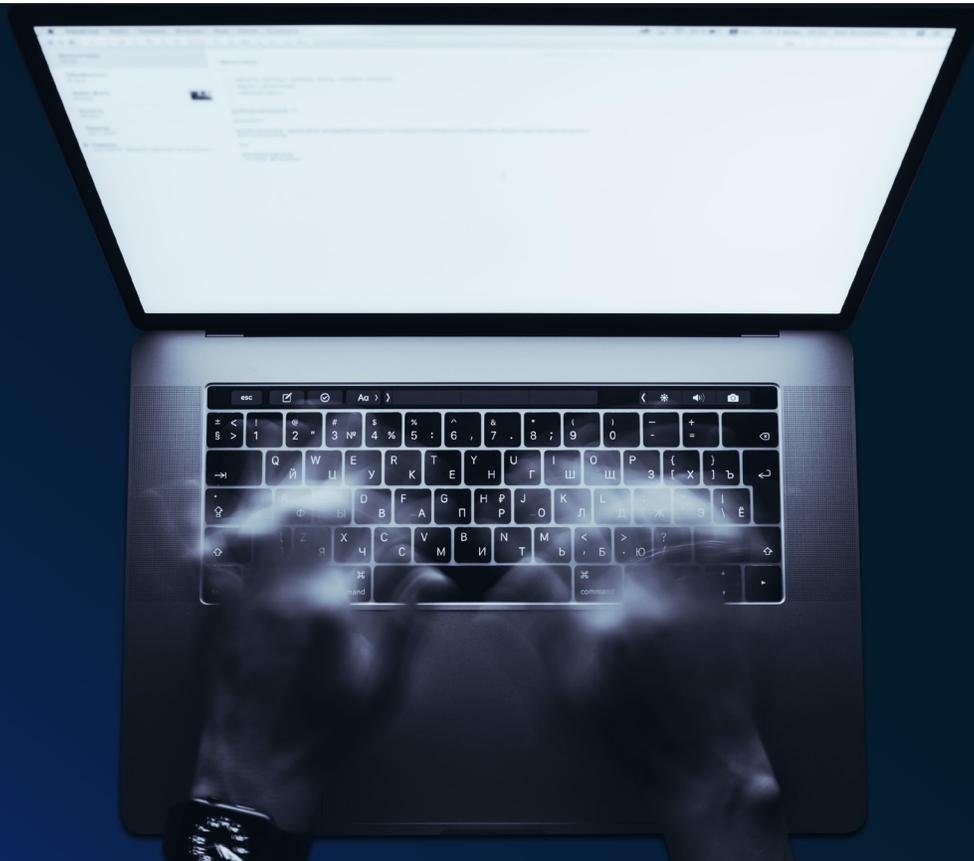


Organization Practice and McKinsey Accelerate

# Ready, set, go: Reinventing the organization for speed in the post-COVID-19 era

The need for speed has never been greater. Here are nine ways companies can get faster.

*by Aaron De Smet, Daniel Pachtod, Charlotte Relyea, and Bob Sternfels*



**When the coronavirus pandemic erupted,** companies had to change. Many business-as-usual approaches to serving customers, working with suppliers, and collaborating with colleagues—or just getting anything done—would have failed. They had to increase the speed of decision making, while improving productivity, using technology and data in new ways, and accelerating the scope and scale of innovation. And it worked. Organizations in a wide range of sectors and geographies have accomplished difficult tasks and achieved positive results in record time:

*Redeploying talent.* A global telco redeployed 1,000 store employees to inside sales and retrained them in three weeks.

*Launching new business models.* A US-based retailer launched curbside delivery in two days versus the previously-planned 18 months.

*Improving productivity.* An industrial factory ran at 90-percent-plus capacity with 40 percent of the workforce.

*Developing new products.* An engineering company designed and manufactured ventilators within a week.

*Shifting operations.* Coordinating with local officials, a major shipbuilder switched from three shifts to two, with thousands of employees.

### **The need for speed: No turning back**

At the heart of each of these examples is speed—getting things done fast, and well. Organizations have removed boundaries and have broken down silos in ways no one thought was possible. They have streamlined decisions and processes, empowered frontline leaders, and suspended slow-moving hierarchies and bureaucracies. The results, CEOs from a wide range of industries have told us, have often been stunning:

“Decision making accelerated when we cut the nonsense. We make decisions in one meeting, limit groups to no more than nine people, and have banned PowerPoint.”

“I asked on Monday, and by Friday we had a working prototype.”

“We have increased time in direct connection with teams—resetting the role and energizing our managers.”

“We adopted new technology overnight—not the usual years—as we have a higher tolerance for mistakes that don’t threaten the business.”

“We’re putting teams of our best people on the hardest problems. If they can’t solve it, no one can.”

Because of the pandemic, leadership teams have embraced technology and data, reinventing core processes and adopting new collaboration tools. Technology and people interacting in new ways is at the heart of the new operating model for business—and of creating an effective postpandemic organization.

So is speed. An organization designed for speed will see powerful outcomes, including greater customer responsiveness, enhanced capabilities, and better performance, in terms of cost efficiency, revenues, and return on capital. The speedy company might also find it has a higher sense of purpose and improved organizational health. These outcomes are possible, but not inevitable. Organizational successes forged during the crisis need to be hardwired into the new operating model; and leaders must ensure their organizations do not revert to old behaviors and processes. That requires making permanent structural changes that can sustain speed in ways that will inspire and engage employees.

### **Reinventing the organization for speed**

As companies adopt new ways of working at speed, executives are also interested in moving to flatter, nonhierarchical structures, taking more radical approaches to decision making and ways of working. Gone are the days of waiting around for best practices to emerge. CEOs recognize the need

to shift from adrenaline-based speed during COVID-19 to speed by design for the long run. The winners are experimenting now, and boldly. Here are nine actions to unleash sustainable speed (exhibit).

The first three actions aim to *rethink ways of working*. Many leaders have had to do this during the pandemic and are keen to keep those that have worked well:

*1. Speed up and delegate decision making.* The pandemic has shown that it is possible to make decisions faster without breaking the business. What this means in practice is fewer meetings and fewer decision makers in each meeting. Some organizations are taking to heart the “nine on a videoconference” principle. Others are keeping larger 30- to 40-person meetings (so the people that need to implement the decisions are present) but cutting the number of people with a vote. There is also less detailed preparation for each meeting, with one- to two-page documents or spreadsheets replacing lengthy PowerPoint decks.

Organizations are also increasing the cadence of decisions, taking on the mantra that “quarterly

is the new annual.” Holding just-in-time, fit-for-purpose planning and resource allocation on a quarterly instead of annual basis is not only faster but also makes the organization more flexible.

Finally, non-mission-critical decisions can be delegated, so that top leaders focus on fewer, more important decisions: think “assign to the line” rather than “go to the top.” That means tolerating mistakes that don’t put the business at risk; a slow decision can often be worse than an imperfect one. The principle is simple: organizations that want to move faster must motivate their employees to be willing to act.

*2. Step up execution excellence.* Just because the times are fraught does not mean that leaders need to tighten control and micromanage execution. Rather the opposite. *Because* conditions are so difficult, frontline employees need to take on more responsibility for execution, action, and collaboration.

But this isn’t always easy and requires that organizations focus on building execution muscle throughout the workforce. Leaders must assign responsibility to the line, and drive “closed-loop

Exhibit

## Unleashing sustainable speed is a process.



### Rethink ways of working

1. Speed up and delegate decision making
2. Step up execution excellence
3. Cultivate extraordinary partnerships



### Reimagine structure

4. Flatten the structure
5. Unleash nimble, empowered teams
6. Make hybrid work, work



### Reshape talent

7. Field tomorrow’s leaders today
8. Learn how to learn
9. Rethink the role of CEOs and leaders

accountability.” That is, everyone working on a team must be clear about what needs to get done by whom, when, and why. Employees must also be equipped with the right skills and mindsets to solve problems, instead of waiting to be told what to do. And there must be disciplined follow-up to make sure actions were taken and the desired results achieved.

CEOs who are serious about execution excellence are investing in helping their workforces up their execution game—through targeted programs, realigning incentives, and directing rewards and recognition to teams that execute with speed and excellence. Building execution excellence does not have to come at the expense of innovation. Quite the contrary: it can help discover powerful ideas and innovation from the frontline teams that are closest to the customer. And it can drive excitement and loyalty among the employee base.

Consider the example of a chemical company that is undergoing an enterprise-wide transformation of its business. Every meeting begins with a statement of objectives and ends with a list of actions to take, including those who are responsible for each. Outcomes and milestones are tracked, and employees are rewarded for achieving their goals. Leaders communicate the purpose of these actions (the why behind the what and the how) and build conviction in their employees to do the right thing. Employees, in turn, are motivated by a sense of personal ownership and pride. By knowing who exactly is doing what when, at all times, the pace of execution can be accelerated. Such an approach both speeds up and improves execution.

*3. Cultivate extraordinary partnerships.* Working with partners is routine. But the speed of action only goes so far if other players in the ecosystem fail to move just as fast. During the pandemic, we have seen companies work with partners in new ways to achieve extraordinary impact. For example, Prisma Health, a South Carolina–based not for profit, had a design for an emergency ventilator-expansion device but lacked the capacity to build and distribute as many as were needed. Johnson & Johnson’s Ethicon division, on the other hand, had the capacity and distribution infrastructure. The

two were able to rapidly form a partnership to manufacture the devices at scale, and the Food and Drug Administration gave it an emergency-use authorization.

As this example illustrates, partners are increasingly important in dealing with the pace of change, complexity, and disruptions that are becoming the norm. The rate of technological and business-model innovation alone makes it nearly impossible for any single organization to do everything itself. Furthermore, the connected world is breaking down the traditional boundaries between buyers and suppliers, manufacturers and distributors, and employers and employees.

For partnerships to be successful, the relationship must be built on deep trust, for example by adopting a more open-source approach to innovation and embedding the partner into everything from strategy-setting to routine operations. Trust allows the parties to integrate their systems and processes, enabling them to find solutions, make decisions quickly, and execute efficiently. In the case of J&J and Prisma Health, they had a shared mission to help patients and medical professionals.

The next three actions aim to *reimagine structure* to go beyond the traditional “boxes and lines” and toward the development of the kinds of teams that work together to deliver value:

*4. Flatten the structure.* A speedy organization has more people taking action and fewer people feeding the beast of bureaucracy—briefing each other, reporting, seeking approvals, sitting in unproductive meetings (and then huddling up in the meeting after the meeting to have the real conversation). Rigid hierarchies must give way to leaner, flatter structures that allow the system to respond quickly to emerging challenges and opportunities. There are fewer middle managers and span-breakers and more doers and deciders. Creating this new organism requires reimagining structure not as a hierarchy of bosses, per the traditional organization chart, but rather as a dynamic network of teams. As one CEO told us, “We can finally turn the page on the traditional matrix and reinvent how we organize and how work gets done.”

# Having one fast, agile team is helpful, but having many of them across an enterprise, and enabling them with the right structures, processes, and culture, makes it possible for the entire system to move faster.

Real-time collaboration and co-location become more important, and have even extended to the virtual world. For example, putting engineering and product-development specialists on the same team can speed up innovation and boost output. The role of the corporate center must also be rethought. In many cases, central functions could become capability platforms deploying skills, tools, and talent where they are needed most, while also acting as a catalyst for learning and best-practice sharing. Centers of excellence could be established, with the goal of bringing leading-edge capabilities—such as analytics and artificial intelligence, digitization and process automation, and Industry 4.0—to a broad range of performance units and thus delivering measurable value.

5. *Unleash nimble, empowered teams.* The pandemic has seen the large-scale deployment of fast, agile teams—small, focused cross-functional teams working together toward a common set of objectives that are tracked and measured. Leaders have made this work by charging each team with a specific mission: an outcome that matters for customers or employees, empowering each team to find its own approach, and then getting out of the way. Having one fast, agile team is helpful, but having many of them across an enterprise, and enabling them with the right structures, processes, and culture, makes it possible for the entire system to move faster.

Research by McKinsey and the Harvard Business School found that companies that had launched agile transformations pre-COVID-19 performed better and moved faster post-COVID-19 than those that had not. Agile organizations had an edge because they already had processes and structures available to them, such as cross-functional teams, quarterly business reviews, empowered frontline teams, and clear data on outputs and outcomes, that proved critical to adapting to the COVID-19 crisis. They adjusted faster, and with less employee turmoil. The same was true *within* companies: those business units that had gone agile before the pandemic performed better than those that had not on customer satisfaction, employee engagement, and operational performance. “If we had not done this [agile] transformation,” one European banking executive told us, “our development would have completely stalled during COVID-19.”

For example, telecom companies and banks that were agile before the crisis were twice as fast in releasing new services in response to it. One European bank tasked cross-functional teams to deploy new online services; they did so in a matter of days. Just setting up the teams could have taken weeks, but in this case the bank was ready to act—and to let the team make the decisions it needed to. The study also found that the crisis forced nonagile organizations to experiment with the concept. The speed that resulted, including faster decisions, reduced bureaucracy, and better

communication, are attributes that many organizations are now working to maintain.

*6. Make hybrid work, work.* The next normal will see significantly more people working in a hybrid way—sometimes in person with colleagues on-site, sometimes working remotely. This model can unlock significant value, including more satisfied employees and lower real-estate costs. There are other benefits to a hybrid working model, including access to a broader range of talent, greater flexibility, and improved productivity.

To achieve these gains, employers need to ensure that the basics are in place to digitally enable remote working and collaboration, while taking care to create working norms that foster social cohesion. They should precisely define the optimal approach for each role and employee segment. That requires understanding when on-site work is better compared with remote interaction or independent work. Perhaps more important, hybrid organizations must adopt new ways of working that help build a strong culture, cohesion, and trust even when many employees are working remotely. Companies that were “born virtual,” many out of Silicon Valley such as GitLab and Mozilla, and have sustained it successfully have very intentional policies, technology, and working norms. These include open-source collaboration models, for instance, for software development; remote-first practices, such as videoconference by default; and rigorous documentation of everything, from decisions to meeting output to work in progress. Moreover, they make an effort to bring colleagues together in person at least a couple of times per year to facilitate more connectivity and deepen relationships. Top talent will leave companies with bad cultures and slow responses.

The next three actions aim to *reshape talent* in order to get tomorrow’s leadership team operational today and to build the workforce capabilities of the future.

*7. Field tomorrow’s leaders today.* One of the unexpected consequences of the pandemic is that CEOs have seen into a window that shows who their future leaders are. They have seen who can

make decisions and execute rapidly; who is able to take on new challenges and lead in the face of uncertainty; and who has the grit to persevere.

In many cases leaders have found emerging talent two-to-three layers down, people who rose to the occasion and helped lead crisis-response and plan-ahead strategies. In other cases, they have found that some leaders have become too comfortable with the slower-moving bureaucracy of the past. As one CEO told us, “We have learned more about our people in the last 12 weeks than through our traditional HR processes from the last 12 months.” Not only have CEOs gained insight into who the future leaders are, but they have also seen the value of rapidly deploying top talent to the most important work. Organizations that do both things—find future leaders and redeploy talent skillfully—will be able to move faster.

One recent example comes from the Ford Motor Company. In March, the automaker announced that it would produce face shields for healthcare workers—something it had never done before. To do so, a team of “unlikely characters” organized itself and got to work, tapping into their own networks to solve problems on the fly. One lesson: those who step up in a challenge, wrote one team member, “might not be who you expect.” Stepping up to this kind of challenge requires courage and a mindset that encourages innovation and learning to come together—fast. “We came as beginners, and got smart on the job,” the team member wrote. “Being a band of beginners means if you think of it, you do it. There is no time for rank.”

*8. Learn how to learn.* Consider the US Navy’s newest “littoral combat ship.” These vessels can complete myriad tasks, such as hunting submarines or sweeping mines while operating in the shallows. One might think they therefore have a large crew of highly trained specialists. Not so. In fact, these ships are run by just 40 “hybrid sailors,” who have proved capable of mastering a wide variety of skills, from handling ropes to firefighting to monitoring remote sensors. They need to be skilled, of course—mishandling a rope can cause serious injury—but their chief skill is the ability to adapt and learn quickly. They learn continuously,

and are open to new experiences and flexible in their thinking. And that, COVID-19 has demonstrated, is what business needs, too.

Learning and adaptability has been on the CEO agenda for some time, but even more so during the pandemic. In the last few months, some of the best leadership teams have been on a steep learning curve: learning how to lead in a time of crisis, learning to manage rapidly forming agile teams, making decisions at a much faster pace, and learning to adapt. Forward-thinking companies are now accelerating their capability-building efforts by developing leadership and critical thinking skills at different levels of the organization, increasing their employees' capacity to engage with technology and use advanced analytics, and building functional skills for the future, such as next-generation procurement, Industry 4.0 manufacturing, and digital marketing and sales.

These companies recognize that the pace and scale of learning must keep up with that of innovation and changes in technology. Skills can and do expire. Organizations need people who can continually learn and adapt. In many cases, companies will need to reskill large portions of the workforce. That will require expanding the learning content available to employees and using technology to deliver what is needed to each person. It also will mean building the organizational and institutional muscle

to strengthen the skills related to learning how to learn—just as the US Navy has done with its hybrid sailors.

*9. Rethink the role of CEOs and leaders.* COVID-19 has brought a fundamental change in leadership in many organizations. The leaders that stand out have shifted from directing a command-and-control crisis response to building and unleashing winning teams. Several CEOs described their role in the last few months as energizing, empowering, and “unblocking” their leadership teams. They also overinvest in communicating clearly and regularly to build trust, and constantly link their actions to the purpose of the institution.

To maintain the speed the COVID-19 crisis has unleashed, organizations need more of this kind of leadership. The future requires leaders to act as visionaries instead of commanders—focused on inspiring their organizations with a clear vision of the future, and then empowering others to realize the vision. It will require leaders who build winning teams; they coach their players but let them make the decisions and execute. These leaders will need to bring energy and passion to catalyze innovation, change, and growth. One CEO told us, “I measure how I feel every day, because ultimately my job is to give energy and empowerment to the organization.”

**Skills can and do expire. Organizations need people who can continually learn and adapt.**

## Now is the time

The coronavirus pandemic is the challenge of our times. The time for organizations to build for speed is now. This will be a long process and leaders must leap into the arena and recognize that many of their familiar organization constructs will need to be reimaged.

Many companies, at least initially, thought of the postpandemic return as an event; they would turn the lights on and go back to work just as they has done before. It is becoming increasingly clear,

however, that for many, returning to work will be a process that could take a year or more, and that they cannot go back to the way they were.

Instead, companies will want to seize the moment to reimagine and reinvent the future, building new muscle and capabilities to come back strong. Even well-run companies may find that they need to reinvent themselves more than once.

Fortune will favor the bold—and the speedy.

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