External (Unforeseen) Threats And The Impact On Businesses

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Introduction

In the global marketplace, businesses face many external threats that negatively affect their growth and sustainability due to the growing number of catastrophic crises and disease outbreaks around the world. Therefore, many conceptual models and theories have been developed to build effective and sustainable models for enterprises to manage their active responses to these disasters and crises. COVID-19, which has proven to be one of the greatest challenges of the 21st century, not only caused infections and deaths but also severely disrupted economic activities. In this regard, a critical analysis is conducted to investigate BHP Mining Company's response to the pandemic and its influence on the company's business strategy and operational structure. Moreover, potential key factors that affect the operational sustainability of any industry and its capability to overcome adversity during the COVID-19 crisis are explored, and recommendations are made in light of different management theories.

Critical Analysis Of Response Of BHP Towards COVID-19 Crises

COVID-19 and Its Impact on BHP Company

The World Health Organization (WHO) declared the COVID-19 virus a pandemic on 1st March, which caused major economic disruptions in almost every country by adversely affecting the global supply chain. In its April 2020 World Economic Outlook, the International Monetary Fund projected that the global economy would contract by 3% in 2020—the sharpest downturn since the Great Depression—and estimated a cumulative output loss of about $9 trillion during 2020–2021 (Obrenovic et al. 2020). Although Australia currently has a lower number of infected people and deaths per 100,000 people due to rapid physical-distancing measures, comparatively high national wealth, a stable political system, and its geographical isolation, businesses in the country are still facing the effects of economic shocks caused by the virus outbreak (Baur & Trench 2020; O'Sullivan, Rahamathulla & Pawar 2020). Its major impact on mining industries has been continuously decreasing demand, which eventually halted industrial production and construction and drastically reduced the

prices of metals and minerals (Laing 2020). BHP, which is one of the largest producers of iron, coal, copper, and other minerals (Ahumada, 2020), also faced a huge loss of 45% in its market value when the virus spread on a large scale in March (Laing 2020). However, to deal with this unforeseen situation, the company deployed many efforts to ensure workplace safety and changed its operational structure to minimize losses as the world's leading mining company, as described below.

BHP's Response to COVID-19

Although it is not possible for companies to avoid crises, they can take measures to eliminate or reduce their effects on business operations. Therefore, in response to COVID-19, the BHP Group took many actions to protect its employees, their families, and communities based on the conditions of each mining location. In this regard, it followed strict guidelines provided by the WHO, including social distancing, hygiene, and health screening, and implemented new health and well-being measures in compliance with government requirements (BHP continues global response to COVID-19 2020). Moreover, it initiated many assistance programs to help health departments improve their testing capacities and medical-treatment equipment, and it provided direct donations to different welfare organizations to support communities. Thus, it shifted its priorities toward people as a gesture of corporate social responsibility, which further helped it run the business smoothly, as indicated by Mike Henry, the current chief executive officer of BHP (Henry and Görner, 2020). He further added that this resilience of the company is based on strong relationships with not only "employees, but also communities, business partners, and traditional owner groups, who have come together to keep the business running." Social exchange theory also highlights the importance of these social connections in regulating, improving, and transferring resources for mutual benefit (Mora Cortez & Johnston 2020). Moreover, by differentiating the coronavirus crisis from other financial crises, Mora Cortez and Johnston (2020) emphasized that such social-exchange interactions also contribute to economic outcomes that increase trust and commitment and, therefore, are equally important as economic dimensions of business growth. However, for a complete understanding of the crisis and consequently to develop an applicable business model based on the particular environment and culture of BHP, the integration of additional crisis-management theories is needed, as discussed in the following section.

Management Theories and Business Challenges

BHP faced many changes in its business operations and, according to Benjamin (2020), deferred the decision to invest in the Scarborough gas project on the coast of Western Australia. Moreover, it stopped operations on different petroleum projects owing to decreasing prices of petroleum-based products until 2021. Therefore, early assessment of such external threats and a rapid response can be very helpful in mitigating their harmful impacts. In this regard, many theoretical models are available to analyze and address the social and economic impacts of natural disasters in light of different management theories.

In general, management theories perceive crises as organizational and political issues and thereby

not only emphasize the establishment of different steps of crisis management, i.e., “detection, prevention/preparation, containment, recovery, and learning,” but also provide corresponding crisis-response strategies for sustainable growth (Obrenovic et al. 2020). For example, the Theory of Crisis Management Teams, proposed by Mitroff (1988), focuses on the formation of a permanent crisis-management team; Distributed Cognition Theory (Hutchins 1995) emphasizes the integration of different internal and external business units as well as social and environmental units; and Stakeholder Theory (Clarkson 1995), which highlights stakeholders’ interests in management decisions, provides tools and functions necessary to develop an effective response plan, especially during global crises such as COVID-19. These theories involve all necessary business functions that serve as the fundamental building blocks for any response plan intended to mitigate the adverse impacts of a crisis. However, the application of these theories is limited by the business structure and the nature of the disaster. With regard to COVID-19, the theoretical “Enterprise Effectiveness and Sustainability Model during Pandemic” framework was developed by Obrenovic et al. (2020) from the perspective of digital transformation, organizational characteristics, operations, and financial management. The model suggests that distributed leadership, a distributed workforce, more informed and decentralized decision-making, and an adaptive culture are key factors for sustainable operations during a pandemic. Moreover, since scarce resources are a prominent consequence of any crisis, this integrated model recommends practices for allocating a company’s resources wisely. Therefore, this model can be applied by the BHP Group in strategic decision-making to stabilize growth in the post-COVID-19 era.

Recommendations for Future Crises

After reviewing the preventive actions taken by BHP, it can be observed that although the company implemented a contingency and risk-management plan, the current approach to tackling immediate crisis issues was not fully effective in terms of practical outcomes, as is evident from performance and growth parameters. It is also evident that the entire mining sector was underprepared to manage a multidisciplinary crisis of the magnitude of COVID-19. Therefore, it is vital to evaluate business processes and economic actors more carefully. In this regard, a comprehensive understanding of these factors during severe crises can lead to the development of more effective tactics, and companies like BHP Group, which have a strong networked structure, straightforward and flexible guidelines, a distributed workforce, and less interdependence, may be better able to adapt to dynamic situations and respond to crises effectively.

Moreover, for sustainable growth, the entire mining sector needs to develop new resources and deposits, remain flexible in responding to rapid technological advances, and maintain financial resilience. Apart from this global crisis, climate change is another major challenge that may have potential impacts on businesses in the near future. Therefore, it is recommended that these impacts be analyzed and business models designed accordingly to combat disasters effectively, as argued by Laing (2020). Furthermore, by reviewing BHP Group’s response to the pandemic, the importance of interdisciplinary scholarship to address global challenges, along with developing partnerships with key

stakeholders, can be highlighted to deliver impactful research required for the pandemic and post-pandemic era (Beech and Anseel, 2020). Meanwhile, the effects of globalization experienced during pandemics must also be incorporated when assessing international impacts (Budhwar & Cumming 2020).

Conclusion

To conclude, COVID-19 affected businesses around the world, and BHP also faced economic disruptions. Although it took effective measures to cope with the uncertain situation caused by the pandemic, there is a need to deploy an active response model to mitigate the impacts of such disasters in the future. Moreover, to cope with natural disasters, businesses need to incorporate the effects of globalization and technological advancements while developing their business models.

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