



When and How Should Leaders Retool for a Post-Coronavirus World?

CEOs are learning from Apollo 13 and alpine-style mountaineering—yes, really.

By James Allen

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We're another week into the coronavirus pandemic and starting to see more of the road ahead. Along the way, there's good news: Social distancing appears to be effective and some governments report they are beyond the peak of Covid-19 cases. The media is shifting its coverage from the industrialized production of ventilators and personal protective equipment to testing kits and vaccines. But there's bad news, too: Businesses that initially faced liquidity crises may now face closures. For example, two months of heavy disease-suppression policies could result in the permanent loss of one-quarter of all US business establishments and \$4 trillion of revenue. Of course, geographies and industries are at different stages of the crisis, so most global CEOs are leading across several local communities in dramatically disparate situations.

Based on weekly discussions with CEOs, we've seen most leaders shift their focus from protection mode (ensuring the safety of people and basic business continuity) toward recovery (planning to restart the business as the lockdowns ease). But the best CEOs are also considering how to retool their companies for a new world—one that will be highly unpredictable. It will be characterized by increased polarization, local market disruptions and heterogeneous government policies. To make their companies more adaptable and resilient in this future, CEOs are considering two questions: When should I have the retooling discussion? And how do I start retooling, especially during lockdown?

When should I have the retooling discussion?

One CEO cited a movie (and history, of course) to answer this question. He said: "Remember *Apollo 13*, the Tom Hanks movie that dramatizes the NASA crisis? The spacecraft doesn't have enough power to get back to Earth, so NASA has to shut off the battery-draining activities. But they also have to figure out a sequence to turn the aircraft back on at the last minute, in order to get the crew home. It all comes down to the power-up sequence, or the decisions around what to leave off and what to turn back on. There were hundreds of decisions but, ultimately, what guided NASA was clarity on their mission: to get the crew home safely. This is how I think about my company. As we move toward recovery, I must decide what I keep off and what I turn back on. How do I decide? It's all about the mission. I must figure out the company I want us to become now, if I'm going to turn on the right buttons, in the right order."

We love this metaphor. Your company is the spaceship, partially powered down. Your recovery is your power-up sequence, which includes hundreds of decisions about which activities to restart. And your mission is to retool the company in order to emerge as a winner after the pandemic. To turn on the right buttons, in the right order—and just as importantly, leave the wrong buttons off—you have to start the retooling discussion. There are three reasons to have the discussion now, rather than later.

To avoid a snapback to old ways

In lockdown, CEOs have felt extraordinarily liberated from smothering governance and processes. They have said, "I don't want to go back to the way things were before." Under work-from-home orders, they've stopped the myriad of financial reports and backward-looking performance meetings that dwell on deviations from projections—and they like that. They're energized by tracking a smaller number of urgent measures and attending forward-looking meetings. They're circumventing complex HR systems and quickly getting the right people into the right roles to tackle critical issues. And they're building new businesses in a matter of weeks, overcoming years of internal debates about minor decisions. The best CEOs realize that every decision to reinstate old ways of working is an implicit endorsement of the old firm.

To start experimenting and learning around the unknowns

From customer needs to competitive dynamics, the world will be very different after the crisis. While the specifics of the changes remain unclear, we know they will differ by market. As a result, leading CEOs will emphatically support more local experimentation. Their local teams will start conversations with customers and partners immediately. These conversations can inform the global center in a structured way and help guide the retooling journey.

CEOs can start with decisions around four activities:

- **CEO-led experiments.** CEOs can directly run a finite set of controlled experiments around supplier tests, customer tests and partnerships.
- **Organic experiments.** Beyond their experiments, CEOs can foster the burst of creativity coming out of local teams in the pandemic. They can empower these teams to continue finding local solutions without top-down governance. Many of these organic experiments will result in astonishing innovation.
- **Learning.** Leaders can set up small teams to help amplify the experiment results and encourage learning.
- **Scaling solutions.** Organizations need a diagram illustrating how to champion experimentation, identify winning solutions and scale them as widely as possible.

To debate the design issues and agree on principles early

After this crisis what will be the “big idea” that will govern business? We’re seeing leaders align around the need to liberate themselves from the modern business institution—the professional management system. They want to become scale insurgents—those fast-moving competitors that manage scale without the complexity that kills large firms.

To that end, the firm needs to run existing businesses efficiently, adapt to a new world and build new businesses that will delight customers and surprise competitors. Leadership needs to empower experimentation locally and find opportunities to scale success globally. The organization must work faster and smarter, killing complexity and stripping out the middle everywhere. It needs a culture that focuses less on well-rounded professional managers and more on “spiky” leaders—those with disproportionate yet extraordinary strengths in disrupting the status quo, scaling new ideas or executing established playbooks. It demands a far more flexible, resilient and transparent supply chain that relies on an end-to-end digital management platform, and complements offshore with near-shore and onshore operations.

But CEOs are facing a significant dilemma: They know the organization needs huge changes, but their near-term freedom is limited. For instance, they can’t make dramatic decisions around their workforces right now, because their communities are in crisis and they have a duty to take care of their employees. And we applaud this.

While there are pressing reasons to “go slow” on some decisions, CEOs still urgently need a plan. Working together, a tight group of executives can align the company’s design targets and values. They can map the direction of travel for their retooled organizations. They can agree on the principles that will inform all future decisions—including which experiments to launch, which activities to resume during recovery and which activities to stop altogether.

How do I start retooling, especially during lockdown?

One CEO's answer harkened back to a conversation we had in 2015, when we saw Reinhold Messner talk about his "alpine style" of mountaineering. Messner discussed two ways to conquer a mountain. One is the expedition style—a massive effort whereby a large team escorts climbers and their heavy equipment to a series of camps, until they're high enough to make a final assault on the peak. They plan to live on the mountain for weeks. It contrasts with the alpine style where a small team, bringing only what they can carry, assaults the mountain fast. They don't bring as much stuff because they spend much less time in the danger zone. The CEO admitted, "For me, expedition style was our default style pre-crisis—we had to bring everyone and everything along, every step of the way. Every journey required mountains of people and equipment, even if we were climbing a hill. During lockdown, we've been operating alpine style. It has risks, but we're reaching peaks faster and more often."

We love this metaphor too, and we encourage CEOs to approach the early phases of the retooling discussion alpine style. The leading-edge CEOs who are already doing this have shared five actions for the ascent.

Agree on the simple first steps—the journey, map and travelers

We get it—the idea of retooling a firm is big. It's best to start with the basics, alpine style. Create a small group of highly trusted leaders to scope out the direction and the outstanding issues. Accept the ideas and challenges of outsiders, including the most trusted customers and partners. Then map the journey (the direction of travel and the unknown parts that require testing), set the compass (the values that guide them) and agree on the fellow travelers (the who, when and how of bringing others into the process).

Break down the journey into "day trips" that sub-teams can manage

Lockdown has emboldened leaders to make problems smaller. Issues are now "Zoom-sized" and solved during frequent one-hour calls, with no more than "two rows" of faces (six to eight people). The early phases of retooling lend themselves to similar sub-groups empowered to tackle specific issues. Teams can focus on generating predictions and scenarios around the crisis; outlining actions to avoid a snapback to old ways of working; launching experiments to test and learn around big unknowns; redesigning the operating model for local and global; reorienting the organization for business building, and more.

This doesn't require a big governance process. Get the work and learning started, without distracting the broader organization on how the pieces will fit together. You can always shift to expedition style later, but it's best to start now and start lean.

Focus on behavior change early and often

We all use the term "old ways of working" a bit too glibly, as if "ways" are merely tools and processes, separate from the people who designed and used them. *We* are the old ways of working. So *we* either need to change the people (those who run the ship) or change our behaviors.

Behavior change starts at the top and cascades down to every direct report. When CEOs talk about feeling liberated during lockdown, what they really mean is they, and their team, are behaving differently. They have stopped being protective, defensive and political and now make fast, good decisions on behalf of their communities.

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Retooling debates provide a way for CEOs to lock in the new behaviors essential to success. The alpine approach is about limiting time spent on the mountain. Leaders don't have time to be protective and defensive—oxygen is running out. They should demand behavior change. Assuming he or she isn't part of the problem, the HR director can lead this effort, by holding up a mirror to every leader and encouraging the adoption of a growth mindset.

Engage the front line

At the start of the pandemic, many leaders engaged the front line—including their “essential workers”—in critical decisions. This direct connection evolved into an ongoing dialogue. Hearing the unvarnished truths from the employees who really matter, leading CEOs have uncovered major insights.

In alpine-style mountaineering, small teams often explore different ways to reach the peak—they are agile and adaptive. In much the same way, winning companies will continue to rely on frontline experimentation. They will preserve their new bottom-up feedback loop and listen to the teams as they navigate new solutions. And as they build the case for broader change, they will use the voices of the front line and customers to define the way forward. One CEO noted, “My sales team demanded that I think bigger and bolder. In many ways, my job over the last six weeks has been to catch up with my next-generation leaders. They want a company that will thrive for their entire careers, not just during the three-year plan.” The next-generation team yearns to build a firm of the future, where they can have long and satisfying careers. Ask for their help.

Reorient the CEO agenda

Finally, the journey of retooling will radically change the CEO agenda. We've conducted more than 200 CEO and Founder forums and uncovered a few critical lessons, including the 60-40 rule and the CEO troika. The 60-40 rule states that CEOs will have 60% of their agenda determined by the job. But it's critical that they free up the other 40% to focus on changing the company. This 40% includes retooling.

The CEO troika—a circle of trust including the HR and Finance directors—is a non-negotiable team when running a transformation. The troika must be up to the retooling task, swiftly shifting from running the business, to changing the business, to building the business of the future. The troika must work alpine style. A CEO cannot transform a company with constant resistance at the top.

Pick the image that works for you. Maybe you like the idea of a spaceship hurtling towards Earth, ready to power up its systems and complete an immortalizing mission. Or maybe you prefer a team of alpine climbers, scrambling toward the peak, looking down at their distant competitors who are setting up yet another camp on their weeks-long journey. Or, maybe you hate metaphors and you're happy to imagine your management team writing a wonderful chapter in your company's history. Whatever the image, you're now playing offense. You're preparing to emerge bigger and faster, delight your customers and surprise your competitors. This is your moment.

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