When the tunnel ends, will your business be ready to operate in the new light?

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Struck by COVID-19, the business world is wading through a dark and very long tunnel, blind to their North Star. We need to stay focused on the tiny light at the end of the tunnel while making sure that we do not go sideways and crash. Unfortunately, many will crash. However, there is hope that humanity -- and both local and global economies – will emerge from COVID-19. Will your business be ready coming out of this dark tunnel? Or, will your business crash, blinded by the sudden burst of light, and miss the opportunity to lead in the environment of the new world. How do we get ready?

There are no off-the-shelf playbooks. Still, many "experts" will tout their rinse-and-repeat solutions to force-fit in a post COVID-19 world. At SLKone, we do not believe in stock solutions, but with our DNA of bespoke solutions building, we have the tools. Our team and advisory partners have collated our thoughts using our tools. The outcome is a series of thought-provoking articles that we believe will guide the business world to build actionable strategies and tactics to sense and seize these opportunities. This white paper sets the scene for what we expect to be an engaging dialog with the business community.

RECOVERING FROM CRISIS – LOOKING IN THE REAR VIEW MIRROR

Our generation(s) have endured cataclysmic business disruptions with increasing frequency. Black Swans are not all that rare anymore, and the adverse impacts from these extreme events are growing exponentially. However, these events shine light for businesses to leapfrog from "Good to Great" and for new ones rise.

Andy Grove, Intel's CEO, once said, "Bad companies are destroyed by crises; Good companies survive them; Great companies are improved by them." Data from prior crises affirm his quote that such events, while handicapping to most businesses, end up as harbingers of new opportunities for some. It is not natural selection or the survival of the fittest, but rather, the emergence of the most adaptive businesses who will survive and thrive.

Looking at publicly listed companies in the Unites States that not only grew revenue but profit margins during the 2008-9 economic meltdown, some familiar names emerge: Abbott, Baxter, Intuit, Netflix, and Visa. These businesses are in different industries with varying degrees of maturity but continued to deliver exceptional financial returns. As businesses build their roadmap to recovery, it may be worth analyzing them from the common traits that made them emerge as leaders.

Impact from COVID-19 will be different from previous crises due to its unique distinction – whereas the 2008 crisis was largely a series of bad economic choices that culminated into a recession, COVID-19 has been triggered by a personal health situation that grew into a societal health pandemic at an alarming rate, severely testing ill prepared public policies and precipitating into an economic crisis. One must trace back more than a century to find a close parallel in the 1918 influenza pandemic. However, the world was not as connected and interdependent back then. We need to stay focused on what is ahead and not look behind.

IMPACT FROM COVID-19 – STATE OF THE BUSINESS NOW

COVID-19, while still unravelling, has fractured the foundations of many business models, and has gone beyond testing the "weakest links" to snapping nearly every link of many value streams. Unmoored from their anchors, businesses are in choppy waters experiencing not just a financial crisis but an existential health crisis for which they are neither responsible, nor have means to emerge unscathed.

We see this evolving into four likelihoods:

1. Business models that will be disrupted beyond recovery and, in the post COVID-19 world, will be less relevant; customers will not return to them - at least not with the same intensity
2. Businesses that will still be relevant, but they will have to adjust their delivery model in the new world because customers, either on their own or through statutory mandates[1], will want to buy and consume their products in a different format
3. Businesses with their business models emerging in higher demand in the post COVID-19 world; customers will want more of them in a socially distanced world (or whatever other regulatory norms emerge)
4. Businesses that do not exist today but will evolve from the COVID-19 crisis

What took decades for business models and supply chains to evolve into, tweak, and perfect has been altered in less than a quarter. While the essential businesses such as critical healthcare and consumer basics are operating in an unsustainable overdrive, revving to a burnout cycle, a vast section of the economy is in standby mode. The state of businesses now is unlike anything that will permit a premeditated design and buttoned up strategy. Corporations are not designed to be non-operational and therefore they are unprepared to restart. Disruption is passé – this is "Rapid Rebirthing" that will be led by businesses who did not go through a normal gestation cycle.

REBIRTHING OF THE BUSINESSES

Eventually we will crawl out of the tunnel, but it will never be business as usual. A forced slumber of nearly three months will have weakened the business value stream muscles to a zombie state. Akin to a seized gear box, it will be hard to ascertain which gear to turn to set the entire gear train in motion.

The business world thinking is driven by causal modeling. The goals are set, the resources are identified, and business leaders make decisions to optimally use these resources to deliver goals. This works great for business managers making decisions on product offering, market selection, supply chain, sourcing, make vs. buy, hiring, and training resources – MBA curriculums and corporate leadership programs have trained a century of business leaders to operate in this comfort zone.

A post-COVID-19 world will be different.

What if there is no demand for the product or service e.g., hotel rooms, airline seats, or empty sporting arenas? What if a generation concludes that education does not need physical campuses anymore?

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[1] Odd–even rationing was instituted in the U.S. as part of the response to the second gasoline crisis in 1979, when turbulent conditions in Iraq and Iran led to worldwide oil price increases, even though a supply shortage did not materialize in the U.S.

What if the means by which we have operated businesses are absent because the value streams have collapsed e.g., broken global supply chains? What if corporate offices are totally avoidable and therefore the car commute can be crossed off the daily routine? This could be the post-COVID-19 world and it should run a chill through the spine of managers whose professional lives have evolved around forecasting, planning, and executing to those plans. This should be a cause for concern for the C-suite and those at the higher echelons, who pack all that business information into glossy presentations and provide guidance to business sponsors and external stakeholders. Already a number of businesses have stopped providing guidance to the street but is that the solution? We are already seeing the downward spiral of world oil prices which continue to stay depressed even with production cuts. Connectedness of global economy and interdependence of industries is a situation ripe for a domino effect.

We believe that pendulum will be closer to a setting where there will be no exact causal equations to play between means and goals for managers. Welcome to the world of deep uncertainty. Rebirthing the businesses in this environment will be like driving through a thick fog of uncertainty while guessing what's lurking around the corner.

While this sounds scary, creating paralyzing fear is not the purpose of this white paper. We want businesses to jumpstart. Frankly, not (re)starting is not an option. Fortunately, we have the tools. However, the mindset and way to orchestrate this thinking and apply these tools needs to change.

ENTREPRENEURIAL MINDSET[2] AND DELIBERATE THINKING[3]

The post-COVID-19 world will demand the mindset of a start-up. Business leaders will have to evolve goals by evaluating what means they have at their disposal. This trait is called effectual reasoning but should not be viewed as a replacement to causal thinking. Good business leaders have a knack of swinging back and forth between causal thinking and effectual reasoning.

A business in steady state can do well applying the traits of causal thinking. However, when the environment is uncertain, forecasts do not have facts behind them, and hard goal setting is meaningless. If goals are squishy, it is not possible to seek optimal resources. How does one plan operationally and financially? In such high-risk situations, the effectual reasoning should take over the driving mindset.

Corporate leadership, however, is biased to be risk averse and effectual thinking is not its dominant style. This is precisely the reason these business leaders have sought to work in corporate "safe jobs" instead of becoming entrepreneurs. In the post-COVID-19 world, business managers will have no choice. Fortunately, the logic is trainable if the managers are able to shift their mindset from causal thinking to effectual reasoning. Studies of successful entrepreneurs suggest they have generated better returns on their limited means and have "leap frogged" many stable businesses. Not having data and facts and losing the predictability of outcomes does not mean this is a fuzzy process that cannot be applied to corporations who are answerable to public and private owners. Quoting from Dr.

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[2] Inspired by groundbreaking research of Saras D. Sarasvathy, 2001, Darden School of Business, University of Virginia
[3] Deliberate Thinking by Dan Kowalski, 2020, inspired by Daniel Kahneman, Nobel laureate in the field of psychology of judgment and decision-making, and behavioral economics

Sarasvaty's article *"What makes entrepreneurs entrepreneurial"*, the difference between causal thinking and effectual reasoning can be understood as below:

- *While causal reasoning focuses on expected return, effectual reasoning emphasizes affordable loss; instead of targeting the highest return, consider how one can minimize the resources to achieve an outcome.* Can you find a customer of your product next door versus a cross-country hop in a socially distanced world?

- *While causal reasoning depends upon competitive analyses, effectual reasoning is built upon strategic partnerships.* Forget competitor analysis, find partners who will either help you with the next revenue dollar and sources that are nearshore versus another end of the globe!

- *While causal reasoning urges the exploitation of pre-existing knowledge and prediction, effectual reasoning stresses the leveraging of contingencies.* It is ok to fail but fail fast with a minimum viable product and rapidly pivot from learning to the next generation of prototype before causal thinkers are perfecting with "ready-aim-fire". In a business environment of deep uncertainty there is no bull's eye and therefore no perfect score.

Once we are in the right frame of mindset, let's apply Deliberate Thinking.

Nobel Laureate and behavioral economist Daniel Kahneman calls this ability System 2 Thinking. In layman's terms, it is a process of deliberating on the situation and developing a path forward. Business leaders are conditioned to the state of Automatic Thinking which works great in a context where there is clear situation and solution information. Deliberate Thinking is a thought process to resolve issues in situations where Automatic Thinking falls short. It starts with understanding that there are circumstances where either the situation, the solution, or both are unclear.

To apply Deliberate Thinking, one needs to capture all relevant perspectives to frame the issues and then ask great questions. Great questions challenge the status quo and prevent mediocre answers. They ensure that the real issue is being addressed in an effective manner, revealing the pathway for what to do and how to do it. Getting all the information out in the open, and ideally making it visible, helps the thinking process.

Working with Dan Kowalski, leader of Plan A Thinking and one of SLKone's Advisory Partners, we recently authored a series of articles that can be found [here](#).

The post-COVID-19 business world will be a start-up environment in disrupted settings that will still be evolving. Having an entrepreneurial mindset and applying Deliberate Thinking will help orchestrate the tools. However, with limited means and uncertain goals, businesses will need the right environment and a support system to jumpstart. Rather than taking a solo journey, we recommend the nursery-like environment of a business incubator.

THE BUSINESS RESTART INCUBATOR

The [Business Restart Incubator](#) is a model for entrepreneurial ideas and comprises a suite of activities, processes, and planning – adapted for each individual application, regardless of industry, size, or ownership structure – in a collaborative, incubator with other companies, advisors, and experts.

Built upon the collective wisdom, experience, and proven-track record, SLKone and its partners have developed a simplified five-step toolkit to assist organizations planning for and getting on a new Post-COVID-19 track. The tools are sequenced to specifically restart businesses, navigate through uncertainty, and emerge from the impacts of the global pandemic.

- **Reflect and Shift** - Leveraging a data-driven approach, assess the performance of the business and operational activities to identify the critical few drivers of value, volumetric and performance metrics, and other macro-economic influencers surrounding the business.

  Most business choices are made in a binary "yes" and "no" environment. However Deliberate Thinking in a business restart environment requiring effectual reasoning leads to "maybe". This reinforces the challenge of choosing between equally undesirable alternatives. A practical situation is described in our article here.

- **Realign to the New Normal** - Facilitated strategic course-correction sessions, leveraging Deliberate Thinking, are held with key leadership members. Data and analytics identified previously are shared to inform the discussion and hypothesize on business opportunities moving forward with a key focus on turning data into decisions on what is achievable.

  As self-quarantining, social distancing, and shelter-in-place orders change normal business patterns, many people have used the adage, "when life gives you lemons, make lemonade." Great advice, but only if you have sugar, water, and ice available. A practical situation is described in our article here.

- **Tactical Planning** - Following from the realignment sessions, tactical planning activities begin with an eye for the future. Functional expertise, both internal and external, is tapped to identify critical path items and projects that must be stopped, started, or accelerated in order to execute on strategy.

  We can borrow the "Stop, Start, Continue" perspective advocated by practitioners of agile methods. Right now, we have had some "Stop" foisted onto us and as the business emerge from the quarantine, core activities will need to "Start and Continue". However, there will be other projects and activities we are conducting in which we need to "Accelerate" to support the new normal. A practical situation is described in our article here.

- **Operational Preparedness** - Rallying internal and external resources and stakeholders to communicate and prepare for the change. Driving change management best practices such as answering, "What's in it for me?", "Why I should care?", and progressing to "How I can help?" to bring life to the tactical plan.

  Businesses are used to planned transformation projects. COVID-19 is a transformation thrust upon us. The process toolkit to engage the team can be found here.

- **Execute Like a Start-up** - Program management efforts from the preparedness phase continue as experts assist with implementation and business execution efforts on identified projects ensuring goals and objectives are met, countermeasures implemented as needed, and business restarts.

WHAT'S NEXT?

The U.S. economy had a decade-long growth cycle and, as COVID-19 hit us, we went looking for business leaders from prior crises to reset the baseline. Our insights suggest that in 2019, fewer than 25% of the publicly listed companies remained in that leaders' club that maintained revenue and margin growth back in 2008-9. This tells us that emerging from crisis is not the only proxy of riding through a robust business cycle. However, reviewing the leaders that make both the lists, a remarkable pattern emerges – the leaders within these businesses operate with the DNA of a start-up that epitomizes effectual reasoning while thinking deliberately. The names should not surprise us: Abbott, Baxter, Intuit, Netflix, and Visa!

Reed Hastings, the founder CEO of Netflix said, "Most entrepreneurial ideas will sound crazy, stupid and uneconomic, and then they'll turn out to be right."

When faced with a challenge or opportunity, Brad Smith, the legendary CEO of Intuit would ask three questions: (1) Who has solved a similar problem outside our industry or company, and what can I learn from their experience? (2) Who has attempted to solve this problem in our industry or company, and what can I learn from them? (3) What are at least three ideas I have considered before selecting my final recommendation, and can I explain to others why I believe this is the best solution? This is a prime example of Deliberate Thinking and the entrepreneurial mindset.

We highly recommend reading Abbott's eBook, "A Promise for Life: The Story of Abbott.," describing the 130-year-old company's pursuit of the extraordinary throughout the years. It will come as no surprise that Abbott's rapid tests are on the front lines battling the COVID-19 pandemic.

While the last century belonged to the companies that followed a "Good to Great" journey, the future will belong to the resilient corporations that morph seamlessly to effectuate the change.