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Lessons From China: Business Model Resilience in the Coronavirus (COVID-19) Outbreak

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Lessons From China: Business Model Resilience in the Coronavirus (COVID-19) Outbreak

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Business model resilience is pivotal to continuity of operations during COVID-19. This research explores six industries, identifying two key characteristics of resilience in China — successfully leveraging digital giants and automation — that CIOs can use to enhance business model resilience.

Overview

Key Challenges

- COVID-19 is having a much bigger impact on continuity of operations than any other recent pandemic. No organization has ever dealt with a crisis of this magnitude.
- China was the first country to be hit massively by the outbreak, during which some companies in traditional industries have seen great business model resilience. Therefore, China has valuable lessons for CIOs now facing COVID-19.

Recommendations

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

- Develop business model resilience by leveraging digital giants and automation.
- Leverage digital giants and automation successfully by taking both short- and long-term actions applicable for your circumstances.

Introduction

This document was revised on 13 May 2020. The document you are viewing is the corrected version. For more information, see the [Corrections](#) page on [gartner.com](#).

China was the first country massively hit by the coronavirus (COVID-19) outbreak with over 83,000 infected as of 13 April 2020. ¹ After a nearly 50-day strict quarantine, China has reported a 24% loss on the annualized real GDP for the first two months of 2020 (see “Forecast Analysis: Global Recession Scenario”). A number of companies will struggle to survive this crisis.

Under such challenging circumstances, China sees some great examples of business model resilience among companies within traditional industries. Business model resilience is the successful process of providing offerings via all possible channels to meet customer needs and maintain customer relationships. This process requires such business capabilities as ecosystem partners, technological capabilities, process capabilities and employee competencies. Raising business model resilience requires innovations on different business model aspects (see Figure 1). It also emphasizes a mindset shift where companies should react to the crisis through innovation rather than pure optimization (e.g., cost optimization).

Figure 1: Ten Aspects of Business Model Innovation

Ten Aspects of Business Model Innovation



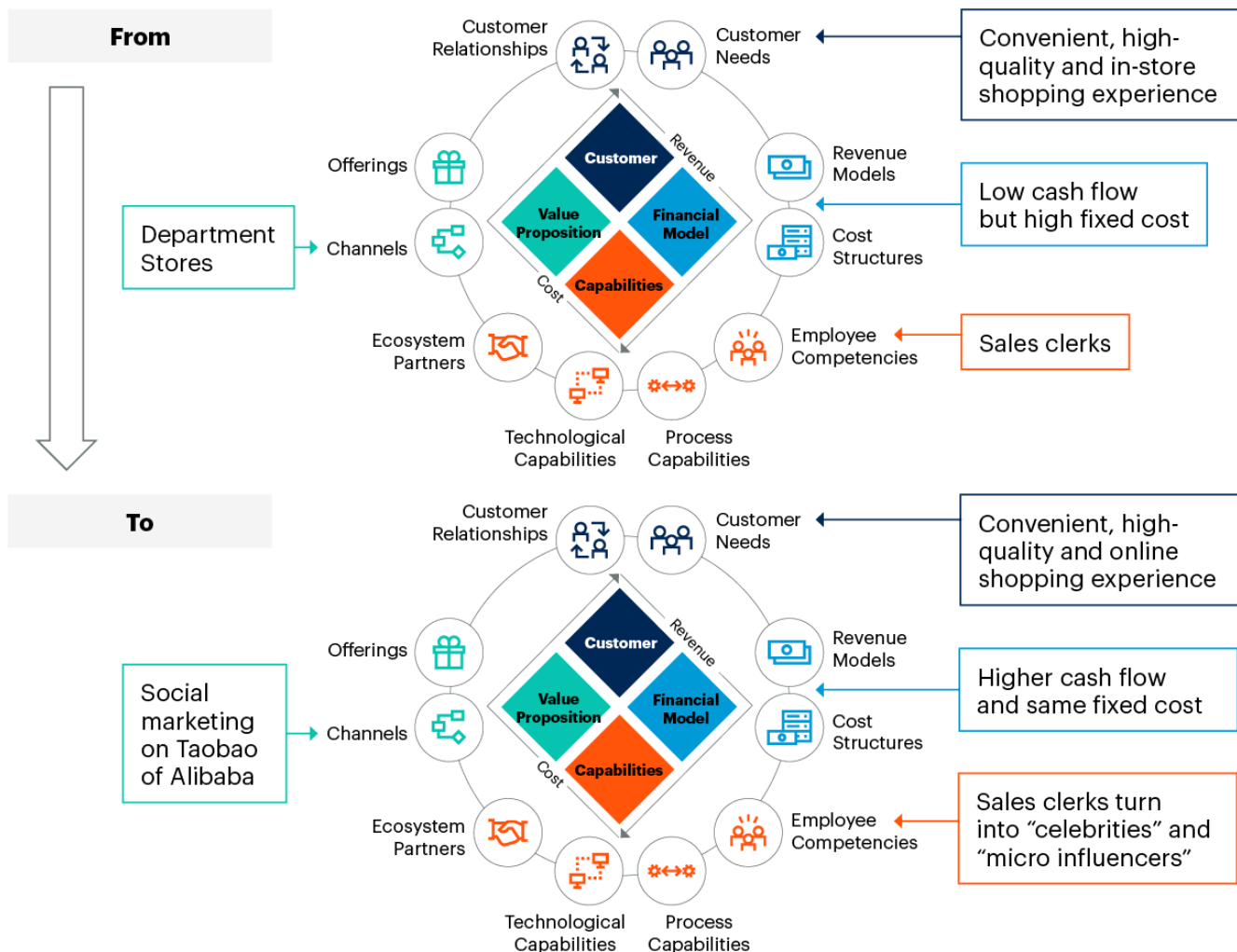
Source: Gartner
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Take Hangzhou Intime Department Store as an example. Beginning 7 February 2020, they partnered with Taobao of Alibaba Group to leverage a new digital channel – social marketing (i.e., livestream sales) – to provide their customers with contactless shopping services. This enables them to maintain relationships with their customers and, more importantly, build up positive cash flows. The revenue from one livestream sales event is reported to equal that of weekly in-store

sales before the crisis. ² The “celebrities” or “micro influencers” they use for livestream sales are their own employees and sales clerks. This is a real example of how companies can raise their business model resilience during the COVID-19 outbreak and also confirms that raising business model resilience requires business model innovations (see Figure 2).

Figure 2: Raising Business Model Resilience Requires Business Model Innovations

Raising Business Model Resilience Requires Business Model Innovations



Source: Gartner
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There are many more examples of business model resilience across industries in China. This research will:

- Introduce these examples
- Examine two key characteristics of resilient business models
- Recommend relevant short- and long-term actions to CIOs and IT

Recently published research focuses on the process of evaluating and modifying business models to enhance their resilience (see “React to the Coronavirus (COVID-19) Outbreak via Raising Business Model Resilience”). As a followup, this research provides real-world references for companies aiming to improve their business model resilience in a crisis.

Analysis

Develop Business Model Resilience by Leveraging Digital Giants and Automation

During the COVID-19 outbreak, two types of Chinese organizations within traditional industries demonstrated strong business model resilience:

1. Those who can **leverage digital giants successfully** (see Note 1). Examples of digital giants include the well-known Alibaba and less commonly known ones (e.g., [ByteDance](#), a digital media platform).
2. Those who have a **strong automation foundation** (e.g., process automation).

The aforementioned Hangzhou Intime Department Store belongs to the first type, while [XCMG](#), a Chinese heavy machinery manufacturing company, is an example of the second type. XCMG has been taking incremental steps toward automation, which enables one employee to operate up to 10 machines simultaneously. Their work resumption rate was over 90% on 22 February, nearly two times higher than the national average. ³ XCMG has proven how automation can play a key role in increasing business model resilience against external, disruptive events like the COVID-19 outbreak. There are more examples from traditional industries other than retail and manufacturing, including entertainment, financial services, healthcare and utilities (see Table 1).

Table 1: Examples of Business Model Resilience in China During the COVID-19 Outbreak

<i>Industry</i> ↓	<i>Company</i> ↓	<i>Key Characteristic</i> ↓	<i>Description</i> ↓
Entertainment	HUANXI Media	Leverage digital giants successfully	Given most movie theaters were closed during the COVID-19 outbreak, HUANXI stood to lose millions on its Chinese Spring Festival-themed movie “Lost in Russia.” To address this situation, it leveraged ByteDance — a digital (media platform) giant — as a new distribution channel for the movie, especially given ByteDance covers the majority of the movie’s target audience. This enabled HUANXI to receive US\$91 million and enjoy a share of the advertising revenue. ⁴

Industry ↓	Company ↓	Key Characteristic ↓	Description ↓
Financial Services	China Minsheng Bank	A strong automation foundation	<p>The traditional loan approval process involves various manual steps and takes several days to complete. This is certainly not suitable and helpful for the enterprises that need urgent financial support during the COVID-19 outbreak.</p> <p>China Minsheng Bank has been investing in digital transformation and process automation for years. Its supply chain finance product “Credit E, N+N” allows online application, smart review, multidimensional verification and lending, remote account opening, online agreement signing and automated approval of lending. It takes only 30 minutes to complete the whole approval process. Since 19 January 2020, a number of enterprises have chosen this product due to its convenience and efficiency. ⁵</p>
Healthcare	153 Public Hospitals in China	Leverage digital giants successfully	<p>During the COVID-19 outbreak, many hospitals had to stop outpatient services in order to prevent cross-infection. However, the requests for medical consultations became higher than ever before. Public hospitals faced enormous challenges in meeting these requests.</p> <p>Winning Health Technology Group, a publicly listed Chinese company that Ant Financial Services Group (an affiliated company of Alibaba) invested in, helped one hospital to deploy its “online medical consultation” in as short as half a day. On 1 February 2020, 153 hospitals worked with Winning Health to go “online,” which enabled them to handle over 100,000 online medical consultations.</p>

<i>Industry</i> ↓	<i>Company</i> ↓	<i>Key Characteristic</i> ↓	<i>Description</i> ↓
Utilities	State Grid Corporation of China	A strong automation foundation	<p>Since 2015, State Grid has invested extensively in digitalization (e.g., data analytics and automation) of power systems management. This enables the company to support local governments in epidemic prevention and control during the COVID-19 outbreak.</p> <p>For instance, in Hangzhou, they developed an algorithm that supports targeted, high-frequency and automatic monitoring of electricity consumption of customers who are self-quarantining at home or elderly people living alone. The program conducts an automatic “electricity consumption checkup” every 15 minutes to detect any abnormalities in patterns and within one minute automatically sends alerts to community management and medical staff for proper actions. ⁶</p>

Source: Gartner (April 2020)

These examples prove that it is crucial for companies to leverage digital giants and automation to develop their business model resilience during the COVID-19 crisis.

Leverage Digital Giants and Automation Successfully by Taking Both Short- and Long- Term Actions

CIOs must take both short- and long- term actions to ensure the success of leveraging digital giants and automation. This will be crucial for their companies to enhance business model resilience during and after the COVID-19 pandemic.

Leverage Digital Giants Successfully

Short-Term Action – Leverage Digital Giants as a Provider

Digital giants can be a provider across the following capabilities:

- Digital business platforms (e.g., e-commerce, supply chain, digital media platform) that provide market access to the customers

- Scalable digital cloud infrastructure (e.g., Alibaba Cloud, Amazon Web Services [AWS])
- Commodity corporate services (e.g., HR, finance, email and office automation)
- Digital payment platform (e.g., PayPal, Alipay and WeChat Pay)
- Consumer data and other data, data science and AI services, which you can use to better identify and address customer needs
- Components embedded in your products and services that add value to them (e.g., voice recognition for chatbot)

A fundamental step for successfully leveraging digital giants is to evaluate your current business models. Then you can decide where to use digital giants to modify your business models. “React to the Coronavirus (COVID-19) Outbreak via Raising Business Model Resilience” introduces a five-phase approach to evaluate and modify current business models, which enables business model resilience enhancement:

- **Phase 1 – Define the business model:** Fully understand current business models (e.g., core customer needs, channels, revenue models)
- **Phase 2 – Identify uncertainties:** Explore uncertainties and threats to current business models
- **Phase 3 – Assess impact:** Evaluate and even quantify the impact of these uncertainties and threats to the business
- **Phase 4 – Design changes:** Design business change strategy, plans and initiatives
- **Phase 5 – Execute changes:** Take action to make changes accordingly

CIOs must participate throughout these phases. Once the company designs the changes in the fourth phase, CIOs should take the lead in identifying the most efficient IT initiatives to facilitate the change successfully (see Figure 3). During this phase, CIOs must determine how digital giants can help deliver the IT initiatives more effectively and efficiently. In Figure 3, of the possible IT change initiatives responding to the business change initiative, “add online business” can be delivered under the support of digital giants. It is proven to be a more efficient and effective approach during the COVID-19 outbreak.

Figure 3: A Framework of Designing IT Change Initiatives

A Framework of Designing IT Change Initiatives

Business Change Strategy	Business Change Initiative	IT Change Initiative	Estimated Timeline	Estimated Cost
Redefine stores to enhance their effectiveness and usefulness	Convert half of stores into warehouses/distribution centers for online business
	Expand and optimize product portfolio
	Add online business	Develop own e-commerce platform	Three months	\$20,000
		Choose third-party e-commerce platform or leverage social e-commerce	One month	20% of sales revenue
	Train some shop clerks with warehouse operation skills
	Other initiatives

Source: Gartner
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Long-Term Action – Leverage Digital Giants as a Partner

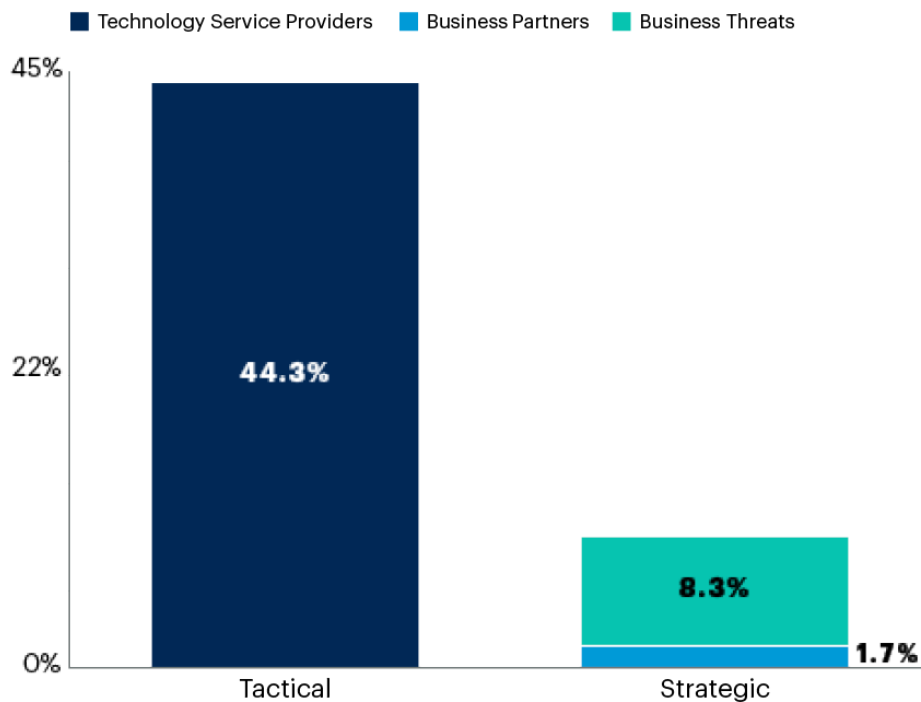
Gartner has had over 70,000 interactions with primarily CIOs and IT leaders to understand their perceptions toward digital dragons, a subset of digital giants. Over 40% of them consider their relationships with digital dragons to be tactical, which means that they think of digital dragons as technology providers (e.g., system integration and implementation, cloud services). Less than 2% of them would think of digital dragons as a strategic business partner (see Figure 4). This is a major mindset issue, which makes CIOs and IT leaders a main “barrier” to companies partnering with digital giants to raise business model resilience.

It is fully understandable that CIOs and IT leaders have concerns about competition from digital giants. However, we have seen many success stories of companies partnering with digital giants. Take ZhongAn Online Property Insurance as an example. Ping An, a leading Chinese insurance company, partnered with Tencent and Ant Financial to launch ZhongAn, the first online digital insurer in China. This partnership reflects a reciprocal relationship where digital dragons provide

market access to millions of their users and companies of traditional industries provide their industry know-how and operations. Thus, CIOs should explore more of such partnership examples and change their mindsets in partnering with digital giants.

Figure 4: CIOs' and IT Leaders' Perceived Relationships With Digital Dragons

CIOs' and IT Leaders, Perceived Relationships With Digital Dragons



Source: Gartner
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Leverage Automation Successfully

Automation is not something that every company can achieve immediately. However, it enables companies to successfully navigate crisis recovery. Meanwhile, if the COVID-19 pandemic becomes cyclical, automation can enable companies to navigate any future instances of this pandemic. Given that the achievement of automation is largely driven by digital technologies and capabilities, CIOs should take the lead. This research focuses on process automation and provides CIOs with a list of recommendations on how to:

- Establish business and technology knowledge
- Select tools and establish teams

Short-Term Action – Establish Business and Technology Knowledge for Process Automation

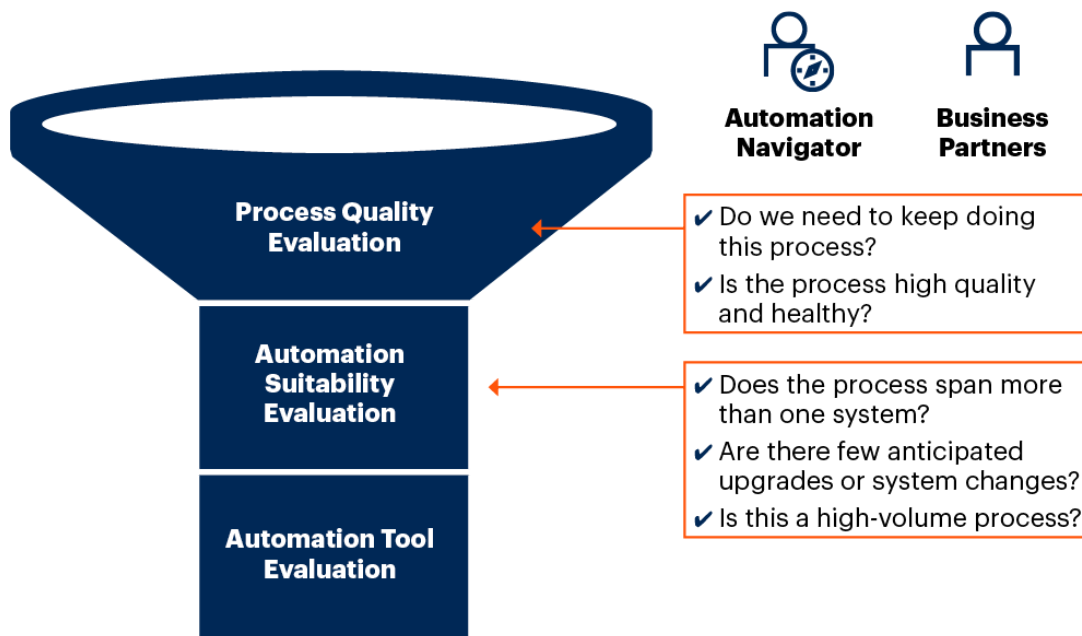
Surface opportunities for automation: Use business-facing IT roles (e.g., business relationship manager, IT business partner) to engage with business partners to surface high-value automation opportunities, good indicators of which are those business issues related to:

- Frequent human error
- Slow completion time
- Tedious manual work

Evaluate current process quality and automation suitability: “Case Study: Guided Identification of High-Value Automation Opportunities (Southern Company)” provides an example of this evaluation process, which enables companies to identify suitable and qualified automation opportunities (see Figure 5). Automation navigator in Figure 5 refers to the business-facing IT roles previously mentioned.

Figure 5: Evaluating Current Process Quality and Automation Suitability

Evaluating Current Process Quality and Automation Suitability
 Conversation Roadmap to Identify Automation Opportunities



Source: Adapted From Southern Company
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Explore technologies and tools for automation: It is essential for CIOs to have a general understanding of the automation technologies before any automation initiatives or projects are carried out. The three key technologies of process automation include:

- **Robotic process automation (RPA)** is designed to automate human tasks by emulating the same human transaction steps.
- **Intelligent business process management suites (iBPMS)** use a low-code approach that supports the full cycle of process discovery, analysis, design, modeling, monitoring and optimization.

- **Integration platform as a service (iPaaS)** comes with ready-to-use workflows and templates for various applications that can be easily configured to integrate applications seamlessly. For more details, see [“Navigate Optimal Routes for Process Automation With RPA, iBPMS and iPaaS.”](#)

Table 2 shows an example of various automation tools responding to different business automation requirements. For more details, see [“Educate Business Partners About Automation.”](#)

Table 2: Business Automation Tool Spectrum

Business Automation Tool Spectrum					
	Robotic Desktop Automation	Robotic Process Automation	Infrastructure Automation	Integration Tools	Digital Assisted
Description	Local solution that runs attended on user's actions to allow them to be more efficient	Server solution that uses unattended desktops to mimic user's action	Server solution that runs in an unattended batch mode on a server to perform non-UI tasks	Server tool that integrates multiple applications, typically through services or DB access	Server solution that understands language and electronic user
Functionality	<ul style="list-style-type: none"> ■ Populating a field in one tool automatically populates fields in multiple tools or screens ■ Transactional data 	<ul style="list-style-type: none"> ■ Comparing values between two systems and acting or reporting on differences ■ Mostly structured data 	<ul style="list-style-type: none"> ■ Batch processes with no UI interaction ■ Structured data 	<ul style="list-style-type: none"> ■ Synchronizing bulk data from one system to another (e.g., employee data) ■ Structured data 	<ul style="list-style-type: none"> ■ Providing language engagement ■ Various structured patterns

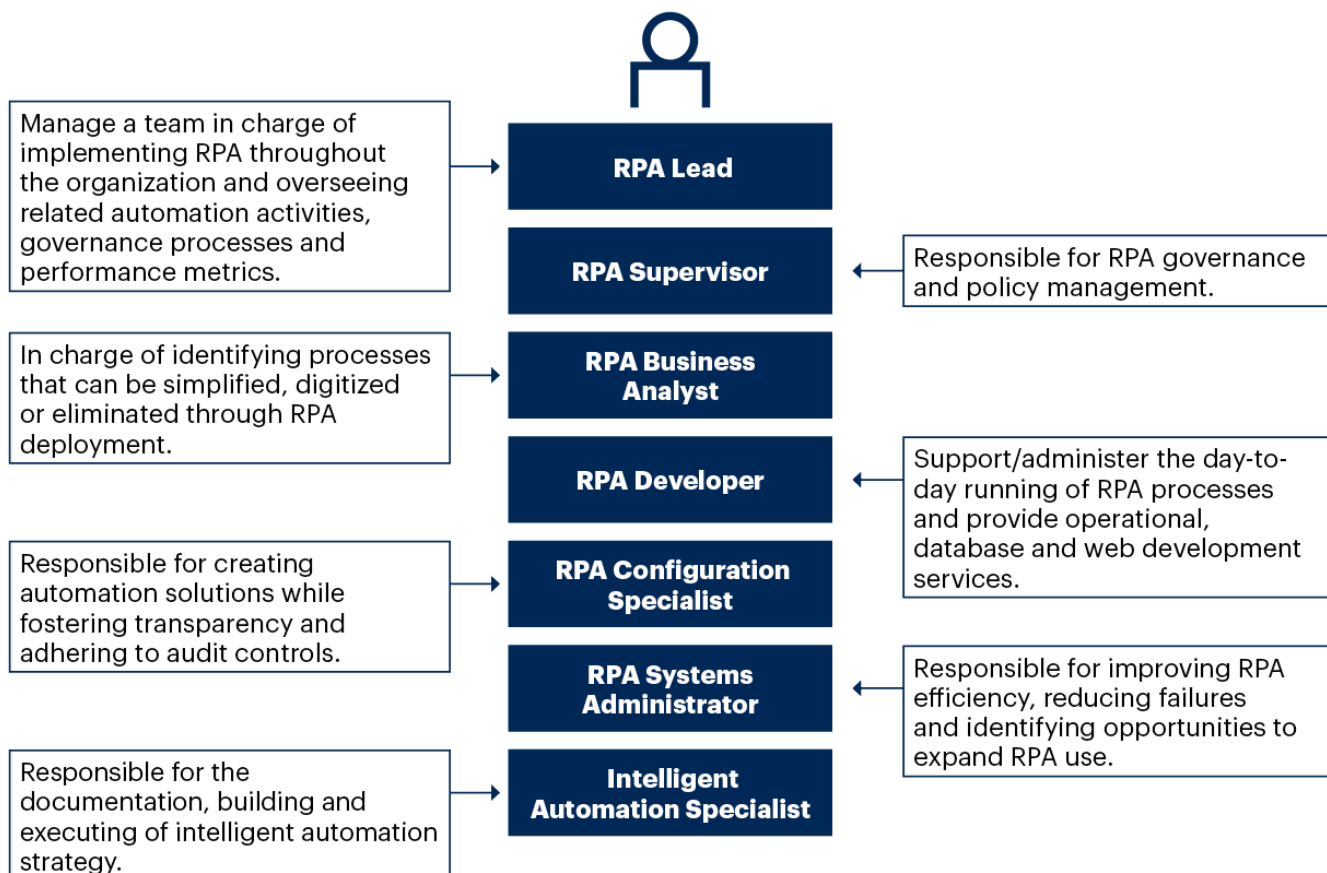
- Tools
- AutoIT
 - Blue Prism
 - Ansible
 - SQL Server Integration Services
 - Microsoft Framework
 - AutoHotkey
 - VMware vRealize Automation
 - Microsoft BizTalk
 - Oracle SOA Suite

Source: Adapted From Southern Company

Understand the key roles and responsibilities of the automation team: Every industry may have a different outlook for roles and responsibilities of their automation teams from an IT perspective. In this research, we use the RPA automation team in finance as an example (see Figure 6). This helps CIOs gain an overall understanding of how an automation team may look.

Figure 6: Automation Team in Finance

Automation Team in Finance



Source: Gartner

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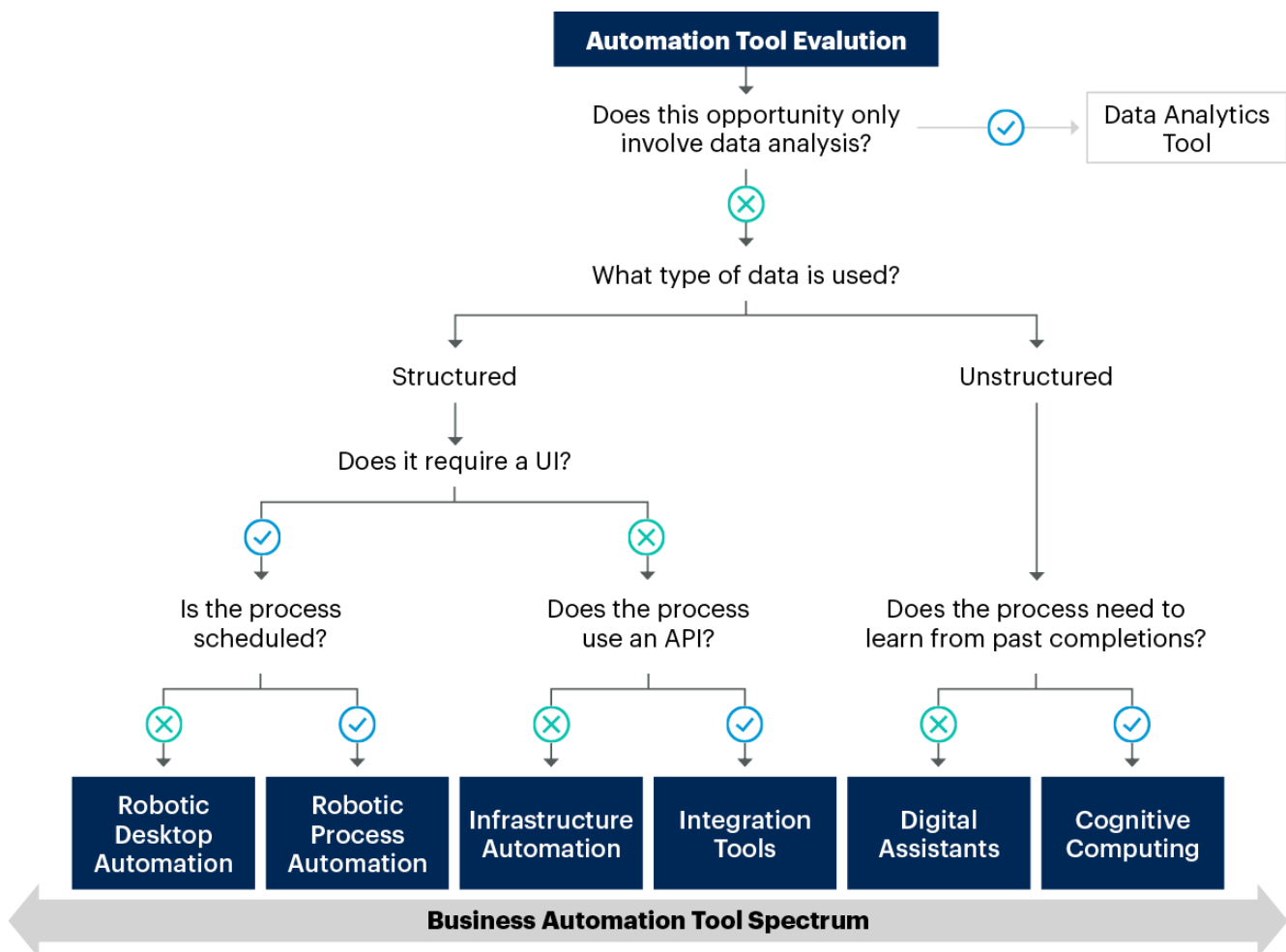
Long-Term Action – Select Tools and Establish Teams for Process Automation

Align automation opportunities to automation tools: once qualified and suitable automation opportunities are identified, CIOs and IT leaders should try to align these opportunities to best-fit automation tools. “Educate Business Partners About Automation” introduces an example for this process (see Figure 7).

Figure 7: Align Opportunities to the Best-Fit Automation Tool

Align Opportunities to the Best-Fit Automation Tool

Criteria to Match Automation Opportunities to Tools



Source: Gartner
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Establish the automation team: CIOs should work with their team to evaluate the current skill sets for different automation roles and responsibilities (see Figure 8). Given that the COVID-19 outbreak will significantly impact the company’s cash flow and liquidity, CIOs should not aim to hire all members for the team. Instead, they should think about how to leverage external partners (e.g., digital giants) and technology providers when building their automation team. In the automation piloting stage, this team can be ad hoc. In the long term, this team should be centralized in the IT organization.

Figure 8: Evaluate Current Skill Sets of Different Automation Roles and Responsibilities

Evaluate Current Skill Sets of Different Automation Roles and Responsibilities

Skills and Qualifications Needed on an Automation Team		Team Members				
		Walker	Lin	Conley	James	Howard
Automation Engineering	Familiarity with Automation Tools (Chef, Puppet, etc.)	✓			✓	
	Development Experience		✓		✓	
	Knowledge of Agile/Scrum Management Practices		✓	✓		
Product Ownership	Ability to Facilitate Debate and Make Critical Decisions		✓	✓		
	Ability to Manage Resources		✓	✓		
Local Technological Expertise	Knowledge of Internal Environment (Unix, etc.)			✓		✓
	Knowledge of Internal Server Technologies (Wintel, etc.)				✓	✓
	Administration Experience With Internal Database	✓				✓
	Understand Implication of Automation Projects on Internal Processes	✓				✓

Source: Gartner
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Execute automation initiatives and projects: Once CIOs receive buy-in for automation initiatives from the business stakeholders, they should ensure the team is fully prepared to adopt and spread agile management since automation projects require an explorative and iterative approach. Meanwhile, the automation team should apply minimum viable automation to these projects. This is important because internal customers value speed and small solutions over large projects that promise comprehensive automation. Lastly, CIOs need to make sure the automation team constantly gets relevant business stakeholders involved during the automation projects to ensure success. For more details, see [“Reach Your Goals for Automation Adoption.”](#)

This research provides a list of recommended short- and long-term actions. You can use the most relevant ones to create your IT change plans and initiatives. Act fast to enhance your business model resilience and ensure continuity of operations.

Evidence

¹ [“Number of Novel Coronavirus COVID-19 Infection, Death and Recovery Cases in Greater China as of April 20, 2020 by Region,”](#) Statista.

² [“Intime Shopping Guide Live Broadcast at Home for 3 Hours to Win the Usual Week of Sales,”](#) CNR.

³ [“XCMG Group Fully Started the Mode of Resumption of Production, the Resumption Rate Exceeded 90%,”](#) China Construction Machinery Business Network.

⁴ [“Coronavirus Nearly Killed This Chinese Movie. But the Studio Had Other Ideas,”](#) The National Interest.

⁵ [“Minsheng Bank’s Supply Chain Finance Timely Supports the Pharmaceutical Industry to Help Fight the Epidemic,”](#) China Financial Online.

⁶ [“Five Helps’ Promote High-Quality Work Resumption,”](#) Polaris Power Network.

Note 1: Digital Giants and Dragons

The word “digital” in “digital giant” points to a company whose brands, products and services, channels, or business models are primarily electronic in nature. A more traditional IT company would focus more exclusively on information and technology enabling the back-end, internal business processes of its clients.

The word “giant” in “digital giant” refers to size. Gartner suggests using as the entry criterion a market capitalization or estimated valuation of at least \$25 billion. Digital giants also tend to have revenues in the tens of billions of dollars, and hundreds of millions of B2C customers. Digital giants are also talent magnets (everyone wants to work for them in the current business climate), and they are very skilled in, and focused on, the use and monetization of data, especially through understanding customers.

The most important characteristics that make a digital giant also a digital dragon are:

1. Provision of hyperscale, cloud-based services at all layers of the technology and business stack, industry-specific platforms, tools and other digital services to clients across a wide range of industries. This includes Internet of Things (IoT) stacks – like AWS IoT and Microsoft Azure IoT – and artificial intelligence (AI) capabilities.
2. Provision of services beyond traditional information and technology across industries, such as payment mechanisms (i.e., Alipay, WeChat Pay, Apple Pay) and physical logistics solutions (i.e., Alibaba’s Cainiao Network). This domain could be termed the “nontechnical infrastructure” of business. Alibaba’s Jack Ma famously used the term “iron triangle” to refer to capabilities in e-commerce, logistics and finance needed to underpin Alibaba’s success.
3. Presence as frenemies (i.e., competitors) in nontech industries, such as healthcare, retail, insurance and banking (e.g., Amazon’s Whole Foods Market or Alibaba’s supermarket Hema).

Recommended Research Available to Gartner Clients

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

[Educate Business Partners About Automation](#)

[Case Study: Guided Identification of High-Value Automation Opportunities \(Southern Company\)](#)

[Job Description Library of RPA and Automation Roles in Finance](#)

[Forecast Analysis: Global Recession Scenario](#)

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

[What Might Come Next?: A Dispatch From Shanghai](#)

[Expand Trend Radars and Stress-Test Innovation for Gray Rhinos Such as Coronavirus](#)

[Hype Cycle for Business Ecosystems, 2019](#)

[How to Select the Best Platform Business Model](#)

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This complimentary research is part of Gartner's ongoing coverage of the business impact of the coronavirus (COVID-19).

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