

BOWEN



After Covid

C-suite leaders share their journey through an unprecedented crisis, a road to recovery and how they see the future.

THE CRISIS

The CDC confirmed the first Covid-19 diagnosis in the United States on January 20, 2020. Within months, millions of people were living in some form of lockdown. Now, as we face a certain resurgence, companies brace for longer term impact.

We interviewed more than two dozen executive leaders across diverse industries and some of the trusted advisors who serve them. Here's what they said.

A Surreal Trauma

For successful senior executives, contending with transformative external influences goes with the territory. One global CMO in the hospitality industry referenced Blockbusters' failure to survive a

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business model shift introduced by Netflix. This kind of threat is level-setting and, for many, defines corporate agility in business today.

But Covid-19 is clearly different. The North American CEO of a CPG company described a feeling of lonely responsibility in starkly emotional terms. “What’s keeping me up at night is keeping people safe. I’m not a contagious disease expert. Suddenly I am forced to make decisions that are literally life and death,” he said. With no internal expert for an answer, he personally monitored news reports, consulted the CDC website, participated in a CDC webinar and called the Department of Health. Ultimately the final decision to close a distribution center, and then cautiously reopen it, fell to him alone. That the problem defied collaboration with an internal discipline lead, dramatizes its gravity. And, it signals change in resiliency planning for the future.

In the context of Covid-19, respondents frequently reference the events of 9-11, equally shocking in tragic loss of life and a resulting feeling of helplessness. The comparison is most apt in its abruptness. For a global CMO, the pandemic progressed with alarming speed. “We were making carefully thought-through decisions at the beginning of the week, and by Friday, they were completely irrelevant,” she said.

But only Covid-19 reached so deeply into established protocols and organizational culture. The CEOs we surveyed accept responsibility for the welfare of their employees, at work and beyond. For one, “this includes transportation to the workplace.” A global technology CEO worries most about the “in-cohesion” of his leadership team, which threatens the collaborative culture he has carefully built over the course of a decade.

Like survivors of the Great Depression, these respondents report events in traumatic terms, a life pivot point that they will never forget.

An Empathetic Voice

For all respondents, authentic and real-time communications are key to keeping key audiences engaged.

Executives found themselves communicating with raw vulnerability more than ever before. One global CEO video-recorded a message to employees about furloughs. The first take brought him very nearly to tears and his colleagues advised that he re-record it. He watched the tape and decided to use that version. It was met with heartfelt approval.

All executive leaders are aware that there have been many more meetings – now video conferences – to keep employees engaged. One CEO gave in to long-resisted requests for self-recorded video communications to field employees. Universally, leadership teams applaud top-down messaging that is calm, candid, smart and, most importantly, projects real emotion.

Valuable customer bases demand the same attention. One hospitality CMO “wanted to remain front of mind, *for the right reasons*.” This points to the desire to communicate vulnerability and reassurance, but to stop short of what another global retail CMO termed “covid-washing.” The challenge is to conduct a nuanced conversation with customers that invites mutual loyalty – at a time when both parties are least equipped to demonstrate it. Managing this delicate balance, even in everyday communications, sits squarely with the C-suite. Again, the solution is found through empathy.

The Tactical Imperative

As a health care CHRO put it, “the tactics become the strategy.” Understandably, the crisis put many long-term initiatives on hold and shifted attention to emergency actions. Senior executives became reacquainted with some tasks they hadn’t performed in decades – including, for one CEO, “running down \$400 orders for key customers.”

Priorities shift to “surviving current conditions” and executive leaders “challenge the idea that things need to be perfect.” For many leaders it is a sudden shift to a new expectation of “speed and execution over perfection.”

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Marketers believe that priorities have shifted for consumers too, desire for rich experiences being abruptly replaced with more pragmatic concerns. Hospitality brands, which depend on air travel and people being willing to assemble in groups, have been most affected. According to one CMO, “For 10 or 15 years, the hospitality industry has seen a movement to lifestyle driven hotels that offer consumers a lot of choices. Now, for the next six months and beyond, we will pivot to customer needs around functional benefits.”

Some executives are finding that emergency mode allows the best talent to rise to the top. “It is interesting to note how different people showed up as leaders in that (crisis) situation,” said one global CMO. For another, “I see the individual vibe within my group in such a clearer way.” This points to Covid-19 as an effective testing ground for leadership talent. Some people in their selfless hands-on problem solving will establish new credibility with their senior leaders.

Leveraging Agility

Not all industries have been adversely affected by the coronavirus and among those that have been, some companies are dealing with its effects more successfully than others. These executives are bolstered by two important factors – talented leadership, including a “strong board,” and a clearly articulated leadership belief system.

For a few, Covid-19 represents a growth opportunity. The most successful companies were able to quickly focus on shoring up operational gaps and may exit the crisis with an eye to acquisition of

independent firms on shakier footing. Others find success through sheer determination. For the CEO of a technology company, “we are competing on price rather than quality. And we are doing more with less.”

MOVING TOWARD RECOVERY

For all respondents, recovery from the crisis will not be like flipping a switch, it will be, according to one management consultant, “a gradual process to a new reality.” They are already beginning to rethink certain assumptions about the status quo. And, they are forced to “manage on two planes – a crisis plane and a planning plane.”

The Comfort Mandate

The path to our next normal, as one global CMO put it, is “a tale of two timelines.” The first of these is a collective willingness to return to activities that depend on social proximity with an *acceptable* level of comfort, even as these activities are almost always compromised. A hospitality executive used travel as an example. People will be ready for a getaway, but they may choose a nearby destination to avoid flying. Even this experience will fall short – part of the charm of local destinations is their unique, small businesses, which are still under siege. This progression and the compromises that go with it will be different for everyone.

One marker of the beginning of the first timeline is found in language. For a management consultant who specializes in performance lexicon, the moment when the conversation “moved from ‘lockdown’ to ‘opening up’” was the first sign the transition had prematurely begun. A technology CEO echoes the importance of public sentiment. For him, it’s about trust. People must collectively feel a “sense of optimism and that it’s OK to spend money again.” “The turning point is when people trust things will get better,” he said.

The psychological impact of trust was underscored in virtually every interview. For consumers and employees alike, they must trust that the environments they enter are safe, that the people providing them have their best interests at heart, and they must see evidence – through new protocols, for instance – that trustworthy actions are being taken. For an automotive advertising executive, “people are looking at their cars as their ultimate PPE.”

If comfort marks the beginning of a behavioral transition, it also impacts the emotional benefits of product and service *experiences*. Marketers predict that consumers will take more responsibility for making themselves comfortable. Respondents mentioned hotels that have announced partnerships that allow them to promise a new level of “clean” and a beauty/ skin care executive predicted that product improvements would include antibacterial features. The same is true with the workplace. Employees must be comfortable returning to work so that fears about their safety don’t undermine productivity.

Timing is key and it is different for everyone. Respondents warn against moving too fast. For one, “you can’t just switch back on after being moth-balled for six months.” For a national retailer, “we must avoid opening up and closing again; that would be an untenable financial strain.”

Planning through Uncertainty

The volatility of the post-Covid business landscape drives change in forecasting and strategic *planning for uncertainty*. For a North American CPG manufacturer, “pantry-loading and panic buying make it hard to read sales trends.” He changed a quarterly sales forecasting cadence to monthly, then weekly, and received significant push-back from his team. He recalled, “I told them they had to do weekly forecasts and to provide all the detail. I said they would get it wrong at first, but that we will *learn* from these mistakes and get better over time.”

Volatility has called into question assumptions about just-in-time delivery and supply chain management. For one US distributor, “we got a kick in the back side from our supply partners, and our operational efficiencies are down.” “We won’t be able to navigate the future with a single point of supply,” she said.

For a PE-funded company, “oversight from owners has increased materially.” More than one corporation with a complex portfolio has observed traction in some areas and not in others. Decision making must “weigh societal changes against legal mandates.” Some must contend with certain dependencies, like air transportation for the hospitality category, which was particularly hard hit.

The antidote to business planning disruption is agility. For a health care CEO, “it’s not about what you can predict, it’s about how quickly you adapt.”

A London-based management consultant compared the Covid-19 crisis to Brexit. For him, everyone agrees that wherever you stand on Brexit, the big problem is lack of certainty. “Uncertainty kills the ability to make decisions, but you have to try.” He referenced Winston Churchill who spoke of making decisions with imperfect data. “Sometimes people just want a decision. This is insight in leadership.”

Retail Reinvention

Essential retailers took a quick-fix approach to making stores as comfortable and safe as possible and many benefitted from Covid-19 sheltering trends, like people taking on more cooking and other projects at home. For experiential and luxury retailers, it is not so easy. Here, according to one CPG executive, consumers must “balance their desire for immersion against the anxiety of a high touch environment.”

While small businesses have dominated the news initially, a global retail CMO pointed out tensions on larger platforms. Operating with fragile margins, individual franchisees struggle to pay their rent. Brand owners must find time to guide them on financial aid and, at the same time, they face a quandary around a retail financial model that may no longer work. For real estate landlords, regulations may change forever.

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Meanwhile, some respondents see a silver lining. The shutdown focused energies on improvements that were long overdue. Direct-to-consumer offerings will become a “more meaningful part of the inventory,” according to one CPG manufacturer. For another, “we are learning about digital, DTC and more sophisticated online selling.” For a global financial services executive, “We had been trying to ‘de-service’ our branches for a long time. Now, we have accomplished more in the past two months than we did in the previous 10 years.”

Workplace Wellness

The Covid-19 shutdown forced immediate learning about how to best manage people working from home and the implications to the workplace of the future.

Real estate issues loom large. Some respondents make a case for more office space if social distancing measures endure and force condensed work groups to physically spread out. Here, the emphasis is on preventing discomfort from being a distraction. According to one CMO, “when people do return to work, they will still be worried.” But most expect real estate needs to be reduced to make way for a new level of WFH adoption (and predict economic disruption in that industry). For a financial services executive, we are entering a time when “people are celebrated, not shunned, for working from home with a fever.” Clearly a “cultural reset” is under way.

Management challenges related to increases in remote working begin with tactical concerns. Cloud-based technologies will be “closely scrutinized for cyber security,” for instance. But corporate leaders are equally conversant on the psychological risks of managing teams that are becoming more geographically dispersed.

Universally, executive leaders sound alarms about failing to acknowledge the human needs of people. “We’re human. Our juices flow differently when we’re together,” argued one. “First and foremost, we are social animals. We want to be together,” said another. “Leadership is worried about the sense of community,” said a global management consultant.

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“You have to be together to hear the side comments and to sense the sweat and the kindness,” insisted a global professional services CEO.

Management styles are under pressure to adapt. One CHRO broke from the usual agenda and conducted 20 minutes of relaxation exercises during a recent town hall. Another executive warned, “it takes a different style of management to see into the wellness of the person.” A financial services executive brought the issue back to the benefit of intense human interaction, “We have learned that it is not as hard to supervise people working from home as we thought, but we don’t know what we were losing in terms of serendipitous collisions of different people with different points of view.”

Impetus for Innovation

Most executive leaders expect that the disruptive effect of the Covid-19 crisis will be a stimulus for innovation, and they are well-versed in considering the implications to their businesses.

New consumer needs and pain points will drive the development of new products and services. B2B offerings will be under pressure to “redefine value and explore new business models.” This means “getting supply chain partners around the table – they need to be part of the solution.” A technology company marketing through educational channels has already had to re-think its business model, and early results will inform a new strategy for the future. Similarly, for a global retail CMO who promoted an existing at-home service during the lock-down, an unprecedented consumer response will significantly change forward planning.

When asked to take a holistic view of their business, leaders say that virtually every business discipline will be interrogated. At the top of the list for most – new consumer insight research. Leaders vow to avoid complacency and to “look at the business with fresh eyes.” Most insist that you can’t do this unless “you have your finger on the pulse of the consumer.”

Executive leaders are already surveying the context of their businesses with the expectation of transformative change. They know the future will be different and that they must be prepared.

THE NEXT NORMAL

When asked about the telltales of recovery, executive leaders answer immediately and conclusively. It will take a vaccine, widely available and well deployed.

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But full recovery will not be automatic. One management consultant reflected on his military training and recalled that our most dangerous time is right after we’ve won a major battle, because that’s when we relax. We asked him to put this in terms of Covid-19 recovery. “The worst thing we could do is to sit on our asses right after we declare victory. Then the wave washes back over us,” he said.

From Comfort to Freedom

If *comfort* is the stretch goal for the recovery experience, *freedom* is how people will find a new normal. While comfort supports a willingness to interact and adapt, it’s a feeling of freedom from fear that allows us to put Covid-19 behind us and move on. For one CMO, “freedom is the ultimate emotional benefit of recovery.” It’s only when comfort changes to freedom that “people can return to work eagerly,” congregate without worry and “enjoy life’s pleasures” with abandon.

A technology CMO described a mindset that “allows people to focus on defining a new normal – to build for this moment, build on the better and to build for what’s next.” A hospitality executive evoked

Maslow's hierarchy of needs. "Freedom means being at peace, being able to sleep well, to relax, free our minds and to *move up the pyramid.*"

A Timely Reboot

Many executive leaders see Covid-19 as a tragic event that, as a byproduct, will accelerate positive change. Disruption to long established systems and protocols and the associated economic pressure to change will drive structural innovation.

Leaders will rethink human resources optimization. Management consultants predict that retraining efforts will be accelerated. "The single biggest challenge for businesses in the Western world is how we do the jobs of the 21st century," one advanced. Time management efficiencies, in revision for decades already, will more intensely adapt to new standards and leverage new technologies. "We will question sending a senior consultant to Dubai for three days to attend one meeting that could have been done via video conference," another resolved.

Management consultants have given the most consideration to the business disciplines that will be critical in the next normal, especially in early years characterized by an unsettled business context and a likely global recession. One global firm is preparing for increased demand for services in crisis management, cyber security, digital transformation and supply chain management. Tax and audit are expected to be stable, but will be transformed through use of digital technology, with an emphasis on consulting remotely. Other services – like strategy, M&A, implementation and some capital consulting – will be "more discretionary."

C-suite executives expect structural change as well. For some, product portfolios will be re-architected to respond to a new market context. Many more expect to announce a significant re-org and add that it is "long overdue." For one executive, "our operations leadership have been in place for a long time. Their approach is far too traditional." Tradition alone is not the only reason for a reboot. Executives intend to use the Covid-19 crisis to get ahead of change – to do more than survive, to secure competitive advantage. In this way, the crisis is both a driver and a rationalization of transformative change.

Bold Optimism

Strong, well integrated corporate purposing – like values and guiding principles, which served as helpful beacons during initial recovery steps – surface as critical success factors in the next normal. A global financial services executive evoked events from more than a decade ago. "We emerged (from the recession) in 2008 with a great reputation because our policies on risk and ethics were so high. We came out in very good standing," she recalled.

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Another executive went back to the Great Depression, “It was bold inventions that got good momentum. It was bold things that enabled us to move from survival mode to leadership. We must proceed with boldness.”

Lessons like these empower today’s leaders who know they must assertively stake a claim to the future. It’s a mindset of realism, confidence and resilience. As one summarized, “we have a *right* to operate. The world *needs* what we have. It is *our job* to get it there.”