Serving Your Customers Flawlessly During the Long "Dance"

CEOs are going on the offensive to build businesses for the new normal.

By James Allen

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As the coronavirus pandemic persists, governments around the world are grappling with when and how to reanimate dormant economies, consumers, producers and employees. Some countries and US states are experimenting with partial reopenings. But other markets, most notably India, are wrestling with truly Hobbesian choices about how long their economies, with limited infrastructure to support unemployment, can continue in lockdown. And still others, like Singapore and South Korea, know what it's like to relax restrictions, see a resurgence in Covid-19 cases and institute stricter social distancing rules.

Several reopening perspectives are in play, including Tomas Pueyo's "hammer" and "dance" metaphor. The "hammer" represents quick and aggressive disease-suppression policies. The "dance" represents the time from full lockdown through industrialized vaccination—a period when we'll continue to coexist with the virus. It will be long and challenging. During the dance, local communities may take one step forward, and two steps back.

Amid this uncertainty, many CEOs are focusing on how to "retool" their companies for the new, more turbulent world that will emerge from the crisis. In our last blog, we discussed "when" and "why" to retool. We cited three compelling reasons why leading CEOs are conducting the retooling conversation now. They need a vision of their future to avert a snapback to old ways of working. They want to make their core business leaner and more efficient by systematically learning from the thousands of local experiments spurred by lockdown. And they're ready to play offense, by building new businesses that emulate what they want to become—namely, more agile, adaptable and resilient.

As these CEOs embark on the retooling journey, they've shared some valuable lessons. They're currently strengthening the capabilities needed to build new businesses—namely, the ones that will help them serve and adapt to customers' changing needs during the long dance. For example, in a recent survey of Southeast Asian executives, we found that 85% intend to prioritize and invest in digital initiatives, in order to meet customers where they are today. In ramping up customer-centric capabilities and businesses, global CEOs are answering the "what," "how" and "who" of retooling.

The "what": Build the businesses your customers need

The long dance will be an ill-defined period—economies will advance, retreat, adapt and repeat. In a world of prolonged social distancing, consumers will discover new ways to communicate and shop. And each day that we navigate the new stage of this crisis, leaders and policymakers will run billions of experiments.

It's the perfect time for management teams to learn how to rapidly adapt. As their people emerge from lockdown, leading CEOs will instill confidence that the firm can win in a highly unpredictable, post-pandemic world—one of climate change, digital disruption, the end of globalization as we know it and more. It starts with the long dance. As one CEO put it: "We've stopped conversations of 'post-crisis.' These discussions were promoting the idea of a waiting period. We now discuss phases—lockdown, reopening without a vaccine and post-vaccination. We view reopening as *our time*, where we can

redefine ourselves and our relationship with customers. And it is happening now. If we can be with our customers during every step of reopening, we know we'll be better positioned once vaccinations start. But if we wait for stability, we'll miss our moment."

To retool for the new world, winning companies are mobilizing to build new businesses now. They will find fully resilient ways to meet customers' needs during the long dance—no excuses. Through thousands of organic experiments and learning moments, they will build the agility, adaptability and capabilities needed to thrive in the future. They can start by asking questions like, "Do we have the right customer propositions for the long dance? What stable and effective distribution channels can we use to reach our customers? How can we produce our products and services in a period of unstable supply sources?"

For CEOs in lockdown, rapid experimentation is nothing new. They've seen the benefits of local experimentation as different markets dealt with different levels of crisis and regulations. These CEOs have been surprised and delighted by the innovation of their local teams. Their teams unlocked new ways to produce and sell, customizing their approach to their unique situation.

These experiments have been necessary, but not sufficient. While business building starts with innovation, success requires scale. Leading CEOs won't fall into the incubation trap: the misconception that a firm's success is measured by the number of ideas it propagates. A few of these ideas need to become real businesses. These CEOs will ask, "How can we scale winning experiments into businesses that are relevant to our large, global firm?" They will achieve success with a small number of significant, scaled and highly adaptive businesses that flawlessly serve their customers through the dark days of the dance.

The "how": Build in Engine 2, but borrow from Engine 1

How, exactly, can leaders liberate their people from the day-to-day to build new businesses? How can they enable them to do whatever it takes to solve customer issues in a volatile world?

In our discussions, one CEO noted, "My core business is not designed to nurture new businesses. It is designed to manage huge, scaled, mature businesses. For the most part, it assumes stability and predictability. It is measured by its efficiency. It has a track record of killing small, unstable businesses. These experiments are distractions. I get it. But it also means I'm having a hard time getting my employees to back a lot of these new business ideas that we need to get through the next 18 to 24 months. They're just not wired that way."

We like to call the core business "Engine 1." It's big, powerful, mature and a huge source of cash. But it's also cumbersome and filled with complexity. Its growth is slowing. Its people know how to run large businesses, but they aren't necessarily good at building new businesses. Of course, ultimately, you'll need to retool Engine 1. But does the core business offer an environment where you can build businesses that will endure the dance? For many CEOs, the answer is "no."

That's where "Engine 2" comes in. It's composed of a company's new businesses. It's nimble and achieves fast, but small, growth. It's not yet powerful enough to truly change a firm's overall growth rates.

Focusing the business building efforts in Engine 2 delivers several immediate benefits. It keeps a majority of the firm's executives concentrated on testing better and smarter ways to run the core business—so they aren't distracted. It also empowers the leaders of new businesses to do whatever it takes to scale—free from the constraints of Engine 1. These leaders will invent entirely new ways of working and, in the process, find new partners.

In this liberated environment, Engine 2 leaders can identify the capabilities needed for the broader firm to build businesses. If Engine 1 is brick-and-mortar with digital as a hobby, Engine 2 starts with digital. If Engine 1 is designed around offices and complex governance structures, Engine 2 starts in homes, with a fast, flexible Zoom-based culture. If Engine 1 demands stability and getting "back to normal," Engine 2 starts with disruption—and thrives on it. Its leaders will quickly learn what it takes to scale new businesses at speed and bring these lessons back to the core.

There's just one key precaution that CEOs should heed: Avoid the orphaned asset trap. An orphaned asset is a set of new businesses that have nothing to do with the core. On the one hand, these businesses are liberated from Engine 1, but on the other, they have no support. They are not true start-ups, able to operate in the start-up world, nor are they corporate investments, benefiting from the global scale of the mother ship. To avoid an orphaned asset, CEOs can move some of their best talent from Engine 1 to Engine 2. This leads to the issue of "who."

The "who": Combine the best of global and local

We've found "alpine-style" mountaineering to be an apt metaphor for retooling the firm. In alpine-style climbing, small teams conquer mountain peaks equipped with only what they can carry. This is in stark contrast with the more traditional expedition style, where huge teams, loaded with weeks' worth of gear, move slowly up the mountain through a series of camps. Business-building efforts require alpine-style initiatives.

It's critical that CEOs select the right people for their alpine-style team. They can start with local innovators, who demonstrated immense creativity early in the crisis. These people are obsessed with quickly solving specific issues for specific customers. But the team will also need people who can work alongside innovators, and determine how ideas can be transferred across multiple markets and turned into repeatable ways of working. The team needs "scalers."

Scalers have a very specific skill set. They are uniquely able to identify great experiments and test them for transferability and repeatability. They also serve as the bridge between innovation and execution. They have a good working relationship with local experimenters, who view them as pro-innovation and share the same sense of urgency. Scalers also have credibility with global implementers. Scalers understand that the firm needs to turn an experiment into a repeatable model if it's to survive beyond a single market—and implementers greatly appreciate that.

Where can CEOs find scalers for their alpine-style team? Most will look to their global center—and they will quickly discover that only a small set of people currently fits the bill. They will realize that up until now, the absence of business building in their firm was not due to a lack of good ideas. It was the result of a lack of scalers.

Leading CEOs realize that their budding local experiments don't need compliance support from the center. To become the relevant businesses of tomorrow, these ideas need nurturing. As CEOs survey their global team, they will choose wisely. They will pick the few true scalers, not the "wailers." They understand that the term "global" can no longer represent the "abominable no-men" sent from the center to put a stop to local foolishness. Over time, with the right behavior changes, "global" can become synonymous with "skilled scalers." Moreover, the global center can broadly shift from monitoring to learning. Compliance dampens innovation; learning amplifies it. The role of global will be to amplify the results of local, by scaling disruptive ideas across markets.

Through the "what," "how" and "who," the CEO Agenda for Covid-19 is emerging. Leaders are laying out the puzzle pieces. One is business building. To go on the offensive, the great CEOs of our time are committed to flawlessly serving customers during the long dance. The resulting businesses will be part of the companies' Engine 2s. They won't be orphaned; after all, they're being created by an alpine-style team of local innovators and global scalers.

There are other essential puzzle pieces on the table as well. Winning companies will avoid a snap-back to old ways of working. They will radically simplify Engine 1 in order to fund their business-building efforts. They will launch "future-back" efforts to predict how customers and competitors will likely change over time. They will test all aspects of the business for resiliency—with a new humility, given how past resiliency tests let them down. And they will eventually use lessons from Engine 2 to retool Engine 1. Leading CEOs will share a vision for the complete puzzle with their people: a single image depicting the firm they want to become. If even one piece is missing or misplaced, the final image will look like a jagged mess—it's up to the CEO to keep everyone coordinated and learning from one another.

For most CEOs, business building is the hardest and most uncertain part of the journey. Most know how to simplify their existing business, but they're unsure where to redeploy the liberated funds. They know how to start a future-back process, but since the Covid-19 outbreak, they also understand the limits of prediction—and the need to be far more adaptable. There's a broad set of actions required to retool, but the most important issue boils down to two questions: Can you actually meet your customers' needs better and faster than anyone else? Can you build businesses for tomorrow? Answer them. This is your moment.

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