

CRISIS INNOVATION GUIDE

The background features a gradient from red on the left to purple on the right. In the lower-left corner, there are several stylized virus-like particles in shades of orange and yellow. A large, semi-transparent red arrow points diagonally upwards from the bottom-left towards the top-right, passing behind the main title. A colorful rocket, with a blue and green body and a red tail, is positioned in the upper-right, appearing to launch along the path of the red arrow. The text 'CRISIS INNOVATION GUIDE' is written in large, bold, white capital letters across the center.

1. THE NEW NORMAL

The COVID-19 crisis has changed our society and economy in long-lasting ways. Businesses are now facing unprecedented challenges and constraints as we enter into uncharted territory. The pandemic has left even the best-prepared companies struggling to stay afloat. However, while uncertain times like these can be unnerving, they also offer opportunities to those who dare to innovate. Successful companies will be those who take immediate action and adapt their business models to the 'new normal'.

ECONOMIC IMPLICATIONS OF COVID-19

The Covid-19 crisis, has put a serious strain on our economy, caused a rise in unemployment and called into question the adequacy of numerous systems (health, education, finance).

Companies across a wide range of industries are facing challenges posed by the introduction of new restrictions to slow the spread of the virus. These challenges include a drop in product demand due to consumer safety concerns, supply and production constraints, HR headaches (layoffs and WFH) and political instability. According to a recent study, 85% of companies reported that the crisis had a negative impact on their financial revenue.

Leaders find themselves frantically putting out fires to resolve short-term issues while attempting to weigh up long term options amidst a climate of uncertainty.

This Crisis Innovation Guide is filled with tips and tools on how innovation can help organisations prepare for the turbulent period ahead. The contents of this document are written around multiple scientific and opinion articles, interviews with researchers, and input from various webinars and conferences, the sum of which provides an overview of the latest talking points of the COVID-19 crisis.

WHY DID WE NOT SEE THIS COMING?

The pandemic and subsequent lockdown announcement came as a surprise to most of us. Journalists have been employing words like 'unprecedented' and 'unparalleled' to capture the sense that this was a universal crisis that came out of nowhere. But was the pandemic really unforeseeable? Could we have done something more to prepare for it? What can we learn from our failures that will better prepare us for the crises of the future?

Michele Wucker, an economy analyst specialised in crisis anticipation, suggests that the Covid-19 pandemic should be classified as a high-impact 'grey rhino' crisis. Unlike 'black swan' crises which are next to impossible to predict, grey rhino crises are highly probable. Just like previous grey rhinos (Hurricane Katrina and the 2008 financial crisis), Wucker explains that the warning signs were there but we failed to react in time. This, she claims is due to the fact that our economic and incentive systems are set up to ensure short-term success and rewards. These systems, she argues, need to be reformed if we are to respond to crises further down the line. Her advice is simple: act fast

(because there is no other option), stay downwind and adopt a long-term vision.

WHY WE FAIL TO PREPARE FOR DISASTERS: A PSYCHOLOGICAL PERSPECTIVE

Mankind's inability to prepare for crises is baffling. This is precisely what authors Robert Meyer and Howard Kunreuther wished to explore in their book 'The Ostrich Paradox'. We had been warned in explicit terms about the threat of a respiratory virus with pandemic potential, yet we chose to adopt 'willful blindness' rather than to prepare for the fight.

The inaction of others only served to reinforce our own apathy for a phenomenon that psychologists refer to as 'normalcy bias' or 'negative panic'. These issues simply must be addressed if we are to survive crises of the future. It is alarming to think how slowly we learn and what other signals we might be ignoring.

Covid-19 has shaken society to its core but there are many more potential crises waiting for us around the corner with a destructive potential far exceeding Covid-19. We're talking political shifts and major IT breaches. Not to mention climate change, a crisis of mammoth proportions, which by comparison makes Covid-19 look like a sandbox in the Sahara.

In business we see the same thing. Complacency, and there is only proper action once the crisis is already there.



THE NEW NORMAL: FROM LOW TOUCH TO HIGH TOUCH

Over the past month, we have witnessed somewhat of a 'return to normality'. However, the lasting effects of the COVID-19 pandemic is clear for all to see: face masks, hand sanitiser, working from home and the apparent death of physical B2B interactions.

As society begins to start up again, companies are noticing that their customers' behaviour has changed or that they are no longer interested in purchasing their products.

Most experts suggest that the 'low touch economy' is the new normal and that it will take years before we see a full recovery. Even then, the landscape of the post-COVID-19 world lies blurry on the horizon.

What will follow could better be described as a 'high touch economy': one in which personal touch screens will increase in importance and where society as a whole will become increasingly empathetic with regards to our planet, social systems and health. The crisis has also taught us that we cannot live without physical human interactions. This is something that cannot be substituted with video calls and will return to our societies assuming the threat of COVID-19 has been eradicated.

It may well be the case that your business model no longer fits the emerging paradigm and that it will need to be adapted to changing markets and customer needs. Recognising this is the first step, but the tricky part is understanding how you can adapt your innovation strategy from survival mode to success.

AN IMPORTANT CONSIDERATION FOR YOUR INNOVATION STRATEGY: ADOPT TWO PARALLEL STRATEGIES

Innovation is about identifying opportunities in the market, understanding customer needs and developing a solution to meet those needs in a profitable and sustainable way. However, the current economic climate may be considered an ephemeral, transitory period, laden with instability and uncertainty. Depending on the outcome and duration of our subsequent battles with the coronavirus, the landscape of the future could look very different.

It is therefore essential for companies to adopt two parallel innovation strategies: one which focuses on putting out fires in the short-term (change) and responding to current market needs, and another based on a long-term vision, which may include incremental changes that better prepare your organisation for the challenges of the future (transformation). This will give your organisation the best possible chance of surviving and thriving into the next decade.

THE COM-PASS-ION MODEL

The ComPassion model was designed to help you to accelerate your change process and align your short-term and long-term innovation strategies. Like a compass, it will guide you towards where you want to end up while emphasising the importance of showing compassion towards employees, clients and the planet.

	POSITION	NAVIGATE
SURVIVAL (CHANGE)	<ul style="list-style-type: none"> Analyse your organisation on cost savings, protecting employees, stress test your financial position and engage with clients. Optimise the core of your organisation. 	IMMEDIATE ACTIONS <ul style="list-style-type: none"> Start massive digital transformation initiatives. Stop procedures that are unproductive in work-from-home settings. Connect with customers deeply. Communicate in a straightforward manner and show employees future horizons. Offboard employees as ambassadors and do not lay off. Stabilise your supply chain. Embrace vulnerable employee groups (extraverts, expats, singles).
REINVENTION (TRANSFORMATION)	<ul style="list-style-type: none"> Map your portfolio according to the short-mid-long-term (70-20-10 rule). Acknowledge that you tend to focus on short-term challenges and neglect long-term challenges. Define what your slowly declining business (melting core) is. Signals could be: changing client behaviour, competition, unsuccessful growth formula. Reinvent your core business. 	START NOW <ul style="list-style-type: none"> Launch in 3-6 months: shape and launch new business models, digital supplier and client services. Communicate future horizons. START IN 2 MONTHS <ul style="list-style-type: none"> New processes, products and services to launch in 6-9 months. Start five 90-day strategic projects on digital transformation. Grow financial buffers for the next crisis.

Table 1. The ComPassion model.



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SURVIVAL MODE

2. SURVIVAL MODE

The shock of the coronavirus has triggered survival mode in many companies. Being too busy putting out fires and making financial cuts, countless businesses have put a halt to their innovation projects. For example, in Germany we have seen companies reducing cooperation and research projects, which could have a negative impact on competitiveness.

According to a recent study, the number of companies planning not to invest in innovation has gone up from 8% to 25% since the beginning of the crisis! When we consider that 96% of innovation projects fail to make a return on investment, this would appear to be a logical move. Should innovation still be high on businesses' priority list in the current climate?

SHOULD A SURVIVAL MODE INCLUDE INNOVATION?

The simple answer is yes. Now more than ever, companies need to innovate, starting with the core of their organisation in order to remain relevant. A crisis like this is a facilitator rather than an inhibitor of innovation. It creates a climate of opportunity that innovators everywhere have been waiting for!

Considering the number of 'white spaces' that have opened up in the wake of COVID-19, exploration and experimentation will be more fruitful than ever. Defunding innovation would therefore constitute a series of missed opportunities. The question is not about IF organisations should innovate, but rather about WHAT and HOW they should do it.

LESSONS LEARNED FROM THE 2008 FINANCIAL CRISIS

A study by McKinsey in 2019 reported that the companies that survived the 2008 recession tended to be the ones that invested early in the crisis. Companies would be well-advised to learn from the lessons of the previous economic crisis and take note that today's innovators emerged from the 2008 economic downturn. Research by BCG shows a similar pattern.

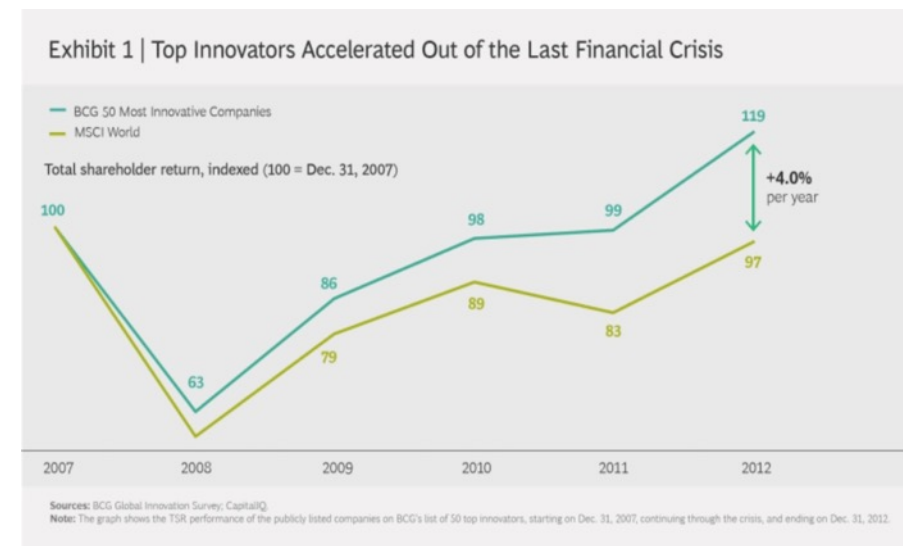


Image 1. Top Innovators Accelerated Out of the Last Financial Crisis

Source: BCG Global Innovation Survey; CapitalIQ

Note: The graph shows the TSR performance of the publicly listed companies on BCG's list of top 50 innovators, starting on Dec. 31, 2007, continuing through the crisis, and ending on Dec. 31, 2012.

LESSONS LEARNED FROM OTHER COMPANIES

There are already plenty of companies who have taken the lead since the beginning of the pandemic. Following the initial emergence of COVID-19, most companies were forced into change – offering remote work, changing work structures and providing digital learning opportunities. Some companies were lucky enough to benefit from an increased interest in their services, like Zoom and TikTok. Others were forced to innovate to stay afloat and shifted their entire production line to adapt to changing customer demands.

These temporary success stories started with proactive leaders identifying how the competencies and resources at their disposal could be used to meet the new needs of a confined and concerned consumer base. They provide us with proof that acting fast and innovating in times of crisis brings success.

Auping

A Dutch company specialising in the production of beds, changed its production line to respond to the country's urgent need for face masks. It managed to produce enough masks to meet almost 25% of the nation's acute medical mask needs in record time.

Logitech

The manufacturers of computer accessories were fortunate to benefit from a global increase in the number of remote workers. The rapid increase in product demand was supported by effective mobilisation of the workforce leading to impressive financial growth figures.

VentilatorPal

The former LED manufacturer emerged during the peak of the coronavirus outbreak in response to an acute shortage of ventilators. The company managed to produce a low-cost ventilator model in just a couple of months.



CRISIS INNOVATION GUIDE

PRODUCT & PROCESS



3. PRODUCT & PROCESS

Before you get to the innovation drawing board, it is essential that you gain a thorough understanding of the exact challenges and opportunities that your organisation is facing. We are not in a high-roll poker game. There is no need for irrational, heat-of-the-moment, all-or-nothing moves. It is all about growth and that should remain your key focus. Devising an effective growth strategy is an essential first step in achieving your goals.

We distinguish between four areas of innovation:

- **Product**
Your challenge is product demand and your financial position is critical.
- **Process**
Your challenge is to come up with new ways of working in the current situation.
- **Organisation**
Your challenge is to keep the organisation together and to build a workforce that enables you to deliver value to your customers.
- **Ecosystem**
Your challenge is to adapt to a changing market with new competitors and keep up with new trends.

In this chapter, we provide guidelines on how you can innovate your organisation in response to the first two key challenges: product and process.

THE PRODUCT: ACTIONABLE GUIDELINES ON HOW TO INNOVATE

Combining the Board of Innovation's Impact and Strategy framework with the Innovation Puzzle Framework proposed by Forbes Leadership Strategy expert Tendayi Viki, we have put together a four-step guide to help you innovate your product:

Step 1: Understand the problem

If you have experienced a decrease in demand for the product or service you offer, you need to get straight to the drawing board. Start by analysing and redefining customer pains and gains. How has the pandemic changed the underlying customer need that your product or service addresses? How long will it take for the market to recover?

Step 2: Create the right solution for customer pains and gains

If the underlying need that your product addresses is still relevant (e.g. entertainment is still an ongoing customer need that needs to be satisfied), see if it can be replaced by an alternative offering that achieves the same end goal for your current customer base. This requires an in-depth understanding of the competencies and resources available to your company and how easily the shift can be made. Is the underlying need no longer there? Consider switching to a different customer segment or a new product (white space exploration).

Step 3: Business model development

Identifying and developing a marketable product is not enough to guarantee success. Developing a profitable business model is of utmost importance and this requires taking into account potential costs, constraints and future obstacles. You need to think about how

you can find the right channels and partners to create value for your customers while bearing in mind how these may be affected by the aftershocks of the pandemic.

Step 4: Growth

The key word here is 'sustainability'. You need to scale your business model, remove bottlenecks and develop marketing tools to help you acquire and retain customers. You need to adopt HR strategies that will nurture the talent in your company and help employees to develop the right skill sets. As a leader, it is essential to maintain a long-term vision and prepare for future challenges and opportunities.

THE PROCESS: A UNIQUE OPPORTUNITY TO RESTRUCTURE

The Covid-19 pandemic forced many companies to implement immediate, disruptive changes that they had not planned for. It has loosened organisational structures and provided a means for trying out untested strategies, structures and policies. Now that we are exiting the trial period, it is time to assess which of these changes have worked and which ones have not. Positive changes should be integrated into your culture and systems, those that are ineffective or no longer relevant should be removed. Take advantage of this unique opportunity to redefine how your organisation is run and build processes that are agile, profitable and future-proof.

Embracing digital transformation

The COVID-19 crisis has led to a series of abrupt changes to the way we work. Perhaps the most visible change has been working from home. This has put an end to rush-hour commutes, reduced the time we spend in meetings and accelerated the transition towards digital

communication. The workforce has been rapidly digitised and we have begun to recognise the value of digital technology.

However, after transferring traditional office routines and processes to the online setting, we began to realise that some of these routines no longer make sense and that there is a need to change them. Jef Staes, innovation expert and author of the bestseller 'My Organization is a Jungle' explains that we are witnessing the old way of working getting a 'digital upgrade', yet what we need is a style change of working, learning and managing that is more adaptive to our new working environment. Technology should be used to support these new styles.

Employee productivity

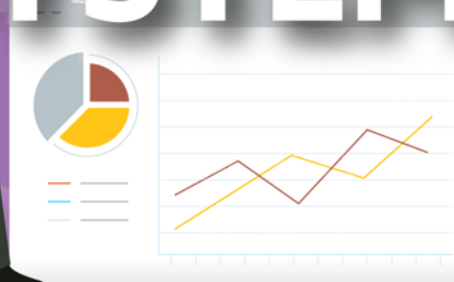
Wim Gijselaers, Professor in Education at Maastricht University, explains that in many cases, an increase in working from home during lockdown has improved employee job satisfaction and productivity. Gijselaers explains that this enhanced productivity may be attributed to the increased focus that employees have on their role. He suggests that the relative absence of office politics might also be a reason, but that the extent to which this is caused by moving work to a digital setting is not clear.

On a less positive note, Gijselaers warns of the lack of informal communication as a result. 'Coffee machine interactions' between colleagues have profound social and economic benefits and are important catalysts for innovation. The absence of those interactions, he explains, will only be to the detriment of the organisation. We need to find a way to integrate the social, human aspect into the emerging digital processes if we are to maximise the benefits.



CRISIS INNOVATION GUIDE

ORGANISATION & ECOSYSTEM



4. ORGANISATION & ECOSYSTEM

In this article, we provide guidelines on how you can innovate your organisation in response to the second set of key challenges: organisation and ecosystem.

THE ORGANISATION: 8 TIPS FOR LEADERSHIP IN TIMES OF CRISIS

An organisation is a system of people, resources, processes and culture; the interplay of which aims to add value to society. The importance of effective leadership intensifies during periods of crisis. Now more than ever, it is essential to innovate, adapt and inspire resilience in your team. We give you a list of eight tips to help you guide your organisation through the current turbulence.

1. Adopt a long-term vision

The world we live in is constantly changing and adapting. Innovation projects take time to bring results. Successful entrepreneurs attribute their success to an ability to adopt a long-term timeframe. Consider life like a game of chess: those who emerge victorious are those who strategically plan ahead.

2. Act fast and be decisive

As important as it is to avoid making rash decisions, times of crisis require steely determination and ruthless decisiveness. Hesitation is simply not an option.

3. Decentralise your control

One pitfall of crisis leadership is wanting to take on too much and having too much control over decisions and processes. Be aware that this will only slow down your organisation's response and create frustration among employees. Trust your staff and give them the autonomy they need to make a difference.

4. Put your people first

Crises are called crises because they affect people. Don't get caught up with numbers and statistics. Treat your employees with respect and honesty and it will pay off in the long run. Every crisis has heroes and villains. Which one do you want to be?

5. Develop your workforce

Start thinking about what skills your workforce will require in the years ahead (adaptability, interpersonal skills, digital skills, etc.). Bear in mind some of the immediate challenges your employees might be facing: burnouts, productivity drops from remote working, feedback through digital platforms, you name it. Find appropriate learning strategies and tools to help your staff adjust to the 'new normal' in the short term and to make your organisation proficient and future-proof for the long run.

6. Build on your innovative spirit

Periods of change create momentum for innovative behaviour. This innovation spirit needs to be celebrated and embedded in your culture. Don't rest on your laurels!

7. Rethink 'competition'

The arrival of digital platforms has led to a shift in our understanding of the term 'competition'. The days of war and sabotage are behind

us. We need to embrace the concept of cooperative ecosystems, where we can collaborate with our competitors, pool our insights and combine our knowledge, establish industry-specific networks and highly complementary value chains to create true value for customers.

8. Engage with clients

As a leader you should be close to your customers, big and small. You should personally give them a call, run webinars or put other interactive encounters in place that will help you learn about their needs, wants and concerns. Designing new products and services has become a co-creation process with the client producing and consuming at the same time.

THE ECOSYSTEM: THE POTENTIAL OF OPEN INNOVATION

In a crisis, one needs to find new ways to solve pressing problems and at the same time build a positive reputation. We know that solutions to complex problems may come from non-conventional methods. The recent burst of open innovation reminds us of its massive potential, whether you're in a crisis or not. Open innovation has the potential to widen the space for value creation: it allows for many more ways to create value, be it through new partners with complementary skills or by unlocking hidden potential in long-lasting relationships.

Despite the enthusiasm, companies rarely follow through on open innovation. We have witnessed how companies have used hackathons and other forms of open innovation to generate heaps of creative ideas that never reach the point of implementation, leading to frustration among employees and partners. For many companies,

this distributed, decentralised, and participatory way of innovating remains an ambition that hasn't yet materialised.

Competition

As we adopt a wider definition of ecosystem, we see other players in the market: those we compete with for the resources and recipients in the ecosystem. Competition is great for a healthy ecosystem, and as Darwin said it is not the strongest or most intelligent that survives, but the most responsive. To be responsive, one needs to be fully aware of the threats to a business world in transition, but also see it as an unprecedented opportunity to rethink and redesign the existing structures and practices of the business model, the organisation, and the ways to deliver. Competitors can clearly be a threat, but also an opportunity.

We have seen companies quickly changing production lines or even building new ones practically overnight. This shows that organisations are capable of rapidly entering markets that are completely new to them. It also shows that competition can come from anywhere: from existing players in other markets to start-ups and open source projects.

Although we might be more focused on our own organisation, products and processes, the current market shake-up is clearly shifting customer needs and creates new spaces to fill. Identifying these spaces requires active scouting. We should remember that the competitive power of the future needs to be built today.

CRISIS INNOVATION GUIDE

READY TO ACT?

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5. READY TO ACT?

As we have seen, individuals and organisations tend to think and act with a short-term, rather than a long-term view. By ignoring early warning signs we get into trouble. We do not know what crisis will be next. After COVID-19, we will most likely be better prepared for a respiratory pandemic, but our learning should reach further than that. With climate alarm bells ringing everywhere, rising inequality, political shifts, and the threat of job obsolescence due to digitalisation, there are definitely a lot more disruptions coming up. And while you cannot drive the mist away, you can make sure you improve your ability to navigate.

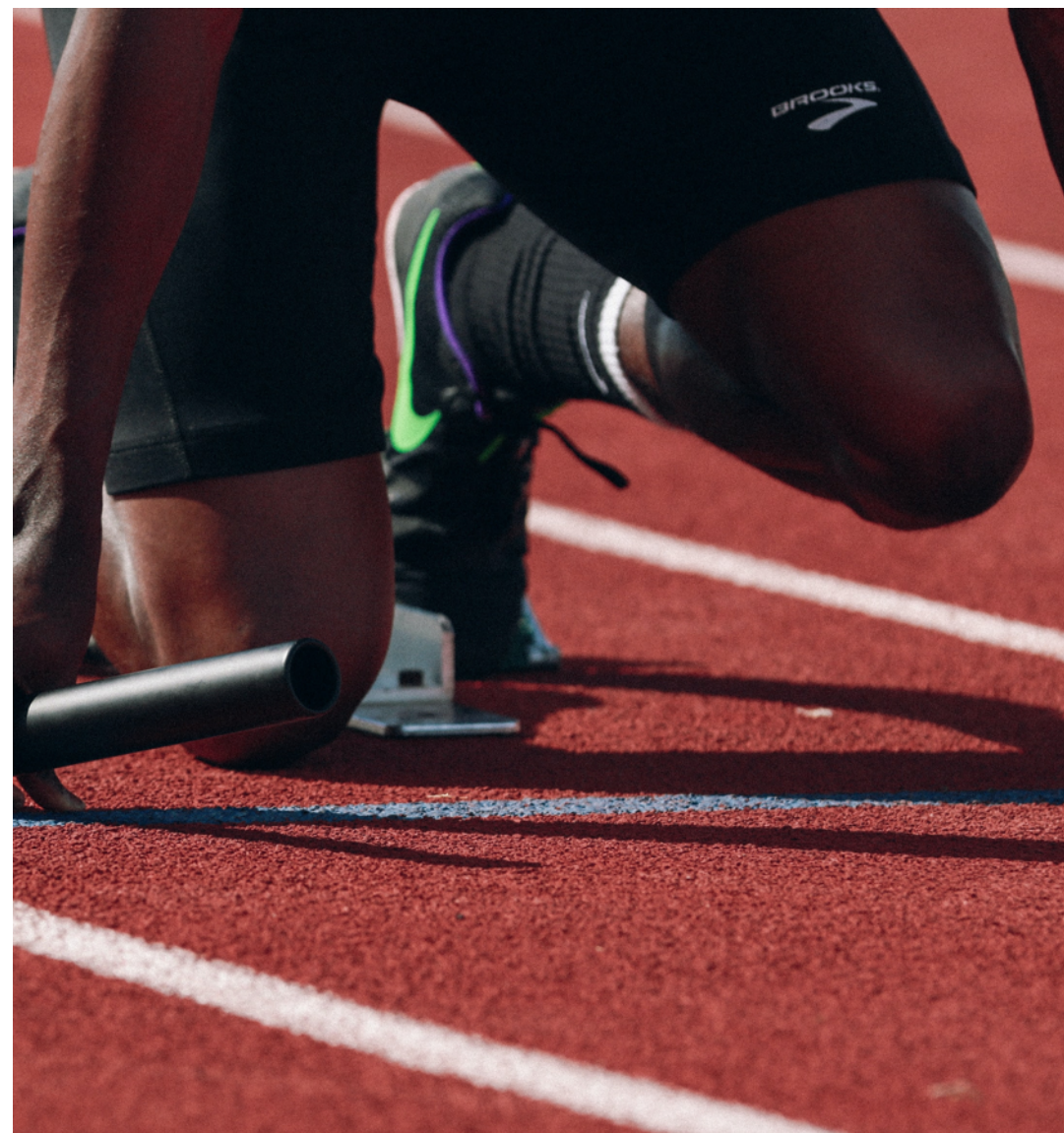
RESPONSIVE VS REGENERATIVE ORGANISATIONS

This is a good moment to think not only in terms of making our organisations more responsive to change, but rather make them regenerative by investing in a culture of innovation. An innovation culture is a resilient culture. It is not built overnight and it depends on a long-term investment in people, process and purpose.

And while the idea of organisational culture might be a bit ambiguous, there are some straightforward dimensions to think of:

- Lead authentically and lead with purpose.
- Set long-term metrics to change mindsets.
- Communicate future horizons.
- Create the conditions for people to learn.
- Offer your employees training possibilities to stay relevant.

- Keep your clients close and keep learning about their underlying needs.
- Organise small informal meetings with leadership commitment.
- Rethink 9-to-5 attendance and commuting.



HAVING TROUBLE GETTING STARTED?

Creating the right conditions to shape a culture of innovation that makes your organisation future-proof can be a daunting exercise. With UMIO's Service Science Factory (SSF), we can help you identify business challenges and potential innovations, and make them tangible. Projects usually include qualitative and quantitative customer analysis, market trend analysis, competitor analysis, value analysis, service blueprinting, persona development, a range of new service ideas and a ready-to-implement service concept. Outcomes, however, are always adapted to the specific needs of our client organisation.

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Strategic sprints

In order to make adequate strategic or operational customer-centric decisions, you should have both a broad, as well as a deep understanding of your customer. Customer Research sprints provide you with the necessary customer insights to discover where your potential for user-centric innovation lies. Ideation sprints help you to quickly generate tons of new fresh ideas to broaden your perspective and select the ideas that make most sense.

Open training tracks

In order to be more successful in your innovation endeavours, you need to have the right skills, mindset and knowledge to make a sustainable impact. In our open training tracks, you can learn all about Customer-Centric Innovation and Design Thinking and build your own innovation capacity. We offer several masterclasses and courses on design thinking and innovation management.

Innovation expeditions

With an innovation expedition we will guide your company through a design sprint to develop an answer to the most pressing business challenges. Together, we will also develop a customer-centric new or improved service, business model or complete customer experience.

