

Return as a muscle: How lessons from COVID-19 can shape a robust operating model for hybrid and beyond

New research shows how resilient organizations thrived through the pandemic. Here's how to use those lessons to craft a better approach to how work gets done across time (real and asynchronous) and space (digital and physical).

by Aaron De Smet, Mihir Mysore, Angelika Reich, and Bob Sternfels

In May 2020, we published an article arguing that the return to the workplace was a new muscle that organizations needed to develop, not a plan with a predictable timeline. The need for organizations to build this muscle is especially urgent today, as vaccination levels around the world rise, infection and hospitalization levels in many countries decrease, and companies begin their return from remote.

Many companies are already in various stages of a physical return to the workplace. In the United States, for example, employees are starting to return to office locations at a greater pace. Consumer and retail footfall to headquarters has increased by 80 percent, travel and logistics are up 50 percent, and pharmaceutical and healthcare are up 10 percent.

A few short months ago, it wasn't clear that business leaders would so fully embrace a return to the office. But it's now evident that they will. Some 52 percent of C-suite executives we surveyed espouse an almost full return to the office, with workers on-site four days per week or more. Nine out of ten think that employees will be in the office at least three days per week.

Company leaders have good reasons for wanting workers back in the office. As the pandemic dragged on, people's sense of belonging and social connections suffered, especially among newer employees. Interactions across silos became increasingly difficult via remote. Many women left the workforce, widening the gender gap. Mental-health issues, grief, anxiety, and burnout are on the rise, reflecting a decline in the informal and intimate human connections that often occur at the workplace.

Reversing these trends is critical. But leaders are coming to realize that a physical return to the office is no panacea.

In spite of the difficulties employees encountered during remote work, they enjoyed the flexibility and convenience and are reluctant to go back to prepandemic working norms. More than 40 percent fear they will disengage from work if faced with a full return to the office, and a healthy portion is prepared to leave. An office-heavy return may also set back corporate diversity, equity, and inclusion goals that leaders have pushed for years. More women could leave the workplace if they lose flexibility, while diverse employees and parents with young children are more worried than others that a full return will have a negative impact on their mental health.

Leaders themselves are also starting to worry about a potential dip in performance. Won't collaboration be more difficult, not less, when some people are on phones, others are on videoconference, and others are in the office? Will getting it right mean investing in all kinds of new and expensive technologies? Couldn't time spent commuting every day be used more productively?

The more they explore the details of this return from remote, the more they acknowledge its complexity. This article aims to clarify the process. First, we'll consider research conducted with more than 500 senior executives across eight industries that offers valuable lessons pointing to key actions leaders must take during the return from remote. Then we'll look at the five muscles companies must build if they are going to seize this moment to create a robust and productive operating model for the future.

Four lessons from the last year of virtual work

During the pandemic, about 50 percent of the companies in our research data set increased performance, while the rest saw no meaningful change or decreases. These numbers remained true whether we measured decision speed and quality, individual productivity, team productivity, or other performance metrics. The top performers also had lower variability, meaning that they were more likely to see performance gains across the board and not just for some teams. The most productive even witnessed a 48 percent increase in employees' job satisfaction, versus a decrease of 9 percent at the worst-performing organizations.

We call those companies that improved performance “the Organizational Resilients” and those that didn't “the Non-Resilients.” So what can we learn from the Organizational Resilients?

The overall message is that Organizational Resilients doubled down on actions that many top companies had already started executing before the pandemic as part of the movement toward more agile, more people-focused operating models. During the pandemic, more companies turned to these ways of working out of necessity—they had to get nimble to withstand innumerable unexpected challenges. Going forward, successful companies are sure to double down on this trend yet again. The four key lessons identified by our research can inform the actions of every organization returning from remote.

1. The leaders of Organizational Resilients invested disproportionately more time crafting clear goals and clarifying strategy for their organizations

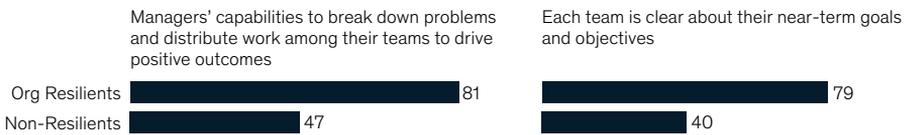
During the pandemic, business leaders made a huge effort to give the clearest guidance possible, whether laying out strategic imperatives or painstakingly breaking down problems they wanted teams to solve. At Organizational Resilients, leaders increased their investment in delivering such clarity by nearly 80 percent. Leaders of Non-Resilients also increased their efforts, but only half as much.

This resonates with McKinsey research on decision making, which found that crafting clear goals and clarifying strategy was one of three “must do’s” to drive better and faster decisions across teams. The reason leaders often feel they need to intervene in and micromanage decisions is that when these get delegated down to the appropriate level, the lower-level employees who are empowered to decide often are too siloed and have individual accountabilities that are too tactical. Without sufficient clarity from leaders on broad enterprise goals and strategies, those at lower levels who would otherwise be capable of making good decisions make bad ones.

Exhibit 1

Lesson 1: Organizational Resilients’ leaders disproportionately invested more time crafting clear goals and clarifying strategy for the organization.

Share who reported increase, % of responses by group



Source: McKinsey 2021 Remote Work CXO Survey; C-suite executives of companies with revenue >\$1 billion; n = 504

2. At Organizational Resilients, small, cross-silo teams focused on outcomes and were empowered to make decisions that drive impact

During the pandemic, Organizational Resilients increased their reliance on networks of small, empowered, cross-silo teams by 61 percent (versus 29 percent for Non-Resilients). They also invested in team cohesion by increasing the quality and quantity of team-building events. They increased delegation and supported this shift in management style by investing more frequently in leadership training for team leaders.

Exhibit 2

Lesson 2: Organizational Resilients’ staff cross-silo teams that are focused on outcomes and empowered to make decisions that drive impact.

Share who reported increase, % of responses by group



Source: McKinsey 2021 Remote Work CXO Survey; C-suite executives of companies with revenue >\$1 billion; n = 504

Their teams focused specifically on outcomes, not process. Organizational Resilients leaned into the meaningful trend from input-based management (Are people busy? How active are they?) to outcome-based management, where the teams focus on achieving a single outcome by whatever means they deem best. This trend is here to stay. It's a key element of the future of work. Strong companies will increasingly emphasize cross-silo teaming and collaborating. They will change expectations and working models for managers at as high a rate as is needed. And they will invest in the development and success of networks of these teams.

3. Organizational Resilients' leaders spent more time on coaching and recognition

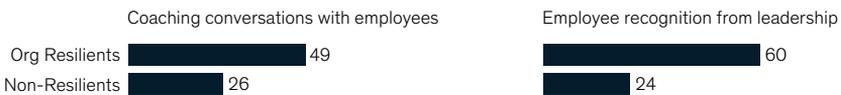
Almost half of Organizational Resilients increased their investment in coaching while 60 percent gave more recognition to employees. Most Non-Resilients did not increase their investment at all. Top performers moved senior executives into goal-setting, decision-making, and coaching roles to speed decision making, a shift that will be as critical to the return from remote as it was during the pandemic. Microinteractions (meetings that lasted less than 15 minutes and resulted in a clear action or decision) went up by 73 percent for Organizational Resilients—more than twice the increase at Non-Resilients.

Great companies know that successful delegation is far more than leaving people to their own devices. It's very much a hands-on affair. Empowerment works when leaders set clear strategic direction and offer good coaching and meaningful recognition.

Exhibit 3

Lesson 3: Organizational Resilients' leaders increased the time they spent on coaching and recognition.

Share who reported increase, % of responses by group



Source: McKinsey 2021 Remote Work C-suite executives Survey; C-suite executives of companies with revenue >\$1 billion; n = 504

4. Organizational Resilients were disproportionately more likely to absorb and adopt new collaboration technologies

Speedily working new collaboration technologies into operations is an essential element of any company's success. Nearly 60 percent of the executives we queried at Organizational Resilients believed that their organizations made collaboration technologies easy to adopt, versus just a quarter of Non-Resilients. And while fewer than 15 percent of Organizational Resilients felt that absorbing new technology was difficult, 30 percent of Non-Resilients reported challenges in this area.

Exhibit 4

Lesson 4: Organizational Resilients were disproportionately more likely to absorb and adopt new collaboration technologies within the organization.

Share who agree with the statement, % of responses by group



Source: McKinsey 2021 Remote Work CXO Survey; C-suite executives of companies with revenue >\$1 billion; n = 504

The return muscle: Unlocking sustainable performance and health in a hybrid world

Many of these lessons, such as the fact that hierarchical organizations stifle growth and slow decision making, are not new. Before the pandemic, however, many companies found it difficult to drive an operating-model reinvention when there were plenty of other competing priorities. The pandemic made clear that they were far more capable than they had imagined of significantly changing the way they work.

As we head back into the workplace, companies want to maintain these hard-won gains. Part of getting the return right is to build five muscles that strengthen the backbone of a new, more competitive operating model.

Expand executive focus on strategic clarity, coaching, and empathy

As we mentioned above, Organizational Resilients are much better than others at coaching and at recognizing people for their achievements. Survey after survey shows that the leading driver of performance and productivity is not compensation or stretch goals but the sense of purpose employees have when they belong to a community whose values they share, that does good things in the world, and that recognizes their contributions. Leaders can build this muscle by being more intentional about in-person interactions. (For more, see “It’s time for leaders to get real about hybrid,” on McKinsey.com.)

Foster outcome-based management of small, cross-functional teams

When work moved from the fields and artisanal workshops to the factories during the Industrial Revolution, there was a division of labor, a standardization of work, and mechanization with standard interchangeable parts. As workers went into factories and worked on assembly lines for others, supervisors watched to make sure that tasks were completed correctly. With time and motion studies, this became a science (à la Frederick Taylor’s theory of scientific management). The result is that strict supervision and control of concrete, observable tasks and outputs has become inculcated into how we manage work.

The return from remote is a unique opportunity to put all that behind us, replaced by outcome-based management that is both more human and more effective. Leading companies have already started to do so, as witnessed by the success of Organizational Resilients.

Building this muscle means that performance-management practices designed for control must shift to practices designed to empower and enable teams and people. Examples include 360-degree feedback from teams, holding managers to account for clarity of goals and outcomes, having senior leaders spend real time on mentoring, and sometimes introducing objectives and key results that live alongside key performance indicators. The goal of all these practices is the same: focus employees on outcomes, not inputs.

Increase talent velocity, especially with reskilling

The ability to staff teams across organizational silos is a core feature of agile models. Virtual work allowed companies to build teams of equals drawn from across all time zones and geographies. It gave companies everywhere the chance to overcome regional talent gaps by tapping into the global talent pool. Employees could deploy to a new team simply by switching to a different video screen.

This kind of enhanced talent velocity was a key differentiator for Organizational Resilients and is likely to be a hallmark of winning organizations for years to come. Building this muscle can entail the development of internal-talent marketplaces or talent-redeployment hubs that make it easier for people to discover potential projects. It may also mean giving people the flexibility to move between projects without leaving their trusted networks. And, critically, it means increasing the rate at which people can be reskilled and upskilled, with both formal training and informal apprenticeship and mentoring. (For more, see “Three keys to faster, better decisions,” on McKinsey.com.)

The impacts of automation and other new technologies make building the reskilling muscle an imperative. Automation is messy. Often, it's not whole jobs that are being fully automated but only the chunks that don't need the kind of significant value-added work that people do. When 50 percent of a job is automated, the way to capture that value is to evolve the work, creating new full-time roles that often require new skill sets.

In fact, automation may even drive a need for better social reskilling. As work that is modular, predictable, and routine gets automated, the work remaining for people is the opposite; it is dynamic, unpredictable, and more inherently human. This work calls for social and emotional skills, higher-order human judgment, creativity, spontaneity, and innovation. It tends to be purpose driven and anchored in human interactions. In other words, the most important and value-adding work for people to perform in the future will be dynamic, team-based, complex, and cross-functional.

Find new zero-cost, high-optionality ways to collaborate

During the past year, many executives came to realize the true cost of collaboration as practiced before the pandemic. A North American CEO told us that in the past, a single-day meeting with his leadership team in Asia had required him to invest the greater part of a week in travel time. But during the pandemic, he was able to meet with people across time zones, continents, and oceans at no cost and to better effect. He said his teams in Asia know him better now than ever. Sales teams reported that it was far easier to maintain existing relationships with people in remote settings—even though they acknowledged that in-person meetings are critical for developing new contacts.

Virtual work allows workforces to collaborate in a “costless” way. But the transaction cost of collaboration will rise when people start commuting and traveling again. This doesn’t mean you should eliminate travel—far from it. Instead, organizations can build a muscle to increase the rate at which they discover and adopt better physical and digital modes of collaboration.

Leaders should define a model for doing this. Learning about these collaborative tools and using them well becomes a mandate for team leaders and executives. Physical workspaces may need to be reconfigured to better facilitate multiple modes of hybrid collaboration. To keep interaction costs low and productivity high, companies can build adequate optionality into their collaboration tool stacks. Sometimes people need an informal, confidential channel for banter. At other times they need a whiteboard. They may also need guidelines on how to make hybrid meetings effective.

Five years ago, the vast majority of group interactions took place via email, conference calls, or in-person meetings. We now have many more options. Videoconferencing is common and more sophisticated, with virtual whiteboards, polling, brainstorming, and more. Large meetings often have virtual producers helping manage breakout groups, group voting, and interactive virtual exercises. Using chats, instant messaging, and other forms of synchronous and asynchronous information sharing and interaction is commonplace. To get the most out of these technologies, we need to be much more intentional about how we design interactions and how we communicate expectations and working norms.

Increase the rate of technology adoption

Organizational Resilients adopted technology faster and more often than Non-Resilients. Now every company has to build this muscle. Seeking out new technology and using data as a way of getting to better outcomes and decisions must become a new norm.

When people learn a new thing (from driving a car to leading teams differently), they often find in the early days that it requires a lot of effort and attention, feels hard, and offers few rewards because they are not good at it yet. That’s why technology adoption is not only about deployment. It is also about learning to use that technology, becoming adept at applying it, and leveraging it in new ways that enhance effectiveness and efficiency. This puts a premium on creating a learning organization that adapts as technology capabilities evolve.

The past year was full of examples of such adaptation. Supply-chain teams developed apps to increase transparency into the system, using long-available but never-mined data. The engineering division of an oil and gas firm decided to start every project kickoff by creating a dashboard to track progress against outcomes. By the time the kickoff was over, the dashboards were live and the data was piped in.

The return from remote is ripe with potential for a productive reimagination of the way work gets done. But going back to the office isn’t a silver bullet. During the pandemic, Organizational Resilients excelled by communicating clearly, leaning on cross-silo teams

focused on outcomes instead of inputs, coaching well and recognizing employee wins, and speedily adopting new collaboration technologies. These are the kinds of qualities that will fuel tomorrow's productivity powerhouses.

Building the muscles needed to drive this kind of success will take time, at the very moment when leaders are faced with a damaged, needy workforce. It's a challenge that will call on every bit of patience and empathy that leaders can muster. It's also a challenge that may well define the future of work. Q

Aaron De Smet is a senior partner in McKinsey's New Jersey office, **Mihir Mysore** is a partner in the Houston office, **Angelika Reich** is a partner in the Vienna office, and **Bob Sternfels** is McKinsey's global managing partner, based in the San Francisco office.

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