

A New Level of Innovation Performance Post-Covid-19

INSIGHTS FROM BUSINESS LEADERS



By Peter Bryant



We're in the midst of a crisis like no other. A shared global crisis impacts each and every business and individual, and Covid-19 is causing incredible economic, social and psychological impact around the world. No one is unaffected. The economic impacts are plain to see, with airline travel down 96 percent, a collapse in the demand for oil that by some estimates is as great as 30 percent, and 24 million people filing for unemployment within five weeks in the US alone. Couple that with the fact that a solution to our current situation is nowhere near certain, let alone the idea of what a post Covid-19 world may look like.



Over the last few weeks, I have spoken with numerous CEOs and executives from the US, Canada, Australia and the UK, spread across multiple industries, about how they are navigating this crisis. Our new world of external constraints and high uncertainty makes it even harder to balance the twin imperatives of dealing with the immediate issues around business resilience and continuity – including the health and safety of workforces – and driving forward on innovation for future growth and competitive advantage. From these conversations, two key themes emerged:

1. For all of 2020, and potentially even longer, we will operate under a set of constraints that demands that we think differently about how we collaborate and work.
2. The urgency to innovate and drive digital transformation has only increased, both in terms of preserving existing businesses and stimulating future growth. In fact, this time represents a unique competitive opportunity for those willing to seize it.



COMPANIES ARE FRAMING THEIR COVID-19 RESPONSES IN FOUR PHASES

The companies we spoke to broke their responses and actions into four phases, rather than just the standard two – current crisis and the post-Covid-19 world. This allowed for more nuance in balancing continuity and innovation strategies, and clearer communications to their workforces, customers, suppliers, governments and communities that depended on those companies.

The phases are:

- ▶ **Phase 1** Immediate Crisis Response
- ▶ **Phase 2** The Crisis Evolves
- ▶ **Phase 3** Progressive Return
- ▶ **Phase 4** The Post-Covid-19 World

Each leader I spoke to said they are out of phase one and feel that the outcome, whilst a scramble, was acceptable. They now find themselves somewhere in the midst of phases two and three – or what I call “the balancing act.”



THE BALANCING ACT

We’ve survived immediate response – now where do we focus?

While there are always a handful of companies that lean into cost-cutting measures exclusively, in our interviews we learned that most companies are actually leaning into one of two camps:



REAFFIRMATION

The crisis reaffirmed the company strategy and its innovation focus, especially the transformational aspects. In fact, many said they were looking for ways to accelerate their efforts around transformation and innovation areas that created new growth opportunities and a chance for competitive advantage.



REASSESSMENT

These companies felt good about their existing strategy, but headwinds and tailwinds pushed them towards performing rapid ‘stress tests’. They used scenario thinking to test their existing innovation portfolios, to determine if their pre-crisis assumptions were still valid. They then reassessed ideas against new assumptions and possible futures, and identified new opportunities for value and competitive advantage. They also were seeking ways to accelerate these efforts.

As companies navigate phases two and three, they are all balancing the needs to navigate the evolving crisis to ensure business continuity/resilience and at the same time leaning in and accelerating the areas and opportunities that are seen as drivers of new value creation and competitive advantage in a post Covid19 world.

“What was important before is more important now, and needs to be accelerated.”

—VP OF A MAJOR OIL & GAS COMPANY

One major services company, operating in 100+ countries, found its three-part strategy reaffirmed by the crisis. Its three-part approach is centered on (1) transforming the core by driving a step change in productivity, which is now more relevant than ever; (2) energy transformation, and (3) shifting to

technology on the edge – both of which present future opportunities that the company is leaning heavily into in response to the crisis.

Another company we spoke to, a major global manufacturer, is retooling a part of their business and investing in digital tools to enable this, in response to the shifts they anticipate playing out in the post-Covid-19 world. And as many industries seek to produce goods closer to the point of consumption – for everything from auto parts to pharmaceutical ingredients – we’ll likely see a reordering of supply chains and accelerated efforts to scale additive manufacturing.

This balancing act requires clear communication from leadership that while austerity measures may be underway, it’s a priority – and a necessity – to simultaneously invest resources to accelerate transformational areas.



THIS CRISIS HAS UNLEASHED AN ANIMAL SPIRIT OF INNOVATION.

Leaders were almost universally surprised at how this crisis has broken down barriers to innovation and unleashed a newfound spirit of innovation. They’re making decisions faster than ever – things that typically take quarters are taking just weeks – even days in some cases – to activate; companies are breaking down silos to enhance collaboration both inside and outside the firm; teams are moving from perfect offerings to minimum viable solutions. All of these changes are resulting in high quality outcomes.

“*Have the silos that kill good ideas with bureaucracy and second guessing been dynamited? The short answer is yes.*”

—THE WALL STREET JOURNAL, APRIL 10, 2020

checks that are inherent in large, established companies. Leaders across the board expressed a strong desire to ensure this culture and mindset continues into the post Covid-19 world.

So why all the success now? It comes down to two factors. First and foremost, this is a shared crisis. Right now, we are all in it together, and as a result there’s a greater level of solidarity and trust – we just don’t have time to apply all the

The other element at play is the level of external constraints. I’ve written about ‘constraint based innovation’, where innovation teams should experiment with adding constraints to their efforts in order to get to the value outcomes faster. This is long how startups have acted, instinctively, as they have a set of internal and external constraints imposed around time, funding, people, and market timing to deliver something. Constraints can actually be a force for high-impact innovation, inspiring action faster and more effectively.

The idea that this shift needs to take years is now a myth, and an unnecessary, self-imposed limitation. We’re finding that

“*Don’t get caught up in perfection.*”

—CEO OF A MAJOR MANUFACTURING COMPANY

out now. One CEO openly shared that in early 2020, he’d outlined a set of cultural and mindset changes fundamental to the transformation of the company, that he anticipated would take up to five years – these have now occurred in a span of 45 days. His focus now is on ensuring these shifts carry through into the post Covid-19 world.



THE FUTURE OF WORK: ACCELERATING THE NEXT LEAP FORWARD IN PRODUCTIVITY

We’ve been hearing pundits talk about the massive job losses from automation for years, and sing the praises of a new generation of collaboration tools that enable new ways of working. Outside of tech companies such as Amazon, companies have been slow to adopt. However, this crisis has imposed a series of constraints that are forcing us to work in new ways, and thus are forcing a major mindset shift of how work and collaboration is undertaken at a broad level. This mindset shift puts automation and worker augmentation in the spotlight, as companies seek both greater efficiencies and unique ways to gain competitive advantage.

At a basic level, this crisis has shifted how industrial firms view remote work. One CEO we spoke to, a longtime skeptic of remote work in any form, was forced due to this crisis to have much of the workforce operate remotely. This experience has completely changed his view, and long-term his company will likely experience a totally different and more flexible approach.

One executive of a company operating in 120 countries noted that the lights have not gone out with 80% of the staff not in the office. This was a huge revelation for them, and they're now reviewing what physical infrastructure (e.g., offices) and what types and levels of workers they truly need in the future to achieve their intended outcomes.

Another executive pointed out that even though they were set up to allow just 30% of their workforce to collaborate digitally at one time, the crisis forced them to quickly upgrade their network and IT infrastructure to accommodate 100% digital collaboration. The fact that they were able to quickly upgrade to a more modern and intuitive collaboration platform highlights how digital transformation will be at the heart of this leap forward.

“*A massive insight has been that the lights have not gone out with 80% of staff not in the office.*”

—CTO OF A GLOBAL OIL SERVICES COMPANY

Tata Consulting Services, which employs 448,000 people, [announced in late April](#) that as a result of the crisis, it will ask 75 percent of its workforce to work remotely by 2025, as opposed to the 20 percent that worked from home pre-Covid-19.

These are just a few examples of the ways that companies are reassessing work. This will occur in varying degrees at every company, and the changes will vary depending on each set of circumstances. But change absolutely will happen everywhere – we were already on the way to a completely reimagined future of work, and this crisis has poured jet fuel on it. The change will be profound, and the potential productivity leap astounding.

✓ THIS IS A MAJOR TURNING POINT FOR TRANSFORMATIVE INNOVATION.

“*Local resilience will be prized over global efficiency.*”

—MARK CARNEY FMR. GOVERNOR OF THE BANK OF ENGLAND, [THE ECONOMIST](#), APRIL 18TH 2020

In response to today's crisis, business leaders are seeing exponentially faster decision-making with no apparent degradation in decision quality, silos collapsing to enable better collaboration, and a real willingness to trade off a level of quality (the perfect product) for more timely delivery of whatever it is that's being worked on. It is incredibly powerful – not to mention insightful – to see how people respond to a pervasive crisis rather than a more contained one, and one that has applied a brutal set of constraints.

This may finally be the turning point for large incumbent firms, away from what I have termed 'the incumbent nightmare' and toward a culture that supports and encourages transformative innovation in ways we haven't seen before in traditional industries. This shift demands bold and visionary leadership. Companies must provide the runway for these fundamental shifts in mindset and culture to take hold in a post Covid-19 world. As Intel founder Andy Grove famously said, “Bad companies are destroyed by crises; good companies survive them; great companies are improved by them.”

We shall see who is who.



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Our clients choose Clareo when they want bold new ideas that get to market faster. Working alongside our clients, we create compelling strategies that lead to action.

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