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To lead in the postcrisis tomorrow, put leadership and capabilities in place today

Amid the crisis, companies have learned to work faster and manage better. Strategies that continually refresh those lessons through people will define winners in the post-COVID-19 era.

by Daniel Pachtod and Michael Park



The learn-it-all does better than the know-it-all.

—Satya Nadella, chief executive officer, Microsoft

One silver lining of the COVID-19 crisis has been to show businesses how to manage better and achieve greater speed, quality, and cost control. A wartime mindset—defined by decisive crisis management, scenario planning, and a human reflex attuned to the economic and health shocks affecting employees—has been the hallmark of leaders in the crisis so far. Now, as the world feels its way toward recovery and the new opportunities of the next normal, another risk looms. It is that inertia will set in, along with a longing for a return to the operating style of the days before COVID-19.

How can leaders avoid the impulse to abandon the progress they have made in shaping a more productive and competitive company profile? We believe the answer is a renewed focus on people and their capabilities. Only by advancing new cadres of adaptive, resilient leaders, as well as a middle bench fluent in technology that cuts across silos, will companies be able to work with the speed and impact necessary to further the broader transformation that has begun. The message to CEOs, boards, and leaders is clear: the return on this people investment has never been higher, and without it companies will not be able to fully take advantage of the postcrisis era to come.

Why do we believe this? Because over the past five months, we have seen the performance edge gained by organizations and leaders with adaptable management and strong capabilities. Many of the companies that have battled successfully in the crisis have done so from a wartime footing—what former US secretary of defense General James Mattis refers to as operating “at the speed of relevance.”

This means understanding what information is relevant, encouraging simpler approval chains, and scrambling to put the best talent against critical challenges. In the postcrisis world, leaders who enable teams that can embrace new ways of working and leverage technology will thrive while maintaining their personal energy and balance.

We see four imperatives as critical for managing people and building capabilities to thrive in the postpandemic period.

1. Put in tomorrow’s team today

As in many disruptions, leaders are finding that talent is stepping up in unexpected ways. This was apparent even before COVID-19. When one European car and truck maker assessed its biggest value creators, it found that two-thirds of the organization’s 50 most important value contributors were from one to three levels below the C-suite. In our conversations with CEOs, we are struck by stories of how some young middle managers in their organizations are defying the problems and frustrations of this difficult period to achieve far more than peer leaders do. An executive we know noted how one of his best young leaders is three times more effective than a peer leader with twice the experience. In many organizations, the best up-and-comers are beacons of calm, resilient, and adaptable people leadership, while others amplify stress. Significantly, we find that these more capable leaders are also the ones who demonstrate the most empathetic leadership and often disproportionately champion diverse talent.

Leaders should celebrate and duly reward these leaders, while also setting aside underperformers. This sets the tone for what you value and affords greater clarity in decision making. To return to the analogy of wartime leadership, who should get the field promotion and help lead you to outperformance in the coming weeks?

2. Identify and elevate the handful of tangible business skills that matter most

Leaders and boards need to identify the core capabilities that matter most to the next normal and make this the priority of each department leader and executive. For example, what provisions do you have in place to encourage executives to sharpen their ability to adapt to uncertainty while maintaining strategic focus? Crisis, says Mattis, “draws senior leaders into tactical details. They’ll think they’re staying strategic, but strategic planning isn’t being done. They stay in a reactive mode and never gain the initiative.” Build a culture of adaptability to anticipate the next shock or black-swan event.

Take such exercises out of the human-resources department and elevate them to the level of the CEO and general management to transform your organization’s capabilities. To be clear, this is not a “feel good” partnership with a business school or a buzzy reskilling initiative. It is a prioritization of the handful of an organization’s most tangible and critical business skills and a commitment to driving them deep into the organization. The capabilities showing up now on our radar screen include these:

a. Managing in a transformational way. Modern management is about safe and incremental change. But what we’re observing during this crisis is that by adopting a transformational mindset, companies accomplish so much more than they think they can. Rather than aiming for a 5 percent improvement, shoot for 20 percent. Far more ambitious targets can unlock

energy and achieve a lasting step change in performance. Today, areas like digitizing customer engagement and launching new products attuned to a changing world are ripe for a transformational push.

b. Navigating and leading in a network of teams.

The modern company is much more complex than it was 20 years ago. The need is greater to do away with rigid hierarchies and operate under a network of empowered teams to get closer to customers and boost a company’s agility. Executives who are able to navigate these will do better, but very few have been trained in these skills.

c. Business fundamentals. We’re often surprised at how thirsty executives are for refreshers on business basics. Too often, these foundations of efficient and effective functional operation get lost in the stampede to adopt the latest trend. Building core functional capabilities around cash flows, business cases, and scenario thinking is critical to understand and unlock an organization’s value drivers at scale.

d. New business models. While much has changed in a few short months, the importance of business models has not. A good business model still directly addresses Peter Drucker’s iconic questions about who the customer is and what the customer values. Amid disruption, uncertainty, and ever-faster competition, those who can adapt, generate, and implement new business models will come out ahead.

e. Supply chains. Sure, we know that it’s a perennial niche topic. But COVID-19, the possibility that the pandemic will have a long tail, changing views of China, and the importance of resilience in weathering crisis have moved supply chains from a back-office issue to one under constant discussion in the front office.

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3. Treat technological acumen as you treat profit targets

The COVID-19 crisis has forced companies great and small to vault ahead five years, in a matter of weeks, in adopting and applying digital technologies. From remote learning to distance meetings, technological transformation has been accelerated by years as the metabolic rate of business has sped up. The winners of this massive experiment will be more nimble, flexible, and fast in applying the cloud, analytics, and data-management technologies, to name a few. Simply put, today's challenge is that most organizations lack the basic technological understanding to lead and manage through the crisis.

At one multinational industrial company we know, the massive slowdown in commercial aviation hit demand hard. Despite this, one unit moved quickly to use data and analytics to shift capacity, secure vital raw materials, and reduce management processes to a few priorities. The shock was tangible, but so was the unit's resilience in charting a new path out of the crisis. By contrast, another unit in the same company is still struggling to identify priorities and supply-chain weaknesses. Each week begins with another unexpected supplier delinquency, while absenteeism and management burnout tick higher.

In the past, leaders would attempt to remedy such failures with select hires from Silicon Valley, but cultural differences largely scuttled such

efforts. What we find works is when leaders drive technological acumen into all executives and measure their proficiency and improvement as you measure profit targets. We think of this as a company's technology quotient: a measure of an organization's performance across key dimensions of digital maturity. This is akin to how some leading companies used lean process improvements in the 1980s and 1990s to encourage new management discipline in their organizations through frequent assessments, kaizens, and skill-building sessions and certifications. As your company emerges from the pandemic, now is the time to baseline your leadership team's technology savvy and unleash the individual talents of your leaders so your organization can thrive.

4. Liberate teams to solve problems rapidly from a customer-back perspective

By and large, the great remote-working experiment brought on by the crisis has shown that a lot can be accomplished, immediately and virtually, with small teams, fewer and streamlined cycles, and without so much time expended on travel. As one executive noted when talking about his company's meetings budget: "The problem isn't where we are doing the meeting or why, but why did we have to convene two dozen people to all get together to make the decision ... instead of just three people on a disciplined conference call."

Why are we talking about speed in a discussion about investing in an organization's capabilities? Because without equally addressing speed, an organization's progress innovating and adapting merely grinds along. Often, counterintuitively, it may be necessary to put in some "good bureaucracy." During the crisis, some companies have traded in traditional videoconferencing, replete with large numbers of contributors, in favor of "wartime councils" in which multiple senior stakeholders gather once to act rapidly as decision makers. Using something as simple as a two-page document, teams can cut straight to the heart of a business issue and get to yes or no quickly, often with better results. Such exercises are worth retaining and propagating.

Consider the fact that strategic targets and resource allocations often don't line up, because decisions are not made at the right level.¹ Streamlining for speed can remedy this by gathering a smaller group—for example, the CEO and the heads of finance and operations—to handle pitches distilled

from division and business-unit leaders. The small group can quickly debate, narrow down options, and decide final resource-allocation targets. This approach sidesteps a common dynamic: instead of using the allocation process to sort out what's best for the overall strategy, companies let business-unit leaders maneuver to secure maximum resources for their units.

As executives feel their way out of the COVID-19 crisis and into a next normal, they have many pressing questions on their minds about the health of their employees and the health of their businesses. Here is one that should be top of mind: what should be retained from this period of pandemic shock, uncertainty, and dramatic change in the ways businesses have reacted to crisis? We are convinced the answer is that those companies that invest in capabilities to empower leadership, teams, and technology will be the ones that thrive in the postpandemic era.

¹ Marc Goedhart, Tim Koller, and David Wessels, *Valuation: Measuring and Managing the Value of Companies*, eighth edition, Hoboken, NJ: John Wiley & Sons, 2020, p. 574.

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