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The Next Normal

Reimagining the postpandemic organization

Leading through a time of massive upheaval



November 2020

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Introduction

Welcome to the “next normal,” the new reality emerging from the ongoing COVID-19 pandemic. How will life, public health, and business continue to change? We’ve chronicled our response in a wide-ranging series of publications—more than 575 articles and counting since the outbreak began.

This volume is the third of five edited collections produced to accompany our multimedia series, airing on CNBC, examining the forces and themes shaping the next normal. Prior segments and their accompanying collections can be found at [The McKinsey Download Hub](#), on McKinsey.com, where you can also find many of our most recent and popular reports and special collections.

This collection focuses on the performance and health of organizations. Never in recent memory have so many organizations faced such a widespread upheaval of how work gets done, the methods by which people communicate, the ways offices are organized, and how to evaluate performance while trying to keep people calm in a time of extreme stress.

These pages contain some of our best recent insights on how organizations have responded to the coronavirus pandemic, and on what they should continue to strive for. From managing people to taking the lead to demonstrating purpose, the leadership challenge has been unparalleled in peacetime. We also have a section on what lessons we can draw from military leaders of the past. In addition, we’ve included articles that have resonated particularly powerfully on McKinsey.com, plus articles authored by Mary Meaney, the coleader of McKinsey’s Organization Practice and anchor of the organization segment of our CNBC series. We hope you find these insights useful as you continue to navigate your way through the evolving next normal.

Over the coming weeks, we will publish two more collections and segments on CNBC—on sustainability and resilience. You can download this and other collections in this series as they become available at McKinsey.com/thenextnormal, where you will also find our entire collection of insights related to the coronavirus.

Raju Narisetti

Publisher

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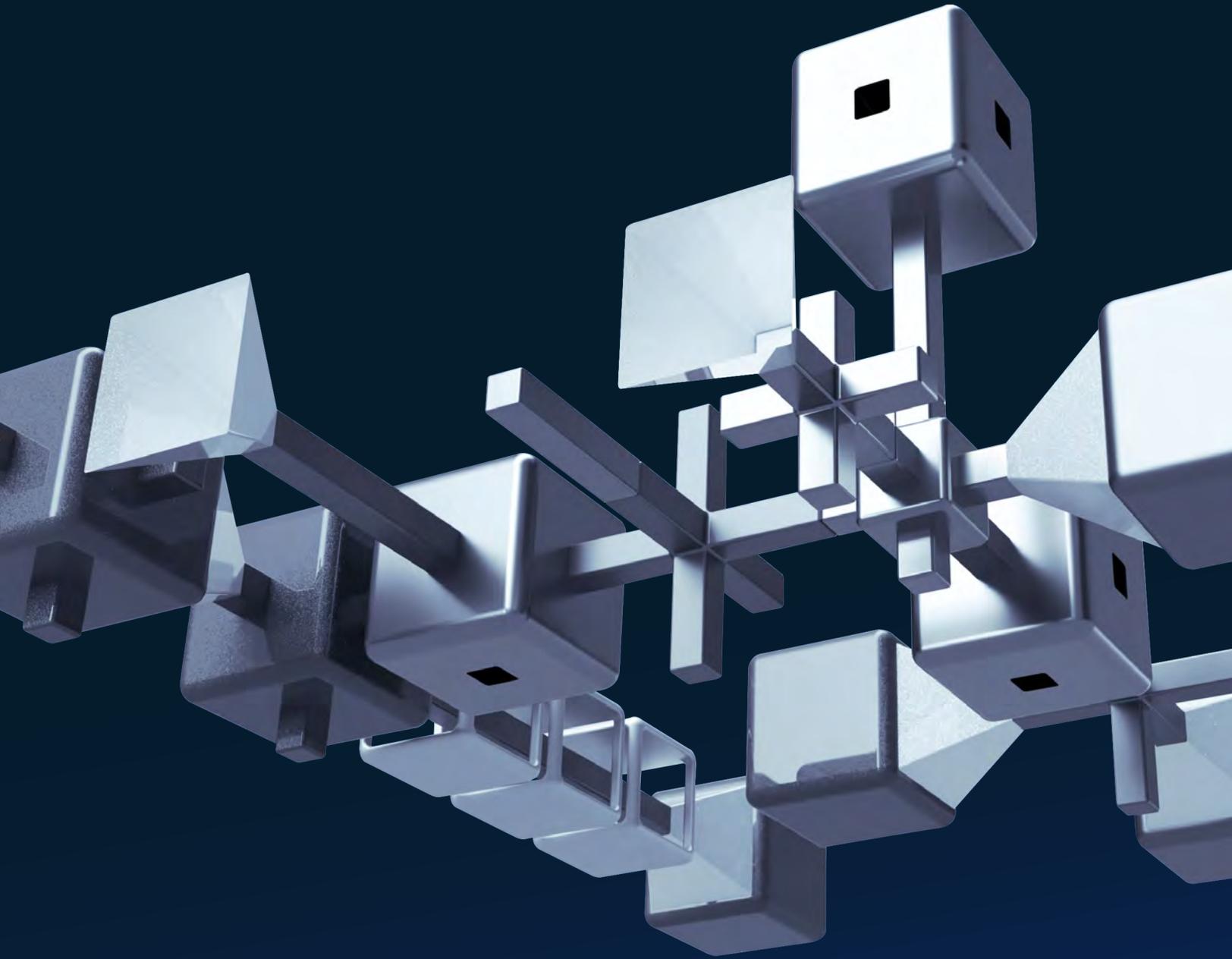




Illustration by Peter Crowther

The CEO moment: Leadership for a new era

Challenged by the global pandemic, CEOs have made four shifts in the way they lead that hold great promise for both companies and society. Will they build on this unique moment, or return to the ways of the past?

by Carolyn Dewar, Scott Keller, Kevin Sneader, and Kurt Strovink

COVID-19 has created a massive humanitarian challenge: millions ill and hundreds of thousands of lives lost; soaring unemployment rates in the world's most robust economies; food banks stretched beyond capacity; governments straining to deliver critical services. The pandemic is also a challenge for businesses—and their CEOs—unlike any they have ever faced, forcing an abrupt dislocation of how employees work, how customers behave, how supply chains function, and even what ultimately constitutes business performance.

Confronting this unique moment, CEOs have shifted how they lead in expedient and ingenious ways. The changes may have been birthed of necessity, but they have great potential beyond this crisis. In this article, we explore four shifts in how CEOs are leading that are also better ways to lead a company: unlocking bolder (“10x”) aspirations, elevating their “to be” list to the same level as “to do” in their operating models, fully embracing stakeholder capitalism, and harnessing the full power of their CEO peer networks. If they become permanent, these shifts hold the potential to thoroughly recalibrate the organization and how it operates, the company’s performance potential, and its relationship to critical constituents.

Only CEOs can decide whether to continue leading in these new ways, and in so doing seize a once-in-a-generation opportunity to consciously evolve the very nature and impact of their role. Indeed, as we have written elsewhere, part of the role of the CEO is to serve as a chief calibrator—deciding the extent and degree of change needed.¹ As part of this, CEOs must have a thesis of transformation that works in their company context. A good CEO is always scanning for signals and helping the organization deliver fine-tuned responses. A great CEO will see that this moment is a unique opportunity for self-calibration, with profound implications for the organization.

We have spoken with and counseled hundreds of CEOs since the pandemic first hit. It is clear to us that they sense an opportunity to lead in a new, more positive and impactful way. If a critical mass of CEOs embraces and extends what they have learned during the pandemic, this CEO moment could become a CEO movement—one that is profoundly positive for the achievement of corporate, human, and societal potential. As Rajnish Kumar, chairman of the State Bank of India, reflects, “This will be a true inflection point. I think that this pandemic, in terms of implications, will be as big an event as World War II. And whatever we learn through this process, it must not go to waste.”

Aspire 10x higher

The global health crisis and its resulting business dislocations have unlocked change at a pace and magnitude that has made even the boldest and most progressive of CEOs question their assumptions. From what we have observed, there are at least two related areas that are ripe for innovation: goal setting and the operating model.

Think bigger and faster

During the pandemic, many organizations have accomplished what had previously been thought impossible. Cincinnati Children’s Hospital Medical Center (CCHMC), for example, scheduled 2,000 telehealth visits in 2019. It is now handling 5,000 a week—a goal that, prior to the pandemic, it had estimated would be accomplished several years from now and only after a large-scale transformation. At Dubai-based Majid Al Futtaim (MAF), attendance at movie theaters fell (as a result of government-mandated closures) while demand for its online supermarket soared; in two days, the company retrained 1,000 ushers and ticket sellers to work for the online grocer. Without the crisis, that speed and magnitude of reskilling to leverage talent across MAF’s

¹ See Carolyn Dewar, Martin Hirt, and Scott Keller, “The mindsets and practices of excellent CEOs,” October 2019, McKinsey.com.

portfolio of companies would never have been contemplated. Best Buy, which had spent months testing curbside pickup at a handful of stores, rolled it out to every store in just two days. In four days, Unilever converted factory lines that were making deodorants into ones making hand sanitizer. Life insurers have wrestled ingeniously with a unique COVID-19-related problem, says Jennifer Fitzgerald, CEO of Policygenius, an online insurance broker: “Some consumers don’t want the examiner in their house. We’ve seen a lot of flexibility from carriers. Some have moved quickly on the electronic medical-record side. We’ve also seen carriers increase the face amount that they’re willing to underwrite using data instead of the medical exam. . . . Overall, I think this has pushed the industry to adopt some changes much more quickly than it otherwise would have.” In a week, companies went from having 100,000 people working in offices to having 100,000 people working from home—a shift requiring systems and policy transformation that under normal circumstances might have taken years.

Of course, the unprecedented scale and speed of the pandemic have created “burning platform” impetus for these feats, but it is still remarkable that organizations have been able to make it happen. These achievements have come partly from people working faster and harder, although this is not the whole story, and many CEOs are taking the long-term view. Says Guardian CEO Deanna Mulligan, “We’ve been worried about our broader team in general because they’ve been working very hard. We’ve found that people are substituting their commuting time with working. Our IT guys are telling us that they’re getting three extra hours a day out of the coders. We’re mandating across the whole company that they can’t work after a certain hour at night or that they have to take vacation because nobody’s taking their vacation days; they don’t want to waste their time off hanging around at home. But it’s going to be this way for a while, and we don’t want them to

go a whole year working at this pace without a break.”

CEOs are recognizing that the barriers to boldness and speed are less about technical limits and more about such things as mindsets toward what is possible, what people are willing to do, the degree to which implicit or explicit policies that slow things down can be challenged, and bureaucratic chains of command.

Realizing this, CEOs are appropriately celebrating the magnitude of what their organizations have achieved and considering how to stretch for more. Michael Fisher, CEO of CCMHC, thinks that going forward telehealth will account for up to 50 percent of visits in certain ambulatory settings, and perhaps 30 percent of visits overall. Before COVID-19, less than 1 percent of visits were telehealth. Says Fisher, “I keep pushing myself and our team to think about how we use this inflection point to reimagine our potential together, as opposed to allowing our organization to just go back to the comfort of ‘Let’s do what we’re doing.’”

Research by our colleagues in McKinsey’s Strategy and Corporate Finance Practice has long shown that CEOs making bold moves is vital to achieving outstanding performance, which itself is elusive—only one in 12 companies goes from being an average performer to a top-quintile performer over a ten-year period.² Making one or two bold moves more than doubles the likelihood of making such a shift; making three or more makes it six times more likely. Our research has also shown that CEOs who are hired externally tend to move with more boldness and speed than those hired within an organization, partly because of the social pressures that constrain internally promoted CEOs. As a result, we often advise CEOs who are promoted from within to ask themselves the question that famously prompted Andy Grove and Gordon Moore to focus Intel on microprocessors: “What would an outsider do?” Given the performance we have seen

² See Chris Bradley, Martin Hirt, and Sven Smit, “Strategy to beat the odds,” *McKinsey Quarterly*, February 2018, McKinsey.com.

during the pandemic, we would now encourage CEOs to ask themselves and their teams a follow-on question: “What would your COVID-19 answer be?” The power that these frames of reference hold, to reimagine the possible and recalibrate what can be achieved, is profound.

Other questions for CEOs to reflect on to help calibrate their aspirations include:

- Where should we be aspiring 10x higher and/or 10x faster?
- What beliefs or long-held assumptions do I need to explicitly reset in the organization and with stakeholders to achieve this?
- What do we say no to, or stop doing, to create the additional space to go bigger and faster?

Zero-base how work gets done

In addition to the mindset shifts mentioned earlier, there are any number of more tangible reasons why companies have been able to drive this kind of progress so quickly. Some CEOs, such as Vivek Sankaran of Albertsons and Lance Fritz of Union Pacific, have noted that remote work and bans on travel have opened up banks of time that give them the opportunity to focus more on what really matters. As Natarajan Chandrasekaran, chairman of the Tata Group, says, “[As a consultant,] I used to fly to meet a customer, even if it took all day or more, for a one-hour meeting. Now I know that the amount of time that goes into traveling is not necessary. That’s the way people used to live, but I think that that will come down now.” Unilever CEO Alan Jope tells us, “We’re all discovering what a capacity trap travel is. I feel a quite calming sense of control over my own time.” Others, however, like BlackRock CEO Larry Fink, discovered early in the crisis that not having travel time took from them valuable reflection, focus, and restoration time. Fink reminds us that downtime at the water cooler with colleagues and travel by oneself can be creative openings and outlets for new

thinking. Many CEOs have since adapted by booking “flight time” into their schedule so as to avoid spending all day, every day, on videoconference meetings. In either case, the COVID-19 experience has made it clearer than ever that CEOs must be extremely intentional about how they use their time.

Beyond personal time and energy management, organizational adjustments that CEOs have made to decision making and execution hold great promise for the future. Arvind Krishna, the new CEO of IBM, tells us that his company has recently relied on a two-speed model of decision making. “Your CMT [crisis-management team] will handle all of the stuff around health, safety, employee confidence, and client confidence,” says Krishna. “That lets the others focus on running the business. I think it’s a reasonable model for three to nine months. The bigger question is, ‘How do we learn from this and evolve better for the future? What structural changes do we make?’” One significant aspect of structural change that most CEOs are grappling with is how much of a physical footprint their companies need, now that the ability to work virtually and productively has, by and large, been proved.³ If companies do move to a more virtual model (50 percent or more virtual, up from 20 percent, for example), what does that mean for team building, compliance, distribution channels, and so on?

The magic of the moment is that both the CEO and the organization’s operating models have been unfrozen, perhaps more than in any time in a generation. There is an opportunity to reset how work gets done in ways that make it multiple times more efficient and effective—free of the burden of historical norms. Our colleagues have found, in their research on innovation “essentials,” that breakthrough moments arise when leaders dramatically raise their sights, and then commit to the operating implications (particularly with difficult resource-allocation and portfolio choices) needed to achieve those aspirations.⁴ Operating-model

³ Andrea Alexander, Aaron De Smet, and Mihir Mysore, “Reimagining the postpandemic workforce,” *McKinsey Quarterly*, July 2020, McKinsey.com.

⁴ See Marc de Jong, Nathan Marston, and Erik Roth, “The eight essentials of innovation,” *McKinsey Quarterly*, April 2015, McKinsey.com.

issues loom large for CEOs as individuals, too: our research shows that CEOs who focus their scarce time doing work that only the CEO can do, and who manage their energy with the same rigor and discipline with which they manage their time, deliver higher performance.

As CEOs begin to seize the unique opportunity at hand to recalibrate their personal, team, and company operating models, they should reflect on the following questions:

- How have we worked differently to enable the impossible to happen during the pandemic (including our decision making, processes, resource allocation, communication, and location)?
- What learnings and new muscles should we bring forward into the organization for the future?
- How will this change my day-to-day as I run the company as CEO?

Elevate ‘to be’ to the same level as ‘to do’

In a moment of crisis, everyone looks to their leader. CEOs have felt this acutely during the pandemic. David Schwimmer, CEO of London Stock Exchange Group, says, “People are looking to me for a different kind of leadership. In a normal environment, it’s about business leadership and setting up strategy, as well as culture and people decisions. In this environment, it’s about helping people maintain morale. It’s about people being prepared for whatever may come in the face of uncertainty.” As a result, leaders have shown up differently and have starting using a different lens to take notice of how members of their senior team show up. We see both of these areas as candidates for permanent change in the future.

Deliberately choose ‘how I show up’

Perhaps the most notable feature of how CEOs are showing up differently is that they are showing more of their humanity. As Paul Tufano, CEO of AmeriHealth Caritas, explains, “This has been a sustained period of uncertainty and fear, but also a great opportunity to forge a stronger, more cohesive and motivated workforce. If CEOs can step into a ministerial role—extending hands virtually, truly listening, relating to and connecting with people where they are—there is enormous potential to inspire people and strengthen bonds and loyalties within the company.” Adds Alain Bejjani, CEO of MAF, “The people you are leading have big expectations of you. They want you to be perfect and often forget that you are human. But the more human you are with them, the more trust and empathy they lend to you. They understand you better. That gives you the ability to do so much more, as people give you the benefit of the doubt.”

Many CEOs we have spoken with have been positively surprised that bringing more of themselves into the workplace has created connection and motivation. Says Steve Collis, CEO of AmerisourceBergen, “One of the smartest things that we did the very first week was to set up a daily executive-management meeting at 5:00 p.m. That’s important from a decision-making point of view, but it’s even more important for touching base and showing empathy. We’re now in each other’s homes—you’re seeing my study, and we’ve met each other’s families. . . . I asked all my direct reports, ‘Is there someone who wants me to reach out to someone who’s doing a great job or someone who’s struggling? Maybe someone who has a relative with COVID-19?’ Sometimes all that’s needed is a word of encouragement to show you care. It’s been a great gift to be able to do that for the people in AmerisourceBergen.”

Showing up isn't only about opening up more of oneself to others, however; it's also about being the organization's rock during a time that's fraught with anxiety and uncertainty. "[Employees] need to see that their leadership is vulnerable, empathetic, and making decisions in accordance with our values, which I'd better be the living proof of," says Lance Fritz, CEO of Union Pacific. "Our people are expecting me to be transparent, to have a grip on the situation, and to be reasonable about what I do know, what I don't know, and what we're doing about it."

Michael Fisher of CCMHC has begun to operationalize these insights by being explicit about what is on his "to do" and "to be" lists. As Fisher explains: "I never purposefully gave thought to whether there's a way to be really intentional about how I want to show up every day. So I've added a 'to be' list to my repertoire. Today, for example, I want to be generous and genuine. I hope I'm that way every day. But today, I want to make sure it stays top of mind. On a different day this week—and look, you can see it here in my calendar—I knew that part of my job was to be collaborative and catalytic. So I pick out two qualities, two kinds of 'to be,' every morning as part of my normal routine."

Choosing how one wants "to be" is yielding concrete results. Deanna Mulligan, CEO of Guardian, says, "Like many New York financial-services firms, our culture and corporate communications tend to be a bit more formal. Pre-COVID-19, when I was preparing for a company-wide video or speech, that formality, in the form of rehearsals and professional staging, was standard practice. That culture had to change overnight because everyone's at home. Now, I'm more casually dressed, and it's more intimate and personal. I've made some of my videos outside with the dog, something that we'd never have thought to do before. The feedback has

been terrific. Our employee engagement scores, confirmed by regular pulse surveys, have been consistently on the rise since going remote."

By reflecting on the following questions, CEOs can use this moment as an opportunity to recalibrate how they show up every day:

- What qualities am I bringing to being and showing up today that I should continue to bring into the future?
- Going forward, is there an opportunity for me to manage a "to be" list with the same rigor as my "to do" list?
- How, practically, should I hold myself accountable? How will I ensure that others help hold me accountable?

Recalibrate how I expect leaders and employees to show up

Just as the "being" side of the CEO has come to the fore during the crisis, the same is true for other leaders in the organization. At his recent top-300 executive meeting, Verizon Communications CEO Hans Vestberg shared a visual showing how he's spent his time over the past three months during the crisis and how his energy has changed: "Ultimately, my job is to give energy, empowerment, and vision to the organization. If I'm down, I'm not really using the only asset I have as a leader. And I have bad days like anybody else. I tell my leaders, 'You need to self-assess so you know what you're good at, and double down on that in your own leadership.'"

Several CEOs have told us that they have learned a lot about their leadership teams during the pandemic. "This environment offers some terrific empirical evidence," says Union Pacific's Lance Fritz. "This is a great environment if you're prone to saying, 'Not in my sandbox.' You can really shut others down. It's a challenging environment

if you're prone to be inviting, but if you can do it in this environment, you're probably going to do it in the normal world, too. I'm seeing behaviors like that bubble up, and it's very informative."

CEOs are noticing aspects of their people that had always been there but perhaps had gone overlooked or weren't considered important until the pandemic helped make those characteristics more pronounced. Most job descriptions list what is expected in terms of skills and experience, but during COVID-19, CEOs have seen the critical importance of other attributes and qualities of character. As Alain Bejjani, CEO of MAF, states, "I think we're moving from a world of specialists toward a world of generalists. Leaders need to adapt to all kinds of different circumstances, and generalists can succeed when life is so fast and volatile. We will need more generalists to lead in disruptive times, whether they're caused by technological shifts or this unimagined pandemic."

A conscious, deliberate choice to adjust people expectations to include "to be" as well as "to do" considerations will change how CEOs and their organizations select, train, coach, recognize, and reward leaders. As CEOs decide how to make this shift permanent, they, together with their chief human-resources officer, should consider the following:

- What will I look for differently in leaders as a result of what I've learned during the pandemic?
- What actions should I take in the near term to reinforce what "being" attributes will be of elevated importance going forward?
- How can these attributes be hardwired into our people model to ensure they are institutionalized in how we develop, reward, and promote?

Fully embrace stakeholder capitalism

Over the past few years, many CEOs have begun to embrace the idea that their companies' obligations to shareholders should not come at the expense of other stakeholders—that is, employees, customers, the community, suppliers, and society. The most public affirmation of the idea came just last summer, when 181 CEOs committed to the idea by signing on to the US Business Roundtable's "Statement on the purpose of a corporation." The pandemic has brought this issue to the fore in powerful ways, prompting many CEOs to gut check what they really believe and take action accordingly—something we believe all CEOs would benefit from, given the moment at hand.

Decide what you really believe

The COVID-19 pandemic has emphatically affirmed the interconnection and interdependence of businesses with their full range of stakeholders. As Robert Smith, CEO of Vista Equity Partners, a private-equity firm with some 60 companies in its portfolio, says, "At the beginning of COVID-19, CEOs zipped right to thinking about shareholders above everything. It was almost a muscle memory. But then they realized that at every turn they were bumping up against different stakeholders: partners, governments, suppliers, employees. They were experiencing the interconnectedness of stakeholder capitalism in everything they did."

CEOs are being called upon to make decisions they have never been trained for. Few have any expertise on the general health of their employees, yet they are called upon to decide when it is safe to return to the office. Tough decisions with profound human consequences are confronting CEOs every day. CCHMC's Michael Fisher told his board leaders that he was willing to repurpose a beautiful, relatively new satellite hospital already being fully used to care for children to instead serve adult patients exposed to COVID-19, if that's what the community needed. "That would not have been a

popular decision with some important stakeholders, for a range of reasons, and, thankfully, we haven't had to do it. But if that was the right way for our community to respond to this crisis, I would have been ready to do it again." Throughout the crisis, Fisher says, "What went through my mind was the range of issues that needed to be dealt with—and the range of responsibilities that we had to patients, to families, to our employees, and to the community. How would we take this moment and not only preserve trust with stakeholders but also strengthen it?"

Starting with the needs of their employees, stakeholder capitalism moved from an idea talked about at conferences to a rapid-sequence decision-making reality for many CEOs. Unilever's Alan Jope tells us, "We realized after the event that we had followed our multistakeholder model. Week one was all about our employees. We secured everyone's jobs and income for three months. The next week, we started thinking about our community response. We donated products, got into a big partnership for handwashing, and made €500 million available as working capital to pay small suppliers early. And after we had taken care of people and the community, that's when we thought fundamentally about the business, about the fact that we make things and collect cash for them. That's when we secured supply lines and built extra resilience into our supply chain."

Research has made it clear that tending to multiple stakeholders and managing for the long haul is good for not only stakeholders but also the company.⁵ Exposure to customer and stakeholder-related risks are minimized, and new opportunities present themselves. For example, 87 percent of customers say that they will purchase from companies that support what they care about. Ninety-four percent of millennials say that they want their skills to benefit a cause.

Sustainable investing has grown 18-fold since 1995. These facts are not new to CEOs, but the COVID-19 pandemic has laid bare the profound interconnectedness between businesses and the broader world in which they operate. Furthermore, our early research indicates that consumers will be even more committed to social responsibility coming out of the pandemic.

In this context, we encourage CEOs to reflect on issues such as:

- On what stakeholders should I explicitly recalibrate my personal focus and our company's overall focus?
- How would I convince my shareholders that the long-term benefits of shifting the company's focus outweighs the short-term costs?
- Do my answers to the questions above implicitly show that I'm not yet ready to embrace stakeholder capitalism, and, if so, what is holding me back from having true conviction?

Once you have made the decision, make it happen

Determining how to manage the short-term costs of stakeholder capitalism practically is one of the most daunting challenges for CEOs who have chosen to fully embrace the ideal. Consider, for example, the issue of job reductions in the face of declining revenues. It may be the right thing to do for shareholders in the near term, but it can also be catastrophic for employees who lose their jobs at a time of human-health and economic crisis.

At Union Pacific, rail traffic dropped during the early days of the pandemic, although it has since slowly recovered. As CEO Lance Fritz explains, "I made the conscious decision to spread the impact across the whole organization, so that our frontline

⁵ See "Where companies with a long-term view outperform their peers," McKinsey Global Institute, February 2017, McKinsey.com; and Marc Goedhart and Tim Koller, "The value of value creation," *McKinsey Quarterly*, June 2020, McKinsey.com.

professionals—the transportation employees, mechanical employees, and engineering employees—wouldn't be the only ones feeling it. Every manager is taking a one-week unpaid leave of absence every month [for four months]. Every board member and executive has had their pay docked 25 percent for those four months. We don't need to do that for liquidity. We need it to demonstrate to the entire workforce that we're in this together. We're not riding the backs of our frontline team—or doing anything that would appear that way. We are keeping an open line of dialogue with our frontline team and doing our best to listen.”

Important stakeholder questions are also intrinsic to CEO decisions regarding returning to the workplace. On one hand, the economic downturn is having a catastrophic impact on many of the most vulnerable groups in our society. The sooner economic activity can resume, the sooner unemployment can be addressed and goods and services can be delivered to those who need them. At the same time, the more that people are brought together, the higher the risk that lives are put in jeopardy.

CEOs acknowledge that these and many other multistakeholder decisions become more difficult the worse your business gets. Says Fritz, “When the chips are down, you're going to find out just how strong your values are.” Robert Smith puts it simply: “When the bills come due, we'll see what CEOs do—it is not guaranteed that there has been a full shift to stakeholder capitalism yet.” Still, more CEOs are stepping out in front vocally, making their views known on topics ranging from values to ethics. Employees, customers, and stakeholders expect a CEO to articulate where the company stands on critical issues—it's increasingly becoming an expectation of the CEO role. Some, such as Larry Fink, expect that this shift will continue to gain strength: “Going forward, there is going to be a lot more focus on society, customers and clients, family,

and employees.” The moment of the pandemic offers CEOs the opportunity—and increases their obligation—to acknowledge this reality.

CEOs who believe in the opportunity of stakeholder capitalism should ask themselves the following questions to help turn beliefs into action:

- Based on the stakeholder interests that I need to recalibrate, what practically must look different in the next six, 12, and 18 months (including the frequency and nature of interactions, management processes, and resource allocation)?
- How and when will I reset expectations with my shareholders?
- How will we measure progress as we transition?

Harness the real power of peer networks

Here's one of the most noteworthy changes we have seen during the pandemic: CEOs are talking to one another much more and are seeking to do so at a much greater rate. Says Lance Fritz, “Two months ago, the business community was thinking, ‘If we don't figure out a thoughtful path, we could wallow in this for a long, long time.’ So CEOs started thinking, ‘Let's learn from each other. Let's hold hands.’ There's even a little bit of commiseration. I haven't put enough value on the ability to be with a couple of other CEOs on one of these video calls, or on the phone, and talk about any number of things that are unique that you can't talk to anybody else about.” We believe that having CEOs spend more time laterally will prove useful not only for responding to the current pandemic, but also for addressing emergent issues and unlocking higher levels of business performance, innovation, and multistakeholder impact in an ever more complex and uncertain world.

Invest further in building relationships with other CEOs

CEOs are communicating more, and expanding their networks, in part because only another CEO confronting the pandemic can fully identify with today's leadership challenges. As Laxman Narasimhan, CEO of Reckitt Benckiser, puts it: "I find talking to other CEOs about how they are handling the crisis extremely helpful—this shared experience connects us and gives me added perspectives." Says AmerisourceBergen CEO Steve Collis, "From an external perspective, I've been a beneficiary of amazing calls with other CEOs who have been willing to share their knowledge. This has been such a growing experience."

It's no surprise that CEOs are seeing the benefits of connecting in new ways during this crisis. The urgency of the moment has given focus and urgency to the nature of the dialogue. Kate Walsh, CEO of Boston Medical Center, started talking to her peers early in the pandemic, when Boston was becoming one of the country's COVID-19 hot spots. "Hospital CEOs realized we were chasing each other around the supply chains," says Walsh. "We began to coordinate, so at least we could let people know that we'd give everybody a mask when they come to work on Monday morning. It became almost a daily call [with other hospitals] as we tried to figure out how to respond to the volume of cases." Leaders are less focused on showing up to large group meetings and putting on a corporate face that suggests "We've got it under control." Instead, they are intent on accelerating problem solving together by building on one another's ideas, iterating novel solutions to use in the workplace, trading notes, and moving forward having learned what works best. They are also encouraging one another to conduct bold experiments, taking advantage of the current environment to do A/B testing on a massive scale and trying new ways of operating virtually and digitally.

In order for CEOs to leverage such interactions in the future and accelerate impact on shared challenges, they will have to continue to approach such opportunities—both formal and informal—with humility, a learning mindset, and an open-minded commitment to ongoing development. The benefits of doing so are more significant than one might imagine: role modeling this has the potential to create more open learning organizations for companies, and to identify the cross-industry analogies that often provide the touchstone for innovation. Without the pressure of a crisis, however, leadership resolve will be required to maintain such an approach—research makes it clear that none of this is easy for people in powerful roles.⁶

In light of the newfound connectivity among CEOs within and across industries happening in this moment, CEOs will benefit from reflecting on the following questions:

- What peer networks should I continue to create beyond the crisis (in particular, those in analogous but not identical situations)?
- What makes for a valuable peer interaction, and how can I ensure that these conditions are in place when I interact with other CEOs?
- Beyond role modeling, how can I encourage my senior team and other leaders to enrich their own networks and the velocity of learnings with their peers across industries?

Leverage networks to tackle a broad set of issues

CEO networks also have a unique potential to enable some of the other things we have talked about thus far in this article. CEOs in noncompetitive industries are well positioned to both challenge and support their peers in aiming higher; in sharing learnings, best practices, and

⁶ See Jennifer Garvey Berger and Zafer Gedeon Achi, "Understanding the leader's 'identity mindtrap': Personal growth for the C-suite," *McKinsey Quarterly*, January 2020, McKinsey.com.

encouragement regarding elevating “to be” to the same level as “to do”; and in working through how to fully embrace stakeholder capitalism.

The pharmaceutical industry’s “10x” rush to counter COVID-19 bears witness to this. As Christophe Weber, CEO of Takeda Pharmaceuticals, explains, “We started the development of a plasma-derived medicine for COVID-19 by ourselves. But our head of Plasma-Derived Therapies realized that if we formed an alliance with other plasma companies, we could go much faster and would have the potential to produce a product on a bigger scale. So now we have a pro bono, not-for-profit alliance. And we have a very good alliance with other major plasma companies, smaller ones, and also nonplasma companies, like Microsoft. When everybody saw that it was a true alliance to do good for society, we were able to get the convergence of many companies.”

This interest in shared success can create wins for multiple stakeholders. “Part [of the adjustment to COVID-19] is focusing even more on partnering with and supporting the community,” says CCHMC’s Fisher. “For example, CEOs of major employers, including P&G, Kroger, Fifth Third Bank, Cincinnati Children’s, and others, initiated a task force to focus on a robust and inclusive restart of our economy and region. Being part of those things is more important than ever to me, our institution, and our community.”

Alain Bejjani of MAF frames the potential for CEOs to work together in ways that change the world for the better. Says Bejjani, “Employers enjoy the highest level of trust compared to governments and even NGOs [nongovernmental organizations]. This capital of trust is very important and something CEOs should leverage going forward. We should be at the bridgehead for change. Governments cannot win, cannot deal with the complex issues

of our time, without business. Business, in turn, cannot win without government and civil society.” As COVID-19 has made clear, changing the world for the better is good not only for society but also for business.

As CEOs look forward to decide what issues to tackle with their peers, they can build on their pandemic experience by considering the following questions:

- On what issues has peer connectivity most benefited my business, now and in the future?
- On what societal issues (such as inequity and racism, climate change, porous social safety nets, weakened healthcare systems) should peer connectivity be directed, and how can I maintain the same level of intensity that I did during the pandemic?
- What issues will I take personal leadership on and convene others around?

COVID-19 has brought with it a pressurized operating environment the likes of which few of today’s CEOs have ever experienced. It has necessitated a reappraisal of how much is possible and in what time frames. It has forced personal disclosure at levels previously considered uncomfortable and, in doing so, has increased awareness of the importance of how leaders show up personally. It has shined a light on the interconnectivity of stakeholder concerns. It has prompted a level of substance-based, peer-to-peer CEO interaction that has elevated all involved. Ultimately, it has “unfrozen” many aspects of the CEO role, making possible a re-fusing of new and existing elements that could define the CEO role of the future.

When the pressure decreases, will CEOs go back to operating as they did before? Or will the role at the top be thoughtfully reconsidered and reconceived by those who occupy it? Clearly, not every CEO will choose to make permanent the four shifts we've discussed. The more that

CEOs do, however, the more the moment has the potential to become a movement—one that could create higher-achieving, more purposeful, more humane, and better-connected leaders. Judging by the evolution underway, many companies and societies stand to benefit.

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The authors wish to thank Monica Murarka for her contributions to this article.

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HR says talent is crucial for performance—and the pandemic proves it

Five talent-management practices can help steer organizations through new ways of working and into the post-COVID-19 era.

by Bryan Hancock and Bill Schaninger

To say that chief HR officers (CHROs) are busy in the COVID-19 era would be an understatement. Now, more than ever, they are central to how companies are reimagining their personnel practices to build organizational resilience and drive value.

In the earliest days of the crisis, CHROs kept people safe while fostering connectivity and caring in an intensely stressful time. In planning for and implementing the restart, they have been working to maintain morale and productivity for remote workforces while trying to figure out how and when to get folks back into office settings.

Those responses were to circumstances that no one had ever faced before. Now, though, the COVID-19 crisis is accelerating preexisting trends in five areas of talent management that are part of the CHRO playbook: finding and hiring the right people, learning and growing, managing and rewarding performance, tailoring the employee experience, and optimizing workforce planning and strategy. In this article, we

look at how CHROs can take action in those areas to craft a strong and durable talent strategy for the postpandemic world.

Finding and hiring the right people

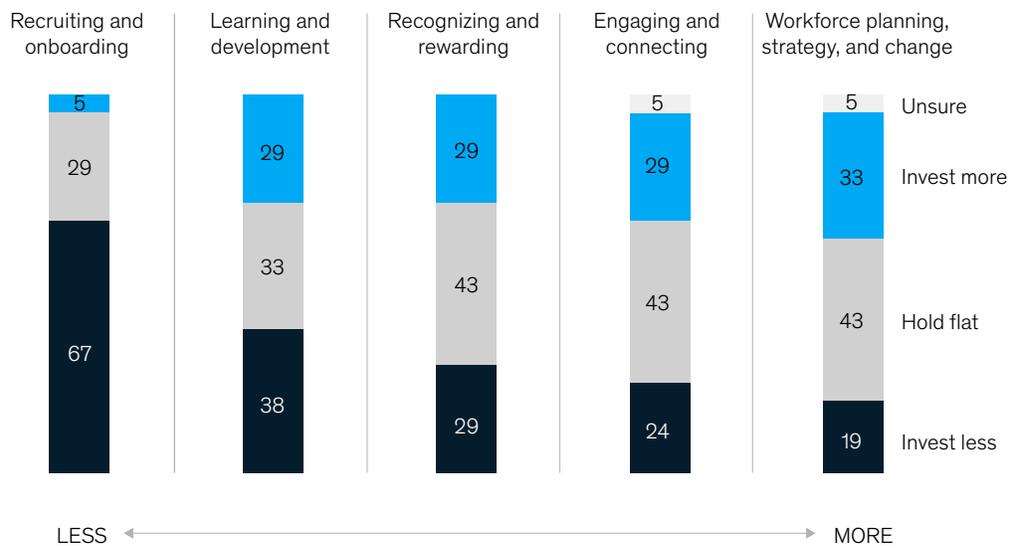
During the COVID-19 crisis, changes in customer demand have caused a temporary spike in hiring in areas such as grocery while leading to massive layoffs in sectors such as hospitality. Even with those shifts and an overall rise in unemployment, efficient and effective hiring will continue to be important—especially for the scarce skills required for the next normal in areas such as IT.

In May 2020, we surveyed more than 190 chief officers and functional leaders across industries to find out how they were thinking about spending allocation in the months ahead. Of those leaders, 67 percent say they anticipate spending less on permanent hiring in the next 12 months (Exhibit 1).

Exhibit 1

Leaders say they anticipate spending less on permanent hiring in the next 12 months.

Expected HR-activity investment for next 12 months, % of respondents¹



¹Question: What are your expectations for how HR will invest over 5 categories in next 12 months? Survey of chief officers and functional leaders across industries; n = 195. Figures may not sum to 100%, because of rounding.

While some of that decline is related to a reduction in labor demand, organizations are also rethinking their hiring processes more broadly. For example, given successful experiments in remote hiring during the COVID-19 crisis, companies are reconsidering the need to go on campus for interviews (which would admittedly be more difficult now, with many colleges and universities planning to use remote learning in the fall). That is an acceleration of a preexisting trend: companies such as Goldman Sachs were using remote interviewing for on-campus hiring before the pandemic. We expect that trend to continue in the postpandemic era.

In addition, temporary labor, which shrank faster than overall jobs did (a 29 percent reduction from February to May, compared with a 13 percent employment drop overall, according to the US Bureau of Labor Statistics), is poised for a faster recovery. Organizations should be ready to use that flexible labor in additional ways.

Of surveyed leaders, 63 percent expect to spend the same amount or more on IT-staff augmentation in the coming months. The number of online freelancers in software and tech jobs has actually increased significantly during the pandemic, according to the Online Labour Index.

Digital skills are still in short supply, and remote working for all employees places remote and online freelancers on a more equal footing with full-time employees. Even in other talent categories, temporary labor usually responds more quickly in a crisis recovery, as employers value flexibility during its early (and uncertain) stages.

Across both permanent and contingent hiring, CHROs should take a fresh look at the range of tools, including assessments and platforms, that are making it easier to connect people to work. There are a large number of up-and-coming organizations in the prehire ecosystem, and innovation is making it easier to connect people to employment based on a

deeper understanding of their skills and how those match with available jobs.

Learning and growing

Learning organizations face a tension between continuing cost pressures in a downturn and the need to deliver training to help workers adapt to a changing organization and business environment. That tension was reflected in our survey, which shows that 29 percent of learning and development organizations plan to invest more in the next 12 months and that 38 percent plan to invest less.

Our research on reskilling shows that CHROs need to think about the effects of large workforce transitions being accelerated by the COVID-19 crisis and how reskilling plays a key role in helping close talent gaps while keeping employees connected to jobs. The agenda for postpandemic learning and development extends beyond reskilling, however, to three categories of cost-effective training:

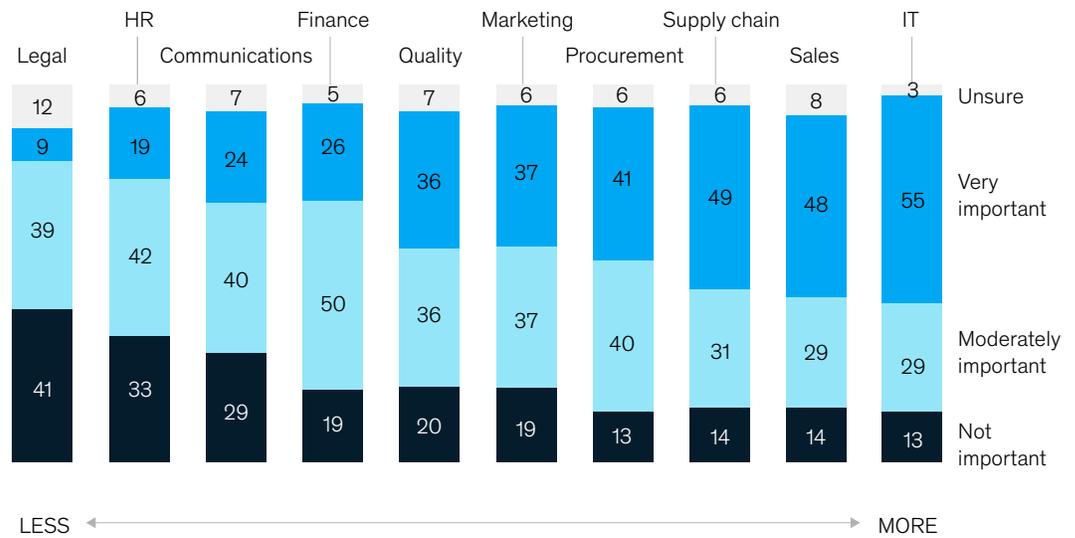
- Broad-based digital training in essential skills. Many organizations are expanding remote training to address challenges, such as effective leadership of remote teams (a new skill set for most managers) and building personal resilience in difficult circumstances. McKinsey Academy, for instance, has updated its Ability to Execute platform with a COVID-19-related edition that provides a series of training modules on remote working, leadership during a crisis, and executional capabilities that matter.
- Focused upskilling rooted in changing work. Such forms of upskilling are function and work-group specific and tied to different ways of working. For example, a sales force that is moving from a largely in-person to a hybrid remote model will need to be upskilled in the practices that drive remote success. The right data-driven approach can bolster sales-force

- performance—and help HR departments draw a direct line from talent to revenue.
- According to recent McKinsey research, 77 percent of leaders indicate that retraining salespeople is very or moderately important. To do that, some companies are retraining field sales reps for inside sales roles, including those that require an increased use of data and analytics and those that provide customers with technical expertise via a website’s chat function. In our survey of leaders, IT, marketing, and supply chain were among the most cited areas for specific upskilling. That holds true for HR: 61 percent of respondents believe that upskilling will be very or moderately important in the area (Exhibit 2).
- Leadership development. In response to the current crisis, the slow pace of corporate bureaucracy has been replaced by clear goals, focused teams, and rapid decision making. CHROs have a key role to play in making sure that the change sticks. Leadership-development programs can provide support for faster, more agile organizations. In particular, organizations can identify the three to five shifts in leadership behavior that would be required to keep them moving in a more focused way. Leaders who are working on these skills can spend a small amount of their learning time in formal settings (in classroom, online, or with a coach) and the majority of it working on real project-based business problems (which the COVID-19 crisis naturally provided).

Exhibit 2

Leaders say reskilling is very important, but they are focusing on certain areas.

Reskilling importance by function, % of respondents¹



¹Question: How important will reskilling employees be in this function? Survey of chief officers and functional leaders across industries; n = 195. Figures may not sum to 100%, because of rounding.

It is important for CHROs to craft a talent strategy that calls out and recognizes the truly distinctive and the truly lagging.

Managing and rewarding performance

The COVID-19 crisis is speeding up needed shifts in how organizations manage and reward performance. As our previous research has shown, the majority of business leaders don't believe that their performance-management system accurately identifies top performers—and the majority of employees don't feel that the performance-management process accurately reflects their contributions.

The current crisis has dramatically affected goals and performance plans, with the added wrinkle of making the people who are working remotely even more reliant on performance management to tell them how they are doing. That makes three CHRO actions more relevant now:

- Transparently link employee goals to business priorities and maintain a strong element of flexibility. Managers should have regular conversations with their employees to set priorities jointly in a changing environment. Annual “set it and forget it” goal setting was already seeing declining relevance among knowledge workers before the pandemic, given the pace of change and need to adapt. And the radical shifting of priorities during the COVID-19 crisis highlights how challenging the annual system has become.
- Invest in managers' coaching skills. Coaching is the heart of managing performance, which is even more critical when workers are remote. Organizations need to invest in managerial skills—and mindsets—around coaching and feedback as a continuing process.
- Keep ratings for the very highest—and lowest—performers but also celebrate the broad range of good performance. Instead of investing time and energy in making small differentiations in ratings (and pay) for those in the broad range of good performers, organizations should be focused more on having robust development conversations.
- The COVID-19 crisis has amplified how hard it is to make distinctions “in the middle,” but those distinctions have always been hard to make for knowledge workers. As a result, a movement toward recognizing the broad range of good performance is welcome. At the same time, it is important for CHROs to craft a talent strategy that calls out and recognizes the truly distinctive (to motivate and retain them) and the truly lagging (to boost morale and organizational performance).

Tailoring the employee experience

Employee experience and connectivity have taken on whole new meanings as extended work-from-home policies have required organizations to be intentional about building each. In blunt terms, work can't be another source of anxiety or uncertainty for employees right now. They have more than enough going on.

The blurring of the line between work and life while working remotely means that employee experience is even more critical. For virtual workers, there's no commute to the office, no coffee- or snack-room chat, and no in-person gathering after work. Tethered video (or phone) interactions during the

course of the work day are going to make it or break it for most people.

One way to handle employee experience in a remote environment is to tailor the approach to individuals or segments of people. Our research shows that experiences vary widely. That is also true for the hybrid work environment, with some employees back in the office and others remaining at home.

CHROs will need to help establish norms of working that foster engagement and inclusion for all employees. There is no one-size-fits-all solution. The answer, different for every organization, will be based on what talent is needed, which roles

Exhibit 3

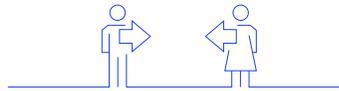
HR is central to helping people across an organization adapt to new roles.

Communicating change in a remote workplace



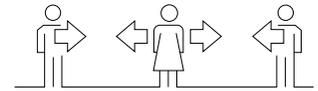
Individual contributors

- Understanding of and comfort in using virtual meeting platforms
- Adaptation to role-specific components of virtual work (eg, a sales rep used to in-person visits to clients learns how to use other avenues to communicate)
- Establishment of comfortable working environments (eg, setting up personal preferences for work hours, creating physical environment comfortable to work in)



Managers

- Effective leadership of virtual teams through various platforms in lieu of in-person meetings
- Strong 2-way communication skills—clear communication to teams and clear channels for teams to communicate with managers
- Flexibility and willingness to adapt to team-member needs in context of virtual work
- Role modeling of new norms and policies of new working environments



Senior executives

- Clear communication with remote and in-person colleagues on changes in working models
- Promotion of cohesion and unified culture, even while workforces may have in-person and remote components
- Facilitation of regular virtual gatherings and town halls to recognize individual and team contributions

are most important, how much collaboration is necessary for excellence, and where offices are located today, among other factors (Exhibit 3). HR departments should also consider the range of analytics tools they can use to understand and promote connectivity and engagement. From using social-network analyses to map interactions and prompt needed connectivity to using listening tools (such as mobile text platforms) to gather and analyze employee sentiment, organizations must be thoughtful about how they track and comprehend employee well-being—beyond an annual engagement survey.

Optimizing workforce planning and strategy

Given the shifts in how value is being created in the post-COVID-19 world (for instance, the shift to contactless experience in grocery, retail, and restaurants and the change from in-person sales meetings to remote sales calls), the talent base required to deliver that value may need to shift as well. As such, it is natural that workforce planning, strategy, and change is the category of HR spending that survey respondents cite as the most likely to increase over the next 12 months, with 76 percent reporting that they will spend the same or more. There are three important components of workforce planning and strategy:

- **Critical roles.** Our research suggests that a small subset of roles (less than 50) is disproportionately important to delivering a business-value agenda. For each of those roles, it is critical to identify the core jobs to be done, the qualities needed of the leaders, and whether the role is set up for success. Given the shifts in the value agenda during the pandemic, it is important that organizations reassess the roles that are most critical in the current stage of the

crisis (for example, new product development and innovation) and in the recovery.

- **Skill pools.** In addition to individual roles, organizations should look at their major skill pools (for instance, digital coders) to understand the skills required for the future and whether they are long or short on the required talent. That means embracing a more expansive and dynamic view of their talent supplies—one that tosses out the usual preoccupation with titles and traditional roles, looking instead at the underlying skills that people have. Indeed, we find that when companies start with skills (the ones they need, the ones they have, and how the mix may change over time), they can free up their thinking and find more creative ways to handle the mismatches.
- **Talent systems.** CHROs now have more workforce-planning tools to help them match people to jobs. Artificial-intelligence-enabled tools can help assess an individual's skills, and performance-management systems can be realigned to track skills alongside performance. Longer term, interoperable learning records can serve as skills transcripts that track the skills employees develop across educational institutions and employers.
- In an example of matching talent to jobs, Talent Exchange, an online job marketplace powered by Eightfold AI, was launched in April 2020 to help people who are out of work during the COVID-19 crisis find the right employment. Based on an understanding of skills across an organization (and beyond), “smart slates” can be developed for critical roles, agile teams can be staffed dynamically based on matching skills, and redeployment opportunities can meet talent gaps while preventing layoffs.

Such tools, in the early stages of deployment now, will become increasingly critical for CHROs and other leaders as they meet the challenges ahead.

forced businesses to adjust rapidly to survive. We have seen “HR’s finest hour” in managing the radical shifts facing workforces during the pandemic, and we are excited to see how CHROs reimagine core talent practices during the recovery—and beyond.

The COVID-19 pandemic has imposed a tremendous cost on people’s lives and livelihoods, and it has

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Reimagining the postpandemic workforce

Pandemic-style working from home may not translate easily to a “next normal” mix of on-site and remote working.

by Andrea Alexander, Aaron De Smet, and Mihir Mysore

As the pandemic begins to ease, many companies are planning a new combination of remote and on-site working, a *hybrid virtual model* in which some employees are on premises, while others work from home. The new model promises greater access to talent, increased productivity for individuals and small teams, lower costs, more individual flexibility, and improved employee experiences.

While these potential benefits are substantial, history shows that mixing virtual and on-site working might be a lot harder than it looks—despite its success during the pandemic. Consider how Yahoo! CEO Marissa Mayer ended that company's remote-working experiment in 2013, observing that the company needed to become “one Yahoo!” again, or how HP Inc. did the same that year. Specific reasons may have varied. But in each case, the downsides of remote working at scale came to outweigh the positives.

These downsides arise from the organizational norms that underpin culture and performance—ways of working, as well as standards of behavior and interaction—that help create a common culture, generate social cohesion, and build shared trust. To lose sight of them during a significant shift to virtual-working arrangements is to risk an erosion over the long term of the very trust, cohesion, and shared culture that often helps remote working and virtual collaboration to be effective in the short term.

It also risks letting two organizational cultures emerge, dominated by the in-person workers and managers who continue to benefit from the positive elements of co-location and in-person collaboration, while culture and social cohesion for the virtual workforce languish. When this occurs, remote workers can soon feel isolated, disenfranchised, and unhappy, the victims of unintentional behavior in an organization that failed to build a coherent model of, and capabilities for, virtual and in-person work. The sense of belonging, common purpose, and shared identity that inspires all of us to do our best work gets lost. Organizational performance deteriorates accordingly.

Now is the time, as you reimagine the postpandemic organization, to pay careful attention to the effect of your choices on organizational norms and culture. Focus on the ties that bind your people together. Pay heed to core aspects of your own leadership and that of your broader group of leaders and managers. Your opportunity is to fashion the hybrid virtual model that best fits your company, and let it give birth to a new shared culture for all your employees that provides stability, social cohesion, identity, and belonging, whether your employees are working remotely, on premises, or in some combination of both.

Cutting the ties that bind

If you happen to believe that remote work is no threat to social ties, consider the experience of Skygear.io, a company that provides an open-source platform for app development. Several years ago, Skygear was looking to accommodate several new hires by shifting to a hybrid remote-work model for their 40-plus-person team. The company soon abandoned the idea. Team members who didn't come to the office missed out on chances to strengthen their social ties through ad hoc team meals and discussions around interesting new tech launches. The wine and coffee tastings that built cohesion and trust had been lost. Similarly, GoNoodle employees found themselves at Zoom happy hour longing for the freshly remodeled offices they had left behind at lockdown. “We had this killer sound system,” one employee, an extrovert who yearns for time with her colleagues, told the *New York Times*. “You know—we're drinking coffee, or maybe, ‘Hey, want to take a walk?’ I miss that.”¹ Successful workplace cultures rely on these kinds of social interactions. That's something Yahoo!'s Mayer recognized in 2013 when she said, “We need to be one Yahoo!, and that starts with physically being together,” having the “interactions and experiences that are only possible” face-to-face, such as “hallway and cafeteria discussions, meeting new people, and impromptu team meetings.”²

¹ Clive Thompson, “What if working from home goes on ... forever?,” *New York Times*, June 9, 2020, nytimes.com.

² Kara Swisher, “Physically together: Here's the internal Yahoo no-work-from-home memo for remote workers and maybe more,” All Things Digital, February 22, 2013, allthingsd.com.

Or consider how quickly two cultures emerged recently in one of the business units of a company we know. Within this business unit, one smaller group was widely distributed in Cape Town, Los Angeles, Mumbai, Paris, and other big cities. The larger group was concentrated in Chicago, with a shared office in the downtown area. When a new global leader arrived just prior to the pandemic, the leader based herself in Chicago and quickly bonded with the in-person group that worked alongside her in the office. As the pandemic began, but before everyone was sent home to work remotely, the new leader abruptly centralized operations into a crisis nerve center made up of everyone in the on-site group. The new arrangement persisted as remote working began. Meanwhile, the smaller group, which had already been remote working in other cities, quickly lost visibility into, and participation in, the new workflows and resources that had been centralized among the on-site group, even though that on-site group was now working virtually too. Newly created and highly sought-after assignments (which were part of the business unit's crisis response) went to members of the formerly on-site group, while those in the distributed group found many of their areas of responsibility reduced or taken away entirely. Within a matter of months, key employees in the smaller, distributed group were unhappy and underperforming.

The new global leader, in her understandable rush to address the crisis, had failed to create a level playing field and instead (perhaps unintentionally) favored one set of employees over the other. For us, it was stunning to observe how quickly, in the right circumstances, everything could go wrong. Avoiding these pitfalls requires thinking carefully about leadership and management in a hybrid virtual world, and about how smaller teams respond to new arrangements for work. Interactions between leaders and teams provide an essential locus for creating the social cohesion and the unified hybrid virtual culture that organizations need in the next normal.

Choose your model

Addressing working norms, and their effect on culture and performance, requires making a basic decision: Which part of the hybrid virtual

continuum (exhibit) is right for your organization? The decision rests on the factors for which you're optimizing. Is it real-estate cost? Employee productivity? Access to talent? The employee experience? All of these are worthy goals, but in practice it can be difficult to optimize one without considering its effect on the others. Ultimately, you're left with a difficult problem to solve—one with a number of simultaneous factors and that defies simple formulas.

That said, we *can* make general points that apply across the board. These observations, which keep a careful eye on the organizational norms and ways of working that inform culture and performance, address two primary factors: the type of work your employees tend to do and the physical spaces you need to support that work.

First let's eliminate the extremes. We'd recommend a fully virtual model to very few companies, and those that choose this model would likely operate in specific industries such as outsourced call centers, customer service, contact telesales, publishing, PR, marketing, research and information services, IT, and software development, and under specific circumstances. Be cautious if you think better access to talent or lower real-estate cost—which the all-virtual model would seem to optimize—outweigh all other considerations. On the other hand, few companies would be better off choosing an entirely on-premises model, given that at least some of their workers need flexibility because of work-life or health constraints. That leaves most companies somewhere in the middle, with a hybrid mix of remote and on-site working.

The physical spaces needed for work—or not

Being in the middle means sorting out the percentage of your employees who are working remotely and how often they are doing so. Let's say 80 percent of your employees work remotely but do so only one day per week. In the four days they *are* on premises, they are likely getting all the social interaction and connection needed for collaboration, serendipitous idea generation, innovation, and social cohesiveness. In this case, you might be fine with the partially remote, large headquarters (HQ) model in the exhibit.

If, instead, a third of your employees are working remotely but doing so 90 percent of the time, the challenges to social cohesion are more pronounced. The one-third of your workforce will miss out on social interaction with the two-thirds working on-premises—and the cohesion, coherence, and cultural belonging that comes with it. One solution would be to bring those remote workers into the office more frequently, in which case multiple hubs, or multiple microhubs (as seen in the exhibit), might be the better choice. Not only is it easier to travel to regional hubs than to a central HQ, at least for employees who don't happen to live near that HQ, but more dispersed hubs make the in-person culture less monolithic. Moreover, microhubs can often be energizing, fun, and innovative places in which to collaborate and connect with colleagues, which further benefits organizational culture.

Productivity and speed

Now let's begin to factor in other priorities, such as employee productivity. Here the question becomes less straightforward, and the answer will be unique to your circumstances. When tackling the question, be sure to go beyond the impulse to monitor inputs and activity as a proxy for productivity. Metrics focused on inputs or volume of activity have always been a poor substitute for the true productivity that boosts outcomes and results, no matter how soothing it might be to look at the company parking lot to see all the that employees who have arrived early in the day, and all those who are leaving late. Applied to a hybrid model, counting inputs might leave you grasping at the number of hours that employees are spending in front of their computers and logged into your servers. Yet the small teams that are the lifeblood of today's organizational success thrive with empowering, less-controlling management styles. Better to define the outcomes you expect from your small teams rather than the specific activities or the time spent on them.

In addition to giving teams clear objectives, and both the accountability and autonomy for delivering them, leaders need to guide, inspire, and enable small teams, helping them overcome bureaucratic challenges that bog them down, such as organizational silos and resource inertia—all while helping to direct teams to the best opportunities, arming them with the right

expertise, and giving them the tools they need to move fast. Once teams and individuals understand what they are responsible for delivering, in terms of results, leaders should focus on monitoring the outcome-based measurements. When leaders focus on outcomes and outputs, virtual workers deliver higher-quality work.

In this regard, you can take comfort in Netflix (which at the time of this writing is the 32nd largest company in the world by market capitalization), which thrives without limiting paid time off or specifying how much “face time” workers must spend in the office. Netflix measures productivity by outcomes, not inputs—and you should do the same.

No matter which model you choose for hybrid virtual work, your essential task will be to carefully manage the organizational norms that matter most when adopting any of these models. Let's dive more deeply into those now.

Managing the transition

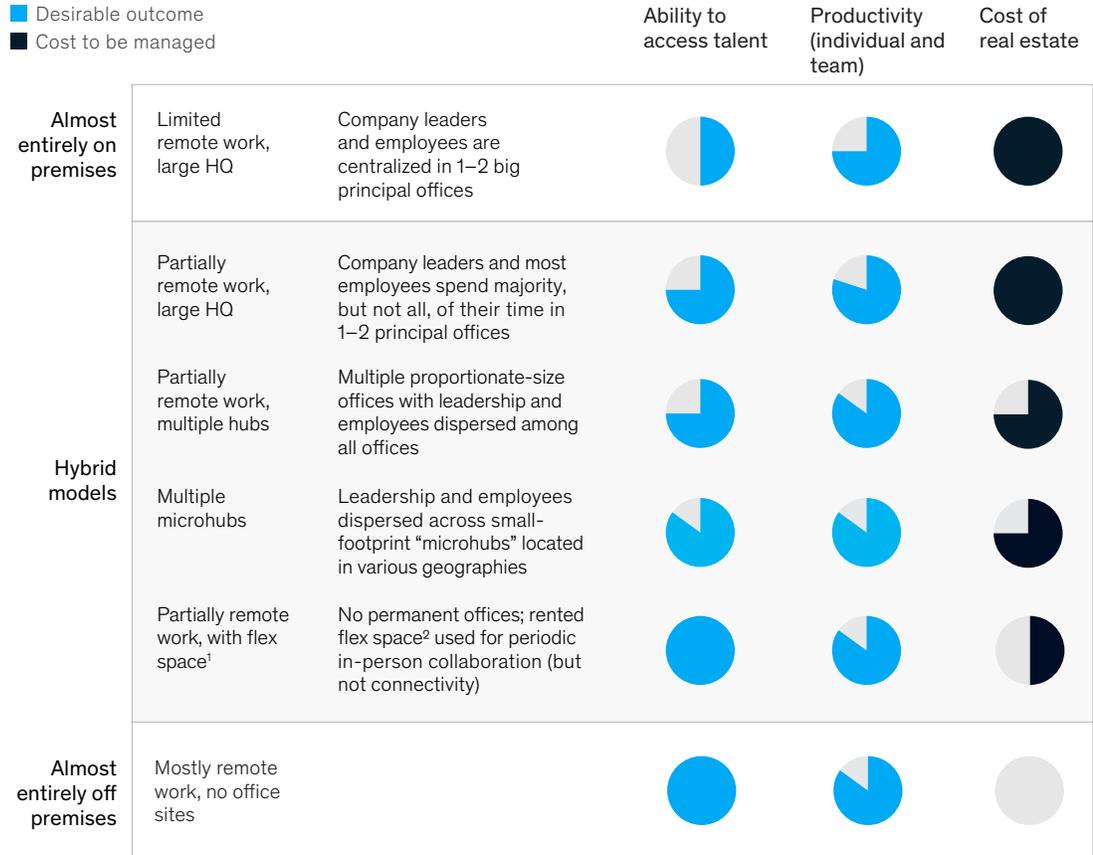
Organizations thrive through a sense of belonging and shared purpose that can easily get lost when two cultures emerge. When this happens, our experience—and the experience at HP, IBM, and Yahoo!—is that the in-person culture comes to dominate, disenfranchising those who are working remotely. The difficulty arises through a thousand small occurrences: when teams mishandle conference calls such that remote workers feel overlooked, and when collaborators use on-site white boards rather than online collaboration tools such as Miro. But culture can split apart in bigger ways too, as when the pattern of promotions favors on-site employees or when on-premises workers get the more highly sought-after assignments.

Some things simply become more difficult when you are working remotely. Among them are acculturating new joiners; learning via hands-on coaching and apprenticeship; undertaking ambiguous, complex, and collaborative innovations; and fostering the creative collisions through which new ideas can emerge. Addressing these boils down to leadership and management styles, and how those styles and approaches support small teams. Team experience is a critical driver of hybrid

Exhibit

Optimizing the hybrid virtual continuum

Six models reflecting a mix of on-site and remote working



¹Flex space includes temporarily (eg, monthly) rented space used in select cities for periodic gathering and collaboration.

virtual culture—and managers and team leaders have an outsize impact on their teams' experiences.

Managers and leaders

As a rule, the more geographically dispersed the team, the less effective the leadership becomes. Moreover, leaders who were effective in primarily on-site working arrangements may not necessarily prove so in a hybrid virtual approach. Many leaders will now need to "show up" differently when they are interacting with some employees face-to-face and others virtually. By defining and embracing

new behaviors that are observable to all, and by deliberately making space for virtual employees to engage in informal interactions, leaders can facilitate social cohesion and trust-building in their teams.

More inspirational. There's a reason why military commanders tour the troops rather than send emails from headquarters—hierarchical leadership thrives in person. Tom Peters used to call the in-person approach "management by walking around": "Looking someone in the eye, shaking their hand, laughing with them when in their physical presence

creates a very different kind of bond than can be achieved [virtually].”³

But when the workforce is hybrid virtual, leaders need to rely less on hierarchical and, by doing so, more on inspirational forms of leadership. The dispersed employees working remotely require new leadership behaviors to compensate for the reduced socioemotional cues characteristic of digital channels.

Cultivate informal interactions. Have you ever run into a colleague in the hallway and, by doing so, learned something you didn’t know? Informal interactions and unplanned encounters foster the unexpected cross-pollination of ideas—the exchange of tacit knowledge—that are essential to healthy, innovative organizations. Informal interactions provide a starting point for collegial relationships in which people collaborate on areas of shared interest, thereby bridging organizational silos and strengthening social networks and shared trust within your company.

Informal interactions, which occur more naturally among co-located employees, don’t come about as easily in a virtual environment. Leaders need new approaches to creating them as people work both remotely and on-site. One approach is to leave a part of the meeting agenda free, as a time for employees to discuss any topic. Leaders can also establish an open-door policy and hold virtual “fireside chats,” without any structured content at all, to create a forum for less formal interactions. The goal is for employees, those working remotely *and* in-person, to feel like they have access to leaders and to the kind of informal interactions that happen on the way to the company cafeteria.

Further approaches include virtual coffee rooms and social events, as well as virtual conferences in which group and private chat rooms and sessions complement plenary presentations. In between time, make sure you and all your team members are sending text messages to one another and that you are texting your team regularly for

informal check-ins. These norms cultivate the habit of connecting informally.

Role model the right stance. It might seem obvious, but research shows that leaders consistently fail to recognize how their actions affect and will be interpreted by others.⁴ Consider the location from which you choose to work. If you want to signal that you *tolerate* virtual work, come into the office every day and join meetings in-person with those who happen to be in the building. This will result in a cultural belief that the HQ or physical offices are the real centers of gravity, and that face time is what’s important.

Come into the office every day, though, and your remote-working employees may soon feel that their choice to work virtually leaves them fewer career opportunities, and that their capabilities and contributions are secondary. By working from home (or a non-office location) a couple days a week, leaders signal that people don’t need to be in the office to be productive or to get ahead. In a hybrid virtual world, seemingly trivial leadership decisions can have outsize effect on the rest of the organization.

Don’t rely solely on virtual interactions. By the same token, despite big technological advancements over the years, nothing can entirely replace face-to-face interactions. Why? In part because so much of communication is nonverbal (even if it’s not the 93 percent that some would assert), but also because so much communication involves equivocal, potentially contentious, or difficult-to-convey subject matter. Face-to-face interactions create significantly more opportunities for rich, informal interactions, emotional connection, and emergent “creative collision” that can be the lifeblood of trust, collaboration, innovation, and culture.

Media richness theory helps us understand the need to match the “richness” of the message with the capabilities of the medium. You wouldn’t let your nephew know of the death of his father by

³ See Tom Peters blog, “The heart of MBWA,” blog entry by Shelley Dolley, February 27, 2013, tompeters.com.

⁴ Tomas Chamorro-Premuzic, “How to work for a boss who lacks self-awareness,” *Harvard Business Review*, April 3, 2018, hbr.org.

fax, for instance—you would do it in person, if at all possible, and, failing that, by the next richest medium, probably video call. Some communication simply proceeds better face-to-face, and it is up to the leader to match the mode of communication to the equivocality of the message they are delivering.

In other cases, asynchronous communication—such as email and text—are sufficient, and even better, because it allows time for individuals to process information and compose responses after some reflection and thought. However, when developing trust (especially early on in a relationship) or discussing sensitive work-related issues, such as promotions, pay, and performance, face-to-face is preferred, followed by videoconferencing, which, compared with audio, improves the ability for participants to show understanding, anticipate responses, provide nonverbal information, enhance verbal descriptions, manage pauses, and express attitudes. However, compared with face-to-face interaction, it can be difficult in video interactions to notice peripheral cues, control the floor, have side conversations, and point to or manipulate real-world objects.

Whatever the exact mix of communication you choose in a given moment, you will want to convene everyone in person at least one or two times a year, even if the work a particular team is doing can technically be done entirely virtually. In person is where trust-based relationships develop and deepen, and where serendipitous conversations and connections can occur.

Track your informal networks. Corporate organizations consist of multiple, overlapping, and intersecting social networks. As these informal networks widen and deepen, they mobilize talent and knowledge across the enterprise, facilitating and informing cultural cohesiveness while helping to support cross-silo collaboration and knowledge sharing.

Because the hybrid virtual model reduces face-to-face interaction and the serendipitous encounters that occur between people with weak ties, social networks can lose their strength. To counter that risk, leaders should map and monitor the informal networks in their organization with semiannual

refreshes of social-network maps. Approaches include identifying the functions or activities where connectivity seems most relevant and then mapping relationships within those priority areas—and then tracking the changes in those relationships over time. Options for obtaining the necessary information include tracking email, observing employees, using existing data (such as time cards and project charge codes), and administering short (five- to 20-minute) questionnaires. It is likely that leaders will need to intervene and create connections between groups that do not naturally interact or that now interact less frequently as a result of the hybrid virtual model.

Hybrid virtual teams

Leadership is crucial, but in the hybrid virtual model, teams (and networks of teams) also need to adopt new norms and change the way they work if they are to maintain—and improve—productivity, collaboration, and innovation. This means gathering information, devising solutions, putting new approaches into practice, and refining outcomes—and doing it all fast. The difficulty rises when the team is part virtual and part on-site. What follows are specific areas on which to focus.

Create ‘safe’ spaces to learn from mistakes and voice requests

Psychological safety matters in the workplace, obviously, and in a hybrid virtual model it requires more attention. First, because a feeling of safety can be harder to create with some people working on-site and others working remotely. And, second, because it’s often less obvious when safety erodes. Safety arises as organizations purposefully create a culture in which employees feel comfortable making mistakes, speaking up, and generating innovative ideas. Safety also requires helping employees feel supported when they request flexible operating approaches to accommodate personal needs.

Mind the time-zone gaps

The experience of a hybrid virtual team in the same time zone varies significantly from a hybrid virtual team with members in multiple time zones. Among other ills, unmanaged time-zone differences make sequencing workflows more difficult. When people work in different time zones, the default tends

toward asynchronous communications (email) and a loss of real-time connectivity. Equally dysfunctional is asking or expecting team members to wake up early or stay up late for team meetings. It can work for a short period of time, but in the medium and longer run it reduces the cohesion that develops through real-time collaboration. (It also forces some team members to work when they're tired and not at their best.) Moreover, if there is a smaller subgroup on the team in, say, Asia, while the rest are in North America, a two-culture problem can emerge, with the virtual group feeling lesser than. Better to simply build teams with at least four hours of overlap during the traditional workday to ensure time for collaboration.

Keep teams together, when possible, and hone the art of team kickoffs

Established teams, those that have been working together for longer periods of time, are more productive than newer teams that are still forming and storming. The productivity they enjoy arises from clear norms and trust-based relationships—not to mention familiarity with workflows and routines. That said, new blood often energizes a team.

In an entirely on-premises model, chances are you would swap people in and out of your small teams more frequently. The pace at which you do so will likely decline in a hybrid virtual model, in which working norms and team cohesion are more at risk. But don't take it to an extreme. Teams need members with the appropriate expertise and backgrounds, and the right mix of those tends to evolve over time.

Meanwhile, pay close attention to team kickoffs as you add new people to teams or stand up new ones. Kickoffs should include an opportunity to align the overall goals of the team with those of team members while clarifying personal working preferences.

Keeping track

Once you have your transition to a hybrid virtual model underway, how will you know if it's working, and whether you maintained or enhanced your organization's performance culture? Did your access to talent increase, and are you attracting and inspiring top talent? Are you developing and deploying strong leaders? To what extent are all your employees engaged in driving performance and innovation, gathering insights, and sharing knowledge?

The right metrics will depend on your goals, of course. Be wary of trying to achieve across all parameters, though. McKinsey research shows that winning performance cultures emerge from carefully selecting the right combinations of practices (or "recipes") that, when applied together, create superior organizational performance.⁵ Tracking results against these combinations of practices can help indicate, over time, if you've managed to keep your unified performance culture intact in the transition to a new hybrid virtual model.

We'll close by saying you don't have to make all the decisions about your hybrid virtual model up front and in advance. See what happens. See where your best talent emerges. If you end up finding, say, 30 (or 300) employees clustered around Jakarta, and other groups in Kuala Lumpur and Singapore, ask them what might help them feel a socially supported sense of belonging. To the extent that in-person interactions are important—as we guess they will be—perhaps consider a microhub in one of those cities, if you don't have one already.

Approached in the right way, the new hybrid model can help you make the most of talent wherever it resides, while lowering costs and making your organization's performance culture even stronger than before.

⁵ See Chris Gagnon, Elizabeth John, and Rob Theunissen, "Organizational health: A fast track to performance improvement," *McKinsey Quarterly*, September 2017, McKinsey.com.

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Sustaining and strengthening inclusion in our new remote environment

Thoughtful action now can help teams build new habits, strengthen connections, and encourage the growth of inclusive cultures that will better realize the full potential of all employees.

by Diana Ellsworth, Ruth Imose, Stephanie Madner, and Rens van den Broek

Working from home has become commonplace globally. The dramatic workplace changes introduced in response to COVID-19 have provided organizations the opportunity to reset team dynamics. This major shift can, and *should*, also serve as a catalyst to embed more inclusive practices and more effective leadership skills. Since working remotely could become permanent for some employees in the next normal, organizations and teams should not miss this opportunity to introduce new, valuable habits.

An inclusive work environment doesn't just happen; it requires sustained effort (see sidebar, "Inclusion, defined"). Stresses from COVID-19 and extended isolation are driving a range of negative emotions in employees. On top of that, recent prominent examples of racial injustice have affected many employees in ways that cannot be left behind when work begins. This is especially true for Black employees. While the systemic nature of racism demands systemic action, individual actions are an important part of supporting employees and ensuring they can continue to make meaningful contributions. Team leaders have an important role to play.

Why inclusion matters more than ever

During times of crisis, the focus on inclusion becomes ever more critical, but addressing it isn't always as straightforward as it might initially appear. For instance, individuals can have mixed views on how inclusive their workplace is. Employees may feel that their employer's overall environment is generally not inclusive (perhaps because of

perceived inequitable access to resources or support) but their personal experiences may reflect inclusion based on frequent interactions with their team and immediate supervisors.

Accordingly, an inclusive environment cannot be achieved solely through systemic efforts, such as identifying and addressing unconscious bias and unintended consequences in formal processes. An inclusive environment is created in equal part by the behavior of individuals (leaders and peers), who make conscious inclusion a daily practice. Effective people management demands inclusive behavior, not least because inclusion leads to better outcomes and can support foundational business goals:

- **Win the war for talent.** Recent McKinsey research found that 39 percent of all respondents say they have turned down or decided not to pursue a job because of a perceived lack of inclusion at an organization.¹
- **Increase retention of critical talent.** Employees who experience microaggressions are three times more likely to think about leaving their jobs.²
- **Improve the quality of decision making.** Teams with greater diversity and inclusion make more accurate decisions.³
- **Build greater resonance and trust with customers.** Treating employees well is the highest-impact way to communicate an organization's values and strengthen relationships with their customers.⁴

Ensuring that everyone, regardless of background, is set up to contribute their best thinking and work to organizational success requires understanding how each employee is experiencing inclusion. Leaders must be compassionate, strive to understand the challenges of their teams, and respond in ways that promote inclusion. The COVID-19 pandemic complicates this goal.

Inclusion, defined

We define inclusion as the degree to which organizations embrace all employees and enable them to make meaningful contributions.

¹ "Understanding organizational barriers to a more inclusive workplace," June 23, 2020, McKinsey.com.

² Alexis Krivkovich, Marie-Claude Nadeau, Kelsey Robinson, Nicole Robinson, Irina Starikova, and Lareina Yee, "Women in the Workplace 2018," October 2018, McKinsey.com.

³ See Heidi Grant and David Rock, "Why diverse teams are smarter," *Harvard Business Review*, November 4, 2016, hbr.com.

⁴ See Denise Lee Yohn, "Reminder: Customers care how you treat your employees," *Harvard Business Review*, September 26, 2018, hbr.com.

Seven practices to reinforce inclusion in remote workforces

People are now connecting in entirely different ways, often experiencing greater connectivity than they did before the pandemic. However, this environment does not guarantee greater inclusion at work. Without targeted intervention, noninclusive dynamics among on-site teams have the potential to be amplified in a remote context. For example, the habit of interacting primarily with familiar team members versus building new connections, supporters, and champions may be even harder to overcome when impromptu, in-person interactions are no longer possible. This dynamic is especially true for employees who already felt like an “only” on their team.⁵

This moment provides an unprecedented window into the lived experiences of others. Many employees are now balancing a greater number of personal and professional priorities—and it is all on show on videoconferences. Those who aren’t comfortable sharing their full selves may feel even more exposed at a time when they may be experiencing greater stress and challenges than ever before. These inadvertent disclosures may include aspects of a person’s life they had previously covered and did not feel prepared to share.

Leaders play a pivotal role in shaping the dynamics on their team and in their organization. We have therefore developed a menu of seven actions for leaders to promote inclusion in remote working and establish new habits in their team.

1



Demonstrate vulnerability and empathy

Team members should feel comfortable being open and vulnerable, share more of themselves, and learn how to better support others.

For example:

- ✓ Embrace the opportunity to share more about yourself (for instance, show your home and important people or animals in your life).
- ✓ Get to know team members on a more personal level by asking open-ended questions on topics they care about.
- ✓ Create space to learn what is on everyone’s mind; ask, “What’s going on with you, how is your home life influencing work life?”
- ✓ Allocate time each week to do a physical-emotional-intellectual (PEI) check-in, asking each attendee to share details on how they are feeling physically, emotionally, and intellectually. Leaders should answer honestly and remind people, “It’s okay not to feel okay.”

⁵ For more, see “Key findings from the Women in the Workplace 2018 report,” LeanIn.Org; based on *Women in the Workplace 2018*, a joint report from LeanIn.Org and McKinsey, October 2018, leanin.org.

2



Ask about people’s needs, acknowledge them, and tailor actions accordingly

Leaders cannot effectively advocate for someone without understanding what they are facing. Therefore, they could take a moment to ask what a team member might want or need instead of assuming.

For example:

- ✓ Ask team members to share potential distractions or challenges they are facing and what they need to be fully present.
- ✓ Share your personal circumstances and unexpected needs as they arise, demonstrate your understanding, and encourage others to feel more comfortable doing the same.
- ✓ Reduce the length of meetings by five minutes from the usual 15-minute increments, allowing team members time to quickly check in with children or others at home before jumping onto the next call or videoconference. For example, a 30-minute call could become 25 minutes; a 60-minute call could be reduced to 55 or even 50 minutes.
- ✓ Establish direct communication with coworkers who may feel like “onlys,” see how they are doing, and make a point to draw them into discussions.
- ✓ Be brave and address the “elephant in the room”: acknowledge difficult situations, ask questions, and create space for people to share openly how they are feeling and what they need.
- ✓ Be willing to have challenging conversations; start by acknowledging potential mistakes, and emphasize a desire to learn if others are open to teaching.

Without targeted intervention, noninclusive dynamics among on-site teams have the potential to be amplified in a remote context.

3



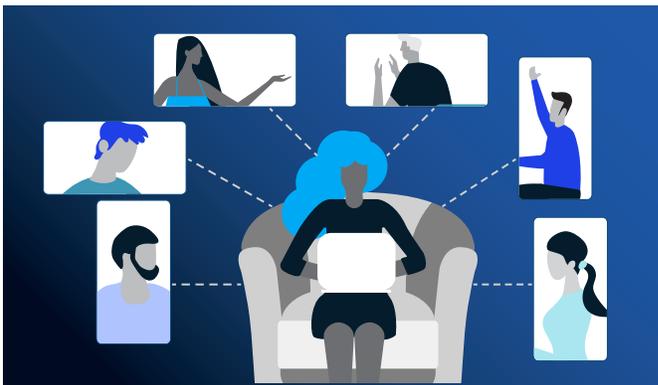
Challenge personal assumptions, adopt a learning orientation, and seek to understand others' experiences and personal styles

This exercise can broaden a leader's perspective on the definition of effective leadership, employee contributions, and ensure people feel seen and heard.

For example:

- ✓ Acknowledge what you don't know, and express a desire to learn more.
- ✓ Ask questions before asserting, rather than assuming someone's experience.
- ✓ Be aware of different communication styles and avoid letting them influence your assessment of a person's contributions. When you find yourself jumping to a conclusion, assume positive intent and consider alternative explanations for the situation. People might be struggling to get into the conversation versus having nothing to contribute; their communication style might be unconventional rather than ineffective.

4



Build space for diverse perspectives and encourage greater participation

Leaders should harness the power of their teams' diverse perspectives to enhance performance. To ensure team members have an equal opportunity to contribute in virtual meetings, leaders must prevent meeting attendees from defaulting to observer mode.

For example:

- ✓ Send out an agenda for the meeting ahead of time, with clearly defined roles and content topics.
- ✓ Have a rotating schedule of call facilitators.
- ✓ Start the meeting by asking everyone to answer the same question to get their voices into the discussion.
- ✓ Ask every participant for their opinion at least once and acknowledge their answers.
- ✓ Give credit where it's due; when an individual reiterates an idea that someone else put forward earlier in the meeting, point out who shared the idea originally.
- ✓ Draw attention to and celebrate different opinions and the value different perspectives play in getting the best answer.
- ✓ Coach team members through potential conflict by encouraging curiosity and learning how to be comfortable with not being right. Leaders should embrace the idea that their job isn't to have answers to everything, but to guide the team to the best solutions.

Leaders must be compassionate, strive to understand the challenges of their teams, and respond in ways that promote inclusion.

5



Make time for structured remote team building and networking

It's important to create space for connection as a substitute for in-person, impromptu engagement. Leaders should facilitate connections across the team and overcome the tendency to be drawn to the team members they already know.

For example:

- ✓ Set up semiregular remote sessions dedicated solely to familiarizing team members with one another.
- ✓ Develop exercises or games that encourage interactions with unfamiliar team members:
 - Pair team members up to get to know one another, joining in if needed to make the number work. Each person should be asked to introduce their partner to the group.
 - Set up a trivia game where everyone on the team submits a few fun facts about themselves. Questions can be developed to bring together the facts, drawing attention to both similarities and different strengths across the team.
 - Ask team members to share two truths and a lie. “Who would have thought it?” moments abound as participants share unlikely stories about themselves and learn more about each other.
 - Group team members into pairs or trios (depending on the numbers) and send them to separate virtual breakout rooms, IM channels, or phone calls to identify four similarities and one difference. After ten minutes, everyone can be asked to share with the group.
- ✓ Draw on the energy and ideas across the group to develop a diverse set of virtual team events. Team members should be asked to volunteer to define a team-building event focused on getting to know each other and rotate the responsibility.

6



Be intentional about mentoring and developing all team members

Remote leaders face greater barriers to thinking of someone beyond their immediate network of go-to people. Experiment with new ways to allocate opportunities, as well as expand a leader's circle.

For example:

- ✓ Schedule regular one-on-one check-ins to discuss how individual team members are doing; assess their goals, interests, and explore their professional development intentions. Leaders should keep a running list of who they spoke with, and when, to ensure interaction with the whole team.
- ✓ Assess the list of mentees and sponsors, and make it a point to add someone with a different background.
- ✓ Keep a running list of people and their goals. When an opportunity arises, a leader should look at the list before allocating the opportunity to the first person who comes to mind.
- ✓ Ask rather than assume a team member would or would not want an opportunity.
- ✓ Increase transparency of opportunities by asking the whole team for volunteers.

Physical distancing could inadvertently be the impetus we need to increase emotional connection, feeling heard, known and respected—ultimately increasing the level of inclusion and belonging that employees feel, even after we enter the “next normal.”

7



Encourage team members to set individual inclusion commitments

Everyone plays a role in creating a more inclusive working environment. Leaders should reinforce this priority, establish accountability, and encourage experimentation with new behaviors.

For example:

- ✓ Share your commitment with your team and be specific about the steps you're taking to be more inclusive, such as by saying, "I will _____ this week; please hold me accountable."
- ✓ Ask each team member to commit to a tangible (and observable) inclusive practice to experiment with each week.
- ✓ Share a list of inclusive actions for inspiration:

Invest in the well-being and fair treatment of others

- ✓ Ensure people get the credit they deserve and clarify who raised an idea.
- ✓ Return the conversation to someone who has been talked over or interrupted.
- ✓ Pay attention to who is not speaking and actively bring them into the dialogue.
- ✓ Suspend judgment when someone behaves differently and seek to understand their actions and motivation.
- ✓ Every couple of weeks, set up time to chat with at least one person you're not familiar with.

Become an ally to and advocate for targets of mistreatment

- ✓ Draw attention to symbolic reminders of male-dominated work culture (for example, "bro talk" or references to males as "men" and females as "girls").

- ✓ Draw attention to the use of “other” language within or outside of the group.
 - ✓ Join an ally group and attend or volunteer to host diversity and inclusion events or discussions.
 - ✓ Stand up for others if you see instances of noninclusive behavior.
- Lead with curiosity and seek to understand perspectives different from your own**
- ✓ Listen intently; draw attention to interruptions.
 - ✓ Invite different opinions to help you learn; after sharing a viewpoint, explicitly ask if there are any additional perspectives you should consider.
 - ✓ Ask questions to learn more and share what you understand to make others feel heard.
- Support others to achieve their goals**
- ✓ Volunteer to take on “office housework” (for example, taking notes and organizing events) so it doesn’t always fall to the same person.
 - ✓ Take the time to share advice or knowledge from your experience with others.
 - ✓ Challenge yourself to quickly respond to the next ask for help (for example, request for review of a document) that comes from one of your team members.
 - ✓ Establish common language to celebrate inclusive behavior or draw attention to noninclusive behavior in the moment without implying judgment. For example, as a team, select videoconferencing tools or a word or term to call out noninclusive behavior.
 - ✓ Set up an end-of-week reflection (or include one in existing meetings) to celebrate positive changes and areas for continued growth as a team and reinforce a more inclusive environment.
-

The move to remote working has the potential to be catalytic in redefining how leaders make others feel connected and valued. Physical distancing could inadvertently be the impetus to increased emotional and social connection between team members and collective feelings of being heard, known, and respected. Leaders who take action can ultimately increase the level of inclusion and belonging among employees, even after we enter the next normal.

These inclusive practices not only make leaders more effective but also unlock the potential of teams and organizations. Achieving these goals, however, requires thoughtful and targeted action.

Many of these may seem simple, yet we find that not everyone takes them. Leaders should reflect on what might be holding them back and encourage their teams to do the same.⁶ Ultimately, everyone in an organization contributes to building a more inclusive and effective working environment. People will be remembered for how they act and treat others during this time. Individuals and organizations that get it right will have an advantage regardless of what the future holds.

⁶ *McKinsey Organization Blog*, "Do your employees struggle with these three common roadblocks?," by Alexander DiLeonardo, David Mendelsohn, and Nick Rosemarino, October 14, 2019, McKinsey.com.

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The long haul: How leaders can shift mindsets and behaviors to reopen safely

The influence model is not only a template for organizational transformation but also a solid guide to crafting a sustainable response to the COVID-19 crisis.

by Matt Craven, Andy Fong, Taylor Lauricella, and Tao Tan

Responses to the coronavirus pandemic have demonstrated that people can rapidly change their behaviors during the acute phase of a crisis—for example, through high initial compliance with lockdowns and large-scale shifts to working from home. However, sustaining those changes for a prolonged period is more difficult.

COVID-19 will be with us for many months, perhaps years, to come. Societies face the challenge of resuming as many normal activities as possible while preventing a resurgence in the number of cases. To do so, they need strategies to sustain changes in behavior, such as the use of face masks and physical distancing, over time. Recommended behaviors will continue to emerge as new scientific evidence surfaces. As UN Secretary-General António Guterres put it, “None of us is safe until all of us are safe.”

Much has been written about actions that countries and companies can take to fight virus spread and reopen safely. But government edicts and corporate policies depend on human behavior to be effective. Our research into organizational change shows that compliance isn't always the greatest motivator. We believe that instead of relying on compliance and enforcement, leaders now have an opportunity to shift to addressing the underlying thoughts, feelings, and beliefs that ultimately determine whether people will change. Getting “underneath the iceberg” of what motivates individuals to act is crucial to managing the COVID-19 crisis.

Enter the influence model, which has four interrelated and evidence-based practices to drive mindset and behavior change: offering clear and consistent messaging to foster better understanding of the coronavirus, using formal mechanisms to shape safe behavior, teaching practical skills to instill confidence, and leveraging role models who reinforce new norms. Decision makers can use the influence model at scale to promote public health, employee safety, and customer confidence for the long term.

Applying the model: Public health and the workplace

Large-scale organizational change has always been difficult, and that has been truer than ever during the pandemic. Companies must react quickly to external shocks, supply-chain changes, shifts in the marketplace and their core businesses, employee health and safety, and other factors. Countries must keep people safe *and* reopen economies.

Research has shown that one of the primary blocks to sustainable change can be traced to limiting mindsets, which fall into the categories of “I am not allowed,” “I can't,” or “I won't.” Mindsets underlie behaviors, which lead to outcomes (see sidebar, “Why changing behavior is like playing whack-a-mole”). The influence model can guide organizations through comprehensive transformations by addressing those underlying mindsets. It consists of four elements that work best in concert (Exhibit 1):

- understanding and conviction
- reinforcement with formal mechanisms
- confidence and skill building
- role modeling

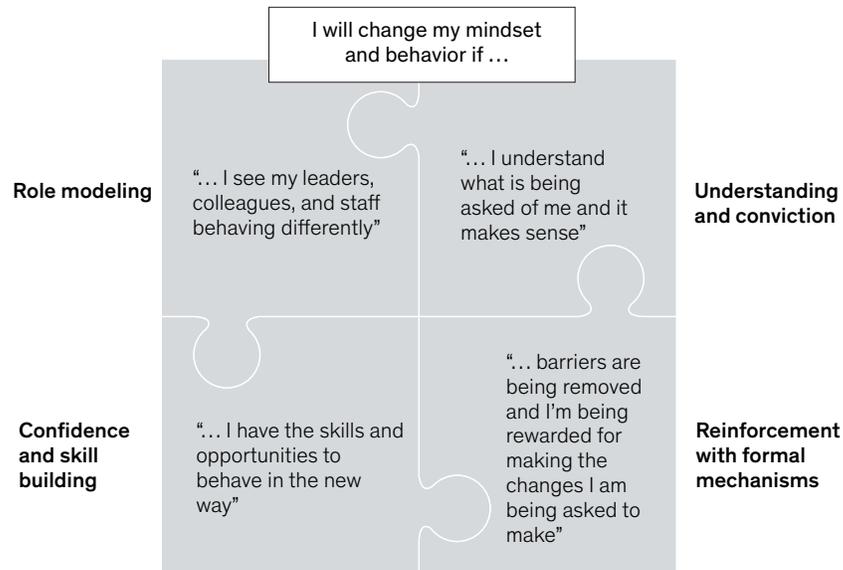
In the context of the COVID-19 crisis, decision makers can implement the four elements of the influence model to address broader societal and public-health issues.

Understanding and conviction

We know from research that human beings strive for congruence between their beliefs and their actions, experiencing discomfort when they are misaligned.¹ Believing in the “why” behind a change can therefore inspire people to change their behaviors. In practice, however, we find that many leaders incorrectly assume that the reason is obvious or universal—and so fail to communicate it sufficiently or at all.

¹ Leon Festinger, *A theory of cognitive dissonance*, second edition, Stanford, CA: Stanford University Press, 1957.

Organizations that successfully undergo change address all four elements of the influence model.



“Why” messaging during the crisis is an important opportunity, but it has a mixed record. Some early information came across as inconsistent, constantly changing, or even alarmist. Many people reacted negatively to that confused messaging.

Leaders can take the following actions to implement understanding and conviction during the COVID-19 crisis:

- **Be transparent and timely.** Openly acknowledge where early messaging was inconsistent. Emphasize that it reflected what officials understood of the coronavirus at the time, that understanding has greatly improved since then, how it has improved, and that it may continue to evolve. As new evidence emerges, communicate the updates in a timely fashion.

For example, countries used a variety of lockdown measures to prevent the spread of COVID-19. Citizens noticed the differences, and some grew suspicious that the rules they were asked to follow might not be the “right” ones. Spain forbade people from leaving the house to

exercise, while the United Kingdom permitted people to go out for walks. Distancing rules also varied. Many states in the United States coordinated their responses on a statewide level or as part of regional coalitions. Others initially delegated decision making to individual counties, so if one county was open for business while nearby counties were closed, people would drive to the open county to visit bars and restaurants, presumably affecting rates of virus transmission.

The good news is that when adopted broadly throughout communities, behavioral shifts such as increasing physical distancing, regularly washing hands, and wearing facemasks appear to have contributed to the initial control of virus spread in some locations. While we can't fully assess the impact of individual behaviors, geographies such as Germany, Hong Kong, Iceland, Japan, and Taiwan all successfully promoted changes in health behavior and were able to reduce (or maintain at a low level) the number of COVID-19 cases.

Why changing behavior is like playing whack-a-mole

Organizations trying to change behavior often feel like they are playing a game of whack-a-mole: implementing programs to change behavior only to find that same behavior popping up again. The key to successful change is to uncover the drivers of the undesirable behavior (exhibit). If those beliefs are not unearthed, questioned, and shifted, behavioral change rarely sticks.

We found three primary categories that hinder behavior change:

- belief that one *isn't allowed* to engage in a particular behavior, because it isn't part of one's job nor "how we do things around here" (others don't do it, and no mechanisms exist for it)
- belief that one *can't* engage in a particular behavior because of a lack of time, resources, or skills
- belief that one *won't* engage in a particular behavior because the behavior is incongruent with one's goals or values or will negatively affect social standing or relationships with others

In our organizational work, we have seen a significant variation in employee goals and

constraints, even for those on the same team and in similar roles and tenure groups. That variation is instructive for leaders, who may consider more granular approaches to understanding and addressing individuals within the broader organization so they can create change.

Companies that did no work on diagnosing mindsets never rated their change programs as extremely successful. But companies that took the time to identify deep-seated mindsets were four times more likely than those that didn't to rate their change programs as successful.

Exhibit

Tailored approaches focus on the mindsets that prevent people from altering their behavior.

Common mindset blockages

I'm not allowed, because of

- Role
- History

I can't, because of

- Time
- Resources
- Skills

I won't, because of

- Goals
- Social standing
- Relationships
- Identity

- **Consider reframing a message.** Why would an otherwise well-intentioned person not engage in behavior that is seemingly obvious? People struggle to act on facts that don't align with their frames of reference. Young people often find it difficult to comprehend their mortality. Many people fail to grasp the concept of exponential growth, having never encountered it outside of math class. Getting individuals to change

behaviors may require reframing the message to one that is meaningful and specific to them.

In the pandemic context, some people react negatively to lockdowns as actions that seem to be taking away freedoms and shutting down economic activity. For certain segments of the population, reframing messaging from "restrict my freedom" (which people will fight) to "help

Getting “underneath the iceberg” of what motivates individuals to act is crucial to managing the COVID-19 crisis.

me save the economy” or “help my family return to normal” (which few will oppose) might be helpful.

- **Have a credible messenger.** When Washington State emerged as one of the early COVID-19 hot spots in the United States, scientists, not politicians, delivered clear and comprehensive messages about the coronavirus. This aligned with the Centers for Disease Control and Prevention’s *The CDC Field Epidemiology Manual* (Oxford University Press, 2019), which discusses how scientific experts should communicate with the public by being transparent and empathetic. The manual also cautions that they must “not over-reassure or overpromise.”² For organizations, that may mean having senior leaders publicly partner with a scientific advisor and share updates in consultation with that advisor. Senior leaders may also transparently acknowledge that their decisions are tied to data.
- **Appeal to different sources of meaning.** The compelling “why” for one individual may not resonate with another person. Our research has shown that employees derive meaning across five sources: having a positive impact on *society*, wanting the best for their *organizations*, providing superior service for their *customers*, having positive relationships with their *teams*, and reaching their *personal* development goals. Leaders have an opportunity to tell five stories at once regarding why safety precautions matter to each group, reaching a wider audience.

Reinforcement with formal mechanisms

The reinforcement lever is often misunderstood as a novel way of enforcing compliance. While formal reinforcement mechanisms include policies and regulations, they also make it easier to do the right thing by removing barriers and providing positive reinforcement (versus punishing for doing the wrong thing). That is in line with what has been widely studied in behavioral psychology: associations and consequences shape behavior.³

Leaders can take the following actions to implement reinforcement:

- **Nudge people to do the right thing.** In crowded and closed spaces (such as subways and stores), it makes sense to deny entry to people without a mask. But to nudge people into safer behavior, consider providing single-use masks to those who did not bring their own, installing hand sanitizers at entryways, and painting or adding stickers where lines form to mark six-foot spacing. Good nudging is not nagging: it’s about choice, easy to follow, and personal.
- **Leverage existing infrastructure.** Community centers, grocery stores, government offices, and places of worship are great channels for distributing masks. Many companies have sent employees cloth masks for themselves and their families, and universities that are reopening have sent returning students kits with masks, wipes, and other health-safety items.
- **Provide positive reinforcement, with data transparency.** People are receiving information about COVID-19 from all sides. Simplifying it—for

²Charles Duhigg, “Seattle’s leaders let scientists take the lead. New York’s did not,” *New Yorker*, April 26, 2020, newyorker.com.

³B. F. Skinner, *The Behavior of Organisms: An Experimental Analysis*, London, UK: Appleton-Century, 1938.

example, by showing incremental case counts and total case counts paired with mobility data—may provide enough information for people to be confident that their contributions are effective and being recognized.

Confidence and skill building

Confidence and skill building come down to ensuring that people have the information and skills required to do things differently—and feel able to do so. When individuals are confident in their ability to change, they can create a self-fulfilling prophecy.

Leaders can take the following actions to implement confidence and skill building:

- ***Incorporate education.*** Emphasize how individuals can protect themselves and others. Simple lessons, such as on how to adjust a mask so that it fits well and what physical distancing entails, are already in place. More targeted measures personalized to specific environments, such as on how to hold a shop-floor briefing and how to interact with customers, may help as well. Continue to emphasize them through multiple channels, including posters, emails, bite-size lessons, and more.
- ***Provide the guardrails to make informed decisions.*** For manufacturing, build in hand-washing breaks and other actions to augment a safety culture. Line-led training can allow individuals to handle unforeseen situations. For example, a logistics company saw that workers weren't wearing masks in a warehouse. Further conversations revealed that employees found the environment too hot to wear masks full time. The solution was to have employees wear masks when stacking boxes in a group but to relax the mandate when they were moving around in vehicles or on ladders, where they were, by definition, at a distance from others.
- ***Build interpersonal competencies to set up employees for success.*** Employees in customer-facing situations can be provided training on how to interact and de-escalate

situations in which customers are unwilling to wear masks and how to observe safe behavioral norms.

- ***Use simple and memorable language.*** Japan's "three Cs" (avoid close contact, crowded areas, and closed spaces) is a simple yet effective message that leaves room for individual judgment and promotes education as the situation changes.

Role modeling

People mimic and learn—both consciously and subconsciously—from the individuals and groups that surround them. One of the best ways to drive the adoption of new behaviors is by ensuring that the people who individuals trust most are modeling the appropriate behaviors. Marketing professionals have known for years that what might resonate with one population won't with another. A local sports star who endorses a product will likely elicit a different reaction if that endorsement is played in a rival city. The same is true across populations during the COVID-19 crisis.

Leaders can take the following actions to implement role modeling:

- ***Wear masks and practice physical distancing.*** When interacting with other leaders or with the public, such role modeling is essential. For example, some public officials, despite their earlier skepticism, have begun wearing masks in public.
- ***Amplify influential voices that promote safe behaviors.*** Share stories of influential people voluntarily quarantining after testing positive for COVID-19 or coming into contact with a person who has it. Tom Hanks and Rita Wilson drew praise for self-quarantining in Australia after they tested positive for COVID-19. Organizations with strong branding power, such as sports teams, may consider lending their brands to promote safe masking.
- ***Use symbolism to signal the importance of safety behaviors.*** Earlier in the pandemic,

many leaders engaged in symbolic acts, such as giving up their salaries and donating their bonuses to charities that fight COVID-19. Regarding safety, many industrial and mining companies, for example, often incorporate “safety moments” as a mandatory first agenda item of meetings. In that spirit, leaders might consider a new ritual that in-person meetings start only when everyone is masked.

to individuals or groups. For instance, government leaders and public-health officials can tailor the four elements differently, depending on whether people have dependents living with them or not (Exhibit 2).

Employers have even more ability to tailor the influence model to ensure that their employees feel it is safe to return to work—and perhaps even provide comfort to customers. Companies discovered that opportunity as remote working took hold: some people are responding better to working from home than others, and approaches that are segmented to employee experience have a better chance of succeeding (Exhibit 3).

Tailoring the model: Individuals and groups

The influence model's four levers are most effective when they are deployed together and customized

Exhibit 2

On a societal level, leaders’ messaging and actions can diverge based on audience.

4 levers of influence by audience

	With dependents	Without dependents
1 Understanding and conviction	Containing coronavirus will create a safer future for our children	This is how you can enjoy your life in the long term: by living safely today
2 Reinforcement with formal mechanisms	Access to childcare facilities requires masking	Access to mass transit requires masking
3 Confidence and skill building	Emphasis on how to protect vulnerable populations specifically	Emphasis on individual behavior and how to prevent virus spread
4 Role modeling	Schools, teachers, and childcare facilities	Government leaders and celebrity influencers

Exhibit 3

Employers can segment their messaging and actions to workforces by level, role, and geography.

4 levers of influence by worker type

	Office workers	Production workers
1 Understanding and conviction	Why practicing physical distancing in office matters for productivity/performance	Why engaging in safe behaviors will lead to better end products for customers
2 Reinforcement with formal mechanisms	Meetings only start when everyone is masked	Build into safety culture (eg, “XXX days since last infection” signboards)
3 Confidence and skill building	Quick-bite virtual training focused on how coronavirus spreads and when exceptions can be made (eg, sitting alone in office)	Targeted training on how to practice safe behaviors in a line environment (eg, how to hold a shop-floor briefing)
4 Role modeling	Individual managers (in cascaded fashion)	Shift supervisors and union officials

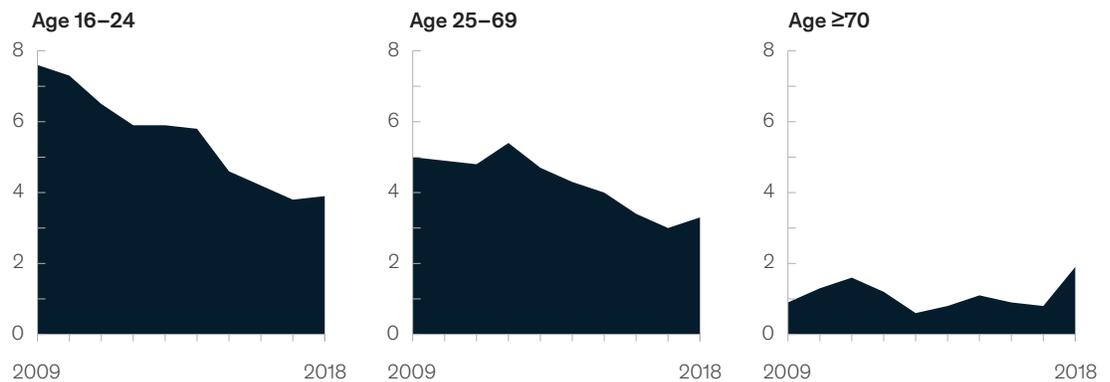
A recent campaign to reduce the use of handheld cell phones while driving is a good example of how the four levers of the influence model can come together to change behaviors. The outcome was a dramatic drop in the use of handheld cell phones by drivers, particularly those aged 16 to 24, between 2009 and 2018 (Exhibit 4).

We all look forward to the day when we can, as much as possible, resume our normal lives. But the COVID-19 pandemic is a medium-term reality rather than a short-term challenge. We have learned a great deal about the coronavirus and how to reduce the risk of transmission. Applying the influence model can help drive the adoption of safe behaviors that light the way to the end of the tunnel.

Exhibit 4

The influence model's four elements helped change driver behavior over nearly a decade.

Driver use of handheld cell phones in 2009–18 by age, %



Timeline of driver-behavior change by influence-model-element type

- Reinforcement with formal mechanisms
 - Fostering understanding and conviction
 - Role modeling
 - Confidence and skill building
- 2001: first hands-free Bluetooth technology appears in cars
 - 2007: Washington becomes first state to ban driver texting (currently 48 states, Guam, Puerto Rico, US Virgin Islands, and Washington, DC, ban driver texting)
 - 2010: Oprah Winfrey introduces No Phone Zone program for cars
 - 2010: AT&T launches “It can wait” campaign
 - 2012: *Glee* cast member featured on public-service announcement about distracted driving; *Glee* cast endorses No Phone Zone
 - 2012: Justin Bieber partners with PhoneGuard Drive Safe software to discourage use of handheld cell phones while driving
 - 2013: apps to prevent distracted driving (eg, LifeSaver) founded
 - 2013: New York uses signs indicating “text stops” on highways
 - 2013: “2-second rule” guideline created
 - 2014: “I’m a text-pert” YouTube rap battle launched, with >19 million views
 - 2017: Apple introduces “do not disturb” driving feature
 - 2019: This App Saves Lives app, which rewards drivers for not using their phones, created

Source: US National Highway Traffic Safety Administration

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COVID-19 and the employee experience: How leaders can seize the moment

The return phase of the COVID-19 crisis is a good time for organizations to create more tailored responses to workplace challenges, expanding on the goodwill and camaraderie earned in earlier phases.

by Jonathan Emmett, Gunnar Schrah, Matt Schrimper, and Alexandra Wood

As it turns out, most companies did a solid job of addressing their employees' basic needs of safety, stability, and security during the first phase of the COVID-19 crisis. However, those needs are evolving, calling for a more sophisticated approach as organizations enter the next phase.

McKinsey recently surveyed more than 800 US-based employees on a wide variety of topics related to employee experience.¹ We found that employees working remotely see more positive effects on their daily work, are more engaged,² and have a stronger sense of well-being than those in nonremote jobs with little flexibility do. Parents working from home appear to be faring better than those who are more isolated are. Fathers working remotely seem much more positive about the experience than mothers are.

But those statistics belie a more fundamental truth about employee experience: even when faced with similar circumstances—more than 80 percent of respondents say the crisis is materially affecting their daily work lives—people have widely varied experiences, perspectives, and outcomes.

The return phase presents an opportunity for companies to rethink the employee experience in ways that respect individual differences—home lives, skills and capabilities, mindsets, personal characteristics, and other factors—while also adapting to rapidly changing circumstances. The good news is that with advances in listening techniques, behavioral science, advanced analytics, two-way communication channels, and other technologies, leaders can now address employee experience in a more targeted and dynamic way. While drilling down on which employees need more and varied types of support, they can also tailor actions that create widely shared feelings of well-being and cohesion across the workforce.

Our research yielded three overarching insights, each coupled with practical steps leaders can take

to support employees through this next phase of the crisis:

- As a leader, you've had to make sweeping changes in recent months to address your employees' most pressing needs, and your workforce thinks your instincts were probably right. Build on the trust and affiliation you've earned by continuing to be present, action oriented, empathetic, and fully transparent.
- In addition to basic needs (safety and security), three other experience themes (trusting relationships, social cohesion, and individual purpose) are having a disproportionate impact on employee well-being and work effectiveness. Enable improvements in those areas by prioritizing actions that will address a broad set of needs for the majority of your workforce.
- Changes are hitting your people in widely diverging (and sometimes unexpected) ways. Some are struggling, and some are thriving. Use a combination of science, technology, data, and analytics to segment your employees like you would your customers and tailor interventions to support them in personalized and meaningful ways.

Build trust: Keep listening to your workforce

The COVID-19 pandemic is first and foremost a human tragedy that has played out across the globe. People are experiencing unprecedented levels of disruption in their homes and communities, as well as in their jobs. If there is a silver lining in all of this, it's that organizations and leaders are stepping up in critical areas, according to employees we surveyed (Exhibit 1).

Organizational responses are having a tangible impact on employees. Compared with respondents who are dissatisfied with their organizations'

¹ During the first two weeks of March 2020, we collected survey data from more than 800 diverse, US-based employees on a wide variety of topics related to employee experience, COVID-19-related perceptions and impacts, and employee outcomes. The primary focus of the research was to determine factors that lead to employee engagement, well-being, and work effectiveness during and after a crisis.

² Employees were classified as engaged, passive, or disengaged based on responses to questions measuring work, organizational, and social engagement. We define "engaged" as having a strong emotional investment in the organization and a willingness to "go the extra mile."

Exhibit 1

Organizations have stepped up in critical areas during the COVID-19 crisis.

Employer response effectiveness, % of respondents (n = 887)



responses, those who say their organizations have responded particularly well are four times more likely to be engaged and six times more likely to report a positive state of well-being.³

While those results don't offset the tremendous uncertainty and anxiety that many continue to feel, they do point to a distinct sense of employee confidence and trust in their organizations' leaders at this time. This runs contrary to the idea that employees, as a group, are reacting to the current crisis situation with a fight-or-flight response. In fact, an emerging scientific viewpoint is that during times of great uncertainty, the natural human tendency is a "flight and affiliation" response toward individuals and situations that feel safe and familiar.⁴

By being readily available and helping employees give meaning to a crisis ("sense making"), leaders can build employee resilience and social capital with their people. Moreover, they can help connect employees to the organization and to one another and can help enhance social connection and affiliation—not just formally, but also by allowing informal and organic conversations to emerge (Exhibit 2).

Return stronger: Focus on workforce effectiveness and well-being

We noted that organizations have done well in addressing immediate safety and stability concerns. But a full return requires organization-wide commitment to a broader range of needs and to the strongest drivers of work experience, effectiveness, and wellness.

For decades, need-based theories of motivation have emphasized the importance of need fulfillment on employee motivation and behavior. Applied to employee experience management, organizations should seek to address the most critical, prominent needs of the broader workforce while taking stock of unique needs of different segments and individuals. Our research found a strong correspondence between employees' stated needs and the underlying drivers of their engagement, well-being, and work effectiveness.⁵ Exhibit 3 shows the top employee needs and outcome drivers, grouped by core themes of employee experience.

Jointly, ten employee experience elements accounted for approximately 60 percent of differences in outcomes.⁶ Overall, that means

³Employees were classified as having a positive, neutral, or negative state of well-being. We define a "positive state of well-being" as a broad sense of security and fulfillment in life and work that includes job security, sense of community, and individual purpose.

⁴Anthony R. Mawson, "Understanding mass panic and other collective responses to threat and disaster," *Psychiatry*, 2005, Volume 68, Number 2, pp. 95–113, tandfonline.com.

⁵The top experience drivers were determined by examining the patterns of correlations between 30 employee experience elements and three outcomes. Work effectiveness was measured by asking employees if their daily work had been positively affected, negatively affected, or not affected by the COVID-19 crisis.

⁶We ran separate multiple-regression analyses for each outcome using ten employee experience elements as predictors. On average, those experience elements, as a group, explained approximately 60 percent of differences in employee outcomes.

Exhibit 2

Organizations can build on the trust they have earned during the COVID-19 crisis.

Four key actions



1

Make it credible

Give employees air time through town halls, pulse surveys, listening tours, and story sharing; have trusted leaders speak transparently and empathetically about what employees are going through; use data to analyze related information and communicate findings to employees regularly



2

Make it feasible

Prioritize timely action instead of waiting for transformative solutions; push responsibility to edges to accelerate change (eg, create digital channels for people to engage with each other directly rather than running everything through a central hub)



3

Make it sustainable

Develop a plan to embed changes beyond the crisis; communicate to employees specifics about open-ended changes being made; ensure that employees know that, as the crisis is not time bound, support from leaders has no end point



4

Make it personal

Find creative ways to use advanced analytics, behavioral science, and digital technology to put employees in charge of their own journeys; tailor interventions to individual contexts and evolving needs

that as organizations continue to adapt to the crisis, they can meaningfully improve employee experience. For example, while organizations may not be able to take action on compensation right now, our survey results show that they can achieve a 55 percent improvement in engagement by addressing employees' need for work recognition through nonfinancial means.

To address employees' needs and help them thrive during the return, organizations should focus on four areas: safety and security, relationships, culture, and purpose.

Continue to meet the need for safety and security

With the threat of a second wave of COVID-19 infections or other disruptions, leaders would be well served to codify an approach to mitigating further effects of this landscape-scale crisis.⁷ To that effect, McKinsey's Organization Practice recently published a series of articles providing leaders with a research-backed set of best practices.

Potential actions to ensure safety and security include the following:

- **Demonstrate compassionate leadership.** Leaders should focus on making a positive difference in people's lives by demonstrating awareness, vulnerability, and empathy.
- **Exhibit deliberate calm and bounded optimism.** In communications, leaders need to strike the right balance between realism about the challenges ahead and confidence that the organization will find its way through the crisis.

Invest in relationships

While it may be a natural tendency for leaders to focus inward on the business itself, our survey results show that sustaining trust and acknowledging employee efforts are critical to employee engagement, well-being, and effectiveness. Organizations that have been building social capital during earlier phases of the crisis will

⁷An unexpected event or sequence of events of enormous scale and speed resulting in uncertainty, giving rise to disorientation and emotional disturbance.

Exhibit 3

Employee engagement, well-being, and effectiveness are driven by a set of employee experience factors.

Top employee needs and experience factors by core themes of employee experience

Theme	Need (rank)	Employee experience factors	Improvement		
			Work effectiveness	Engagement	Well-being
Stable, secure work experience	Job security (1)	Organizational stability	+16.9%	+52.9%	+53.3%
	Financial stability (2)				
	Physical and mental health (6)	Compensation and benefits	+21.2%	+45.6%	+44.5%
	Being rewarded (8)				
Trusting relationships	Working with people I can trust (5)	Trust in leadership	+23.7%	+47.6%	+45.4%
		Relationship with company	+20.9%	+49.9%	+51.3%
	Being recognized for my work (10)	Nonfinancial recognition	+20.4%	+55.1%	+49.3%
Social cohesion and inclusion	Being treated fairly (4)	Fairness	+22.3%	+48.0%	+52.3%
		Involvement	+14.8%	+32.4%	+51.1%
	Having supportive coworkers (9)	Respect	+15.7%	+51.8%	+49.8%
		Equality	+16.2%	+50.8%	+50.9%
Individual purpose and contribution	Achieving work goals (7)	Alignment with organizational purpose and values	+20.3%	+49.0%	+49.3%
	Balance of work and private life (3)				
	Fulfilling my personal purpose at work (12)				

be in better positions than others as the workforce transitions to the return phase.

Potential actions to ensure strong employee relationships include the following:

- *Coach managers on the ‘trust quotient.’* Expanding on previous research,⁸ Charles H. Green developed an assessment of trust that distills trust into four attributes: high credibility, reliability, intimacy, and low self-orientation.

By developing the mindset and capabilities to deliver on those attributes, managers will be better able to support employees today and to earn their followership going forward.

- *Invest in the development of employee-to-employee relationships.* It would be a mistake to assume that the camaraderie that has sustained many employees early in the crisis will endure long term. Leaders need to take active steps to ensure continued relationship building,

⁸Robert M. Galford, Charles H. Green, and David H. Maister, *The Trusted Advisor*, New York, NY: Free Press, 2000.

Organizations that have been building social capital during earlier phases of the crisis will be in better positions than others as the workforce transitions to the return phase.

particularly for remote workers. Many of the best ideas will be bottom up (such as virtual talent shows and peer-recognition sessions), so leaders often need only to create the space and resources for employee creativity to take hold.

Create and maintain a culture that values inclusion, individuality, and social harmony

As ways of working shifted dramatically with the COVID-19 pandemic, many workers had to transition to new work duties, processes, and modes of communication and collaboration. Our research shows that having a foundation of involvement, fairness, respect, and equality can help employees adopt to new ways of working and interacting. As we face a future of vastly different working models and team structures, building such an integrated culture now will only benefit organizations in the future.

Potential actions to ensure a positive culture include the following:

- **Create a network of teams.** Leaders can set up a network of teams to promote cross-functional collaboration and transparency. This team structure can tackle an organization's most pressing problems quickly while also enhancing the strength of random connections across the network for effective team building.
- **Cultivate inclusion and psychological safety.**⁹ Leaders and managers can help create inclusive and psychologically safe team environments by modeling behaviors that value the inputs

of all members, encourage individuality, and allow members to experiment without fear of negative consequences.

Connect people to something bigger than themselves and help them contribute

The emergence of purpose as a driving force is particularly compelling, given its overarching impact on all aspects of work and business. A sense of purpose can help employees navigate high levels of uncertainty and change and ensure that their efforts are aligned with the highest-value activities.

Our research showed that respondents who indicate they are "living their purpose" at work are much more likely than those not doing so to sustain or improve their levels of work effectiveness, and they had four times higher engagement and five times higher well-being. Moreover, we discovered that this particular experience element showed the greatest potential for improvement: only one-third of respondents believe their organizations strongly connect actions to purpose.

Potential actions to ensure a strong sense of purpose include the following:

- **Embed purpose in how you talk to employees.** There are avenues for organizations to move from the "why" to the "how" in establishing and linking employees to a clear purpose. Link your organization's "why" to your employee communications. As you make changes in how the business operates through the

⁹Psychological safety is the belief that one won't be punished or humiliated for speaking up with ideas, questions, concerns, or mistakes. Amy Edmondson, "Psychological safety and learning behavior in work teams," *Administrative Science Quarterly*, June 1999, Volume 44, Number 2, pp. 350–83, journals.sagepub.com.

crisis, consistently link the changes back to your purpose.

- **Bring purpose to life.** Share stories (through video or town halls) of colleagues who are embodying purpose through the period of crisis. Now is the time to celebrate and create role models of those who are living their purpose.
- **Start a longer-term conversation about purpose.** Begin the hard work of defining or revisiting your organization's purpose now. Explain how employees will play a critical role.

Tailor your approach: Employees' needs and experiences vary

While all workers are experiencing some degree of disruption, the range of experiences is wide, from the very positive to the very negative. For example, of the population of fathers working at home, 79.4 percent report positive work effectiveness, with 63.2 percent feeling engaged and 70.5 percent saying they have a positive state of well-being.

Conversely, of the group of employees working in nonremote positions with little workplace flexibility, 70.5 percent report negative work effectiveness, with 50.4 percent feeling disengaged and 57.6 percent saying they're struggling. There are distinct challenges faced by nonremote workers compared with remote workers in the current crisis. The impact on working mothers versus working fathers is quite different. Our data suggest a nuanced picture of employee experience (Exhibit 4).

Remote workers with dependents appear to be faring better than remote workers without dependents are. The data show that a diminished sense of community is a key driver of the negative impact on those without dependents. However, remote-working mothers aren't realizing this benefit, faring well below remote-working fathers on all major dimensions we assessed: work effectiveness, engagement, and well-being.

That gender difference can be explained, in part, by differences in "workplace needs." Our survey indicates that the top priority for remote-working women right now is balancing work and private life.

For remote-working men, that need doesn't even rank in the top ten. Anecdotally, the challenges of balancing work and private life in the current climate are evident, but the data reveal what a powerful variable this balance is.

The data further show that remote-working mothers who report work efficiency (that is, effective time management) and schedule flexibility—both being key indicators of work-life balance—are three times more likely than those who report work inefficiency and schedule inflexibility to have a positive state of well-being. Again, flexibility and work efficiency are aspects of employee experience that organizations can start to address without significant capital investment.

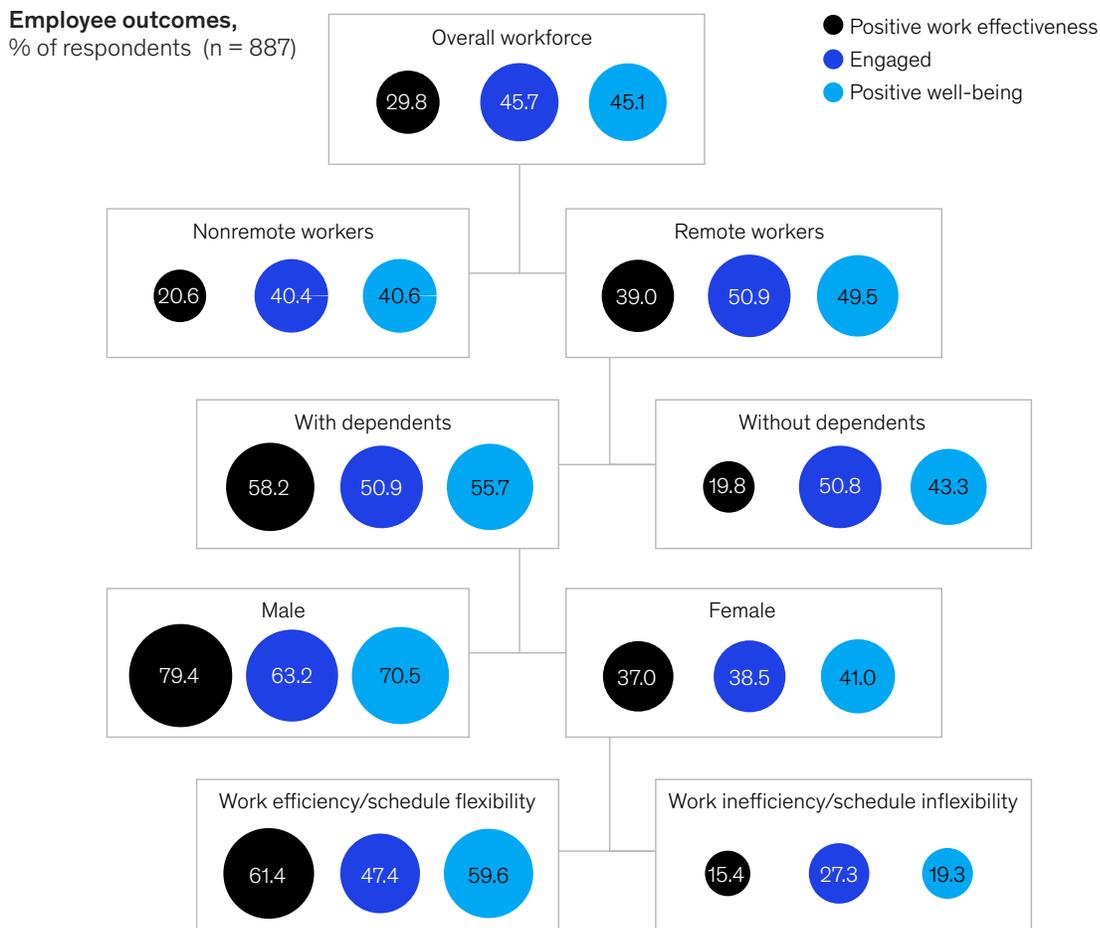
Those results are just a small slice of the insights that effective segmentation can provide. There are also likely to be meaningful variations within groups. For example, even within the group of remote-working fathers who seem to be doing well as a group, 17 percent indicate that they are disengaged, and 15 percent report a negative sense of well-being. The lesson for leaders is that a one-size-fits-all approach to experience management simply won't work. Instead, they must aspire to address individuals in the same manner they do their customers.

To tailor employee-support approaches, we recommend two key actions:

- **Use segmentation to identify who is struggling and what they need.** Complement publicly available data with internal tools, such as open-listening channels, pulse surveys, and advanced analytics. Use these tools to understand the diverse set of challenges that individuals and teams are facing and identify the best ways of supporting them where they're struggling the most.
- **Take a personalized approach to fostering culture and enabling change in this new world.** In driving new mindsets and behaviors (such as adapting to a new virtual-working model) at scale, it's important to engage employees in a continual two-way dialogue that takes into consideration their specific needs, allows them to configure their own journeys, delivers personalized coaching, and provides them with

Exhibit 4

While all workers are experiencing some degree of disruption, the range of experiences is wide.



a forum to share best practices with others who may share similar challenges.

Organizations have an opportunity to improve employee experience during the return phase of the COVID-19 crisis by shifting from a focus on meeting health and safety needs to a more nuanced approach

that recognizes differences among the workforce. Employee experience drivers—perspectives and needs that vary between and even within those segments—may be somewhat heightened and more fluid right now, given the constantly shifting landscape. But organizations that set a course focused on employee experience will create meaningful impact now and well into the future.

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Reimagining the office and work life after COVID-19

The pandemic has forced the adoption of new ways of working. Organizations must reimagine their work and the role of offices in creating safe, productive, and enjoyable jobs and lives for employees.

by Brodie Boland, Aaron De Smet, Rob Palter, and Aditya Sanghvi

COVID-19 has brought unprecedented human and humanitarian challenges. Many companies around the world have risen to the occasion, acting swiftly to safeguard employees and migrate to a new way of working that even the most extreme business-continuity plans hadn't envisioned. Across industries, leaders will use the lessons from this large-scale work-from-home experiment to reimagine how work is done—and what role offices should play—in creative and bold ways.

Changing attitudes on the role of the office

Before the pandemic, the conventional wisdom had been that offices were critical to productivity, culture, and winning the war for talent. Companies competed intensely for prime office space in major urban centers around the world, and many focused on solutions that were seen to promote collaboration. Densification, open-office designs, hoteling, and co-working were the battle cries.

But estimates suggest that early this April, 62 percent of employed Americans worked at home during the crisis,¹ compared with about 25 percent a couple of years ago. During the pandemic, many people have been surprised by how quickly and effectively technologies for videoconferencing and other forms of digital collaboration were adopted. For many, the results have been better than imagined.

According to McKinsey research, 80 percent of people questioned report that they enjoy working from home. Forty-one percent say that they are more productive than they had been before and 28 percent that they are as productive. Many employees liberated from long commutes and travel have found more productive ways to spend that time, enjoyed greater flexibility in balancing their personal and professional lives, and decided that they prefer to work from home rather than the office. Many organizations think they can access new pools

of talent with fewer locational constraints, adopt innovative processes to boost productivity, create an even stronger culture, and significantly reduce real-estate costs.

These same organizations are looking ahead to the reopening and its challenges. Before a vaccine is available, the office experience probably won't remain as it was before the pandemic. Many companies will require employees to wear masks at all times, redesign spaces to ensure physical distancing, and restrict movement in congested areas (for instance, elevator banks and pantries). As a result, even after the reopening, attitudes toward offices will probably continue to evolve.

But is it possible that the satisfaction and productivity people experience working from homes is the product of the social capital built up through countless hours of water-cooler conversations, meetings, and social engagements before the onset of the crisis? Will corporate cultures and communities erode over time without physical interaction? Will planned and unplanned moments of collaboration become impaired? Will there be less mentorship and talent development? Has working from home succeeded only because it is viewed as temporary, not permanent?

The reality is that both sides of the argument are probably right. Every organization and culture is different, and so are the circumstances of every individual employee. Many have enjoyed this new experience; others are fatigued by it. Sometimes, the same people have experienced different emotions and levels of happiness or unhappiness at different times. The productivity of the employees who do many kinds of jobs has increased; for others it has declined. Many forms of virtual collaboration are working well; others are not. Some people are getting mentorship and participating in casual, unplanned, and important conversations with colleagues; others are missing out.

¹ Megan Brenan, "US Workers Discovering Affinity for Remote Work," *Gallup*, April 3, 2020, [gallup.com](https://www.gallup.com).

Leading organizations will boldly question longheld assumptions about how work should be done and the role of the office.

Four steps to reimagine work and workplaces

Leading organizations will boldly question longheld assumptions about how work should be done and the role of the office. There is no one-size-fits-all solution. The answer, different for every organization, will be based on what talent is needed, which roles are most important, how much collaboration is necessary for excellence, and where offices are located today, among other factors. Even within an organization, the answer could look different across geographies, businesses, and functions, so the exercise of determining what will be needed in the future must be a team sport across real estate, human resources, technology, and the business. Tough choices will come up and a leader must be empowered to drive the effort across individual functions and businesses. Permanent change will also require exceptional change-management skills and constant pivots based on how well the effort is working over time.

We recommend that organizations take the following steps to reimagine how work is done and what the future role of the office will be.

1. Reconstruct how work is done

During the lockdowns, organizations have necessarily adapted to go on collaborating and to ensure that the most important processes could be carried on remotely. Most have simply transplanted

existing processes to remote work contexts, imitating what had been done before the pandemic. This has worked well for some organizations and processes, but not for others.

Organizations should identify the most important processes for each major business, geography, and function, and reenvision them completely, often with involvement by employees. This effort should examine their professional-development journeys (for instance, being physically present in the office at the start and working remotely later) and the different stages of projects (such as being physically co-located for initial planning and working remotely for execution).

Previously, for example, organizations may have generated ideas by convening a meeting, brainstorming on a physical or digital whiteboard, and assigning someone to refine the resulting ideas. A new process may include a period of asynchronous brainstorming on a digital channel and incorporating ideas from across the organization, followed by a multihour period of debate and refinement on an open videoconference.

Organizations should also reflect on their values and culture and on the interactions, practices, and rituals that promote that culture. A company that focuses on developing talent, for example, should ask whether the small moments of mentorship that

happen in an office can continue spontaneously in a digital world. Other practices could be reconstructed and strengthened so that the organization creates and sustains the community and culture it seeks.

For both processes and cultural practices, it is all too tempting to revert to what was in place before the pandemic. To resist this temptation, organizations could start by assuming that processes will be reconstructed digitally and put the burden of proof on those who argue for a return to purely physical pre-COVID-19 legacy processes. Reimagining and reconstructing processes and practices will serve as a foundation of an improved operating model that leverages the best of both in-person and remote work.

2. Decide 'people to work' or 'work to people'

In the past couple of years, the competition for talent has been fiercer than ever. At the same time, some groups of talent are less willing to relocate to their employers' locations than they had been in the past. As organizations reconstruct how they work and identify what can be done remotely, they can make decisions about which roles must be carried out in person, and to what degree. Roles can be reclassified into employee segments by considering the value that remote working could deliver:

- fully remote (net positive value-creating outcome)
- hybrid remote (net neutral outcome)
- hybrid remote by exception (net negative outcome but can be done remotely if needed)
- on site (not eligible for remote work)

For the roles in the first two categories, upskilling is critical but talent sourcing may become easier, since the pool of available talent could have fewer geographical constraints. In fact, talented people

could live in the cities of their choice, which may have a lower cost of living and proximity to people and places they love, while they still work for leading organizations. A monthly trip to headquarters or a meeting with colleagues at a shared destination may suffice. This approach could be a winning proposition for both employers and employees, with profound effects on the quality of talent an organization can access and the cost of that talent.

3. Redesign the workplace to support organizational priorities

We all have ideas about what a typical office looks and feels like: a mixture of private offices and cubicles, with meeting rooms, pantries, and shared amenities. Few offices have been intentionally designed to support specific organizational priorities. Although offices have changed in some ways during the past decade, they may need to be entirely rethought and transformed for a post-COVID-19 world.

Organizations could create workspaces specifically designed to support the kinds of interactions that cannot happen remotely. If the primary purpose of an organization's space is to accommodate specific moments of collaboration rather than individual work, for example, should 80 percent of the office be devoted to collaboration rooms? Should organizations ask all employees who work in cubicles, and rarely have to attend group meetings, to work from homes? If office space is needed only for those who cannot do so, are working spaces close to where employees live a better solution?

In the office of the future, technology will play a central role in enabling employees to return to office buildings and to work safely before a vaccine becomes widely available. Organizations will need to manage which employees can come to the office, when they can enter and take their places, how often the office is cleaned, whether the airflow is sufficient, and if they are remaining sufficiently far apart as they move through the space.

To maintain productivity, collaboration, and learning and to preserve the corporate culture, the boundaries between being physically in the office and out of the office must collapse. In-office videoconferencing can no longer involve a group of people staring at one another around a table while others watch from a screen on the side, without being able to participate effectively. Always-on videoconferencing, seamless in-person and remote collaboration spaces (such as virtual whiteboards), and asynchronous collaboration and working models will quickly shift from futuristic ideas to standard practice.

4. Resize the footprint creatively

A transformational approach to reinventing offices will be necessary. Instead of adjusting the existing footprint incrementally, companies should take a fresh look at how much and where space is required and how it fosters desired outcomes for collaboration, productivity, culture, and the work experience. That kind of approach will also involve questioning where offices should be located. Some companies will continue to have them in big cities, which many regard as essential to attract young talent and create a sense of connection and energy. Others may abandon big-city headquarters for suburban campuses.

In any case, the coming transformation will use a portfolio of space solutions: owned space, standard leases, flexible leases, flex space, co-working space, and remote work. Before the crisis, flexible space solutions held about 3 percent of the US office market. Their share had been growing at 25 percent annually for the past five years, so flexibility was already in the works. McKinsey research indicates that office-space decision makers expect the percentage of time worked in main and satellite

offices to decline by 12 and 9 percent, respectively, while flex office space will hold approximately constant and work from home will increase to 27 percent of work time, from 20 percent.²

These changes may not only improve how work is done but also lead to savings. Rent, capital costs, facilities operations, maintenance, and management make real estate the largest cost category outside of compensation for many organizations. In our experience, it often amounts to 10 to 20 percent of total personnel-driven expenditures. While some organizations have reduced these costs by thinking through footprints—taking advantage of alternative workplace strategies and reviewing approaches to managing space—many corporate leaders have treated them largely as a given. In a post-COVID-19 world, the potential to reduce real-estate costs could be significant. Simply getting market-comparable lease rates and negotiating competitive facilities-management contracts will not be enough. Real-estate groups should collaborate with the business and HR to redo the footprint entirely and develop fit-for-purpose space designs quickly—in some cases, by creating win-win approaches with landlords.

The value at stake is significant. Over time, some organizations could reduce their real-estate costs by 30 percent. Those that shift to a fully virtual model could almost eliminate them. Both could also increase their organizational resilience and reduce their level of risk by having employees work in many different locations.

Now is the time

As employers around the world experiment with bringing their employees back to offices, the

²McKinsey's May 2020 Survey of Office Space Decisions Makers. n = 319. Companies surveyed have at least 2,000 full-time employees.

leadership must act now to ensure that when they return, workplaces are both productive and safe.

Organizations must also use this moment to break from the inertia of the past by dispensing with suboptimal old habits and systems. A well-planned return to offices can use this moment to reinvent their role and create a better experience

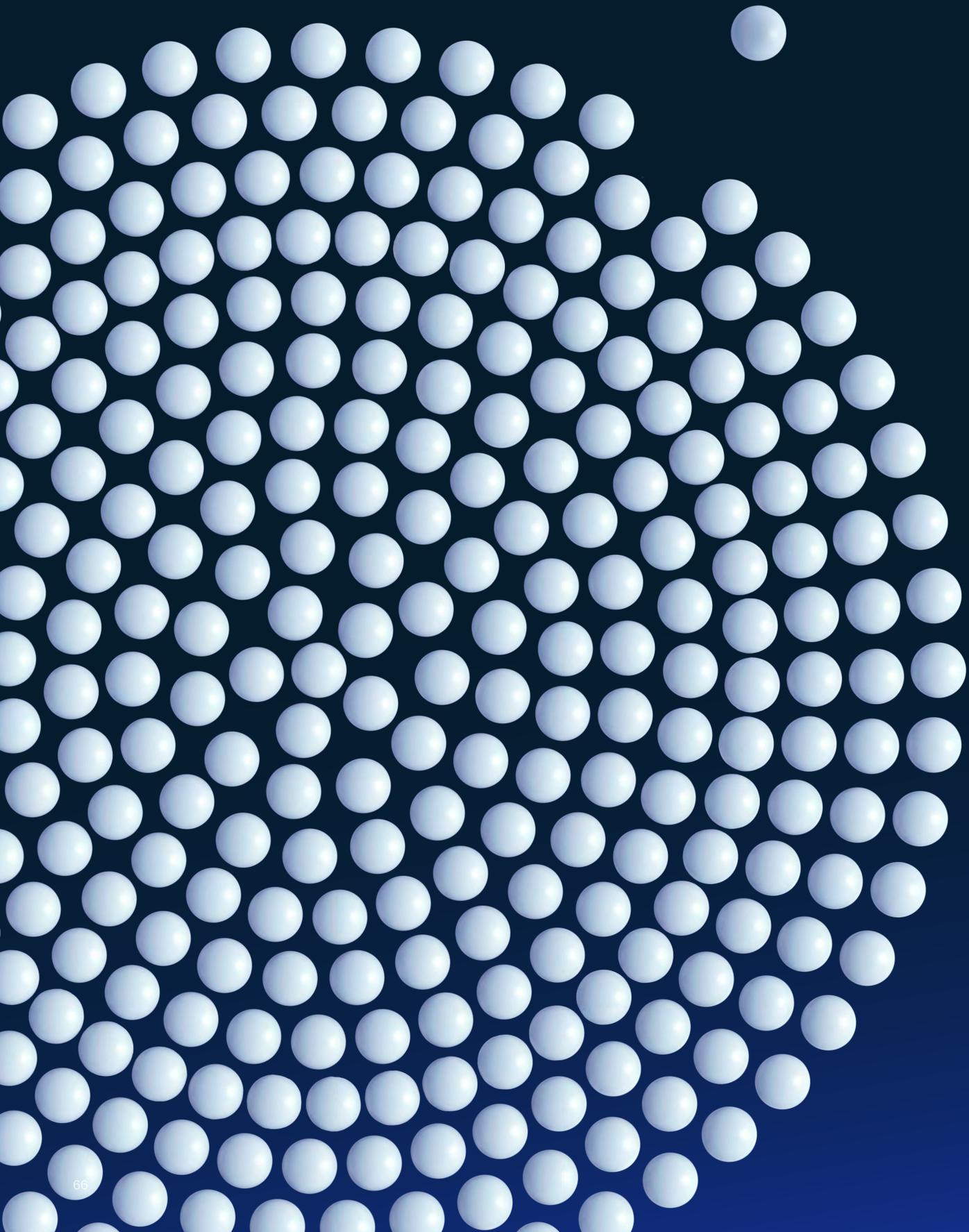
for talent, improve collaboration and productivity, and reduce costs. That kind of change will require transformational thinking grounded in facts.

Ultimately, the aim of this reinvention will be what good companies have always wanted: a safe environment where people can enjoy their work, collaborate with their colleagues, and achieve the objectives of their organizations.

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Leadership in a crisis: Responding to the coronavirus outbreak and future challenges

For many executives, the coronavirus pandemic is a crisis unlike any other in recent times. Five leadership practices can help you respond effectively.

by Gemma D'Auria and Aaron De Smet

The coronavirus pandemic has placed extraordinary demands on leaders in business and beyond. The humanitarian toll taken by COVID-19 creates fear among employees and other stakeholders. The massive scale of the outbreak and its sheer unpredictability make it challenging for executives to respond. Indeed, the outbreak has the hallmarks of a “landscape scale” crisis: an unexpected event or sequence of events of enormous scale and overwhelming speed, resulting in a high degree of uncertainty that gives rise to disorientation, a feeling of lost control, and strong emotional disturbance.¹

Recognizing that a company faces a crisis is the first thing leaders must do. It is a difficult step, especially during the onset of crises that do not arrive suddenly but grow out of familiar circumstances that mask their nature.² Examples of such crises include the SARS outbreak of 2002–03 and now the coronavirus pandemic. Seeing a slow-developing crisis for what it might become requires leaders to overcome the normalcy bias, which can cause them to underestimate both the possibility of a crisis and the impact that it could have.³

Once leaders recognize a crisis as such, they can begin to mount a response. But they cannot respond as they would in a routine emergency, by following plans that had been drawn up in advance. During a crisis, which is ruled by unfamiliarity and uncertainty,

effective responses are largely improvised.⁴ They might span a wide range of actions: not just temporary moves (for example, instituting work-from-home policies) but also adjustments to ongoing business practices (such as the adoption of new tools to aid collaboration), which can be beneficial to maintain even after the crisis has passed.

What leaders need during a crisis is not a predefined response plan but behaviors and mindsets that will prevent them from overreacting to yesterday’s developments and help them look ahead. In this article, we explore five such behaviors and accompanying mindsets that can help leaders navigate the coronavirus pandemic and future crises.

Organizing to respond to crises: The network of teams

During a crisis, leaders must relinquish the belief that a top-down response will engender stability. In routine emergencies, the typical company can rely on its command-and-control structure to manage operations well by carrying out a scripted response. But in crises characterized by uncertainty, leaders face problems that are unfamiliar and poorly understood. A small group of executives at an organization’s highest level cannot collect information or make decisions quickly enough to respond effectively. Leaders

¹Arnold M. Howitt and Herman B. Leonard, “Against desperate peril: High performance in emergency preparation and response,” in Deborah E. Gibbons, ed, *Communicable Crises: Prevention, Response, and Recovery in the Global Arena*, first edition, Charlotte, NC: Information Age Publishing, 2007.

²Arnold Howitt and Herman B. Leonard, eds, *Managing Crises: Responses to Large-Scale Emergencies*, first edition, Washington, DC: CO Press, 2009.

³Nahman Alon and Haim Omer, “The continuity principle: A unified approach to disaster and trauma,” *American Journal of Community Psychology*, 1994, Volume 22, Number 2, pp. 273–87.

⁴Howitt and Leonard, *Managing Crises*.

What leaders need during a crisis is not a predefined response plan but behaviors and mindsets that will prevent them from overreacting to yesterday’s developments and help them look ahead.

can better mobilize their organizations by setting clear priorities for the response and empowering others to discover and implement solutions that serve those priorities.

To promote rapid problem solving and execution under high-stress, chaotic conditions, leaders can organize a network of teams. Although the network of teams is a widely known construct, it is worth highlighting because relatively few companies have experience in implementing one. A network of teams consists of a highly adaptable assembly of groups,

which are united by a common purpose and work together in much the same way that the individuals on a single team collaborate (exhibit).⁵

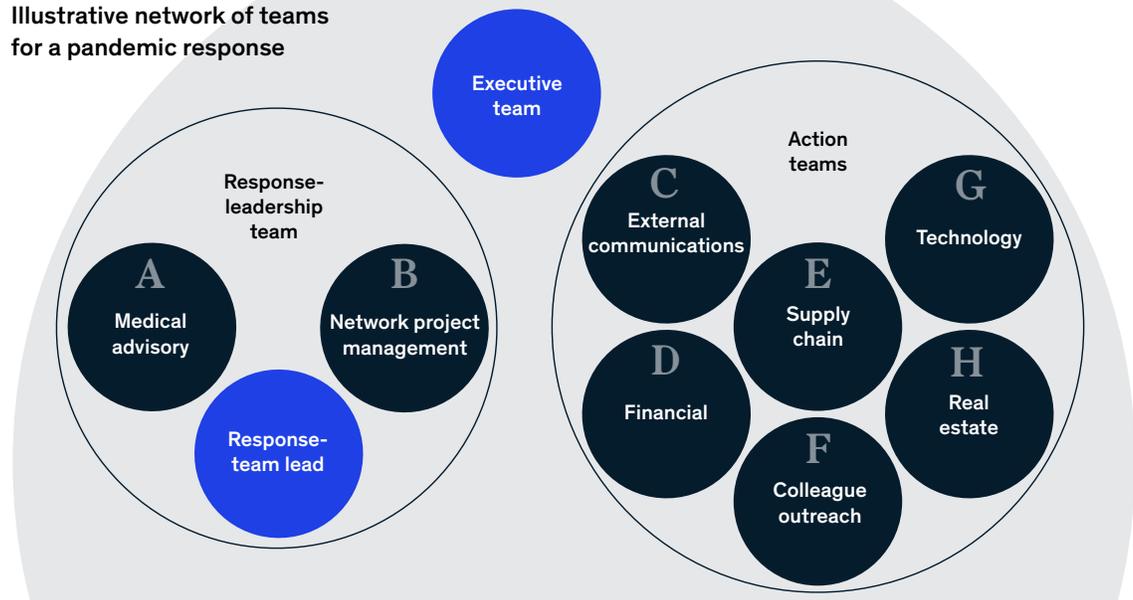
Some parts of the network pursue actions that take place outside regular business operations. Other parts identify the crisis's implications for routine business activities and make adjustments, such as helping employees adapt to new working norms. In many cases, the network of teams will include an integrated nerve center covering four domains: workforce protection, supply-chain stabilization,

⁵Tantum Collins, Chris Fussell, Gen. Stanley McChrystal, and David Silverman, *Team of Teams: New Rules of Engagement for a Complex World*, first edition, New York, NY: Portfolio/Penguin, 2015.

Exhibit

During a crisis, a network of teams carries out responses outside of normal operations, as well as adjustments to routine business activities.

Illustrative network of teams for a pandemic response



- A Medical advisory**
- Overall guidelines and policies
 - Guides for frontline managers

- B Network project management**
- Scenarios
 - "Issue map"
 - Operational cadence

- C External communications**
- Regulatory alignment (eg, dispensations)
 - 3rd-party communications (eg, to partners)

- D Financial**
- Financial stress testing

- E Supply chain**
- Disruption and restart support (eg, loans)
 - Exposure across tiers
 - Inventory management

- F Colleague outreach**
- Communication across employee channels
 - 2-way feedback (eg, ombudsperson, survey, email, call)

- G Technology**
- Work-from-home execution and infrastructure
 - Support for special employee segments (eg, those who cannot work from home)

- H Real estate**
- Building management
 - Factory management

customer engagement, and financial stress testing (for more, see “Responding to coronavirus: The minimum viable nerve center,” on McKinsey.com).

Regardless of their functional scope, effective networks of teams display several qualities. They are multidisciplinary: experience shows that crises present a degree of complexity that makes it necessary to engage experts from different fields. They are designed to act. Merely soliciting experts’ ideas is not enough; experts must gather information, devise solutions, put them into practice, and refine them as they go. And they are adaptable, reorganizing, expanding, or contracting as teams learn more about the crisis and as conditions change.

Leaders should foster collaboration and transparency across the network of teams. One way they do this is by distributing authority and sharing information: in other words, demonstrating how the teams themselves should operate. In crisis situations, a leader’s instinct might be to consolidate decision-making authority and control information, providing it on a strictly need-to-know basis. Doing the opposite will encourage teams to follow suit.

Another crucial part of the leader’s role, especially in the emotional, tense environment that characterizes a crisis, is promoting psychological safety so people can openly discuss ideas, questions, and concerns without fear of repercussions. This allows the network of teams to make sense of the situation, and how to handle it, through healthy debate.

Elevating leaders during a crisis: The value of ‘deliberate calm’ and ‘bounded optimism’

Just as an organization’s senior executives must be prepared to temporarily shift some responsibilities from their command-and-control hierarchy to a network of teams, they must also empower others to direct many aspects of the organization’s crisis response. This involves granting them the authority to make and implement decisions without having to gain approval. One important function of senior executives is to quickly establish an architecture

for decision making, so that accountability is clear and decisions are made by appropriate people at different levels.

Senior leaders must also make sure that they empower the right people to make crisis-response decisions across the network of teams. Since decision makers will probably make some mistakes, they must be able to learn quickly and make corrections without overreacting or paralyzing the organization. At the start of a crisis, senior leaders will have to appoint decision makers to direct the crisis response. But as the crisis evolves, new crisis-response leaders will naturally emerge in a network-of-teams construct, and those crisis-response leaders won’t always be senior executives.

In routine emergencies, experience is perhaps the most valuable quality that leaders bring. But in novel, landscape-scale crises, character is of the utmost importance. Crisis-response leaders must be able to unify teams behind a single purpose and frame questions for them to investigate. The best will display several qualities. One is “deliberate calm,” the ability to detach from a fraught situation and think clearly about how one will navigate it.⁶ Deliberate calm is most often found in well-grounded individuals who possess humility but not helplessness.

Another important quality is “bounded optimism,” or confidence combined with realism. Early in a crisis, if leaders display excessive confidence in spite of obviously difficult conditions, they can lose credibility. It is more effective for leaders to project confidence that the organization will find a way through its tough situation but also show that they recognize the crisis’s uncertainty and have begun to grapple with it by collecting more information. When the crisis has passed, then optimism will be more beneficial (and can be far less bounded).

Making decisions amid uncertainty: Pause to assess and anticipate, then act

Waiting for a full set of facts to emerge before determining what to do is another common mistake

⁶Helio Fred Garcia, “Effective leadership response to crisis,” *Strategy & Leadership*, 2006, Volume 34, Number 1, pp. 4–10.

that leaders make during crises. Because a crisis involves many unknowns and surprises, facts may not become clear within the necessary decision-making time frame. But leaders should not resort to using their intuition alone. Leaders can better cope with uncertainty and the feeling of *jamais vu* (déjà vu's opposite) by continually collecting information as the crisis unfolds and observing how well their responses work.

In practice, this means frequently pausing from crisis management, assessing the situation from multiple vantage points, anticipating what may happen next, and then acting. The pause-assess-anticipate-act cycle should be ongoing, for it helps leaders maintain a state of deliberate calm and avoid overreacting to new information as it comes in. While some moments during the crisis will call for immediate action, with no time to assess or anticipate, leaders will eventually find occasions to stop, reflect, and think ahead before making further moves.

Two cognitive behaviors can aid leaders as they assess and anticipate. One, called updating, involves revising ideas based on new information teams collect and knowledge they develop. The second, doubting, helps leaders consider ongoing and potential actions critically and decide whether they need to be modified, adopted, or discarded. Updating and doubting help leaders mediate their dueling impulses to conceive solutions based on what they've done previously and to make up new solutions without drawing on past lessons. Instead, leaders bring their experiences to bear while accepting new insights as they emerge.

Once leaders decide what to do, they must act with resolve. Visible decisiveness not only builds the organization's confidence in leaders; it also motivates the network of teams to sustain its search for solutions to the challenges that the organization faces.

Demonstrating empathy: Deal with the human tragedy as a first priority

In a landscape-scale crisis, people's minds turn first to their own survival and other basic needs. Will I be sickened or hurt? Will my family? What happens then? Who will care for us? Leaders shouldn't assign communications or legal staff to address these questions. A crisis is when it is most important for leaders to uphold a vital aspect of their role: making a positive difference in people's lives.

Doing this requires leaders to acknowledge the personal and professional challenges that employees and their loved ones experience during a crisis. By mid-March 2020, COVID-19 had visited tragedy on countless people by claiming thousands of lives. More than 100,000 cases had been confirmed; many more were being projected. The pandemic had also triggered powerful second-order effects. Governments instituted travel bans and quarantine requirements, which are important for safeguarding public health but can also keep people from aiding relatives and friends or seeking comfort in community groups or places of worship. School closures in many jurisdictions put strain on working parents. Since each crisis will affect people in particular ways, leaders should pay careful attention to how people are struggling and take corresponding measures to support them.

Lastly, it is vital that leaders not only demonstrate empathy but open themselves to empathy from others and remain attentive to their own well-being. As stress, fatigue, and uncertainty build up during a crisis, leaders might find that their abilities to process information, to remain levelheaded, and to exercise good judgment diminish. They will stand a better chance of countering functional declines if they encourage colleagues to express concern—and heed the warnings they are given. Investing time in their well-being will enable leaders to sustain their

effectiveness over the weeks and months that a crisis can entail.

Communicating effectively: Maintain transparency and provide frequent updates

Crisis communications from leaders often hit the wrong notes. Time and again, we see leaders taking an overconfident, upbeat tone in the early stages of a crisis—and raising stakeholders' suspicions about what leaders know and how well they are handling the crisis. Authority figures are also prone to suspend announcements for long stretches while they wait for more facts to emerge and decisions to be made.

Neither approach is reassuring. As Amy Edmondson recently wrote, "Transparency is 'job one' for leaders in a crisis. Be clear what you know, what you don't know, and what you are doing to learn more."⁷ Thoughtful, frequent communication shows that leaders are following the situation and adjusting their responses as they learn more. This helps them reassure stakeholders that they are confronting the crisis. Leaders should take special care to see that each audience's concerns, questions, and interests are addressed. Having members of the crisis-response team

speak firsthand about what they are doing can be particularly effective.

Communications shouldn't stop once the crisis has passed. Offering an optimistic, realistic outlook can have a powerful effect on employees and other stakeholders, inspiring them to support the company's recovery.

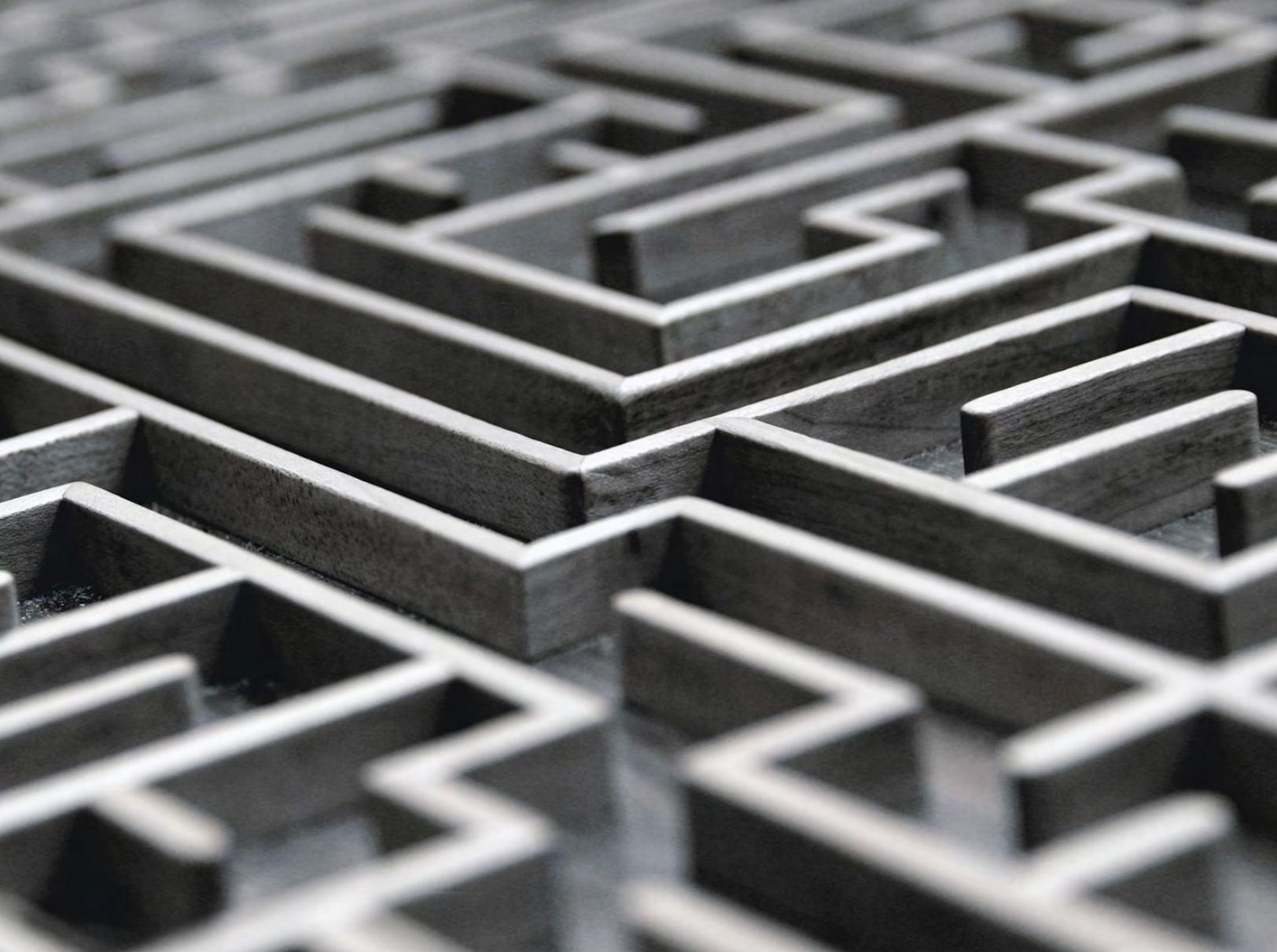
The coronavirus pandemic is testing the leaders of companies and organizations in every sector around the world. Its consequences could last for longer and present greater difficulties than anyone anticipates. The prolonged uncertainty is all the more reason for leaders to embrace the practices described in this article. Those who do will help establish or reinforce behaviors and values that can support their organizations and communities during this crisis, however long it continues, and prepare them well for the next large-scale challenge.

⁷ Amy C. Edmondson, "Don't hide bad news in times of crisis", *Harvard Business Review*, March 6, 2020, hbr.org.

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Decision making in uncertain times

The timeline for companies to react to the coronavirus has shrunk dramatically. Here are five principles that leaders can follow to make smart decisions quickly during the pandemic.

by Andrea Alexander, Aaron De Smet, and Leigh Weiss

Leaders know that making good, fast decisions

is challenging under the best of circumstances. But the trickiest are those we call “big bets”—unfamiliar, high-stakes decisions. When you have a crisis of uncertainty such as the COVID-19 pandemic, which arrived at overwhelming speed and enormous scale, organizations face a potentially paralyzing volume of these big-bet decisions.

The typical approach of many companies, big and small, will be far too slow to keep up in such turbulence. Postponing decisions to wait for more information might make sense during business as usual. But when the environment is uncertain—and defined by urgency and imperfect information—waiting to decide is a decision in itself. For instance, delaying the decision to cancel noncritical surgeries can mean not freeing up physician and hospital capacity now and potentially exposing or infecting more people.

To make bold decisions quickly in these uncertain times, leaders can follow these five principles.

1. Take a breath

Pause and take a breath—literally. Giving yourself a moment to step back, take stock, anticipate, and prioritize may seem counterintuitive, but it’s essential now.

When asked what makes a great hockey player, Wayne Gretzky is said to have answered, “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.” That is easier said than done. In a crisis atmosphere, it is tempting to jump from one urgent task to the next, to take charge of what’s right in front of you—to just execute. Yet this can be a tragic mistake. Research shows that the simple act of pausing, even for as little as 50 to 100 milliseconds, allows the brain to focus on the most relevant information.¹

A dramatic example of a leader who paused during a landscape-scale crisis is Captain Chesley Sullenberger. After a bird strike caused both of his

plane’s engines to fail shortly after takeoff from LaGuardia Airport in January 2009, he had very little time to decide whether to try to land at a nearby airport, as the control tower was urging, or to aim for a water landing. With no training for such a scenario, he stopped and reflected for a matter of seconds—all that he could afford—to determine if he could get to the airport safely and instead pivoted to the Hudson River for landing.² All 155 people on board survived.

There are several ways decision makers can take a breath:

- After telling your team you need a moment to think, try to gain a broader perspective.
- Imagine yourself above the fray, observing the landscape from above. This is what leadership expert Ronald Heifetz calls a “balcony” perspective. Despite the “fog of war” that might obscure much of the current state of play, do your best to take a broader view.
- Ask yourself and your team these questions: What is most important right now? What might we be missing? How might things unfold from here, and what could we influence now that could pay off later?

This ability to anticipate how things might unfold—and to begin to act accordingly—can help avoid knee-jerk reactions that lead to poor outcomes.

In the coronavirus context, if you are a leader of a grocery-store chain, you are seeing a drastic increase in purchases. You must think about your supply chains, whether to ration items, and how to put safety protocols in place for customers. In addition, there are the questions of whether to modify store hours, whether to limit service to curbside pickup and delivery only, and how to handle staffing. All of these decisions are related, so you must pause and prioritize the most pressing issues first. That also means having the discipline to ignore distractions.

¹ Vincent P. Ferrera, Jack Grinband, and Tobias Teichert, “Humans optimize decision-making by delaying decision onset,” *PLOS ONE*, March 5, 2014, Volume 9, Number 3, journals.plos.org.

² For more information on the US Air Force’s observe, orient, decide, and act (OODA) loop, see Mark Bonchek and Chris Fussell, “Decision making, Top Gun style,” *Harvard Business Review*, September 12, 2013, hbr.org.

2. Involve more people

Amid uncertainty generated by a crisis, leaders often feel an urge to limit authority to those at the top, with a small team making the big decisions while huddled behind closed doors. They should reject the hierarchical model that they might be more comfortable with in normal times and instead involve many more stakeholders and encourage different views and debate. This approach can lead to smarter decisions without sacrificing speed.

Specifically, leaders can use a so-called fishbowl model in which decision makers and key experts sit around a table—or virtual table—to make a decision (exhibit). At the table are one or two decision makers, multiple experts, and one or two “empty seats” for other relevant stakeholders in the gallery to rotate in as they have points to share. A majority of stakeholders observes the meeting, which builds understanding without having to make an extra communication step afterward.

In an in-person meeting, stakeholders watching the fishbowl can contribute information and ideas by temporarily taking one of the empty seats, briefly participating in the meeting, and then returning to the gallery. In a virtual meeting, the stakeholders are on mute but can participate by “raising their hand,” with a moderator inviting them in and unmuting them.

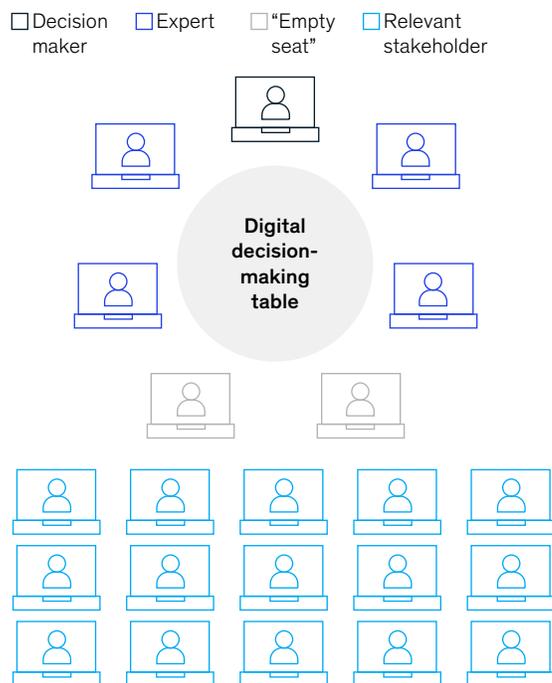
There are several steps leaders can take to involve more people:

1. Clarify the decisions to be made.
2. Identify a small number of decision makers.
3. Identify who should have a voice, including relevant stakeholders and experts, and those who will implement decisions.
4. Create a forum for rapid debate to take place. Be clear that everyone has a voice but not a vote.

When following this approach, it is possible to involve a large number of stakeholders and experts without sacrificing speed. Especially when things

Exhibit

Involve more people and move faster using a ‘fishbowl’ format.



are unfamiliar and the decisions you are considering are bold, you need many points of view to make sure the decision makers aren't missing something.

Once decisions are made, you can quickly pivot and speak to those who will be executing the decisions to clarify the actions to be taken, timelines, and accountabilities and answer any questions they have about what comes next. This not only saves time, by removing a communication step, but it can also enhance the potency of the message itself.

In today's crisis atmosphere, waste-management leaders are likely experiencing a big shift in demand for their services. There is more household waste that needs pickup and less waste from office buildings and restaurants. How can these companies better accommodate the shift in demand? This decision should include a wide range of stakeholders, including representatives of the

frontline employees (who may have good ideas about routes and which employees to deploy for which shifts) and the customers.

3. Make the critical small choices

Some small choices that leaders make in the short run could loom very large over the long term as the crisis unfolds. They can be hard to spot, but leaders must look for them.

In the normal course of business, many big-bet decisions are obvious. There's a large cost or major impact, such as acquiring a company, marketing a product in a new geography, or shutting down a factory, with these decisions. But some decisions that seem small or routine at first can have large long-term strategic implications.

In an example related to coronavirus, Netflix has gone to lower-resolution streaming in some locations to ease the data load on information networks. While most people won't notice the difference in quality, the decision could mean that the internet doesn't crash, which would be a big problem when so many are working from home and children are relying on the internet to do their schoolwork.

There are several steps leaders can take to make critical small choices:

1. Anticipate multiple possible scenarios for how things might unfold over time. No one has a crystal ball, and detailed, precise predictions are likely to be wrong because things are in flux. Anticipating a range of possible pathways and general scenarios can be extremely helpful in thinking through what might happen.
2. Make a list of five to ten choices or actions that making today might, depending on what happens, make a difference later. If we fast-forwarded six months and identified a small decision or action that would have made all the difference if we had taken it, what might that decision or action be?

3. Engage others to help identify which small decisions or actions you should address now, in case they become the difference makers down the road. Which of these should you spend time on today? Which should you monitor and reconsider later? These decisions could range from actions to save cash and ensure liquidity to actions to beef up the resilience of your supply chain by quickly exploring alternative suppliers.

The response to the Boston Marathon bombings in 2013 is a good example of a critical small choice that made a big difference. The decision was made to disperse severely injured people to eight different hospitals. While some of those hospitals were farther from the bombing site, vascular surgeons were called to those locations to begin operating right away. If victims had been sent only to the closest hospitals, many would have had to wait for surgery and possibly bled to death.

4. Set up a nerve center

In stressful times, leaders will have to make more big-bet decisions than before and also will be worried about their people. When making a high-stakes decision, it's important to be able to focus attention on the issue at hand. That means minimizing distractions. If a leader is too frenzied, they are likely to make errors in judgment. Creating a nerve center can help leaders focus on the strategic decisions rather than the tactical ones.

A strategic decision comes with a high degree of uncertainty, a large likelihood that things will change, difficulty in assessing costs and benefits, and a result of several simultaneous outcomes. A tactical decision comes with a clear objective, a low degree of uncertainty, and relatively clear costs and benefits. Tactical decisions are important—sometimes crucial. Yet they are often better left to those on the edges of an organization who can act effectively without raising issues to higher levels.

One way to ensure that the right people will be the ones making tactical decisions is to set up a

Leaders with the right temperament and character are necessary during times of uncertainty. They stay curious and flexible but can still make the tough calls, even if that makes them unpopular. In wartime, you want a Winston Churchill, not a Neville Chamberlain.

nerve center. This is a network of cross-functional teams with clear mandates connected by an integration team that sees that decision making occurs thoughtfully and quickly. Each team focuses on a single area or scope; often, the teams are for workforce protection, supply chain, customer engagement, and financial stress testing. There is a central team that keeps everyone coordinated and ensures collaboration and transparency. In a crisis, leaders should set up the nerve center quickly and with the knowledge that it won't be perfect.

Hospitals deal with emergencies all the time and are well equipped to do so. However, the COVID-19 pandemic is different. It requires setting up a nerve center so that decisions on staffing and the allocation of scarce resources can be made more quickly and by the right people. Some tactical decisions that might have been made in the nerve center, such as the allocation of ventilators and the scheduling of elective surgery, will now need to be considered strategic decisions. It might be a strategic decision to convert a university dorm or hotel to a hospital space, but making sure the space is functional is a tactical decision for the nerve center.

5. Empower leaders with judgment and character

During business as usual, some people who get ahead are of a certain type. They say the right things, don't ruffle feathers, know how to navigate the system, and manage messages so that people hear what they want to hear. Many of these usual suspects, who typically are tapped to lead special initiatives, are ill suited to lead in a landscape crisis of uncertainty.

Leaders with the right temperament and character are necessary during times of uncertainty. They stay curious and flexible but can still make the tough calls, even if that makes them unpopular. They gather differing perspectives and then make the decisions, with the best interests of the organization (not their careers) in mind, without needing a full consensus. For decisions within their delegated authority, they escalate only the trickiest problems for input or approval. In wartime, you want a Winston Churchill, not a Neville Chamberlain.

When making the move to empower other leaders, don't just pick the usual suspects to lead your

response—some of them will be cut out for duty in times of uncertainty, but some will not. When choosing leaders, identify people who have done as many of the three following things as possible to increase the likelihood of them being successful in the current times of uncertainty:

- lived through a crisis (personal or professional) and shown their mettle and personal resilience
- made a tough, unpopular decision because it was the right thing to do, despite the fact that they took heat for it and potentially burned bridges or spent social capital
- willingly given bad news up the chain of command to leaders who didn't want to hear it

You may not be able to find enough leaders in your organization who meet all three criteria but beware if you empower leaders who meet none of them.

Once you have identified these leaders, encourage them to find their inner Churchill: remind empowered leaders that you expect them to make decisions with imperfect information. They should not strive to be perfect, as perfect is the enemy of speed. Make mistakes and learn from them. Do what is right, even when it is not popular.

Go big or go home

Unprecedented crises demand unprecedented actions. Lessons from past crises suggest that leaders are more likely to *underreact*. What is necessary is to take the bold and rapid actions that would feel too risky in normal times.

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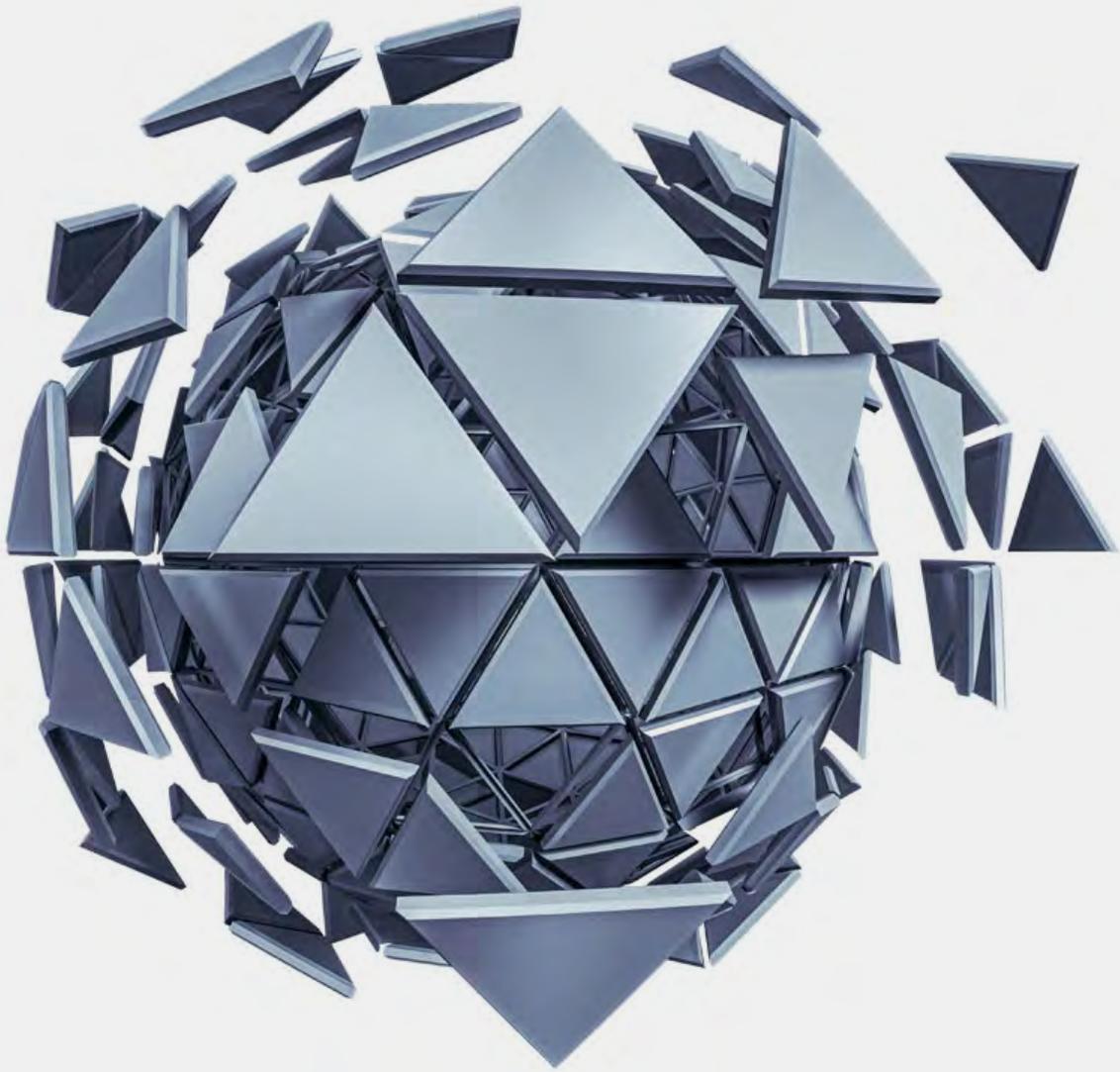
The authors wish to thank Chris Gagnon, David Mendelsohn, and Vanessa Monasterio for their contributions to this article.

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Denmark recently made such a decision when it froze the economy to head off a recession—or worse. The Danish government agreed to pay 75 percent of private-company employees' salaries, provided the companies don't lay off workers. The government is paying workers to stay home and not work, spending 13 percent of the national economy in three months. We don't know yet whether this policy will accomplish its objectives, but it does offer an example of the kind of bold decision in a crisis that leaders may wish, down the road, that they had made or at least considered.

Lest businesses think such a bold reaction isn't relevant to them, we are already seeing corporate examples. The National Basketball Association decided early on that it would shut down its season, leading other sports to take similar actions. Apple was among the first large retailers to close most of its stores globally in response to the coronavirus. Emirates has decided to suspend most of its flights until "travel confidence returns." And some Hollywood studios are releasing current movies straight to streaming platforms, acknowledging this new reality for us all.

Decision making amid uncertainty is not easy. Business leaders cannot afford to wait when events are moving as fast as they are right now. We believe these five principles of decision making can help leaders make smart decisions quickly to guide their organizations through this crisis. Embrace them, and continue to learn as you go.



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To weather a crisis, build a network of teams

This dynamic and collaborative team structure can tackle an organization's most pressing problems quickly. Here are four steps to make it happen.

by Andrea Alexander, Aaron De Smet, Sarah Kleinman, and Marino Mugayar-Baldocchi

Imagine you are a tenured CEO of a utility company. You have led your organization through hurricanes and other extreme-weather events. You have followed a playbook, and moved to a “command and control” style to address the cascading effects of natural disasters. But now you’re dealing with COVID-19, a crisis unlike anything you’ve ever experienced. There is no coronavirus playbook.

That utility CEO is not alone. Leaders across industries can’t treat this pandemic like other events they have experienced or trained for. First, no single executive has the answer. In fact, to understand the current situation—let alone make decisions about how to respond—you will need to involve more people than you’re accustomed to.

In this rapidly changing environment, your people need to respond with urgency, without senior executives and traditional governance slowing things down. Waiting to decide, or even waiting for approval, is the worst thing they can do. Yet some level of coordination across teams and activities is crucial for your organization’s response to be effective. How do you do this? How do you accomplish the seemingly impossible?

The answer: create a robust network of teams that is empowered to operate outside of the current hierarchy and bureaucratic structures of the organization.

In response to the coronavirus, organizations of all shapes and sizes are moving in this direction. They are setting up “control towers,” “nerve centers”—which take over some of the company’s critical operations—and other crisis-response teams to deal with rapidly shifting priorities and challenges. They see that these teams make faster, better decisions, and many are wondering how they can replicate this effort in other parts of their organization.

Creating a central “rapid response” group is the right first move, but leaders shouldn’t stop there. In this article, we will focus on the steps leaders should take to create a cohesive and adaptable network of

teams, united by a common purpose, that gathers information, devises solutions, puts them into practice, refines outcomes—and does it all *fast*.

Four steps to creating a network of teams

1. Launch teams fast and build as you go.

Create teams that will tackle current strategic priorities and key challenges facing the organization. That’s job number one—everything flows from it.

But leaders should also understand that mistakes will be made. Maybe these teams won’t be the right ones a month down the road, but the model is built to be flexible and to shift when that happens. Teams have to make the best decisions they can with the information that’s available. Don’t worry about perfection; the key is to stand up teams and let them course-correct quickly.

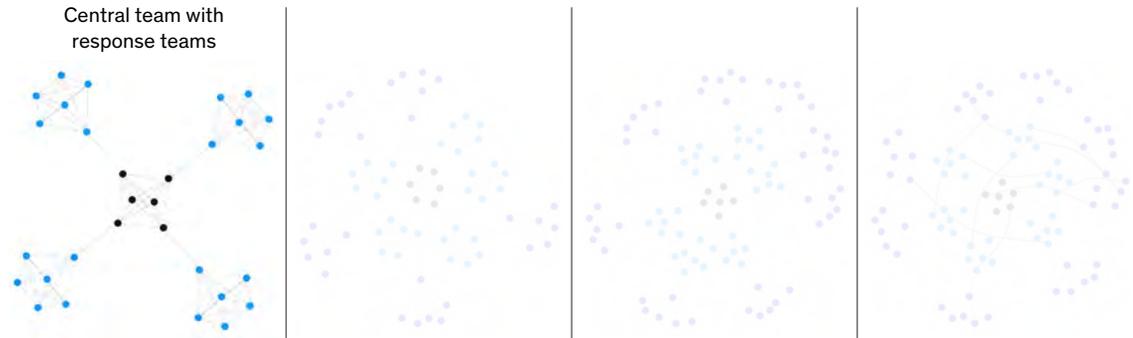
The network itself must be built to learn, using information to update actions and strategies. In a crisis of uncertainty, the network spurs experimentation, innovation, and learning simultaneously among many teams, much like a neural network in which the whole “brain” is vastly smarter than the sum of its parts. There is also spontaneous learning in the face of challenges and opportunities at the individual, team, and network-wide levels.

The evolution begins when the senior executive team—or a kitchen cabinet of the leader’s trusted advisers—creates a central hub that directs and coordinates the response while a handful of related teams operate as the spokes. These teams bubble up the challenges so the central team can prioritize them. In the context of the COVID-19 crisis, initial teams might focus on workforce protection, supply-chain risks, customer engagement, and financial stress testing.

The model makes it easy to add a team later when you identify a need, or to disband a team when it’s no longer necessary or has accomplished its goal.

Exhibit 1

The evolution to a network of teams often begins with a central team launching a few primary response teams very quickly.



It is important to launch two groups in particular: an intelligence team, which makes sure the network has a high level of situational awareness, and a planning-ahead team, which thinks through scenarios for the recovery and beyond. Each team should be small and contain a mix of individuals with cross-functional skills, acting with a clear mandate but also within guard rails that empower it to act.

The leader should make it clear to all members of the organization, including those in the parts of the business that are operating as usual, that these empowered teams get to make the calls within the authority delegated to them and do not need permission from others. (Although, teams will seek guidance from the central hub team even when they are empowered to act without approval.)

Next, pick the team leaders. These individuals often are not the “usual suspects” typically put in charge of key initiatives. They need to be a good fit for the task at hand: creative problem solvers with critical thinking skills who are resilient and battle tested. They should also be independent and open to a range of different perspectives. Best of all, they should be willing to say what needs to be said, and to make tough, even unpopular, decisions—ideally with a track record of having done so in the past.

Work with the team leaders to staff their groups, keeping in mind what skills, experiences, and perspectives are most important. Each team must represent a cross-section of critical perspectives. In addition to whatever technical or functional expertise people are bringing, you are looking for problem solvers who will come up with innovative approaches and who can learn fast on the fly.

Just like with team leaders, you need individuals who have critical judgment, the courage to make bold decisions, and the ability to consider trade-offs and trust the data. These team members also need to recognize when specific expertise is needed and pull those experts in as appropriate.

Crucially, each team must also include and consider voices from people on the “edges”—the front line of an organization where the battles to respond to the crisis are taking place. While they may not be senior within the hierarchy, these people are closest to the customer or constituent and are likely to bring key information to the team.

Finally, any given team should be small enough that it can split two pizzas (according to the widely adopted Jeff Bezos/Amazon rule).¹ Any larger, and nothing meaningful will get done on the timelines required in a crisis.

¹ Courtney Connley, “Jeff Bezos’ ‘two pizza rule’ can help you hold more productive meetings,” CNBC, April 30, 2018, CNBC.com.

As soon as the teams are set up, leaders should empower them to make decisions quickly. This will work only if they each have what military leaders refer to as a “commander’s intent”—a clear goal that allows them to make decisions within a set of parameters. This improves both the speed and quality of decision making. It also allows teams to respond to the dynamic demands of the external environment and is one of the strengths of the network approach.

2. Get out of the way but stay connected.

After creating the initial set of teams, a leader must shift toward ensuring that multidirectional communication is taking place—not only across teams within the network but also between these teams and the rest of the organization.

To do this, there should be steady coordination with the central team hub, perhaps in daily stand-up meetings. The central hub can check in on progress being made and find ways to support teams and make sure they are using first-order problem-solving principles.

At this point, it’s time for the leader to step into the roles of catalyst and coach. As catalysts, leaders should identify opportunities, make connections

across teams, spark ideas for the teams to consider, and provide resources to fuel those efforts. As coaches, leaders should regularly engage with team leaders and members, resolving roadblocks and helping them work through challenges.

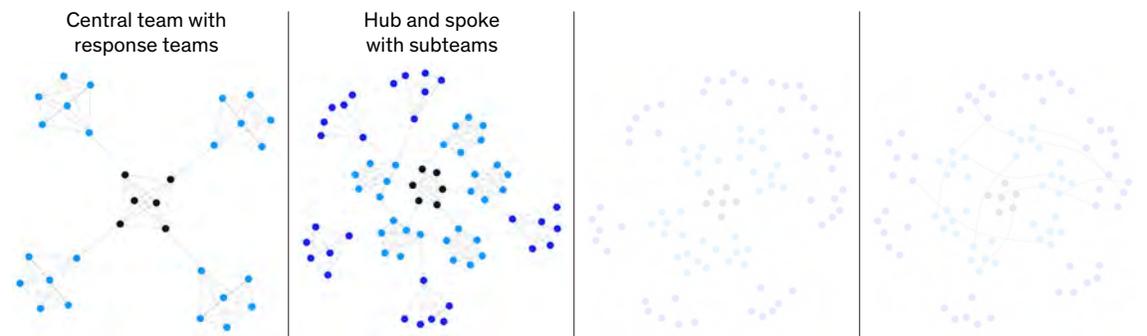
This second step is a balancing act: as the network forms and the number of teams increases and the teams make their own connections, the leader is pushing authority down and out but also staying tightly engaged.

Leaders will be most effective in this role when they are posing questions. For example: *Is the hub leader effectively leading and supporting the team?* If not, help them improve or replace them. *Are the voices from the edges being sought and heard?* If not, embolden the edges even more. *Are the teams seeking approval from a leader when they could proceed without it?* If so, answer their questions with a question. Help them understand you trust them to make decisions.

The goal here is to empower teams and support them at the same time, without micromanaging. This is what great coaches do: they listen to many voices and then make tough calls, even when they have insufficient or imperfect information.

Exhibit 2

A hub-and-spoke model emerges when additional teams are launched to address rapidly evolving priorities and new challenges.



Particularly early on, leaders and their close advisers will need to focus on how budgets and people have been distributed across the network of teams, ensure that the highest priority efforts have what they need, stand down or slim teams that are no longer as relevant, and form new teams as circumstances shift.

Even after the crisis subsides, leaders can find a dynamic way of allocating resources across the organization. For example, in the “helix” organizational model, leaders and their top teams can shift people and money across the organization, ensuring the right efforts are applied to priorities.

3. Champion radical transparency and authenticity.

During the coronavirus pandemic, we’ve seen instances of leaders who have behaved boldly, setting priorities for their organizations, going outside of traditional channels to procure needed equipment, speaking personally about how the crisis affects them, and being realistic about the challenges ahead.

In the network of teams context, the leader’s approach to communication will foster an environment of collaboration, transparency, and psychological safety that is crucial to its success.

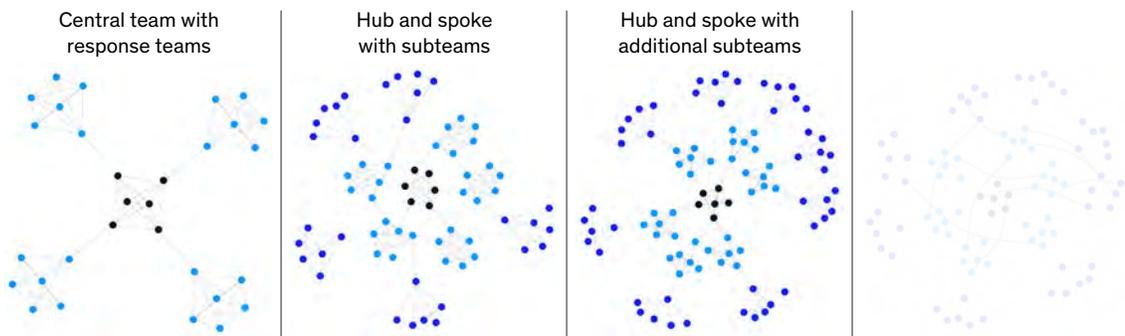
Collaboration and transparency take hold when individuals in an organization feel psychologically safe. Leaders should recognize people who are taking smart risks, be authentic in their communications and empathetic toward those who are anxious, and acknowledge their mistakes to others. What they shouldn’t do is punish people for failing when they’ve taken risks, or exclude those with relevant information or expertise from the conversation.

Julia Rozovsky, one of the leaders of Google’s Project Aristotle—which studied hundreds of Google’s teams to understand why some did well while others stumbled—believes that groups where each member has an equal opportunity to speak is a key variable to team performance. People need to feel invited to share their ideas by the group for peak performance to occur.

In a crisis of uncertainty, it can be easy for leaders to embrace the role of sole authority figure. For a while, people will feel comforted that a leader is taking charge. But if that is at the expense of allowing diverse views to assess the situation, anticipate what might be coming, and land on creative solutions to novel problems, then the teams’ performance will be suboptimal.

Exhibit 3

The hub and some of the spoke teams morph and add more teams as the network experiments and learns.



As the crisis unfolds and new needs emerge, panel three shows how this empowered crisis-response structure should evolve and grow, expanding naturally from the initial set of response teams to include additional subteams around each spoke. Teams whose work is interrelated, which will be commonplace, should connect directly with one another, not necessarily turning to the hub to share information and make joint decisions.

When leaders foster connections between and among teams, that will move the model away from a hub and spoke to a more extensive network. In this phase, there's a lot going on with many teams. You're doing everything you did in step two, but now your teams aren't afraid to say something isn't working. Part of the radical transparency in this phase is that teams can say, "Our plan isn't good enough, we need to launch another team or several more teams."

Creating psychological safety from the top down becomes even more important during times of crisis, when people are concerned about their own and others' welfare. Members within and across teams must trust each other enough to share information with the collective and to continue experimenting after making mistakes. Otherwise, the new network may fail to deliver results.

Psychological safety underpins successful networks of teams by enabling the rapid sharing of information to address changing goals, and fostering an environment in which individuals and teams can rapidly test ideas, iterate, and learn from mistakes.

4. Turbocharge self-organization

We've discussed many of the technical points to setting up a network of teams—who should be involved, what their mix of skills should be, how they should interact, what resources they need, how the leaders should act. And at this point, once the initial network of teams is established and after support from leadership early in the journey, the network should become self-sustaining and self-managing.

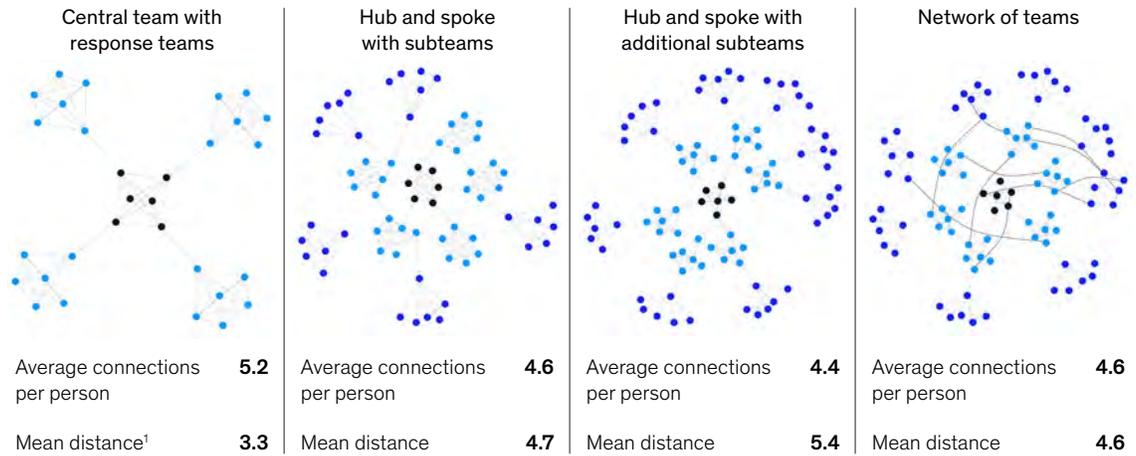
In the fourth panel, the network begins to work together to mobilize at the edges, where the crisis is being fought most intensively. As problems are solved, some teams may go away.

As the number of people and teams increases in the network—in both the third and fourth panels—fewer people are connecting with each other all the time, but when they do, it is more meaningful. They know who to go to for what task. At the same time, too many connections per person can also lead to overload (too many emails, meetings,

As the number of people and teams increases in the network, fewer people are connecting with each other all the time, but when they do, it is more meaningful.

Exhibit 4

The hub-and-spoke model evolves into a network of teams when peripheral teams start connecting and collaborating directly with one another.



¹Average degrees of separation.

communications, and touchpoints). But with the right network structure you can achieve a “small world network,” which may be large with many teams, but it feels much smaller because of the degree of separation between people.

In a well-functioning network, the central hub does not begin to mimic the bureaucratic hierarchy that the network of teams is supplanting. The central hub stays connected to all the activities, but it avoids becoming a bottleneck that slows down the response.

Liberia’s 2014–15 response to the Ebola crisis is a good example of removing a bottleneck to get to a desired outcome more quickly. The nation’s initial Ebola task force was hampered by slow decision making and hierarchy, so it set up an “Incident Management System” network that empowered teams working on case management, epidemiology, safe burials, and other related issues.² Liberia’s president interacted directly with the incident

manager and convened a small group of advisers who provided advice on policy and sensitive matters.

It’s important to note that the empowered network of teams won’t encompass all of the organization’s activities; this is not a re-org. There is still a core set of functions operating in the more traditional way, where the normal organizational structures are still operating and performing their typical duties in a more or less traditional way.

Even though the evolution often happens organically in a successful network, it’s still crucial that leaders do their part to keep it going. They should encourage connections between teams. When a team comes to the executive team asking for support or expertise, the team should encourage the two groups to connect directly.

The centrality of the leadership hub that launched the teams will also decline. The importance of the respective teams and the leaders within the teams

²Tolbert G. Nyenswah et al., “Ebola and its control in Liberia, 2014–2015,” *Emerging Infectious Diseases*, Volume 22, Number 2, February 2016, pp. 169–77, cdc.gov.

will evolve based on changes in the environment not on the designation of the leadership.

But even as you interact with individual teams less, your role becomes more important. You should continue setting the tone, modeling the actions you want to see, recognizing others who are taking risks and making real change, removing roadblocks for teams, and connecting people across the network. Finally, communicate widely, transparently, and authentically about your experience and the implications for others around you.

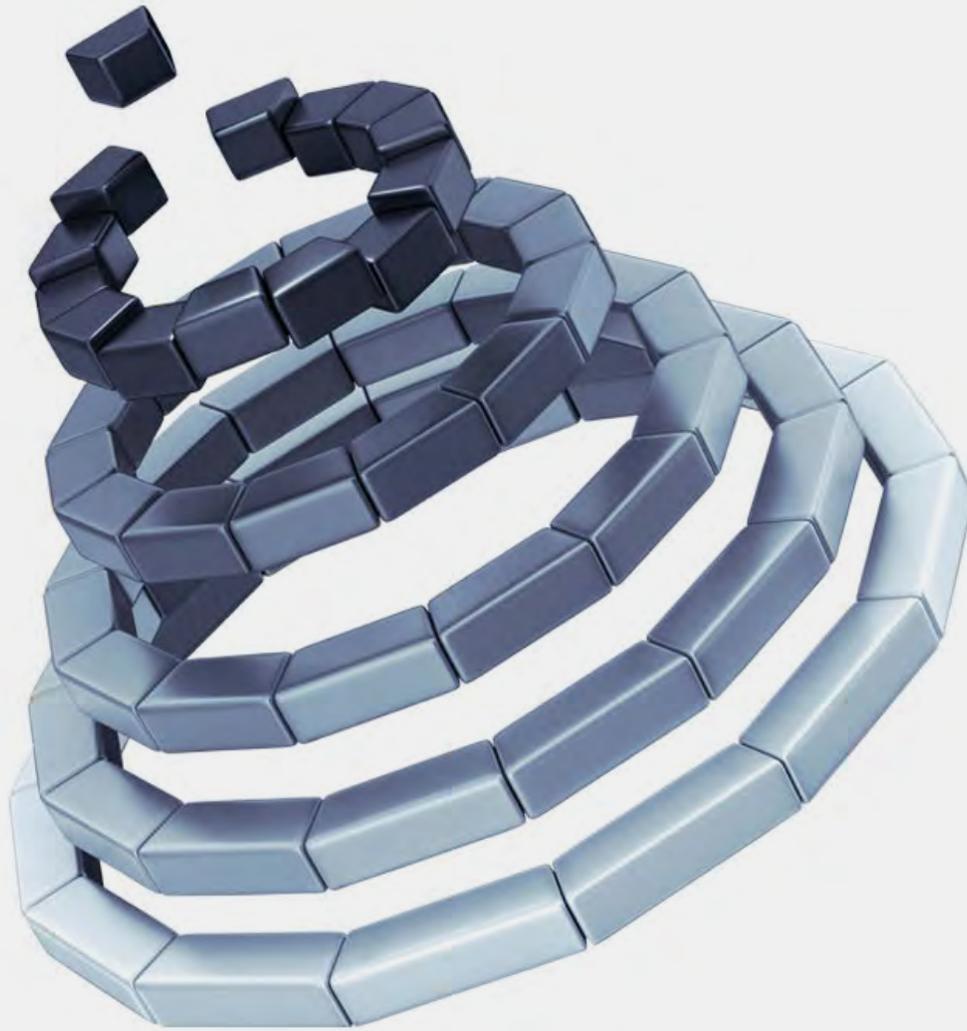
These tasks are a tall order for any leader who is working without a playbook. But a network can help by infusing the organization with a common purpose that allows it to respond more quickly to the challenges unleashed by the pandemic. It can also highlight important behaviors like empathy, communication, and clear decision making, and point the way to becoming a more dynamic, agile organization down the road.

These uncertain times can also spur leaders to reflect on what kind of organization, culture, and operating model they want to put in place, so they can avoid returning to previous patterns of behavior and instead embrace the next normal.

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A leader's guide: Communicating with teams, stakeholders, and communities during COVID-19

COVID-19's speed and scale breed uncertainty and emotional disruption. How organizations communicate about it can create clarity, build resilience, and catalyze positive change.

by Ana Mendy, Mary Lass Stewart, and Kate VanAkin

Crises come in different intensities. As a “land-scape scale” event,¹ the coronavirus has created great uncertainty, elevated stress and anxiety, and prompted tunnel vision, in which people focus only on the present rather than toward the future. During such a crisis, when information is unavailable or inconsistent, and when people feel unsure about what they know (or anyone knows), behavioral science points to an increased human desire for transparency, guidance, and making sense out of what has happened.

At such times, a leader’s words and actions can help keep people safe, help them adjust and cope emotionally, and finally, help them put their experience into context—and draw meaning from it. But as this crisis leaps from life-and-death direction on public health and workplace safety to existential matters of business continuity, job loss, and radically different ways of working, an end point may not be apparent. While some may already be seeking meaning from the crisis and moving into the “next normal,” others, feeling rising uncertainty and worried about the future, may not yet be ready for hope.

COVID-19’s parallel unfolding crises present leaders with infinitely complicated challenges and no easy answers. Tough trade-offs abound, and with them, tough decisions about communicating complex issues to diverse audiences. Never have executives been put under such an intense spotlight by a skeptical public gauging the care, authenticity, and purpose that companies demonstrate. Leaders lack a clear playbook to quickly connect with rattled employees and communities about immediate matters of great importance, much less reassure them as they ponder the future.

Against this frenzied backdrop, it would be easy for leaders to reflexively plunge into the maelstrom of social-media misinformation, copy what others are doing, or seek big, one-off, bold gestures. It is also true that crises can produce great leaders and

communicators, those whose words and actions comfort in the present, restore faith in the long term, and are remembered long after the crisis has been quelled.

So we counsel this: pause, take a breath. The good news is that the fundamental tools of effective communication still work. Define and point to long-term goals, listen to and understand your stakeholders, and create openings for dialogue. Be proactive. But don’t stop there. In this crisis leaders can draw on a wealth of research, precedent, and experience to build organizational resilience through an extended period of uncertainty, and even turn a crisis into a catalyst for positive change. Superior crisis communicators tend to do five things well:

1. ***Give people what they need, when they need it.*** People’s information needs evolve in a crisis. So should a good communicator’s messaging. Different forms of information can help listeners to stay safe, cope mentally, and connect to a deeper sense of purpose and stability.
2. ***Communicate clearly, simply, frequently.*** A crisis limits people’s capacity to absorb information in the early days. Focus on keeping listeners safe and healthy. Then repeat, repeat, repeat.
3. ***Choose candor over charisma.*** Trust is never more important than in a crisis. Be honest about where things stand, don’t be afraid to show vulnerability, and maintain transparency to build loyalty and lead more effectively.
4. ***Revitalize resilience.*** As the health crisis metastasizes into an economic crisis, accentuate the positive and strengthen communal bonds to restore confidence.
5. ***Distill meaning from chaos.*** The crisis will end. Help people make sense of all that has happened. Establish a clear vision, or mantra, for how the organization and its people will emerge.

¹Herman B. Leonard, “Against desperate peril: High performance in emergency preparation and response,” in *Communicable Crises: Prevention, Response, and Recovery in the Global Arena*, Deborah E. Gibbons, ed., Charlotte, NC: Information Age Publishing, 2007.

Every crisis has a life cycle, and emotional states and needs vary with the cycle's stages.

Give people what they need, when they need it

Every crisis has a life cycle, and emotional states and needs vary with the cycle's stages. In a recent article, our colleagues framed the COVID-19 crisis in five stages: resolve, resilience, return, reimagination, and reform. These stages span the crisis of today to the next normal that will emerge after COVID-19 has been controlled. The duration of each stage may vary based on geographic and industry context, and organizations may find themselves operating in more than one stage simultaneously (exhibit).

With such variation in mind, communicators should be thoughtful about what matters most in the given moment.

- In a crisis's early stages, communicators must provide *instructing* information to encourage calm; how to stay safe is fundamental. In COVID-19, governments and major media outlets first focused on clear, simple instructions about physical distancing and "lockdown" guidelines. Companies focused on new operational rules regarding time off, overtime, and operational changes.
- As people begin to follow safety instructions, communication can shift to a focus on *adjusting* to change and uncertainty. Asia, where COVID-19 struck early, offers some helpful insights. One survey in China, for example, showed that a marked decline in people's energy during the early stages of the epidemic

reversed as they acclimated to increased anxiety and the blurring of work- and home-life boundaries.² Savvy communications directors responded by evolving their messaging from health basics to business recovery.

- Finally, as the crisis's end comes into view, ramp up *internalizing* information to help people make sense of the crisis and its impact. For the current public-health crisis, it's still too early to glean the shape of this broader perspective, although "silver lining" articles about families drawing closer together and other topics have been making their way into the media.

The COVID-19 outbreak is a complex crisis made up of multiple trigger points—health, policy, the economy—and leaders should tailor their communications to the stage of the crisis their stakeholders are experiencing, and to what people need most in the moment (see sidebar, "Want to know what people need? Ask them").³ Scenario planning becomes important to help anticipate where employees and communities may be in dealing with the crisis, and the appropriate messaging that can help them as the crisis unfolds.

Communicate clearly, simply, frequently

At a crisis's onset, audience attention is finite; new, disruptive inputs overwhelm a person's ability to process information. High levels of uncertainty, perceived threats, and fear can even

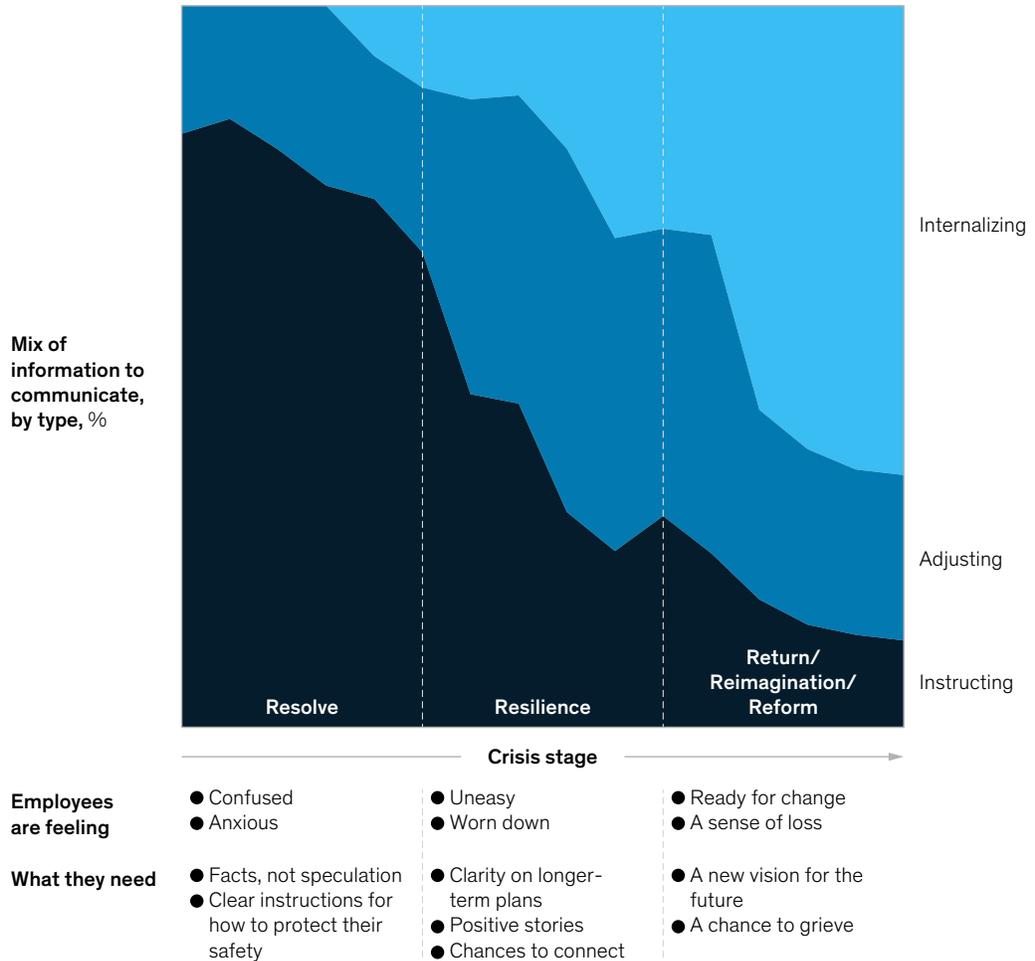
²McKinsey surveyed senior executives of large Chinese companies, along with employees from those organizations, in eight industries, from March 12–18, 2020; 1,300 people responded to the survey.

³Adapted from David L. Sturges's seminal 1994 work on crisis communication, "Communicating through crisis: A strategy for organizational survival," *Management Communication Quarterly*, February 1, 1994, Volume 7, Issue 3, pp. 297–316.

Exhibit

Adjust your communication mix by your current crisis stage.

Crisis communication life cycle, illustrative



lead to “cognitive freezing.”⁴ Put simply: the more complicated, abstract, or extraneous information is right now, the more difficult it will be for people to process it.

Leaders may be inclined to defer to governments and media outlets for clear and simple safety instructions. Don't. Employers often underestimate how much their employees depend on them as trusted sources. When public-relations firm

Edelman asked workers in ten countries what they considered the most credible source of information about the coronavirus, 63 percent of respondents said that they would believe information about the virus from their employer, versus 58 percent that trusted government websites or 51 percent that trusted the traditional media.⁵

To convey crucial information to employees, keep messages simple, to the point, and actionable.

⁴A body of research shows that people generally suffer from information overload; for more, see Martin J. Eppler and Jeanne Mengis, “The concept of information overload: A review of literature from organization science, accounting, marketing, MIS, and related disciplines,” *Information Society*, 2004, Volume 20, Number 5.

⁵*Edelman trust barometer 2020 special report: Trust and the coronavirus*, Daniel J. Edelman Holdings, 2020, edelman.com.

Want to know what people need? Ask them.

Standard tools and serendipitous conversations and moments of connection can help leaders check in on their people:

Schedule unstructured time. Add 15 to 30 minutes at the beginning or end of a meeting to tap into what's on employees' minds.

Run a quick pulse survey. Ask one simple question: How are you feeling? Include a comments box for elaborating.

Invite input on big decisions. When possible, include people in the process

of choosing paths forward. Offer options. Community dialogue can shape the right decision.

Use digital and analytics tools. Two-way listening solutions enable employees to share concerns over email or text. Natural-language software then produces major themes for managers to review, act on, and monitor.

Host "well-being check-ins." Schedule time for people to come together. These sessions can host up to 150 people at a time. Breakout features in some apps

can create smaller groups for more in-depth conversation.

Solicit questions. When preparing town halls, give employees a chance to submit questions in advance (anonymously is ideal). Or offer the community the option to "vote up" the questions they most want answered. Use chat functionality to allow questions.

Engage change agents. If you've identified influencers or change agents, deploy them. Provide forums for them to hear from peers. Adjust your communications to reflect this new input.

Walmart published its 6-20-100 guidance: stand six feet away to maintain a safe physical distance, take 20 seconds for good hand washing, consider a body temperature of 100 degrees Fahrenheit the signal to stay home from public activity. Slack CEO Stewart Butterfield focused on personal care in reassuring employees stressed over work. "We got this," he said. "Take care of yourselves, take care of your families, be a good partner."⁶

When communicating clear, simple messages, framing and frequency matter:

Dos, not don'ts. People tend to pay more attention to positively framed information; negative information can erode trust. Frame instructions as "dos" (best practices and benefits) rather than "don'ts" (what people shouldn't do, or debunking myths).⁷ In previous epidemic outbreaks, such as Zika, yellow fever, and West Nile virus, research shows that interventions highlighting best practices were more effective than those focused on countering misinformation or conspiracies.

Repeat, repeat, repeat. Communicators regularly underestimate how frequently messages must be repeated and reinforced. In a health crisis, repetition becomes even more critical: one study showed that an audience needs to hear a health-risk-related message nine to 21 times to maximize its perception of that risk.⁸ Fortunately, employee appetite for regular, trusted information from employers during COVID-19 is high. In one study, some 63 percent asked for daily updates and 20 percent wanted communications several times a day.⁹ So, establish a steady cadence, repeat the same messages frequently, and try mantras, rhyming, and alliteration to improve message "stickiness."

The CEO doesn't have to be the chief delivery officer. During a crisis, it's best if the message comes from the person viewed as an authority on the subject. For business continuity, that person may well be the CEO. But for other topics, people may prefer to hear from a health expert, the leader of the organization's crisis-response team, or even their own manager. Provide common talking points for all leaders and empower

⁶Catherine Clifford, "CEO of multibillion-dollar company Slack to employees amid coronavirus: 'Don't stress about work,'" CNBC, March 26, 2020, cnbc.com.

⁷Building on Daniel Kahneman and Amos Tversky's seminal 1979 prospect theory, more recent research has examined the impact of highlighting gains and benefits when communicating health information.

⁸Lu Liu, Xi Lu, and Xiaofei Xie, "Inverted U-shaped model: How frequent repetition affects perceived risk," *Judgment and Decision Making*, 2015, Volume 10, Number 3.

⁹*Edelman trust barometer 2020 special report: Trust and the coronavirus*, Daniel J. Edelman Holdings, 2020, edelman.com.

communication—via town halls, through email, text messaging or internal social media platforms.

Choose candor over charisma

After establishing baseline safety requirements, leaders must help individuals cope emotionally with the trauma of sudden change and adjustment to a new, postcrisis normal. (COVID-19 threats to health and safety are likely to linger for some time, so new messages should be layered atop regular safety reminders.)

Leaders trying to help employees adjust after trauma need a reservoir of trust. Those who fail to build trust quickly in crises lose their employees' confidence. People expect credible and relevant information; when stakeholders believe they are being misled or that risks are being downplayed, they lose confidence. To build trust, leaders should do the following:

Focus on facts—without sugar coating.

Differentiate clearly between what is known and unknown, and don't minimize or speculate. In crises like the one we're facing now, "the facts" may include bad news about the state of the organization or changes that will be painful for people. Research shows that some leaders, used to feeling highly effective and in control, avoid acknowledging uncertainty and bad news because they find it stressful or guilt inducing, or they fear negative reactions from an audience.¹⁰ But unfounded optimism can backfire. In 1990, during the United Kingdom's mad-cow-disease crisis, a government minister fed his daughter a hamburger in front of TV cameras and declared that British beef had never been safer, despite evidence to the contrary. Rather than boost morale, this effort only further eroded public trust in the government's response.¹¹

When you are not able to communicate with certainty—for example, about when physical distancing and travel restrictions will be lifted—avoid hard and fast estimates (for example, "There's a 60 percent chance that we'll be back to normal by September."). Instead, be explicit that you're sharing an opinion,

acknowledge uncertainty, and give the criteria you will use to determine a course of action ("It's my hope that we are back online in the fall; however, that is far from certain. We will be following government guidance when making decisions for our business.")

Be transparent. Transparency builds trust. Research shows that transparent operations improve perceptions of trust and that communicators perceived to have good intentions are more likely to be trusted, even if their decisions ultimately turn out to be wrong. Give people a behind-the-scenes view of the different options you are considering. For example, many governments, including Canada and the Netherlands, have begun publishing extended timelines during which protective measures will be in place. Whether or not those timelines hold true, such difficult messages to deliver ultimately serve to build greater trust among listeners.

Involve your audience in decision making. When making operational decisions, involve stakeholders. For example, many universities have informed students that commencement this year will not take place as planned. Rather than canceling commencement outright, several universities have instead used short, simple communication to elicit students' ideas for staging commencement differently, preserving some of commencement's positive energy.

Demonstrate vulnerability. Judiciously share your own feelings and acknowledge the personal effects of emotional turmoil. Research shows that demonstrating vulnerability, such as grief over shared losses or authentic feelings about the impact of changes on employees, can help build trust.

Mind what you model. What you do matters as much as what you say in building trust, and scrutiny of leaders' actions is magnified during a crisis. Recently, some leaders have been called out for setting "do as I say, not as I do" examples. Scotland's chief medical officer resigned after public uproar when she was caught visiting her second home during lockdown. Hosting a videoconference from the office might seem like a good way to project

¹⁰Research shows that leaders are often uncomfortable giving bad news; for more, see Robert J. Bies, "The delivery of bad news in organizations: A framework for analysis," *Journal of Management*, 2013, Volume 39, Number 1, pp. 136–62.

¹¹David Robson, "Covid-19: What makes a good leader during a crisis?," BBC, March 27, 2020, [bbc.com](https://www.bbc.com).

normalcy—but won't for those attending who are locked down at home.

Build resilience

As the COVID-19 health crisis turns into a lingering financial and economic crisis, uncertainty and doubt will challenge efforts to restore business confidence. Leaders will face a critical period in which they will need to instill resilience in people and tap sources of hope, trust, and optimism in order to unlock creativity and build momentum for the future. Channeling positive sentiments and encouraging a sense of broader community will be critical elements in building that momentum.¹²

Celebrate the positives. Sharing positive stories and creating uplifting moments are important building blocks in reigniting resilient spirits. It may seem counterintuitive, but often this approach begins by acknowledging loss. Denying or averting loss can make it more likely that people focus on negatives, especially in times of crisis. However, it is possible to counterbalance the negative effects of stress and loss by channeling positive emotions.

Highlight how your organization is responding to the crisis with stories about how people are adapting to new ways of working. Or recount how your organization is contributing to the global COVID-19 response. Show appreciation for the challenges people face. For example, the “Clap for our carers” movement in the United Kingdom is a public display of appreciation for the National Health Service (NHS), which is now being replicated every night at 7 p.m. in New York City. Many companies have posted videos on social media thanking their employees. Especially important is expressing gratitude to those in the organization who are leading frontline responses or who face threats to their safety. In addition to acknowledging them publicly, having one-on-one conversations with them or sending personal thank-you notes can go a long way toward making people feel part of

something important and meaningful, which in turn helps build resilience.

Help people to help. Helping others is a great way to improve well-being and reduce stress.¹³ Amid crisis, people look for ways to contribute. For example, following the 9/11 attacks, Dell connected with employees by channeling their desire to offer help. Service and response teams worked around the clock, drawing on Dell's customer purchase records, to offer customers immediate assistance in replacing lost computers and equipment. Such steps helped employees struggling with grief and anger to focus on others, give back, and link the customer's experience to everyday work.

Build community. It's important to rebuild a common social identity and a sense of belonging based on shared values, norms, and habits.¹⁴ Research suggests that social bonds grow stronger during times of great uncertainty. Leaders encourage people to come together under common values of mutual support and achievement. Queen Elizabeth II has called upon all Britons to unify and identify—in discipline, resolve, and fellowship—in the face of COVID-19. “The pride in who we are is not a part of our past, it defines our present and our future,” she said.¹⁵

Any effort to create a shared social identity must be grounded in a sense of support for others. Practical ways to encourage this when people are working remotely include book clubs, pub quizzes, happy hours, exercise classes, chat groups, competitions, and so on. Complement this kind of broad outreach with one-to-one communication via phone, email, or video to individuals or small teams. Arrange a virtual breakfast, an end-of-week celebration, or even video “tours” of each other's workspaces.

Out of chaos, meaning

As people adapt, effective leaders increasingly focus on helping people to make sense of events.¹⁶

¹² For more on positive psychology in the workplace, see Fred Luthan and Carolyn M. Youssef, “Positive organizational behavior in the workplace: The impact of hope, optimism, and resilience,” *Journal of Management*, 2007, Volume 33, Number 5, pp. 774–800.

¹³ Adam Grant, *Give and Take: Why Helping Others Drives Our Success*, New York: Viking, 2013.

¹⁴ For more on leadership and shared identity, see S. Alexander Haslam, Michael J. Platow, and Stephen D. Reicher, “*The New Psychology of Leadership: Identity, Influence and Power*,” Routledge, 2010.

¹⁵ “The Queen's coronavirus speech transcript: ‘We will succeed and better days will come,’” *Telegraph*, April 5, 2020, telegraph.co.uk.

¹⁶ For more on sensemaking, including the importance of leadership, see Marlys Christianson and Sally Maitlis, “Sensemaking in organizations: Taking stock and moving forward,” *Academy of Management Annals*, 2014, Volume 8, Issue 1, pp. 57–125.

The search for meaning is intrinsic to recovery from trauma and crisis. For many, the workplace is a powerful source of identity and meaning. Research has shown that meaning and associated well-being can explain up to 25 percent of performance.¹⁷ Leaders can shape a meaningful story for the organization and help people build their own stories, invoking common culture and values as touchstones for healing and strength. In their messaging, they underscore a shared sense of purpose, point to how the organization can rally at a generation-defining moment, and indicate new paths to the future.

Leaders can take the following steps to help people move from making sense of events to deriving meaning from them:

Set clear goals and ‘walk the talk.’ Early on, be clear about what your organization will achieve during this crisis. Set a memorable “mantra”—the two or three simple goals around which people should rally. Then take actions to realize those goals, because you communicate by what you *do* as much as by what you *say*. For example, during the COVID-19 crisis, Best Buy has defined a dual goal to protect employees while serving customers who rely on the company for increasingly vital technology. The company has made clear that employees should only work when healthy, and that those who feel sick should stay at home, with pay. US stores have instituted “contactless” curbside service or free doorstep delivery.¹⁸

Connect to a deeper sense of purpose. Explore ways to connect the disruption employees face to something bigger. For some organizations, this may

dovetail with the goals of an ongoing transformation, such as serving customers in new ways. For others, meaning can be found in a deeper, more collective sense of purpose or mission. For example, the chief surgeon at one New York hospital closed an all-staff memo by reminding people that “[patients] survive because we don’t give up.”¹⁹ In the United Kingdom, the government appeals to strong national sentiments with the simple message: “Stay home, protect the NHS [National Health Service], save lives.”

Foster organizational dialogue. While it’s important to shape a story of meaning for your organization, it’s equally important to create a space where others can do the same for themselves. Ask people what conclusions they are drawing from this crisis and listen deeply. Some possible questions: Have there been unexpected positive outcomes of this crisis for you? What changes have you made that you would like to keep once the crisis has ended?

The immediacy and uncertainty of the coronavirus crisis tempts leaders to “shoot from the hip” in communicating with anxious stakeholders or making strategic moves. Effective communicators will take a deep breath and remember the basics while acknowledging what is unique about this moment. Relying on these practices will help team members stay safe and infuse understanding and meaning in communities, helping to carry the organization through the pandemic with a renewed sense of purpose and trust.

¹⁷ Thomas A. Wright, “More than meets the eye: The role of employee well-being in organizational research,” *Oxford Handbook of Positive Psychology and Work*, Oxford University Press, 2009, pp. 143–54, oxfordhandbooks.com.

¹⁸ “Best Buy committed to providing products people need,” *Business Wire*, March 21, 2020, businesswire.com.

¹⁹ Craig Smith, “COVID-19 Update from Dr. Smith,” *Columbia University Irving Medical Center*, March 27, 2020, columbiasurgery.org.

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How to demonstrate calm and optimism in a crisis

Six practices can help leaders build their self-awareness and guide their organizations through the challenges ahead.

by Jacqueline Brassey and Michiel Kruyt

The coronavirus outbreak is posing profound challenges to the way we live and work. A crisis of this scale has left many fearful that disruption—personal, financial, societal—is going to be a way of life for some time.

When the path ahead is uncertain, people turn to leaders to help them gain clarity and a grounded hope for a better future. They want someone with a positive vision, who is confident about tackling the problems we all face yet courageous enough to confront uncomfortable truths and admit what they do not know.

What's more, people seek community and safety. Business leaders can underestimate how much their employees look to them for information. To address these needs, leaders should act with deliberate calm and bounded optimism. Those who can visibly demonstrate these qualities help their organizations feel a sense of purpose, giving them hope that they can face the challenges ahead.

But that is hard to do in a crisis, since humans are biologically wired to have a stress response (fight, flight, or freeze) when confronted with volatile environments, unpredictable events, and constant stress.¹

We've written about how leaders can shift their organizations to a crisis footing, from launching nerve centers to creating networks of teams. Here we focus on leaders themselves, and how they can prepare themselves mentally, physically, and emotionally to respond to the pandemic through the months ahead.

To stay calm and optimistic while under such pressure, leaders should practice what we call integrative awareness: being aware of the

changing reality in the outside world and how they are responding emotionally and physically. This intentional practice allows leaders to shift from viewing challenges as roadblocks to seeing them as problems to be solved, and even learned from.

Leading and learning outside your comfort zone

In a crisis, leaders must continuously process large amounts of complex information, contradictory views, and strong emotions. This requires awareness of what happens in the outside world (facts on the ground) *and* in the inside world (body and mind). Concepts in neuroscience that are closely related to this are “*exteroception*” (sensitivity to stimuli originating outside of the body) and “*interoception*” (sensitivity to stimuli originating inside the body).² Effectively connecting situational awareness with self-awareness, our outer world with our inner, is what we call integrative awareness.

In a crisis of uncertainty, this process helps leaders avoid overreacting to challenges or jumping to conclusions just to stop feeling uncomfortable. Developing integrative awareness helps leaders recognize these stress responses as opportunities to pause and reflect before acting,³ giving them the tools to lead with deliberate calm and bounded optimism. When they do that, instinctive biological reactions will start working for them and not against them. Not only will this practice lead to increased effectiveness but it is also essential to managing personal health and energy over a longer period of time.⁴

Deliberate calm: how to steer into the storm

In crisis situations, leaders must make a deliberate choice to practice a calm state of mind. Then they can step back from a fraught or high-stakes

¹ Stephen W. Porges, *The Polyvagal Theory: Neurophysiological Foundations of Emotions, Attachment, Communication, Self-regulation*, Norton Series on Interpersonal Neurobiology, New York, NY: W. W. Norton, April 2011; and Aaron L. DeSmet, Ethan Kross, and Walter Mischel, “Self-regulation in the service of conflict resolution,” *The Handbook of Conflict Resolution: Theory and Practice*, San Francisco, CA: Jossey-Bass, 2006, p. 294.

² Norman Farb et al., “Interoception, contemplative practice, and health,” *Frontiers in Psychology*, June 9, 2015, Volume 6, Article 763, frontiersin.org.

³ Armita Golkar et al., “Distinct contributions of the dorsolateral prefrontal and orbitofrontal cortex during emotion regulation,” *PLoS One*, November 7, 2012, Volume 7, Number 11, journals.plos.org.

⁴ Sahib S. Khalsa et al., “Interoception and mental health: A roadmap,” *Biological Psychiatry: Cognitive Neuroscience and Neuroimaging*, Elsevier, 2018, Volume 3, Issue 6, pp. 501–13.

situation and choose how to respond, rather than reacting instinctively. These folks become comfortable with discomfort and can look at adversity through a new lens. A leader who is deliberately calm realizes that fear, channeled from uncomfortable facts or emotions, offers potentially valuable information and so doesn't get unhinged by it.⁵ Reframing a threat as an opportunity for learning and innovation turns an uncertain situation into one of hope and possibility. Stress can be good if you harness and frame it constructively⁶; it keeps energy levels high and positive even in a crisis environment.

We have seen many examples of entrepreneurial and innovative responses to the coronavirus. These run the gamut from local sports clubs that started delivering meals and universities that digitalized their courses to medical innovations related to ventilators and artificial-intelligence-enabled social services for the unemployed.

Compassion and acceptance for self and others is an essential ingredient for leaders who want to be deliberately calm. It is only human to react impulsively to stressful events. And we may regret this and feel ashamed about it. In these moments it is important for leaders to emphasize self-care and self-compassion. We need to remind ourselves that we cannot change the past, but we can change how we perceive it and how we look to the future. Self-care goes beyond making sure to have a good regimen of sleep, eating, and exercise. It is also about letting up on the self-criticism or perfectionism, to be able to connect with core intentions and purpose. Practicing this yourself also enhances your capacity to be empathetic with others.

Being deliberately calm can have a multiplier effect on communities. How humans are "wired" to share emotional cues has been researched extensively. Leaders' emotions have a big impact on an

organization: when a leader is impatient, fearful, or frustrated, people begin to feel the same way, and their feelings of safety diminish. On the other hand, when a leader is hopeful and calm, the group can face challenges more creatively.

After attacks on two mosques in Christchurch, New Zealand, in March 2019 killed more than 50 people, Prime Minister Jacinda Ardern earned praise for leading her country's response to the worst mass murder in its modern history with deliberate calm and compassion. She has exhibited the same leadership attributes in the current crisis: "I refuse to believe that you cannot be both compassionate and strong," she has said.

Bounded optimism: How to mix confidence and hope with realism

In a crisis, people want leaders to fix things fast. However, in a complex situation like the coronavirus pandemic, familiar answers might not work and could even be counterproductive. Early on, leaders can lose credibility by displaying excessive confidence or by providing simple answers to difficult problems in spite of obviously difficult conditions. It is essential to project confidence that the organization will find its way through the crisis but also show that you recognize its severity. This is authentic confidence⁷—"cheerfulness in the face of adversity," as the British Royal Marines put it. No one wants to follow a pessimist, but they don't want to follow a blind optimist either.

Optimism that springs from authentic values and trust in people's capabilities can be the source of energy for everyone in the organization to move forward. By contrast, optimism without meaning or grounding may lead to disappointment and defeat.

Leaders with bounded optimism practice what we call "meaning making." Meaning helps everyone remember that difficult times and long hours of

⁵Steven C. Hayes, PhD, *A Liberated Mind. How to Pivot Toward What Matters*, Avery, August 2019.

⁶Richard E. Boyatzis and Annie McKee, *Resonant Leadership: Renewing Yourself and Connecting with Others Through Mindfulness, Hope, and Compassion* Brighton, MA: Harvard Business Review Press; October 2005.

⁷Jacqueline Brassey et al., *Advancing Authentic Confidence through Emotional Flexibility: An evidence-based playbook of insights, practices and tools to shape your future*, LuLu, 2019, annekebrouwer.nl.

As human beings, we can practice integrative awareness before, in, and after the moment.

work serve a purpose. Think of all those healthcare workers focusing on their patients even at great risk to themselves. Meaning builds confidence, efficacy, and endurance but can also serve as a balm if the outcome is not what was hoped for, because the striving in and of itself was honorable.

The crisis response by Mark Rutte, prime minister of the Netherlands, has won praise for being optimistic yet bounded by realism. In an address in mid-March, he told the Dutch that “My message to you this evening is not an easy one to hear. The reality is that coronavirus is with us and will remain among us for the time being. There is no easy or quick way out of this very difficult situation.” He outlined steps the country would have to take, before closing with this appeal: “With all the uncertainties out there, one thing is absolutely clear: the challenge we face is enormous, and all 17 million of us will have to work together to overcome it. Together we will get through this difficult period. Take care of each other. I’m counting on you.”

In times of crisis, a leader’s role in creating meaning only grows. Leaders should remember that they are always visible, even if they are not seen in person, and that their authentic role modeling of the organization’s purpose is essential.⁸

Leaders with bounded optimism leverage meaning and personal stories to build connections. In

this crisis, when many of us are isolated at home, distress is increasing. As human beings we need to connect and engage with others in a positive way to stay mentally and physically healthy. Employees want to hear a leader’s vision for how to respond to the crisis, and they also want to connect at a personal level. Video-enabled “town halls” offer a perfect opportunity for leaders to convey what’s on their mind to the broader organization and find out what is keeping everyone awake at night.

Putting integrative awareness into practice

As human beings, we can practice integrative awareness before, in, and after the moment. Beforehand, we can visualize the expected external event and our potential internal response. After the event, we can reflect and process the experience, let go of stress, and gain insight. In the moment, we can observe ourselves while having the experience and regulate our behavior at the same time.

Captain Chesley Sullenberger brought the process of integrative awareness alive when he landed his commercial plane in the Hudson River in 2009. After a bird strike cut both engines of his commercial flight soon after takeoff, Captain Sullenberger demonstrated the ability to stay calm while facing fear. Instead of returning to the airport as air traffic controllers were advising, he paused and assessed

⁸J. Brasseley-Schouten, “Leadership and diversity effectiveness in a large multinational organisation,” University of Groningen, SOM research school, 2011, rug.nl.

that he couldn't make it, landing instead in the river and saving the lives of all on board. The balancing of emotions with a rational and deliberate thought process is something scientists call metacognition.⁹

By practicing internal awareness on two levels (having the experience and observing it at the same time), you can catch early signals of distress, doubt, or fear without acting out a stress response. This is especially critical in times of crisis. While we can never be purely objective, we can try to reach that state as much as possible. Without objective awareness, signals of distress can trigger 'survival' behavior, and we lose the ability to pause, reflect, and decide. For a leader during crisis, this survival state can present a huge risk, and in the case of Captain Sullenberger, it would have been fatal.

In a crisis, some leaders react to complex problems with polarizing opinions, quick fixes, false promises, or overly simplistic answers, often combined with a command-and-control leadership style. They lose their ability to be in dialogue, to continuously adapt, and to look for novel solutions. In a situation where their experience falls short, but without the ability to practice integrative awareness, they may be guided by their fear and resort to habitual responses, often unconsciously biased, to unfamiliar problems.

Another risk of not being aware of our internal world is found in "sacrifice syndrome"¹⁰: leaders who face constant pressure do not find time to take care of themselves, leading to reduced effectiveness and exhaustion.

The Dutch minister for medical care, Bruno Bruins, showed this danger when he collapsed in Parliament in mid-March during a debate on the coronavirus. Bruins said he was suffering from exhaustion after weeks of nonstop crisis management, and later decided to quit his post.

Six steps for leaders

Here are six practices that leaders can follow to develop their integrative awareness. While they may seem straightforward and commonsensical, too often leaders don't follow them, thinking they'll worry about themselves after the crisis has passed. That won't work in the current context.

1. Adapt your personal operating model

Your priorities, your roles, your time, and your energy are all elements of the way you operate on a daily basis (exhibit). Create an operating model that can act as your compass, especially in a crisis that is expected to last for some time. As the coronavirus emerged as a threat, we saw that many leaders went into overdrive, working around the clock to respond effectively. It was only after some time had passed that most started to build more of a structure into their lives.

Ask yourself: How does your personal operating model align with the changes in your work life right now? What does this mean for how you operate with your direct leadership team? What does this mean for how you engage with your family? What are your "non-negotiables" in this model (for example, sufficient sleep, regular exercise, meditation practice, and healthy food)?

2. Set your intention

Take a few minutes at the start of the day to go through your agenda, identify high-stakes topics, and set an intention for what you want to accomplish and how you want the experience to unfold. Many people do this as a visualization exercise, like a Formula One driver imagining driving the circuit before a race. This enables you to predict "emotional hot spots" and provides a bulwark against reactive thinking.¹¹ What challenges, curveballs or brutal facts might you have to face, and what possible opportunities can you expect? How do you intend

⁹Jonah Lehrer, "Sully's 'deliberate calm,'" *Los Angeles Times*, January 17, 2009, latimes.com.

¹⁰Richard E. Boyatzis and Annie McKee, *Resonant Leadership: Renewing Yourself and Connecting with Others Through Mindfulness, Hope, and Compassion*, Brighton, MA: Harvard Business Review Press; October 2005.

¹¹Inge Schweiger Gallo and Peter M. Gollwitzer, "Implementation intentions: Control of fear despite cognitive load," *Psicothema*. 2007, Volume 19, Number 2, pp. 280–5, psicothema.com.

Leaders can create a personal operating model to help them function at their best.

Four key elements

Your priorities



- **My purpose and personal aspirations**
- **What and who is important to me:**
 - Values
 - Principles to live by
 - Family
 - Career

Your roles



- **Personal roles and focus**
 - Work: find most value as leader and colleague
 - Family member: choose how to be a role model for spouse, sibling, parent *as well as*
 - Volunteer: choose focus
 - Friend: decide what kind of friend you want to be and which relationships to nurture
- **Leverage and orchestration**
 - Work: eg, create win-win situations that give you leverage and others opportunities
 - Home: eg, what to accomplish (you and partner) and what to outsource
- **Be inspirational:** Role model, inspire individuals and teams, build capabilities and confidence

Your time



- **Be present:** Proactively plan schedule to be present when needed
- **Be efficient**
 - Manage workflow to maximize time: collect, process, organize, review (eg, email) efficiently
 - Create time slots where you have no "to-do's"
- **Make the right trade-offs in the moment**
 - Protect time for long-term needs, including critical priorities

Your energy



- **Self-awareness**
 - Recognize what gives you energy and adds meaning to your life
- **Energy practices**
 - Practice habits that help you be your best
 - Body (sleep, nutrition, exercise)
 - Mind (mindfulness, emotional flexibility, space for renewal and connection)
 - Purpose, meaning (care for others, belonging)

to stay focused on what matters most? How do you intend to react emotionally? What are your non-negotiables and where can you give ground? Also reflect on the outcomes and experiences for others. How will your actions affect other people?

3. Regulate your reactions

While in a stressful situation during the day, observe your emotions so you can recognize the stress response, taking a pause to assess the situation and engage your "rational mind" before choosing how to respond.

Let's say you are asked a question on a town-hall videoconference about a matter you had not prepared for. What do you do when fear takes over and your nervous system starts to react? The most natural (and counterproductive) reaction is to try to avoid the issue. But even if you pause very briefly to take in the atmosphere, you can respond effectively.

One leader recounted a situation in which she was passionately telling her top team where they needed to go but was met with confusion and resistance. Her immediate reaction was to explain again in a

louder voice. Becoming aware of her irritation and shortness of breath, she took a long pause then told her team, “OK, I feel a bit desperate here—I think I know where to go but it’s clear I am not effective. I need your help.” Only then did the group begin to think through the problem with her.

Another executive told us about a helpful defusion technique he uses. If he is in a meeting and checks his phone to find negative voicemails or emails he can’t attend to right then, he tends to become distracted and anxious. So he visualizes a parking lot (or a cupboard, or balloons in the air). Each incoming message goes into one of the parking spaces or shelves or balloons. He imagines acknowledging the messages with a plan to address them later. That way he can focus on the meeting and avoid experiencing mental and physical stress in the moment. He then returns to each topic, addressing them one by one. At that point, some urgent matters have already solved themselves, and others can be calmly addressed.

4. Practice reflection

Reflection is a way to process what happened during the day and to create space to listen to your inner world (mind and body). For example, analogous to a practice in the military called “contemplation,” you can reflect daily about critical situations. What moments were difficult and why, how did you feel, and why did you respond the way you did? Reflection helps you with the big picture and your own reactive behavior and its drivers. It’s also helpful to ask trusted colleagues to give you feedback about critical moments where you had to respond under pressure. What are your blind

spots and how can you address them the next time? People have many ways to reflect. Some use meditation, some reflect while running or walking the dog. The important thing is that you make it a regular planned practice.

5. Reframe your perspective

When we’re tired from stress, we tend to see negative messages and threats more readily than opportunities and positive messages. Keeping a balance and staying realistic is not easy. Knowing this, is step one. Handling these situations effectively, is step two. When facing a difficult situation, try to redirect away from the negative explanation and toward an exploration of other possibilities that could be true. Viewing the issue through different possibilities and scenarios—from the most positive to the most negative—can help in planning responses later.

When detailed scenario planning is not an option, choose to take a *flexible perspective*: this is integrative awareness in action. When faced with a difficult situation, ask yourself: Am I jumping to conclusions too fast? What else can be true at this moment? What is important to me and my team right now? With the information on the table now, make a conscious decision about the best way to move toward what matters most. Build time to revisit decisions regularly, with an open, curious, and learning mindset, building on fresh information coming in and at different stages in the crisis.

6. Manage your energy

One of the most difficult things to do in times of crisis is to balance work needs with your own

physical well-being. In a crisis atmosphere, you will need recovery time, or at some point something will give—performance or, worse, health. Top athletes know this, and they make sure they build in sufficient time for recovery when they train for top performance. Apart from recovery time, which may be different for everyone, micro practices that are in support of healthy recovery can include meditation, breathing exercises, cardio sports activities, and even power naps.

Leadership in a crisis like this is an enormous responsibility, yet it can also be seen as a great privilege. Integrative awareness keeps leaders centered in the storm, giving them the focus they need to take care of themselves and the people and organizations they lead.

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Tuning in, turning outward: Cultivating compassionate leadership in a crisis

Four qualities—awareness, vulnerability, empathy, and compassion—are critical for business leaders to care for people in crisis and set the stage for business recovery.

by Gemma D'Auria, Nicolai Chen Nielsen, and Sasha Zolley

What are you feeling?

It is the simplest of questions, but in the passing of just a few brief months it has left countless people on this planet stammering for an answer. The disorienting effects of COVID-19 on our daily lives, on global health, and on economic activity have so emotionally overwhelmed people that forming a response to even such an innocent query triggers an overload that stymies articulation. No wonder that in a recent survey almost half of respondents stated that the pandemic has had a negative impact on their mental health.¹

A “landscape-scale crisis” such as COVID-19 strips leadership back to its most fundamental element: making a positive difference in people’s lives.² As our research has outlined, an imperative for leaders in such times is to demonstrate compassionate leadership and to make dealing with the unfolding human tragedy the first priority.

Numerous studies show that in a business-as-usual environment, compassionate leaders perform better and foster more loyalty and engagement by their teams.³ However, compassion becomes especially critical during a crisis.⁴ While a crisis’s early days might seem like the time for leaders to put their head down and exhibit control, it is just as critical to tune in to personal fears and anxieties so as to be able to turn outward to help employees and colleagues grapple with their own reactions. This isn’t easy, but this introspection and projection of care is critical

for connecting and dealing with people’s immediate needs and setting the stage for business recovery.

The psychological and business cost of landscape-scale crises

A crisis can trigger a range of physiological and psychological responses that include heightened sensitivity and distress. Landscape-scale crises can also create mass-scale trauma responses, as collective fears and existential threats disrupt equilibrium and social isolation weakens bonds that normally provide emotional support. Collective panic can prompt a “flight and affiliation” response in which people seek familiar places and contacts.⁵ Earlier traumas resurface. The lost sense of security and normalcy can trigger grief, and with it feelings of shock, denial, anger, and depression.

In such circumstances demonstrating highly visible and caring leadership becomes even more important. Paradoxically, this is also when leaders are predisposed to busy themselves with urgent meetings and operational issues, triggered in part by the situation and exacerbated by their own underlying fears of vulnerability that shift them toward self-preservation and a desire to maintain control.⁶

The inability to deal with stress and trauma can exact a human toll on individuals and portend dire consequences for organizations. An organization mired in collective fear and focused on control

¹ KFF Health Tracking Poll—Early April 2020: The Impact Of Coronavirus On Life In America, Kaiser Family Foundation, kff.org.

² Arnold Howitt and Herman B. Leonard, “Against desperate peril: High performance in emergency preparation and response,” *Communicable Crises: Prevention, Response, and Recovery in the Global Arena*, Deborah E. Gibbons, ed., Charlotte, NC: Information Age Publishing, 2007.

³ Jane E. Dutton, Ashley E. Hardin, and Kristina M. Workman, “Compassion at work,” *Annual Review Organizational Psychology and Organizational Behavior*, Volume 1, Number 1, 2014, pp. 277–304; Jacoba M. Lilius, et al, “Understanding compassion capability,” *Human Relations*, Volume 64, Number 7, 2011, pp. 873–99; Paquita C. De Zulueta, “Developing Compassionate Leadership in Health Care: An Integrative Review,” *Journal of Healthcare Leadership*, Volume 8, 2016, pp. 1–10.

⁴ Jane E. Dutton, et al, “Leading in times of trauma,” *Harvard Business Review*, Volume 80, Number 1, 2002, pp. 54–61; Edward H. Powley and Sandy Kristin Piderit, “Tending wounds: Elements of the organizational healing process,” *Journal of Applied Behavioral Science*, Volume 44, Number 1, 2008, pp. 134–49.

⁵ Anthony Mawson, “Understanding mass panic and other collective responses to threat and disaster,” *Psychiatry*, Volume 68, Number 2, 2005, pp. 95–13.

⁶ Jeff Greenberg, Tom Pyszczynski, and Sheldon Solomon, “The causes and consequences of a need for self-esteem: A terror management theory,” *Public Self and Private Self*, New York, NY: Springer, 1986, pp. 189–212; Jeff Greenberg, Tom Pyszczynski, and Sheldon Solomon, “Terror management theory of self-esteem and cultural worldviews: Empirical assessments and conceptual refinements,” *Advances in Experimental Social Psychology*, Volume 29, Academic Press, 1997, pp. 61–139.

A first step to effectively tune inward is to create time and space for self-connection and self-awareness.

will not unleash the creativity and innovation necessary to navigate a crisis and emerge healthy on the other side.

We find that four qualities can mitigate these natural tendencies and help leaders find the compassionate voice to manage in crisis and shepherd their organization into a postcrisis next normal. Start by creating space to attain a keener *awareness* of what is going on within and around you. Be bold in exhibiting *vulnerability* by lowering your guard and confronting what is unfolding. Demonstrate *empathy* to better tap the emotions others are feeling, and act with *compassion* to make individuals and groups feel genuinely cared for. Cultivate these qualities in a balanced way by first tuning inward to understand and integrate your own emotions and fears, and then turning outward to alleviate pain, support others, and, over time, enable people and the business to recover.

Tuning in

As a crisis strikes, a leader's reflex is typically to first stabilize the threat. This includes setting up a crisis-response infrastructure, such as a network of teams, elevating the right leaders into critical roles, and developing scenarios to anticipate the crisis's evolution. At the same time, it is critical to attend

to yourself and your organization. Once the crisis's initial shock has been absorbed, it's essential to accept and acknowledge the reactive tendencies that unfold within ourselves and others, and to care for them.

To thoughtfully and skillfully recognize and embrace the emotions and reactions to trauma that might surface, a compassionate leader must allow them to be felt.⁷ Unless we recognize our own natural human response to a crisis and process these strong emotions, we won't have the capacity to grasp these reactions from others we seek to help. In other words, leaders must first relate to and help themselves before they can do the same for others.

Some practices can help:

Uncover and integrate what you feel

A bias toward control may be a natural response to crisis, but it risks shutting off awareness of one's own and others' feelings and emotional needs. A first step to effectively tune inward is to create time and space for self-connection and self-awareness.

A simple practice during these times is to engage in deep and intentional breathing. Deep breathing slows the heart rate and restores the body to

⁷Richard J. Davidson, et al, "Alterations in brain and immune function produced by mindfulness meditation," *Psychosomatic Medicine*, Volume 65, Number 4, 2003, pp. 564–70; Neal M. Ashkanasy and Peter J. Jordan, "Emotional intelligence, emotional self-awareness, and team effectiveness," *Linking Emotional Intelligence and Performance at Work: Current Research Evidence with Individuals and Groups*, 2006, pp. 145–63.

a calmer and composed state. Even a few deep breaths can suffice. Take a moment for deep breathing when you notice rising fear or stress, and likewise before making important decisions. Adopt daily rituals for restoration, deep breathing and emotional self-connection by committing to a recurring time of day and specific location, for example, first thing in the morning. Silence your phone to stifle distraction.

You may notice bodily sensations and feel emotions more acutely. Try to name these feelings. Many leaders have “learned” to suppress emotions on the job and may be unaccustomed to noticing and articulating feelings in a nuanced way. But doing so can help to internalize and experience more fully what is going on and surface the strong emotions that naturally result from crisis. This emotional self-contact and regulation lays a foundation for renewal and healing. By intentionally pausing activity flow and restoring contact with our inner resources you create more room to make grounded choices, break habits of mind and behavior, and bring genuine presence to the workday’s complex tasks and interactions.

Practice gratitude daily

Another simple practice is to share a sense of gratitude. Like getting enough sleep, exercising, and eating well to counter stress and fatigue, gratitude has been shown to improve mental health, renew energy and hope, and encourage self-improvement.⁸

Consider three ways to cultivate a daily gratitude practice:

- Keep a gratitude journal. Spend five minutes each day writing down three things that you’re grateful for in your life right now.

- Write a gratitude letter to someone. Sending the letter is optional. The mere act of putting positive thoughts on paper can help shift your cognitive processes positively.
- Commit to expressing gratitude to someone at least once a day.

Open yourself to others’ expressions of care

Finally, open yourself up to others’ empathy and compassion. Sharing your emotions in response to caring words and acts takes vulnerability. But it will help maintain your own emotional stability and build up a close support network that is essential, especially during turbulent times.

Leaders who experience anxiety and emotional blockages may find it helpful to talk to others about their experiences. As with deep breathing, merely listing emotions can help regulate nervous systems, ease anxiety and tension, and allow individuals to activate their logical thought processes.⁹ Sharing deeper feelings with those a leader trusts can help to process and overcome blockages and lay the foundation for cultivating authenticity, trust, and compassionate leadership as the leader turns outward to connect with the broader organization.

Turning outward to connect with others

Tuning into yourself will improve your ability to listen to others, alleviate their fear and anxiety, and enable them to move forward. Awareness of what others are feeling, and role modeling vulnerability, empathy, and compassion during a crisis has been shown to lower stress and limit the adverse physical

⁸ Christina N. Armenta, Megan M. Fritz, and Sonja Lyubomirsky, “Functions of positive emotions: Gratitude as a motivator of self-improvement and positive change,” *Emotion Review*, Volume 9, Number, 2017, pp. 183–90; Y. Joel Wong, et al, “Does gratitude writing improve the mental health of psychotherapy clients? Evidence from a randomized controlled trial,” *Psychotherapy Research*, Volume 28, Number 2, 2018, pp. 192–202.

⁹ Matthew D. Lieberman, et al, “Putting feelings into words,” *Psychological Science*, Volume 18, Number 5, 2007, pp. 421–28.

symptoms of team members, while also improving team goal achievement and productivity.¹⁰

As the crisis evolves,¹¹ compassionate leadership entails bringing a community together so that it can move forward in the following ways:

- Develop perspective on the situation and derive meaning from it.
- Foster belonging and inclusion to unify the organization.
- Take care of people through compassionate acts.
- Reimagine and plan its postcrisis future.

Develop perspective, derive meaning

Communities need moments to breathe, and to give a name to what they are experiencing before they can create meaning from it as they move on. Leaders can set the tone for such healing by expressing vulnerability and sharing personal fears, concerns, and uncertainties. Another simple practice is acknowledging that no leader has all the answers. Authenticity is paramount, lest the organization pick up on the dissonance between the leader's words and their feelings and tune out. Skepticism and loss of credibility will follow.¹² Maintain a tempered and deliberate tone and remain grounded even as you reserve opportunities for others to express their emotions.

When such vulnerability is present others will have space to share their experiences as well. That kind of chemistry will make it easier to establish this level of openness in day-to-day interactions.

When people exhibit fear and a desire for protection and self-preservation, compassionate

leaders validate those feelings as normal. Again, naming emotions reduces tension and opens the door to addressing them. Provide safe workplace forums for stakeholders to express emotions. It will help individuals move past pain, stress, and anxiety, and refocus on their work and the organization's mission.

For example, during the September 11 terrorist attack on the World Trade Center, New York City Fire Department Chief Joseph Pfeifer recalls another chief climbing atop a charred firetruck and motioning firefighters to gather around it. "I want you to take off your helmets," the chief said. Incredulous looks raced through the group—the helmet was a part of these first responders' identity, and removing it normally only occurred at a shift's end. But the chief continued: "We lost a lot of people today. This calls for a moment of silence."

The simple gesture put voice to what the firefighters were feeling. When the chief spoke again, he said, "Let's put our helmets back on. We have more lives to save." Pfeifer remembers the meeting ending with the group even more deeply aligned around their mission.

Stepping back to gain perspective is a practice as useful for organizations as it is for individuals. Once people have had a chance to share their raw emotional experience and check in with one another on their circumstances and losses, the ability to then tap into the generosity, wisdom, and strength of the team as a whole can help provide vision and resources to manage and perhaps ease or temper people's sense of risk and uncertainty.

Foster belonging and inclusion

Being part of one and the same organization is especially important in crises that can resurface

¹⁰ Brent A. Scott, "A daily investigation of the role of manager empathy on employee well-being." *Organizational Behavior and Human Decision Processes*, Volume 113, Number 2, 2010, pp. 127–40.

¹¹ Kevin Sneader and Shubham Singhal, "Beyond coronavirus: The path to the next normal," March 2020, McKinsey.com.

¹² Rasmus Hougaard and Jacqueline Carter, *The mind of the leader: How to lead yourself, your people, and your organization for extraordinary results*, Harvard Business Press, 2018.

The goal is to refocus individuals away from trauma and toward a better future for themselves and the business as well.

past traumas. People can often feel that they are in the same storm with others yet not feel that they are in the same boat.

Leaders play a crucial role in making people feel heard and included, to enable all individuals to freely express themselves, foster an environment of psychological safety in which all feel joined together in the face of crisis. One way is to receive people with unconditional positive regard, withholding judgment and welcoming diversity of self-expression. This gesture of solidarity is why some leaders wear the familiar clothing or uniforms or equipment of communities hard hit by adversity. A true feeling of inclusivity, trust, and belonging among coworkers helps reduce mental health issues and boosts worker commitment.¹³

After the 2019 attacks on a mosque in Christchurch, New Zealand, for example, the country's prime minister, Jacinda Ardern, wore a hijab as she walked throughout the community, comforting people and hugging victims' family members. Her decision to put on the religiously symbolic garment of those targeted sent a unifying message that all were part of the same community.

Take care of people

We mirror the behaviors of those around us,¹⁴ and leaders are uniquely positioned to serve

as influential role models for compassionate acts and demonstrating care for people's basic needs. Showing interest in employees' feelings can be key to recovery, especially if such acts are visible and leaders cascade them throughout the organization.¹⁵ Checking in on individuals and their families, expressing gratitude either with words or small tokens of appreciation, setting up a company-wide thank-a-thon, or publicly recognizing compassionate acts taken by others are all gestures leaders can take to show care for those around them. Leaders should also encourage and raise the profile of compassionate acts on the part of employees to further foster a mutually supportive community.

Back up these acts with support. Practical gestures include extended leave, additional sick days, and expanded health coverage. It is difficult to ask employees preoccupied with their basic needs to focus on productivity. Alleviating these basic concerns for people will free up their capacity to keep contributing to your organization's purpose and strategic objectives.

Reimagine a postcrisis next normal

In an environment in which people share grief, anxieties, and fears, demonstrate vulnerability and come together as one community, leaders have a great opportunity to foster an organizational

¹³ 2019 *State of Workplace Empathy*, Businessolver, businessolver.com.

¹⁴ Tanya L. Chartrand and John A. Bargh, "Self and Motivation: Emerging Psychological Perspectives," American Psychological Association, 2002, pp. 13–41.

¹⁵ Richard E. Boyatzis, and Annie McKee, *Resonant Leadership: Renewing Yourself and Connecting with Others Through Mindfulness, Hope, and Compassion*, Harvard Business Press, 2005.

How to explore an organization's past, present, and future

Example questions¹:

- | — Past: | — Present: | — Future: |
|---|--|--|
| <ul style="list-style-type: none"> • What have we stopped or paused but is core to who we are and will want to return to? • What do we want to fully let go of (values, activities, products)? • What will we happily leave behind versus what will be difficult for us? | <ul style="list-style-type: none"> • What do we want to continue as-is because it is working? • Which values are serving us well? • What about our organization will continue but change and improve permanently as we move into the next normal? | <ul style="list-style-type: none"> • What do we want to stand for? What is our purpose? • What kind of an organization do we want to become? • What do we want to create that is new—new practices or ways of working, new norms that are emerging? |

¹ Adapted from Ronald Heifetz, Alexander Grashow, and Marty Linsky, "Leadership in a (permanent) crisis," *Harvard Business Review*, July–August 2009, hbr.com.

culture filled with mutual acceptance, intimacy, and hope. They can also channel this energy to reimagining the organization. Pairing vulnerability with confidence in the next normal is critical to help people transition from states of anger or denial into working together to build a desirable future. Leaders are uniquely positioned to ignite hope and create the image of a future organization people are excited to be a part of.¹⁶

Actively engage in open dialogue with various stakeholders to share their diagnoses of the crisis

and their prognoses of how to emerge from it into a reimagined next normal. Encourage others to do the same. Sharing individual experiences and perspectives not only paves the way toward collective sensemaking,¹⁷ but also reignites creative energy among employees. The goal is to refocus individuals away from trauma and toward a better future for themselves and the business as well.

This can be accomplished by reconnecting people to their shared organizational values, identity, and purpose. In town halls and group conversations

¹⁶ Brett Luthans, Kyle Luthans, and Steve Norman, "The proposed contagion effect of hopeful leaders on the resiliency of employees and organizations," *Journal of Leadership & Organizational Studies*, Volume 12, Number 2, 2005, pp 55–64.

¹⁷ Marlys K. Christianson, Maria T. Farkas, Kathleen M. Sutcliffe, and Karl E. Weick, "Learning through rare events: Significant interruptions at the Baltimore & Ohio Railroad Museum," *Organization Science*, Volume 20, Number 5, 2009, pp 846–60.

leaders should pose questions about what the organization stands for, as well as what it should continue to do or stop doing in the future (see sidebar, “How to explore an organization’s past, present, and future”).

Case in point: after JetBlue suffered an operational crisis as snowstorm and internet issues stranded thousands of customers and employees on Valentine’s Day in 2007, David Neeleman, the chief executive at the time, used the crisis to launch a complete overhaul of the company’s operations and customer-service approach, including pioneering a customer bill of rights to notify and compensate passengers affected by delays and cancellations.

The overwhelming effects of a crisis strip leadership back to its most fundamental element: making a positive difference in people’s lives. By tuning inward to cultivate awareness, vulnerability, empathy, and compassion, and then turning outward to comfort and address the concerns of stakeholders, leaders can exhibit individual care, build resilience, and position their organizations to positively reimagine a postcrisis future.

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purpose in the time of
coronavirus

Demonstrating purpose





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The toughest leadership test

CEO microhabits can help leaders seize the moment, stay ahead, and take care of themselves during the COVID-19 pandemic.

by Homayoun Hatami, Pal Erik Sjatil, and Kevin Sneader

The coronavirus pandemic has been an epic test

of character and determination for millions of people around the world. Nothing compares with the sacrifice of workers on the front lines in hospitals and other essential services. In the business context, CEOs have had to cope with extraordinary demands: for them, the pandemic has been an ultimate leadership test.

Over the past few months, we have spoken with business leaders around the globe about how they are coping both personally and professionally. Many told us about the microhabits—daily routines and ways of working—that they have adopted to help them and their companies weather this crisis and emerge stronger from it.

The pressures can seem daunting. Coping with the sudden shutdown of the global economy was hard enough; figuring out how to restart in such an uncertain environment is, if anything, even harder, many told us. CEOs are expected to show “deliberate calm” and “bounded optimism.” Everyone wants them to demonstrate empathy—and, at the same time, be highly engaged and fact based in their actions. They are expected to make a positive difference in people’s lives with their leadership and wield both telescope and microscope adroitly—that is, have both a coherent long-term view and a set of effective short-term fixes at hand. Yet, for all their expertise, they are grappling with many new questions for which they don’t have answers, even as their teams look to them for direction. The COVID-19 crisis is a once-in-a-century event, and no training or experience in previous downturns has prepared CEOs for it.

Some are energized by the challenges and feel closer than ever to their teams. “There is far more personal contact,” said the CEO of a leading financial-services company. Others are taking a step back to reimagine their company and industry. Even so, exhaustion can quickly set in. CEOs have been “on” pretty much 24/7. Downtime is a precious rarity: “You no longer even have that 15-minute nap when the airplane takes off.” And that’s just work.

Taking care of yourself

As a CEO, you’re expected to take care of everyone—but who will take care of you? Fatigue may cloud your judgment and interfere with your ability to process information and remain levelheaded. As one CEO told us, “Don’t ignore your body. You are invincible until you are not.” Take a cue from those safety videos on airplanes: put the oxygen mask on yourself before you put it on the person next to you.

Replenish your mind and body

Find the time for simple daily routines that can preserve your mental and physical stamina. Start with your own feelings. It’s important that you are demonstrating empathy, but now you need to be open to empathy from others. As one CEO told us, “It is fine to admit that you sometimes feel powerless or unprepared for this crisis.”

We heard a number of tips from CEOs about keeping upbeat and finding new sources of inspiration. Some are as simple as waking up every morning with the same question: “What’s going to be nice today?” Sharing a sense of gratitude is a powerful daily habit. “Don’t forget to be kind to yourself,” said one CEO.

In this pandemic, business leaders sometimes feel like that king in Greek mythology condemned to pushing a rock up a hill for eternity. To avoid burnout, they need to tap into new sources of energy. CEOs we talked with have their own favorite methods. One is to identify those moments when you’ll especially need an energy booster. If it’s after lunch, “set up a regular early-afternoon call with someone you like.” If you know you have some stressful calls ahead, take a walk. Exercise is a tested way to restore energy; you could plan sports at home or around the office during your lunch break a few times a week. One CEO told us he stopped holding Friday afternoon meetings to enable everyone to catch their breath. Sleep needs to be a priority rather than an afterthought; one leader told us she makes sure to catch a good night’s sleep on a Thursday so that she can start the weekend fresh. Banning phones, tablets, and other screens from the bedroom is a good place to start. Try picking up an old-fashioned

CEOs can feel alone at the top—but they need to get out of their own lockdown.

book for 30 minutes—several CEOs told us that it works well for them.

Break out of your isolation

CEOs can feel alone at the top—but they need to get out of their own lockdown. How else will you know whether your teams are critical of what you're doing? Who will provide feedback on your management decisions? There's an old joke in the military that those who make general or admiral are told: "Congratulations. You'll never eat poorly again. And you'll never hear the truth again." That's also the risk for CEOs.

During the pandemic, many put in place mechanisms to ensure that they received unfiltered information and contradictory viewpoints. That meant finding sources of objective, trustworthy, and good-quality information; having direct contact with operational teams; and being able to gauge the sentiment of clients, stakeholders, and even medical experts. To follow that practice, you'll need a few individuals, both internal and external, who have the courage and independence to speak frankly and challenge you.

Family and friends are also key to breaking your isolation. Make even more time for them, not least because they are also living the crisis vicariously through you. An unwavering commitment to established routines with your family can help sustain a balanced life. Being locked down has actually made that easier—for example, it means you can cook meals together. One CEO told us he loves starting the day by having breakfast with the kids, asking them, "What did you learn yesterday?"

Adapt your personal operating model

With this crisis, it's more important than ever to know your strengths and pace yourself. You may need to delegate more, engaging others to help, if you find managing the multiple demands on you too tough. It also means being particularly careful with your time management. Some CEOs have told us that the travel ban stemming from the COVID-19 crisis has helped them unlock valuable personal time—even as they have ramped up the volume and frequency of meetings via video. "We're all discovering how much of a capacity trap travel is," the CEO of a leading global consumer-goods company told us. "I feel a quite calming sense of control over my own time because I'm just less backlogged, less tired."

It is easy to be overwhelmed by videoconferences or email; some CEOs told us the volume of their email has more than doubled during the crisis, as employees and other stakeholders turn to them personally for answers. To manage their time better, some are capping the length of internal meetings to 20 minutes or 45 minutes rather than an hour. They're also more inclined to pick up the phone. In the current climate of physical distancing, "a quick call can be more effective and more human" than email, one CEO told us.

Seizing the moment

Once the crisis is over, everyone is likely to remember how CEOs acted during the pandemic. To pass this toughest leadership test, CEOs are paying even more attention to what they say and do.

Adjust your narrative

CEOs are used to creating a narrative about their leadership agenda when they first move into the job. In the COVID-19 crisis, those are being updated to help employees, customers, and stakeholders make sense of their actions.

Being more directly personal is one way of bolstering a change of narrative. One CEO openly shared his insights from the lockdown, talking about the importance of connections with colleagues to frame the behaviors and ambitions he would like to see in his teams. “Bonding with colleagues can help increase everyone’s individual resilience and grit,” he says.

Many CEOs are talking more often about their own and their companies’ purpose and the values they stand for. “When you are a telecom company and you start producing ventilators for the local hospitals, your company’s purpose takes a new meaning. I have had many more dialogues around what we stand for than I used to,” one CEO told us.

The audience is also bigger. COVID-19 has flattened organizations and increased the intensity of communication: CEOs talk more often to colleagues previously addressed by line management. “Normally, when you have challenging news, you really like to have your frontline leaders communicate it because they have a relationship with their colleagues,” the CEO of a healthcare-equipment company told

us. “For the pandemic, I did global town halls, and I’m super candid: I gave the good news and the bad news. I expressed gratitude directly and skipped all the management layers.”

Create symbolic acts

In a crisis, a leader’s steps are subject to intense scrutiny and overinterpretation. During this pandemic, CEOs have had to be extremely thoughtful about the nature and sequence of their actions to illustrate the new style of management and the new priorities. It’s striking to note that, in many companies with a clear direction, the leadership team frequently refers to an event that achieves almost legendary status—essentially, a foundational myth—even if it dates back a few years. In usual times, this could have been an off-site retreat at which the management team bonded over a new strategy.

During the COVID-19 crisis, more symbolic and surprising moments offer themselves up, as companies contribute to society more broadly. Some CEOs are giving up their pay; others are donating their bonuses to relevant charities linked to corporate initiatives or to fight COVID-19 directly. They are also spending more time on the front line. Several CEOs told us that they have quietly tested out their digital channels’ capacity, acting as “mystery shoppers” to see how well their companies perform for customers—and how they stack up against competitors.

Many CEOs are talking more often about their own and their companies’ purpose and the values they stand for.

Others are making their physical presence felt: the CEO of a sports-equipment maker personally greeted customers in e-commerce drives on Saturdays to welcome them, listen to their concerns, and role-play to his teams the new way of serving customers. The CEO of a major private-equity firm said he has been talking to employees about previous crises after discovering that about half of them weren't working during the 2008 global financial crisis and 70 percent hadn't experienced the 2000 dot-com crisis. "For the young people in our organization, this is the time you will learn more and create more opportunity for your career than any other time. We have to essentially tell the stories, build the lore, and keep the connection because there's a fair amount of anxiety."

Finally, to give their employees and themselves a much-needed moment of levity, some have made an impromptu appearance in employees' yoga sessions, Friday night after-work drinks (now over video), organized music nights, and even videoconferences with their pets.

Mobilize the troops

If there were ever any doubt about it, all CEOs we interviewed told us their teams make the difference more than ever. "During this pandemic, the cohesion of your team is absolutely critical," one told us, echoing many others. CEOs said they have learned to appreciate their teams in new ways—often meeting their kids and visiting their homes over video. One leader makes a point of starting every single meeting with a note of appreciation for his team's achievements. The crisis is also revealing the team members more prone to panic under pressure—and those taking the intensity in stride.

Many CEOs now talk to their team multiple times a week instead of once every two weeks. The global management team at a major manufacturing company used to meet four times a year; now, it convenes three times a week. The conversations are also different, "much more focused on real business decisions at hand, and we skip the generalities," one CEO told us. Another describes

how the crisis has lifted her own and her team's "metabolic rates." Postcrisis, she wants to retain that faster pace of interaction.

Additionally, many CEOs have noticed how smaller, decentralized teams with a clear mandate and direction have been able to make decisions more effectively than in the pre-COVID-19 governance. The greater efficiency also has come about because interpersonal politics have diminished at the top, one told us. "We have learned to trust each other much more," said the CEO of a global consumer-goods company. "We are doing things at an incredible pace as a company as people rapidly flip into problem-solving mode. Standing up whole new factories in days. We're revising our strategy in two weeks. And I think it'll be more right than wrong."

Staying ahead

In a crisis, it can be easy for CEOs to busy themselves with urgent meetings and operational issues. But the tendency to make yourself busy can also mask an underlying vulnerability: it's a way of showing you are in control, just when you fear you may not be. To be truly effective, you need to be a leader who can look beyond the daily conflagrations, thinking and planning for the longer term even as you put out the fires raging around you.

Tune in to your stakeholders

Given the pace of change and heightened scrutiny of CEOs' every move, they need to be particularly attuned to their stakeholders. That starts with the board and key shareholders, who typically define the CEO's mandate. In this fast-moving crisis, business leaders need to reconfirm what their objectives can and should be. In general, interactions are more frequent: quarterly board meetings in some companies are now weekly. At the same time, the chairs of several global companies have told us they are deliberately giving CEOs more leeway than usual to tackle the crisis, in the interest of more rapid decisions commensurate with the situation. "It's time for the board to step back a bit," said one.

Other stakeholders are looming larger, too. Governments are playing more prominent roles in the economy. Employees are relying on you as the CEO to make the right decisions, not just for the company but also for their own livelihoods. Clients, regulators, and the public are also watching more closely, as the audience for business news has risen. Some of these expectations can be contradictory, which makes it essential to sort through them and figure out which ones are the ones you need to meet—and which ones your new strategy can exclude.

Keep an eye on the end game

Every day in this crisis can seem like an eternity, yet the decisions you take now will shape your legacy as a company leader. What should that longer-term view be? The vision you sketch out could focus on specific and tangible goals: classic metrics such as profitability, growth, market share, and so on. But you will also need to have in mind an end game of sorts, a broader vision that incorporates goals such as the ultimate purpose of the company, the values it stands for, and the sorts of people it will and won't attract as employees and as customers.

Some companies are focusing on themes such as sustainability and climate risk that were already significant before the crisis—and which some CEOs expect to loom even larger once the pandemic has abated. "This is an opportunity today where you need to build the world in a better way," the CEO of a leading industrial-manufacturing and -technology company told us. "This is one of the biggest responsibilities we have as leaders."

To help think through longer-term priorities, CEOs are trying to set aside explicit time to think about what's next. The head of a US grocery chain told

us he takes a half day with his team every week to think collectively about the future, seeking to frame the questions rather than the answers. "I find that incredibly liberating. You get away from the day to day." Many CEOs agree that this is the time to accelerate change. "We are in a grace period where my organization expects change and is ready to accept it," we heard. Another CEO said, "This is the moment to shape our market."

While having an end game in mind is key, staying focused on it can be challenging. There are so many problems that need resolving right now that CEOs can quickly be pulled in multiple directions. Some are opting for radical simplification—focusing only on a handful of priorities and leaving the rest to their teams—and have been surprised by just how effective that is showing to be.

The COVID-19 crisis is proving to be a revealing test of leadership. Emerging from it strengthened, compassionate, confident, forward looking, and successful will be those leaders who can cope with the extraordinary personal and professional challenges. They will be the ones who know themselves the best and can respond to the many challenges. Unlike in Greek mythology, there is no external deity who will fly to the rescue. But embracing and adopting a set of thoughtful, tested, and far-sighted microhabits can be a recipe for both business success and personal well-being. Not all of these ways of working will endure once the crisis has abated, but new habits that prove effective in the heat of the crisis can stick—and help CEOs become better leaders.

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Demonstrating corporate purpose in the time of coronavirus

Companies will define what they do in the crucible of COVID-19 response—or be defined by it. Here's how to frame the challenge.

by Bill Schaninger, Bruce Simpson, Han Zhang, and Chris Zhu

What should a company's purpose be when the purpose of so many, right now, is survival?

For years, enlightened executives have sought the sweet spot between their responsibility to maximize profits on behalf of shareholders and their desire to find a purpose across environment, social, and governance (ESG) themes on behalf of a broad range of stakeholders, including customers, employees, and communities. Then COVID-19 came. As businesses large and small shut their doors, and millions retreat to enforced isolation, the magnitude of the coronavirus crisis confronts corporate leaders with the economic challenge of a lifetime. It also demands of them a moment of existential introspection: What defines their company's purpose—its core reason for being and its impact on the world?

In boardrooms real and virtual, frantic questions have the floor. How long will this last? How will we pay furloughed workers? What are our peers doing? What should we do first? Global corporations have never had as much power as they do right now to leverage their scale to benefit society in a time of global crisis. Executives have also never had a more intense spotlight trained on their behaviors and actions. In moments of crisis, the default expectation is that businesses will hunker down and focus on bottom-line fundamentals. Indeed, many CEOs feel constrained to making defensive moves to protect their businesses. But in this crisis, stakeholder needs are already so acute that the opportunity for businesses to make an indelible mark with human support, empathy, and purpose is greater than it has ever been.

Lessons from the past loom large. During what feels like a war, the words and images of wartime leaders echo in our consciousness as icons of resilience and human concern. In previous periods of economic shock, executives' actions, both good and bad, lodged in company histories and forged perceptions that have endured for years. Decisions made during this crisis will likewise shape a corporation's identity and tell a story that will leave traces long after COVID-19 has been quelled.

In this crisis, executives will choose either to stay on the sidelines or to engage and, if engaging, either to lead or to follow. Those who have carefully honed a sense of company purpose will find a foundation and set of values that can guide critical and decisive action. For others, this moment can represent the first steps toward defining their corporate purpose in a deliberate way. Is this the moment when purposeful companies demonstrate how to use profits for good or that shows how everything a company does can be for good?

As boardrooms become war rooms, a handful of principles can help guide executives in shaping a critical course of action and building a powerful sense of identity and purpose that will long outlast the immediate crisis.

Understand how acute your stakeholders' needs are now

Examine exactly what is at stake for your employees, communities, customers, partners, and owners. All will have urgent, rapidly evolving needs that you should fully understand and prioritize. Some of these needs will be new and require creative thinking. Listen carefully to stakeholders that are well placed to inform you. Among grocers, for example, the needs of employees, customers, and service to broader society often stand front and center. Nonetheless, stories of some grocers gouging prices have surfaced as the crisis has intensified. Others, such as Canadian grocer Loblaws, moved quickly, as physical-distancing measures spread, to open stores early for elderly shoppers while also increasing compensation for frontline workers and pledging to keep prices at prepandemic levels.

Prepare for tension, too, as trade-offs arise among stakeholder groups, each with their own important needs. For example, increasing the pay of frontline workers might raise the prospect of cutting back on supplier bills. For retailers and delivery services, shutting down warehouses temporarily to keep workers safe might mean customers have to wait longer for deliveries.

Collaborate closely with your ecosystem of suppliers and customers—they might identify strengths you didn't even know you had.

Bring your greatest strengths to bear

What strengths does your organization possess that you can apply to make the biggest difference for your stakeholders? A strong balance sheet might be the means to sustain workers through the crisis. A unique logistics network could be used to bring aid to people in need. A manufacturing facility could shift production to creating urgently needed medical supplies. Resist going it alone. Collaborate closely with your ecosystem of suppliers and customers—they might identify strengths you didn't even know you had.

Small businesses and large corporations alike are redeploying their capabilities to respond to this crisis: a wedding-dress boutique in New York responded to postponed orders by shifting to produce protective masks for healthcare workers, while French perfume makers have retooled to pump out hand sanitizer. Automobile and car-parts makers have turned to building ventilators. Past lessons can inform creative thinking: when rural Tanzania needed critical medical supplies in 2010, Coca-Cola used its extensive last-mile delivery system to reduce delivery times to five days, from 30. Stepping into the public sphere in the heat of a crisis can unleash unique synergies and creative solutions that will linger.

Test your decisions against your purpose

At a time of great uncertainty, “gut check” your decisions against your values as a leader and as

an organization. Do your choices align with your identity? Everything you do now will be analyzed after the dust settles. Will your actions and identity be seen as consistent?

Communicate not only your decisions but also the rationale for them—and the trade-offs you considered—clearly. Can you explain decisions to skeptics? Will what you decided be a source of pride? In the financial-services industry, many bank executives report credit loss as their most acute concern, followed by liquidity and funding. But banks also have a long-standing social commitment to support households and businesses with credit. Banks that pull funds away during a crisis will be defining themselves for future interactions in the communities where they operate.

Finally, if you have embraced initiatives in ESG areas, don't borrow from one to support another—don't risk appearing to “rob Peter to pay Paul.” The temptation may be to scale back environmental programs to support acute social needs better in this crisis. But beware of seeming to abandon deeply held stakeholder causes; supporters will have long memories.

Involve your employees in the solution

Any crisis provides an opportunity to build a common sense of purpose with your employees, who will be looking for leadership and ways to engage themselves. It can also deliver the benefit

of bringing a new generation of leaders to the fore. It may be tempting to withdraw into small, tight decision-making task forces to make key decisions as quickly as possible. But purposeful leaders will want to share execution plans broadly with staff to solicit input and engage them on the challenges the organization faces—including the difficult trade-offs to be made.

Many employees and their families are suffering from isolation and loss of income, leaving them thinking about what is truly important. Crisis leaders' actions now can foster collective unity and a sense of belonging. When those decisions derive from the principles and purpose that an organization stands for it will make it easier to convey confidence in positive outcomes, even when decisions are painful ones.

There is also a benefit in drawing employees together to tackle problems in new ways. For example, forming cross-cutting teams to address problems can break the mold of years of siloed thinking. As Hurricane Katrina took its toll on the United States in 2005, Walmart stepped up to support disaster relief and asked some employees to deliver supplies in hard-to-reach areas. At the same time, the company guaranteed that all employees in disaster locations would keep their jobs at other locations during and after the disaster. When Hurricane Harvey landed in Houston in 2017, Texas Mutual Insurance took immediate steps to ensure the safety of its employees by shutting down its offices and providing supplies and company cars to affected staff. The company also supported its larger community, providing \$10 million in grants to help policyholders rebuild.

Lead from the front

Leading in a crisis is never easy, but hard times leave the most indelible imprints on a company's identity. Credibility is a both essential and fragile

element of effective leadership. In a recent McKinsey survey of US workers, 82 percent of the more than 1,000 respondents affirmed the importance of corporate purpose, but only 42 percent reported that their company's stated purpose had much effect. This is a cautionary tale about the generic nature of most companies' statements on identity but also the identification of an opportunity to surprise and sway skeptical stakeholders. Authentic actions will demonstrate to employees a company's genuine commitment to social purpose.

Communicate early and frequently, even with incomplete information. Remember that, right now, suffering stakeholders seek empathy but are also looking to leaders to face facts bluntly, without sugarcoating them. Stay nimble as situations change, which they certainly will. Adapt to changing conditions and new information rather than returning to a static playbook. Offer perspectives on today's crisis details, with a microscopic perspective to reassure stakeholders of competence. However, also take a telescopic view of what recovery may look like in the future. At some point, the COVID-19 crisis will pass. Households and companies alike will take stock of their losses and begin to rebuild. Acting in concert with the tenets of your organization's purpose will help balance these perspectives and demonstrate confidence in your company's ability to deliver a good outcome.

Executives are uniquely poised at this pivotal time to bring corporate power, guided by social purpose, to the aid of millions of dislodged and vulnerable lives. Done well, their actions in this crisis can bridge, in unprecedented ways, the divide between shareholders and stakeholders in the communities they serve—and leave a lasting, positive legacy on their corporate identity.

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Lessons from the generals: Decisive action amid the chaos of crisis

Inspiration drawn from crisis-management professionals can help decision makers in the COVID-19 pandemic.

by Yuval Atsmon, David Chinn, Martin Hirt, and Sven Smit

In the midst of chaos, there is also opportunity
—Sun Tzu

The world today can make us feel like we are living under occupation. The coronavirus pandemic has resulted in lockdowns in many communities, taking away our freedom of movement and assembly. It threatens our lives and is destroying our economies. In these warlike conditions, the battlefield is moving fast from safeguarding our lives to safeguarding our livelihoods. These are two massive fronts, evolving at exponential speed, and no one has more experience in responding to such conditions than professional military leaders do. Military commanders are accustomed to operating under a fog of uncertainty and great time pressure and to making myriad decisions with fateful consequences—some tactical, for winning a battle, and some strategic, for winning a war.

In a time of crisis, there is a premium on bold leadership and decisive action. Military-command structure—the management system used by armed forces during major conflicts—is a framework explicitly set up to handle issues that represent true danger and that escalate at an enormous and unpredictable pace. Developed over millennia to handle the most demanding emergencies in human history, it is a system of response that goes well beyond the crisis team you have likely already established in your organization. The current pandemic, with its unparalleled scale, complexity, and severity, requires a unique playbook and new operating models. At the same time, you need to plan ahead for the structural changes it will trigger in many industries, which will present both significant challenges and opportunities.

If there is one big takeaway from the world's response to the COVID-19 outbreak so far, it is that we have been too slow: too slow in preparing for the virus, too slow in reacting to its spread, and too slow in putting in place lockdowns. The one exception has been the economic-policy response—many countries moved with unprecedented speed to

approve funds to cushion the grave impact of the lockdowns on communities and businesses.

Nevertheless, the number of issues hitting companies today is escalating rapidly as the economic impact spreads. After overwhelming healthcare systems, the pandemic is overwhelming businesses. We are heading for an economic shock bigger than any since World War II—and business leaders struggling to respond can learn a great deal from military generals.

There are three main insights we can draw from military crisis management:

- *A military-command structure* can help reduce confusion and enable faster, better decision making in your organization.
- Managing simultaneously *across all time horizons* based on an integrated, strategic crisis-action plan is fundamental to reducing chaos and accelerating decisions.
- Age-old *principles of war* can help keep your organization focused and motivated, improving its chances of achieving objectives.

Many business leaders have already taken decisive actions in responding to the current crisis with speed and resourcefulness. Now they are increasingly shifting their attention to planning not just for the days ahead but also for an extended period of uncertainty—and potentially a very different world—after COVID-19. We have interviewed a number of generals on the subject and learned that the practices and mindsets of military organizations can provide valuable guidance for all those time horizons.

Military-command structure: Divide and conquer

Military organizations are obsessed with achieving clarity on who does what and who makes which

decisions. The reason is simple: in chaotic situations, it is essential to focus everybody on what they do best and delineate their fields of responsibility clearly.

Unlike businesses, which tend to assign crisis response to a single war room or management group, a wartime command establishes several teams charged with distinct tasks (Exhibit 1). While the specific names and roles differ among military organizations, they usually cover four areas:

- **Insights team.** This team focuses on *finding the truth* by collecting intelligence, analyzing internal and external conditions, and testing hypotheses.
- **Operations team.** This team concentrates on *delivering results* by coordinating urgent activities and driving the execution of command orders.
- **Plan-ahead team.** This team is responsible for *creating scenarios and recommending strategies and actions*. It often operates as multiple subteams, each of which addresses a different time frame or challenge. Together with

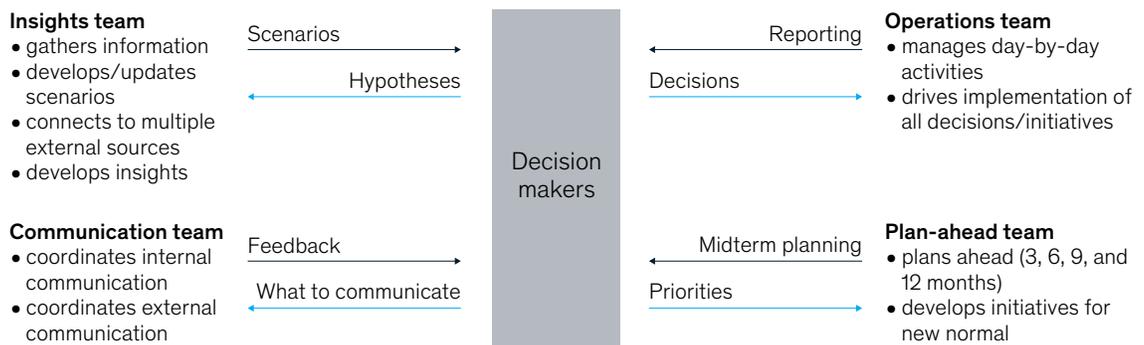
the relevant decision-making groups, these teams facilitate analysis and debate and then make decisions that become orders for the operations team to execute.

- **Communication team.** This team focuses on *providing timely information* to a broad set of external and internal stakeholders in a cohesive way.

Although military organizations are inherently hierarchical, their decision-making structure is very flat. Subordinate commanders always have a direct line to their chains of command, and while they make numerous decisions themselves, the command structure is there to support one ultimate decision maker with the information needed to move quickly. The commander sets a direction, transmits their intent to the organization, and then relies on subordinates to make the right judgments based on the information they have. This level of delegation goes beyond most corporate leaders' usual comfort level, but in a crisis, they have to be willing to act based on incomplete information. They also must accept that some of the decisions (both theirs and

Exhibit 1

In times of crisis, businesses can establish teams with specific assigned tasks to support the decision makers acting as wartime command.



Source: Interviews with select high-ranking generals

In dealing with uncertainty, military organizations develop plans across several time horizons and separate the thinking from the doing.

their subordinates') will be wrong but that acting is less risky than inertia.

As former US secretary of defense General James Mattis has said, "Operate at the speed of relevance" by encouraging simpler approval chains and higher willingness to adapt quickly. Especially during crises, the type and frequency of reporting must be managed in an agile way. Understanding what information is relevant, for whom and by when (as facts are constantly changing), is a big part of winning the battle.

Accordingly, the structure of military-command teams is modular and scalable. As new issues arise, fresh teams are formed to focus on solving the emerging problems. For instance, each plan-ahead team is charged with addressing a specific task or requirement on a single event horizon, such as how to ensure a continuous supply of equipment, ammunition, fuel, and food under a given scenario that presents unique logistical challenges. Each team brings together the cross-functional expertise needed to map and stress-test options rapidly and is dissolved once that task is complete.

Make no mistake: while this structure provides an effective division of labor and improves clarity about accountability, it is constructed in a lean and efficient way, with a vigorous bias for action. These teams conduct analyses rapidly. They reserve significant time for regular, high-quality updates and dialogue with top leaders to build and maintain

organizational trust and to support a shared understanding of evolving conditions.

Integrated planning across time horizons

Napoleon's second military maxim states, "In forming the plan of a campaign, it is requisite to foresee everything [the enemy may do] and to be prepared with the necessary means to counteract it. Plans of campaign may be modified, ad infinitum, according to circumstances." Some 150 years later, Dwight Eisenhower captured a similar idea more succinctly: "Plans are useless, but planning is indispensable."

In dealing with uncertainty, military organizations develop plans across several time horizons and separate the thinking from the doing. Consider the approach of the US military (Exhibit 2). There is clear separation between running current operations and planning future ones. Whereas planning teams are assigned ad hoc to support specific tasks, working groups are embedded in the permanent organization to develop, maintain, and leverage expertise and to provide analysis and recommendations on more enduring challenges.

Within current operations, there is almost no interaction among these teams. Working groups execute actions based on their expertise, and planning teams help the command with urgent tasks. In future operations and planning, the role of the planning team is to coordinate and pull expertise

from the working groups in a much more integrated way. The US military's doctrine additionally divides the work between near- and long-term planning.

In our article "Getting ahead of the next stage of the coronavirus crisis," on McKinsey.com, we provide more detailed guidance on how to structure plan-ahead efforts in a nonmilitary context. Different issues are at stake within each time horizon, which is why we suggest organizing planning efforts not just in near-term and long-term intervals but in very specific time windows (Exhibit 3).

Consider, for example, the challenges facing grocery retailers today. Along with heroic healthcare workers, food retailers' field teams provide vital services on which we all rely. They work under enormous pressure at high personal risk and often for low wages. Keeping employees (and customers) safe, maintaining high staff morale, and creatively addressing immediate supply and capacity

issues can easily be all-consuming tasks for retail management—pressures that will only rise as more staff (and family members) are affected by the pandemic.

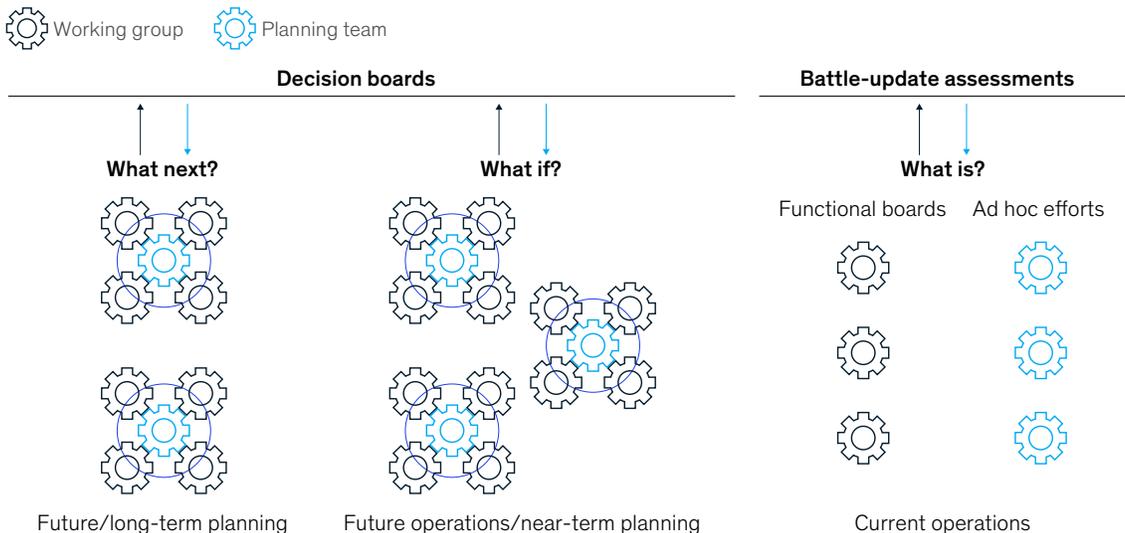
Yet grocery retailers must also think a few weeks ahead, using detailed models to understand the likely shifts in demand and supply-chain breakages and to ramp up temporary labor. They need to consider how the lifting of lockdowns will affect demand and how they will need to adapt their offerings and workforces as life starts to return to normal.

Then there is a longer horizon still. The retail industry, already facing massive disruption by a number of forces that are likely to accelerate (e-commerce being a prime example), will see the emergence of new challenges. Even as some grocery retailers struggle to fulfill skyrocketing levels of demand today, they need to prepare for the possibility

Exhibit 2

When managing under uncertainty, separating the running of current operations and the planning of future ones is helpful.

Management of multiple time horizons, US military example



Source: Joint publication 3-33, US Joint Task Force Headquarters, January 31, 2018

Exhibit 3

A strategic crisis-action plan guides responses to a crisis's unfolding stages.

Starting position (baseline and crisis context)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Videoconferencing platforms will run out of capacity Need to increase ventilator production 4-fold Exports 40% down Government bailouts offered	Capacity running out Supply-chain instability	Liquidity position	Growth likely to return	Business challenged postcrisis (eg, cruise ship) Business demand greater postcrisis (eg, home delivery)

Scenarios (issues and opportunities)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
All exports shut down Share buyback unwise Need for/consequences of accepting government bailout	Access and nonaccess Claims on production Collaboration across players	Nationalization M&A wave Market rebound ahead of fundamentals No revenues Price controls	Still not recovered Quarantine still needed Surveillance government	Business returns to normal because of testing (eg, hotels) Drug approvals much faster Pace of all delivery expected to stay at crisis-level pace

Posture and broad direction of travel

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Back to normal in 8 weeks Back to normal in 6 months Independence	Lean into government crisis response to get access	Through cycle, with good balance sheet Mothballing	Back to business as normal or reset	Will now be model of 21st-century cooperation Resilience over profit; more working capital

Strategic moves (options, safety nets, and no-regrets moves)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Scale capacity now Ship last supplies Split workforce Accept partial bailout	Push for critical-product funding Work to reopen exports safely to get supply Support clients and suppliers in critical areas	Test tourism to get back to work Massive testing 50-50 workforce quarantine	Keep certain projects; stop others	Prioritize investments now based on what what will be necessary in future

Trigger points

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Availability of machines Government-bailout deadline	Analyze tier ≥3 suppliers to reveal critical-supplier exposure/extended shutdowns because of crisis	Analyze 13-week cash flow for liquidity challenges across scenarios	50% of geographic market regions facing demand drawdowns after Q4 2019	Significantly lower number of new-project opportunities because of market-segment shift

To achieve an objective in a complex situation, you need a goal simple and clear enough for everybody to understand. Activities that do not promote the goal should be paused.

that the current crisis will erode their long-term competitive position relative to leading e-commerce rivals. To mitigate that risk (or, in some cases, to benefit fully from the opportunity), they will need to act boldly to transform their business models and reshape their ecosystems, including through M&A.

Applying the principles of war to business leadership

From Sun Tzu's *The Art of War* in 500 BC to Napoleon Bonaparte's *Military Maxims of Napoleon* and Carl Von Clausewitz's influential *Principles of War*, there are many time-tested tenets that military leaders around the world have internalized. Foundational to leading large-scale organizations in times of chaos and enormous challenge, those doctrines cover themes central to strategy and leadership today:

— *Strategic principles:*

- Select and focus on an *overarching goal*. To achieve an objective in a complex situation, you need a goal simple and clear enough for everybody to understand. Activities that do not promote the main goal should be paused to conserve resources.
- Maintain *resilience* as the crisis unfolds. That entails balancing the likelihood of losses

against accomplishing critical objectives. It demands managing risk, protecting high-value assets, and focusing resources on achievable goals.

- Embrace *offensive action*. Such action implies a vigorous, incisive approach to making use of opportunities.
- Inject *elements of surprise and innovation*. They can enable you to seize the initiative, which may be a critical precondition for success. For example, during the current crisis, new ways of thinking (including breaking some rules) can increase healthcare providers' treatment capacity and enable businesses to get people back to work faster or serve customers in need better.
- Accept that *concentration on the main effort* may demand economy elsewhere. It may not require the physical massing of resources, but you need to deliver sufficient fighting power to do the job at critical points and times.
- Conserve effort to *sustain* the fight. Leaders must prioritize economizing resources as they allocate them among different activities and actions.

— *Leadership principles:*

- Maintain *morale*. Under challenging conditions, this is crucial to success. High morale is characterized by steadfastness, courage, confidence, and sustained hope.
- Retain *flexibility*. To leverage the strength of an organization fully, a certain level of flexibility is needed to encourage people to think creatively and be resourceful. This can be measured by individuals' speed of action and reaction or how quickly a commander seizes the initiative.
- Foster *cooperation*. Team spirit and training are fundamental in achieving objectives. Cooperation relies on three interrelated elements: mutual trust and goodwill, a common aim (or unity of purpose), and clearly divided responsibilities.

bitterly disappointed to be turned down, missing his chance to leave an enduring leadership legacy. "If there is not the war, you don't get the great general; if there is not a great occasion, you don't get a great statesman," he said. "If Lincoln had lived in a time of peace, no one would have known his name."

This is a time to show that, like great generals, business leaders can empower their organizations to rise to the occasion collectively. Urgently launching a plan-ahead team, staffed by some of companies' best people moved out of their day-to-day jobs to work closely with top executives, will enable leaders to make timely decisions across multiple planning horizons. As the current crisis continues to evolve, CEOs have an opportunity to reshape their organizations to be leaner and stronger. By adapting the way in which they operate and adopting the lessons of military command, they can help assure their leadership legacy.

Times of crisis are the most profound occasions for leadership. As the United States entered World War I, former president Theodore Roosevelt pleaded with then-president Woodrow Wilson to let him coordinate the American response. Roosevelt was

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The ‘war’ on COVID-19: What real wars do (and don’t) teach us about the economic impact of the pandemic

Seven lessons taken from past conflicts may provide economic insights in a time of crisis, from government spending to sectoral implications.

by Gary Pinkus and Sree Ramaswamy

The specter of war is frequently invoked in discussions about the COVID-19 pandemic. Heads of state and government leaders from Donald Trump to Emmanuel Macron have employed wartime rhetoric to describe the crisis—“we are at war,” Macron declared in his March television address announcing a nationwide lockdown, while Trump has tweeted about the virus as “the invisible enemy.” And as the death toll rises in the United States, many have made comparisons to the number of those killed in the Vietnam War.

The past is not prologue, and the comparisons to war have limits and detractors (Germany’s president, Frank-Walter Steinmeier, for one, has said the pandemic is not a war but rather a “test for humanity”). Still, wartime analogies can be useful for an understanding of the potential economic consequences of this crisis. Wars last longer than downturns, and the economic cycle in which we suddenly find ourselves is unlike any peacetime cycle we have experienced in the past half century—including during the Vietnam War and in the aftermath of 9/11. In some key ways, the period we are going through resembles the fully immersed experience of a mass mobilization, wartime economy. While some European countries and parts of the United States are now starting to loosen lockdown measures, the duration of this “war” will be dictated by the time it takes to defeat the virus with effective treatments, vaccines, and immunity, and its depth will be dictated by how much and how effectively we mobilize.

Here are seven insights from a sweep through history highlighting parallels and some differences with today’s pandemic:

1. *This could go on much longer than we anticipate.* Years-long wars often don’t start with that expectation. At the onset of the First World War, in August 1914, Kaiser Wilhelm II told German troops they would be “home before the leaves have fallen from the trees,” and in England, the talk was about the war being over by Christmas. Churchill, then Lord of the Admiralty, used the

phrase “business as usual” in December 1914 to describe the maxim of Britain in the war. In the American Civil War, thousands of volunteers signed up for 90 days in the expectation of a brief conflict.

What does this mean for us today? Parts of the economy are slowly reopening, though in most cases the opening is tentative and will remain below capacity. Are we at the “end of the beginning,” or should we prepare for a resurgence in the fall or even sooner? History shows us we have been in this fog before. Unlike political leaders and the general public though, in most of those cases, military leaders—similar to some epidemiologists and medical experts in the early phase of the COVID-19 crisis—did expect the crisis to be drawn out and more painful than the conventional wisdom. In Britain in 1914, for instance, the secretary of state for war, Lord Kitchener, predicted a war lasting at least three years, with fighting down to “the last million” soldiers.

2. *Government becomes a much bigger actor in the economy.* As war expands, deficit-financed public spending ramps up to levels unimaginable in peacetime—slowly at first, then suddenly as the magnitude of the conflict becomes evident. Government becomes the primary actor and purchaser in the economy. At the start of the First World War, government consumption in Britain rose from 8 percent of GDP in 1913 to 13 percent in 1914; by 1915, it had shot up to 33 percent of GDP and peaked at nearly 40 percent in 1917, according to the Bank of England’s “millennium of macroeconomic data” set, the source of the UK statistics in this article. In the Second World War, America’s government consumption rose from 15 percent of GDP in 1940 (already up from 9 percent in 1930) to 48 percent by 1943. The increase in spending was supported by both taxes and debt. The US federal deficit, which averaged 5 percent of GDP in the mid-1930s before falling to zero in 1938, ramped up to 26 percent of GDP in 1943. Federal tax receipts

The public purse is already as stretched in many countries as it was at the end of the Second World War.

also rose, from 7 percent of GDP in 1941 to 19 percent by 1944 (US data cited here is mostly from Federal Reserve Economic Research).

What's different now? Public debt is much higher to begin with. By 2018, central-government debt was at 80 to 85 percent of GDP in France and the United Kingdom, 130 percent of GDP in Italy, and nearly 200 percent of GDP in Japan, according to International Monetary Fund data. At 106 percent of GDP, US public debt is already near its historical peak in 1946. US federal tax receipts have remained above 15 percent of GDP during the postwar period. Total assets on the federal balance sheet amounted to \$4 trillion in 2019—at nearly 20 percent of GDP, which is close to the ratio at the end of the Second World War—and in the Covid-19 response has increased to nearly \$7 trillion. Central-bank assets in the euro area also jumped by around €800 billion to €5.3 trillion in April 2020. The public purse is thus already as stretched in many countries as it was at the end of the Second World War. Yet if the “wartime economy” continues for longer than we expect, growth in government consumption is what will keep GDP growth going as households cut back on consumption, businesses cut back on investment, and exports fall.

3. *Wartime increases in government spending come with wartime mobilization of people and materials.* Britain's armed forces doubled in 1914 from 400,000 to 800,000—then

shot up to more than four million by 1917. During the Second World War, US military personnel grew from 330,000 in 1939 to two million in the European theater alone, with frontline troops making up roughly 40 percent, according to some estimates. To sustain such mobilization there were additional resources for infrastructure, logistics, and administration in the theater, as well as increases at home for the production of machinery and equipment, vehicles, and agricultural and mining output to support the war effort.

Could such a mobilization happen this time? In one sense it may already be happening—with an “at-home mobilization” of residents being asked or required to stay home, forgo paychecks, and risk unemployment. Government spending has ramped up to finance such a reverse mobilization, paying workers directly or through their employers, just as it did soldiers in war. Across Europe's five largest economies, more than 30 million furloughed workers continue to receive much or all of their pay via government subsidies to companies. In the United States, roughly half the Coronavirus Aid, Relief, and Economic Security (CARES) Act package includes direct payments to households (\$300 billion), expanded unemployment benefits (\$260 billion) and paycheck protection for employed workers (\$670 billion). The US at-home mobilization currently underway lasts through July 31 and amounts to nearly 6 percent of US GDP—roughly the US military budget's share of GDP

in 1942. In France and the UK, government payments to furloughed workers alone amounts to roughly 2 percent of GDP.

Such a reverse mobilization, if extended over a long period, could be in addition to a more typical “frontline” mobilization of two to three million healthcare workers, including nurses, technicians, healthcare aides, contact tracers, and testers. The labor mobilization could come with a mandated redeployment of capital and direct government contracts. One example is the \$2.6 billion of contracts with Ford and GE, GM, Philips, and a half-dozen other firms for ventilators, a contract whose value is 0.1 percent of the US government’s current \$3 trillion of final consumption.

4. ***Mobilization ramps up to absorb all the slack in the economy, tightening the labor market and raising inflation.*** The massive labor mobilization of wartime brings unemployment levels down—sometimes down to levels not seen in peacetime. Britain’s unemployment rate fell below 1 percent during the First World War as the civilian labor force shrank in size. Wages rose, and union membership doubled. The US unemployment rate in the Second World War also fell—from 17 percent in 1939 to 1 percent in 1944. Large-scale mobilization tightened the labor market and, combined with farm prices that were held high to ensure adequate food supply, contributed to inflation. In the First World War, Britain’s price index tripled from 1913 to 1920; in America, the periods of highest inflation in the 20th century, aside from the 1970s, were the years immediately following the two world wars.

Such a scenario seems implausible today. It is hard to imagine that many or most of the 30 million US workers that filed for unemployment (as of May 1, 2020), or the 30 million furloughed workers in France, Germany, Italy, Spain, and the United Kingdom will be absorbed by mobilization. Instead of a full-scale frontline mobilization of health workers and an at-home

mobilization of nearly everyone else, we may instead settle for a half-normal situation. The *Economist* calls this the “90 percent economy,” one in which travel and hospitality operate well below capacity, bankruptcies and financial hardships continue at a steady pace, and there remain persistent worries about a second or third wave of infections. In such a scenario, labor mobilization is unlikely to absorb much slack. The unemployment rate may be much higher than in prior war periods, along with a high risk of long-term unemployment, discouraged workers, and persistent distress in communities across the country. The relatively low mobilization of such an extended crisis may not contribute to inflation. In any case, over the past decade, inflation has remained persistently weak despite the longest economic expansion on record.

5. ***Wartime means major winners and losers among sectors.*** In recessions, economic resuscitation attempts focus on jump-starting the whole system, but in wartime economies, resources move quickly from one area to another. Governments call the shots for anything deemed strategic, from tanks to food. Britain’s steel output grew by 25 percent between 1913 and 1917; its munition output increased 40-fold in the same period. France and Germany saw even greater increases in their munition output. Meanwhile sectors that depend on households’ discretionary spending can see a fall in output—sometimes enforced by constraints. Between 1941 and 1944, for instance, urban American households reduced their spending on household furnishings, appliances, recreation, and entertainment by 25 percent, according to research by the US Bureau of Labor Statistics. Spending on automobiles fell by more than 50 percent as automobile factories were retooled for military trucks, jeeps, tanks, aircraft, vehicle parts, and munition. The dispersion of sector outcomes in wartime can be as wrenching as in the 2008–09 period (when automobile industry GDP fell by more than 50 percent, and many other industries saw 20–25 percent

declines in a single year) and last much longer than in most recessions.

During this pandemic, economic loss has been disproportionately in sectors affected by the lockdowns. Sectors such as transportation, recreation, hospitality, and discretionary retail make up 50 percent of households' discretionary spend, or about 10 percent of total GDP. These sectors are usually the ones affected by the impact of war on households' discretionary budgets. We haven't yet seen the reallocation in this crisis, as the government response so far is mostly in the form of transfers to households and businesses to maintain current allocations, not direct government spending to reallocate resources.

6. *War can end with a recession.* When war causes great physical destruction, as in France and Germany during the Second World War, urgently needed reconstruction can fuel long economic-growth periods—but that's not always the case. In the United States there was a recession after both world wars, the American Civil War, and the Korean War. Government consumption shrank quickly but households did not have the income growth to step up as economic engines. In some cases, inflation and central-bank action were additional triggers. The size and duration of the recession were affected partly by the backlash to rising public debt or inflation. America and

Britain saw sharp recessions in 1920–21, with falling farm prices and worker incomes, austerity measures, and high unemployment. In Britain, for instance, unemployment rose in the years following the First World War, reaching 11 percent by 1921. Historians suggest that some conditions for the 1929 crash and subsequent depression can be traced to policy actions immediately following the First World War.

What will happen when our efforts to defeat the virus end, for instance, with a vaccine? Some of the conditions for a postpandemic slowdown have already been seeded. Governments in many countries are taking extraordinary fiscal measures, and the end of war will be signaled by a pullback in those measures. The public debt could trigger concerns and calls for cutbacks and austerity (as has happened in our living memory after the financial crisis). Household spending has already been hit and may take time to recover if unemployment continues to be high and persistent. In the corporate sector, large firms may be more likely to bounce back from such a recession; smaller firms—especially those in smaller towns and nonmetropolitan areas—tend to be more vulnerable, and many may not survive. Trade growth had already been slowing since 2012 and could slow further if companies focus on localizing resilient supply chains (especially coming on the heels of tariff and “decoupling” concerns).

Household spending has already been hit and may take time to recover if unemployment continues to be high and persistent.

7. *The end of war can bring institutional changes and a better social contract.* The two world wars were followed by periods that saw a range of attempts to improve social services and reintegrate soldiers into the workforce and society. In Britain, France, and some other European countries, major welfare reforms were enacted during or at the end of the Second World War, including the introduction of universal social security in France and the Beveridge Reforms in Britain, which created the National Health Service. In the United States, the GI Bill gave returning soldiers an opportunity to upgrade their skills and education. The social contract between institutions and individuals was strengthened.

Could that happen this time? It may depend on the extent of mobilization. In a scenario of low mobilization and a half-normal economy, the COVID-19 pandemic could potentially heighten economic insecurity, which has grown for individuals in their roles as workers, savers, and consumers over the past two decades. The situation postpandemic would be very different from wartime precedents in such a scenario, with wages and inflation remaining subdued, interest rates remaining near or below zero, and high unemployment persisting even after labor mobilization. These factors would create major social and economic challenges for government and business leaders.

On the other hand, a full-scale healthcare and at-home mobilization could put us in a different situation. Just as previous wars brought forward labor-market changes, such as greater unionization, worker benefits, and increases in female participation in the workforce, this war could accelerate changes such as universal incomes, remote work, and greater resilience for households, workers, and companies in supply chains. With these changes we could end up with a renewed social contract that improves income security, expands access to technology, and creates a rising tide of productivity and economic prosperity.

“War is hell,” General Sherman famously remarked, and the pain and suffering caused by the COVID-19 pandemic is also proving hellish for many victims. The economics of the pandemic are also looking bleak, and the timing and strength of any recovery is still unclear. Amid the talk of U-shaped and V-shaped recoveries and forecasts for the new normal, we are also being cautioned that pandemics create unforeseeable breaks in trends and that mean reversion, or moving back toward the norm over time, may not be the most likely outcome. Wartime analogies may not all be appropriate or relevant to this crisis—but they do provide some indication of what’s likely to be an unpredictable road ahead.

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Applying past leadership lessons to the coronavirus pandemic

Three seasoned leaders describe what they learned from managing through past crises.

Savvy managers understand the fundamentals of crisis management, at least on the theoretical level. Their careers rise and fall on an individual's ability to rally their teams, project deliberate calm and empathy, take decisive action, and communicate effectively. The most fortunate among them have not had to face a crisis like the coronavirus pandemic now rampaging through the global community to devastating effect.

But there are managers out there whose stories and experiences of leadership in moments of disruption and upheaval can be instructive. To learn more, we spoke with three senior advisers to McKinsey with just such experience. Hugo Bague was group executive of organizational resources at Rio Tinto during the Ebola crisis in 2015–16. Jeff Cava was chief human-resources officer (CHRO) at Nike during two major economic crises, executive vice president, administration, at Wendy's in 2003, during the SARS outbreak, and CHRO for Starwood Hotels and Resorts during the financial and swine-flu crises of 2009. And Manley Hopkinson served as an officer in the Royal Navy during the first Gulf War, set a record skiing to the magnetic north pole, and has sat on the board of directors at Atlas Consortium, Hewlett Packard Defence UK, and Ark Data Centres. We spoke with them individually but present their comments here in a virtual roundtable format.

McKinsey: *During a crisis, top-down leadership doesn't always engender stability. What's your experience at balancing central control with delegating responsibility locally?*

Manley Hopkinson: It is vital that a leader resist centralizing control. The temptation in a time of crisis is for leaders to put themselves at the center of all activity. It's an understandable desire to ensure all is well, even though precisely the opposite is needed.

To decentralize and create a network of teams requires absolute clarity on intent and priority. A leader cannot empower a team if there is any uncertainty in direction or priority. And even while prioritizing short term and making priorities crystal clear, leaders still need to keep the long-term

direction and purpose in mind. On my race to the north pole, in our team of three, one person focused on the near and tactical, ensuring that we crossed each crevasse safely. A second person took the lead role and focused on the far horizon, making sure we did not go around in circles. The "leader" is not in front, making all the immediate decisions. They are following, navigating a course to the future.

Now, for example, I advise a number of organizations whose work is critical to the functioning of the United Kingdom's national infrastructure. For them, the safety of their people is paramount, but subservient to the integrity of the nation's ability to operate. This clarity of purpose, intent, and priority, long term and immediate, allows teams and individuals to be fully empowered. It enables teams of teams to make the right decisions, and it enables decisions to be made where the information lies. That is key.

Hugo Bague: Not every decision should be made by the central office headquarters. Local teams are often the best positioned to judge the situation on the ground—and their decisions should not be second-guessed. For example, in 2015, we had 4,000 employees in Guinea during the Ebola crisis. The mortality rate was high, so naturally we had to decide if we should send home all the expatriate employees—knowing that they would then lose all credibility and never be able to go back? We delegated that to the team. We said, "You are the best to make that assessment, because we can't judge the health risk on the ground for you as expats." And the team decided that the expats themselves would stay, but their families went home. After six months, we established a rotation so that expats could go visit their families even while maintaining skilled leadership on the ground.

Corporate couldn't have made that call. They would probably have brought everybody home. But let's be careful with words: autonomy doesn't mean in isolation. We said clearly, whether you stay in Guinea or not is your call. But we want to have a discussion with you to ensure that you've looked at it at every angle. And in the end, no employees contracted Ebola.

McKinsey: *That kind of collaboration takes work. What kinds of teams can do it?*

Hugo Bague: A team with defined roles and responsibilities can do it, but decision making must be even more clear and concise in a crisis than in other situations. There also needs to be accountability, so that even when there are different people and different departments giving input, at the end of the day, there is a single decision maker. That needs to be clear. And the whole leadership team should maintain discipline in speaking as one around a decision. There can't be any internal criticism or questions around decisions, because in a crisis the organization is fragile.

Jeff Cava: If there is a thin veneer of cooperation and collaboration, it will be immediately exposed. If, on the other hand, there are genuine, honest relationships among senior leaders, you're going to have a much better functioning crisis team. If there are weaknesses, if there are cracks in the team functioning, it will fray quickly in times of stress. It sounds obvious, but many leaders don't understand that when people are under extreme pressure, they revert to interpersonal styles that tend toward preservation over collaboration. If your team dynamics aren't in a decent shape, crises will amplify the dysfunction.

At Wendy's during the SARS crisis, we made decisions informed by people on the front lines. The way we were structured helped us. Our organization was structured in a way that allowed for the efficient communication of information from the stores up the chain to the C-suite. We had store managers

who were all connected to district managers who were connected to division managers who in turn were connected to the head of operations. We had a good communication network and we received great input. In the C-suite in larger corporations, we tend to focus on strategy, big ideas, in the abstract. But in these situations, we needed tactical decisions, and needed them quickly. We needed to address the issues in a way that makes sense in the environment of the store.

Manley Hopkinson: A coherent culture creates the environment that allows teams to work independently and with each other. A common understanding and common language of the tools of leadership and collaboration are vital. For example, when the whole organization uses a consistent tool for delegation, then delegation is consistently effective. It comes back to clarity again.

McKinsey: *Leaders want to come across as grounded and reassuring. But there's a fine line between reassuring and saying something that's overly optimistic. How does that play out in real-life communications?*

Manley Hopkinson: I love the expression "deliberate calm," recognizing the work of Albert Mehrabian on the emotional context of communication. As he quantified it, communication is 55 percent visual, 38 percent tone, and only 7 percent what you say. It takes a great deal of consciousness from leaders in the midst of crisis and upheaval to maintain a balance that is neither too negative nor overly optimistic. They need to recognize that they are always on stage but

There also needs to be accountability, so that even when there are different people and different departments giving input, at the end of the day, there is a single decision maker.

accept that they, too, are still human and can make mistakes. In a time of crisis, we need leaders to raise their levels of consciousness and be acutely aware of how they are being perceived.

Jeff Cava: At different times, we've had to make pretty sizable reductions in force. During the 2008 financial crisis, we reduced our nonproperty head count at Starwood by a substantial amount. After we did the first round, everyone wanted to say, "That's it, no more, you can all go back to your jobs—everything is great." I, along with others, strongly urged against that, and we didn't make that commitment. Because we didn't know what was going to happen. And indeed the economic situation did worsen before we finally stabilized and began recovering. People depend upon our statements as leaders and often plan important decisions based on the information we give them. To make a commitment of that importance and then not follow through destroys the trust that we strive to create with our associates.

It comes down to the old adage: honesty is the best policy. Ask yourself, "Is my statement absolutely true? If I'm required to do something to make it true, can I do it?" We couldn't promise uninterrupted employment, because we didn't know what was going to happen in the economy. This was an unprecedented economic disaster. The desire was to give people relief and confidence. But you can't give them false relief and false confidence. That's hard for a compassionate leadership team, but you have to push yourself.

Hugo Bague: In times of crisis and uncertainty, you need leadership to show stability. There are many things you don't know, but you can still bring stability by structure. We had daily calls and daily communications at a fixed time with all the employees through mobile phone—and we did that daily for 18 months. Bringing structure into the lives of people, you take things under your control. That helps with the mental health and stability of employees, which one should not underestimate in a time of crisis. People have questions around their families, their jobs, and many topics, so any stability you can provide is quite important.

Jeff Cava: At Starwood, I believe we were well positioned to communicate using all modalities. This was an internal capability we had built up over time—quick group videoconferences, real-time video clips that we could send throughout the world, well-crafted talking points and FAQs, local in-person group meetings with our CEO. We integrated communications in the internal machinations of the business. We didn't just call when we needed to communicate; our communications experts were part of the ongoing business operations and leadership team.

We had practiced crisis communications regularly throughout the year. We would bring representatives from the organization to participate in a simulated crisis and work together to resolve it in real time. That allowed us to do two things: pressure test our ability to communicate and the content of our messaging. But more important, it let us pressure test the personal and interpersonal relationships among the crisis-management teams before we were in crisis.

McKinsey: *Companies want to protect their customers and their employees but also be fair to investors and shareholders. How do you balance those objectives?*

Jeff Cava: Concern for employees and the communities within which companies do business doesn't need to be in conflict with concern for ensuring a going commercial enterprise. Boards in particular are concerned with both. Obviously, they have a financial duty to their shareholders and as importantly have a genuine concern for how their and the company's reputation are perceived. At the end of a crisis, management and the board will be judged by how well they balance this relationship. Successful solutions look for actions that can combine the best interests of both.

At both Wendy's or Starwood, the goal was to preserve the workforce. Both industries have high staff turnover. Employees often work hourly and have a lot of financial pressure. We needed to preserve our connection with them so they would continue to feel connected to the company. Hourly

workers can migrate quickly. If you don't create a genuine relationship between them and the business, they will lose and you will lose in the long term. I think boards need to keep that as a central theme in their considerations.

McKinsey: *Can you say more about how boards of directors balance concern for the humanitarian side of the crisis with their responsibilities to shareholders?*

Jeff Cava: Sometimes they can do both. But sometimes people get their goals and motives confused. A corporate board is very concerned with protecting its reputation. It wants a sensible business solution, operating in a constructive economic reality. But at the same time, it wants to be seen as altruistic to the general public.

As a leader, you have to be able to meet both objectives. You have to be able to present that you're not just concerned about your profits and balance sheet but also that you're concerned because it serves the greater good of those 200,000 employees. Because you'll need them and you're also concerned about the investment you've made in these people and that they've made in the company. This is going to serve your economic interests and well as their personal interests. This is the way the whole communication process and problem-solving process needs to be structured.

CEOs don't need to be bleeding hearts. On the other hand, they also shouldn't be so mercenary so they forget they're part of a system—of people, customers, and economic outcomes. They need

to approach the problem that way. Net-net for us, whether Wendy's or Starwood, a really important goal, as I said earlier, was to preserve the workforce. We needed to preserve them so they could preserve us, whether at hotels or restaurants. If you don't create stickiness between your associates and the business, they will lose and you will lose over the long term. I think the board needs to understand that.

Manley Hopkinson: Leadership based on understanding and not control—trusting that people know what to do—allows companies to turn a crisis around into an opportunity to shake things up. It allows them to challenge existing ways of doing things, to develop your people and let them take more responsibility. There's an opportunity to nurture a greater sense of empowerment and ensure the leader's thinking continues to include people's needs and growth.

Leaders in a crisis tend to stop what they consider to be peripheral activities to focus on survival. I've seen leaders who immediately stopped any leadership or personal development at exactly the point when their people were under most stress and most pressure, when their performance would be even more important. That is a fundamentally flawed way of thinking. People development and team building are not peripheral activities. They are key. It is in a time of crisis that you need to ask more of people. You need their commitment and energy, both to tackle the crisis and to continue a journey of growth when it's over. I have always been pleasantly surprised how people react and grow in crisis if they feel valued and empowered and if we can ensure, as leaders, that our actions reinforce that reality.

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This article represents edited comments from phone and video interviews moderated by Gila Tolub, a partner in McKinsey's Tel Aviv office.

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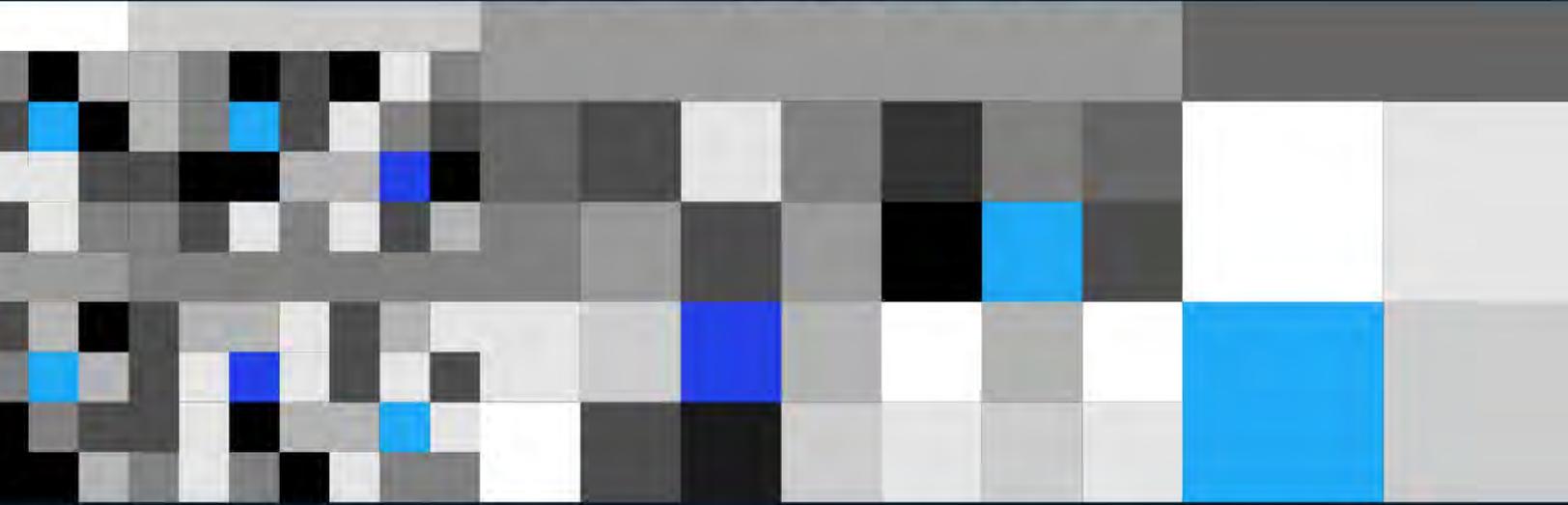


Illustration by Greg Mably

Want a better decision? Plan a better meeting

Effective meetings produce better business decisions. Yet too many decision meetings are doomed from the get-go. You can do better.

by Aaron De Smet, Gregor Jost, and Leigh Weiss

Decisions are the lifeblood of organizations, and meetings are where important business decisions often happen. Yet many executives are nonplussed—at best—when describing their own experience of meetings. Some business leaders we know wonder openly how they can dedicate so much time (commonly six to seven hours a day and often more) to an activity that feels so unproductive. “I spend nearly all of my time in meetings,” admitted one top-team member to us recently, “and I don’t get to sit down to think on my own until after 6:00 p.m.”

Many leaders will empathize. In a recent McKinsey survey, 61 percent of executives said that at least half the time they spent making decisions, much of it surely spent in meetings, was ineffective. And just 37 percent of respondents said their organizations’ decisions were both high-quality and timely.

How can senior managers get better, faster business decisions from the meetings they attend or lead? Certainly, getting steeped in best practices is wise, as there is a wealth of good thinking available on the topic of decision making (see sidebar, “Read me: Quick-hit recommendations for decision makers”). In the meantime, we recommend looking closer to home, namely at the preparation that should happen (but perhaps doesn’t) before your *own* meetings.

Try this exercise: take out your phone, open your calendar, and review today’s remaining meetings against the three questions below to see if you can spot any of the interrelated “fatal flaws” that most commonly sabotage meeting effectiveness. Besides improving the quality and speed of your team’s decisions and helping you make better use of your time, we hope the exercise helps you shed light on the underlying organizational dynamics and mindsets that may be seeding dysfunction in the first place.

1. Should we even be meeting at all?

Removing superfluous meetings is perhaps the single biggest gift to an executive’s productivity. Start by examining your recurring meetings, as these

are a fertile place for otherwise useful and timely decision topics to mutate in unproductive ways.

Consider the case of the healthcare company that held a recurring “growth committee” meeting that in principle should have been making decisions about strategic partnerships, M&A, and new lines of business but in practice rarely did. Meanwhile, the company’s executive committee (which included several of the growth-committee members, along with the CEO) also met routinely to cover the same ground—and was making the decisions.

Why the disconnect? Left unexamined, the growth-committee meeting had evolved over several years into a discussion forum and holding pen for topics to be decided by the executive committee. Moreover, the range of subjects the growth committee covered had widened considerably beyond its original remit. The meeting was, in effect, not only redundant but also confusing to managers further down in the organization about what decisions were being made and where.

While the company went on to remedy the situation and successfully streamline where decisions about growth priorities were made, the issues the CEO and top team had to confront went well beyond eliminating redundant meetings. For example, poor clarity around decision rights encouraged wide-ranging discussions but not decisions, and over time this behavior became a habit in meetings—a habit that exacerbated a general lack of accountability among some executives. Moreover, the team lacked the psychological safety to take interpersonal risks and thus feared making the “wrong” decision.¹ Together, these intertwined factors encouraged leaders to escalate decisions up the chain of command, as the growth committee had done. Had the CEO attacked the symptoms by only announcing fixes from on high (say, blanket restrictions on the number of meetings allowed, or introducing meeting-free blackout days—both actions we have seen frustrated leaders take), the problems would have continued.

This is not to say that time management isn’t part of the solution. It is, and if ingrained habits or

¹ To better understand how psychological safety operates in the workplace, see Amy C. Edmondson, *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth*, first edition, Hoboken, NJ: Wiley, 2019.

cultural expectations encourage meetings as your company's default mode, then soul searching is in order. If you are one of those leaders who reflexively accepts meeting invitations as they appear in your calendar, then you should hit pause. Your goal should be to treat your leadership capacity—a finite resource—as seriously as your company treats financial capital (an equally finite one).

When recurring meetings are needed, check with the other decision makers to ensure the frequency is right (can weekly become monthly?). Look also to see if the decision might be best made by an individual. Remember: Delegating a decision to someone doesn't mean that the person can't still consult others for guidance. It just probably doesn't require an entire committee to do so.

Finally, it's tough to spot problems when no one is looking. At the healthcare company, like at many organizations, it wasn't anyone's responsibility to ensure that senior-management meetings had clear, non-overlapping purposes. A chief of staff can be invaluable here, as we will see next.

2. What is this meeting for anyway?

At a broad level, we naturally associate the meetings we lead with the topics they cover (think “branch network review” or “China strategy”). But how often do we go further and clarify whether the meeting is meant to share information, discuss it, or decide something? It may seem rudimentary, but we can all recall meetings (and large-group meetings in particular) where the lines between sharing, discussing, and deciding were blurred or absent—or where the very purpose of the meeting is unclear, as was true of the healthcare company's growth committee and its ever-expanding list of discussion topics. In such situations, meetings may begin to seem frustrating and even futile.

This was the dynamic that product-development leaders were struggling with at an advanced industrial company. The team attended a monthly meeting where they were meant to make decisions about whether to advance or kill products in the middle stages of development (the company had similar meetings for early- and late-stage products). But instead, the meetings involved hours of discussion and few decisions.

In part, this was because of the complexity of the topic; the success of the products in question wasn't a foregone conclusion, but the products were all far enough along to show real promise. Any decisions would therefore be difficult to make. Another challenge was that each product had a group of backers at the meeting who didn't want to see their work torpedoed. The mix of interests and motivations in the room, combined with the lack of organization and role clarity (a factor we will explore next) spelled trouble. The result was a freewheeling mix of provocative, meandering, inconclusive discussions. At times, important questions would get raised that couldn't be answered, in part because participants didn't have the information they needed beforehand. In one meeting, for example, the team didn't know the status of a major customer's own product-development efforts. This was vital because the customer's products would rely on the ones being developed by the industrial company. In other cases, meeting attendees were expected to review the relevant material as the meeting took place around them.

To tackle the problems, the company tapped a leader to serve in a chief-of-staff capacity for the effort. This colleague coordinated the materials before the meeting, ensured that they were distributed in advance, and along the way verified that the proper staff work had been done in the first place. This minimized the “informational”

Your goal: treat your leadership capacity as seriously as your company treats financial capital.

aspects of the meetings themselves, saving time while in fact better preparing the participants with the information they needed.

This colleague also helped run the meetings differently—for instance, by keeping the lines clear between discussion and debate sessions, and the actual decision making itself (following the principles outlined in the exhibit). This allowed for richer, more thorough conversations about the products and debates around the trade-offs involved, and ultimately led to better decisions.² After the meetings, the chief of staff ensured the appropriate follow-up took place and that the various committees stayed closely coordinated with one another. Finally, the company trained additional executives in these skills so that the role could be reproduced and the benefits scaled.

A final note. Just because a decision is made doesn't mean people are committed to it. As the industrial company's example suggests, people bring their own motivations to meetings, and we've seen plenty of cases where a "yes" in the meeting turns into a "maybe" in the following days and weeks. Part of the solution for this is to make sure the next steps are clear, including the nitty-gritty details of execution. After all, a decision only matters if it can be implemented. The broader challenge, of course, is making sure that everyone feels a stake in the outcome. Getting there involves institutionalizing the principle of "disagree and commit," articulated by Jeff Bezos in his 2017 letter to Amazon shareholders.³

3. What is everyone's role?

Just as it's crucial for meetings to have a clear purpose and for attendees to know whether they're meant to be debating or deciding, it is equally important to know who makes the call. Indeed, even if it's clear who the decider is—and even if it's you—it's a mistake to meet without fully considering the roles of the other participants and how they are meant to influence the outcome.

This was part of the challenge faced by the industrial company's product-development team: the backers of a given product sought to informally veto any moves that would kill or delay it, even though they had no explicit authority to do so.

Poor role clarity can kill productivity and cause frustration when decisions involve complicated business activities that cut across organizational boundaries. At a global pharmaceutical company, for example, a pricing decision for a new product became a political, energy-sapping affair because several leaders believed they each had decision-making authority in overlapping parts of the pricing process. Further confusing matters, the ultimate pricing decision was made by a committee where no single member had clear authority to decide.

Blurry accountability can also have immediate repercussions in an era where speed and agility are a competitive advantage. For example, a major business unit of an industrial company missed out on a high-priority acquisition because the head of the unit thought the CEO and executive team needed to approve all acquisitions. The CEO, meanwhile, thought the business head could make the call. Before the mix-up was sorted out, just 48 hours later, a rival had stolen the deal.

To get a handle on meeting roles and responsibilities, we are fans of using a simple yet comprehensive "cheat sheet" of responsibilities. Our list goes by the acronym DARE, and while you may prefer different nomenclature in your company,⁴ make sure you can identify the essence of these four roles when you hold your next decision meeting. (Note that your chief of staff could also come from any of these roles and serve in two capacities.)

- **Decision maker(s)** are the only ones with a vote and the ones with responsibility to decide as they see fit; if they get stuck, they should jointly align on how to escalate the decision or otherwise get the process unstuck,

² Indeed, for infrequent, high-stakes decisions, the quality of debate among the top team is the most important success factor. For more, see "Decision making in the age of urgency," April 2019, McKinsey.com.

³ Another notable practice Amazon follows is to move the information-sharing component of meetings into a memo that is read, silently, by participants at the outset. See Justin Bariso, "Jeff Bezos knows how to run a meeting. Here's how he does it," *Inc.*, April 30, 2018, inc.com.

⁴ If our formulation sounds a bit like a responsibility-assignment matrix (sometimes called a RACI matrix, for "responsible, accountable, consulted, and informed"), that's because it is. Our version, however, is modified to be more suitable for generating speed and quality in decision making.

Exhibit

Want a good meeting? Begin by clarifying the goal.

	Typical size	Typical characteristics	Typical outcome
Decision meeting 	6 to 8 attendees	Structured agenda identifies decision(s) to be made Decision makers have been identified and are in the room Active facilitation	Action
Discussion meeting 	8 to 20 attendees	Structured agenda identifies discussion topics Active dialogue by attendees	Consideration
Information-sharing meeting 	2 to 2,000+ attendees	Agenda clarifies topics for information sharing, although additional items may arise during the meeting One-way communication from speaker	Awareness

even if this means agreeing to “disagree and commit.”

- **Advisers** give input and shape the decision. They have an outsize voice in setting the context of the decision and a big stake in its outcome—for example, the decision might affect their profit-and-loss statement. But they don’t have a vote on the decision.
- **Recommenders** conduct the analyses, explore the alternatives, illuminate the pros and cons, and ultimately recommend a course of action to the advisers and decision makers. They see the day-to-day implications of the decision, but they also have no vote. In general, the more recommenders the better in the process—but not in the decision meeting itself, as noted in the exhibit.
- **Execution** partners don’t give input so much as get deeply involved in implementing the decision, and therefore they must be informed. For speed and clarity, you will need the right ones in the room when the decision is made

so they can ask clarifying questions and spot flaws that might hinder implementation. Notably, the number of execution partners doesn’t necessarily depend on the importance of the decision. An M&A decision, for example, might have just two execution partners: the CFO and a business-unit head.

These stakeholders are all critically important, and they should hear so from you—even as you take away their decision rights, votes, veto power, and escalation authority, as appropriate. Remember, just because they don’t have a vote doesn’t mean they don’t have a voice. Good decisions are the culmination of a thoughtful process. Clarified roles will help that process be thorough—and speedy.

One role you never want represented? *T*, for tourists. Many of your colleagues will want to be in the loop and will even need to be involved downstream eventually—but if they have no role in the decision-making process, they shouldn’t be in today’s meeting. Get disciplined, keep them out, and find other ways, such as memos or town halls, to communicate decisions to relevant stakeholders.

Read me: Quick-hit recommendations for decision makers

The difficulties associated with decision making have long been of keen management interest, and any tour of the decision-making landscape should include Daniel Kahneman's seminal book, *Thinking Fast and Slow* (Farrar, Straus and Giroux, 2013), which explores the pervasive role that cognitive biases play in human thinking and behavior.

We also recommend sampling a range of views on the principles of decision making itself—for instance, how behavioral economics affects decision making, as well as how categorizing decisions can help business leaders manage and improve them.

— Chip Heath and Olivier Sibony, “Making great decisions,” *McKinsey Quarterly*, April 2013, McKinsey.com

— Dan Lovallo and Olivier Sibony, “The case for behavioral strategy,” *McKinsey Quarterly*, March 2010, McKinsey.com

— Aaron De Smet, Gerald Lackey, and Leigh M. Weiss, “Untangling your organization's decision making,” *McKinsey Quarterly*, June 2017, McKinsey.com

When it comes to decision making in meetings, seek a practical grounding in areas such as spurring productive debate in meetings, slaying cognitive biases in them, and designing meetings for routinely overlooked groups.

— Morten T. Hansen, “How to have a good debate in a meeting,” *Harvard Business Review*, January 10, 2018, hbr.org

— Dan Lovallo and Olivier Sibony, “Taking the bias out of meetings,” *McKinsey Quarterly*, April 2010, McKinsey.com

— Renee Cullinan, “Run meetings that are fair to introverts, women, and remote workers,” *Harvard Business Review*, April 29, 2016, hbr.org

Finally, curate your own list and share it with your team. The state of management thinking on this topic will continue to evolve—and you'll want to evolve with it.

Be mindful, however, that tourists come for a reason, and having a lot of them is often a sign of deeper problems. It's human nature, after all, to want to know what's going on. If you aren't giving them a clear sense of how their roles fit into the decisions being made, you can expect grumbling—and it will be deserved. To prevent it, make it a point to communicate more than just the outcome of a meeting, but also what it means for specific roles. In large organizations, enlist other leaders, including your direct reports, to help you.

The best organizations use multiple channels and vehicles to share and reinforce information about

important decisions, policies, and so on. The worst companies tend to leave it to serendipity—and to chance.

Finally, there could be plenty of situations where a “guest” seems a perfectly reasonable idea—say you want to give an up-and-coming direct report a chance for some C-suite exposure. If they are truly contributing to one of the roles we've outlined, go for it. More likely, you risk falling into one or more of the traps described in this article. If what you want is exposure for your colleague, suggest that the CEO invite them to lunch instead.

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The journey to an agile organization

You know what an agile organization is, and why it's important. But figuring out how to pull off an agile transformation is another question.

by Daniel Brosseau, Sherina Ebrahim, Christopher Handscomb, and Shail Thaker

Agility is catching fire, and there is growing recognition of its transformational benefits. But moving to an agile operating model is tough, especially for established companies. There are several paths to agility and many different starting points, yet successful agile transformations all share the common elements described in this paper.

Agile organizations are different. Traditional organizations are built around a static, siloed, structural hierarchy, whereas agile organizations are characterized as a network of teams operating in rapid learning and decision-making cycles. Traditional organizations place their governance bodies at their apex, and decision rights flow down

the hierarchy; conversely, agile organizations instill a common purpose and use new data to give decision rights to the teams closest to the information. An agile organization can ideally combine velocity and adaptability with stability and efficiency.¹

Transforming to an agile operating model

Any enterprise-wide agile transformation needs to be both comprehensive and iterative. That is, it should be comprehensive in that it touches strategy, structure, people, process, and technology, and iterative in that not everything can be planned up front (Exhibit 1).

¹Wouter Aghina, Aaron de Smet and Kirsten Weerda, "Agility: It rhymes with stability," *McKinsey Quarterly*, December 2015, McKinsey.com.

Exhibit 1

A comprehensive transformation touches every facet of the organization, including people, process, strategy, structure, and technology.



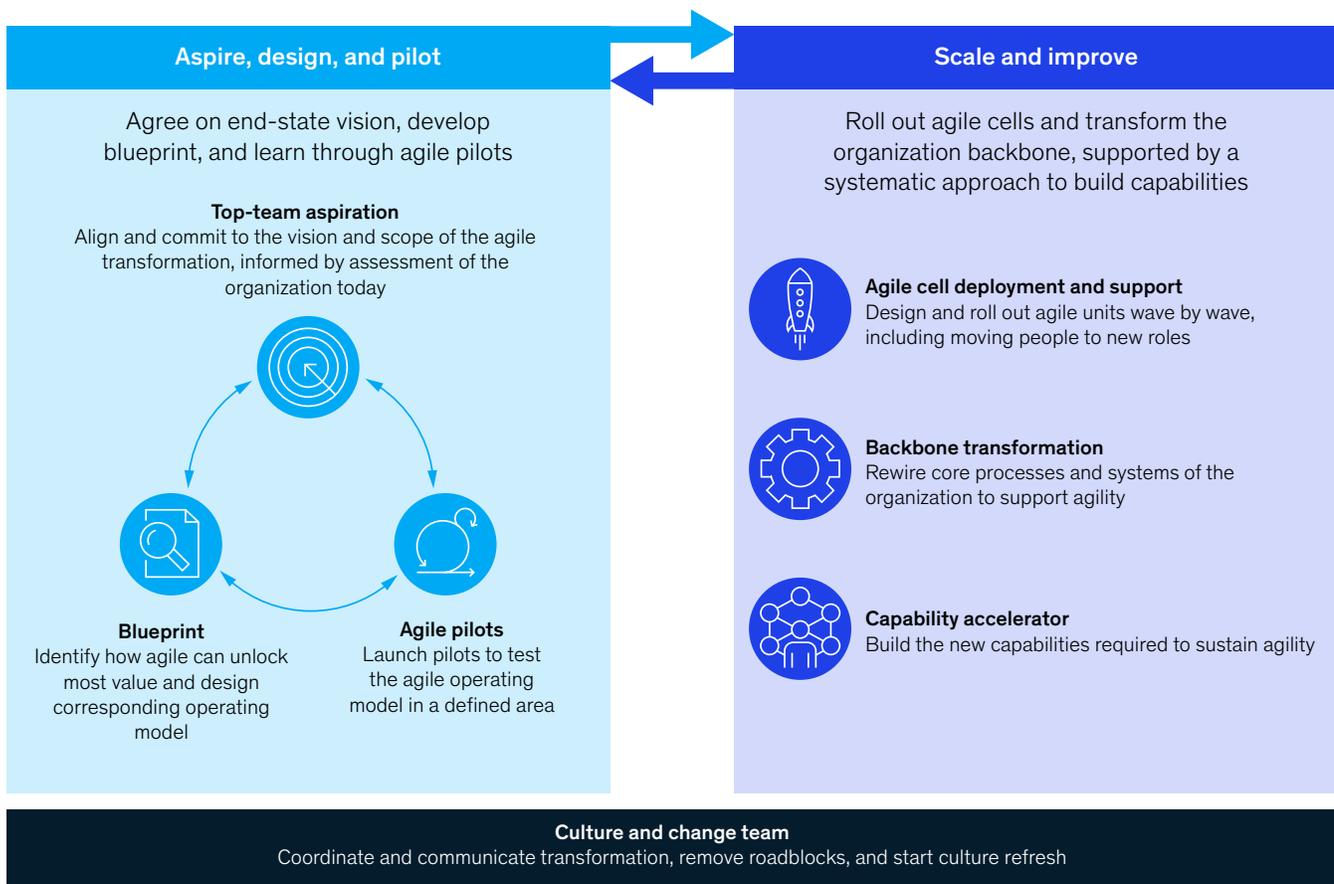
There are many different paths to enterprise agility. Some organizations are born agile—they use an agile operating model from the start. As for others, broadly put, we see three types of journeys to agile: All-in, which entails an organization-wide commitment to go agile and a series of waves of agile transformation; Step-wise, which involves a systematic and more discreet approach; and Emergent, which represents essentially a bottom-up approach.

Born-agile organizations are relatively common in the technology sector (for instance, Spotify or Riot Games²), with rare examples in other industries (Hilcorp, a North American oil and gas company, is a case in point³). Most organizations must undergo a transformation to embrace enterprise agility. Such transformations vary in pace, scope, and approach, but all contain a set of common elements across two broad stages (Exhibit 2).

²Stephen Denning, *The Age of Agile: How Smart Companies Are Transforming the Way Work Gets Done*, New York: AMACOM, 2018.
³"Digging deep for organizational innovation: An interview with Greg Lalicker," *McKinsey Quarterly*, April 2018, McKinsey.com.

Exhibit 2

Two components make up an iterative approach that requires the organizations to continuously test, learn, and course correct.



To build the top team's understanding and aspiration, nothing beats site visits to companies that have undergone an agile transformation.

First, successful transformations start with an effort to aspire, design, and pilot the new agile operating model. These elements can occur in any order and often happen in parallel. Second, the impetus to scale and improve involves increasing the number of agile cells. However, this involves much more than simply rolling out more pilots. Organizations may iterate among these stages as they roll out agility across more and more of their component parts.

Aspire, design, and pilot

Most transformations start with building the top team's understanding and aspirations, creating a blueprint to identify how agility will add value, and learning through agile pilots. These three elements inform one another and often overlap.

Top-team aspiration. Successful agile transformations need strong and aligned leadership from the top. A compelling, commonly understood and jointly owned aspiration is critical for success.

Adopting an agile operating model can alleviate challenges in the current organization (such as unclear accountabilities, problematic interfaces, or slow decision making). Yet a desire to address pain points is not enough; there is a bigger prize.

As one CEO observed, "I'd never have launched this agile transformation if I only wanted to remove pain points; we're doing this because we need to fundamentally transform the company to compete in the future." This aligns with McKinsey research showing that transformations emphasizing both strengths and challenges are three times more likely to succeed.⁴

To build the top team's understanding and aspiration, nothing beats site visits to companies that have undergone an agile transformation. For example, the entire leadership team at a global telecommunications company contemplating an agile transformation invested a week to visit ING (a Dutch bank), TDC (a Danish telecommunications company), Spotify, Entel (a Chilean communications company), and others prior to launching an agile transformation.⁵

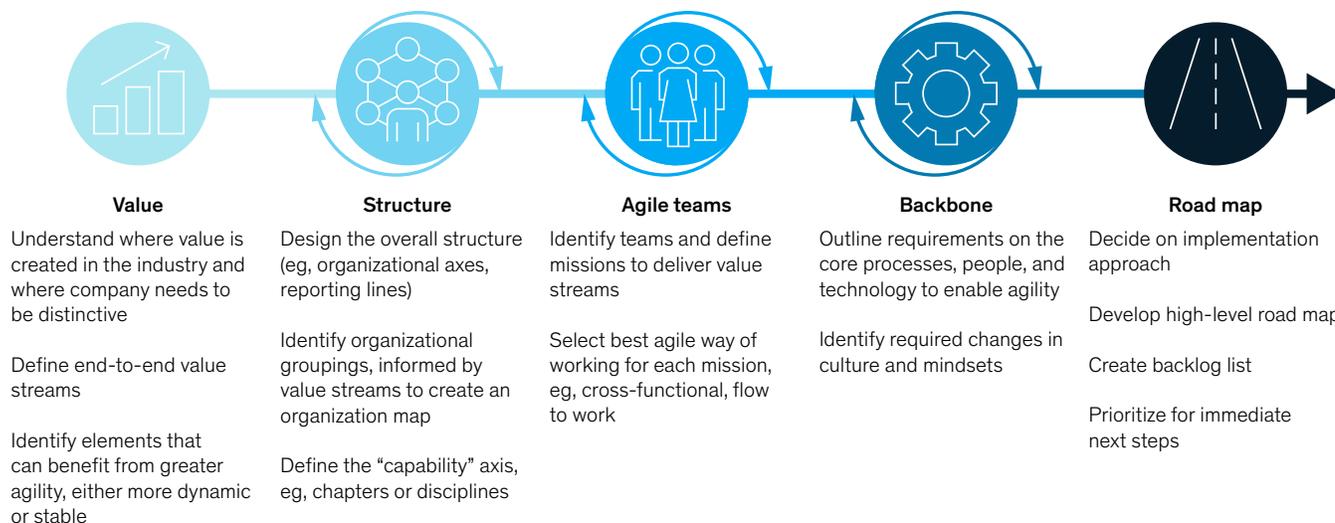
Blueprint. The blueprint for an agile operating model is much more than an organization chart and must provide a clear vision and design of how a new operating model might work (Exhibit 3). An agile transformation fundamentally changes the way work is done and, therefore, blueprinting also needs to identify changes to the people, processes, and technology elements of the operating model. The blueprint should, at first, be a

⁴Scott Keller, Mary Meaney, and Caroline Pung, "What successful transformations share," March 2010, McKinsey.com.

⁵Bo Krag Esbensen, Klemens Hjartar, David Pralong, and Olli Salo, "A tale of two agile paths: How a pair of operators set up their organizational transformations," February 2019, McKinsey.com.

The blueprint provides a clear vision and design for a new operating model.

Iterative process to derive agile operating model



minimum viable product developed in a fast-paced, iterative manner that gives enough direction for the organization to start testing the design.

The first step in blueprinting is to get clear on where the value lies. All operating-model design must be grounded in an understanding of how value is created in the industry and how the individual organization creates value. This fundamentally links to strategy.

Next comes structure. An agile organization doesn’t deliver work according to a classic organization chart; rather, it can be thought of as a series of cells (or “teams,” “squads,” or “pools”) grouped around common missions, often called “tribes.” The blueprinting element should produce a “tribe map” to illustrate how individuals that are grouped get work done, as well as a more recognizable organization chart to show the

capability axis along which common skill sets are owned and managed (Exhibit 4).

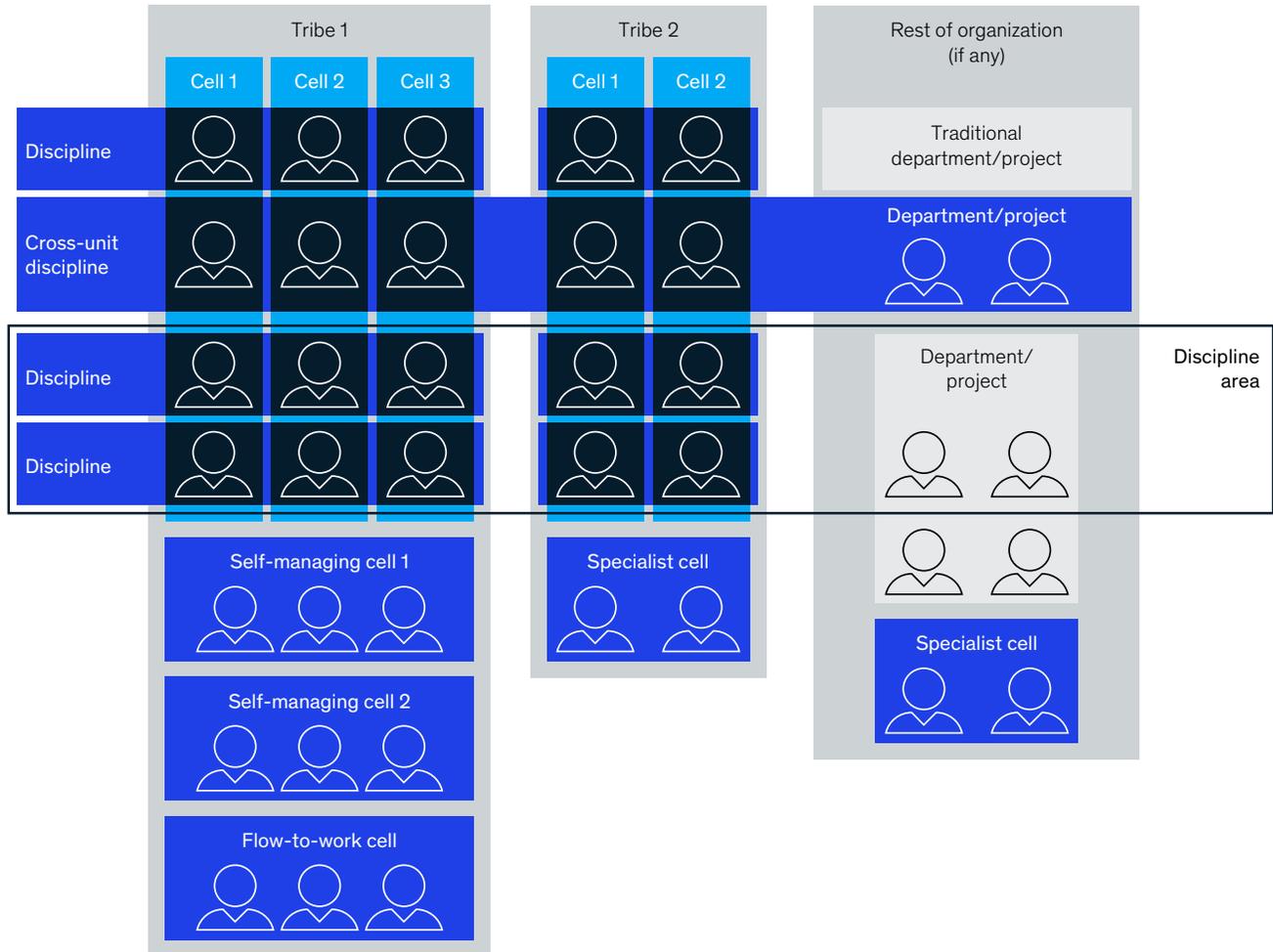
Individual agile cells are defined by outcomes or missions rather than by input actions or capabilities. Teams performing different types of missions will likely use different agile models. However, three types of agile cells are most common. First, cross-functional teams deliver products, projects, or activities. These have the knowledge and skills within the team and should have a mission representing end-to-end delivery of the associated value stream. The “squads and tribes” model developed by Spotify and used by ING, among others, is one example.⁶ Second, self-managing teams deliver baseload activity and are relatively stable over time. These teams define the best way to set goals, prioritize activities, and focus effort. Lean-manufacturing teams or maintenance crews could be examples of this agile approach. Indeed, more broadly,

⁶ING’s agile transformation: An interview with Bart Schlatmann,” *McKinsey Quarterly*, January 2017, McKinsey.com.

Exhibit 4

The blueprint combines a ‘tribe map,’ illustrating how individuals are grouped, with a ‘capability’ axis along which common skill sets are owned and managed.

Example tribe map



lean-management tools and practices are highly complementary with enterprise agility. Third, flow-to-work pools of individuals are staffed full time to different tasks based on the priority of the need. Functional teams like HR or scarce resources like enterprise architects are often seen as “flow” resources.

One telecommunications company identified five major activities across their business and selected an agile approach for each: channel and delivery units (for example, stores) were organized as self-managing teams to increase local flexibility with joint accountability; segment ownership, product development, and enabling teams were organized

in cross-functional squads and tribes; and centers of excellence for all other activities (including subject-matter experts and corporate support activities) combined flow-to-work and temporary cross-functional teams for specific tasks.

Working in teams may sound familiar, but at scale this requires change across the whole operating model to provide appropriate governance and coordination. The organizational backbone comprises the stable components of an agile operating model that are essential to enable agile teams. Typically, these backbone elements include core processes (for example, talent management, budgeting, planning, performance management, and risk), people elements (including a North Star,⁷ core values, and expected leadership behaviors), and technology components. In trying to scale up, many agile transformations fail by simply launching more agile teams without addressing these backbone elements.

The final step of blueprinting is to outline the implementation road map. This road map should contain, at minimum, a view on the overall scope and pace of the transformation, and the list (or “backlog”) of tasks.

The five steps of the blueprint form a coherent approach. A commercial insurer in North America used an agile blueprint to accelerate innovation of digital and business processes. It defined a chapter-based organization structure and created a new organization of product managers (who played product-owner roles in agile teams) to guide teams toward business outcomes. They defined a team structure mostly aligned to customer and internal user journeys, with dedicated teams to grow selected businesses. They created a stable planning and performance-management backbone, as well as a culture of risk taking, and they used an 18-month road map to create all the new positions, train personnel in the new roles, and implement the change in full.

Agile pilots. The purpose of a pilot is to demonstrate the value of agile ways of working through tangible business outcomes. Early experiments may be limited to individual teams, but most pilots involve multiple teams to test the broader elements of enterprise agility. Nothing convinces skeptical executives like teams of their own employees having verifiable impact through agile working. For example, one oil and gas company launched a series of agile pilots through which cross-functional teams managed to design wells in 50 to 75 percent less time than the historical average.

Initially, the scope of the agile pilot must be defined and the team set up with a practical end in view; this might include deciding on team staffing, structure, workspace, facilities, and resources. Next, the way the agile pilot will run must be outlined with respect to structure, process, and people; this is typically collated in a playbook that forms the basis for communications with those in the pilot.

Scale and improve

Scaling beyond a few pilots is no small feat; this is where most agile transformations fail. It requires recognition from leadership that scale-up will require an iterative mindset: learning is rapidly incorporated in the scale-up plan. In this, enough time is required—a significant portion of key leaders’ time—as well as willingness to role model new mindsets and behaviors. Agile transformations acknowledge that not everything can be known and planned for, and that the best way to implement is to adjust as you go. For example, a leading European bank first deployed four “frontrunner” tribes to test the blueprint in action and adapted important elements of the blueprint across the delivery enterprise. Such an iterative rollout approach enables continuous refinement based on constant feedback and capability building for key roles across the organization, including agile coaches, product owners, scrum masters, and leadership.

⁷To give coherence and focus to their distributed value creation models, agile organizations set a shared purpose and vision—“the North Star”—for the organization that helps people feel personally and emotionally invested. For more, see Wouter Aghina, Aaron De Smet, Gerald Lackey, Michael Lurie, and Monica Murarka, *The five trademarks of agile organizations*, January 2018, McKinsey.com.

Agile cell deployment and support. Agile scale-up first and foremost requires standing up more agile cells. However, an organization can't pilot its way to enterprise agility. The transformation should match the organizational cadence, context, and aspiration. But at some point, it is necessary to leap toward the new agile operating model, ways of working, and culture. For large organizations, this need not be a day one for the entirety but will likely progress through a series of waves.

Many chose to start by transforming their headquarters and product-development organizations before touching frontline, customer-facing units (call centers, stores, or manufacturing facilities). It is possible to transform one factory or one end-to-end customer journey at a time, but highly interconnected functions in the headquarters may need an All-in transition approach.

The size and scope of waves depend on the context and aspiration. For example, a large Eastern European bank designed waves of nine months, where the diagnostic, design, and selection for 10 tribes, 150 squads, and 1,500 roles were performed in the first three months and then deployed over a six-month period, launching a new tribe every two weeks. Furthermore, the scale-up effort was a top priority for C-suite executives, which dedicated more than 10 percent of their time to the transformation.

Resources to support new agile cells—for example, availability of agile coaches or appropriate workspace—can often limit the speed of scale-up. Failure to address the support of new agile cells can cause friction and delay in the transformation.

Backbone transformation. Reflecting on its agile experience before scaling up, one executive observed: “Most of our agile pilots are working despite, rather than supported by, our broader organizational ‘wiring’ [processes, systems, and even beliefs and values] that forms what we call the backbone of an organization.” The backbone governs how decisions get made; how people, budgets, and capital get deployed; and how risk

gets managed. Taking an organization to an agile operating model requires that this backbone be transformed (Exhibit 5).

Capability accelerator. Successfully scaling an agile operating model requires new skills, behaviors, and mindsets across the organization. This is vitally important and constitutes an intensive phase of an agile transformation. Most organizations require existing staff to take on these new roles or responsibilities, and as such, need a way to build new skills and capabilities. Specifically, any successful agile transformation will invariably create a capability accelerator to retrain and reorganize staff, make the agile idea common to all, and develop the right skills across the organization.

A typical capability journey may well have distinct phases. First, organizations need to identify the number of trainers (agile coaches) required, and then hire and develop them; a failure to do so can cause delay and blockage when the agile transformation extends across the whole organization. Second, as part of building capabilities, the organization must define the new agile roles (agile coaches, product owners, tribe leads, chapter leads, and product owners, for example), along with a clear idea of what success looks like in each role. Third, learning and career paths should be set for all staff, making clear the opportunities that the agile transformation opens up. Fourth, the organization needs to enable continuous learning and improvement across the organization (this will entail a large-scale digital and communications program). Finally, it's necessary to design and run a whole-organization effort to raise agile skills (often by means of intensive boot camps) and ensure that new staff are onboarded appropriately. Larger organizations often set up an academy to consolidate and formalize these functions.

Focusing on culture and the change team

A culture and change team is an essential coordinating element of an agile transformation.

The organization’s backbone must be transformed for an agile operating model.

Backbone components



Decision making and governance setup

The governance and decision-making process is simplified—for example, a set of ring-fenced decision rights that need to be taken at the executive-committee level (typically a subset of decisions made today by those bodies), while everything else is pushed down the organization



Business planning and budgeting

The methods of strategic decision making change significantly in agile, as organization-wide goals need to be set, aligned, and reviewed through more fit-for-purpose processes; budgeting becomes a flexible process that seeks to reprioritize and reallocate capital as necessary



Funding decision making

Funding decisions are made more frequently (from annual cycles), and a continuous review of capital allocation can be done through quarterly-business-review-based and venture-capital-like approaches



Performance management

Performance management moves from optimizing individual key performance indicators to assessing performance based on results achieved by teams, or so-called objectives and key results



Roles and career paths

Agile roles need to be defined initially to ensure coverage of strategic priorities and alignment; it is also critical to define the career path through a flatter organization to sustain the transformation and to lay out how roles are initially selected to enact the new operating model



Risk management and assurance

Done well, an agile operating model can strengthen control around risks and assure technical quality by removing layers, increasing transparency around what is happening, and preserving technical competency—especially critical for organizations in high-hazard industries



Workforce location and workspace

Agile team members will likely need to co-locate and will require a workspace to enable agile ways of working and collaboration with other cells



Technology

Deploying technology foundations will enable short time to market and high quality, for instance, via architecture evolution and the use of a self-service delivery pipeline and infrastructure (eg, cloud)

But it is not a traditional project-management office; rather, the emphasis should be on enabling the other transformation elements, helping to remove impediments and catalyzing culture change.

As an example, Roche, a global healthcare company, launched a global leadership initiative as a central component of its transformation to become a more agile enterprise.⁸ It designed a four-day program with a combined focus on personal and

⁸“How a healthcare company is pursuing agile transformation: An interview with Tammy Lowry,” McKinsey & Company, January 2019.

organizational transformation. More than 4,000 leaders have now been touched by the effort, helping to shift the collective consciousness and capabilities for leaders to deliver the change.

The importance of investing in culture and change on the journey to agility cannot be overstated. Agile is, above all, a mindset. Without the right mindset, all other parts of the agile operating system can be in place, and yet companies will see few benefits. In contrast, when leaders and teams have strong agile mindsets, then a clear aspiration alone is often enough for a successful agile operating model to emerge.

Understanding transformation archetypes

All successful enterprise-wide agile transformations include the elements described above, but there are several different ways in which the elements can be combined and sequenced. As introduced earlier, there are three major transformation archetypes:

1. **Step-wise.** Transforming to an agile organization often feels like a step into the dark for senior leaders. Perhaps understandably, then, the most common transformation archetype shows a clear distinction between the aspire, design, and pilot phase and the scale and improve phase. Many companies will run multiple rounds of pilots and iterate their blueprint several times before fully committing to scaling up across a large part of the organization. It is not uncommon for this process to take one to two years, as leaders and the organization build familiarity with agility and prove to themselves that agile ways of working can bring value in their organization. Organizations may well go through several

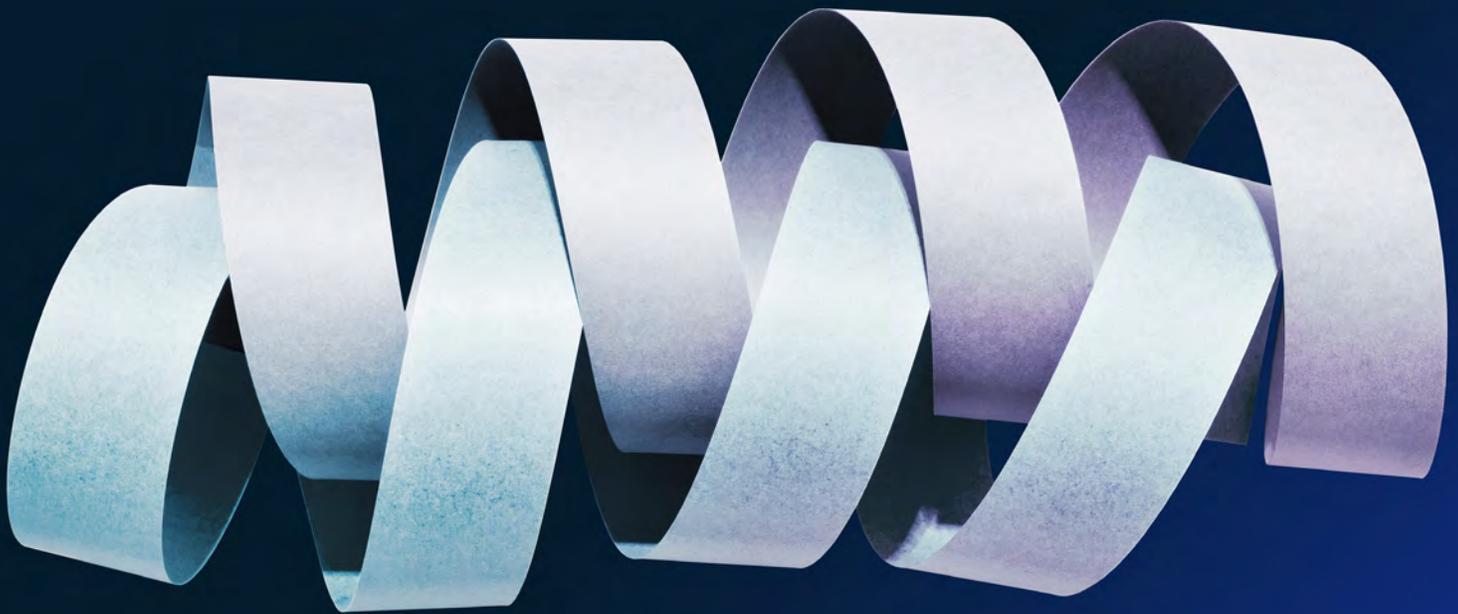
subsequent rounds of aspire, design, and pilot before scaling up elsewhere.

2. **All-in.** Although less common, an increasing number of organizations gain strong conviction early on and fully commit up front to move the whole organization to an agile model. Leaders from these organizations define a plan to execute all steps of the transformation approach as quickly as possible. Even in these types of transformation it is rare for the whole organization to transform to an agile model in a single “big bang”; rather, it is more common for the transformation to proceed through a number of planned waves.
3. **Emergent.** It is impossible—and not very agile—to plan out an agile transformation in detail from the start. Instead, most agile transformations have emergent elements. Some organizations have chosen to progress their entire agile transformation through an emergent, bottom-up approach. In this archetype, an aspiration from top leaders sets a clear direction, and significant effort is spent building agile mindsets and capabilities among leaders.

“It’s like this,” one CEO explained. “We are 3,000 people on a giant cruise ship. But what we need to be is 3,000 people in a few hundred yachts. So, how do I get my people safely into those smaller boats?” As is increasingly common, the discussion had moved from if an agile operating model was applicable to how leaders could help their organization transform. Navigating an organization to an agile operating model is not easy. The elements of an agile transformation described in this article provide a guide.

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The helix organization

Separating people-leadership tasks from day-to-day business leadership can help organizations strike a better balance between centralization and decentralization, reduce complexity, and embrace agility.

by Aaron De Smet, Sarah Kleinman, and Kirsten Weerda

The CEO of a major global business, deeply frustrated, took time out recently as a large company-wide reorganization was stumbling toward its conclusion. Hard as he and his top team had tried, he told us, attempts to make collaboration and empowerment an enterprise-wide reality were foundering. Although he had been determined to ensure resources were reallocated across the group more dynamically, people and money remained doggedly stuck in slightly revamped silos. Tensions between the group's central functions—such as finance, HR, and IT—and the group's decentralized businesses were continuing to rumble. As he gazed at a new organization chart on his laptop, he scratched his head while trying to make sense of the complex collection of solid- and dotted-line reporting relationships floating across the screen.

The CEO in question is actually a composite of several with whom we've had different versions of this same conversation. Their frustrations, in turn, are similar in spirit to concerns we hear almost daily from many other senior executives. As our business environment has become more complex and interconnected, we seem to be replicating that in our organizations, creating complex matrix structures that simply don't work anymore. We are overreliant on the same management tools for organization structure that we've been using for decades, namely hierarchical org charts with solid- and dotted-line reporting relationships.

There are no easy answers to deep-rooted organizational dysfunction. However, we're increasingly convinced that there is a simple, exciting, and effective structural model that can replace complex matrix structures and help leaders across industries and geographies who struggle with confused roles and labored decision-making processes, and who feel they are failing to move quickly enough to exploit new market opportunities.

The "helix," as we've dubbed it, is not a new idea. It has been around for decades in professional-service firms and in parts of some large global companies, and more recently in many agile enterprises. But until now, it has lacked a name and clear definition, and its power to unlock organizational bottlenecks and to strike a better balance between centralization and decentralization has never been properly articulated. It is seldom implemented at significant scale, and many organizations that initially embrace it slide back to more traditional (and often less effective) structures. That's no coincidence. For reasons we will discuss, successfully adopting the helix requires management mindsets and a talent infrastructure that many businesses do not currently possess.

In a nutshell, the secret of the helix lies in disaggregating the traditional management hierarchy into two separate, parallel lines of accountability—roughly equal in power and authority, but fundamentally different.

One of the two lines helps develop people and capabilities, sets standards for how work is done, and drives functional excellence; the other focuses those people and capabilities on the priorities for the business (including overseeing their day-to-day work), creates value, and helps deliver a full and satisfying customer experience.

By disaggregating the hierarchy and ensuring that for any given set of leadership responsibilities only one person is accountable, we can stop forcing employees to answer to multiple "bosses" who think it is within their purview to perform the same set of leadership functions such as hiring and firing, job assignments, promotions, evaluations, and incentives. All this helps to preserve unity of command, reduce tension, increase speed and flexibility, and more effectively confront the challenges the matrix was meant to address in the first place.

In this article, we aim to clarify when and where the helix model is most likely to be actionable, elaborate on which problems it helps overcome, and explain how executives can break out of some of the old ways of thinking that undermine organizational effectiveness. Helix-like approaches are part and parcel of agile organizations, but they also have applicability elsewhere. More than just an experimental alternative to traditional ideas about management and accountability, we're becoming convinced that the helix will be seen, increasingly, as a legitimate and at times indispensable organizational approach.

Beyond the matrix

The helix is perhaps best understood in the context of matrix organizations that attempt but often struggle to integrate the functional, geographic, channel, and product units of large companies and that, after decades of experience, are now deeply

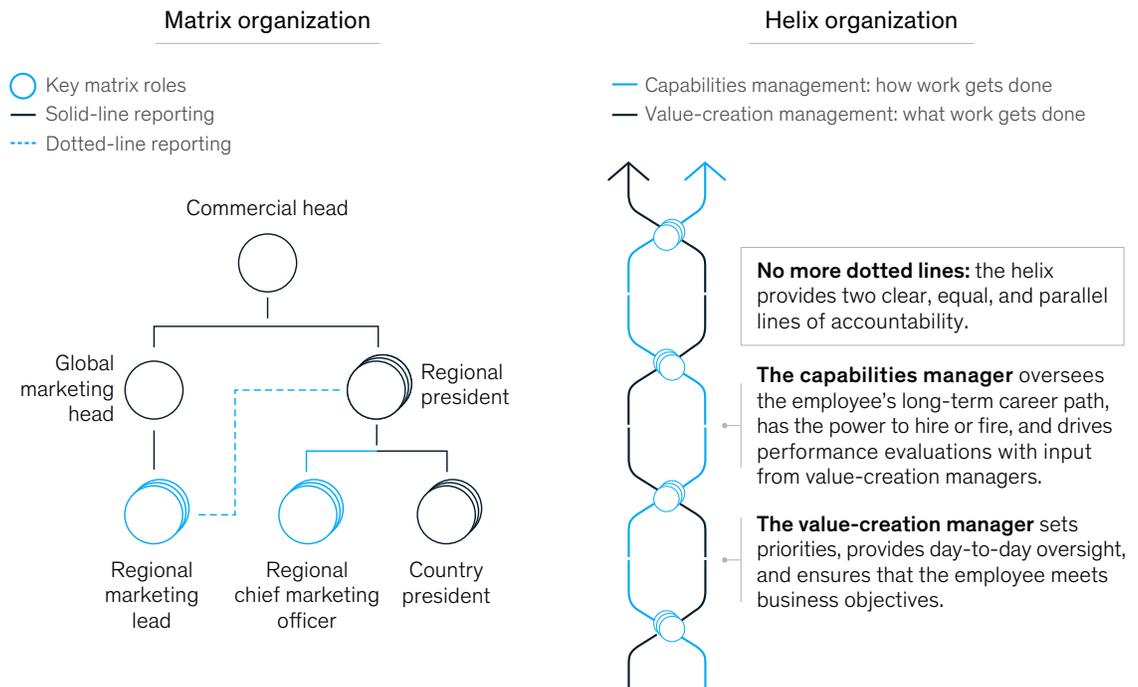
anchored in today's people-management systems and culture.

Existing matrix roles typically have one primary "boss," identified by a solid line on the organization chart, and a secondary one, depicted by a dotted line. The first boss is primary in the sense of holding resources and controlling the budget and tends to be responsible for hiring, firing, promotions, and evaluations—as well as for the direction, supervision, and prioritization of daily work.

Inspired by the distinctive, double-stranded shape of DNA that scientists discovered in the early 1950s, the helix, by contrast, decouples people-leadership tasks typically performed by *one* manager into *two* sets of tasks performed by two different managers, each of which is equally relevant (exhibit). Crucially, these managers are neither "primary" nor "secondary," as is the case in the matrix. One boss provides and makes

Exhibit

The helix organization provides a balance between flexibility and stability that is the hallmark of a truly agile approach.



decisions about one set of things (such as hiring and firing, promotions, training, and capability building); the other boss makes decisions about another set of things (such as prioritization of goals and work, daily supervision of task execution, and quality assurance).

Because the two roles are so different, there should be less need for the power struggles, tensions, and conflicts often found in more traditional structures. Importantly, though, the two managers—one of which we'll call the "capability leader," the other the "value-creation leader"—have to agree on a number of things: who and what to deploy to projects, initiatives, and business units, for example, and how much these human and other resources are going to cost. (Value-creation leaders must pay for them out of their budget.)

When done right, this approach is liberating for leaders. By decoupling these two lines of authority, the helix frees the likes of senior engineers, designers, salespeople, and other functional experts from the burden of serving as day-to-day supervisors. Their employees, moreover, feel more empowered than in the traditional matrix, no longer in the crosshairs between two bosses, both of whom feel responsible for the same things and may give employees conflicting guidance. Those employees also find it more natural to participate in small, ad hoc teams, often comprising people from multiple business units and functional centers of excellence where, in practice, a lot of work gets done.

The helix in action

Here's how the helix could look from the viewpoint of an individual employee, and how it has played out at one organization.

Jaime's story

Jaime, a composite of dozens of managers we know, is a midtenured marketing director accountable for hitting monthly performance

targets at the biggest business unit of a North American consumer-goods company. She has regular check-in meetings with her boss to review progress in the product categories for which she is responsible. Her priorities and what's expected of her naturally change from time to time, but the relationship between Jaime and her boss is clear.

However, there is another reporting dimension for Jaime: a dotted-line boss in the online group of the company, with whom she also meets on a regular basis to discuss the goals of her online marketing team. This arrangement creates tension. Even when both managers are in sync, Jaime ends up spending twice as much time in meetings as is necessary, and her secondary manager often feels he is wasting his time trying to engage Jaime on issues that are not important to her on a day-to-day basis.

If that secondary, dotted-line boss gives direction and feedback that is at odds with the primary boss—for example, demanding a higher focus on creating brand awareness rather than on converting customers, or suggesting a new web feature—Jaime ends up striving to please both, or managing the consequences of disappointing the one whose priorities she has deprioritized. The ambiguity Jaime feels is often reflected in her year-end review, because both bosses have a say.

Imagine now that Jaime moves from a matrix to a helix organization. She is still accountable to two leaders, both equally important, but neither are formally responsible for all people-leadership duties like a traditional boss would be, because their responsibilities have been cleanly divided in a way that makes sense given their expertise. The value-creation leader clarifies objectives, discusses and sets day-to-day priorities, and measures and provides feedback on delivery against her goals and targets. The capability leader is available if Jaime wishes to go to him with a question on, say, marketing best practices, the company's standards

and guardrails with respect to branding, or a new industry standard—or when she feels she needs coaching or advice with respect to the functional subject matter: marketing.

When market conditions change, or when Jamie and her capability leader think it's time she makes a career move, both leaders will confer about the options (likely conducting a joint career discussion, led by the capability leader, who is accountable, but with input coming from the value-creation leader to inform the discussion). The outcome may be that Jaime is ready for a promotion and, guided primarily by the capability leader, she moves to a role in a different unit where new opportunities have emerged. She will have a new value-creation leader in her new role, but she will keep her old capability leader through her transition. The capability leader would arrange to have a new resource deployed to fill Jaime's former role, likely with some overlap to properly hand over the role—again, all in consultation with the value-creation leader.

Jaime is so empowered in this model that instead of saying she has “two bosses,” she tells colleagues that she doesn't have a boss at all. In her previous company, by contrast, she felt “owned” by two competing managers, one to whom she was connected by a solid line, the other to whom she was connected by a very strong dotted line. The helix has clarified the relationships and unleashed new energy and better performance outcomes.

The view from the organization

The new chief marketing officer (CMO) of a global consumer business we know was troubled by the way individual brand managers and their teams had been undertaking new initiatives without bothering to tap into the deep expertise of the company's very capable central marketing function. To address this issue, he began creating what was in effect a helix structure (though he didn't call it that at the time).

The central marketing function was small, and the CMO did not have sufficient resources to supply every brand owner with the help they needed. So he chose to focus on those business units he thought would most benefit from connections to the core team. He encouraged them to spend time themselves at the center periodically to gain new skills and trade notes with others. And he urged the brand owners to send other, dedicated marketers, who had previously been disconnected from central marketing, back to the center for the same kind of training and skill-building sessions.

The CMO and the central marketing organization continued to conduct annual performance reviews for the central marketers—but, over time, they also began reviewing marketers dedicated to particular business units so that their performance was compared with marketers across the company as a whole, rather than just with those isolated within their own brand team.

Over time, the central marketing organization became an increasingly important center of excellence, overcoming much skepticism in a company where individual brand managers had held sway. Business units and brand owners began to see the limitations of their previously subscale marketing teams filled with “jack-of-all-trades, master-of-none” members. Besides the additional expertise, the simple act of evaluating all marketers against one another meant that every employee received richer feedback, a greater understanding of their relative contributions to the organization, and greater clarity about their promotion prospects. The organization's overall marketing expertise deepened. By broadening the pool of those being evaluated, moreover, the unhealthy competition and uncollaborative behavior that had marked relations between marketers on individual brand teams disappeared. Rather than seeing themselves as part of a small team of brand experts where only one of its members could be promoted to the

next level, they saw themselves as part of a group function with wider opportunities for anyone who did well.

How the helix helps

In our experience, there are two principal benefits of adopting a helix design (besides greater clarity and simplicity for the employee, which unlocks their productivity and performance). First, it helps those companies that have already achieved agility at the team level make agility a reality across the whole enterprise, by making resource allocation more dynamic. Second, it alleviates tensions between centralized functions and decentralized business units, allowing entrepreneurship and flexible reactions in different business units without losing the positive scale effects of a global function.

Enterprise agility and resource allocation

The clear division of people-leadership roles at the heart of the helix is a significant feature of most enterprise agile structures. In some models, such as those adopted by ING, as well as by Spotify in its early days of developing an agile approach, value-creation work (such as product development) is carried out primarily by self-directing, customer-oriented “squads” headed by a product owner who, among other things, sets priorities. Several squads are consolidated into bigger units called “tribes.” The de facto capability leaders sit in “chapters,” coordinating the activities of squad members across a range of disciplines (such as data analytics), in addition to doing their own work.

The capability leader in a helix structure is also a key part of agile’s “stable backbone.” As we’ve previously described,¹ the team and resource fluidity associated with agility goes hand in hand with well-delineated functional “homes” where employees return for training and coaching, with relatively unchanging core processes, and

with stable governance arrangements. Indeed, that backbone facilitates the redeployment of people from one business to another and allows for speedier and more flexible staffing of special initiatives that fall outside traditional boundaries.

A helix design can also help organizations that have integrated functions into their different businesses and therefore are only capturing the benefits of agile at a team level (instead of across the group). For example, one business within a global multibusiness company ended up hiring too many data scientists, while another division, unaware of this surplus, went out and hired its own data talent. To achieve the full benefits of agility, it would have been more effective to have had a central pool of data scientists that cut across everything, with a capability-leadership function that could help deploy this talent to the businesses and tribes where it is most needed.

Centralization versus decentralization

If you look at the landscape of big companies, you’ll find at least five or six different ways that organizations connect the key functions (such as finance, HR, and R&D) to business units. These range from the fully centralized to the fully decentralized, where the vast bulk of functional resources are under the direct control of a business unit. Many companies oscillate between these extremes, launching disruptive reorganizations every few years.

The balanced matrix, by far the most common, seeks to achieve the best of both worlds—economies of scale and skill (better career opportunities) and responsiveness to business-unit needs—by having functional leaders report directly or indirectly to both a business unit and the central function. But, as we’ve noted, many companies become frustrated by matrix design structures. CEOs often complain that their organizations are overly complex, slow down

¹ Wouter Aghina, Aaron De Smet, and Kirsten Weerda, “Agility: It rhymes with stability,” *McKinsey Quarterly*, December 2015, McKinsey.com.

decision making, make it difficult to get things done, and sow disillusionment among middle managers. Successive reorganizations have compounded the issue.

The helix strikes a more lasting balance between functional excellence and business responsiveness, allowing the value-creation leader to be more flexible and entrepreneurial, and to make faster decisions. The simplicity of the helix is particularly appealing because it enables the work of the value-creation leader and the capability leader to evolve at different paces and in varied ways, each appropriate to the changing market conditions and forms of expertise that matter most to those leaders. That makes everyone more adaptable and simplifies reorganization efforts.

Imagine a medical-device company currently organized along three dimensions: functions, product- and technology-oriented lines of business, and geographies (countries and regions, for example). Both the lines of business and the geographic units are value-creation lines with dual profits and losses—a complex structure that the CEO wants to address. By introducing the helix, the company can simplify the organization by moving from three dimensions to two, separating out and clarifying the role of the capability line (functions).

Making the helix a reality

Given that today's people-leadership practices and HR systems and cultures are often rooted in the idea that "my people are my power," the challenges of implementing a helix model and making it stick should not be underestimated.

The global consumer-products company discussed earlier is a salutary example of the benefits of a helix-style design—but it also demonstrates the challenges of making this model work. Despite the benefits, the organization ultimately reverted

to its old ways when the pioneering CMO left the business; his successor effectively pulled the central brand people away from the business units by creating new work for them, undermining the trust of the brand owners.

As a result, the brand barons once again became less interested in sharing people with the CMO and took back responsibility for all people-leadership duties. The company proceeded to operate much as it had before the helix was introduced.

No operating model is solved by structure alone, and attempts to change the reporting lines can all too easily be upended when a visionary and persuasive individual moves on. For the helix to work, new processes and different mindsets must be embedded to remove obstacles and overcome scepticism.

Leaders must make a few key moves to set up the helix model for success:

Create a talent marketplace

The smooth deployment of people will only happen if companies have, or are able to develop, a functioning internal talent market.

A talent marketplace requires leaders to have a detailed understanding of available people—who they are, what they are doing, what skills and attributes they possess, and when they can be deployed from their current assignment. It's not enough for capability leaders just to know that someone is a general marketing expert; systems must tag specific experience, industry expertise, language skills, and other distinguishing qualities.

These leaders also have to understand the current and future needs across the business (working closely with the value-creation leaders to understand business priorities), which new roles are opening up, which existing ones are changing, what

new initiatives need staffing and when, and what skills are required for each role. Most importantly, they need to identify the roles that will likely create the most value.²

In organizations that do this well, individuals have much more influence over their own career.

Make resource planning transparent and effective

It's important to have sufficiently mature resource and strategic workforce planning to allow value-creation leaders to forecast their people needs (key knowledge, skills, and experience) and to give capability leaders enough time to match supply to demand with respect to particular skills and roles.

Like strategic planning generally, this should not be a one-off annual exercise; in the most forward-thinking companies, such resource planning is done quarterly. Decisions follow a well-prepared executive discussion, based on accurate and up-to-date data and clearly defined key performance indicators. At one point, Google used number of users as the basis for deciding whether to invest in, or dissolve, particular business units.

People allocation should be linked with adaptive, flexible financial budgeting. At a minimum, you need some kind of simple cost transfers to allow businesses and value-creation lines to pay for the people who have been deployed to them.

Ensure accountability is clear

A new combination of functions and project teams at a defense agency broke down because the people deployed to the project teams never assumed ownership for their work. The organization lacked effective talent-management processes, and with their chain of command leading back to their functional "home" (and day-to-day managers having no role in their performance reviews), employees saw their assignment as only a temporary duty.

To overcome this, value-creation leaders need to establish a strong joint purpose for their teams and ensure the right combination of roles and skills. These leaders should send people back to the function/skill pool and request new people if any individuals prove to be a poor fit, and use the opportunity of performance evaluations to monitor progress.

Balance performance management across the two roles

Many managers doubt their ability to evaluate someone and give them appropriate incentives when they haven't directly supervised their activities on a daily basis. In a helix structure, it's vital that the two people leaders are aligned and willing to participate in employees' performance reviews. Processes that underly evaluations, and hiring and firing, should incorporate feedback from both the capability and value-creation leaders (even if the former is ultimately responsible for aggregating the feedback and delivering the review). Value-creation leaders who oversee employees' daily work should provide feedback on the quality and skills of the people on their teams so that capability leaders know where development is needed. The best modern performance-management systems insist on several perspectives, including 360-degree evaluation.

Look for pockets of opportunity where there is a need to combine local accountability with the benefits of centralized capabilities and resources. As the model proves its worth, it can start taking hold more widely—provided that leaders recognize its benefits and get comfortable with their role in making it work.

² See Mike Barriere, Miriam Owens, and Sarah Pobereskin, "Linking talent to value," *McKinsey Quarterly*, April 2018, McKinsey.com.

A serious commitment is required for an organization to make the move to a helix model. Capability leaders must learn to surrender decision-making authority over employees' day-to-day activities, and value-creation leaders must acknowledge the additional and important source of influence over their team members when it comes to coaching and capability building. Both types of leader need to acknowledge that they will achieve better outcomes if they both relinquish a bit of control.

Done well, however, the helix will build in the flexibility to help an organization match the pace of external change and innovation.

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Illustration by Matt Weems

Successfully transitioning to new leadership roles

Leadership changes are more common and important than ever. But most companies don't get it right.

by Scott Keller and Mary Meaney

In *Leading Organizations: Ten Timeless Truths* (Bloomsbury Publishing, June 2017),¹ McKinsey senior partners Scott Keller and Mary Meaney address the ten basic issues facing leaders: attracting and retaining talent, developing current talent, managing performance, creating leadership teams, making decisions, reorganizing to capture value quickly, reducing long-term overhead costs, making culture a competitive advantage, leading transformational change, and transitioning to new leadership roles. “Attracting and retaining the right talent” (McKinsey.com, November 2017) was the first in our series of articles based on the book. The second was “Reorganizing to capture maximum value quickly” (McKinsey.com, February 2018).

Every leadership transition creates uncertainty. Will the new leader uncover and seize opportunities and assemble the right team? Will the changes be sustainable? Will a worthy successor be developed? These questions boil down to one: Will the leader be successful?

Why are leadership transitions important?

Hardly anything that happens at a company is more important than a high-level executive transition. By the nature of the role, a new senior leader’s action or inaction will significantly influence the course of the business, for better or for worse. Yet in spite of these high stakes, leaders are typically underprepared for—and undersupported during—the transition to new roles.

The consequences are huge

Executive transitions are typically high-stakes, high-tension events: when asked to rank life’s challenges in order of difficulty, the top one is “making a transition at work”—ahead of bereavement, divorce, and health issues.² If the transition succeeds, the leader’s company will probably be successful; nine out of ten teams whose leader had a successful transition go on to meet their three-year performance goals (Exhibit 1). Moreover, the attrition risk for such teams is 13 percent lower, their level of discretionary effort is 2 percent higher, and they generate 5 percent more

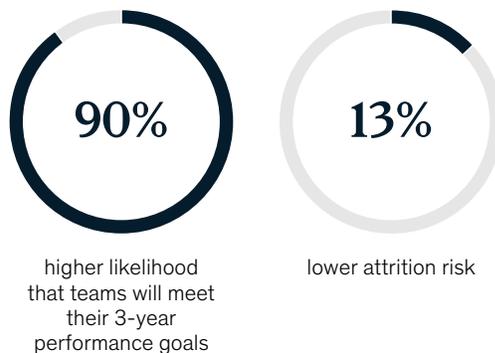
¹ Scott Keller and Mary Meaney, *Leading Organizations: Ten Timeless Truths*, London, United Kingdom: Bloomsbury Publishing, 2017.

² Matt Paese and Richard S. Wellins, *Leaders in transition: Stepping up, not off*, Development Dimensions International, ddiworld.com.

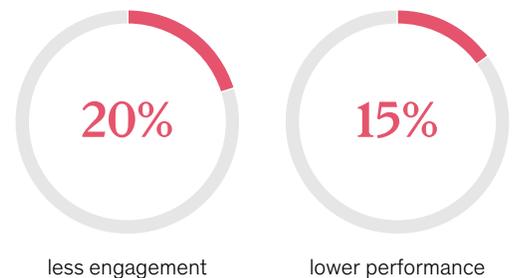
Exhibit 1

If a leadership transition succeeds, the leader’s company will probably be successful over several years.

Successful transitions result in ...



Unsuccessful transitions result in ...



Source: CEB Blogs, “Corporate finance: The cost of poor leadership transitions,” blog entry by Kruti Bharucha and Nitika Dial, October 29, 2013, cebglobal.com

revenue and profit than average. But when leaders struggle through a transition, the performance of their direct reports is 15 percent lower than it would be with high-performing leaders. The direct reports are also 20 percent more likely to be disengaged or to leave the organization.³

Successful or not, transitions have direct expenses—typically, for advertising, searches, relocation, sign-on bonuses, referral awards, and the overhead of HR professionals and other leaders involved in the process. For senior-executive roles, these outlays have been estimated at 213 percent of the annual salary.⁴ Yet perhaps the most significant cost is losing six, 12, or 18 months while the competition races ahead.

Nearly half of leadership transitions fail

Studies show that two years after executive transitions, anywhere between 27 and 46 percent of them are regarded as failures or disappointments.⁵ Leaders rank organizational politics as the main challenge: 68 percent of transitions founder on issues related to politics, culture, and people, and 67 percent of leaders wish they had moved faster to change the culture. These matters aren't problems only for leaders who come in from the outside: 79 percent of external and 69 percent of internal hires report that implementing culture change is difficult. Bear in mind that these are senior leaders who demonstrated success and showed intelligence, initiative, and results in their previous roles. It would seem that Marshall Goldsmith's advice—"What got you here won't get you there"⁶—is fully applicable to executive transitions.

Leadership transitions are more frequent, yet new leaders get little help

The pace and magnitude of change are constantly rising in the business world, so it is no surprise that senior-executive transitions are increasingly common: CEO turnover rates have shot up from 11.6 percent in 2010 to 16.6 percent in 2015.⁷ Since 69 percent of new CEOs reshuffle their management teams within the first two years, transitions then cascade through the senior ranks.⁸ Sixty-seven percent of leaders report that their organizations now experience "some or many more" transitions than they did in the previous year.⁹

Despite the increase in frequency, only 29 and 32 percent of US and global leaders, respectively, feel that their organizations appropriately support new leaders. As many as 74 percent of US leaders and 83 percent of global ones think they are unprepared for their new roles.¹⁰ As CEB puts it, "most organizations approach new leadership transitions in the same way many organizations approach mergers and acquisitions: as one-off events. . . . The typical unsystematic 'hands-off' transition approach relies heavily on new leaders to self-manage their transitions. However, most leaders experience only a handful of transitions. . . . so for them, each transition remains more art than science."¹¹

Organizations most often try to help newly appointed leaders by supplying them with mentors or informal "buddy" networks. Yet only 47 percent of external hires and 29 percent of internal ones find these helpful. Standard orientation programs are the second most common approach, but only

³ CEB Blogs, "Corporate finance: The cost of poor leadership transitions," blog entry by Kruti Bharucha and Nitika Dial, October 29, 2013, cebglobal.com.

⁴ Heather Boushey and Sarah Jane Glynn, *There are significant business costs to replacing employees*, Center for American Progress, November 2012, americanprogress.org.

⁵ We compiled these statistics on failure rates and their causes from a number of landmark studies, including Brad Smart and Geoff Smart, *Topgrading: How to Hire, Coach and Keep A Players*, New York, NY: Penguin, 1999; Mark Murphy, "Leadership IQ study: Why new hires fail," *Public Management*, 2005, Volume 88, Number 2; Patricia Wheeler, "Executive transitions market study summary report: 2008," The Institute of Executive Development, 2008; George Bradt, Jayme Check, and Jorge Pedraza, *The New Leader's 100-Day Action Plan: How to Take Charge, Build Your Team, and Get Immediate Results*, Hoboken NJ: Wiley, 2006; and recent Gallup polls. The specific range mentioned here comes from *Executive Transitions Rise, Challenges Continue*, IED and Alexcel Research, June 2013 (27 percent), and "High-impact leadership transitions: a transformative approach," CEB, 2012 (46 percent).

⁶ Marshall Goldsmith and Mark Reiter, *What Got You Here Won't Get You There*, New York, NY: Hyperion, 2007.

⁷ DeAnne Aguirre, Per-Ola Karlsson, and Kristin Rivera, "Are CEOs less ethical than in the past?," *strategy+business*, Summer 2017, strategy-business.com.

⁸ Michael Birshan, Thomas Meakin, and Kurt Strovink, "How new CEOs can boost their odds of success," *McKinsey Quarterly*, May 2016, McKinsey.com.

⁹ *Executive Transitions Rise, Challenges Continue*, IED and Alexcel Research, June 2013.

¹⁰ Matt Paese and Richard S. Wellins, *Leaders in transition: Stepping up, not off*, Development Dimensions International, ddiworld.com; and "Ascending to the C-suite," April 2015, McKinsey.com.

¹¹ *High-Impact Leadership Transitions*, 2012, CEB, cebglobal.com.

19 percent of externally and 11 percent of internally recruited executives consider them effective. Some methods—for instance, tailored executive coaching and customized assimilation plans—have been shown to double the likelihood of success, but only 32 percent of organizations use them.¹² When companies are asked what additional support they intend to provide in future, the commonest response is to have HR play a more supportive role. But HR departments already have a full plate.¹³

What are the big ideas?

Newly appointed leaders should take stock of their situation in five areas and then take action to deal with them. They should also clearly state not only what they will do but what they won't, as well as forget the idea that they have only 100 days to make an impact.

Take stock and take action in five areas

The great Spanish writer Cervantes once wrote, "To be prepared is half the battle." What is the other half? A second famous Spaniard, the artist Pablo Picasso, said, "Action is the foundational key to success." They were right, so every leader should mount a transition in two equally important stages: first take stock and then take action by asking questions about five basic dimensions of leadership—the strategy and operation of the business or function, the corporate culture, the team, the leader herself or himself, and other stakeholders that need to be managed (Exhibit 2). Beware of generic answers because every leader's starting point is different. For some, the starting role is to maintain and improve steadily what they inherited in each of these dimensions. For others, transformational change in all the dimensions is necessary. Still others face a mix of requirements.

Simultaneously managing the five focus areas isn't easy. As with spinning plates, do it too slowly, and they lose momentum and crash to the ground; do

it too quickly, and they spin out of control. Get this right, and you can succeed spectacularly.

Be clear about what you won't do, not just what you will

When Alan Lafley took over Procter & Gamble, in June 2000, the global consumer-goods giant had become the worst-performing company in the Dow Jones Industrial Average. Lafley increased P&G's profits by 70 percent and its revenues by almost 30 percent in his first five years. His success was as much about what he stopped as what he started. Lafley and his senior team quickly ended almost \$200 million of experimental technology projects and regional marketing campaigns. They prioritized four core businesses and ten countries.

As Lafley says, "be clear on what you won't do—what needs to stop.... Most human beings and most companies don't like to make choices, and they particularly don't like to make a few choices they really have to live with." Along the same lines, management thinker Jim Collins notes that great companies create "stop-doing" lists to complement their "to-do" lists.¹⁴ In our experience, too, senior executives in new roles must be clear not only about what they want to do but also about what they don't. Otherwise, when employees hear about the company's new direction, they will reframe what they are already doing to show that this supports the changes, and many pet projects will crop up in the name of advancing them. Well-intentioned but fragmented and ineffectual efforts then proliferate, and momentum vanishes. Successful leaders are 1.8 times more likely than others to communicate explicit ideas about what to stop, not just about what to start.¹⁵

So, as leaders in a transition take stock, they should ask what they can delay or terminate—for example, initiatives, meetings, process steps, reports, and rituals. As leaders take action, they should not only be clear about what will stop and start but

¹² Patricia Wheeler, "Executive transitions market study summary report: 2008," The Institute of Executive Development, 2008; "Ascending to the C-suite," April 2015, McKinsey.com.

¹³ *Executive Transitions Rise, Challenges Continue*, IED and Alexcel Research, June 2013.

¹⁴ Debbie Weil, "Three things on Jim Collins' stop doing list," *Inc.*, September 2008, inc.com.

¹⁵ "Ascending to the C-suite," April 2015, McKinsey.com.

Leaders should think about mounting a transition in two equal steps: first take stock, then take action across five dimensions.

				
Your business or function	Culture	Team	Yourself	Other stakeholders
<p>Take stock: Do you understand the current performance and capabilities?</p>	<p>Take stock: Do you understand the current culture and any shifts required to improve performance?</p>	<p>Take stock: Do you have the right team with the right skills and attitudes and the right structure?</p>	<p>Take stock: Have you done what it takes to get up to speed, set boundaries, and consider your legacy?</p>	<p>Take stock: Do you understand your mandate and the other expectations of major stakeholders?</p>
<p>Take action: Have you aligned and mobilized your team and organization on the future aspiration and priorities?</p>	<p>Take action: Are you influencing those shifts with all levers available?</p>	<p>Take action: Have you together embarked on a structured journey to become a high-performing team?</p>	<p>Take action: Do you spend your time wisely by assuming roles only you can play?</p>	<p>Take action: Have you established a productive working rhythm and relationship with them to shape their views?</p>

also adopt a philosophy from the world of good housekeeping: one thing in, one thing out. When people propose new initiatives, leaders should ask what the company will stop doing to free up the time, money, resources, and focus needed to implement them well.

Be impact driven, not calendar driven

If you type “executive transitions” into Amazon, you will find a long list of books offering 90- and 100-day plans for success. These works say that you have a limited period to achieve full productivity as a leader and that if you don’t make it in time, you are doomed. The evidence doesn’t support these claims: 92 percent of external and 72 percent of internal hires take far more than 90 days to reach full productivity.¹⁶ Sixty-two percent of external and 25 percent of internal hires admit that it took them at least six months to have real impact.

In general, that delay isn’t a problem. Stakeholders typically expect a new CEO to propose a strategic vision within the first eight months, not the first 100 days (Exhibit 3). They give the CEO 14 months to get a new team in place and 19 months for an increase in share prices.¹⁷ This doesn’t necessarily mean that leaders shouldn’t move quickly—for example, 72 percent of them wish they had taken less time to reshape their teams.¹⁸ But stale formulas shouldn’t pressure leaders to act.

How do I make it happen?

Sofia, a high-ranking leader at a European financial-services company, accepted a senior-executive position in its insurance-brokerage business. The company’s top leaders felt that although this would be a stretch assignment, she was right for it. Sofia had some previous contact with the business but

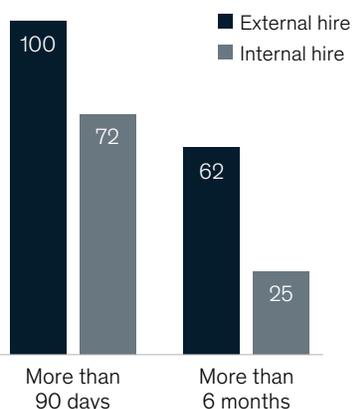
¹⁶ Patricia Wheeler, “Executive transitions market study summary report: 2008,” The Institute of Executive Development, 2008.

¹⁷ Leslie Gaines-Ross, *CEO Capital: A Guide to Building CEO Reputation and Company Success*, Hoboken, NJ: Wiley, 2002.

¹⁸ “Ascending to the C-suite,” April 2015, McKinsey.com. More than half also think that they didn’t spend enough time taking stock of their personal leadership strengths and weaknesses during the transition and evaluating their personal operating models.

The idea that new leaders have 100 days to make their mark is a myth.

Time it takes to become fully productive, % of leaders reporting



Number of months a CEO has to...



Source: Leslie Gaines-Ross, *CEO Capital: A Guide to Building CEO Reputation and Company Success*, Hoboken, NJ: John Wiley & Sons, 2002; *Executive transitions market study summary report: 2008*, a joint report from The Institute of Executive Development and Alexcel Group, 2008

knew little about how it worked, although she did know its reputation as a weak performer.

1. **Aspire**

Sofia quickly immersed herself. She spent time carefully understanding the views of the outgoing leader and organized sessions with third-party experts to learn about industry dynamics, competitive trends, and best practices. She also started to get to know her team and met a couple of colleagues from earlier in her career who now worked in the same business.

Sofia's next step was to begin engaging the organization. She spent time at regional offices interviewing high-performing employees individually to get their advice and meeting with the rest of the staff. She also met with representatives from key customer accounts to hear their hopes and concerns. Meanwhile, a small strategy team was pulling together a baseline analysis of the unit's performance and culture. She met the team every week to discuss the findings and create "one version of the truth."

Ten weeks into the role, Sofia assembled her team for a two-day "aspiration-setting" workshop at an off-site location. Together, they created a high-level aspiration: to operate as a bank-owned business rather than a standalone company; to segment the market in a disciplined way rather than trying to be everything to everyone; and to consider acquisitions only after they had shown that the unit could organically grow.

2. **Assess**

Sofia and her direct reports, supported by a strategy team, started meeting twice a week to deepen their discussions. Together, they decided on the priorities for achieving the aspiration, identified the new capabilities it required (for example, digital marketing, data analytics, and customer relationship management), and considered organizational options. Twelve weeks into the new job, Sofia announced a restructuring of the business, the early retirement of two executives, and the creation of three new executive roles.

She now had the strategy team running focus groups to identify limiting mindsets and behavior that could undermine the aspiration. Many employees, for instance, felt that being part of a larger financial-services institution hurt the insurance operation's performance. They didn't trust the abilities of colleagues outside their own departments. A significant number believed that if revenues grew, everything else, including margins, would take care of itself.

In the next workshop, an experienced facilitator helped Sofia's direct reports to decide on specific performance goals (such as margin growth, cross-sell rates, and customer satisfaction) and to identify the necessary shifts in mindsets and behavior.

3. Architect

Having taken stock of the business's situation and aligned on an aspiration, Sofia and her direct reports began to plan how they would take action. They launched initiative teams to determine how to implement all the priorities. Executive-level members, working in pairs to get to know each other better and to model their collaboration, sponsored every initiative. The initiative teams focused on defining a customer-segmentation strategy, optimizing technology, standardizing office models and compensation structures, and creating more integrated partnerships with the company's other businesses. The teams also suggested what should be on the stop-doing list and how the company's culture could change through role modeling, storytelling, reinforcement mechanisms, and skill building.

The next off-site meeting determined the scope of each initiative, the key decisions, the overall milestones, and the governance mechanisms. A few scenarios were played out so that everyone understood decision rights, key performance indicators, and interdependencies. Then a change story assembled the full picture—the what, when, why, how, and who of the whole program.

4. Act

Sofia worked with her assistant to ensure that she would have enough time for the important issues as well as the flexibility to deal with urgent ones. She ensured that detailed plans were fleshed out for each initiative while simultaneously implementing some quick wins. She also established a program-management office (PMO) to coordinate the initiative teams.

This phase culminated in an off-site meeting with the business unit's top 300 leaders that formally marked the launch of the new direction. In advance of the meeting, the change story and detailed implementation plans were refined. The PMO fleshed out a full change-management and communications plan. The finance and HR teams reviewed current business and talent processes to confirm their alignment with the new direction and to clarify who was responsible for what. And Sofia's boss, Rajit, was briefed to explain what the new direction of the insurance business would mean for the company as a whole. (Sofia had previously spent time with him to ensure that he was comfortable with her plans.)

5. Advance

In the next six months, Sofia met monthly with the PMO and the initiative teams, switching to a quarterly schedule once things were well on track. She continued to manage her schedule to balance meetings with customers, business partners, and regulators and with her direct reports. She also reserved time to reflect on strategy, organizational dynamics, and her personal impact.

Sofia stayed close to her direct reports, both individually and as a group (frequent one-on-one feedback and coaching sessions ensured that they remained fully on board). Six months into her role, two leaders hadn't changed in the way she had hoped, so she made the necessary moves; fortunately, she had earlier decided to work with HR to create succession options. She also used an

inner circle of informal advisers to act as a sounding board, to give her discreet advice, and to learn how the organization perceived her and her actions.

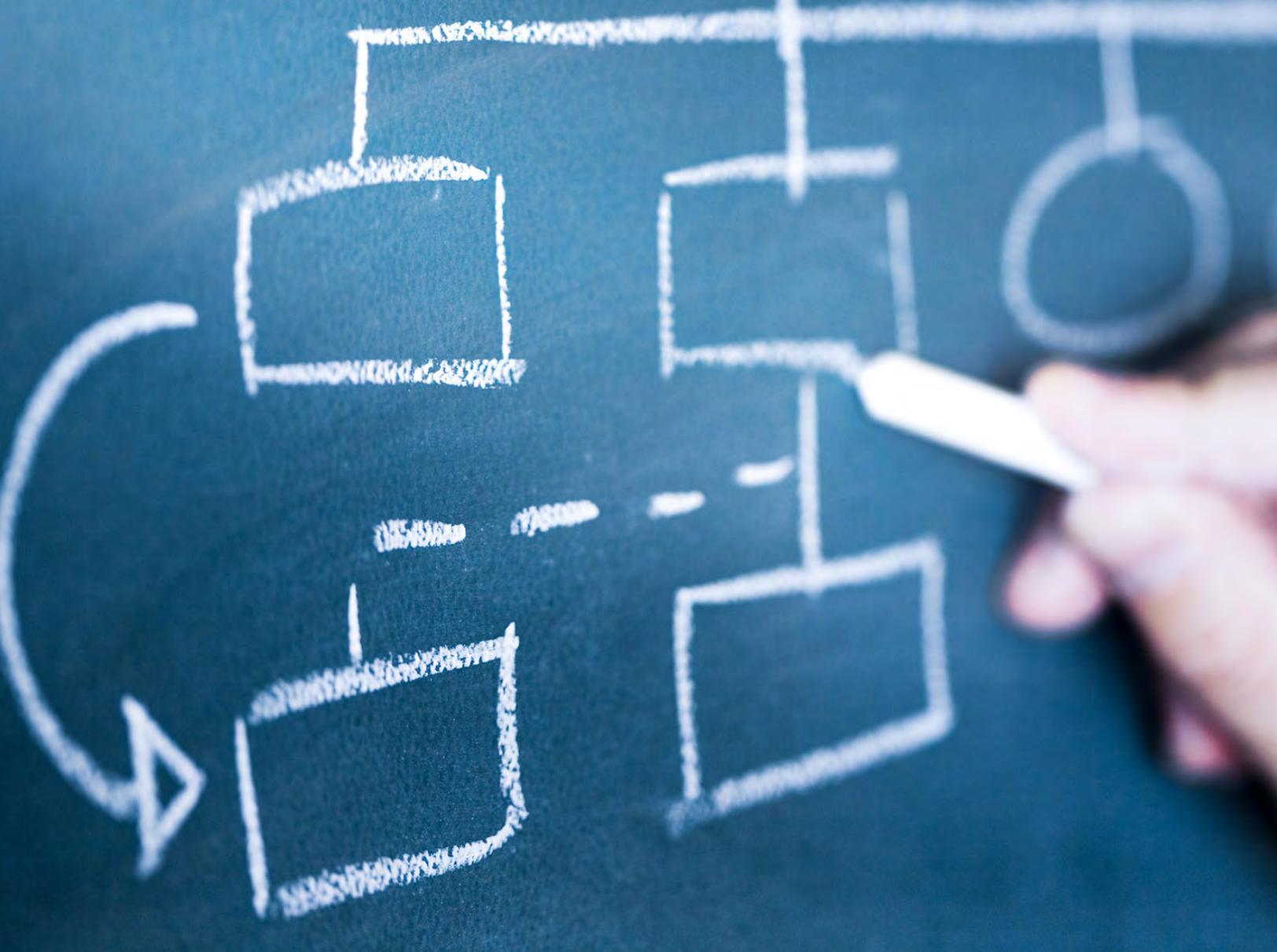
A year into her role, not everything had gone according to plan: unforeseen economic changes dictated a strategic decision to focus more on the consumer business. She also had to dismiss another of her direct reports unexpectedly after major risk and compliance issues surfaced. But thanks to the operating rhythm Sofia had created, the business unit picked up the need for adjustments early on and quickly made changes. Its performance was turning around—it beat its plan, with significant increases in cross-selling and in profit margins. Ninety-five percent of its employees now felt it had a clear, shared direction,

up from less than half before Sofia's arrival. Most important, she felt confident she had the right strategy, the right team, and the right support from stakeholders.

Sofia effectively took stock and took action in the areas that matter, and so should all executives who want to ensure that their transitions are a success.

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Reorganizing to capture maximum value quickly

Companies need an organizational design that's stable yet can respond quickly to threats and opportunities. Here's how to build one.

by Scott Keller and Mary Meaney

In Leading Organizations (Bloomsbury Publishing, June 2017), McKinsey senior partners Scott Keller and Mary Meaney address the ten basic issues facing leaders: attracting and retaining talent, developing your current talent, managing performance, creating leadership teams, making decisions, reorganizing to capture value quickly, reducing long-term overhead costs, making culture a competitive advantage, leading transformational change, and transitioning to new leadership roles.¹ “Attracting and retaining the right talent” (McKinsey.com, November 2017) was the first in our series of articles based on the book.² A future article will discuss transitioning to new leadership roles.

The history of organizations is the history of humankind. Each generation seeks better ways to organize itself—from tribes ruled by all-powerful leaders to hierarchical corporations with clear divisions of labor to matrixed, cross-functional structures promoting complex forms of work and value creation. We might now be on the verge of another major advance, toward self-organizing, decentralized, and adaptive organizations.

One of the most high-profile experiments along these lines involves the online retailer Zappos, which announced in 2013 that it would become a “holarchy.” Instead of having job titles or permanent roles, Zappos rearranges them by agreement among peers, while GlassFrog, a web-based tracker of decisions and outcomes, makes information transparent. This approach is rooted in Frederic Laloux’s book, *Reinventing Organizations* (Nelson Parker, February 2014), which calls it “the next stage of human consciousness . . . taming our ego and searching for more authentic, more wholesome ways of being.”³

Although early results from Zappos haven’t been promising, the company insists that these growing pains are but a step toward the ultimate transformation.⁴ Time will tell if holarchy succeeds.⁵ But either way, it isn’t the end—organizations will continue to evolve. No one organizational archetype permanently ensures the best performance; too many things change across too many variables. The right model for your organization today probably combines traditional and experimental structures, formal and informal operations, and a fluid yet stable design.

Why is organizational redesign important?

It is inevitable

A 2013 McKinsey survey found that up to 82 percent of executives had experienced an organizational redesign in their current companies.⁶ Seventy percent reported that the most recent redesign had been implemented during the previous two years. A majority believed that they would experience another redesign in the next two. Companies apparently revamp their organizations more often than they overhaul their websites (on average, every three years) or upgrade their computer systems (every three to five years).

A typical reorganization takes ten months from plan to practice, and more than half of the executives responding to another survey said that productivity fell during this period.⁷ Companies endure such problems because their strategies must change more frequently now, given the faster pace of technological disruptions, new market opportunities, evolving customer preferences, and competitors’ moves. But redesigns are not only about changing

¹ Scott Keller and Mary Meaney, *Leading Organizations: Ten Timeless Truths*, London, United Kingdom: Bloomsbury Publishing, 2017.

² Scott Keller and Mary Meaney, “Attracting and retaining the right talent,” November 2017, McKinsey.com.

³ Frederic Laloux, *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage in Human Consciousness*, Brussels, Belgium: Nelson Parker, 2014.

⁴ Jennifer Reingold, “How a radical shift left Zappos reeling,” *Fortune*, March 4, 2016, fortune.com.

⁵ Eilene Zimmerman, *Jeffrey Pfeffer: Do workplace hierarchies still matter?*, Insights by Stanford Business, March 24, 2014, gsb.stanford.edu; Christina DesMarais, “Your employees like hierarchy (no, really),” *Inc.*, August 16, 2012, inc.com.

⁶ “The secrets of successful organizational redesigns: McKinsey Global Survey results,” July 2014, McKinsey.com. The survey, conducted from September 10 to September 20, 2013, garnered responses from 2,063 executives representing the full range of regions, industries, company sizes, functional specialties, and tenures. Of these, 1,534 said they had experienced a redesign at their current organizations.

⁷ Giancarlo Ghislanzoni, Stephen Heidari-Robinson, Suzanne Heywood, and Martin Jermiin, “How do I reorganize to capture maximum value quickly?,” McKinsey Organization Practice white paper, November 2011.

external landscapes. Companies might become unhappy with their performance, and therefore their strategies and organizational designs, even in stable times. As David Ulrich, a business-school professor and thought leader in HR management, says, companies launch this kind of transformation increasingly often, so “every leader needs to know how to do it well.”⁸

Redesigns can have a profound impact

Nearly two-thirds of executives in the 2013 McKinsey survey reported that the goal of the most recent redesign was to help companies execute their strategic priorities, and more than half reported that the changes aimed to improve the focus on growth.⁹ Better decision making (40 percent), cost cutting (39 percent), and accountability (39 percent) round out the top five reasons for a redesign.

When redesigns are successful, they have a profoundly beneficial impact. Yet their merits are often hard to judge because an organizational transformation that creates significant value in one era might destroy it in the next. In 1990, for example, CEO Percy Barnevik decentralized the automation and power-technology giant ABB to unleash local entrepreneurship.¹⁰ As profits soared, academics, journalists, management gurus, and shareholders praised the structure, which was a matrix of sectors and countries divided into 5,000 profit centers. By 1996, the *Financial Times* had anointed ABB as Europe’s most respected company three years running.

A bit later, though, revenue growth slowed, and the share price plummeted. The redesign seemed to be part of the problem. As one reporter wrote, “The decentralized management structure Mr. Barnevik created for the company’s far-flung units ended up causing conflicts and communications problems between departments.” It also promoted duplication—ABB had 576 enterprise-resource-

planning systems, for example.¹¹ Even Barnevik had to concede that his redesign had once been good “but it is not good today.”¹² In 2002, a new CEO consolidated divisions and centralized profit-and-loss accountability. A more efficient, collaborative company now generated fast, competitive bids for multinational clients. Its fortunes improved, for the time being.

Only 23 percent get it right

An aphorism claims that “your organization is perfectly designed to give you today’s business results, so if you want to improve them, you should redesign your organization.” But this isn’t always true. Charlton Ogburn Jr. captured what happens in most cases: “We tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization.”¹³

In McKinsey’s most recent survey of executives, only 23 percent of them reported that the reorganization had met its objectives and improved performance.¹⁴ Forty-four percent said that the redesign had bogged down during implementation and was never finished. In 1999, for example, P&G CEO Durk Jager inherited what he saw as a complacent, conservative, and hierarchical company. He reorganized it from a geographic-divisional structure into a more decentralized confederation of product groups, giving each group a mandate to encourage innovation. But although the design seemed to make sense, Jager couldn’t mobilize the organization—particularly middle managers—and departed after 18 months as CEO.¹⁵

Another 23 percent of organizational redesigns are fully implemented but don’t meet their objectives. Chrysler, for instance, restructured its organization three times in three years to negligible effect before going bankrupt. It then merged with Fiat in 2014. An additional 10 percent of reorganizations significantly

⁸ John Beeson, “Five questions every leader should ask about organizational design,” *Harvard Business Review*, January 23, 2014, hbr.org.

⁹ “The secrets of successful organizational redesigns.”

¹⁰ Phil Rosenzweig, *The Halo Effect: How Managers Let Themselves Be Deceived*, New York, NY: Free Press, 2007.

¹¹ *Ibid.*

¹² Dan Bilefsky and Anita Raghavan, “Once called ‘Europe’s GE,’ ABB and star CEO tumbled,” *Wall Street Journal*, January 23, 2003, wsj.com.

¹³ Charlton Ogburn, “Merrill’s marauders: The truth about an incredible adventure,” *Harper’s Magazine*, January 1957, pp. 29–44, harpers.org.

¹⁴ “The secrets of successful organizational redesigns.”

¹⁵ P. Mohan Chandran and Vivek Gupta, *Restructuring P&G*, IBS Center for Management Research, 2003.

impair the performance of the companies they were meant to revive. In one such case, Terry Semel, who was then CEO of Yahoo!, tried to encourage the sharing of resources by imposing a matrix structure that in practice confused accountability and stymied decision making.¹⁶ His reign as CEO ended in 2007. Although the number of abject failures is relatively small, repeated cycles of ineffectual change might eventually create a culture of corporate failure.

What are the big ideas?

Think beyond lines and boxes

Nearly one in ten people around the world suffers from lower-back pain.¹⁷ Up to 90 percent of these cases have no clear-cut diagnosis. The primary causes are structural (related to soft-tissue problems) or psychological.¹⁸ Studies suggest that surgery to address structural issues succeeds for only 26 percent of all patients.¹⁹ Physiotherapy and psychological interventions have far better results.²⁰

This is an apt analogy for organizational redesign. The probability of success is low if companies address only structural elements, such as the lines and boxes of the org chart, roles and responsibilities, functions or businesses, insourcing or outsourcing, and governance. Process elements, such as standardization, decision rights, performance management, and information flows, are the second category to consider. The people elements of a redesign, including the size of the workforce, its skills, talent in general, and culture, must also be considered.

All three of these elements (structures, processes, and people) influence the way work gets done in companies. Yet many leaders fetishize lines and boxes, which seem important to people who care about their positions in the org chart. Other leaders veer in the opposite direction and focus on personnel issues, such as who reports to whom and how

corporate politics plays out as a result. Yet our data suggest that leaders who address the dynamic interactions across all the elements are three times more likely to succeed than leaders who don't.

Agility requires stability

Rupert Murdoch is credited with saying, "Big will not beat small anymore. It will be the fast beating the slow." But speed doesn't help if you are heading in the wrong direction. The real source of advantage is agility, which involves not just speed but also balance, coordination, strength, stamina, and reflexes. Being first isn't solely about being fast.

To most leaders, the speed and flexibility that drive innovation lie at the opposite end of the spectrum from standardization and centralization, which promote efficiency and control risk. Not so. Rita Gunther McGrath's research sheds light on agile organizations.²¹ Large companies that raise their income disproportionately, she found, have two main characteristics: they are innovative and experimental and can move quickly but also have consistent strategies and structures, and their "culture is strong and unchanging." Our research confirms that fast yet stable companies are upward of three times more likely to perform well than fast ones that lack stable operating disciplines (Exhibit 1).

Leaders who want to make their companies agile must therefore determine which parts of the organization should be stable and which should adapt to challenges and opportunities in a faster, looser, more dynamic way. They might choose a primary organizational axis like regions or functions (stability) but deploy temporary cells to address specific issues (speed); standardize work through signature processes (stability) but conduct fast, iterative experiments to develop new products or services (speed); or emphasize shared cultural values (stability) but radically empower the front line to make decisions that embody them (speed).

¹⁶ Kara Swisher, "Will tough-talking Bartz reorg Yahoo soon and finally blue-pill the 'matrix'?", February 9, 2009, allthingsd.com.

¹⁷ Serena Gordon, "Low back pain leading cause of disability: Study," March 25, 2014, webmd.com.

¹⁸ John E. Sarno, *Healing Back Pain: The Mind-Body Connection*, New York, NY: Warner Books, 1991.

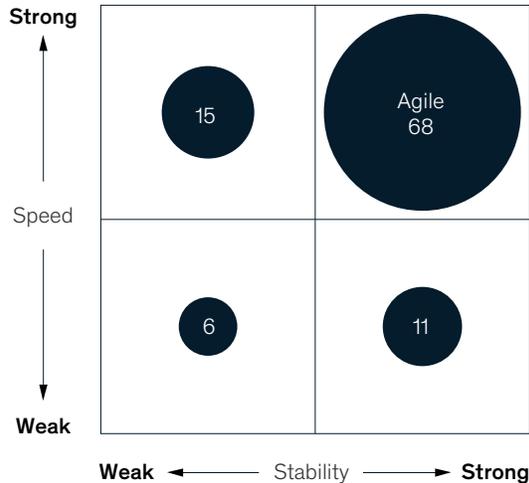
¹⁹ Linda Carroll, "Back surgery may backfire on patients in pain," October 14, 2010, nbcnews.com.

²⁰ Sarno, *Healing Back Pain*.

²¹ Rita Gunther McGrath, "How the growth outliers do it," *Harvard Business Review*, January–February 2012, Volume 90, Number 1–2, pp. 110–6, hbr.org.

Agile organizations combine stability and agility for superior performance.

How performance relates to speed and stability in high-performing companies, %



Source: McKinsey analysis

In short, by constantly reorganizing around a stable core, agile companies break the cycle of recurring—and mostly futile—large-scale organization redesigns.

Nine golden rules

Although certain rules are made to be broken, you don't win at tennis by swatting balls off the court, to paraphrase the novelist Carlos Ruiz Zafón.²² Research shows that when companies reorganize themselves, they should follow nine rules that make a redesign upward of seven times more likely to succeed than it would be if the company followed only a few.²³ The more of these rules they follow, the higher their chances of success (Exhibit 2):

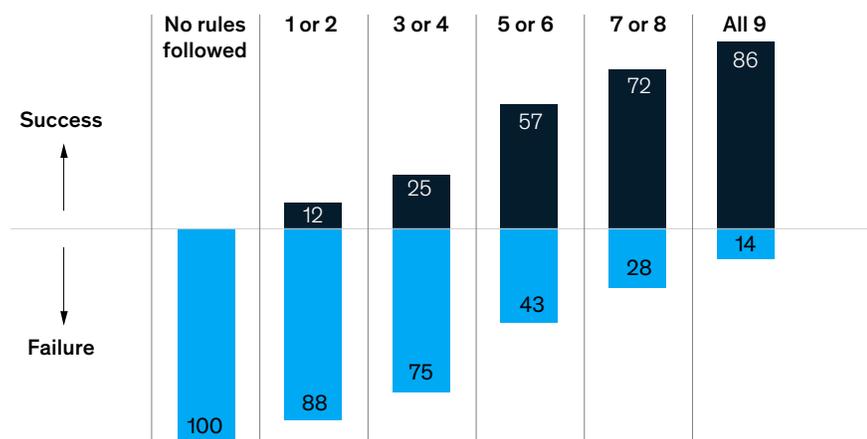
- **Rule 1.** Focus first on the longer-term strategic aspirations—dwelling only on pain points typically creates new ones.
- **Rule 2.** Take time to develop an accurate, verifiable picture of today's structures, processes, and people.
- **Rule 3.** Select the right blueprint carefully by creating multiple options and testing them under scenarios.
- **Rule 4.** Go beyond lines and boxes; consider all three elements of organizational design.
- **Rule 5.** Fill well-defined roles in an orderly, transparent way.
- **Rule 6.** Identify and actively change the necessary mindsets. Do not assume that people will automatically fall in line.
- **Rule 7.** Use metrics to measure short- and long-term results.
- **Rule 8.** Make sure business leaders communicate, and create a powerful redesign narrative to inspire and mobilize the company.
- **Rule 9.** Monitor and mitigate transitional risks, such as interruptions to business continuity, loss of talent, and customer-care lapses.

²² Carlos Ruiz Zafón, *The Angel's Game*, London, United Kingdom: Weidenfeld & Nicolson, 2009.

²³ Steven Aronowitz, Aaron De Smet, and Deirdre McGinty, "Getting organizational redesign right," *McKinsey Quarterly*, June 2015, McKinsey.com.

The more a corporate redesign follows nine rules, the higher its chances of success.

Successful and failed redesigns by number of rules followed, %



Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey analysis

Making it happen

A large, US-based chemical company found itself outmaneuvered by smaller, more agile competitors. The company's CEO and top team decided on a new strategy to regain market share: more specialized products as well as better products and service. They understood that this strategy would require a new organizational design.

1. Aspire

The top team decided to strengthen the company's functional capabilities, particularly commercial ones, and its ability to innovate. Clarifying accountabilities would be necessary to help functional leaders understand how they could trade off competing demands and sales reps to know who could rule on specific customer requests. And the farrago of product lines, functions, and geographies needed simplifying; in one sales area, customers typically received uncoordinated calls from two or three sales reps, and key accounts spanning multiple geographies could be called on by ten.

The senior team had learned from failed redesigns that it needed to get the voice of the broader leadership into the mix early. Executives several levels down and high-potential talent from each area therefore participated in workshops to debate and refine the basic principles. These ideas ultimately included creating a single point of contact for priority customers, delegating decisions to the lowest possible level, clarifying accountabilities, developing explicit protocols for handovers in cross-functional processes, and creating agile project teams for ad hoc missions.

2. Assess

Before embodying the principles in a specific blueprint, the company developed a baseline picture of the current organization. Blank data fields and outdated information made this task surprisingly hard. Vague job categories obscured what people actually did, and overlapping structures double-counted certain roles, so the number of employees—in each area and overall—didn't add up.

A reorganization team then explored internal and external benchmarks. It found that staffing levels were at least 20 to 30 percent above the industry average. As the team examined R&D departments elsewhere, it realized how far the company's complex, rigid structure was from the "innovation engine" of its hopes. Yet the team also found a number of strengths: some of the industry's best technical talent in manufacturing and R&D, a sales force that understood customer needs, and a metrics-driven performance culture.

The next steps were to translate these basic principles into a set of options that took account of the organization's baseline and strengths and to pressure-test the options against plausible industry scenarios. In the resulting debates, one team argued the pros of each question, the other the cons. Ultimately, the reorganization team cut ten options down to three for presentation to the senior team, which then decided on its recommendations to the board.

3. Architect

After a robust debate, the senior team chose a top-level design based on a functional axis. All operations would report to a new COO. Salespeople across product groups and regions were to unite under a chief commercial officer, and a new R&D function would report directly to the CEO. This part of the design was the stable backbone.

Complementing it was an agile organizational overlay to help the company draw on pools of functional talent for teams to address customer and internal issues. To speed things up, each team was to be empowered and decommissioned within three months. The overall design was tested with key customers and regulators and then brought to the board, which supported it unanimously.

Next, the company held workshops for selected lower-level staff to determine how the new structure would work in each key function. These groups went

through a process like the one that generated the top-level design, though shorter: understanding the principles and the current baseline and strengths, then developing and pressure-testing detailed options. Once the detailed work was complete in each area, the pieces were combined and adjustments made to ensure consistency. After top management approved this final design, it went to an HR team that compiled a list of critical job positions with specific requirements, including skills, behavior, and mindsets. The final step was to create a rigorous talent-matching process guided by a playbook to ensure fairness and transparency.

4. Act

As the company determined who would fill key leadership roles, it developed a plan to roll out the new design. The CEO would announce it to the broader organization, and orchestrated workshops would help senior and middle managers understand the structure, process, and people implications for their areas and themselves. Conversations (including one-on-one meetings with the board, the CEO, and the top team) with the leaders most affected were to happen before the announcement. A program management office (PMO) would coordinate the process to ensure that the company met critical milestones and to monitor customer satisfaction as well as employee engagement and retention.

Mindset and behavior changes were among the most important elements of the rollout. Leaders, for example, would have to become more comfortable being accountable for things they didn't control directly and would have to share knowledge—not protect it to get their next promotion. To encourage these shifts, the rollout plan included not only communications, skill building, and role modeling but also new processes, systems, and incentives.

5. Advance

Thanks to the leadership's involvement in the redesign, buy-in was high throughout the rollout.

Transparent communication controlled anxiety and confusion. Feedback from customers and other key external stakeholders continued to be positive, in part because the company saw to it that the business functioned smoothly throughout implementation. This positive experience attracted high-quality external talent, which brought in needed capabilities and powerfully influenced desirable shifts in mind-sets and behavior. Not everything went according to plan, but the PMO quickly identified and addressed emerging issues.

After a year under the new structure, the company started to grow again. Talent in key positions worked well together. The empowered cross-functional teams of the newly agile organization seized key market opportunities. Bureaucracy no longer stalled ideas; now they were tested quickly—and then, if successful, scaled up. As the CEO said, “We didn’t find a silver bullet . . . but we found a way to manufacture all the ammunition we need to win!”

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Attracting and retaining the right talent

The best workers do the best and the most work. But many companies do an awful job of finding and keeping them.

by Scott Keller and Mary Meaney

*In the book *Leading Organizations*,¹ McKinsey senior partners Scott Keller and Mary Meaney address the ten most basic issues facing leaders: attracting and retaining talent, developing the talent you have, managing performance, creating leadership teams, making decisions, reorganizing to capture value quickly, reducing overhead costs for the long term, making culture a competitive advantage, leading transformational change, and transitioning to new leadership roles. This article, drawn from the book's opening chapter, speaks to the first of these topics. Future articles will deal with reorganizing to capture maximum value quickly and with successfully transitioning to new leadership roles.*

Why is talent important?

Superior talent is up to eight times more productive

It's remarkable how much of a productivity kicker an organization gets from top talent. A recent study of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400 percent more productive than average ones.² Studies of businesses not only show similar results but also reveal that the gap rises with a job's complexity. In highly complex occupations—the information- and interaction-intensive work of managers, software developers, and the like—high performers are an astounding 800 percent more productive (Exhibit 1).

Suppose your business strategy involves crossfunctional initiatives that would take three years to complete. If you took 20 percent of the average talent working on the project and replaced it with great talent, how soon would you achieve the desired impact? If these people were 400 percent more productive, it would take less than two years; if they were 800 percent more productive, it would take less than one. If a competitor used 20 percent

more great talent in similar efforts, it would beat you to market even if it started a year or two later.

You get even more remarkable results comparing the productivity of the top and bottom 1 percent. For unskilled and semiskilled jobs, the top 1 percent are three times more productive; for jobs of middling complexity (say, technicians and supervisors), 12 times more. One person in the top 1 percent is worth 12 in the bottom 1 percent. For high-complexity jobs, the differential is so big it can't be quantified.³

The late Steve Jobs of Apple summed up talent's importance with this advice: "Go after the cream of the cream. A small team of A+ players can run circles around a giant team of B and C players."⁴ Management guru Jim Collins concurred: "... the single biggest constraint on the success of my organization is the ability to get and to hang on to enough of the right people."⁵

Great talent is scarce

The term "war for talent" was coined by McKinsey's Steven Hankin in 1997 and popularized by the book of that name in 2001.⁶ It refers to the increasingly fierce competition to attract and retain employees at a time when too few workers are available to replace the baby boomers now departing the workforce in advanced economies.

Fast forward to the wake of the Great Recession, and the war for talent turned into the war for jobs. In economies gripped by financial crises, unemployment hit levels not seen since the early 1980s, so there was no shortage of applicants for many openings. When Walmart launched a new Washington, DC, store in 2013, for example, it received 23,000 applications for 600 positions.

It was harder to get entry-level work there than to be accepted by Harvard: 2.6 percent of Walmart

¹ Scott Keller and Mary Meaney, *Leading Organizations: Ten Timeless Truths*, London: Bloomsbury Publishing, April 2017, bloomsbury.com.

² Herman Aguinis and Ernest O'Boyle Jr., "The best and the rest: Revisiting the norm of normality in individual performance," *Personal Psychology*, Volume 65, Issue 1, Spring 2012, pp. 79–119, onlinelibrary.wiley.com.

³ John E. Hunter, Michael K. Judiesch, and Frank L. Schmidt, "Individual differences in output variability as a function of job complexity," *Journal of Applied Psychology*, February 1990, Volume 75, Number 1, pp. 28–42, psycnet.apa.org.

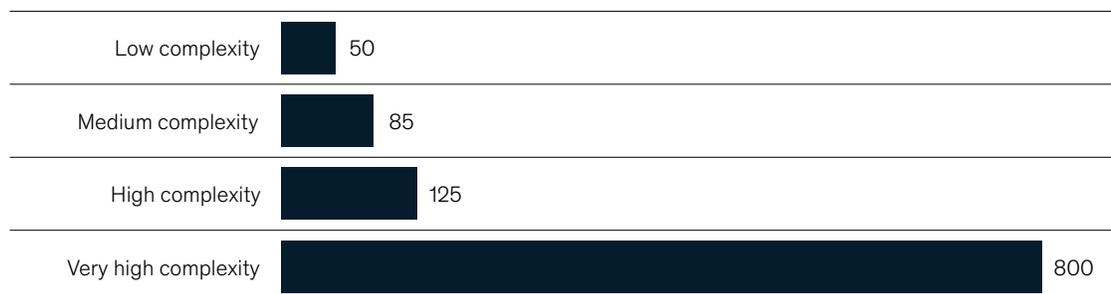
⁴ *TalentTrust*, "How Steve Jobs got the A+ players and kept them," blog entry by Kathleen Quinn Votaw, October 31, 2011, talenttrust.com.

⁵ Jim Collins, *Good to Great: Why Some Companies Make the Leap...And Others Don't*, New York: Harper Business, 2001, harpercollins.com.

⁶ Beth Axelrod, Helen Handfield-Jones, and Ed Michaels, *The War for Talent*, Boston: Harvard Business School Publishing, 2001.

The relationship between quality of talent and business performance is dramatic.

Productivity gap between average performers and high performers, by job complexity, %



Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012

applicants made it through, as opposed to 6.1 percent for the Ivy League university.⁷ Yet this didn't end the war for talent. In medium- and higher-complexity positions, where stronger performers have an increasingly disproportionate bottom-line impact, the opposite was true. In those uncertain times, gainfully employed talent became less likely to change employers, so people who had an advantage going into the crisis had an even bigger one. Further, pressure to reduce HR costs made it harder to identify and attract the most talented people. Everything suggests that the war for talent will rage on. "Failure to attract and retain top talent" was the number-one issue in the Conference Board's 2016 survey of global CEOs—before economic growth and competitive intensity (Exhibit 2). In more complex jobs, this will continue to be true as baby boomers (and their long experience) exit the workforce and technology demands more sophisticated skills.

A McKinsey Global Institute study⁸ suggests that employers in Europe and North America will require 16 million to 18 million more collegeeducated

workers in 2020 than are going to be available. Companies may not be able to fill one in ten roles they need, much less fill them with top talent. Yet in advanced economies, up to 95 million workers could lack the skills required for employment. Developing economies will face a shortfall of 45 million workers with secondary school educations and vocational training.⁹

Most companies don't get it right

Since business leaders know that talent is valuable and scarce, you might assume that they would know how to find it. Not so (Exhibit 3). A whopping 82 percent of companies don't believe they recruit highly talented people. For companies that do, only 7 percent think they can keep it.¹⁰ More alarmingly, only 23 percent of managers and senior executives active on talent-related topics believe their current acquisition and retention strategies will work.¹¹

These leaders aren't being humble—most companies just aren't good at this stuff. Gallup reported that in a 2015 survey, more than 50 percent of respondents were "not engaged"; an additional

⁷ Ashley Lutz, "Applicants for jobs at the new DC Walmart face worse odds than people trying to get into Harvard," *Business Insider*, November 19, 2013, businessinsider.com.

⁸ McKinsey Global Institute, *The world at work: Jobs, pay, and skills for 3.5 billion people*, June 2012, McKinsey.com.

⁹ Richard Dobbs, Susan Lund, and Anu Madgavkar, "Talent tensions ahead: A CEO briefing," *McKinsey Quarterly*, November 2012, McKinsey.com.

¹⁰ "McKinsey Global Survey: War for talent 2000," extensive research conducted 1997 to 2000; survey of more than 12,000 executives at 125 midsize and large companies.

¹¹ *The state of human capital 2012: False summit*, a joint report from McKinsey and the Conference Board, October 2012, McKinsey.com.

¹² Amy Adkins, "Employee engagement in U.S. stagnant in 2015," *Gallup News*, January 13, 2016, gallup.com.

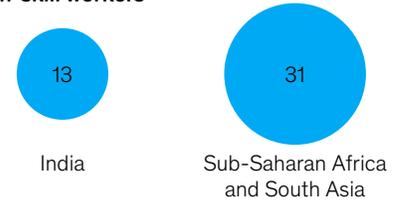
Almost one-third of senior leaders cite finding talent as their most significant managerial challenge.

Predicted shortage of talent by 2020, millions

High-skill workers

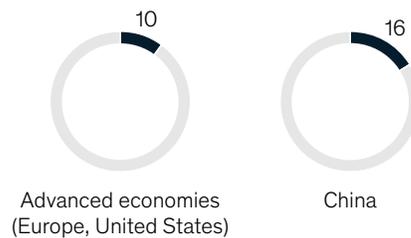


Medium-skill workers

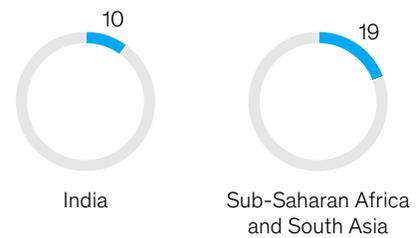


Predicted shortage of talent by 2020, % of total demand

High-skill workers



Medium-skill workers



Source: The Conference Board

17.2 percent were “actively disengaged.”¹² Related surveys report that 73 percent of employees are “thinking about another job” and that 43 percent were more likely to consider a new one than they had been a year earlier.¹³

The fact that the Baby Boomers’ decades of knowledge and experience are now leaving the workplace forever makes this state of play more unsettling. At the natural-resources giant BP, for example, many of the most senior engineers are called “machine whisperers” because they can keep important, expensive, and temperamental equipment online. If high-quality talent isn’t brought in to replace such people, the results could be catastrophic.

And the scarcer top talent becomes, the more companies that aren’t on their game will find their

best people cherry-picked by companies that are. In future, this will be even more likely, since millennials are far less loyal to their employers than their parents were. The Bureau of Labor Statistics says that workers now stay at each job, on average, for 4.4 years, but the average expected tenure of the youngest workers is about half that.¹⁴ People often underestimate the cost of turnover: the more information- and interaction-intensive the job, the greater the threat to productivity when good people leave it, and the more time and money must be invested in searching and onboarding. And if competitors poach your talent, they get an insider’s understanding of your strategies, operations, and culture.

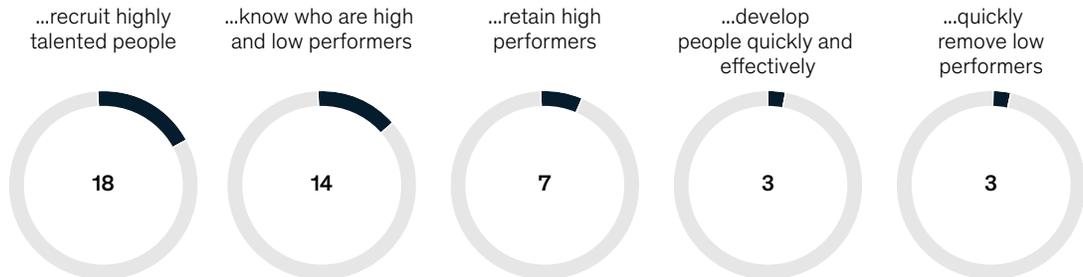
Talent matters, because its high value and scarcity—and the difficulty of replacing it—create huge

¹³ Appirio, “This year in employee engagement 2016: Trends to watch,” blog entry by Jiordan Castle, March 7, 2016, appirio.com.

¹⁴ Jeanne Meister, “The future of work: Job hopping is the ‘new normal’ for millennials,” August 14, 2012, forbes.com.

A whopping 82 percent of Fortune 500 executives don't believe that their companies recruit highly talented people.

Percent of Fortune 500 executives who agree that their organizations...



Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012

opportunities when companies get things right. Let's now turn to how they can do that.

What are the big ideas?

Focus on the 5 percent who deliver 95 percent of the value

Companies go through cycles of initiatives to improve their talent processes. Yet they reap only incremental improvements, and the vast majority of leaders report that their companies neither recruit enough highly talented people nor believe that their current strategies will work.

What do these leaders miss? Let's consider American football. If you asked people who is the most highly paid player on a team, they would correctly say the quarterback, the key person in the vast majority of plays. People would probably say that the second most highly paid player was the running back or the wide receiver, since they work directly with the quarterback to advance the ball. These people are wrong. It's the relatively unnoticed left tackle, who protects the quarterback from things he can't see and could injure him.

Some employees disproportionately create or protect value, and not all of them are obvious. A navy, for example, should obviously ensure that it has

the best and brightest people commanding fleets of nuclear submarines. Equally, however, it should ensure that it attracts superior talent to the role of the IT-outage engineer, who prevents catastrophes for the crew, the environment, and humanity. In a world of constrained resources, companies should focus their efforts on the few critical areas where the best people have the biggest impact. Start with roles, not processes (which create generic solutions that don't meaningfully improve results) or specific people (who might help you in particular situations but don't build institutional muscle).

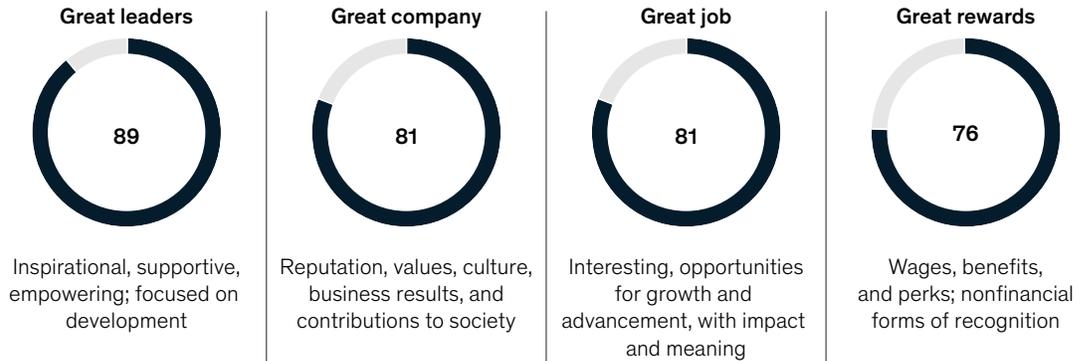
Picking the right battles isn't easy—you must understand the true economics of value creation in specific roles. That's precisely why this can be one of your secret weapons in the war for talent.

Make your offer magnetic—and deliver

Leaders know the term "employee value proposition," or EVP: what employees get for what they give. "Gives" come in many flavors—time, effort, experience, ideas. "Gets" include tangible rewards, the experience of working in a company, the way its leadership helps employees, and the substance of the work (Exhibit 4). If your EVP is truly stronger than the competition's, you will attract and retain the best talent. But for three reasons, few companies have EVPs that meaningfully help them win this war:

One of the four elements most valued by top talent should be a source of distinctiveness.

% of employees satisfied when their companies deliver



Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012

Not distinctive. A typical human-resources department spends months determining what employees want—a great job, in a great company, with great leaders, and great rewards. HR then says the value proposition should deliver all this, so the EVP resembles that of every business that’s gone through the same process. It’s better for companies to stand out on one dimension while not ignoring the others. Work for Google if you want to face complex challenges, for Virgin if Richard Branson’s leadership stirs you, or for Amgen if you aspire to “defeat death.”

Not targeted. Although it’s fine to have an overall EVP, what matters most is a winning EVP for the 5 percent of roles that matter most. If data scientists are hugely important, for example, you’ll want an EVP that lets them invent things; offers a clear, rapid career progression; and helps them have a big impact.¹⁵

Unreal. An attractive EVP cooked up by HR and pushed through PR used to help secure the best talent. In the long term, however, this was always a

losing proposition, since great people would quickly become disillusioned if the reality didn’t measure up. Today, however, talent won’t buy such promises at all. Employees are a more trusted source of information about working conditions than CEOs or HR chiefs.¹⁶ The same Internet and social media that help customers investigate product claims do the same thing for EVPs. Sites such as Glassdoor or Job Advisor offer peer ratings and reviews of what it’s really like to work for a company. Your EVP can’t be spin—it has to be distinctive, targeted, and real.

Technology will be the game changer

Michael Lewis’s book *Moneyball*¹⁷ pits the collective old-time wisdom of baseball players, managers, coaches, scouts, and front offices against rigorous statistical analysis in determining which players to recruit. Analysis wins, changing the game forever. Could the same be true for recruiting top talent?

When the National Bureau of Economic Research looked into this, it pitted humans against computers for more than 300,000 hires in high-turnover jobs at 15 companies. Human experience, instinct, and

¹⁵ “Five ways to attract and retain data scientists,” Kellogg Insight, October 15, 2015, insight.kellogg.northwestern.edu.

¹⁶ Susan Adams, “Trust in CEOs plummets, but still beats trust in government,” January 23, 2012, forbes.com.

¹⁷ Michael Lewis, *Moneyball: The Art of Winning an Unfair Game*, New York: W. W. Norton, 2003, wwnorton.com.

judgment were soundly defeated: people picked by computers stayed far longer and performed just as well or better.¹⁸ This wasn't the only such finding. University of Minnesota professors analyzed 17 studies and found that hiring algorithms outperform humans by at least 25 percent. "The effect holds in any situation with a large number of candidates, regardless of whether the job is on the front line, in middle management, or (yes) in the C-suite."¹⁹

Many leaders find this hard to stomach, but some companies are abandoning old ideas. The waste company Richfield Management, for example, uses an algorithm to screen applicants for character traits suggesting a tendency to abuse workers' compensation. Claims have since dropped by 68 percent.²⁰ After Xerox replaced its recruitmentscreening process with an online test from Evolve, attrition declined by 20 percent.²¹

HR software systems from Oracle, SAP's SuccessFactors, and Workday already gather information through sources such as LinkedIn to provide advanced warning when top talent may be thinking about jumping ship. At McKinsey, we used machine-learning algorithms to determine the three variables driving 60 percent of the attrition among our managers. Unexpectedly, all three are unrelated to pay, travel, or hours worked.

Although people analytics is a field still in its infancy, it's gaining speed. In 2016, only 8 percent of companies reported that they were fully capable of using predictive modeling, but that was up from 4 percent in 2015.²² Leaders who don't implement concrete plans to leverage technology in the war for talent will quickly fall behind. Yet machines alone won't win it. In 1997, IBM's Deep Blue computer thrashed grandmaster Gary Kasparov. Today, however, the world's best chess players are neither computers nor humans, but human teams playing alongside computers.²³ That will be true in business, too.

How do I make it happen?

The new leader of a major US public institution had a mandate for change. Her department failed to meet the budget for five years. The press was having a field day with tales of incompetence, inefficiency, and bureaucracy gone mad. Morale was extremely low; key talent was leaving. The leader felt she knew what had to be fixed, but she didn't have the talent. There was no quick fix—each division had its own approach to recruiting, and all were consumed with their immediate needs. The defectors were mostly the higher performers and specialist talent the organization wanted to keep.

1. Aspire

In the leader's words, a team was commissioned to "fix the leaky bucket, and fill it with the finest stuff imaginable!" Core members from each division populated a task force to meet the challenge. Division leaders were told they were on the hook. The team first determined the talent requirements for the organization's five-year plan. Two roles were especially important: general managers and data-analytics specialists. The team then coupled this demand view of talent with a supply view and identified the gaps. Senior leaders gave the team a mandate for bold action.

2. Assess

With the priorities established, the team took a deep dive into the current mess. What did recruits in each target segment care about? How did the institution compare with their other options? Why were people in key roles departing? Which current approaches were and weren't working? Using interview techniques to get behind superficial answers, the team gathered qualitative data. Quantitative data were generated by predictive analytics algorithms that determine patterns and an analysis of how general managers spent their time.

The organization's value proposition—the promise of interesting work, on-the-job development, and

¹⁸ Rebecca Greenfield, "Machines are better than humans at hiring the best employees," November 17, 2015, bloomberg.com.

¹⁹ David M. Klieger, Nathan R. Kuncel, and Deniz S. Ones, "In hiring, algorithms beat instinct," May 2014, Volume 92, Number 5, hbr.org.

²⁰ Joseph Walker, "Meet the new boss: Big data," *Wall Street Journal*, September 20, 2012, wsj.com.

²¹ Tom Starner, "The recruiting game," Human Resource Executive Online, May 7, 2014, hreonline.com.

²² Josh Bersin, Laurence Collins, David Mallon, Jeff Moir, and Robert Straub, "People analytics: Gaining speed," February 29, 2016, dupress.deloitte.com.

²³ Chris Baraniuk, "The cyborg chess players that can't be beaten," BBC Online, December 4, 2014, bbc.com.

an attractive, flexible career path—turned out to be on target. However, the reality didn't live up to it. When recruits called friends hired previously, they heard that the organization had gone “bureau-crazy.” Recruiters knew this, but their incentives were to get people through the door, so they hyped roles to meet short-term goals. Good talent left quickly, while others, happy with the security and relatively high pay, “quit and stayed,” remaining on the payroll but contributing little.

The team found that specialist candidates wanted a different value proposition: deeper technical development, opportunities for special projects, a more relaxed and informal environment, and freedom from administrative tasks.

3. Architect

The working team recommended two discrete career paths, for generalists and specialists. The role of general managers would be adjusted to let them play more of a coaching (rather than a coordination) role. For data analysts, the team proposed more relaxed, informal recruitment events on school campuses and a stronger referral program. Predictive analytics showed that the organization had significant weaknesses for some roles. Its leaders agreed to “segment of one” discussions with the highest performers to understand their issues and fix them quickly.

Analytics suggested that ten vital leaders might be on the verge of leaving. They were engaged to help reinvent the EVP for the general-manager role—an approach that not only produced better answers but also helped to promote retention. Further changes were proposed for the annual succession-planning process (for instance, focusing on pivotal roles) and the recruitment process, to make both more efficient.

4. Act

The leader and top team led from the front—for example, by personally attending the newly overhauled top-talent development programs—to communicate the importance of making the target EVP real and vibrant. She quickly became known for asking two questions in every performance dialogue: “what are your top five to seven priorities?” and “who are your top five to seven most talented leaders?” People learned that there should be a match between the answers. A talent office created to ensure progress reported on key metrics, such as time and cost to hire, as well as acceptance and attrition rates (overall and for key talent). These were studied with as much intensity as operational and financial metrics. To institutionalize transparency, the talent office developed an interactive dashboard with metrics on hiring, quality, fit, and efficiency.

5. Advance

The results appeared quickly: employee engagement shot up and attrition declined, especially among the most recent hires. Acceptance rates started improving, and employees became a powerful recruiting source. HR launched “choose who you want to work with” campaigns and made the most dynamic leaders and specialists “recruiting captains” for key campuses and career fairs.

Eighteen months later, after rising nearly 40 spots in the public sector's Best Place to Work ranking, the organization found it easier to access talent, especially data scientists. Attrition dropped to historic lows, particularly in critical general management and specialist roles. As a final sign of success, instead of trumpeting the organization's downward spiral, headlines announced the bold new agenda and leadership.

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High-performing teams: A timeless leadership topic

CEOs and senior executives can employ proven techniques to create top-team performance.

by Scott Keller and Mary Meaney

The value of a high-performing team has long been recognized. It's why savvy investors in start-ups often value the quality of the team and the interaction of the founding members more than the idea itself. It's why 90 percent of investors think the quality of the management team is the single most important nonfinancial factor when evaluating an IPO. And it's why there is a 1.9 times increased likelihood of having above-median financial performance when the top team is working together toward a common vision.¹ "No matter how brilliant your mind or strategy, if you're playing a solo game, you'll always lose out to a team," is the way Reid Hoffman, LinkedIn cofounder, sums it up. Basketball legend Michael Jordan slam dunks the same point: "Talent wins games, but teamwork and intelligence win championships."

The topic's importance is not about to diminish as digital technology reshapes the notion of the workplace and how work gets done. On the contrary, the leadership role becomes increasingly demanding as more work is conducted remotely, traditional company boundaries become more porous, freelancers more commonplace, and partnerships more necessary. And while technology will solve a number of the resulting operational issues, technological capabilities soon become commoditized.

Building a team remains as tough as ever. Energetic, ambitious, and capable people are always a plus, but they often represent different functions, products, lines of business, or geographies and can vie for influence, resources, and promotion. Not surprisingly then, top-team performance is a timeless business preoccupation. (See sidebar "Cutting through the clutter of management advice," which lists top-team performance as one of the top ten business topics of the past 40 years, as discussed in our book, *Leading Organizations: Ten Timeless Truths*.)

Amid the myriad sources of advice on how to build a top team, here are some ideas around

team composition and team dynamics that, in our experience, have long proved their worth.

Team composition

Team composition is the starting point. The team needs to be kept small—but not too small—and it's important that the structure of the organization doesn't dictate the team's membership. A small top team—fewer than six, say—is likely to result in poorer decisions because of a lack of diversity, and slower decision making because of a lack of bandwidth. A small team also hampers succession planning, as there are fewer people to choose from and arguably more internal competition. Research also suggests that the team's effectiveness starts to diminish if there are more than ten people on it. Sub-teams start to form, encouraging divisive behavior. Although a congenial, "here for the team" face is presented in team meetings, outside of them there will likely be much maneuvering. Bigger teams also undermine ownership of group decisions, as there isn't time for everyone to be heard.

Beyond team size, CEOs should consider what complementary skills and attitudes each team member brings to the table. Do they recognize the improvement opportunities? Do they feel accountable for the entire company's success, not just their own business area? Do they have the energy to persevere if the going gets tough? Are they good role models? When CEOs ask these questions, they often realize how they've allowed themselves to be held hostage by individual stars who aren't team players, how they've become overly inclusive to avoid conflict, or how they've been saddled with team members who once were good enough but now don't make the grade. Slighting some senior executives who aren't selected may be unavoidable if the goal is better, faster decisions, executed with commitment.

Of course, large organizations often can't limit the top team to just ten or fewer members. There is too much complexity to manage and too much work to

¹ Scott Keller and Mary Meaney, *Leading Organization: Ten Timeless Truths*, New York, NY: Bloomsbury, 2017.

Cutting through the clutter of management advice

Every year, more than 10,000 business books are published, and that’s before you add in hundreds of thousands of articles, blogs, and video lectures. The demand for good advice is clear, but how can senior executives identify what really matters in this mountain of guidance? Our book, *Leading Organizations: Ten Timeless Truths*, seeks to answer this question by addressing a set of timeless corporate leadership topics—those with which every leader has grappled in the past and will do so in the future. One of

the lenses we used to determine this was to look at all the articles published in the *Harvard Business Review* between 1976 and 2016 on different aspects of organizational leadership, and how the amount of coverage of each varied (exhibit). Top teams was number eight on a list dominated by talent, decision making and design, and culture and change—topics that reflect our own experience of what leaders struggle with, judging by McKinsey’s client-engagement records dating back some 70 years.



Exhibit

Top teams rank high among the organizational-leadership topics covered most consistently by the Harvard Business Review from 1976 to 2016.

■ The “timeless” top ten

1	Decision making	8	High-performing leadership teams	15	Managing uncertainty
2	Attracting and retaining talent	9	Overhead costs	16	Leading oneself
3	Managing performance	10	Transformational change	17	Globalization
4	Transitions	11	Influences	18	Knowledge management
5	Reorganizing	12	Gender	19	Project management
6	Developing employee skills	13	Diversity	20	Leading others
7	Culture	14	Joint ventures		

Source: Scott Keller and Mary Meaney, *Leading Organizations: Ten Timeless Truths*, New York, NY: Bloomsbury, 2017

be done. The CEO of a global insurance company found himself with 18 direct reports spread around the globe who, on their videoconference meetings, could rarely discuss any single subject for more than 30 minutes because of the size of the agenda. He therefore formed three top teams, one that focused on strategy and the long-term health of the company, another that handled shorter-term performance and operational issues, and a third that tended to a number of governance, policy, and people-related issues. Some executives, including the CEO, sat on each. Others were only on one. And some team members chosen weren't even direct reports but from the next level of management down, as the CEO recognized the importance of having the right expertise in the room, introducing new people with new ideas, and coaching the next generation of leaders.

Team dynamics

It's one thing to get the right team composition. But only when people start working together does the character of the team itself begin to be revealed, shaped by team dynamics that enable it to achieve either great things or, more commonly, mediocrity.

Consider the 1992 roster of the US men's Olympic basketball team, which had some of the greatest players in the history of the sport, among them Charles Barkley, Larry Bird, Patrick Ewing, Magic Johnson, Michael Jordan, Karl Malone, and Scottie Pippen. Merely bringing together these players didn't guarantee success. During their first month of practice, indeed, the "Dream Team" lost to a group of college players by eight points in a scrimmage. "We didn't know how to play with each other," Scottie Pippen said after the defeat. They adjusted, and the rest is history. The team not only won the 1992 Olympic gold but also dominated the competition, scoring over 100 points in every game.

What is it that makes the difference between a team of all stars and an all-star team? Over

the past decade, we've asked more than 5,000 executives to think about their "peak experience" as a team member and to write down the word or words that describe that environment. The results are remarkably consistent and reveal three key dimensions of great teamwork. The first is alignment on direction, where there is a shared belief about what the company is striving toward and the role of the team in getting there. The second is high-quality interaction, characterized by trust, open communication, and a willingness to embrace conflict. The third is a strong sense of renewal, meaning an environment in which team members are energized because they feel they can take risks, innovate, learn from outside ideas, and achieve something that matters—often against the odds.

So the next question is, how can you re-create these same conditions in every top team?

Getting started

The starting point is to gauge where the team stands on these three dimensions, typically through a combination of surveys and interviews with the team, those who report to it, and other relevant stakeholders. Such objectivity is critical because team members often fail to recognize the role they themselves might be playing in a dysfunctional team.

While some teams have more work to do than others, most will benefit from a program that purposefully mixes offsite workshops with on-the-job practice. Offsite workshops typically take place over two or more days. They build the team first by doing real work together and making important business decisions, then taking the time to reflect on team dynamics.

The choice of which problems to tackle is important. One of the most common complaints voiced by members of low-performing teams is that too much time is spent in meetings. In our experience, however, the real issue is not the time but the content of meetings. Top-team meetings should

The ‘bike-shed effect,’ a common pitfall for team effectiveness

The tendency of teams to give a disproportionate amount of attention to trivial issues and details was made famous by C. Northcote Parkinson in his 1958 book, *Parkinson’s Law: Or The Pursuit of Progress*. As the story goes, a finance committee has three investment decisions to make. First, it discusses a £10 million investment in a nuclear-power plant. The investment is approved in

two-and-a-half minutes. Second, it has to decide what color to paint a bike shed—total cost about £350. A 45-minute discussion cracks the problem. Third, the committee addresses the need for a new staff coffee machine, which will cost about £21. After an hour’s discussion, it decides to postpone the decision. Parkinson called this phenomenon the law of triviality (also known as the

bike-shed effect). Everyone is happy to proffer an opinion on something as simple as a bike shed. But when it comes to making a complex decision such as whether or not to invest in a nuclear reactor, the average person is out of his or her depth, has little to contribute, and will presume the experts know what they are doing.

address only those topics that need the team’s collective, cross-boundary expertise, such as corporate strategy, enterprise-resource allocation, or how to capture synergies across business units. They need to steer clear of anything that can be handled by individual businesses or functions, not only to use the top team’s time well but to foster a sense of purpose too.

The reflective sessions concentrate not on the business problem per se, but on how the team worked together to address it. For example, did team members feel aligned on what they were trying to achieve? Did they feel excited about the conclusions reached? If not, why? Did they feel as if they brought out the best in one another? Trust deepens regardless of the answers. It is the openness that matters. Team members often become aware of the unintended consequences of their behavior. And appreciation builds of each team member’s value to the team, and of how diversity of opinion need not end in conflict. Rather, it can lead to better decisions.

Many teams benefit from having an impartial observer in their initial sessions to help identify

and improve team dynamics. An observer can, for example, point out when discussion in the working session strays into low-value territory. We’ve seen top teams spend more time deciding what should be served for breakfast at an upcoming conference than the real substance of the agenda (see sidebar “The ‘bike-shed effect,’ a common pitfall for team effectiveness”). One CEO, speaking for five times longer than other team members, was shocked to be told he was blocking discussion. And one team of nine that professed to being aligned with the company’s top 3 priorities listed no fewer than 15 between them when challenged to write them down.

Back in the office

Periodic offsite sessions will not permanently reset a team’s dynamics. Rather, they help build the mind-sets and habits that team members need to first observe then to regulate their behavior when back in the office. Committing to a handful of practices can help. For example, one Latin American mining company we know agreed to the following:

- A “yellow card,” which everyone carried and which could be produced to safely call out

one another on unproductive behavior and provide constructive feedback, for example, if someone was putting the needs of his or her business unit over those of the company, or if dialogue was being shut down. Some team members feared the system would become annoying, but soon recognized its power to check unhelpful behavior.

- An electronic polling system during discussions to gauge the pulse of the room efficiently (or, as one team member put it, “to let us all speak at once”), and to avoid group thinking. It also proved useful in halting overly detailed conversations and refocusing the group on the decision at hand.
- A rule that no more than three PowerPoint slides could be shared in the room so as to maximize discussion time. (Brief pre-reads were permitted.)

After a few months of consciously practicing the new behavior in the workplace, a team typically reconvenes offsite to hold another round of work and reflection sessions. The format and content will differ depending on progress made. For example, one North American industrial company that felt it was lacking a sense of renewal convened its second offsite in Silicon Valley, where the team immersed itself in learning about innovation from start-ups and other cutting-edge companies. How frequently these offsites are needed will differ from team to team. But over time, the new behavior will take root, and team members will become aware of team dynamics in their everyday work and address them as required.

In our experience, those who make a concerted effort to build a high-performing team can do so well within a year, even when starting from a low

base. The initial assessment of team dynamics at an Australian bank revealed that team members had resorted to avoiding one another as much as possible to avoid confrontation, though unsurprisingly the consequences of the unspoken friction were highly visible. Other employees perceived team members as insecure, sometimes even encouraging a view that their division was under siege. Nine months later, team dynamics were unrecognizable. “We’ve come light years in a matter of months. I can’t imagine going back to the way things were,” was the CEO’s verdict. The biggest difference? “We now speak with one voice.”

Hard as you might try at the outset to compose the best team with the right mix of skills and attitudes, creating an environment in which the team can excel will likely mean changes in composition as the dynamics of the team develop. CEOs and other senior executives may find that some of those they felt were sure bets at the beginning are those who have to go. Other less certain candidates might blossom during the journey.

There is no avoiding the time and energy required to build a high-performing team. Yet our research suggests that executives are five times more productive when working in one than they are in an average one. CEOs and other senior executives should feel reassured, therefore, that the investment will be worth the effort. The business case for building a dream team is strong, and the techniques for building one proven.

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