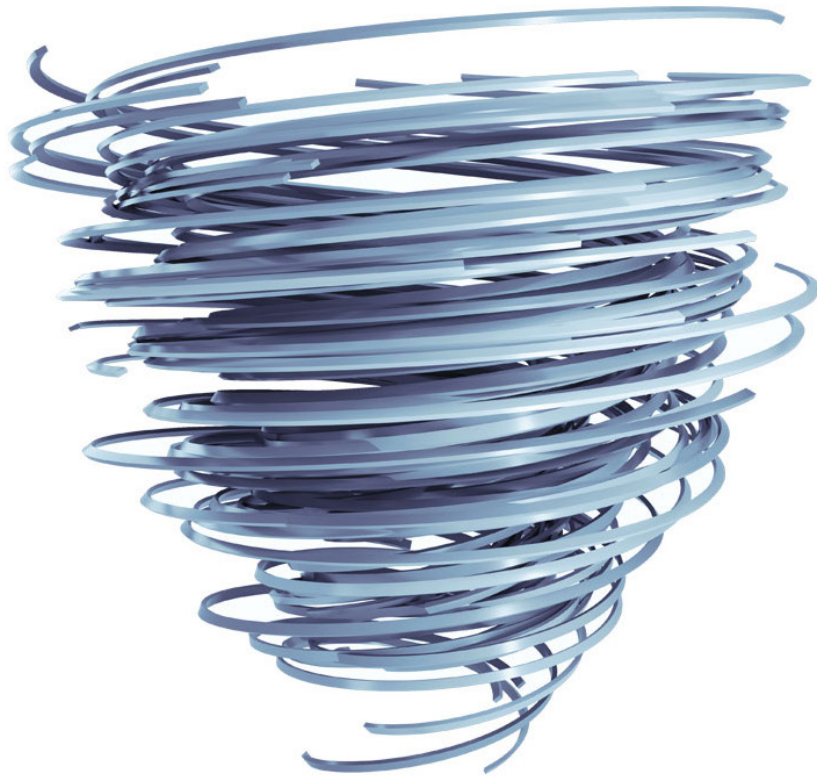


Organization Practice

The need for speed in the post-COVID-19 era—and how to achieve it

Survey findings confirm that organizational speed is an essential ingredient for outperformance in times of unprecedented change, and point to three ways companies can gain speed for the longer term.

by Aaron De Smet, Elizabeth Mygatt, Iyad Sheikh, and Brooke Weddle



Amid the COVID-19 pandemic, executives and directors say their organizations are making extensive changes with one overriding goal: to increase the speed at which they adjust strategic direction, make and implement tactical decisions, and deploy resources.¹ What's more, survey findings indicate that making a special effort to gain speed pays off. Fast organizations outperform others by a wide margin on a range of outcomes, including profitability, operational resilience, organizational health,² and growth.

Yet adding speed is not as easy as stepping on an accelerator. The executives we surveyed report that organizational silos, unclear strategy, and slow decision making frequently interfere with attempts to boost the rate at which work gets done. Leaders see three primary opportunities to overcome these challenges: building faster decision-making mechanisms, improving internal communication and collaboration, and increasing the use of technology. In this article, we offer a closer look at the changes organizations have been making to gain speed, and the further moves that might help them pick up the pace.

Large-scale change anticipated

Because of the pandemic, executives are overseeing a seismic shift in how organizations work, spanning tactical adjustments in areas

such as meeting structure and cadence, and day-to-day management, as well as enterprise-wide changes in leadership and talent management, use of technology, and innovation. In most industries, more than half of leaders surveyed are considering or planning large-scale changes in ten of the 12 dimensions explored (Exhibit 1). Leaders are making many of these changes swiftly by necessity. As one surveyed healthcare leader explained: "We were able to deploy an enterprise-wide virtual care solution in a matter of weeks, because that is all we had. This rollout had been planned for over a year, prior to this." (All quotations in this article were gathered in our survey.)

Moreover, survey respondents expect that at least some of these changes will remain in place once the pandemic ends. Consider expectations regarding remote and hybrid work, for example. Fifty-five percent of leaders anticipate that at least half of their organization's workforce will be fully or partially remote postcrisis. While the expectations vary widely by industry—from 69 percent predicting this level of remote work in technology, telecommunications, and media to 43 percent in advanced industries—even in the industries where manufacturing, patient care, and sales transactions often require people at offices, stores, plants, and other company facilities, a significant portion of the workforce may be partially or fully remote.

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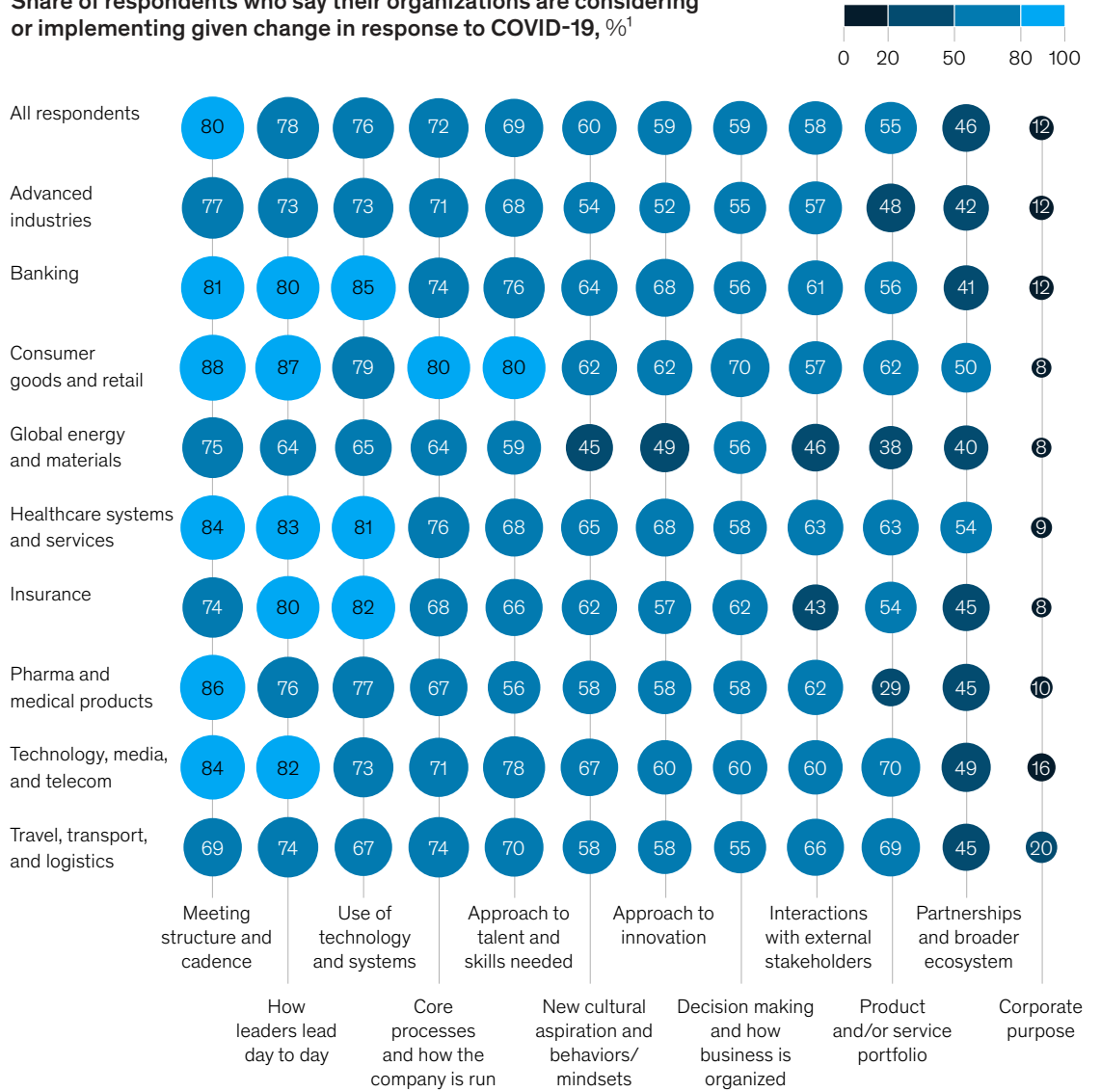
¹ The survey was in the field from June 17 through July 6, 2020. The sample included executives and directors in the following industries: consumer goods and retail; pharmaceuticals and medical products; healthcare systems and services; high tech, media, and telecommunications; travel, transport, and logistics; banking; advanced industries; global energy and materials; and insurance; total n = 853.

² We define organizational health as an organization's ability to align on a clear vision, strategy, and culture; to execute with excellence; and to renew the organization's focus over time by responding to market trends.

Exhibit 1

Most leaders surveyed expect large-scale changes within their organizations stemming from COVID-19.

Share of respondents who say their organizations are considering or implementing given change in response to COVID-19, %¹



¹Share of respondents who agree or strongly agree in each category. In advanced industries, n = 97; in banking, n = 98; in consumer goods and retail, n = 101; in global energy and materials, n = 80; in healthcare systems and services, n = 100; in insurance, n = 76; in pharmaceuticals and medical products, n = 101; in technology, media, and telecommunications, n = 100; and in travel, transport, and logistics, n = 100.

Speed is paramount

Many organizations realize the value of speed during these times of flux and uncertainty. Surveyed leaders most often cite the need to react more quickly to market changes as the reason why organizations have made changes during the pandemic. This need is reported significantly more often than factors such as the need to reduce costs, increase productivity, or engage more effectively with customers (Exhibit 2).

A comparison of fast organizations to slow ones³ reveals the perceived benefits of speed. Leaders at faster organizations—that is, those who say their organizations are significantly faster than their competitors—report significant outperformance

compared with leaders in slower organizations for all of the organizational outcomes we asked about, including profitability, operational resilience, organizational health, and growth (Exhibit 3). What's more, our findings show that speed is a crucial predictor of each of these outcomes.⁴ As one leader at a global bank recounts: "Our organization adapted and changed quickly. We reallocated talent across the entire bank and different lines of business, and we saw increased productivity from teammates working from home."

Despite speed's importance, however, it is hard to come by. Developing speed can require executives to rework many of the long-standing constructs within their organizations.⁵ Across industries,

Exhibit 2

Speed is the most frequently cited reason why organizations have made COVID-19-related changes.

Most commonly cited reasons for changes due to COVID-19, by industry¹

Industry	1 Most commonly cited	2 2nd most common	3 3rd most common
Overall	● Speed	● Productivity	● Cost reduction
Advanced industries	● Cost reduction	● Productivity	● Speed
Banking	● Productivity	● Speed	● Customer focus
Consumer products and retail	● Speed	● Cost reduction	● Customer focus
Global energy and materials	● Speed	● Cost reduction	● Productivity
Healthcare systems and services	● Speed	● Cost reduction	● Productivity
Insurance	● Productivity	● Customer focus	● Speed
Pharma and medical products	● Speed	● Productivity	● Customer focus
Technology, media, and telecom	● Speed	● Productivity	● Customer focus
Travel, transport, and logistics	● Cost reduction	● Speed	● Productivity

¹Out of 7 options offered as answer choices. In advanced industries, n = 97; in banking, n = 98; in consumer goods and retail, n = 101; in global energy and materials, n = 80; in healthcare systems and services, n = 100; in insurance, n = 76; in pharmaceuticals and medical products, n = 101; in technology, media, and telecommunications, n = 100; and in travel, transport, and logistics, n = 100.

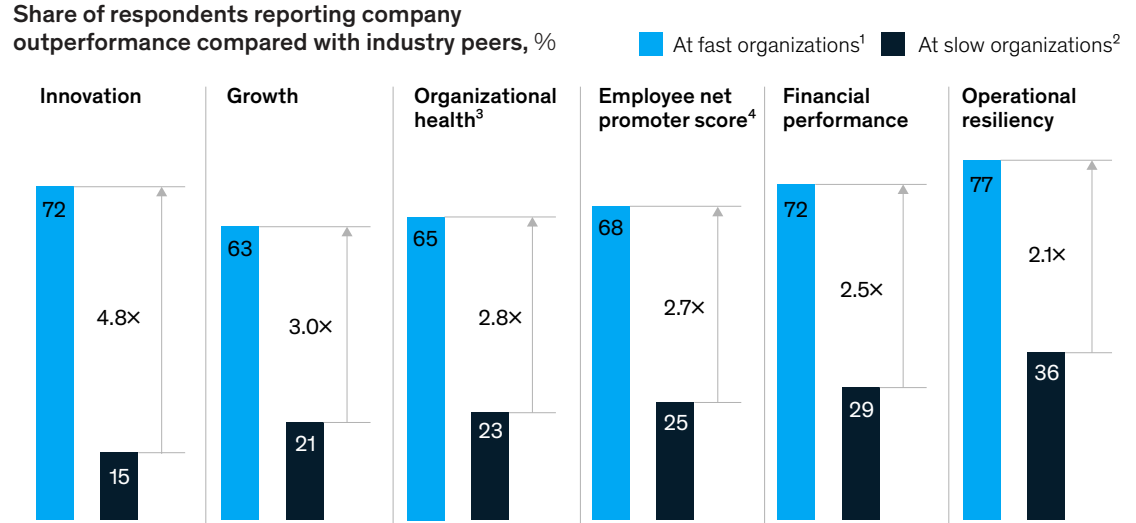
³We define a fast organization as one that, according to respondents, significantly outperforms its industry peers on speed, and slow organizations as those that somewhat or significantly underperform compared with peers.

⁴Based on regression analysis, speed is a critical predictor that accounts for 15 to 39 percent of the variance for these outcomes.

⁵Aaron De Smet, Daniel Pachthod, Charlotte Relyea, and Bob Sternfels, "Ready, set, go: Reinventing the organization for speed in the post-COVID-19 era," June 2020, McKinsey.com.

Exhibit 3

Fast organizations appear to outperform others on innovation, growth, and other metrics.



¹We define a fast organization as one that, according to respondents, significantly outperforms its industry peers on speed.

²We define a slow organization as one that, according to respondents, somewhat or significantly underperforms its industry peers on speed.

³That is, an organization's ability to align around a clear vision, strategy, and culture; to execute with excellence; and to renew the organization's focus over time by responding to market trends.

⁴That is, employee engagement and promotion.

executives most frequently named organizational silos, slow decision making, and lack of strategic clarity as factors that limit the rate at which their organizations get work done (Exhibit 4). Rigid policies and formal hierarchy also emerge as common factors in a handful of industries. While organizational silos may be a more common challenge, the findings show that slow decision making is the factor that most strongly separates slower organizations from faster ones.⁶ None of these challenges is new, but they can feel more acute because the pace of change is increasing and the COVID-19 crisis poses an immediate threat to revenue.

Several of these challenges are reflected in the ways in which companies have sought to increase their speed over the past several months. When asked for specific ways in which organizations have made changes to deliver results faster, leaders most

frequently report increasing productivity through the use of technology, sharpening their focus on customers, and improving communication to expedite decision making and collaboration.

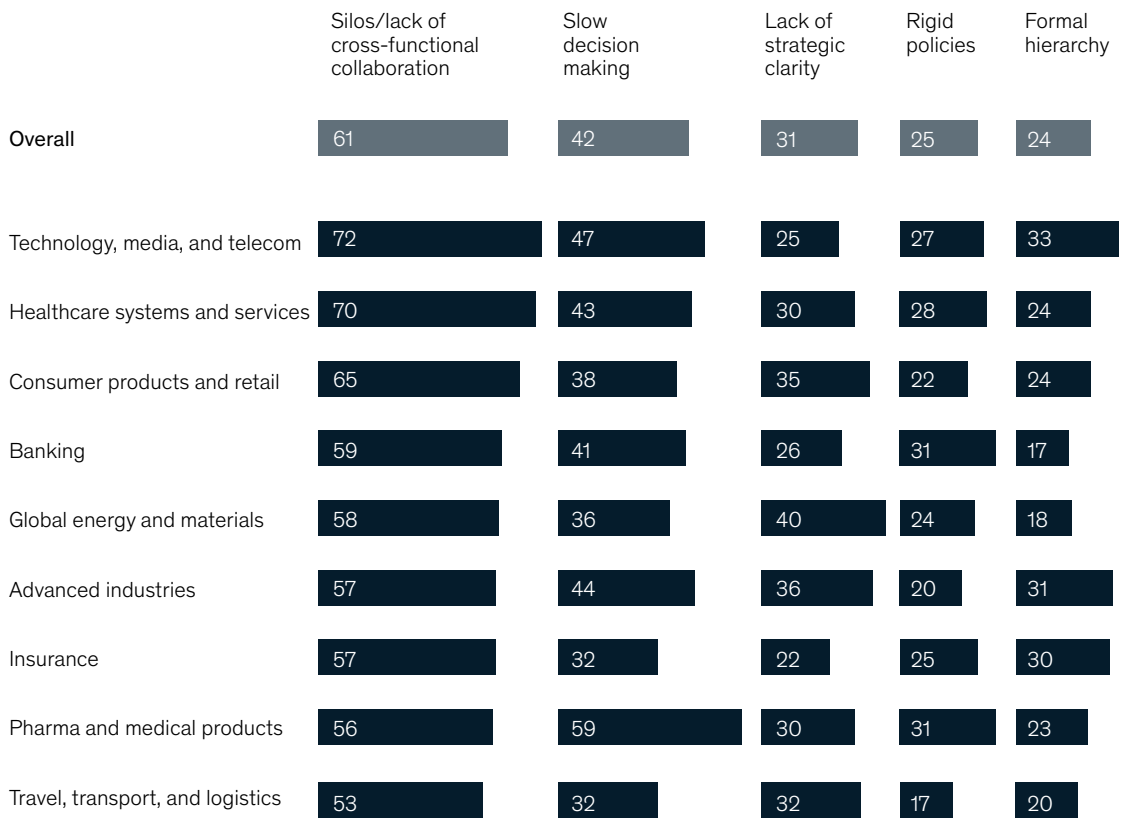
Faced with the need to roll out technologies that enable people to work remotely, leaders have taken the opportunity to accelerate technology adoption and innovation across their organizations. For example, one leader notes: "With COVID and its impact on brick and mortar business, our company has improved and accelerated digitalization and our e-commerce business. We have reallocated marketing and capex [capital expenditure] budgets to online, as we see this becoming more than 35 percent of our business." In line with the uptake of digital technology, organizations also focused on customers, using virtual engagement to understand customers' needs, and new delivery models to respond to them swiftly.

⁶ A t-test showed that slow decision making is the most important inhibitor of organizational speed, out of nine factors tested.

Exhibit 4

Leaders say silos, slow decision making, and lack of strategic clarity are the biggest barriers that impede their organizations’ speed.

Biggest barriers to getting work done more quickly, by industry,¹ % of respondents



¹Out of 10 options offered as answer choices. Respondents who said “feels too risky to go that fast,” “poor leadership,” “consultative culture,” “lack of strong talent,” and “other” are not shown. In technology, media, and telecommunications, n = 100; in healthcare systems and services, n = 100; in consumer goods and retail, n = 101; in banking, n = 98; in global energy and materials, n = 80; in advanced industries, n = 97; in insurance, n = 76; in pharmaceuticals and medical products, n = 101; and in travel, transport, and logistics, n = 100.

In addition, organizations have encouraged their people to communicate more, in part to make up for the lack of in-person encounters. One leader explained the benefits seen from doing so: “Higher meeting attendance and timeliness [resulted in faster decisions] on staff, budget, returning to the office, and response to social issues.” Another leader notes that “communication between

employees and executives has become more frequent and transparent, and as such, messages are traveling much more efficiently” through the organization. Some of the speed organizations are gaining is the result of crisis-management-like ways of working, but much of it can and should be sustained in new ways of working as organizations navigate their way through the pandemic.

More surveyed leaders believe their organizations underperform on digital than in any other dimension explored.

Still further opportunity to improve decision making, communication, and technology use

Looking ahead, leaders see opportunity to increase their organizations' speed by doing even more in the areas described above. When asked about the primary opportunities to achieve greater speed, respondents most frequently cite more efficient decision making, clearer communication, and the use of technology to better engage with customers and employees.

Many leaders view the pace of decision making as a priority for improvement, likely because many organizations find it harder to choose a path forward than to follow that path. As one leader explained, "We rarely face issues of execution, but rather issues of getting signoff on what to execute." More than one-quarter of surveyed leaders cite efficient decision making as a top way to accomplish things more quickly in the future. Surveyed leaders note how important it is to give employees who work closer to customers more decision-making authority and to clarify individuals' responsibilities. Past McKinsey research indicates that increasing decision-making speed can be accomplished by holding fewer meetings, with fewer decision makers present at each one; by encouraging real-time, high-quality debate over high-stakes decisions with the potential to shape the company's future (that is, big-bet decisions);⁷ and by delegating noncritical decisions to empowered employees and teams.⁸

Leaders also say their organizations would benefit from further improvements in how they communicate. Nearly one-quarter of respondents say better communication and collaboration would increase the speed at which their organizations act, in part by increasing transparency. Many noted that communication across areas of the business would enhance the quality of decision making, promote the sharing of assets such as data, and prevent work from being duplicated. In addition, leaders say increased communication between employees at various levels of the organization will help useful information reach people more efficiently. In our experience, organizations can benefit from moving toward more nonhierarchical, agile models of communication and collaboration that improve the efficiency of information sharing. Also, improving communication and collaboration starts at the top: leaders should charge teams with specific, customer- or employee-focused missions, and employees must be clear about what needs to be completed by whom, when, and why.

Finally, the leaders we surveyed mentioned opportunities to increase speed by making greater use of technology. More surveyed leaders believe their organizations underperform on digital than in any other dimension explored. Almost one-quarter of respondents expect technology and digital enablement to quickly enhance engagement with customers and employees.⁹ They note that technology can build organizational speed by

⁷ Aaron De Smet, Gregor Jost, and Leigh Weiss, "Three keys to faster, better decisions," *McKinsey Quarterly*, May 2019, McKinsey.com.

⁸ Aaron De Smet, Daniel Pachtod, Charlotte Relyea, and Bob Sternfels, "Ready, set, go: Reinventing the organization for speed in the post-COVID-19 era," June 2020, McKinsey.com.

⁹ For more, see Matt Fitzpatrick, Isha Gill, Ari Libarikian, Kate Smaje, and Rodney Zempel, "The digital-led recovery from COVID-19: Five questions for CEOs," April 2020, McKinsey.com.

enabling real-time performance monitoring and increasing employees' efficiency. In our experience, making greater use of technology to enable a hybrid working model can provide an organization with greater flexibility and improved productivity, and digital technology can help develop employees' functional skills through online and hands-on learning. Furthermore, organizations can gain speed and better meet customer needs by embedding technology within their ecosystem.

In the early months of the pandemic, companies across sectors accelerated their decision making and operations to deal with fast-changing conditions. As the adrenaline from that initial crisis-response period wears off, companies must figure out how to gain speed by design. Our survey results show that executives are focused on three courses of action to do so: making good decisions more quickly, improving communication and collaboration, and making greater use of technology. Given the evident benefits of organizational speed, the question isn't whether speed is important, but whether organizations can afford not to build speed into their culture and processes.

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