



What Big Business Idea Will Emerge from the Pandemic?

CEOs are reimagining the firm and fighting a snap back to old ways of working.

By James Allen

James Allen is a senior partner in Bain & Company's London office and coauthor of *The Founder's Mentality*. He formerly led Bain's Global Strategy practice and helps lead our CEO Forums and Founder Summits, all of which have moved to virtual support.

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Spring is emerging. Some curves are bending. In parts of Asia, lockdowns are easing. Yet under those curves, families are still suffering and much of the global economy remains frozen. With each difficult new week of the pandemic, CEOs are gradually moving their focus from protecting the business to recovery to retooling, and asking: “How do we learn during this crisis and retool our business so we emerge as clear future winners?”

For the past few weeks, we’ve tracked the lessons of leading CEOs on this journey and uncovered three major ideas:

- They view the Covid-19 crisis as a dress rehearsal for a more turbulent world to come.
- They are looking back to the CEOs at the beginning of World War II who faced the last great global supply and demand shock. In the 1940s, leading CEOs recognized the “big idea” that emerged from the war: marrying mass production with a global mindset. They envisioned new boundaries for the firm: Most notably, the role of public-private partnership became a critical source of competitive advantage. They understood that after the war, new customer segments would emerge with radically new needs. The leaders that retooled their companies based on these lessons outperformed their competition.
- Today’s CEOs are exemplifying the ethos of their 1940s counterparts. To transform their business into a winning firm of the future, they are sharing three main messages with their people: Talk with the most important customers now. Avoid a bounce back to old ways of working. And let the company’s values and principles guide all decisions.

This week, we held dozens of conversations with CEOs about the big idea, or the major theme, that will frame all strategic and organizational changes to come. Most CEOs agree on the big idea emerging from the current crisis: “We can’t go back to the way we were. Instead, we must become a more adaptable, learning organization, competing not only with scale, but also speed. We must rediscover business building—to disrupt the status quo and step confidently from this crisis into a much-changed, new world.”

While these CEOs agree on the “what” of the big idea, they differ on the “why.” We can roughly categorize their vision in the following three ways.

- **The “lessons from lockdown” CEOs.** They are enjoying the flexibility of working from home, the smaller and shorter Zoom meetings, the faster cadence, the greater experimentation, the empowerment of local offices and more. They’re telling their organizations, “This new normal feels smarter and better than the way we worked before.”
- **The “rapidly accelerating trends” CEOs.** They argue that the crisis isn’t bringing anything new, it’s actually a rapid acceleration of current trends. For their company, that might be digital disruption, evolving customer behaviors, new attitudes toward climate change, the erosion of globalization and so on. They’re saying, “These trends are now accelerating. We need less talk, more action.”

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- **The “end of an era” CEOs.** They believe we’re seeing the final decade of the “professional management system.” This system, which originated in the 1920s, manages scale well, but creates a huge amount of complexity. Today’s incumbents don’t have time to manage that complexity—they need to keep up with new industry entrants that compete with scale and speed (we call them “scale insurgents”). These CEOs are saying, “This crisis has exposed the cracks in professional management and forced us to work differently. Let’s seize this moment and start our own journey to become a scale insurgent.”

We embrace all three approaches. Leaders can decide which one will work best for their people. Regardless of the decision, as CEOs think about the big idea of retooling their firms, they’re sharing the same three messages with their people.

Refocus on the best of global and local

The pandemic has underscored that the professional management system fails to put the customer first. Customers are suffering from organizational complexity. Many CEOs understand that the more disruptive post-crisis world will require a leaner but stronger global center. Upgrading the center starts with risk management: the capacity to predict risk, adapt and test resiliency. In addition, the center must deliver the benefits of speed and scale to customers. With the customer in mind, leaders can define the best ways to resolve the three great conflicts of business—scale vs. customer intimacy, routine vs. disruption, and delivery of the current business vs. development of new business.

Once leaders establish the leaner framework, strategic and financial guidelines, and non-negotiables of the new global center, there will be no soul-destroying renegotiations. The days of endless opt-in or opt-out debates between local offices and the global center will end.

The quid pro quo of a tight model for the global center will be a loose model for local teams. Why? Many leaders anticipate radical shifts in industry profit pools and competitive dynamics following the crisis. Since these changes won’t be homogenous across markets, they will require fast local responses. This dynamic already unfolded during the lockdown: As the Covid-19 virus spread across the globe, CEOs saw the value of local experimentation and shared best practices. Moving forward, they will empower their local teams to take the lead in strategic innovation so they can provide tailored solutions in their regions. The local teams will operate within the guidelines of the global center. And CEOs will take the best practices and roll them out globally.

It can be helpful to apply a technology mindset when rethinking the roles of global and local teams. Imagine the organization as an operating system and a set of applications. The global center serves as the operating system, or OS. Once the OS is designed, the app developer doesn’t change it. But the developers and their empowered teams are free to run and build out their own applications as they see fit. The applications benefit from being part of the company, with an investment in a single, scaled operating system and the ability to share lessons across application teams.

This mindset also applies when considering “the rest.” Once the retooled firm gets the operating system and applications right, it’s left with the rest: The vast “middle” of the company that neither

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sets global strategy and standards nor serves local customers. Leading CEOs will reduce the rest. They will no longer allow complexity to slow down their firms.

Rediscover business building

The companies that emerge stronger from the Covid-19 pandemic will be business builders. They understand that customer behaviors and needs will change. They will build new businesses to respond to those changes. They know that industry boundaries will evolve. And they will build new businesses to lead and control those new profit pools. This is the firm's deepest, most critical work, yet most incumbents have forgotten it. Long ago, they lost the true art of business building in favor of the professional management system and its promises of efficiency.

As today's CEOs lead an effort to rediscover the routines of business building, they can start by asking a few guiding questions:

- How do we get better at identifying our points of failure when building a business?
- How can we empower teams to solve these failures through market testing?
- How can we globally scale the winning prototypes that come out of market testing?
- How do we move beyond innovation and consider business building more broadly? How do we determine our products, our routes to market, our ecosystem partnerships and more?
- How can we stop our leaders from second-guessing our team's innovative business building efforts, and focus instead on "amplifying" team successes?

As CEOs reorient the firm around business building, they will discover that their global capabilities aren't fit for this purpose. They are designed to run, not build, businesses. And the senior team isn't geared to be fast, adaptive and supportive of local experimentation and learning. It's best to recognize that from the start.

CEOs will also discover that they suffer from the illusion of speed. They believe that their firm makes quick decisions. Over the last year, we've heard several CEOs comment on Amazon, with some version of the following: "I've talked to a lot of Amazon leaders. The time taken around those legendary six-page memos makes my company look like a fast-moving start-up. The processes around that memo are more bureaucratic than anything we have."

It's true that Amazon—the once nimble start-up, now behemoth—wrestles with the consequences of its size. But these CEOs are missing something vital: the scope of that six-page memo. In a matter of pages, Bezos and his leadership team address multiple aspects of the business they're building and debate a vast number of fundamental questions. The seemingly slow process to approve six pages is only one aspect of a "go" vs. "no go" decision. When it leads to "go," the business builder can get on with it. In contrast, most incumbents' notably undefined process for business building involves hundreds of meetings and thousands of decisions. While each meeting may feel quick and decisions may be fast, no single decision emerges that gives the green light to the business builder.

Reorient your talent model and culture to those that really matter

The most inspiring aspect of the big idea, of retooling a firm for the new world, is the effect it will have on people and culture. Through virtually managing a team and revamping a business, leaders will find that so much of what we call “people development” is actually a set of processes that train people to manage complexity, rather than question it. Some CEOs are realizing they don’t need smooth operators—those all-rounders, devoid of obvious weakness, whose main strength is managing the complexity they often create themselves. Instead, CEOs need the messy folks who tell it like it is—those people who have “spikes,” or great strengths, in some areas and some glaring weaknesses in others. There’s magic to those diverse folks who help us find surprising ideas in surprising places.

And so, during the crisis, great CEOs are celebrating the disruptors who have the new ideas and the ability to navigate around—not through—obstacles. They’re celebrating their best operators who flawlessly execute on the customer experience playbook. And they’re celebrating the scalers who industrialize creative ideas to form new businesses.

Finally, in light of the crisis, they’re celebrating the “essential worker”—those frontline heroes who *really* matter to customers. They prepare food, deliver packages, transport the ill, clean surfaces to keep us well, and more. Customers know these workers are vital; society has deemed them essential. Firms must as well by keeping them top of mind when celebrating those that matter and distributing rewards. We can’t snap back to the way we were before.

Leading CEOs will also use the big idea to celebrate their 26-year-olds and give them a chance to shine. They recognize retooling as a second founding moment. It’s an opportunity to recreate the magic of their company’s founding, when heroic 26-year-olds did heroic things in heroic times. The CEO role will be more fun and influential if young emerging talent is empowered and, through their thousands of experiments, the entire firm learns and adapts its way into the new world.

Retooling also provides an opportunity to nurture a more resilient culture. The crisis has revealed the limits of prediction. Companies didn’t fail because they never considered pandemics—there’s probably a dusty presentation somewhere. They stumbled because when the crisis hit, they didn’t adapt quickly enough. They stumbled because past decisions weren’t resilient. But companies also stumbled due to the biggest supply and demand shock in 80 years. Don’t forget that.

The winning cultures founded in retooling will be learning cultures, starting with the lessons of the pandemic. Leaders will adopt a growth mindset. The winning organizations will embrace Agile. They will be adaptable. They will celebrate the teams that mobilize around crisis issues and business-building problems. They will rise above the hard days, because customers expect nothing less.

While we’re still in the difficult part of the crisis, we’re beginning to see the big idea. Whether you got here through the lessons of lockdown, the race to catch up with accelerating trends, or a more profound change in the composition of your industry, the idea is becoming clearer. Instead of snapping back to the way you were, radically simplify what you do and how you do it, and respond faster to your changing customers. They want you to build the businesses they need, but they won’t wait. Your spiky leaders and next-generation stars want you to retool for the future, but they won’t wait either. Every decision you make signals to your people and customers whether you will emerge from this crisis as the winner. Send the right signals. This is your moment.

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