



# The Coronavirus May Inspire a Great Retooling

What the CEOs of the 2020s can learn from the business leaders of the 1940s as they confront Covid-19.

**By James Allen**

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Over the past two weeks, we've been sharing messages from CEOs and founders as they navigate the coronavirus crisis. Most leaders remain firmly in a protection mode, working to ensure the safety of their people and the continuity of their business. Their management teams are scattered around the globe, and their people are worried about their job security. Their supply chains are broken. Their Asia-based call centers have disappeared, as workers have been forced home without laptops, broadband or phones. At the same time, their employees are trying to homeschool their children or protect parents and grandparents from the Covid-19 virus. And they're facing immense uncertainty: They don't know how fast they will recover or what the world will be like when we come out of the pandemic.

The American CEOs of the 1940s faced a similar situation at the outset of World War II: a loss of customers (due to rationing and shutdowns), a loss of employees (who were redeployed to fight) and a loss of suppliers and distributors (which were redirected by the government). Their management teams and workforce were anxious. No one knew when life and business would "bounce back" to prewar conditions (even though the country was in its 12th year of the Great Depression). No one knew when the war would end or what world would emerge.

But World War II was also a time of extraordinary transformation: General Motors shifted almost 90% of its divisions to produce war equipment. Hershey shifted from candy to D rations, ramping up production from 700,000 bars to 24 million bars per week. Before the war, it took 200,000 hours of labor to build a plane; by the end, Ford had it down to 18,000 hours. The Army asked Coca-Cola to open 10 bottling plants abroad to serve American soldiers—its leadership team responded by opening 64 bottling plants, serving 5 billion bottles of Coke to GIs. The number of women working in the defense industry skyrocketed from barely 80,000 in June 1942 to more than 3 million by the war's end.

It was a period of "retooling"—a time when entire US industries turned on a dime to reconfigure their businesses and respond to a new reality. As result, many of these companies emerged stronger and dominated global industries for decades after the war. Those that failed to adapt fell by the wayside.

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Why are we talking about World War II? While the coronavirus crisis may not be of the same scale as a world war, the opportunity for businesses to retool is just as large. The pandemic exposed weaknesses: Few companies were ready. As a result, boards everywhere will eventually need to redefine their meaning of “crisis preparedness.” In the meantime, firms are battling for relevance, trying to prove their value to anxious, underserved customers.

Many CEOs understand that we are entering the “Great Retooling,” a time when they have the right and the duty to question everything they know about business. The innovative choices that help them serve customers during the current crisis could fundamentally redefine the company’s future. They can equip themselves to survive and thrive in a more turbulent world ahead—one of disruption from climate change, evolving globalization, technology and more.

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And there are many opportunities to retool: CEOs must rethink their routes to market as channel partners either adjust quickly or fail fast. They need to modify their supply chains as critical components are “cut off.” They must rebuild their offshore customer care centers. They need to rethink ways of working in a new virtual world. They need to review every cost.

Of course, there are limits to the retooling analogy. With the exception of a handful of cases—such as those new to producing ventilators, protection equipment and disinfectant—few companies, much less entire industries, are retooling to fight the virus itself. But current CEOs can still take a few lessons from their wartime counterparts: Have the courage to challenge everything; rally your people around a big idea to reimagine the firm, its assets, people and boundaries; and prepare for the changing needs of the customers who will emerge from this crisis.

### **Rally around a big idea**

In one of his great lectures about World War II, American historian David M. Kennedy described change this way: “If the word that best describes the state of this society during the Depression of the 30s is paralysis, the word that best describes what happens after December 7, 1941, the attack on

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Pearl Harbor, is movement.” It didn’t happen all at once, but the companies that thrived through and after the war were those that moved quickly. In their rapid retooling, they fully embraced the ideas of mass production and a global mindset.

Neither idea was new to business: Rockefeller saw the benefits of a global mindset four decades earlier in shaping the oil industry to his will, while Henry Ford demonstrated the benefits of mass production with the Model A and Model T. But the war retooling taught a whole generation of business leaders how to apply these ideas on a different scale. Arthur Herman, author of *Freedom’s Forge: How American Business Produced Victory in World War II*, describes how companies retooled to build planes, writing, “the process of mass-producing war materiel was no different than mass-producing anything else. Once you broke it down to as many interchangeable parts as possible, and arranged for the parts to come together in a continuous assembly line, you could make as many of what was needed, as quickly as needed, and as fast as anyone demanded—all the while driving the cost down the more you produced.” The assembly line technology supported a new global mindset. In turn, the new global mindset expanded the use of the technology.

Once leaders adopted a more global mindset, anything was possible. Consider the leaders of Coca-Cola. During the war, CEO Robert Woodruff gave an order “to see that every man in uniform gets a bottle of Coca-Cola for 5 cents, wherever he is, and whatever it costs the company.” This wartime ambition—their big new idea—created a truly iconic brand, evolving into a postwar company with a global footprint and mindset. Over time, it also helped Coca-Cola reimagine its organization as a central platform of brands and consumer insights with local, entrepreneurial bottlers who could serve local markets.

The CEOs of 2020 are living in a truly digital world—one of working virtually, of finding freedom from headquarters and office real estate and of using new channels to reach and mobilize their people. In the midst of the crisis, they are creating entrepreneurial teams at a local level to solve local problems. They are reimagining the center of their organizations as a platform that can serve these teams with standardized support. Digital technology is enabling this new mindset. And the new mindset will stretch our application of digital technology.

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A firm's purpose has always been to manage three great conflicts and make the right trade-offs for customers: scale vs. customer intimacy, routines vs. disruption and short-term planning vs. long-term planning. CEOs are retooling their firms to manage these conflicts digitally. Leaders recognize that their companies will live or die based on the speed at which they adopt new technologies and new mindsets.

During World War II, whole parts of the US economy opened to women and minorities within months—overcoming decades of paralysis. As the US responds to the shutdown of schools amid the pandemic, we've seen a massive shift to online teaching—overcoming decades of debate among academics. A crisis propels rapid shifts. CEOs now have a rare moment to make quick calls on the hard decisions that their teams would have normally debated for years.

There are bold, transformative ideas that have been bouncing around the halls of your company for some time now. Seize the moment, rally around the biggest idea and make the change now. You can start with a few questions:

- How can we redefine the role of our center to make the most of the digital platforms we're building during lockdown?
- How can we reach our consumers faster and better? How can we establish partnerships with those that guarantee the fastest route from factory to home?
- How can we reimagine our company as a team of teams that mobilizes around our most important priorities? How do we stop trapping our resources in siloes or locking them into annual planning cycles?
- How do we combine the best of our global and multi-local resources, never again leaving our local customers without our products?

### **Reconsider your assets and think beyond the traditional boundaries of the firm**

The retooling of the 1940s required CEOs to reconsider the natural boundaries of their firms. Competitive dynamics changed as archrivals became key partners. Suppliers became customers. Routes to market changed overnight. The government became a huge customer and public-private partnerships were key to survival.

Today's business leaders are doing the same. They are working with key competitors to secure supply and negotiate with local governments. They are forming new alliances. They are reconsidering what

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is inside and what is outside. They are rethinking the meaning of the essential employee as they are reminded how much their business depends on the people who make and sell the products, hand them to customers and take customer calls. Will companies ever outsource these vital roles in the same way again? They are reminded that clever leaders, talking on Zoom, are only as good as the extraordinary employees out in the field.

In the 1940s, companies didn't just reconfigure their boundaries or collaborate in partnerships for the duration of the war. The implications of the era echoed far beyond. Immediately following the end of World War II, the role of government changed dramatically in certain markets, both creating and shutting down opportunities for companies and industries. In the UK, the National Health Service was born. Global governments sought a common union, so they formed the United Nations. The US enacted the Marshall Plan to provide aid to Western Europe. And over the next decades, we saw massive reconciliation and realignment between the Allied and Axis powers. The Cold War and containment strategy shook up alliances again, locking Western-oriented nations and Communist-oriented nations into a nearly 45-year conflict. Companies, with their new global mindsets, had to navigate these shifts.

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What will happen now? Will the US and China emerge closer or farther apart? If they drift apart, will multinationals still operate as a single firm with a single set of values across both markets? Global CEOs may need to consider how the boundaries of their firms can align with the new boundaries that governments create.

We may not know what citizens will demand or governments will do in the wake of the global pandemic. But we do know that the leading firms of the future will measure themselves by the strength of their partnerships, not by their assets. The CEOs that think beyond their boundaries today will be well positioned to successfully retool for a new tomorrow.

## Prepare for two different types of customers and multiple scenarios

As the war moved into 1945, the end was in sight. The world had undergone huge change during years of hardship and loss. Some of the changes simply accelerated previous trends: Women entered the economic and political spheres after a decades-long struggle for rights. Others were complete reversals: US firms welcomed a more global mindset.

In businesses across America, debates raged about the nature of the consumer that would emerge from the wartime. Would consumers behave the same, desperate to bounce back to the lives they had before the war? Or would they be completely new, forever changed by the war?

Some companies bet on a return to prewar trends. Packard, an auto manufacturer, assumed the emerging postwar consumer would still want the basic cars of the 1930s. They bet on a fast bounce back and lost. On the other hand, Ray-Ban bet that emerging postwar consumers would want to emulate the aviator look of their heroes, the returning airmen. They won.

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Don't underestimate how a profound crisis will transform your customer.

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At the time, no one could predict how a wartime consumer would view an uncertain peace. Almost every CEO underestimated how much the war would transform the American consumer. The returning soldiers, supported by government programs like the GI Bill, became the fathers of baby boomers, and their wives, empowered by Rosie the Riveter, became their mothers. They rushed to the suburbs, bought houses and cars, and fueled the American dream. Their prewar, Depression-era distrust of overconsumption had faded. The postwar consumer regarded spending on the home their patriotic duty. It was American to embrace the new and the improved.

We don't know if you should assume that yesterday's shopper will come roaring back as your best customer, or if you should expect a forever-changed, post-pandemic consumer. But the war retooling should serve as a warning: Don't underestimate how a profound crisis will transform your customer. Families are living in an indefinite lockdown, teaching each other how to survive and thrive in a digital world. Grandparents are playing games online with their grandchildren. Parents and children are huddled together behind phone screens talking to friends and classmates across the road. In order



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to navigate shortages at their traditional stores, anxious mothers and fathers are finding food from surprising sources. Twenty-somethings are hearing government define “essential workers” and wondering if their current job is “essential” at all.

Under these extraordinary circumstances, leaders should assume nothing. The future consumer, of course, will bounce back to certain categories and forever change their relationship with others. But where will your business fall? Prepare for the bounce-back shopper *and* the forever-changed consumer. Conduct new consumer research, test new messages and propositions. Ensure you’re relevant for multiple scenarios.



Of course, the war effort was not called a retooling at the time. CEOs didn’t just wake up and decide to build planes, recruit women into the workforce, adopt a global mindset and prepare to serve a new generation of consumer. They struggled to survive, as the war stopped them from serving customers and commandeered their workforce. First, there was chaos. And then, in fits and starts, CEOs started to retool their companies. Eventually, they recovered. Before these CEOs learned to eliminate chaos, they learned to manage through it.

This is perhaps the most important lesson that these wartime CEOs can give today’s leaders. As you move from protection mode, to early recovery, and into the Great Retooling, you will live in uncertainty. You will operate in a range of scenarios, building a team that grows more adaptable to the weekly events along the way. This adaptable team is the team you will use to retool and thrive in the new world that emerges. You may need to serve the same bounce-back consumers at the end of the crisis, but you don’t need to let your organization bounce back to the one you led before.

Three words are useful here: prediction, adaptability and resiliency. Covid-19 has revealed weakness in all three areas. In managing through chaos, we have to build the muscles needed to predict change, to adapt quickly when we’re right and when we’re wrong, and to ensure that our businesses are resilient to the shocks that will inevitably happen during the decades of uncertainty to come.

Surely, we will be better after this chance to stop, play with the kids, connect with friends online and question what really matters. The world is not at war. But your customers will forever remember who came to their aid as they hunkered down at home, and eventually, enabled them to emerge from this crisis. They will be different and expect you to be different, too. And your employees will look to you for moments of truth as the company moves from protection mode, to recovery, to retooling. They want reassurance and inspiration. This is your moment.

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