

## stars insights: 10 June 2020

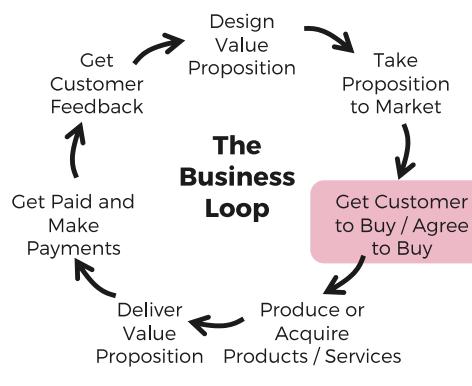
### Innovating for a New Normal



The COVID-19 Crisis has brought most businesses to a moment of reflection – either because demand has dropped significantly and they need to rethink their business model, or because demand has overwhelmed them, and they need to rethink their way of working. Writing from Guatemala, stars alumna **Margarita KLOSE**, who heads the impact investing team at Grupo IDC – a leading investment and consulting firm in Central America – and her colleague **Ben SYWULKA** from their innovation team share some insights on how to leverage this crisis to build new growth.

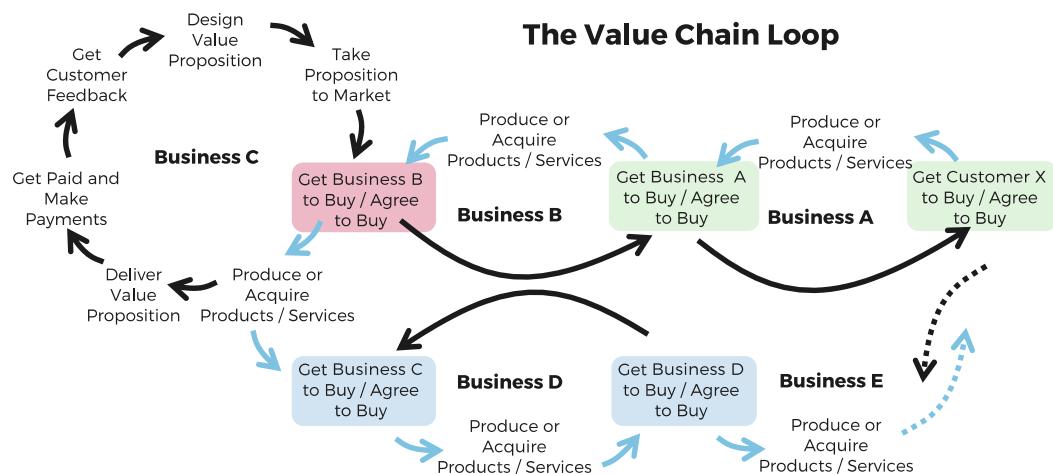
#### Understanding the bottlenecks to growth

Before jumping into an innovation process, it is important to get a better sense of where your growth bottlenecks are. A successful business generally operates in a “Business Loop”, where it designs a value proposition, takes it to market, gets customers to buy it or to agree to buy it, produces or acquires the products and services that comprise the solution, delivers the solution, then gets paid for it and uses those funds to pay for costs and to make a profit. After this, there is usually some customer feedback, which in turn helps the business design a new or improved value proposition, and the cycle starts over again. Though the order of these elements can vary by industry, most businesses operate with these basic elements.



For many businesses, the bottleneck in the short term has accumulated around their cashflow management – an inability to “Get paid and Make Payments.” For some, overwhelming demand has led to a bottleneck around the production or delivery of their value proposition. Entire industries, however – such as tourism, airlines, luxury goods and retail – have fallen into a major bottleneck when trying to “get customers to buy.” Customers are cancelling contracts, reservations, or simply not showing up to buy. These businesses aspire to go back to a pre-crisis “normal” when the markets were not stalled and want the loop to start flowing again.

This is not easy to do, however, because your business is part of a larger “Value Chain Loop” of businesses that are all interconnected. The reason your customers are no longer buying from you is because their own customers have stopped buying from them, and these have stopped buying because their own customers have stopped buying as well. And your company is also a customer to your suppliers, who have stalled production because you stopped buying from them.



### Breaking the vicious cycle through innovation

While governments try to implement stimulus packages to help keep the whole system from collapsing, the future of your company will depend more on the strategic decisions you make – how you respond and adapt your business loop to a new normal. Taking into account our innovation work with hundreds of companies over the years, we have developed some tools to help companies not only weather the crisis but to start a new chapter of growth because of it. We would like to share some of our insights with you.

#### 1. Define your new normal

While it is understandable that companies should aspire to go back to a “pre-crisis” normal, the reality is that we are never going back. What we will go back to is a “new normal,” where many consumer behaviours, ways of working, and even conceptualizations of “value” will have been irreversibly shifted. Many customers will continue to buy their groceries online or have their favourite restaurant’s food delivered, even after the crisis is over, because of the habits they developed during the crisis. Many meetings, classes or even workshops that “had to be in person” will now be virtual, because people will have adopted a new way of working. Things that were “nice to haves” before (like hygiene protocols and digital sales channels) will now

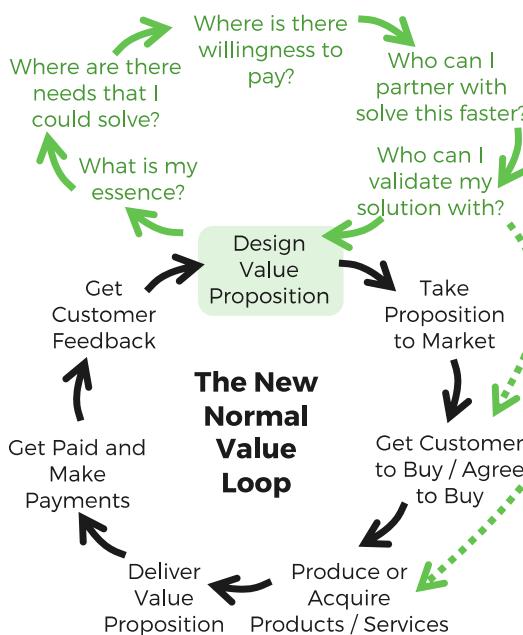
become “must haves”, and as we repurpose our assets and capabilities, what is and isn’t “valuable” in this new normal will shape our new priorities.

It is important for your company to try to imagine its new normal. What new things will your customers be asking of you 12-18 months from now? Digital sales processes, more flexible delivery options, better payment options, modular services, health and hygiene certifications, smaller production lots? What new habits, fears or values will your customers or final consumers have? Tracking and monitoring, touchless interactions, a preference of do-it-yourself? What new constraints will your suppliers be operating under? Longer lead times, tighter cashflows, tighter protocols, stronger audits?

## 2. Separate what you can and cannot control

Most of us hear a lot of noise around the crisis. Most of that noise clouds our thinking and prevents us from focusing on what is really important. Will the President extend the lockdown another month? When will travel restrictions be lifted? How many people are really infected? These concerns are not very useful, because we have no control over them. What we can control is how we respond to these questions. How can I generate revenue during the lockdown? Can I build a line of business that makes money despite travel restrictions? Can I repurpose my staff to profitable activities? These latter questions are useful, because their answers are under your sphere of influence. Before you start your innovation process, make a list of “How can we...?” questions that focus on adapting to your new constraints, and prioritize them in terms of impact on the business. This will help you focus your energy on 2-3 key questions and let go of the rest of the noise.

## 3. Innovate your “New Normal” Value Loop



Once you have determined which parts of your business need to be reinvented, you need to create a “New Normal” Value Loop around those parts of the business. Since most companies have a challenge around decreasing revenue – and one of their key questions is “How can I be profitable within this new normal?” – we will illustrate how to generate value around that key question. The starting point for finding new customers is designing a new value proposition that adapts to the “new normal” we envisioned earlier. We recommend starting this process with going back to the basics. What is our essence? Why do we even exist as a company in the first place?

What makes us special? You will likely remember the original dream that started the business and want to recalibrate around it. With your essence in mind, you should

think of what challenges you are better positioned to tackle than others. What problems can we solve better than others? You will likely realize you have untapped networks and skillsets that could be very useful in this particular moment. There may be many problems you could solve better than others, but since you are looking to be profitable, you have to ask: Out of all the possible customers with this problem, who suffers the most and is willing to pay for a solution? Once you have your list of potential first customers, it's worth asking: Is there anyone that already has part of the solution that I could partner with to go faster? Chances are, you will realize that you can partner with a sales channel, or a supplier, or even a customer, to accelerate your market entry. Finally, it's important to find your first customer. Make a brochure of your solution, share it with your first potential customer, get feedback on the brochure, and make version 2 of the brochure. Share that with a second potential customer and repeat the process. By the time you get to version 3 or 4 of the brochure, you will have your first customers eagerly waiting for you to launch your solution, because you will have adapted the value proposition to what they need right now.

### Getting back to a New Normal

As Dave Hollis (former executive at Disney) said: In the rush to return to normal, use this time to consider which parts of normal are worth rushing back to. This crisis is a great opportunity for you to determine what kind of future you want. Rarely do we have the opportunity to reimagine our future without being bound by the limits of our past sunk costs. As you and everyone around you slows down to prevent the pandemic from spreading, take the time to revisualize your original dream, and free from the distractions of the hamster wheel, start building it again.



**Benjamin SYWULKA** is an entrepreneur, systems thinker and innovation expert with experience in national innovation ecosystems, corporate innovation management, and social innovation. He is the founder of Hapi (Human API) – a company focused on solving systemic problems through collaboration and innovation, in partnership with IDC – a leading investment and consulting firm in Central America. Before Hapi he led innovation efforts at Corporación Multi Inversiones, a large conglomerate with operations throughout Latin America, and prior to that he led innovation efforts for the country of Guatemala as head of its Private Competitiveness Council. He has been an innovation consultant for IXL Center and a Professor of Innovation in several universities. He has a B.S. in Symbolic Systems from Stanford University and an MBA and a Masters of Finance from Hult International Business School.

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