit burdensome, but PT Mask ended up filling the time left by this work decrease.

Designers, key account managers, creatives, people with multiple professional roles and responsibilities, they were all asked to help and in a short period of time almost everyone started contributing to the PT Mask project, spending the days between other projects and this one, becoming more efficient and effective. This was not just a measure to develop a big portion of the work internally but, according to the interviews with the company, it was also a way of avoiding having to fire some of the workers. Besides, after launching the brand, Ivity had to hire 3 new employees, that were directly assigned to this project, to help with a specific matter that had to do with the delivery process in Lisbon and Porto. As Diana said: *“the formula in terms of human resources was a sort of reinventing people”*.

In order to comply with the lockdown rules imposed by the Portuguese Government during the last year Ivity also divided and organized the number of attendees at the office according to its needs. For example, if Monday was the day when an account manager was assigned to help with the packaging of the masks, that person would be in the office, but the following day would work from home, doing their “usual” tasks and developing their usual work. This model helped

to manage issues with children, issues regarding more or less pressure from other projects, besides PT Mask, and other situations that often arose and were faced with some flexibility by the company. Everyone kept their clients and ongoing projects and got an extra role or responsibility in PT Mask.

LOGISTIC ORGANIZATION

If good Human Resources Management was a challenge well managed by Ivity, the logistics was another painful matter to manage.

Starting a new business based on a “product selling model” needs some preparatory work and organization. In this case, one of the very first things to guarantee was that there was available stock. To be ready to start selling masks, Ivity had to gather stock, this being one of the biggest investments for this project. After defining the provider, the company bought many masks, to ensure two things: 1. Available stock to be able to start receiving orders; 2. Good production price. This was a “no miss” decision at the time but extremely important to start creating a basis that prepared PT Mask to the first challenges. Thus, they had to solve the question “where are the masks going to be kept?” According to the brand *“Ivity had an office, and we immediately started creating space to keep the stock ready for the first order”* and this was their solution.

When it comes to logistics, how the product is delivered or sent to the client also needs a well-organized process supporting it. PT Mask, as already said, was a brand built under some principles closely associated with “Portugalidade” and with the desire to build something for the country, so they decided that the brand would not work with any foreign provider and chose CTT (Correios de Portugal) to handle deliveries. The storage was assured by Ivity in their own offices, which had been prepared and reorganized. PT Mask signed an agreement with CTT that made them the exclusive partner for deliveries, investing on specific materials to package and prepare articles to be sent, creating a sort of “CTT station” inside Ivity office in Lisbon. In order to improve efficiency three new employees were hired to help with deliveries and logistics. This partnership with CTT was also important because with this PT Mask completed its “product path” – Produced in a Portuguese factory in the North of Portugal, with Portuguese materials, sent to Lisbon, to Ivity, where the masks were stored and prepared by Ivity employees to be sent to the end client, with the help of a Portuguese shipping supplier, CTT, that could put the product anywhere in the world.

In a couple of months, orders started to appear in large numbers, putting pressure on logistics but the result of supply and demand improved the company’s capacity to predict and

align stock and sales. This was really important to keep the office free for anyone that needed to work in other projects and could use the space without big limitations.

SALES MODEL

One of the biggest challenges for a new business that directly depends on selling the goods is obviously the sales approach or the way that a company finds to be ready to operate. PT Mask defined from the beginning that they would sell their products online, something they were forced to do due to the Covid-19 pandemic. There were only two ways they could tell people about the masks and make them buy them: online platforms and “word-of-mouth”.

Creating an online store was one of the biggest challenges in the beginning, according to Diana, she also described the difficulties faced by the brand when they started trying to buy ads or investing in advertising on Facebook, Instagram, etc. This, because everything that was related to Covid-19 was being banned, making it impossible for people to see it and learn about the brand, the products, and its benefits. Those were difficult times for PT Mask because they were losing money with the time spent trying to finish the website and creating more ads for the products, but meanwhile a different approach came up.

Since PT Mask and Ivity employees were the same, and a very well establish customer portfolio was already created, PT Mask used a cross-selling strategy, by presenting to Ivity customers this new brand and the opportunity to buy and customize the masks with a logo or any other option they might want. This approach was extremely relevant for the initial days of PT Mask. The synergy between the two brands helped the masks to become known and generated some degree of experimentation, which started to build customer loyalty. While some big companies like Fidelidade, or Dia% Minipreço, for example, started to buy customized PT Masks for their employees the online presence started to grow and the individual also started to order masks, increasingly, proving an important thing for PT Mask: “when you wear a Portuguese Mask you realise and feel the comfort of a good non-disposable mask. This, the design and the fact that everything is made in Portugal, made people feel related to the brand and buy more or recommend it to someone. Brand equity was being created.”

The sales were gradually growing, with more and more people buying masks and more companies choosing this mask to give to the employees. In addition, PT Mask started to use some influencers and real customers to share the experience and their review of the masks attracting more attention for its products. In July 2020 when UK suspended all flights to and from Portugal PT Mask sent a pack of 10 masks to Boris Johnson with the following message: “*Better breathability leads to greater oxygenation and certainly contributes to better decisions*”

also adding that “*we are sure that you will understand our message and perhaps put Portugal on the air corridors with the UK*” (Marketeer), positioning the brand once again in line with the “Portugalidade” mindset.

As said since day one CTT is the partner for logistics and delivery and also responsible for distribution and expedition outside of Portugal. The website and the presence in social media (both totally managed in-house) were responsible for a growth in sales and for a multilocation presence with orders coming from all around the world.

Basically, relying in an online and word-of-mouth approach PT Mask has grown over the last year, since the launch, and even started some partnerships in events, such as Fundação Amália or FIL. Thus, the brand is now well established and well recognized. Every season PT Mask launches a new collection, with different colours and concepts, they already have a Young Line, for Kids, PT Mask 2 Pro and a BIO Gel.

Between 13 May 2020 and 31 December 2020, more than 300k masks were sold, with a turnover of around €1.700.000. This year, PT Mask expects to achieve about 150k, which is not a bad figure. According to the company, due to the evolution of Covid this decrease is normal. In terms of sales split, around 80% of the business comes from corporate clients and 20% from selling directly to consumers.

TOPICALITY OF PT MASK

PT Mask is currently a sort of a success story in the Portuguese masks market but was also a lifebuoy for Iivity. In an atypical year with a pandemic scenario changing and challenging everything and everyone, PT Mask was a creative idea that is now responsible for the maintenance of dozens of jobs and the economic balance of Iivity. According to the company, even with the projects that the agency continued to develop the consequences of Covid-19 would be very difficult to avoid and the company would probably have to rethink some costs with human resources, which would end up with the loss of some jobs. PT Mask was a way to put to good use the talent and know-how of Iivity employees and create something that brought hope and motivation to face difficult times.

One year and a half after the launch PT Mask is now facing a new context since the pandemic is more controlled and the fear and search for masks is less intense. The disposable masks market is also more stable, the prices decreased, the supply is now enough to meet the needs and there is no longer a problem of availability in the market. Due to this new context the question now is: how is PT Mask dealing with this?

According to Rita Marques (PT Mask E-commerce Manager), the prices of disposable masks were never the biggest driver to choose a reusable mask and it still isn't now to choose a disposable one instead of a reusable. For PT Mask there are two different reasons why a large number of people are using disposable masks: 1. More practical: more than the price is the fact that is easy to find, available in almost every place and easy to use and dispose of; 2. Wrong usage: people use disposable masks the wrong way, they re-use them and get the wrong idea that the price is lower than a sustainable and reusable mask duly prepared for being washed and reused. According to Rita *“if everyone used a disposable mask as they should, the price of a mask per usage would be almost the same between a disposable mask and a sustainable and reusable one”*.

The number of units sold decreased in the last months, but the company believes that there is space for the brand and there are a lot of opportunities to explore. PT Mask is working in new collections, new solutions, launching new products and, at the same time, adapting its communication for more than just Covid-19. The brand is now also exploring the success shown by using the mask last year when it comes to other respiratory diseases, like colds and other typical diseases that diminished their presence due to the usage of masks.

Focusing on different benefits, but always building on their values, PT Mask wants to be in the market and keep giving its value to customers.

THE FUTURE OF PORTUGUESE MASK

According to the company, PT Mask is more than a brand or a business, it is proof that *“everything is possible, and the limits are set by ourselves”*. For Ivity, the PT Mask project will exist until when it makes sense, probably for another year or two, perhaps forever, we don't know. This was quite dependent on the pandemic situation because it's basically a response to a necessity created by Covid-19, but maybe it will be a need forever. Despite being a creative solution for a moment of crisis Ivity sees PT Mask as a project with a maturity level that allows its existence until it proves necessary and as proof of the agency's professionalism, adaptability and flexibility. Diana Carvalhido thinks that Ivity now has the clear notion that their employees and structure is ready and prepared for difficult and challenging situations, even the ones that need a different working mode or approach.

Ivity sees PT Mask not as temporary brand but as clear proof that Portuguese Companies and industries are ready to change and act to deliver and help the country even in the worst times.

LITERATURE REVIEW

SWOT ANALYSIS

SWOT analysis is built on 4 axes: strengths and weaknesses (both internal) and opportunities and threats (both external). The aim of the analysis is preparing the best strategy for the firm, *“having identified these factors strategies are developed which may build on the strengths, eliminate the weaknesses, exploit the opportunities or counter the threats”* (Dyson, 2004, p. 632). The difference between the internal and external appraisal is extremely important to reach a good analysis, so the framework will be more feasible if we examine for the internal appraisal *“all aspects of the organization covering, for example, personnel, facilities, location, products and services”*, and we examine for the external appraisal *“the political, economic, social, technological and competitive environment”* (Dyson, 2004, p. 632).

Even if it is one of the most used and recognized frameworks to start a deep analysis of a firm or organization, SWOT is a tool with some limitations. For Helms & Nixon, SWOT is kind of vague, oversimplified and has some limitations. Nevertheless, it is the *“preferred tool to kick start the strategy planning process”* (Warren, 2002, quoted by Helms & Nixon, 2010, p. 234).

VERTICAL INTEGRATION

Depending on the firm and the industry it is more, or less, common to integrate all the services or areas inside the company or choose to work with other organizations choosing an outsourcing method. These multiple decisions are very relevant to maximize the operation and save costs. Harrigan (1985, p.397) defines vertical integration as an approach that *“involves a variety of decisions concerning whether corporations, through their business units, should provide certain goods or services in-house or purchase them from outsiders instead.”*

In 1993, Stuckey & White wrote an Article for McKinsey & Company, where they categorized vertical integration as a risky strategy, complex, expensive, and difficult to reverse, characteristics that support their idea of not to *“jump into it without an adequate analysis of the risks”*. According to Robertson, P. L., & Langlois, R. N. (1995, p.544), some *“writers believe that large vertically integrated firms are in the best position to develop and exploit innovations”*.

Grossman and Hart (1986, quoted by Perry, 1989), argued that *“vertical integration is the ownership and thus complete control over “assets””*, supporting the idea of Perry that *“inherent*

in the notion of vertical integration is the elimination of contractual or market exchanges, and the substitution of internal exchanges within the boundaries of the firm ”.

PORTER 5 FORCES

In 1979, Michael E. Porter wrote an article named “How Competitive Forces Shape Strategy”, published by Harvard Business Review, starting a sort of “*revolution in the strategy field*” (Porter, 2008). In this article, Porter explored how different factors can influence the company’s strategy and what are the main ones to analyse and be aware of. The five forces that shape the strategy are: the rivalry among existing competitors, the threat of new entrants, the bargaining power of buyers, the threat of substitute products or services and the bargaining power of suppliers. After analysing the five forces, a manager will be more aware of what are the factors that influence his/her industry and develop a strategy that can fight against the constraints or even “reshape the forces in his favour”.

DYNAMIC CAPABILITIES

Dynamic Capabilities allow organizations to organize and prioritize information by giving managers tactics about how to achieve a competitive advantage, “*the capacity for the self-renewal of resources, routines, capabilities and core competences*” (Collis, 1994 quoted by López, 2005). These capabilities allow organizations to create new products and explore different processes to answer external challenges, always keeping different activities and roles coordinated to explore them to their fullest and secure short-term results but at the same time “(...) that ensures the development of the necessary resources for future strategies and the capacity to adapt” (López, 2005).

Teece, Pisano & Shuen, (1997) argued that dynamic capabilities are the ability that a firm has to integrate, build and change the competences to be adapted to the environment and the velocity and capacity to be adapted determines the strength of dynamic capabilities. To Barreto (2010), dynamic capabilities are important to identify opportunities and threats, respond to market changes, help in urgent decisions, and change the resource base of the company. This definition supports the view that “*dynamic capability is viewed as a multidimensional construct (Edwards, 2001) because it refers to four distinct but related dimensions or facets (i.e., the propensities to sense opportunities and threats, to make timely decisions, to make market oriented decisions, and to change the firm’s resource base) treated as a single theoretical concept.*” (Barreto, 2010, p.271)

Organizations should be more than a piece of the business environment - they should focus on shaping it and the dynamic capabilities have that role, *“include an explicit role for management/leadership that allows systemic change to start from within”* (Teece, 2018, p. 359). Most of the system theories focus more on internal stability and homogeneity, focusing less on the long term and shifting strategy to finding long term implications other than fast pace solutions *“for example, responding to a decline in demand only by reducing production costs”* (Teece, 2018, p. 361).

To Eisenhardt & Martin (2000), Dynamic Capabilities are defined by:

“The firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.”

STRATEGIC RESPONSES TO CRISIS

Organizations in the past went from crisis to crisis:

“...they have responded to the 1997–1997 Asian economic crisis, the 2000–2002 burst of the dot-com bubble and the post-9/11 economic downturn, the 2008 economic and financial crisis, the 2011 Fukushima nuclear meltdown, the 2015 migration crisis, political crises such the rise of populism, struggles over Brexit, and trade wars, and the climate crisis.” (Wenzel, Stanske and Lieberman, 2020, p. 8)

Without question any of them has had crisis experiences but this last year forced upon us a world turning event: COVID-19 with devastating consequences to our society and economy. Without further solutions governments were forced to shut down countries, threatening the future of firms across every sector. Wenzel, Stanske and Lieberman (2020, p.8) arrived *“at four strategies for responding to crisis: retrenchment, persevering, innovating, and exit.”*

RETRENCHMENT

In this case it can be defined as *“a widely observable strategic response to crisis”* (Bruton, Ahlstrom, & Wan, 2003). This consists in reducing costs, assets, products, products lines and overhead (Pearce & Robbins, 1993, p. 614 quoted by Wenzel, Stanske and Lieberman, 2020,). Of course, this results in diminishing the organizations’ scope and the chances to pursue its activities. If a crisis lasts for long this may lead to the end.

PERSEVERING

Persevering may be the right answer at some point for some organizations, not engaging in strategic renewals too early. Using their resources may be the solution when trying to go for the medium run, but not the solution for a long-term crisis (Wenzel, Stanske and Lieberman, 2020).

INNOVATING

In the middle of a crisis some companies may develop the space and ability to innovate, “*crises —relax [...] the _normal constraints around decision-making*” (Bryson, 1981, p. 181), and give opportunities to change and do the unthinkable.

EXIT

Exiting is for Wenzel, Stanske and Liberman (2020) the end of an organization activity in order to respond to a crisis. When all the answers seem to fail, this may be the solution, “*meaning that managers discontinue their business because they do not believe that any other response will help their firm survive the crisis*” (Wenzel, Stanske and Lieberman, 2020, p.12), but it can also be the solution in another scenario.

TEACHING NOTES

SYNOPSIS

Ivity Brand Corp is a Portuguese Communication and Brand Agency, responsible for building or rebranding thousands of brands over the last 16 years of existence. Specialized in all processes of creating concepts and ideas, Ivity had been growing, with more projects and clients, until the beginning of the Covid-19 Pandemic. As it was expected, as soon as Covid-19 started “to hit” Portugal, divestment started, and the fear took hold in the business world. The company was forced to rethink its strategy and to find something to compensate the client and business reduction, making it possible not to have to fire workers and discovering new business opportunities.

In 2020, Ivity created Portuguese Mask, a 100% Portuguese brand of high-quality masks, reusable and sustainable. This case study presents how the company created and developed the PT Mask business, the difficulties it encountered, its objectives, what was done and how it was done. Portuguese Mask is now a reference in the reusable masks industry in Portugal, and the brand itself is recognized as a symbol of “Portugalidade”, offering 100% Portuguese masks,

from the design to the creativity, including manufacture and transportation. Using Portuguese reusable and biodegradable materials PT Mask aims to protect everyone, everywhere.

TEACHING OBJECTIVES

The main objective of the following chapter is to apply and understand the strategic management theories and frameworks to a real case, in a real company. The last 2 years were a challenging and difficult test for companies, no one was expecting the complexity of this pandemic situation and its consequences, so we can now start analysing some examples of companies and projects with different strategies during these times. The Portuguese Mask Project was conceived during the Covid-19 pandemic, as a response and an adaptive strategy against the hard times that we would face.

In this paragraph, the professor will find the relevant information for using this case in the future. Suggestions of questions for assignment and possible answers will be shared, nevertheless, it is recommended that the students have access to the case and to the proposed questions in order to analyse it and compare the answers. Different interpretations and perspectives are predictable, but it is interesting to keep in mind the analysis carried out during the time that this case study was developed (between February 2021 and September 2021).

QUESTIONS FOR ASSIGNMENT SUGGESTED

1. How did the COVID-19 pandemic changed the communication/brand agencies industry and how was Ivity affected?
2. Explain how Ivity's strengths, weaknesses, threats, and opportunities lead it to the idea for PT Mask.
3. How did Ivity embrace dynamic capabilities to react to the impact of Covid-19?
4. How do you define the strategic response to crisis from Ivity, its main objective and what are your strategic recommendations for the coming years?

ANALYSIS AND DISCUSSION

1. HOW DID THE COVID-19 PANDEMIC CHANGED THE COMMUNICATION/BRAND AGENCIES INDUSTRY AND HOW WAS IVITY AFFECTED?

The objective of this question is to understand which were the impacts of Covid-19 in the communication/brand agencies industry, how was Ivity affected and to start thinking about and understanding how this situation contributed to the idea of PT Mask. The suggestion presented here is to start by an overview of the market, the analysis of external factors using Porter's Five Forces and to understand how Ivity was positioned in the market when the pandemic started; then it will be possible to start understanding how the pandemic worked as a boost to the PT Mask project.

Communication/ Brand Agencies Market

The communication/brand agencies market in Portugal was in a growing trend in the last years with more agencies entering the market, from small start-ups to larger agencies. This industry is extremely competitive, but at the same time it has room for many companies. As an outsourcing service, sometimes there are contracts where one agency does everything for a specific company but it's much more common for a company to hire an advertising agency for a TV Ad, another one for a rebranding project and still another for media relations, for example. Therefore, this is a market with "room for many players".

Covid-19 negatively impacted the sector, in line with the trend, when a crisis or a given difficult moment arrives, marketing and communication are normally extremely affected by divestment even if it is one of the most important areas to keep working on and developing. After almost two years of pandemic what we can see is that the sector is still active, but fear and distrust put a halt to some projects and investments.

Porters Five Forces

Threat of New Entry: High

- Low investment required to develop simple communication services
- Dynamic market that includes players for different client needs
- Not difficult to deliver proposals, but creativity dependent
- Reputation is important - previous work done is used as proof of what the agency can do

First it is important to understand that this analysis is focused on the communication/brand agencies market, even if Ivity is an agency specialized in brand and rebranding projects it competes in a larger market where every agency can be regarded as a competitor.

With this in mind, we can understand that providing a communication service or developing a simple project does not need a high investment in resources. There are some companies with two, three people that are well known and develop good projects, but when it comes to bigger projects, the resources and investment, obviously, needs to increase. The dynamics of the market is also a driver that enables the appearance of new and different value propositions. A different or specific need can be found in one agency, more specialized in something, and other competences can be easily found in another agency, that is the reason why the market has so many players. Since most of the communication projects depend on the know-how, expertise, and creativity of the agency these are also important aspects that can influence the success of a new player in the market.

Bearing all of this in mind, we can conclude that even if the success in the market is difficult to achieve the threat of new entries is high.

Threat of Substitutes: High

- New and cheaper options (Freelancers, IT companies, etc)
- Some clients try to replace the services by in-house solutions

When we analyse the threat of substitutes, we can define it as being high in this market. If on the one hand some clients switch between agencies during their lifetime in different projects, others like to keep working with the same and some others try to do in-house something similar to what an agency provides. But nowadays, more freelancers, IT companies and start-ups are providing similar services, and this increases the risk to “high risk” here since it is relatively easy to find someone that provides similar services, depending on the case. The price also has an important role in this market. It is common to find very different prices between agencies for the same project and the reason behind this is often the quality and expertise degree. The substitutes in the industry are increasing and they shape the market by offering similar services at a lower cost. More established and professional agencies charge higher due to the agency fee and to other services necessary to conclude the project but a freelancer, or a start-up that provides some communication services can offer better price proposals. Even an in-house solution can be more attractive for some companies, having their own resources mean they

won't need to pay for each specific project. All of this contributes to increase the threat of substitutes in the industry.

Supplier Power: Medium

- Different level of power between suppliers
- Heterogenic industry
- Services differentiation between suppliers is high

As was already said, the communication/brand agencies market has a lot of players, the demand is also very high, but also heterogeneous. There are clients that want a digital company and search for an agency to develop it, in that case the agency would have to look for a media agency, which is a very concentrated market where the power is held by the biggest groups; → in this case the supplier power is high. But there are services where the industry suppliers are in a more competitive market, where the supplier's power is lower. This heterogeneity between projects is also reflected in the market. For example, there are agencies more specialized in media, where the suppliers are stronger and more powerful but also agencies more specialized in other areas, where the supplier's power is lower.

This put us before a medium supplier power in the industry, depending a lot on the service and the project.

Buyers Power: High

- Easy to change, low costs
- Some clients have low know-how about the services and their complexity
- Highly sensitive to price

A buyer of a communication/brand agency service is a company that hires an outsourcing service and since the decision of working with one agency or another is the company responsibility it is easy to change between agencies and look for another, less expensive. Even if some companies do not have a high know how level about the topics, the financial limitations are responsible for many decisions and give a lot of power to the buyer.

Competitive Rivalry: High

- No market leader
- Many agencies in the market
- High price differences (no control)

In line with what we've been presenting and explaining the communication market is very active in terms of rivalry, many firms exist and compete for clients and new projects, so the competitive rivalry is high. Another relevant question is the variety of prices between agencies: price control is rare, the quotes are defined by the agency and justified on account of the services provided and resources needed.

The Covid-19 pandemic will definitely change the market, with less agencies operating and less space for new players with similar value propositions. The biggest agencies or groups are stronger now, mainly due to their acquisition of other players. These factors can drive us to a more centralized market, with less but stronger players, mainly the big communication groups, that aggregate not only the brand/communication agencies but also media agencies and other suppliers.

How was Iivity affected?

After analysing the market and understanding its characteristics we can conclude that communication/brand services were negatively impacted by the pandemic, reducing the demand and companies started to look around in order to find opportunities to keep their business safe. As described in the written case, the pandemic changed the working method of many companies, forcing people to go home due to the long lockdown periods that we have faced. In the specific case of Iivity, when the pandemic started, the company suffered a significant fall in business, but it was from this bad period that PT Mask was born. Using their human resources creativity, know-how and willingness to do more, the management of Iivity looked for another strategy, a little bit unusual and different from the "*status quo*" of communication/brand agencies but in line with what Iivity always did better: creating and building brands.

2. FROM A SWOT ANALYSIS POINT OF VIEW HOW CAN YOU CONTEXTUALIZE THE DEVELOPMENT OF PT MASK?

SWOT Analysis is a strategic framework that can help us understand how the company was positioned but also how the Portuguese Mask was created. The objective of this question is applying the SWOT analysis and to think about how the specific characteristics of the company and the environment led Ivity to PT Mask.

Ivity had some undeniable **strengths** compared with lot of other agencies that compete in the same market. Above all, the case refers a very important strength for every company: the high quality of human resources. When it comes to being the best in class in branding projects, a client always knows where to go in order to find out but it is not just a question of good professionals, it is about experience and a deep know-how of the industry and the work. With the pandemic, companies benefited from a more dynamic and flexible corporate view of their managers due to the imposed lockdown. The ones that were more flexible and already used to working from home, for example, were better prepared for the changes. Other relevant strength was well-defined principles and perspectives and, in this case, Ivity has well established that concepts like “Portugalidade”, reusability and sustainability will always be part of their value proposition.

However, Ivity also had some **weaknesses** that were difficult to manage and solve in a way that would not become a problem for the agency. First, the large structure with many employees, higher than in a regular agency, Ivity had a difficult structure to manage during the challenging times that we were expecting to face, due to the high operating costs due to so many salaries to pay. Another weakness present when Covid-19 appeared was the high level of specialization of the company that was doing almost only branding and rebranding projects, which could be a set back and a disadvantage if it required other tasks. Finally, also mentioned in the case, Ivity was highly dependent from clients that suffered a lot with the pandemic; clients from the tourist market, food, insurance, among others, this meant that as soon as the clients started feeling the crisis and to disinvest, inevitable, Ivity would suffer and have less work.

Externally, Ivity saw the same **opportunities**: applying in-house resources in different projects to compensate the Covid-19 impact and this was perhaps the biggest driver to the PT Mask project. From this point to the idea of trying to fight the decrease in business doing what they do best:” creating brands” was merely a small step. The competitors where not getting farther from their safe area, were not innovating nor doing extremely different things so the

biggest opportunity was to keep the business running the best way they could and investing or trying to take another direction.

In terms of **threats**, we can identify the lower prices from other agencies, which was not a problem in “normal times” but then looking for lower prices and saving money could be a criterion for some clients that could take the opportunity to change agencies during the pandemic. Obviously, other threat was the fear of a huge reduction in workload, which would make it almost impossible not fire someone.

From the above analysis:

Strengths

- High quality human resources (creativity, work capacity, etc)
- Know-how and experience (network)
- Dynamic and flexible corporate view
- Well defined principles and market perspectives

Weaknesses

- Large structure (many employees, more than normal)
- High operating costs
- High level of specialization (brand and rebrand projects)
- High dependency of clients that suffered a lot with the pandemic (tourism, food, insurance companies, etc)

Opportunities

- Apply in-house resources in different projects to compensate the COVID Impacts
- Invest in an own brand or product necessary during the pandemic
- Expand the agency services to try and capture new/ other clients

Threats

- Lower prices from other agencies
- Workload decrease until the point that Ivity must fire people

After the analysis, it is now possible to understand how the internal and external factors contributed to the invention of Portuguese Mask. Starting with the strengths, we can clearly see that Ivity knew how to use its human resources, experience, know-how and network to come up with something new and going ahead with it. Their flexibility and dynamism were also ingredients that enabled them to build something under the “storm”. Working remotely but thinking together. Going through the weaknesses, we begin to understand how they used their

creativity and the “eye” for business. Ivity had a large structure with high operating costs, highly dependent of some clients and with a high level of specialization. They found out how to transform all these weaknesses into something important for Portuguese Mask: the specialization in building brands was key for creating the brand, the large structure was key to share the work, take control of things and do something big and different while any other project was also being done.

This is an example of how to transform weaknesses into something that can be good for the company. Moreover, they also took advantage of the opportunities and minimized the threats for their normal business bringing more value to the company, creating workplaces and working with other national companies. PT Mask case is an example of finding an opportunity in a challenging context.

3. HOW DID IVITY EMBRACE DYNAMIC CAPABILITIES TO REACT TO THE IMPACT OF COVID-19?

For this question, the main objective is that the students can identify the dynamic capabilities adopted by Ivity to face the Covid-19 crisis and understand how the concept of vertical integration can be introduced in this case study.

As described in the case study, Ivity business was doing well before Covid-19, the number of companies looking for branding and rebranding projects was increasing, and new projects were being developed at high pace. When the pandemic started Ivity had to react and adapt its working methods and, more than that, it needed a strategic response. As we have already seen, the Portuguese Mask project was exactly that, a strategic response to crisis.

Focusing on dynamic capabilities, to react to the fast changes and new challenges, Ivity had to address them to face the hardships. According to Barreto, Dynamic Capability refers to four dimensions: the propensity to sense opportunities and threats, to make timely decisions, to make market oriented decisions and to change the firm’s resource base, thus, based on this, we can conclude that Ivity faced the pandemic challenges according to these points: they identified a new business opportunity due to the need for masks and they have built something new, they explored and found new channels and processes and they adapted their base business, pace and methods due to the decreasing number of new projects; Ivity also changed the way the company was operating, by starting to distribute its staff in groups: working from home and going to the office because they had to, specially to solve issues with PT Mask; the agency hired new staff, invested more to build something sustainable, made partnerships like the one with CTT, with local Portuguese manufacturers, boosting the economy and, finally, made use of its knowledge,

its network to spread the news, to start working on increasing the word-of-mouth and in order to sell the first units of PT Mask they also went online, created a web site, in sum, built all the structure to have an online shop and sell the products. This is some evidence supporting the fact that Ivity responded well to the new challenges, using its dynamic capabilities.

Barreto’s 4 Propensities	PT Mask Evidence
Sense / Seize Opportunities & Threats	<ul style="list-style-type: none"> - Creating a new brand of masks to meet the consumers’ needs; - Reinvent and adapt due to a decreasing number of communication/brand projects; - Create and sell a product from an own brand.
Timely & Market oriented decisions	<p>Internal adaptations:</p> <ul style="list-style-type: none"> - Adapt the employees’ roles; - Remote work and on site only when needed; - New hires; - New partnerships (ex: CTT; local textile producers)
Alter Resource Base	<ul style="list-style-type: none"> - Create and develop e-commerce platform; - Merge commercial contacts with the promotion of this new product; - Promotion of the project across channels;

4. HOW DO YOU DEFINE THE STRATEGIC RESPONSE TO CRISIS FROM IVITY, ITS MAIN OBJECTIVE AND WHAT ARE YOUR STRATEGIC RECOMMENDATIONS FOR THE COMING YEARS. TIP: INCLUDE THE CONCEPT OF VERTICAL INTEGRATION IN THE ANSWER.

A very important aspect during the discussion of this case study is understanding and analysing which was the main strategy or strategic response behind the launch of Portuguese Mask.

We can start by remembering that before Covid-19 Ivity’s focus was working as an outsourcing firm and its business was basically this: working for firms or organizations that wanted to build or change their brands. With the pandemic crisis, due to its large structure for a communication/brand agency and given the decreasing number of new projects to work on they had to look for solutions and new business opportunities. According to Wenzel, Stanske

and Lieberman (2020), companies have four possible strategies to respond to a crisis: retrenchment, persevering, innovating and exit. Trying to apply this framework to the specific case of Ivity we can see that Portuguese Mask is an interesting mix of strategies that, so far, is working very well. Though, on one hand, Ivity adopted a **preserving** strategy, not changing their strategy when it comes to their base business, trying to continue working and delivering the projects as always, but living a slow period when it comes to new projects, because the market was suffering, and they had less new clients and some old ones disinvested in brand projects, on the other hand, they **innovated and invested** on something new and, apparently, impossible to do and never done before. The Portuguese Mask project is an example of an **innovating** strategic response to crisis. After identifying the need for masks, Ivity built a brand with a product that responds to a specific need, keeping alive the main values of the company: the worry with sustainability, the fight against disposability, the sense of the need to invest and develop Portugal, Portuguese Brands and businesses (“Portugalidade”) and adding a very important concept in these days, the idea of **protection**. With Portuguese Mask Ivity brings its ideas, its values, adding this concept of protecting businesses, protecting Portugal: something like “we always work towards building strong Portuguese brands, and now we are here to protect them and protect our country”.

An important concept to relate with these strategic responses to crisis is **vertical integration**. More than just creating something new and innovating, Ivity did it mostly with its own resources. In this case, it was not a choice to vertically integrate instead of looking for outsourcing services but it is no less relevant. The point here is that the company looked for opportunities bearing in mind that the resources were already there, the opportunity was a mix between a consumer need and the company’s capacity to provide it, this being a strategy that saved jobs and created something that is relevant and wanted in the market. Even if the product development was not made 100% in Ivity, the the masks are manufactured in the north of Portugal in a textile factory (also Portuguese), all the creativity, design and conception has been done by Ivity designers. The storage is Ivity’s office, the website, online store, everything is done and managed by Ivity in-house workers and CTT helps with the deliveries.

Regarding the future approaches that Ivity might have it is not easy to define due to the uncertainty of the Covid-19 pandemic. But, knowing that the brand is now focusing on other benefits from masks, the scenario can be interesting. Despite this difficulty to prevent and be prepared until when people stop looking for masks, the strategic responses adopted by Ivity could be adapted and the consequences might not be bad. The communication market is already starting to recover but the masks are still necessary. A suggestion is to try and balance the work

between PT Mask and the regular Ivity business, sharing human resources between the needs, always knowing that it can all rapidly change again.

The main idea to take here is that it is possible that the Portuguese Mask business will not make sense in the future, maybe the best solution will be an exit strategy, going out of the business, while integrating the human resources in their “original” full time jobs, but it is also possible that the business keeps going or even grows by investing in new ideas and transforming what the textile suppliers can accomplish in other projects or maybe another strategy should be adopted.

CONCLUSIONS

This dissertation was written with the main objective of presenting a real case of a strategic response to crisis from a Portuguese company, during the Covid-19 pandemic, providing a case study to be studied and discussed by students in the coming years. The analysis of the actual case, enabled me to look over the concepts and frameworks that I've learned during my master's degree, giving me the opportunity to apply and put into practice some theoretical approaches in a real-life business case.

With the Covid-19 pandemic, the communication/brand agencies market suffered a lot, undergoing a general divestment in this type of services, therefore the companies that compete in this market had to find solutions in order to keep afloat. This paper presents the case of Ivity Brand Corp and how this Portuguese agency reacted to the Covid-19 crisis, focusing on the launch of Portuguese Mask.

This innovation is an example of a strategic response to crisis based on innovation, while the company preserved their resources, using them to build a stronger response and keep providing good brand/rebranding projects as always. Ivity is an interesting case of a small Portuguese company with well-defined values and objectives facing the pandemic situation with a flexible spirit, adaptative mindset and always willing to innovate, do more, do things differently and offer something relevant to its clients. An historically outsourcing services provider, Ivity created a brand (this time internally), developed a product and started selling, boosting the Portuguese economy, knowing that every material our associated service needed was provided by Portuguese companies. Portuguese Mask is an example of resilience, hope and willingness to win preserving our culture, fighting against waste and disposability. It is proof that sometimes solutions are inside our organization and that the right management of talent and resources can drive us to successful ideas that will help a company grow while providing something relevant and extremely necessary like masks.

Nevertheless, this case study has some limitations that I would like to share to help in future research or analysis. First, as in the case of most companies that are not listed in the stock market it is very difficult to have access to additional financial information. Almost everything is confidential, and it is only possible to read what the company want to share. The information that used in this case is basically from public sources, from some research done and interviews with company workers, mainly the Creativity Director at Ivity. This drives us to the second limitation, the lack of representativity in the interviews, due to Covid-19 pandemic interviews and conversations were not easy to schedule, so it would be relevant if in future research more

employees could be interviewed and maybe some suppliers or even clients. Finally, as it is well known, Covid-19 is something that “came to stay” and though it is still difficult to predict and define future objectives and consequences, every analysis and theoretical approach was based on scientific lessons from previous crisis since there are not yet a lot of recent documents about this pandemic that we are now facing.

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