

Risk Practice

# Return: A new muscle, not just a plan

Return is not a phase; it's a way of operating. A nerve center can help build the capabilities that businesses need in the "next normal."

*by Mihir Mysore, Bob Sternfels, and Matt Wilson*



**In less than four months**, COVID-19 has upended almost all expectations for 2020. Beyond the loss of life and the fear caused by the pandemic, businesses around the world have faced disruptions at a speed and scale unprecedented in the modern era.

Companies everywhere are now wrestling with the question of how to reach the next normal safely. Many talk about a return to the workplace as a plan that needs to be implemented: a series of systematic steps to reach some kind of stable operating model, in a world where vaccines are adequately available or herd immunity has been reached. In many cases, these plans suggest a return to some relatable version of the past.

Yet the intrinsic uncertainties that might scupper such plans continue to mount. Executives readily admit, for instance, that it is tough to write a deterministic return plan because of the likelihood of a resurgence, discoveries about how the virus is transmitted and whom it affects, the nature and duration of immunity, and continued changes in the quality and availability of testing and contact tracing. The best possible plan today is merely a strawman that will need near-continuous recalibration and change.

Another critical uncertainty is the future of remote work. Some feel that recent events have driven a real productivity gain they do not want to lose. However, they recognize that a wholesale shift to remote work has had many false dawns. Silicon Valley has experimented with it most extensively, but after many attempts to implement telecommuting, our research found that at 15 top firms, only 8 percent of the employees work remotely. These companies do not want to try this again only to roll it back in a few years.

Customer behavior is a third unknown. Companies see the clear shift to digital among consumers and its inevitable impact: online shopping has expanded by up to 60 percent in some categories, and up to 20 percent of online consumers in the United States have switched at least some brands recently. But

it's unclear whether once the pandemic recedes, these customers will return to their old ways or if the pandemic will create new types of consumers.

Given these and other uncertainties and the need for experimentation and fast learning to navigate through them effectively, we believe that the next step in the response of businesses cannot be thought of as a phase at all. It will be open ended rather than fixed in time. A better mental model is to think about developing a new "muscle": an enterprise-wide ability to absorb uncertainty and incorporate lessons into the operating model quickly. The muscle has to be a "fast-twitch" one, characterized by a willingness to change plans and base decisions on hypotheses about the future—supported by continually refreshed microdata about what's happening, for example, in each retail location. And the muscle also needs some "slow-twitch" fibers to set long-term plans and manage through structural shifts.

Many companies are trying to hang on until a full reopening, perhaps made possible by a vaccine or herd immunity. Meanwhile, they are configuring their resources to be ready by then. That's risky; despite promising news from early clinical trials, a full reopening could be many months away—months when companies must adapt to reality if they are to survive. Already, signs of viral resurgence in Asia are causing companies fixated on plans to rewrite them hurriedly.

In this article, we will outline four forces whose uncertain outcomes will shape the years to come, as well as the steps needed to build the return muscle to grapple with these forces—especially the nerve center that powers the muscle. Once the center has been built and incorporated into a new operating model across the organization, muscular companies will be ready for a new era of competition. We won't say that this work will make companies future proof; the pandemic has exposed the folly of that idea. But we argue that building a return muscle is the right discipline for these times.

# With tens of millions of jobs lost, and more to come, the workforce is absorbing the brunt of the economic blow.

## Four forces that will mold the next normal

Out of the chaos of the first few months of COVID-19, four forces that could shape the next era in business are emerging.

### The metamorphosis of demand

No one has failed to notice how the pandemic has shifted demand online. Twice as many consumers now shop online for groceries. Across categories, the number of consumers who now use digital channels has increased by an average of about 20 to 25 percent. And first-time digital consumers account for almost 40 percent of the growth in digital goods and services. As consumers shift to digital, loyalties are also in play: some 15 to 20 percent of US shoppers have switched websites since COVID-19 started.

Yet the shift to digital is by no means universal. In banking, recent McKinsey surveys find that 13 percent of retail customers expect to use mobile banking services more, 7 percent to use them less.<sup>1</sup>

Planning for demand is extraordinarily challenging. Many macroeconomic recovery scenarios are on the table, from late 2020 to beyond 2023. Each sector has its own particular effects from the pandemic and the government response. That translates into wide variations in the timing and strength of a recovery in demand. Overall consumption has

fallen not only as a result of this greater economic uncertainty but also continuing concerns about personal health and an increased preference for simpler connections with family rather than expensive items or experiences. The economic recovery in China has been one of the world's fastest—yet its consumption is still more than 20 percent lower than before the outbreak.

### Rapid changes in the workforce

With tens of millions of jobs lost, and more to come, the workforce is absorbing the brunt of the economic blow. A new McKinsey Global Institute study finds that up to one-third of US jobs may be vulnerable to furloughs, pay cuts, and layoffs. Low-income workers hold 80 percent of those jobs.<sup>2</sup> The single biggest challenge facing employers may be deciding how and when to add workers to the payroll.

Strangely, with so many sidelined, some industries are experiencing shortages. Many people cannot return to their jobs because of health-related issues, including workers who are ill, quarantined, caregivers, or vulnerable to infection. But employers are also finding that newly needed skill sets are in short supply, such as digital sales skills in B2B field sales forces, productivity-based management techniques at a time when productivity is tougher to measure, and many others.

<sup>1</sup> Kevin Buehler, Miklós Dietz, Marie-Claude Nadeau, Fritz Nauck, Lorenzo Serino, and Olivia White, "Stability in the storm: US Banks in the pandemic and the next normal," May 2020, McKinsey.com.

<sup>2</sup> Susan Lund, Kweilin Ellingrud, Bryan Hancock, James Manyika, and André Dua, "Lives and livelihoods: Assessing the near-term impact of COVID-19 on US workers," April 2020, McKinsey.com.

Other changes are roiling the workforce. Among white-collar workers, remote work has become the new norm. Some are thrilled about their greater productivity and flexibility, as well as the time and sanity reclaimed from long, stressful commutes. Others cannot wait to get back to the office: for them, the lack of a home-office setup and the inability to separate work from life are major sources of stress. Dual-career couples have additional stresses, which may increase if schools cannot open in a few months. Finally, as companies try new models of remote and on-site work, novel challenges may arise, such as widely different subcultures for these two groups of workers—with very different norms, expectations from employers, and team health.

### **Shifts in regulation**

Regulators and governments around the world are using varied philosophies of public health; Sweden, for example, is focusing on achieving herd immunity. Many countries do not have consistent national health standards; for instance, 13 US states today ban all gatherings, 24 ban gatherings of over ten people, ten or so let about 20 to 50 people gather. The rest have completely lifted their bans or have taken no action. Variation among cities and counties is even starker. A wide range of societal beliefs, economic realities, and political challenges underlie these choices.

For leaders whose businesses span multiple geographies, ensuring consistency is highly challenging. Business leaders are understandably anxious to protect their employees while ensuring compliance. They know that they need to establish some level of productivity to preserve the future of their companies.

### **Increasing information about protocols for safety**

The gargantuan medical and scientific effort focused on COVID-19 has already produced important insights that directly affect how companies respond. For instance, newer studies have suggested that the point of highest transmissibility is the day before symptoms begin

to show; at that point, some form of aerosolization expands the reach of the virus.<sup>3</sup> Other studies point to the prevalence of asymptomatic patients. And the sharing of major transmission events affords another window of learning from the virus. A recent case involved an unwitting COVID-19 carrier in a restaurant who sneezed into an air-conditioning duct and spread the infection to everyone there.

Other critical recent findings focus on seasonality. Hopes for a rapid fall in COVID-19 cases as summer approaches in the Northern Hemisphere have subsided: in Asia the resurgent virus is once again taking hold, despite the onset of summer, and its transmission is increasing in warmer climates around the world. More economic activity and reduced physical distancing have also driven a resurgence of the virus. These developments have important lessons for companies: any regime of interventions that they set up cannot ignore presymptomatic and asymptomatic patients. There should be a real focus on facilities and how they are configured.

Early concerns about significant bottlenecks in testing are, slowly but surely, starting to ease. This welcome news is coinciding with the arrival of a broader range of testing options. Testing will be a critical question in coming weeks and months as increasing numbers of employers try to ensure a safe return to the workplace—the core task—by looking to new polymerase chain-reaction (PCR) tests, more informative serological tests (current versions have known issues), and other new developments. All the new information should help companies set distancing guidelines, stagger shifts, develop new hybrid on-site/remote models, and so on. Every move will have to be evaluated immediately and refined as necessary—a tough task, but one that the nerve center can accept in stride.

### **Building the muscle for response — and resilience**

Most companies have already established “war rooms” to coordinate the recovery and the return

---

<sup>3</sup> Xi He et al, “Temporal dynamics in viral shedding and transmissibility of COVID-19,” Nature Medicine, April 15, 2020, nature.com.

from the pandemic. But these are not sufficient, because they focus, for example, on tactical plans to get people back into offices, to reopen their retail stores once the lockdown is lifted, or to get their sales reps back on the road. Instead, companies should expand their war rooms into fully fledged return nerve centers.

Such a nerve center is a flexible structure that concentrates crucial leadership skills and organizational capabilities and gives leaders the best chance of getting ahead of events rather than reacting to them. It has enterprise-wide authority and enables leaders and experts to test approaches quickly, to preserve and deepen the most effective solutions, and to move on ahead of the changing environment.<sup>4</sup> In the following, we sketch out what the nerve center does, how it works, the technology it requires, and some of the benefits.

#### **Anticipation: How the nerve center sees around corners**

Nerve centers will probably be in place for the next 12 to 18 months. Their core mission is to listen closely for the signals emitted by the four forces. Consider the shifting sands of consumer demand. As contradictory signals emerge, companies need to know, for example, if they face sandbars up ahead, where the channels are, and where the open ocean is. To plot a course, executives have to monitor the signals of a digital shift and decide how deeply their categories are affected.

Other signals might emerge from brand loyalty: the propensity of consumers for some brands versus

others can provide clues about which digital and physical journeys people are starting to choose. As stores reopen, microdata can provide granular information on footfall at specific sites and on spending there. These data can inform decisions about reopening retail locations and ideas for improving the digital experience.

Companies also need some way of understanding the capability gaps of their sales forces (such as digital sales, for reps who work primarily in the field). They should then address these gaps quickly through virtual training, mentoring, and other levers. There is no established playbook on effective sales in a pandemic. Companies will need to experiment, see what works, and then disseminate the findings on their learning platforms. To deliver what customers want, companies will need to build smooth digital and contactless customer experiences, which might require updates to the underlying IT architecture.

#### **Two teams**

Nerve centers can realize these needs through two core teams. First, a delivery team works toward a clearly defined objective and then learns from it. That's different from the typical approach: crafting a supposedly perfect plan and then trying to execute it. Second, a plan-ahead team learns from the experience of the delivery team (especially the failures) and complements this with fast lessons from other sources. A critical role for the plan-ahead team involves basing medium-term strategic moves on clear trigger points and pushing the organization to implement these ideas more quickly than might

## **Companies will need to experiment, see what works, and then disseminate the findings on their learning platforms.**

---

<sup>4</sup> Mihir Mysore and Ophelia Usher, "Responding to coronavirus: The minimum viable nerve center," March 2020, McKinsey.com.

normally feel comfortable. Examples could include standing up new sales channels, accelerating new-product launches, creating new business models, or M&A.

The plan-ahead team can also stress-test core parts of the enterprise operating model by focusing on the supply chain's resiliency, liquidity, assumptions about customer demand, and the robustness of the operating model.

#### **Processing the signals: The data platform**

To function well, nerve centers will need to collect data from a wide range of sources (not only their own operations but also public-health agencies, policy announcements, and economic indicators), synthesize this information in real time, and translate it into action. A nerve center with a nimble information system can help a company to keep up with rapid change in the virus's spread; to answer questions about, for example, what holiday shopping will look like without a vaccine; or to cope with a resurgence in the fall. Companies need an information platform that captures such data, flags them if certain thresholds are breached, and helps generate responses to problems. Many companies have most of what's needed; they can organize

these resources to form an agile technology capability in a few weeks—not months or years.

#### **The reward is resilience**

Getting the return muscle right will be the key to building resilience throughout the organization. Today, for instance, investors and companies are asking increasingly probing questions about whether their business partners can truly deliver in the more extreme circumstances that seem possible over the next few years. Genuine investments in resiliency may be an essential part of survival for many businesses, providing the cushion required by further setbacks that might be in store over the next year or two.

Many companies are sweating the details of their return plans rather than building the capabilities needed for a return. They are running spreadsheets to see how many people spaced six feet apart will fit in an office, planning one-way paths through the workplace, and figuring out adaptations to rest rooms, lunch rooms, and entrances. All of those are critical tasks, but they are not enough. The ability of top leaders to refocus on the task of building sustainable capabilities will define the companies that emerge intact from the pandemic over the next two years.

**Mihir Mysore** is a partner in McKinsey's Houston office, **Bob Sternfels** is a senior partner in the San Francisco office, and **Matt Wilson** is a senior partner in the New York office.

Designed by Global Editorial Services  
Copyright © 2020 McKinsey & Company. All rights reserved.