

Which Innovations Should You Keep When the Crisis is Over?

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EDITOR'S NOTE: This popular EIX article, published during the height of the COVID-19 pandemic, includes timely advice for emerging from any crisis.

Although difficult to see at the moment, the COVID-19 pandemic is likely to have a number of silver linings, one of which is business innovation. The pandemic's disruptions to society and the economy have catalyzed some of the most pervasive and creative business model reinventions in recent memory. Not all of these innovations will last. But smart companies will identify the ones worth keeping and make them better.

Consider what some companies around the world are doing in response to this crisis. U.S. auto insurers are recalibrating premiums to reflect reductions in driving; Geico's 15% credit to its policyholders is worth an estimated \$2.5 billion. Gear and apparel manufacturers like Canada's Arc'teryx Equipment are making protective equipment for healthcare providers and the public. Distilleries like Bacardi and cosmetics companies like those owned by LVMH are making hand sanitizer to combat shortages. Restaurants known for sit-down dining like renowned Texas smokehouse Salt Lick BBQ provide home delivery and meal kits with fresh ingredients. Schools and universities are providing education purely online.

A focus on serving customer needs during and post pandemic may put some businesses in a better position than even before the pandemic. Pundits are already foretelling a fundamental shift in the nature of business and proclaiming that things will never be the same. But history tells us otherwise. Even the 1918 Spanish Flu, which killed more than 50 million people worldwide, didn't spur big permanent changes in how business was done. Why? Because people, and the organizations they lead, often forget what they had to do to survive when the threat goes away.

Many business innovations launched in the COVID-19 pandemic are therefore unlikely to last when the crisis is over and everyday life stabilizes. For example, once the need for social distancing is over, we may not see K-12 schools and universities continuing to offer courses exclusively online or even a heavier emphasis on online learning—especially if it was an unplanned, unwanted, and uncomfortable adjustment.

However, to differentiate themselves in a post-COVID-19 world, businesses will need to resist the urge to return to “business as usual.” A crucial and irreplaceable opportunity thus exists for businesses to differentiate themselves in a post-COVID-19 world by sustaining and enriching their recent innovations rather than allowing them to erode. This means that they must look hard at innovations that helped them survive this crisis and identify those that will help them thrive in the future.

While staying afloat continues to represent a very real concern for many businesses, those successfully weathering the storm can and should begin to think about what the present means for their competitive future. After all, innovations do not sustain, transform, and create value themselves—doing so requires intention, attention, and action! Businesses that fail to be proactive rarely stand the test of time, as evidenced by the death of many book and toy stores, game console manufacturers, and entertainment hardware manufacturers, among countless other examples.

How do you identify the innovations you should retain? And once you identify them, how do you turn them into formidable competitive advantages? Drawing on our collective knowledge and experience, we propose four actions.

1. Take stock of how you improved



your business model during the pandemic

Some businesses have changed how they deliver products and services. For example, H-E-B, a privately held \$28 billion grocery retailer headquartered in Texas, started a program for the communities it serves to cover the cost of deliveries to elderly patrons, allowing this high-risk group to stay home. Older customers, now that they have experienced this convenience, may want the grocery chain to keep it as an option.

Other businesses have changed their lineup of products and services -- enriching, extending, and even revolutionizing their existing value propositions. Snooze A.M. Eatery, a 40-location breakfast and brunch restaurant chain, has been offering meal and cocktail kits so customers can enjoy its creative seasonal foods and brunch-style drinks at home—extending beyond its traditional sit-down dining model. The company may want to keep these offerings for patrons who want a cozy weekend brunch at home.

Business model changes like these should be included on your “innovation list.” Stay mindful of even the most incremental innovations. They, too, can differentiate your business after the pandemic.

2. Figure out which business model improvements will differentiate your company after COVID-19 and which ones won't

Pandemic-induced innovations might be keepers if they complement and improve upon the features that define and distinguish your company's offerings from competitors'. For instance, telehealth providers have reduced the risk and improved the reach of traditional physicians during the pandemic. Physicians can now treat high-risk patients in low-risk ways, and they can help more people in communities hit hard by COVID-19. Even physicians who contracted mild cases of COVID-19 were able to keep treating patients safely from a distance.

When determining the differentiating potential of your innovations, consider whether customers will still want them when the crisis is over. For instance, Bacardi will no longer need to produce hand sanitizer when traditional manufacturers ramp up production and consumers worry less about continually cleaning their

hands. However, the company could turn its excess alcohol into revenue if hand sanitizer manufacturers want to increase their private-label business or if they must find other sources of materials to handle unexpected surges in demand.

Also consider whether and how much innovations will add to your company's post-pandemic bottom line. For instance, Chick-fil-A should evaluate the profitability of continuing home delivery to customers incapable of or unwilling to travel to their local restaurants.

Developing a system, even a rudimentary one, to rate your business's recent innovations and to rank them from most to least valuable may help when assessing their importance. Notably, innovations that strengthen value propositions, retain utility in the absence of the challenges that inspired them, and contribute to financial health offer more potential to differentiate your company in the post-pandemic world than innovations lacking some or all of these features.

Make sure to involve your leadership team in this process as much as you can. They may be aware of innovations that you are not and see future uses for them that you do not!

Ultimately, innovations that increase the value companies generate for customers after the pandemic recedes and improve financial performance might be worth keeping.

3. Ask key stakeholders to assess the value of your business model innovations

Start by determining which stakeholders' perspectives matter most in validating the potential value of your innovations. Focus on groups most affected by the innovations, and then consider expanding them to other groups. For instance, Facebook might want to ask users, advertisers, employees, suppliers, investors and lawmakers about the value of commercializing the grant program it launched to keep small San Francisco-area businesses afloat during the pandemic.

Then, figure out how to get feedback from your key stakeholder groups. Your market research professionals should determine whether to talk directly to stakeholders, do online research about consumer trends and other companies, or conduct a combination of both.

For example, TOM BIHN, a Seattle manufacturer of handmade backpacks and related goods, has begun to ask passionate fans on its online consumer forum about whether it should keep making protective masks along with its typical products. Darcy Gray, the company's CEO, has begun to solicit and compile feedback on the potential value of this effort relative to their typical projects.

Finally, decide what information you need from your stakeholder groups, including how useful, desirable, and indispensable your innovations might be to them now and in the future.

Apple and Google, for example, have rolled out programs to help cell phone users determine if they are in close proximity to COVID-19 patients. Stakeholder feedback will help these companies sift through the endless commercial possibilities and ethical concerns of such innovations.

Comparing how your company's leadership team and stakeholders view these innovations will help determine which ones to keep and how to prioritize their development.

4. Determine whether and how to capture the potential value of business model innovations you decide to keep

For Tata Consultancy Services, India's largest IT company, the pandemic accelerated a program already underway to let more employees work from home. About 90% of Tata's employees have been working from home, and the company now says that it won't need any more than a quarter of its workforce in the office even after the pandemic ends. Nearly all of its employees worked from an office before the pandemic.

In cases such as TCS's, the pandemic was a proving ground for innovation already in the works; for other companies it's been the impetus for brand new innovations that help them survive. No matter how they came about, decide what your innovations can do after the pandemic. Apple and Google, for instance, would need to decide whether to repurpose their COVID-19 tracking programs: what information to track in the future, who could use it, and how to monetize it. Snooze A.M. Eatery must determine to what degree (if at all) it should continue to offer meal and drink kits.

Next, lay out the actions and resources needed to transform the innovations from what they are now to what you want them to be in the future. Envisioning action, like any other variant of strategic planning, feels a lot like making educated guesses, crossing your fingers, and hoping for the best outcomes. Henry Mintzberg, the renowned management scholar, suggested that strategies are grown unintentionally like weeds in a garden, rather than intentionally like tomatoes in that same space. However, engaging in a meticulous planning process will increase your odds of success.

Finally, establish a timeline with milestones and actions to make your innovation permanent. If Chick-fil-A, for instance, decides that home delivery is part of its future, it also needs to decide how to make Door Dash or other delivery partners a bigger part of its new business model.

The Pandemic as Catalyst of Profitable Innovation

The pandemic has triggered a massive innovation wave, one unmatched in recent history and unlikely to repeat in the foreseeable future. Taking advantage of this rare opportunity will help to enable your business to write its history as it unfolds now, rather than trying to modify that history after it has already been written.

Differentiating based on COVID-19 innovations could enable your business to join the pantheon of innovative companies that have defined entire categories of products and actions. For instance, instead of mailing, faxing or videoconferencing with each other, communicators have Xeroxed, FedExed, Skyped and Zoomed each other as technologies have shifted over time.

Conversely, failing to differentiate could relegate your business to the graveyard of companies that have resisted change, gone out of business, and been forgotten over the years. For instance, Walden Books used to be everywhere and now they are nowhere, an increasingly fuzzy and distant memory for those old enough to remember.

Companies that think strategically about business model innovations can turn makeshift changes to survive COVID-19 into valuable differentiators and sources of competitive advantage. For your firm, this may be the pandemic's biggest silver lining.

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