RESPONSE TO THE CRISIS: BUILD PERPETUAL CAPABILITIES

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"Life will never be the same after COVID-19."

You hear that a lot these days. For many organizations, life will indeed be different after the outbreak as it had a severe and long-lasting impact on its ecosystem. For some organizations, there were even more immediate pressing concerns. A question about survival.

Virtually all organizations have been forced to rethink their business and operating model – its purpose, its strategy, its employees, its customers, its processes, and its technologies. Whatever the answers are to these questions, the ability to quickly learn and adapt to crises is critical.

Let's consider airlines as an example. Within just a few weeks, the airline travels dropped with as much as 96 percent[1]. This forced all airlines into a mode of crisis. A mode where they need to adjust their business to find ways to survive, or even prepare for the worst. Since there were very few passengers and baggage transported in the aircrafts, there were more capacity for cargo, which goes hand in hand with the increased demand for ordering goods online. Virgin Atlantic, followed by many other airlines, shifted focus to operating cargo-only flights[2]. This way airlines could to a limited extent repurpose its core operations to meet this new demand and thus mitigate the impact imposed by the COVID-19 outbreak.

Mode of operation: crisis

In previous research in 2018 we looked more generally at how best to deal with and respond to crises[3]. We surveyed more than 1,200 senior global leaders and executives from the government, non-profit, and private sectors about management decisions and organizational strengths during and after crisis events. After all, the experience of crisis is a common one: 68 per cent of our respondents agreed with the inevitability of their organizations facing a crisis in the future – though few could have anticipated something as global and dramatic as the COVID-19 outbreak. The circumstances of an organization's next major crisis vary, but its appearance is inevitable. A hack that exposes millions of customers' data. A major holiday product launch pushed into next year. A chairman's immediate dismissal for misconduct. An employee's misstep gone viral. While crises differ in character, scale and scope, the following three aspects are true no matter the organization, industry, or geography.

First, learning from a crisis requires moving into crisis mode. When facing a crisis, organizations must make a deliberate break from their traditional ways of work-

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1   https://edition.cnn.com/2020/04/09/politics/airline-passengers-decline/index.html

2   https://www.forbes.com/sites/jamesasquith/2020/03/28/commercial-airlines-are-now-operating-cargo-only-flights/#5202969b6f0e

3   https://www.brightline.org/resources/learning-from-crisis-mode/

ing. Operating as business as usual prevents organizations from isolating their in-crisis learnings and applying them to post-crisis improvements.

Second, organizations ought to shift focus to two key areas: people and process. Organizations with increased flexibility in internal processes, as well as those that empowered non-leadership-level employees who were closer to the crisis to make decisions, tend to emerge stronger post-crisis than those that don't.

And finally, crisis mode forces organizations to examine four key areas, regardless of whether they're post-crisis or enjoying business as usual: prioritization of strategic initiatives, speed in decision-making and execution of processes, empowerment of teams, and commitment to internal communication. Information must flow and communication needs to be transparent and consistent.

Turning the tide with strategic transformation

While of course no leader would ever wish for a crisis to happen, it doesn't need to spell disaster. On the contrary: it is possible for certain opportunities to emerge from a crisis and have a lasting positive influence on a business. Organizations can find a powerful momentum and take advantage of the energy, mindset, capabilities, and processes formed in crisis mode to boost their chances to successfully undergo a significant strategic transformation.

Take the example of the Dutch technology company, ASML Holding, which makes lithography machines – the equipment that semiconductor manufacturers use to produce microchips. With over 24,500 employees and its strong market position among large and small chip manufacturers, ASML was negatively impacted by the financial crisis in 2008[4]. While other players in the industry were planning on riding out the crisis, ASML reinforced its strong market position by outsourcing most manufacturing to cut costs and instead invest in internal R&D to deliver better products, which was also synergized with an innovative customer co-investment program. In addition, ASML started a cost savings program, reducing its workforce by 12 percent – mainly contract employees – and instead focus on getting the right talent. ASML shows us that organizations can capitalize on the momentum of a crisis and strategically and swiftly transform in times of uncertainty.

In 2020, Brightline conducted another extensive study with more than 1,000 global C-level executives to examine the correlation between success in strategy implementation and effectiveness and speed in transformation[5]. The results confirmed our hypothesis that organizations that master strategic transformation

4   https://www.bcg.com/publications/2020/crisis-spark-transformation-renewal.aspx
5   https://www.brightline.org/resources/strategic-transformation-research/
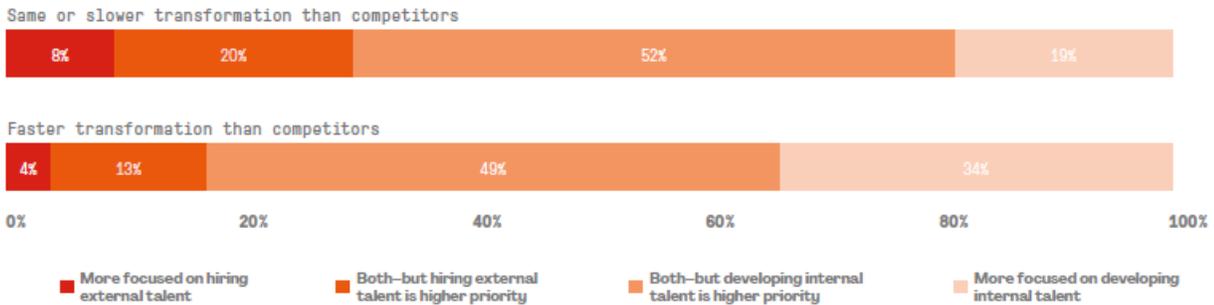
are skilled at both developing and implementing strategic initiatives, as well as at transforming quickly and effectively.

It shows that high-performing organizations are about twice as likely to report effective organizational change. Meanwhile, transformation capabilities are core competencies linked to successful strategic initiatives. We asked us the question: what can we learn from these high-performing organizations? We found three perpetual capabilities that lead to higher success rates for strategic transformation.

Focus on internal talent

As your business evolves, overcoming the skills gap may be one of the biggest challenges you face. Going through a crisis, this challenge may become even more apparent for organizations. Hiring new talent may be part of the solution, but it shows that faster-transforming organizations are nearly twice as likely as slower-transforming peers (34 percent vs. 19 percent) to report a greater focus on developing internal talent.

TRANSFORMATION SPEED VS. METHOD OF DEVELOPING TALENT OR HIRING

Same or slower transformation than competitors

| 8% | 20% | 52% | 19% |

Faster transformation than competitors

| 4% | 13% | 49% | 34% |

0%   20%   40%   60%   80%   100%

- ■ More focused on hiring external talent
- ■ Both–but hiring external talent is higher priority
- ■ Both–but developing internal talent is higher priority
- ■ More focused on developing internal talent

Organizations that are fast at transformation prioritize developing talent that can quickly make decisions and delegate and empower teams, as the employees, for obvious reasons, have higher skills and better understanding of their responsibilities and how to meet goals.

The more subtle value in focusing on internal talent versus hiring external talent has to do with the personal growth, mindset, and behavior. It's a match-making and mutual bonding between the individual and the organization. Change must start from within, and focusing individual transformation of the employees is (at least) as important as transforming the more business oriented activities in the organization.

Without a focus on internal talent and personal growth of the employees, the chances of an organization continuing to evolve and respond to new changes

are almost non-existent.

Formalize to adapt

Formalized processes are critical for organizations who wish to become more adaptive. They're also a key part of the equation for fast and effective transformation.

More specifically, we found that high-performing organizations are 21% more likely to have well-formalized processes in place versus low performers. What is more interesting is how formalized processes impact organizations' ability to change. Organizations with very well-formalized processes also report being "often or consistently adaptable" in the face of unforeseen strategic challenges. A full 94% of adaptable organizations have formalized processes in place, compared to just 59% of rigid organizations.

USE OF FRAMEWORKS BY ADAPTABLE AND RIGID ORGANIZATIONS
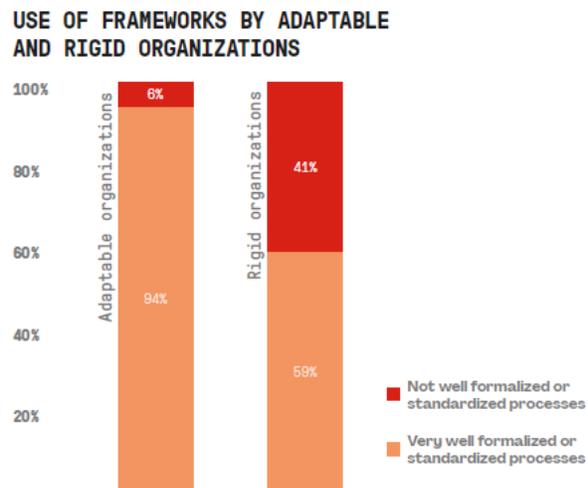
In the same way we can see the correlation between adaptability and speed. Organizations with the capability of balancing ongoing business with their transformation efforts are also more likely to do it at a faster rate. This swift footedness is key in strategic transformations when challenges arise and it's necessary to course correct. And that means reviewing lessons learned from past failures, speaking with customers or end users, or reevaluating milestones and timelines.

Leaders can provide a foundation for strategic transformation in which balance the installment of formalized processes yet abide to methods for course correction. This type of discipline affords an organization a greater degree of adaptability and lets it take full advantage of the technology and frameworks at its disposal.

Leadership

The third key variable for successful transformations has to do with leadership, suggesting there is a strong need for a central figure who can inspire and orchestrate organization-wide transformation efforts. Without effective leadership and accountability in place, transformation efforts slow down. Now, as organizations undertake the difficult task of rebuilding in the wake of COVID-19, we think that the role of a Chief Transformation Officer (CTO) has never been more relevant[6].

As suggested in our research, a CTO can take top management's vision of the transformation and make sure it's properly disseminated throughout the organization. He or she can translate that vision into concrete goals. Even more important, the CTO can devise and deliver the master plan for achieving these goals—overseeing the multitude of projects that will be needed to turn the organization's transformation strategies into reality in the post-COVID world.

The CTO will make sure that internal talent and capabilities are leveraged and developed, just like the employees are inspired and allowed to personally transform with the organization. The CTO will serve as a catalyst for formalizing the processes used, as well as actively adhere to methods of course correction.

Having a CTO leads to greater accountability. Investing in one person with the responsibility for overseeing a transformation eliminates any potential leadership gaps. It ensures that there will always be one person—the CTO—whose sole priority is the success of the transformation initiative.

Sometimes a black swan event can disrupt a trend that has been gaining momentum. In the case of the CTO role, however, the COVID-19 pandemic should accelerate that momentum. In the post-COVID world, we need to bring on more CTOs to manage the arduous task of re-building our organizations, our economies and our society.

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6   https://www.pmi.org/about/blog/bring-on-the-cto-why-having-a-chief-transformation-officer-makes-sense-in-a-post-covid-world