

CULTURE

# Cultural Resilience and the Italian Response to the Global Health Pandemic

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*Lessons from Italy's early battle with COVID-19.*

✔ **INSIGHT** | NOTE 30 Sep 2020

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*“When we had the illusion that everything was under control, suddenly, a teeny-tiny, invisible thing shook us all. It forced us to realize how just few weeks may be enough to blow the economic, financial, and technological systems on which we base our existence. We must think about nature and realize that, no matter what, it is way more powerful than humans and us, as human beings, we are just a parenthesis within the Earth’ life, probably not even as important as we might think.”*

*-Marco Aime, anthropologist, writer and professor of cultural anthropology at the University of Genoa*

The term *resilience* seems to be the pandemic’s leitmotiv. News, the press, and even academic papers refer to such terminology in discussion of how individuals and firms seem to respond to the Coronavirus crisis. Surprisingly, the cultural aspects of the resilience phenomenon remain overlooked, or even completely ignored. Yet, the behaviors we are now witnessing on the part of individuals, firms, and the public sector are strongly influenced by the fabric of social backgrounds.

The influence of cultural factors on individuals and communities in coping with adversity is better explained under the lenses of cultural resilience theory, one of the growing streams of the psychology literature. Initially, this discourse emerged from the ecological science as a perspective on the nature of unstable ecological systems. Today, the cultural resilience phenomenon includes the social capital that flows through local channels, and what fuels community narratives regarding history and place.

Culture is a multi-level construct that exhibits uneven, dynamic, and fragmented properties. We contend that the traditional practices and communal narratives enable community members to collectively interpret and draw meaning from their disaster experiences and shape individual and collective actions.

In this brief essay, we identify the Italian cultural context as a foundation to tolerate adversity and to embrace resilience during the 2020 health pandemic. We note that, in steering toward the future, managers are commonly advised to dismiss the old, and make way for the new. Yet, culture and traditions stifle novel ideas. Hence, the ‘recency bias’ may significantly limit a firm’s innovative solutions and prevent it from realizing the benefits of

past knowledge. Firms should be able to leverage their store of knowledge in the process of innovation. While remaining firmly anchored to the past, and maintaining intimate links with its traditions, a firm can become extremely innovative.

## The Response of the Italian Business Community

Cultural resilience describes a dynamic approach to adaptation. In other words, the cultural traits may help firms to overcome problematic, stressful, and life-changing events by holding onto blueprints from norms, traditions, and beliefs. Recognizing such an attitude, Conz and Magnani have recently defined resilience of business entities as “a dynamic attribute of the firm characterized by a proactive phase at the time (t-1); an absorptive or adaptive phase at time t, and a reactive phase at the time (t+1), where t is the time when an unexpected event occurs and alters the equilibrium of the firm.” Indeed, these characteristics have been the significant traits of Italian companies, strongly pronounced in the family-owned slice of the market, before and during the lockdown. Assessing the response of the Italian business to the Coronavirus crisis, we can identify three distinct phases. These are discussed next.

**Early Phase: Proactive or Passive Penchant** Early on, the Italian response to the first signs of the pandemic was dismal. At this point, business-continuity and employee-safety plans were nonexistent. The idea of remote work was not imposed as the default operating mode. The upcoming acute slowdowns in the operations were not in sight. The supply chains were about to collapse while, on the demand side, an acute shortage was about to emerge in critical areas – food, household supplies, medicine, and paper products.

Unprepared the firms are, it was devastating to have a disruption of this scale, but more importantly, the disruption (market collapse) was taking place next to acceleration (run by consumers for staples). When systems are strained in two opposite directions, the panic takes over. The resultant pull and push results in paralysis and indecision. A toxic combination of inaction ends in lethargic decisions on stymieing choices, which, in turn, strains the system even more. Not surprisingly, for a case like Covid19, the crippling effect of disorientation grows over questions of whether to lockdown or not, isolation or

quarantine, or immediate shutdown or postponement. Typically, inertia induced immobility leaves the decision to respond to others, for instance, waiting for the activity-protocols from the public officials.

It is the cultural resilience that spurs the business leaders to stand up within a disequilibrium of this sort. With the blueprints in collective memory, culture, in part, defines the response to immediate catastrophe. Indeed, in those Italian firms endowed with cultural resilience (many of which family owned), we saw resolve instead of panic; calm determination instead of torpidity; proactive fixes instead of dodging the questions. Notably, the decision-making focus immediately shifted to the most critical needs, action choices, scale, pace, and depth.

Let us consider the fashion industry. The fashion industry draws its resilience from its business model; it has a very agile adaptation capability. It is not surprising that a fast-changing environment teaches them to operate in fast cycles. A product cycle for a fast-fashion company is less than a month. So, for the Italian fashion businesses, it was relatively easy to respond to the disaster with extreme agility. Indeed, Italian firms, operating in the fashion industry were able to convert their production lines to urgent needs in the flip of a coin.

In the Covid-19 front line, we have seen Miroglio , the 70-year-old textile and fashion industry firm, among the first companies to respond to the local community requests to produce masks. By adapting the production line, Miroglio produced more than 600,000 units in a short period helping health workers and hospital facilities. Other well-known brands in the fashion industry quickly adapted their production lines to support the community the same way. Among others, Herno and Calzedonia focused on disposable coats and masks, Armani started producing disposable coats, and Bulgari decided to produce bottles of hand sanitizer gel.

**Absorptive or Adaptive Phase: Determination** Once the pandemic had metastasized into a full-blown crisis, it crippled the Italian economy and the financial system. In no time, a health disaster rapidly turned into economic devastation at an unimaginable scale. The wave of threats quickly interrupted the commercial activity as the liquidity challenge for most companies bolstered the vulnerabilities to the level of solvency. In response, a group

of business owners and professionals stayed put, to live the lockdown passively, thinking that it's all doom and gloom. The proactive group, on the other hand, reacted to the emergency with creative, problem-solving orientations.

In the face of these challenges, resilience was an invaluable necessity. Consider the case of the automotive industry, which was one of the hardest-hit sectors. When the discretionary spending pulled back, the demand for high priced items like cars plunged. In response, FCA, Ferrari, Marelli pursued two paths of activity. One, they transformed manufacturing facilities to help out with the production of lung ventilators , actively contributing to the welfare of the community. With these efforts, they were exhibiting social responsibility, and an investment into their credibility and legitimacy. At the same time, they turned inward, focusing on the internal challenges of the organic variety.

Businesses all had near-term issues of cash management as they were bleeding liquidity. They reconsidered the classification of costs if they were genuinely fixed or variable; if they were sunk costs or current. They adjusted their working capital needs as the solvency was clearly a paramount issue. Soon after, they went further to engage in creative strategies as the shock engendered the established structures, resetting competitive positions, and upturning the traditional practices. This attempt eyed the business model adjusting it within through-cycle and beyond-cycle horizons. The end decision was to flex operations without loss of efficiency by closing down much of global production.

To snap out the catastrophe, a series of accompanying moves proved to be even more significant as the pursuit of efficiency gave way to the requirement of resilience. They focused on the material and component flow. They created plans to consider new ways to test their supply chain in a differential scale with baby steps. They specified the weakest points in their backend operations, given their downstream activities. Indeed, the entire supply network has been shifting as production and sourcing begin to move closer to the end-user. That shift required a reconfiguration of back-end activities.

Attention then turned to the downstream direction. A support system was put in place for the dealer network. They then took contingent actions to prepare the business for effective production at a reasonable pace and scale. Opportunities to push the envelope in technology gave rise to their learning to drive productivity with the least workforce that is

available at the backend and their dealership system. All these small moves collectively added to their strength, hence resilience, to counter the potentially devastating effect of the pandemic.

Another significant sign of the willingness to redemption has been the reaction of the small and micro enterprises, including mom and pop stores, bars, and pizza restaurants. Among other behaviors, we observed bartenders inventing mobile apps for wine and cocktail delivery to cater to the cravings of an Italian aperitivo, beauticians sending a one-time homemade treatment to their most loyal customers, and fitness trainers organizing virtual workout sessions. Primary reason behind such an active response was the desire to do something for the society as a whole without passively waiting for the time to pass by and, in the meantime, leverage customer loyalty.

Technologically speaking, the micro- and small- firms (mainly but not solely) had to quickly expand their technological capabilities and grasp what technology could offer to them. Clearly, the digital world of contactless commerce will accelerate the reshaping of consumer behavior. In recognition, a vast majority of smaller firms created a website, or open a dedicated web page on social media, to reach their existing, as well as potential new customers. Italian firms, mainly those micro- and small-sized, have always been used to doing business in person. Before the pandemic, many firms did not feel the urge to move online. However, with the virus, they had to respond by improving their digital communication styles if they were to survive. Even the tourist industry decided not to stay idle; we have witnessed the coming out of videos and virtual tours of the peculiar Italian attractions, intending to lift spirits and trigger a desire to visit in person once again, once the health emergency is over.

**Recovery: Speculating on the Aftermath for Possibilities** The literature on disaster recovery has long acknowledged the importance of cultural awareness and sensitivity in the development of successful recovery programs. Indeed, during unsettled times, the strategies that exist at a mostly taken-for-granted and unarticulated form, help some firms to reinvent themselves while the weaklings fall in their ill-fate. For some such gains occur because the devastating shocks eliminate inefficiencies. More importantly, at these times, healthy companies, as a group, find the opportunity to grow more resilient. Adger argues

for institutional capacity to absorb environmental disturbances. In that, it is essential to note that cultural resilience is an adaptation booster to contribute to community resilience in multiple ways.

In crises, managers recognize that scale becomes a strong driver of performance, compelling them to extend their assets base. Specifically, any black-swan event presents an opportunity to acquire valuable assets which are typically underpriced around difficult times. Indeed, it is an established pattern that merger and acquisition activity increases during crisis periods. Particularly in some specific segments, the motive for buying spree triggers interest in reputable brands as those gain value from a shift in consumer's trust. Such a pattern is further justified because the broadening of the product portfolio over high yield brands generates positive externalities. Indeed, expanded footprint over popular brands grants a company pricing power at the downstream, and negotiation muscle in the upstream.

Second, resilient companies also consider eliminating their rivals to re-configure the competitive landscape. By targeting successful competitors, these disruptions are the best times for upstream and downstream capability deals. Typically, with market-side capabilities, such as online and digital nature, direct customer connectivity increases, drawing increased investment dollars. Additionally, vertical deals improve the power over the value chain and hence, emerge as an option for higher strength and resilience.

Third, events such as pandemics open the gates for new business models or the opportunity to step into unrelated businesses. Previously, outpriced businesses now fall within financial reach for tapping on easy gains. As an added option, supply chain integration proves to increase resilience as companies seek higher control through backward integration. Symmetrically in downstream, new channels to reach consumers multiply, and existing ones get upgraded at their bottlenecks. Handling the costs due to the last-mile-delivery is one example of this kind of bottleneck.

Overall, moving beyond the vulnerability-centric approach to building resilience recognizes culture as a toolbox to build strength and endurance against external challenges. Such an approach favors adaptation moves based on avoiding failures, learning from past failures, and accordingly modifying practices and structures . The

words often attributed to Albert Einstein seem appropriate at this point: “It is in the crisis that inventiveness, discoveries, and great strategies arise. Those who overcome the crisis overcome themselves without being overcome.” Notwithstanding the owner, those words perfectly fit in the explanation of the disruptive event that Italians and the rest of the world has experienced in 2020.

## Conclusion

Can we score the response of the Italian business to global health pandemic? It may be still too early to pass a judgement, yet we have already observed a range of responses. Some businesses simply did little, waiting for the government to take some sort of an action. Others were more proactive and resolute about alleviating the effects of the crisis. Many Italian firms, at every level and of every size, rose to the occasion with a practical but resolute manner, focusing on the next task at hand, while at the same time helping their communities (and other countries too).

The Italian case provides rich insights into how a complex society exhibits elements of cultural resilience in the face of extreme adversity and, in the process, surprises even the natives. The global pandemic of 2020 is far from over. Yet, we have seen enough to give us confidence that humans can reach deep into their cultural traits and develop fairly effective coping mechanisms. Even though the Italians paid a hefty price at the beginning of the pandemic, in the end, they exhibited a refined and a renewed sense of cultural resilience. Italians adjusted their traditional routines and almost every aspect of their lifestyles to the new reality. Some of the newly acquired skills will likely become part of the future daily lives too. They passed the test in this respect and surprised the world!

### ► References

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