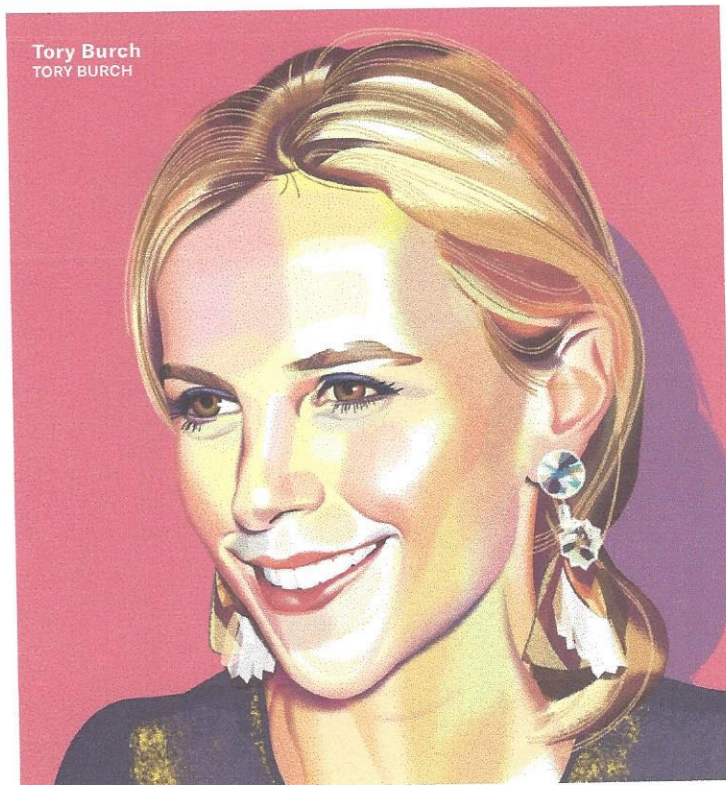


Kevin
Sneader
McKINSEY &
COMPANY

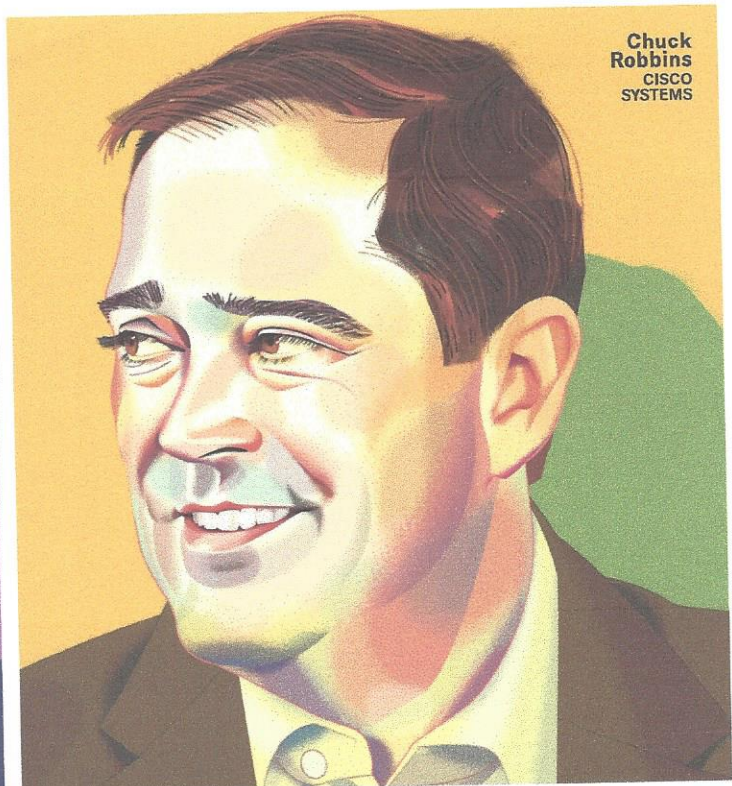
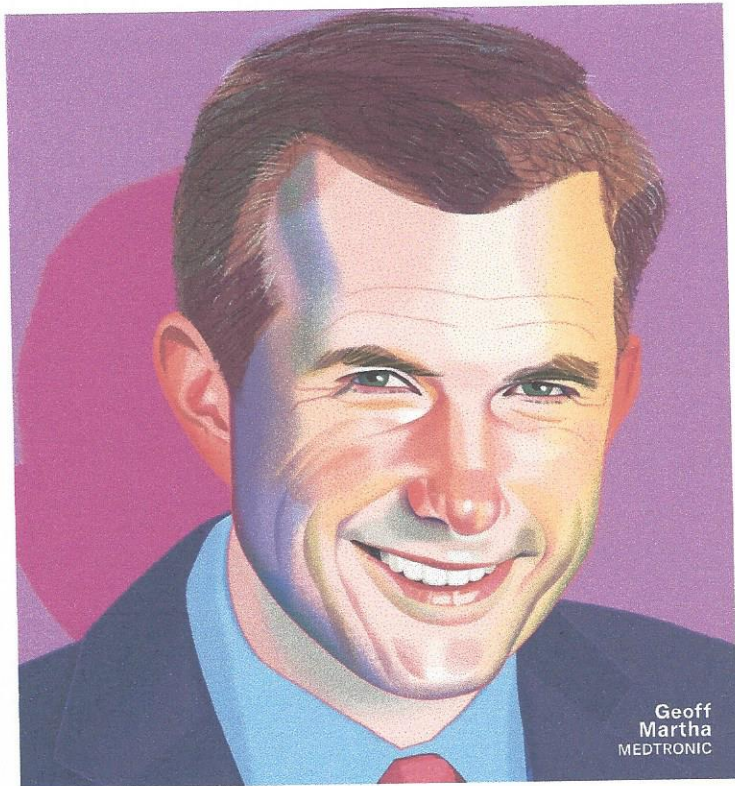


Nancy
McKinstry
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KLUWER



Tory Burch
TORY BURCH

**“What Is
the Next
Normal
Going
to Look
Like?”**



THIS ROUNDTABLE discussion, held virtually in late April, was a departure from the norm—and thus perfectly in keeping with these very strange days. Tory Burch, the fashion designer and retail CEO, joked about dressing up for the video call after living in sweatpants for weeks. Kevin Sneader, the global managing partner at McKinsey & Company, appeared from the kitchen table of his in-laws' home. Nancy McKinstry, of Wolters Kluwer, and Geoff Martha, of Medtronic, both had connection trouble at first, but Chuck Robbins, of Cisco Systems (which owns Webex, the videoconferencing service), provided impromptu tech support. During an hour-long discussion moderated by HBR editor in chief Adi Ignatius, these five CEOs, who collectively lead a workforce of about 217,000

people worldwide, spoke about how they've adjusted to uncertain times, what employees and society expect from them now, and how business will change as the crisis ebbs. What follows are edited excerpts from the conversation.

HBR: We're in an extraordinary moment. What does it take to be an effective leader right now?

SNEADER: Leaders should choose candor over charisma. There's some really tough stuff to this. I want to be an optimist, but there are things we don't know and things that may or may not happen. So the phrase in my head is "bounded optimism." This is also a chance to bring purpose to the chaos.

ROBBINS: People want to see leaders being human. I've reiterated to our team: This is a time for leadership, not management. Be calm, have realistic optimism, and show up and be visible.

SNEADER: I agree about being human. When the crisis started, I was firing off lots of information-heavy messages. But on my mother's 80th birthday, I included a picture of her celebrating with a cake. That prompted other people to send pictures, and it made everyone more engaged. One group of employees got all their pets together for a video meeting, so I showed up with my two cats. But I was outdone by somebody with a horse! There's been a lot of getting to know people in a different way. So in some respects, I feel more closely connected than if we were physically gathering.

BURCH: You need to keep your strategy intact but be flexible and agile. It's also important for leaders to show vulnerability along with optimism, and to acknowledge that this situation is hard. The uncertainty really throws people off, but it helps if they see a focused management team that communicates

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frequently. People want authentic dialogue and transparency.

McKINSTRY: Here at Wolters Kluwer, leading is first and foremost about communication. We're in a phase of over-communicating with our employees and our customers, to try to keep everybody up to speed on where we're headed and to make sure we're addressing concerns. Second, it's about priorities. A big part of my interactions with the leadership team is around not just making adjustments on the cost side or in how we go to market, but keeping everyone focused on the top strategic priorities. And the third thing is to be adaptable. The world is changing every single day, and we need to keep asking: How can we help our customers? How can we help our communities? We need to clear away bureaucracy, address things very quickly, and be operationally agile.

MARTHA: As others have mentioned, communication is a big piece. At Medtronic, we've broken this crisis down into three phases—the shutdown, the recovery, and the new normal. Throughout each phase, we have clear priorities and a framework for helping people make decisions. You can't decide everything from the top, so providing this guidance is important.

How has Covid-19 changed the nature of what you do and how you do it?

BURCH: We've learned that we can adapt and run the business from home virtually. We have a great team, and to see the amount we can get done is inspiring. One thing that isn't easy is the creative process. Design is tactile and collaborative work, and to design collections on a computer is really difficult.

ROBBINS: Tory's right—running the business is not that difficult. And frankly, not being on airplanes, and sleeping in the same bed every night, has been a unique experience for me—I don't think I've stayed in one place this long in 30 years. Because of the culture at Cisco, our people are certainly used to working from home and leveraging technology. And we're moving faster than we ever have. For example, in March our team started 3D-printing surgical shields in our San Jose office. Typically, the legal issues around doing that would have taken weeks to resolve. But we wrote up a one-page legal waiver, the Santa Clara County Public Health Department signed it in 10 minutes, and we were off and running. Those are the kinds of things we are figuring out, which should change how we operate going forward.

MARTHA: We're a med-tech company, and one of our businesses does remote patient management. We've heard a lot about how telehealth—which allows patients to meet with doctors remotely—has picked up. But it's amazing how quickly we're also moving to remote device management. For example, we make ventilators, and one of the biggest issues in treating Covid-19 is that when patients are on ventilators in the ICU, the health care workers treating them may face exposure to the virus. Remote device management allows you to control the ventilator from *outside* the ICU. You're going to see more of that technology. Until recently, health care institutions weren't all that incentivized or excited about it, but now I think that's going to become a priority. Another thing I'd say is that the speed at which we've partnered with other companies is amazing. Typically, you hammer out a business agreement first; here we just got to work. That's something we can learn from.

SNEADER: McKinsey is a client service organization, and we like to think we work on the toughest problems our clients face. So the biggest change for us is that clients' problems just got a whole

lot tougher. We're helping companies whose revenues have dropped to near nothing, helping hospital systems deal with rapid scale-up in demand, finding ways to get supplies of critical products. At the same time, we're a people organization, and our people are working extraordinarily hard. Some of them are in small apartments far from their families. We have dual-career couples, and each partner is trying to conduct business with kids running around needing attention. That is not easy, and it's had a profound change on how we work.

McKINSTRY: At Wolters Kluwer, what we do is help professional customers navigate change, whether it's dealing with new regulations or new scientific and medical developments. So with the Covid-19 onset, the most important thing has been for us to rapidly disseminate information and software solutions to our health care customers and to our tax and accounting professionals, all for free. I'm most proud of how our organization has quickly adapted and gotten solutions out in front of customers.

Tory, you have 300 stores around the world, most of them now closed. Will people's embrace of e-commerce during the crisis mean a permanent shift of business in that direction?

BURCH: I believe in digital, and globally it's been our great growth driver in recent years. But I also believe in physical retail. China is opening back up right now, and that gives us a lot of hope. I thought people there would be much more fearful of going into stores. Still, we have to figure out how to make sure that when stores start to reopen, customers feel safe.

Another interesting fact is that when you look at Gen Z, shopping is part of their social life. They grew up on computers, and that's part of why they love to go out to stores and touch products. That's still going to be extremely important.

Nancy, you've been on our list of the world's best-performing CEOs, partly

because you've successfully led a digital transformation. What advice do you have for CEOs who are trying to cut costs during the crisis while still pursuing a transformation effort?

McKINSTRY: One of the things I often say about digital transformation is that you have to take the long view. The trends that we've been seeing around collaboration tools, digital marketing, cloud computing—those are only going to get more pronounced post-Covid. The first priority is to focus on digital transformation that affects your customers. That's where it all starts. So put the right tools in your employees' hands and your customers' hands to start that journey. Second, continue reinvesting. We invest 8% to 10% of revenue in innovation, and we did that even during the 2008 financial crisis. And keep focused on a few priorities. People get distracted, but you have to be very centered on the two or three things you need to transform to really get momentum going.

Kevin, you talk to CEOs all over the world all the time. What is the most common mistake or misperception you're seeing as leaders think about how to survive or thrive in the crisis?

SNEADER: All CEOs are navigating an unprecedented situation, and most are doing it remarkably well. It's very hard to balance the here and now versus the future. You need a microscope to deal with the details of getting the business stable. But the reality is that we're not going back to what we thought normal was, so you need a telescope to figure out "What is the next normal going to look like?" Many CEOs are trying to do both things, and if you put a microscope up to one eye and a telescope up to the other, you just get a headache. You tend not to see anything very clearly. So it's important to have one team dealing with bringing the business back, and a separate team dealing with what's going to happen a year or two from now and considering the what-if questions.



People are watching to see how companies treat their employees, customers, and investors.

Thinking about that next normal, what might fundamentally change about the ways we manage organizations?

MARTHA: We've already talked about more digitization. Another thing is that people are watching to see how companies treat their employees, customers, investors, and other stakeholders. Are they behaving in a socially responsible way? The younger generations, Gen Z in particular, will make future employment decisions in large part based on how companies are showing up in this pandemic. The social responsibility piece of this will have a direct impact on your ability to attract and retain top talent.

McKINSTRY: Something that I've seen in parts of the world is more collaboration between governments and private enterprise. Some of the countries that have fared better so far—Germany comes to mind—have had a lot more engagement between the public and private sectors. That's true whether it involves supply chains or patients or other issues. When we look back on this, hopefully we'll be able to take some of those best practices in collaboration and bring them forward.

ROBBINS: I think we'll all be expected to keep moving at high velocity, having proven we can do so. And this experience is going to fundamentally change how we think about the location of our talent, because we all now know that we can be productive with digital technology. So at Cisco, instead of having to hire engineers in certain geographies, we can go find the best talent anywhere and bring them onto teams. I also think that the virus has highlighted the inequality in the United States and in the world as nothing else ever has. When you look at the people who are on the front lines fighting this

thing—the people who are in harm's way every day—they are the most at risk financially. We now have an opportunity and an obligation to think about how we solve that problem. As we come out of this, we should have the energy to tackle it in new ways.

SNEADER: I think a few other things will change. One is the role of government. By one estimate, the amount of government money spent on the crisis is already eight times the size of the Marshall Plan after World War II. What will be government's role going forward? Will it step back from being involved in business, or will it be a more permanent fixture? Another change involves prioritizing resilience over efficiency. We've been in an era in which people were very focused on efficiency, implementing just-in-time inventory and global supply chains. In the future, I think people are going to be very focused on resilience because we've seen that disruption can be catastrophic. And here's the last thing: We used to talk about "the death of distance" because of technology, but borders have gone back up, and people care more about what they can touch and feel and the locality where they operate. That challenges some of our assumptions about globalization.

Chuck, Cisco is on the front lines of how we're communicating and connecting now. How did your team prepare for the surge in Webex usage?

ROBBINS: We watched the crisis unfold in Asia, so we knew it was coming, but we didn't fully appreciate how fast we'd have to move. Asia is now using Webex at four times the capacity it did previously. In Europe and the Americas the load is about triple. There are times

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of day—especially around 11 AM Eastern time, which is early morning on the West Coast and late afternoon in Europe—when usage is 15 times what it was in early 2020, and that base was not a small number. The first three weeks of the crisis were a little rocky as we built out infrastructure. But we had great partners in the carriers and the telcos helping us, and we're doing more than 4 million meetings a day right now. People see that you can do work this way. Not everybody wants to do it this way every minute of every day, but you realize you can make it work. That raises obvious questions about commercial real estate footprints and other things that will be debated until we get to the other side of this.

Kevin, I know McKinsey has done research on what helped some companies outperform as they emerged from the last recession. Do those lessons apply now?

SNEADER: The scale and magnitude of what we're facing now are definitely different. But with that caveat, the companies that came out of the 2008 global financial crisis with strength were the ones that created flexibility in their balance sheets and their costs *before* the crisis. Then many of them reshaped their portfolios during the crisis. They thought really hard about which costs mattered, and they were thoughtful about their IT spending. The winners got those decisions right. They were also incredibly customer-focused. And they came out of the recession enjoying total shareholder returns 150% higher than those of their competitors.

McKINSTRY: I would add that how companies treat their people now is really going

to matter. Talent is so scarce. At Wolters Kluwer, we're putting our employees front and center as the top priority, and I believe that will pay dividends. When I look back at the global financial crisis, I think some companies paid a steep price for the way they treated workers.

Geoff, you're stepping into the CEO role at Medtronic just this month. I can't imagine what a transition is like at this moment.

MARTHA: We'd announced my transition to CEO months ago. Omar Ishrak, my predecessor, had been stepping back from the day-to-day running of the company, and I was moving into the role. Then Covid-19 erupted. Omar's gotten more involved again, because it's an all-hands-on-deck moment. But although I wouldn't wish this pandemic on anybody, in many ways it's helped accelerate the transition. When you're promoted and you start leading your former peers, there's a tendency to walk on eggshells. In a crisis, there's no time for that—you have to be very assertive and make decisions. So because of the intensity of the work and how much we've all been talking together, I feel like I've been CEO for a year or two.

This will sound like a facetious question, Tory, but I'm serious. A lot of us have been wearing pajamas and sweats for weeks while working from home. Is this going to have a lasting effect on how people dress for work?

BURCH: Trends come and go, but being casual and interested in health and wellness was a trend before the crisis. That's going to continue. At the same time, people are going to want to go out

and dress up again. So I wouldn't throw away any of your good pants or jackets. But let me make a larger point. People often think of fashion and apparel retailing as a "lite" industry, and when this threat struck, it was clear that no one was advocating for the government to help us. But our sector represents 11 million American jobs and \$2.5 trillion of GDP. This idea that fashion is frivolous is a misperception.

Any final predictions?

SNEADER: At some point, we'll return to talking about major issues we faced before the crisis. One was sustainability and the environment. It's hard to think about it right now, especially with oil prices where they are, but flying less has been good for the planet. And the response to Covid-19 from governments around the world has been massive. So how are people going to reconcile that investment with the obligation to do something about what's happening to the environment? The coronavirus is a shock with an immediate impact, but environmental change is a shock that has been building cumulatively. And business is going to be in the middle of the conversation as we talk about the green agenda in supply chains. It may not be so easy to jump on sustainability because there are going to be some real costs that will be harder to afford.

McKINSTRY: On a different note, what the frontline doctors and nurses are going through is just astonishing. We all owe them incredible gratitude. One of the things that will come out of this is that we'll rethink health care and how it's delivered around the world.

ROBBINS: The culture of organizations, and their people, and how leaders show up during this moment—all of that will define who's going to be successful in the future. Employees and society want to see who you are as a company. What do you stand for? The answers will have lasting impact as we move beyond this. ☺

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