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Organization Practice

Organizing for the future: Nine keys to becoming a future-ready company

To better organize for a postpandemic future, leaders should embrace nine imperatives that collectively explain "who we are" as an organization, "how we operate," and "how we grow."

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The prospect of successful vaccines for COVID-19 has given business leaders everywhere hope that the pandemic may be finally nearing a turning point. And not a second too soon: the organizational adrenaline that helped many companies get things done quickly and well during the pandemic's early days has, in many cases, been replaced by fatigue.

Yet even as leaders take action to reenergize their people and organizations, the most forward looking see a larger opportunity—the chance to build on pandemic-related accomplishments and reexamine (or even reimagine) the organization's identity, how it works, and how it grows.

The pressure to change had been building for years. Well before the COVID-19 pandemic, senior executives routinely worried their organizations were too slow, too siloed, too bogged down in complicated matrix structures, too bureaucratic. What many leaders feared, and the pandemic confirms, is that their companies were organized for a world that is disappearing—an era of standardization and predictability that's being overwritten by four big trends: a combination of heightened connectivity, lower transaction costs, unprecedented automation, and shifting demographics (Exhibit 1). (For more about these forces, see "Organizing for the future: Why now?" on McKinsey.com.) And if incumbents didn't see the future in themselves they saw it clearly in the competition: digital upstarts that continue to innovate, and win, in bold new ways.

Exhibit 1

Four interrelated trends are poised to unwind the old rules of management.

More connectivity

- Rising interconnectivity speeds disruption, upending the principles for disruptive innovation
- Free-moving information bypasses—and challenges—existing hierarchies

Lower transaction costs

- Barriers to entry and costs to achieve scale are evaporating
- Internal bureaucracy presents more friction than external interactions and free-market transactions

Unprecedented automation

- Increased automation undercuts the mechanistic thinking upon which organizations were created
- 200 years of management thinking on control and predictability become obsolete

Fundamental societal shifts

- Gen Z and beyond will have new, fundamentally different career aspirations
- Expect more variety and learning, more leadership and promotion opportunities, more social impact, and more career mobility

In this article, we'll synthesize lessons from our experience and from new research on the organizational practices of 30 top companies to highlight how businesses can best organize for the future. While no organization has yet cracked the code, the experimentation underway suggests that future-ready companies share three characteristics: they know who they are and what they stand for; they operate with a fixation on speed and simplicity; and they grow by scaling up their ability to learn, innovate, and seek good ideas regardless of their origin. By embracing these fundamentals—through the nine organizational imperatives that underpin them—companies will improve their odds of thriving in the next normal.

The bad news? Companies have zero time to lose. In an increasingly winner-takes-all business environment in which McKinsey research finds that up to 95 percent of economic profit is earned by the top 20 percent of companies,[1] any organization that isn't seeking new approaches is on borrowed time.

The good news? Not only do these same top performers offer hints at what a better organization could look like, but companies everywhere are recognizing that the pandemic offers a once-in-a-generation opportunity for change. Indeed, the much-anticipated—and yes, inevitable—transition from today's COVID-19 crisis mode to the next normal offers senior executives a unique unfreezing opportunity. By seizing the initiative, companies can discover organizational "unlocks" and create new systems that are antifragile,[2] more flexible, more organic, more interconnected, more purposeful—and simply more human.[3]

Reinvention needed

Ask executives about their company and you can expect to be shown an organization chart. No wonder. The management concepts that the org chart visualizes—coordination, hierarchy, a matrixed organization—are the ones leaders grew up with and know best, as did generations before them. The original org chart hails from 1854, and was introduced to help run the New York and Erie Railroad during the age of the steam locomotive.

Therein lies the challenge. Today's organizations are set up as traditional hierarchies or matrix organizations with roots stretching back to the industrial revolutions of the 18th, 19th, and 20th centuries. In theory, these structures provide clear lines of authority from frontline employees up through layers of management. In reality, matrix structures have only grown more complex as business has—to the extent that in some companies they are so cumbersome they hardly function.

The takeaway? We shouldn't *expect* these old models to be fit for purpose in today's environment. They are mechanistic by design, built to solve for uniformity, bureaucracy, and control—goals that *undercut* what companies now prioritize: creativity, speed, and accountability.

The answer isn't to modify the old models but to replace them with something radically better.

[1] For more, see Chris Bradly, Martin Hirt, Sara Hudson, Nicholas Northcote, and Sven Smit, "The great acceleration," July 2020, McKinsey.com.
[2] Author Nassim Taleb's concept of antifragility is instructive. "The resilient," Taleb writes, "resists shocks and stays the same; the antifragile gets better." For more, see Nassim Nicholas Taleb, *Antifragile: Things That Gain from Disorder*, New York, NY: Random House Trade Paperbacks, 2012.
[3] These ideas have a long history. For example, consider the notion of open, dynamic organizational systems versus closed, static, mechanistic systems articulated by Daniel Katz and Robert L. Kahn in "Evaluating the application of theories of open systems thinking," 1978.

Organizing for the (winner-takes-all) future

To define “radically better” for organizations, we—along with our colleagues in McKinsey’s Organization Practice—embarked on a research effort in 2018 to understand how companies could successfully organize for the future. This work identified nine imperatives, highlighted in Exhibit 2, that we believe separate future-ready organizations from the pack.

Exhibit 3 shows the degree to which 30 top US companies are already making or considering bold moves across the imperatives. These companies—all among the top three in their industry as measured by total economic profit captured between 2015 and 2019—represent the vanguard of an increasingly winner-takes-all world (see sidebar, “The winner takes it all”).

As our colleagues in McKinsey’s Strategy & Corporate Finance Practice demonstrated in their 2018 book, *Strategy Beyond the Hockey Stick*, companies in the top quintile for economic profit capture almost 90 percent of it. A more recent analysis shows this share has increased to 95 percent—basically *all* excess returns over the cost of capital.

Clearly, the case for reimagining an organization *and* taking bold actions has never been clearer. To see how companies can do both, let’s turn to the organizational imperatives and examine the ways in which they help organizations answer three core questions: Who are we? How do we operate? How do we grow?

Exhibit 2

Nine organizational imperatives will separate future-ready companies from the pack.

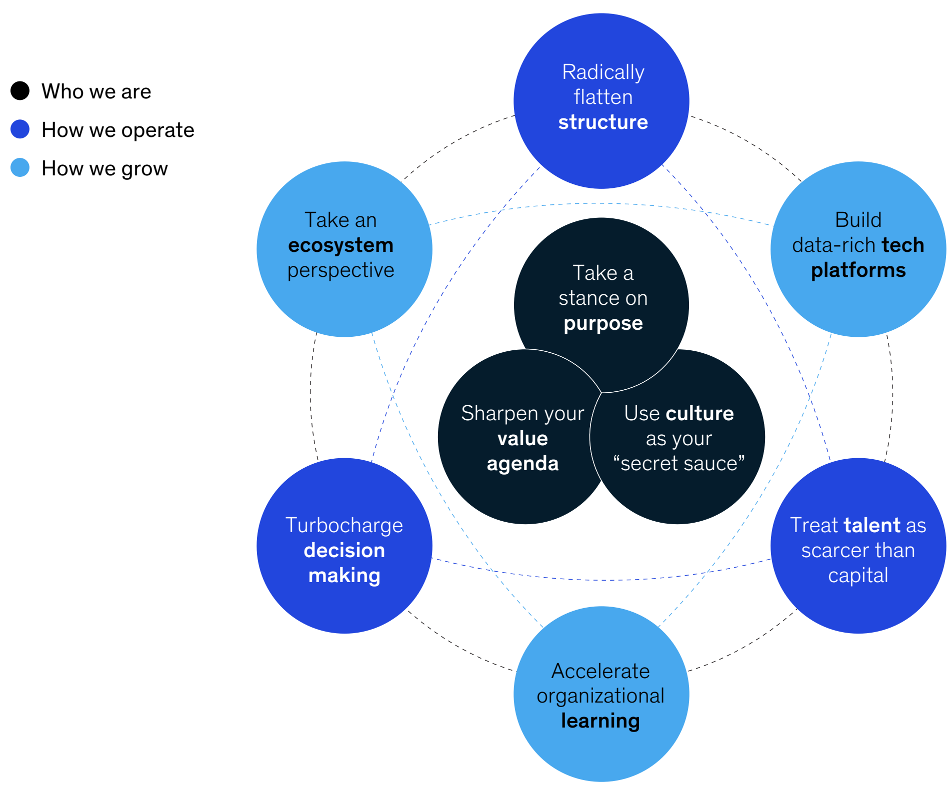
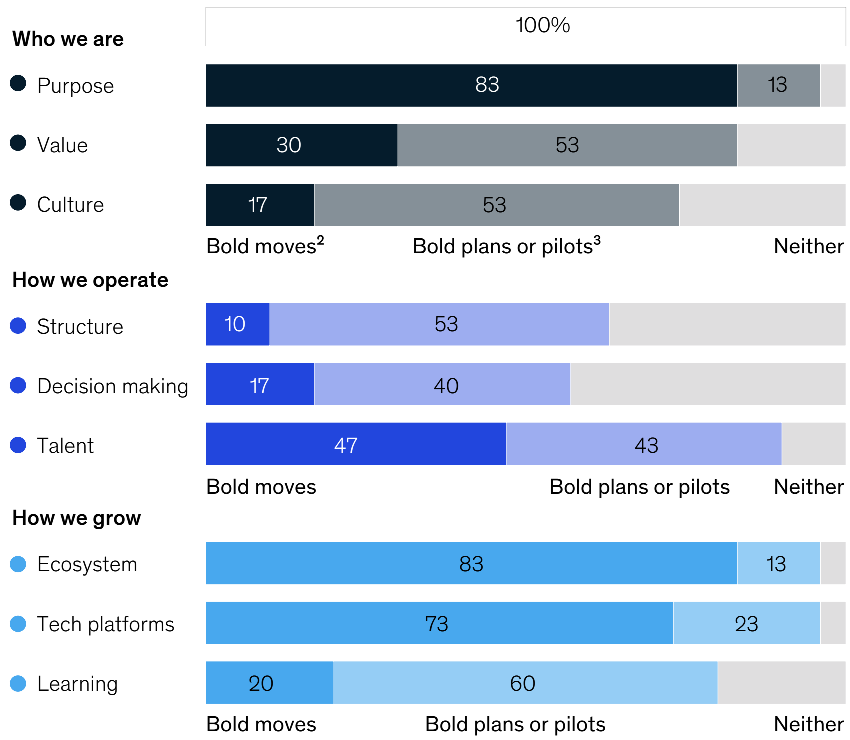


Exhibit 3

Top-performing companies are taking bold action across all nine imperatives.

Share of 30 top companies making,[1] and considering, bold moves against the 9 organizational imperatives, %



[1]To acknowledge that industries have different market fundamentals and face different headwinds and tailwinds, we selected the top 10 industries as measured by their average economic profit between 2015–19. We then selected the top 3 companies from each industry by the same metric.
[2]Bold moves defined as: 1) Company among the first to adopt a given practice; 2) the practice is unique and not copied elsewhere; or 3) the practice has been scaled across >50% of the company.
[3]Bold plans defined as: Company is actively planning or piloting a bold move as defined above.
Source: McKinsey Organization Practice; McKinsey Strategy & Corporate Finance Practice

Who we are: Strengthen identity

In his seminal 1937 essay, "The nature of the firm,"[4] the economist and eventual Nobel laureate Ronald Coase argued that corporations exist to avoid the transaction costs of the free market. Yet with transaction costs plummeting (spurred by rising connectivity) this rationale no longer holds up. Why, then, do companies exist?

The answer is identity. People long to belong, and they want to be part of something bigger than themselves. Companies that fixate only on profits will lose ground to organizations that create a strong identity that meets employees' needs for affiliation, social cohesion, purpose, and meaning.

[4] Coase's essay, described by him as "little more than an undergraduate essay," is nonetheless widely cited as contributing to his 1991 Nobel Prize for economics. For more about Coase's life and career at the University of Chicago (where he taught until his death in 2013 at the age of 102), see Sarah Galer, "Ronald Coase still stirs debate at 101," University of Chicago, April 23, 2012, uchicago.edu.

The winner takes it all

To learn the extent to which the nine imperatives were being studied and pursued by leading organizations, we turned to groundbreaking research conducted by our colleagues in McKinsey's Strategy & Corporate Finance Practice for their book, *Strategy Beyond the Hockey Stick*. There, the authors observed that company performance (as measured by average economic profit) demonstrates a power law—the tails of the curve rise and fall at exponential rates with long "flatlands" in between. The implications of the power law are stark: companies in the top quintile capture no less than 90 percent of economic profit, and the gap appears to be widening.

As part of our own research, we looked to this top quintile, selecting the top three companies from each of the ten highest-scoring industries on average economic profit from 2015 to 2019. We then conducted expert interviews and outside-in analysis to determine the degree to which the companies were acting on—or exploring—the nine organizational imperatives that form the heart of this article.

Three of the imperatives proved notable pockets of bold action: taking a stance on purpose (83 percent of companies we studied), establishing ecosystems (83 percent), and creating data-rich tech platforms (73 percent).

Further, when we looked across the three categories ("who we are," "how we operate," "how we grow") that together comprise the nine imperatives, we noted that top-performing companies didn't concentrate their efforts on any single category but instead tended to act across all three. This could suggest that all three areas are viewed as important to future organizational performance.

Indeed, in an increasingly winner-takes-all economy in which even above-average performance won't guarantee returns above the cost of capital, we would expect the bar on organizational innovation to only rise.

Future-ready organizations accomplish this in three ways: they get clear on their purpose; they know how they create value and why they're unique; and they create strong and distinct cultures that help attract and retain the best people.

Imperative 1: Take a stance on purpose

Top-performing organizations know that purpose is both a differentiating factor and a must-have. A strongly held sense of corporate purpose is a company's unique affirmation of its identity—the *why* of work[5]—and embodies everything the organization stands for from a historical, emotional, social, and practical point of view.

Future-ready companies recognize that purpose helps attract people to join an organization, remain there, and thrive. Investors understand why this is valuable, and factor purpose into their decision making: the rise of environmental, social, and governance (ESG)–related funds is just one of the ways they acknowledge that purpose links to value creation in tangible ways.

Nonetheless, few companies harness purpose fully. In a McKinsey survey of employees at US companies, 82 percent said organizational purpose is important, but only half that number said their purpose drove impact. How to bridge the gap? Take action to set the company's purpose in motion; help make it real for people. This only happens when employees identify with and feel connected to their company's purpose. While such connections can be encouraged and reinforced through meaningful, symbolic action—for example, Amazon leaves an empty chair at meetings to represent the customer's role in decisions[6]—purpose must also be forged in tangible choices and behaviors. Consider CVS Health's choice to stop selling tobacco products to more fully achieve a purpose of "help[ing] people on their path to better health."[7]

[5] For more, see Simon Sinek, *Start with Why: How Great Leaders Inspire Everyone to Take Action*, New York, NY: Penguin Group, 2009.
[6] For more, see George Anders, "Inside Amazon's idea machine: How Bezos decodes customers," *Forbes*, April 4, 2012, forbes.com.
[7] For more, see Eileen Howard Boone, "An insider look at CVS's decision to quit the cigarette business," *Guardian*, June 18, 2014, theguardian.com.

It's often said that "where your talents and the needs of the world cross, there lies your vocation." Indeed, employees aspire further (and even live longer) when their energies are channeled to purpose. McKinsey research finds that people who say they are "living their purpose" at work are four times more likely to report higher engagement levels than those who say they aren't.

When centered at the heart of work, purpose helps people navigate uncertainty, inspires commitment, and even reveals untapped market potential. Future-ready organizations will clearly articulate what they stand for, why they exist, and will use purpose as the glue to connect employees and other stakeholders in ways that inform their business choices.

Imperative 2: Sharpen your value agenda

While all companies have a strategy for how they create value,[8] few can show *precisely* how the organization will achieve it. Future-ready companies, by contrast, avoid this dilemma by creating a value agenda—a map that disaggregates a company's ambitions and targets into tangible organizational elements such as business units, regions, product lines, and even key capabilities. Armed with such a depiction, these companies can articulate where value is created in the organization, what sets the company apart from the pack, and even what might propel its success in the future.

The key is to use the value agenda to focus the organization's efforts and instill a sense of what really matters in every employee. When organizations can leverage this clarity—knowing exactly what differentiates them from everyone else—the results are powerful and hard to replicate. Consider how Apple rallies itself behind creating the best user experience. The company's obsessiveness when it comes to pleasing customers includes obvious things like product design but extends to how products are packaged: the company has a small team dedicated just to packaging to ensure that the experience of opening the box elicits just the right emotional response.[9]

The power of a clear value agenda isn't only that it helps a company better achieve its strategic priorities today but also that it gives the organization a line of sight into how to shift resources as priorities change. Top-performing companies, after all, reallocate their people aggressively, dynamically, and *continuously* against their core priorities, recognizing that this activity is both an economic engine and long-term competitive strength. According to McKinsey research, companies that frequently reallocate talent to high-value initiatives are more than twice as likely to outperform peers on total returns to shareholders.[10]

Imperative 3: Use culture as your 'secret sauce'

In addition to having a clear *why* (purpose) and *what* (a value agenda), companies that thrive in the next normal will distinguish themselves by their cultures—the *how* of any organization. Culture is that unique set of behaviors, rituals, symbols, and experiences that collectively describes "how we run things." Among the most successful companies, culture forms the backbone of organizational health and fuels sustained outperformance over time: companies with strong cultures achieve up to three-times higher total returns to shareholders than companies without them.[11]

Telltale signs of a strong culture of performance include leaders who consistently carry out the behaviors the company aspires to, work practices that stand out and feel fresh to outsiders, and innovative approaches to important moments—everything from employee onboarding to how meetings are run. Amazon, for example, famously enforces its "two-pizza rule" mandating that no team

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[8] For more, see C.K. Prahalad and Gary Hamel, "The core competence of the corporation," *Harvard Business Review*, May–June 1990, hbr.org.
[9] For more, see Jamie Condliffe, "Apple's packaging is so good because it employs a dedicated box opener," Gizmodo, January 25, 2012, gizmodo.com.
[10] 2017 McKinsey Global Survey on companies' talent management practices. For more, see Mike Barriere, Miriam Owens, and Sarah Pobereskin, "Linking talent to value," April 2018, McKinsey.com.
[11] For more, see McKinsey's Organizational Health Index, McKinsey.com.

should be larger than two pizzas can feed. The rule supports the company's idiosyncratic approach to meetings: keep them small, no PowerPoint, and start with silence to give participants time to reread the required premeeting memo (time that CEO Jeff Bezos refers to as "study hall"). These approaches might seem like quirks, but, in fact, they directly support a valuable business goal: helping the company reach faster, better decisions.

Leaders hoping to create a robust performance culture need to start by cooking up their organization's own unique "secret sauce." The main ingredient: specific, observable behaviors that employees at all levels of the company adhere to.

Broad themes won't cut it. Instead, behaviors must be made an integral part of core business activities and specific work tasks, especially for the moments that matter. A global manufacturer, for example, wanted shop-floor workers to view operational discipline as everyone's job. To promote this, the company encouraged frontline teams to briefly huddle at the start of every shift to review the company's "golden rules of safety." Ultimately, the manufacturer created tailored interventions for different groups of employees based on their respective roles, goals, and even particular mindsets that might otherwise have held employees back.

Culture can't just exist in slogans painted on the walls or in catchy email signature lines. Defined principles and ways of working are critical to creating a cohesive, long-lasting organization. And culture plagiarists be warned—culture is devilishly hard to copy and should ultimately be unique to each organization. When leaders choose—and build—the kind of culture they want the organization to embody, they create a virtuous cycle, attracting the right talent that will thrive in their culture, unlock their value agenda, and "turbocharge" performance.

How we operate: Prioritize speed

Visit a future-ready organization and you'll observe that speed is both a preoccupation and a cultural bias. You'll even hear it in the company lexicon, in expressions such as "increasing the clock speed," "metabolic rate," or "a bias for action." While the COVID-19 crisis has made speed a priority for many organizations, it has also reinforced how difficult speed is to harness.[12] Once organizations galvanize identity, they need to optimize for speed. Operating models need to be fast, nimble, and frictionless to create ways of working that foster agility and simplicity. They need to enable a network of empowered, dynamic teams to find pockets of value, including at the company's "edges" where employees are closest to customers.

Imperative 4: Radically flatten structure

As the business environment has become more complex and interconnected in recent years, many companies have mirrored these changes in their organizational structures, creating an ever-more convoluted matrix. Unwittingly, they are betting on organizational complexity to solve market complexity.

This is a losing bet. Future-ready organizations, by contrast, structure themselves in ways that make them fitter, flatter, faster, and far better at unlocking considerable value. Their goal isn't to eradicate hierarchy so much as make it less important as an organizing mechanism. They flatten the organization and adopt the simplest P&L structure possible, reinforcing business objectives with clear, strong performance management and other mechanisms.

Consider Haier, the China-based multinational maker of appliances and consumer electronics that shifted away from traditional hierarchical structure and toward emergent, agile teams. Employing one of the more intriguing approaches we've come across,

[12] For more, see Aaron De Smet, Elizabeth Mygatt, Iyad Sheikh, and Brooke Weddle, "The need for speed in the post-COVID-19 era—and how to achieve it," September 2020, McKinsey.com.

Future-ready organizations structure themselves in ways that make them fitter, flatter, faster, and far better at unlocking value.

Haier is an organization with no layers, no traditional bosses, and no middle management; yet the company is anything but a free-for-all.

Instead, thousands of independent "microenterprises"—small, flexible teams that form by mutual selection—collaborate over networks of platforms and people to accomplish the company's goals. Microenterprises come in three forms: *transforming* units that aspire to reinvent existing products; *incubating* units that create entirely new products; and *node* units that support the others with component products and services.[13]

Another intriguing approach is the "helix organization." In this model, reporting is split into two separate, parallel lines of accountability—one focused on stability, the other on speed. To achieve the former, a function-oriented capabilities manager oversees an employee's long-term career path and skills development. For the latter, a market-facing "value manager" sets priorities and provides day-to-day oversight, ensuring that people can be deployed as flexibly as needed to meet priorities. This model allows for nimble reallocation of people while avoiding the confusions of traditional dual reporting.

The vision of the future that these examples suggest is one in which organizational structure no longer focuses on boxes and lines. Instead, it centers on connectivity—on who works on what with whom. Future-ready organizations require models that are designed, nurtured, and grown around people and activities. Furthermore, advances in digital technology mean that bosses in the years ahead can become true coaches and enablers—not micromanagers—across larger spans of control (1:30 ratios of manager to employee are imaginable, versus much smaller ratios). When companies have a strong identity informing their priorities and ways of working, responsibilities and clear decision rights can empower frontline staff to make decisions in real time.

Finally, rethinking structure means rethinking teams. Many companies have established networks of teams that are empowered to operate outside current structures, take over some critical operations, and deal with rapidly evolving situations. Companies such as Google follow a "non-zero-sum" management approach in which the development of lines of communication running in all directions is more important than reporting relationships.[14] Such teams bring together cross-functional skills and a wide range of experience while avoiding the usual baggage that comes with more hierarchical mindsets. The teams can act fast because they are flexible. They form, disband, reshape, and experiment as they learn lessons, make and correct mistakes, and try new approaches.

Imperative 5: Turbocharge decision making

A recent McKinsey survey found that organizations that make decisions quickly are twice as likely as

[13] For more, see Gary Hamel and Michele Zanini, "The end of bureaucracy," *Harvard Business Review*, November–December 2018, hbr.org.

[14] For more, see James L. Heskett, W. Earl Sasser, and Joe Wheeler, *The Ownership Quotient: Putting the Service Profit Chain to Work for Unbeatable Competitive Advantage*, Boston, MA: Harvard Business School Publishing, 2008.

slow decision makers to make high-quality decisions. Organizations that consistently decide fast *and* well are, in turn, more likely to outperform their peers. However, only one in three survey respondents said their organizations consistently make fast, high-quality decisions.[15]

Achieving quality and speed in tandem takes work. It requires a system that properly allocates decisions to the right executives, teams, individuals, or even algorithms. The top team needs to focus its time and energy on the core business decisions that only it can make, such as those initiatives central to the value agenda. Other leaders, meanwhile, should spend more time deciding on resource and talent allocation for those initiatives. Top of mind for everyone should be who is working on what. Through managing the backlog of resources from the top of the house, organizations will speed up and increase the quality of decisions.

To prepare for the future, many companies will need to reset their default mode by developing a bias for action and the ability to differentiate between crosscutting and delegable decisions. The great majority of decisions should be delegated to the lowest levels possible, giving employees at the company's edges agency and accountability for decisions they are equipped, and best placed, to make. For example, most of Alibaba's operating decisions are made by small teams informed by machine learning and creative applications of data.[16] The company's C-level executives focus on crosscutting decisions, including resource allocation for top initiatives. Many decisions and processes require less than half the steps executives imagine are necessary. This kind of streamlining is vital to increasing decision speed.

Leading organizations also rightsize the number of decision makers and critical voices involved in a decision. Each participant should be purposefully included, with a clear eye to removing decision "spectators" or others without a critical role in the process. Who has a vote? Who has a voice? Notably, clarity on this does not necessarily mean limiting the number of people involved or removing diverse perspectives. It just means ensuring that there is a strong reason for each participant to be present.

The COVID-19 crisis has forced companies to "turbocharge" decision making out of necessity. For example, Sysco, the largest US food distribution company, pivoted its core business in only a few weeks to provide services to the retail grocery sector by leveraging its supply-chain expertise.[17] As an executive at another company confided during the early days of the pandemic, "We are making a month's worth of decisions every day at the moment." Such examples suggest that companies do have the muscles to accelerate decision making. Now they must strengthen and flex those muscles, embedding what they're learning from the crisis into redesigned decision-making processes for the future.

Imperative 6: Treat talent as scarcer than capital

The world of work is changing fast. Some jobs are being replaced by automation while others, facilitated by technology platforms, are becoming more globally dispersed. These changes are leading many companies to rethink their talent strategy. Top companies will anchor the effort to a bedrock principle: our talent is our scarcest resource. Then they'll zero in on three core questions: What talent do we need? How can we attract it? And how can we manage talent most effectively to deliver on our value agenda?

Answering the first question (What talent do we need?) will be devilishly hard for companies that haven't yet taken the time to create a value agenda. Our research finds that a substantial amount of value in organizations is linked to as few as 25 to 50 roles, many of which aren't at senior levels of the

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[15] *McKinsey Quarterly* Decision-Making Survey, 2019; for more, see "Decision making in the age of urgency,"April 2019, McKinsey.com.
[16] For more, see Ming Zeng, "Alibaba and the future of business," *Harvard Business Review*, September–October 2018, hbr.org.
[17] For more, see "Sysco pivoting support to help US retail grocers keep shelves in stock," Warehouse Automation, March 25, 2020, warehouseautomation.ca.

company. Leaders must know what those roles are. If they don't, they may be wasting top talent on roles that can't deliver outsize value.

Creating an attractive destination for top talent means fostering an inclusive employee experience. This influences whether employees stay and thrive, which in turn affects the company's bottom line. A recent McKinsey global survey found that 39 percent of respondents said they have turned down a job or decided not to pursue one because of an organization's perceived lack of inclusion.[18] And other McKinsey research finds that companies in the top quartile for racial/ethnic diversity and gender diversity at the executive level are 36 and 25 percent more likely to have above-average profitability, respectively, than companies in the bottom quartile.[19]

When it comes to performance management, senior executives can learn from companies such as Netflix, which says it prioritizes having "stars" in every position and at every level. While this statement might sound like an empty motto at another company, for Netflix it serves a valuable need: the company's highly autonomous culture would suffer with the wrong people in place. To decrease the odds of this happening, Netflix actively counsels out "adequate" performers.

Finally, future-ready companies see that talent ecosystems often allow for the best management and allocation of top talent. In some cases, companies rely on tech-enabled marketplaces to better match skills to projects. Such talent ecosystems can even reach beyond traditional corporate boundaries. For example, Cisco's Networking Academy offers self-paced IT training and skills development to prepare students for a range of tech-related roles and then connects them to job opportunities, including with external partners. Participants benefit from greater opportunities for career advancement. But Cisco wins, as well, by tapping into a larger pool of talent empowered with specific skills the company prioritizes.

How we grow: Build for scale

Organizations cannot simply hardwire decisions about their identity or operating models and declare victory. As connectivity and automation increase, and as the expectations of younger generations change, businesses must be prepared for nimble and constant adaptation if they hope to grow with any consistency.

Doing so entails constant interaction with stakeholders, technology, and employees. The best way to ensure this is by harnessing a vibrant ecosystem of partners outside the company's traditional boundaries, building data-rich technology platforms that support growth and innovation, and accelerating learning to fuel the talent engine they'll need to succeed.

A substantial amount of value in organizations is linked to as few as 25 to 50 roles.

[18] For more, see "Understanding organizational barriers to a more inclusive workplace," June 2020, McKinsey.com.
[19] For more, see Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince, "Diversity wins: How inclusion matters," May 2020, McKinsey.com.

Imperative 7: Adopt an ecosystem view

In 2014, Tesla made the seemingly radical decision to open source its patents and encourage other companies to use its intellectual property. In retrospect, that choice is a brilliant model of the ecosystem-oriented decisions that all future-ready companies must make. Tesla recognized that it couldn't grow without partners that would build charging stations and offer services to create the infrastructure to support electric vehicles. By putting itself at the center of a burgeoning ecosystem of partners, Tesla laid the groundwork for its own explosive growth.

Future-proof organizations will take such examples to heart, recognizing that traditional understandings about what an organization is and where its boundaries lie are being upended. The old thinking was all about gaining leverage and controlling the supply chain. Increasingly, however, value is created through networks where partners share data, code, and skills; where communities of businesses create value and antifragility together.

The underlying recognition that top companies embrace (and that laggards struggle to accept) is that the sources of value will be constantly changing—in ways that can't be tapped solely by a company's traditional, core business. Successful companies need to excel at blurring boundaries, taking a systems view rather than a mechanistic one, and embracing fluidity over fixed plans.

Future-ready organizations view partners as extensions of themselves. These relationships feature porous boundaries and high levels of trust and mutual dependence to share value and let each partner focus on what it does best. For example, Amazon encouraged the formation of new delivery start-ups by launching a last-mile delivery program that offered top-performing employees seed money, leased vans, and training. While these delivery-system partners are self-employed, Amazon views them as both an extension of their logistics ecosystem and a new form of homegrown partnership.[20]

Partnerships should be cultivated for the long term to better develop the antifragility that helps partners weather shocks. For example, Johnson & Johnson's JLABS provides support and resources on compliance, markets, science, and other topics to promising start-ups. By doing so, the company supports and develops relationships with entrepreneurs on the "fragile front lines of innovation."[21] Instead of transactional, win–lose relationships, models such as this one embrace partnerships motivated by shared success.

Imperative 8: Build data-rich tech platforms

Future-proof companies take data seriously. For them, data isn't simply about reporting what is happening in the business or answering a business question. Data *is* the business.

The rise of Netflix is a case in point, as demonstrated in its transformation from a small, mail-in provider of DVDs to a multifaceted global platform, streaming service, and content creator. Netflix achieved its growth by leveraging its user data in the powerful algorithms that created its recommendation engine.[22] The company's recommender system now accounts for 80 percent of time customers spend streaming Netflix content.[23] Future-ready companies understand that data can continually empower decisions and the value agenda in unexpected, yet promising, ways.

To make the most of data, leading organizations must tackle a complex set of tasks. They must create compelling approaches to data governance, redesign processes as modular applications, tap the benefits of scalable cloud-based technology, and support all this through variable-cost technology

[20] For more, see Sarah Perez, "Amazon offers employees $10K and 3 months' pay to start their own delivery businesses," Tech Crunch, May 13, 2019, techcrunch.com.
[21] For more, see Amirah Al Idrus, "J&J, BARDA pick 7 startups to back in fight against COVID-19—and beyond," FierceBiotech, August 27, 2020, fiercebiotech.com.
[22] For more, see N. Venkat Venkatraman "Netflix: A case of transformation for the digital future," Medium, April 16, 2017, medium.com.
[23] For more, see David Chong, "Deep dive into Netflix's recommender system," Towards Data Science, April 30, 2020, towardsdatascience.com.

Experiment-and-learn environments encourage accelerated personal growth and improvement for employees.

budgets that are reallocated dynamically. By seizing upon data's ability to connect and scale, these companies will be able to develop new products, services, and even businesses in fast release-and-upgrade cycles—much as Tesla updates its products over the air several times a year.[24]

Imperative 9: Accelerate learning as an organization

Capitalizing on new approaches to data requires modern DevOps skills, as well as other capabilities that will be new to most leaders. This underscores the urgency of the final organizational imperative, the one that helps make the others go: accelerate learning. Companies need to get learning right to fuel their talent engine and create an empowered workforce that's fluent in the art of "fail fast, learn, repeat."[25] High-performing companies promote a mindset of continuous learning that encourages and supports people to adapt and reinvent themselves to meet shifting needs.

Getting to this level requires instilling a growth mindset, curiosity,[26] and an openness to experimentation and failure. Microsoft CEO Satya Nadella describes it as hypothesis testing. "Instead of saying 'I have an idea,'" Nadella observes, "what if you said, 'I have a new hypothesis, let's go test it, see if it's valid, ask how quickly can we validate it.' And if it's not valid, move on to the next one."[27] This approach, and the company's underlying push to shift its collective mindset from "know it all" to "learn it all," is emblematic of a learning organization.

Experiment-and-learn environments encourage accelerated personal growth and improvement for employees. They can fuel beneficial innovation, as evidenced by Google's famous "20 percent time" policy that encourages employees to work on their own ideas for Google 20 percent of the time (this approach contributed to the creation of Gmail and Google Maps, among others).[28] The real value in such programs is that they signal to the organization that learning, experimentation, and innovation are part of everyone's day job, not something that gets done in a "skunkworks" or other specialized group.

Since traditional educational institutions alone cannot deliver the skills companies will need, organizations need to look inward. Rather than create monolithic centralized programs that people attend before returning to their day job, forward-looking companies will develop learning journeys that have a mix of core and individualized content, delivered when people need it and at requisite scale.[29] And in keeping with the lessons learned during the pandemic, these programs must work in today's virtual working environments.

[24] For more, see Marci Houghlen, "How often does the Tesla Model 3 update itself?" MotorBiscuit, May 4, 2020, motorbiscuit.com.
[25] The world needs it too. The calls for massive workforce reskilling have never been this palpable—according to the OECD, almost one-third of all jobs worldwide will be transformed by technology in the next decade. For more, see Saadia Zahidi, "We need a global reskilling revolution—here's why," World Economic Forum, January 22, 2020, weforum.org.
[26] For more, see Lisa Christensen, Jake Gittleson, and Matt Smith, "The most fundamental skill: Intentional learning and the career advantage," August 2020, McKinsey.com.
[27] Krzysztof Majdan and Michal Wasowski, "We sat down with Microsoft's CEO to discuss the past, present and future of the company," Business Insider, April 20, 2017, businessinsider.com.
[28] For more, see Bryan Adams, "How Google's 20 percent rule can make you more productive and energetic," Inc., December 28, 2016, inc.com.
[29] For example, see Aaron Pressman, "Can AT&T retrain 100,000 people?," *Fortune*, March 13, 2017, fortune.com.

Into the future

For most organizations, the COVID-19 pandemic and its aftermath have upended life as we knew it. The resulting pain, grief, and economic dislocation will be felt long into the future. The first priority for leaders, therefore, is to lead with empathy and compassion as they revitalize, and reenergize, their exhausted teams and organizations.

As companies face up to an uncertain, postcrisis landscape, we urge them to recall Albert Einstein's encouragement that "in the midst of every crisis, lies great opportunity." As organizations move from a mindset of *coping* to one of *competing*, the best companies will seize the unique unfreezing opportunity before them to imagine—and create—new systems and modes of organization that are more flexible, integrated, resilient, and ultimately, more human. These organizations will view themselves as interconnected systems that seek to constantly experiment, fail, learn, grow—and start the process anew when the world invariably changes again.

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