Ten Tactics for “Growth Techs” to Survive, Thrive, and Inspire

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The COVID-19 pandemic has had a more destructive impact on global stock markets than any other nonmilitary event in the past 100 years. Companies listed on the New York Stock Exchange and on NASDAQ have collectively lost nearly 20% of their market value since the first confirmed case was reported in the US on January 20, 2020. Even so, during the same period, the stock market has crowned a number of digital winners that have innovated to become part of the solution. Zoom’s share price has shot up by 119%, for example, and Teladoc’s stock is up by 83%. Tesla’s value rose by 47% after it quickly redesigned an assembly line to produce much-needed ventilators.
The journey out of the current crisis may be long and unclear, but disruptive and innovative companies such as Zoom and Teladoc are the market’s flags of hope. Growth techs—tech-enabled companies that were founded during or after 2000, and are generally valued at less than $50 billion—have performed 27 percentage points better than the rest of the stock market since the first confirmed case of COVID-19 in the US. (See Exhibit 1.) The qualities that have enabled growth techs to succeed—in particular, creativity, agility, and discipline—will help them to survive the pandemic, thrive during the rebound, and inspire other companies along the way.

Indeed, growth techs offer lessons for companies of all sizes, as we will detail in this article. Our analysis of these and other high-performing companies’ strategies during crises past and present suggests that CEOs should develop and deploy a strategy simultaneously guided by three broad imperatives: survive, thrive, and inspire. (See Exhibit 2.)
Survival strategies help companies overcome the immediate shock of a crisis, protect their employees, and stabilize the business. Several key elements go into these strategies.

**Safeguard your culture by communicating directly and regularly.** Culture is king. Organizations with strong cultures outperform those with weak ones by a factor of nearly 2.5, as measured by five-year total shareholder returns, according to a BCG survey of public companies. Today, as COVID-19 threatens the collaborative, creative culture that draws talent to growth techs, it is critical to reinforce employees’ sense of the company as a place where committed people make positive things happen.

Many employees are struggling to stay physically well, psychologically healthy, and productive and optimistic while working from home. CEOs can counteract these isolating effects by communicating directly and regularly with employees in as interactive a forum as circumstances permit.

Not every CEO is in a position to pledge—as Visa’s Alfred Kelly recently did—that there will be no layoffs in 2020. They can, however, ensure that policy decisions are transparent,
company communications are consistent, and leadership is more committed to employees than ever before. Should workforce changes become inevitable, CEOs such as Airbnb’s Brian Chesky have demonstrated how to address employees directly, but with empathy.

Retain the talent you will need for the rebound. Talent is the tech industry’s only truly scarce resource, and growth techs must retain skilled and promising people if they are to effectively compete with established giants. The latter have healthy balance sheets—together, Apple, Microsoft, Google, and Amazon had $570 billion in cash reserves at last count—and will be keen to hire available talent through the downturn. Growth techs should treat layoffs as a last resort; they will, after all, need top talent to accelerate through the rebound. They should keep their top performers engaged by creating a strong connection between their work and the company’s mission, and should maintain close contact with them by, for instance, conducting weekly 15-minute calls with each one.

Set up a cash office team to monitor demand and cash. To conserve cash, growth techs should set up a task force whose functions mimic those of a cash office. Specifically, the task force should perform the following duties:

- Frame and update demand and supply scenarios on the basis of macroeconomic and business indicators.
- Manage a dynamic 12-week cash-flow model.
- Reprioritize major initiatives by value, feasibility, and operational impact.
- Rigorously govern expense approvals and the release of scarce cash.

To best reflect reality, the cash office team should develop short-term cash-flow projections on the basis of actual receipts and collections, rather than projected revenues. It must find creative ways to extend the company’s cash runway as far as it can—for example, by planning payroll payments, restructuring bonuses, and deferring expenses.

Circle the wagons with customers, and digitize your go-to-market strategy. If your customers don’t see you as part of the solution, they’ll see you as part of the problem.
Now is the time to reach out to customers, demonstrate your knowledge of and empathy for their specific situations, and identify how your offerings can help them tackle their problems. Many companies coordinate the process through a customer SWAT team whose customer-facing representatives proactively conduct discovery calls with customers to identify emerging needs and discuss industry-specific perspectives related to the crisis. Creativity and flexibility are crucial in a crisis—and there is no such thing as a dispensable customer.

This is also a key time to digitize go-to-market processes through social media, for instance. Many of our clients have been surprised at how well digital and virtual channels work in this environment. The goal should be to better leverage digital marketing and other cost-effective channels to generate at least a minimum threshold of new sales.

**THRIVE**

Tactics for thriving enable companies to find advantage in adversity and innovate to meet new needs.

**Reposition existing products as solutions to new needs.** As a result of the pandemic, new needs have emerged, and older needs have become more pronounced. Some growth techs will find that they already have offerings that naturally meet these needs. One obvious example is Zoom, which has experienced a 20X spike in daily users over the past three months. The key to meeting a demand surge is to make the product as accessible, user-friendly, and reliable as possible—even to the point of reengineering it, if necessary. In the longer term, companies must find ways of retaining customers by creatively pricing and packaging their products.

Companies whose products don’t naturally meet new needs should try to adapt, refine, or reposition their existing products as solutions. Zensors, a vision technologies company, has turned its customer analytics offering into an infection risk measurement tool that bases its assessment of risk on crowd density analysis. In India, Uber has partnered with online retailers such as Flipkart and Big Basket to maintain the flow of daily household necessities.
Companies can also alert consumers to features or applications that have become more relevant in recent days. Originally, iCertis designed its AI-powered contract management platform to enable businesses to digitize, catalog, and manage customer and supplier contracts. But as companies rushed to assess the financial implications of pandemic-related business discontinuities, iCertis also positioned its platform as a solution that could help companies assess the extent of their liability by identifying contracts that lacked force majeure language. The company’s response has made customers keenly aware of a need that is unlikely to diminish even in the post-COVID-19 world.

**Accelerate new products to market by repurposing your skills.** Growth techs find innovative ways to repurpose their capabilities and shorten the time needed to take new products to market. Some companies are focusing on short-term solutions that win mindshare or call attention to broad platform capabilities. For example, Formlabs and Carbon 3D are tackling current supply-chain shortages by 3D-printing swabs for COVID-19 testing. Oculus pushed out its Quest VR fitness game, Supernatural, ahead of schedule as gyms closed for the pandemic. And Brandwatch is publishing a daily “COVID-19 Consumer Insights Report” based on social media listening.

Other companies are designing solutions to tackle the needs of the new reality. Palantir has leveraged its data analytics capabilities to create a product it calls Common Operating Picture, which integrates resource-planning data, such as supply chain capacity and hospital capacity, with disease tracking and diagnostic testing data. Palantir initially developed the toolkit for city and state governments, but it has found customers among medical suppliers, energy companies, banks, and insurers as well.

**Invest in brand and product awareness.** One long-term benefit of quickly repositioning existing products or developing new products is greater awareness of your capabilities. Savvy companies can raise their brand equity by positioning their products as state-of-the-art solutions. For instance, if Formlabs supplies medical swabs for virus testing at scale and publicizes its ability to do so, it will be top of mind in the event that future shortages occur.
Similarly, companies with newly essential digital products should offer free trials to ensure that usage takes off. Atlassian is helping customers address work shortages and productivity roadblocks by offering free trials of Jira, its automation platform, along with detailed tutorials designed for first-time users.

**Seek M&A opportunities.** As financial pressures mount, growth techs with accumulated cash reserves will be in a position to buy capabilities and talent. The buyer’s market will provide opportunities to strengthen core offerings, expand the portfolio, and consolidate competitive position. It’s too early to see a spike in M&A, but fleet-footed companies have already started scanning the global market by analyzing companies’ stock performance and valuation trends. Zoom, for example, recently acquired Keybase to bolster its end-to-end encryption capabilities, so it can better address emerging security concerns.

**INSPIRE**

Tactics designed to inspire will signal to stakeholders that they can be part of the solution.

**Dare to be part of the solution.** Tech giants have deservedly dominated headlines during this coronavirus outbreak. IBM leads a consortium that is pooling high-performance computing resources for COVID-19 researchers to use at no cost. Through an Alphabet subsidiary, Google has built an app that can coordinate public testing. And Apple has donated 9 million protective masks to hospitals.

Not all solutions require scale or government partnerships, however. Valispace has raised a fund to focus the efforts of thousands of engineers on designing mass-producible, easy-to-distribute ventilators. DoorDash has scored in a distressed sector by reducing and in some cases eliminating the fees it collects from restaurants.

A COVID-19 solutions team can discover new ways to leverage capital, talent, capabilities, and ideas to become part of the effort to overcome the pandemic. Start with leadership brainstorming and an employee survey to open and enlarge the pipeline of ideas; balance impact and feasibility during the selection process; and involve employees in determining the winning solutions. Company-wide competitions, modeled as a virtual shark tank, can be effective and fun forums for collective decision making in a period of prolonged crisis.
Employees who are involved in the ideation process are more likely to support a company’s humanitarian campaigns.

**Contribute to relief efforts aligned with your company’s mission and purpose.** Not every company will become a critical part of the solution, but every organization can contribute to relief efforts. As damage to people’s health and wealth increases, relief efforts have become more and more important. Contributing to a mission-aligned relief effort is the right thing to do as a matter of civic virtue; and done correctly, it can confer collateral rewards in the form of improved employee morale and heightened investor perceptions. For example, companies could consider engaging their employees in matching programs and volunteer efforts. Devising a meaningful relief contribution is a sign of strength to employees and investors alike.

As the COVID-19 crisis catalyzes new ways of working, growth techs that develop solutions for emergent customer needs will become mainstays in the digital workplace of the future. They will reap outsize rewards in funding, talent, and market share. But it won’t be easy: growth techs must move quickly to execute an “advantage in adversity” strategy built on the cornerstones of their early success—creativity, discipline, and agility.
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