



MEETING THE CURRENT LEADERSHIP MOMENT

IN EXECUTIVES' WORDS | 2021

Presented by
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Based on Interviews
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What We Wanted to Find Out

In the whirlwind of the past year, organizations have transitioned to varying degrees: several have experienced outright chaos, many have experienced genuine disruption, most have experienced some uncertainty, but nearly all organizations have experienced at least some measure of significant change.

As a firm committed to equipping leaders to powerfully navigate these transitional moments with purpose, and precision, we wanted to get a sense of what is unique to this moment of transition and how we can better support our client leaders. We sat down (virtually) with over 40 C-level executives from a range of industries to listen and to learn. We wanted to hear directly from them about what they saw has made the difference in allowing them to meet the current leadership moment.

Five Themes Emerged:

1. Communicating for Culture

Ensuring rapid information flow and a continued culture of collaboration in the face of accelerated pace and disruption

2. Distributed Authority

Breaking up the consolidation of decision-making authority at the highest levels of the organization and re-allocating that authority downstream, while maintaining structures for accountability along the way

3. A Multi-Stakeholder Mentality

Incorporating the concerns of multiple stakeholders—to include employees, vendors, suppliers, investors, the environment, local communities, and others—in creating long-term shared value for all, as opposed to short-term value for some

4. Bringing Humanity into the Workplace

Honoring and attending to the internal worlds of colleagues—to include moods, feelings, fears, and aspirations

5. Attuning and Responding to the Macro Environment

Keeping abreast of trends and developing the courage and foresight to take decisive and calculated probes in the direction of those trends



COMMUNICATING FOR CULTURE

What We Learned

In moments of confusion—which marked a good portion of the last 12-16 months—most leaders rightly intuit the need for a high level of communication. In fact, a study conducted by the MIT Sloan School of Management showed that during the pandemic, employees felt that companies communicated more effectively during the pandemic than before it. With circumstances evolving quickly and unpredictably, leaders cannot afford to have team members out of the loop.

Unsurprisingly, then, nearly every executive with whom we spoke had instituted some sort of new and regular communication structure in the last year beyond what existed before the pandemic. These took the form of town hall meetings, departmental check-ins, personal emails, company-wide memos, and the like.

Keeping everyone informed and connected ensures they routinely true up to where the organization is heading. Rapid information flow in the face of accelerated pace and disruption is critical not only in moments of crisis, but in a new era of complexity as well.

And yet, critically, the focus of this increased communication was not merely on increased information-conveyance but on maintaining a culture of collaboration as well which is seen as one of the more critical organizational capacities to pay attention to in the shift to virtual and hybrid work environments. One executive in the real estate sector described the importance of maintaining the sort of “crowd intelligence” that arises naturally in-person. In their words:

“We realized that when we work in an office together, just by being in the same room with one another, there is a kind of crowd intelligence. We’re getting intelligence from the whole team, not just one individual. We were concerned that by moving to remote work, we wouldn’t have that any longer. So early on we instituted two phone calls per day. A 10:00 AM phone call and a 4:00 PM Zoom call. Every single day. In theory, we covered technical stuff: rent collection, operations, transactions. It was all fairly routine, and honestly, I’m not even sure how necessary it was from a purely logistical standpoint. But what happened was that a lot of time, during the proceedings, someone thought of a whole new direction to go in, and there was real conversation amongst the group. And that’s the kind of dynamic we were hoping to sustain.”

Some executives' efforts during this period were nothing short of heroic. An executive at a marketing and communications agency shared:

"Every single day, I sent a survey to my colleagues with just two questions. The first question: how are you doing physically, emotionally and from a technology perspective—and how can we help? And the second question: how are your clients doing physically, emotionally and from a technology standpoint—and how can we help? That's it. Every night I wouldn't go to bed until I read all the responses. And those were the days when the days just never ended. People just wrote their hearts out. Every night there were hundreds. Sometimes it was one or two in the morning before I read them all. And I wrote an email every day like that for 100 days."

Others' efforts were less dramatic, but still impressive. Leaders understood that communication needed to go beyond tasking or informing—and that little gestures could go a long way in communicating "I'm here" and "I'm listening." For example, one healthcare executive related that he would periodically have calls with 20 or so individuals—a representative sample from the company—and ask the following four questions: One, what are we doing well? Two, what are we not doing well? Three, what do we need to do more of? And four, what do we need to stop doing? He reported that the insight he gleaned into the state of the company and its people through this inquiry was invaluable in informing decisions made about the company direction.

While executives instituted these communication structures in response to the disruption of the pandemic, many executives quickly recognized the advantages of the increased communication as a permanent feature. While a few of the executives discontinued the communication structures they had put in place once the pandemic subsided, most kept them in place indefinitely. They viewed the increased frequency of communication as critical to maintaining a competitive edge going forward and saw the advent of increased communication as a silver lining of the disruption wrought by the pandemic.

From one executive at an international logistics company:

"We had established regular weekly HR calls during the pandemic. This was something we had never done before. But it increased the communication level in the company immeasurably. We realized that we didn't even realize what we were missing. And for that reason, we haven't taken it away."

DISTRIBUTED AUTHORITY

What We Learned

Instead of concentrating authority at the top of the organization, with senior leaders doling out commands from on high, successful executives have found a way to push authority and decision-making further down within the organization.

This approach enables organizations to be nimbler and more adaptive. Instead of seeing change initiatives fall apart in the bureaucratic process, a system of distributed authority empowers small (often cross-functional) teams tasked with strategic outcomes to learn, experiment, innovate and act.

For instance, given the sharp decline in automobile and plane traffic, an international oil and gas company struggled with lagging revenue during the pandemic. The senior leaders of this company distributed authority to the front line — in this case, the actual gas stations themselves — to identify and implement revenue-generating opportunities. This approach proved effective. One station, for instance, revamped its entire product line to include electronics, cookware, and other pandemic-related essentials. Seeing the success of the initiative, other stations throughout the region soon followed their example. Such is the power of distributed authority.

And yet, the idea of “distributed authority” is a daunting proposition for many organizations that have grown used to a more traditional model of centralized authority. For all the bad press that bureaucracy receives, it’s there for a reason — it provides the comforting illusion that things are under control. According to the aforementioned study conducted by the MIT Sloan School of Management, most employees found that their companies did a poor job of remaining agile during the pandemic—and the inability to distribute authority likely contributed to this failure.

For many companies, though, COVID was just the push that was needed to get over the hump. During COVID, with many (if not most) companies having employees spread out in a decentralized fashion, it became critical to empower folks on the ground to make local, autonomous decisions. One home health executive struggled for years to create a more distributed and decentralized dynamic amongst personnel. Namely, he wanted nurses to be able to “get to the bedside” of patients without needing to congregate at headquarters.

COVID forced the issue nearly overnight. In their words:

"Decentralization is always a goal in this space. Are we able to have nurses spend more time at bedside, or are they just going to need to hang out together? COVID forced folks not to congregate and just get out to the bedside. Because there was no place to go, no one in the offices—it forced people to take advantage of technology that they had, and to do what we had been teaching. It also forced us to manage differently. Sometimes I feel like my father. The attitude is: 'If you're not there, I don't know you're working.' Managing decentralized employees forced us to figure out how to track what folks were doing enough that I could trust they were getting the job done while going out on their own."

There was a real sense from leaders that distributed authority is essential for the kind of learning organization that will thrive going forward. From an executive in the finance sector:

"A 'one-person-leader' organization is a risky proposition. These days you really need collective leadership in the organization. And so, the question is how do you get to that collective leadership? You need communication, teamwork, resiliency, the ability to handle stress. But you also need to make sure that learning is happening not only from top to bottom, but from bottom to top. It's critical that the top of the organization can learn from the bottom."

A MULTI-STAKEHOLDER MENTALITY

What We Learned

In the last few years, there has been a steadily growing and increasingly vocal movement in the business world away from the traditionally dominant model of shareholder primacy and towards a broader and more inclusive “stakeholder approach.” This approach seeks to incorporate the wellbeing of multiple stakeholders in business decisions, among them: employees, suppliers, local communities, the environment, and even competitors. The importance of this was stressed again and again by executives.

“Our connection to our stakeholders has become more and more important. And the best way to stay connected with those stakeholders is to ensure that we are considering their voices: the employees, shareholders, clients, and communities that we impact. We are in a corporate world, we can't deny we have a bottom line and a business purpose, but it can be a purpose that goes beyond business. And I feel that I have the opportunity and responsibility to develop that in this company.”

To be sure, when faced with the financial strain of the pandemic, several companies who had publicly sung the praises of a stakeholder approach quickly reverted to their focus on the bottom-line. Critics of stakeholder capitalism gleefully pointed to the actions of some organizations during the pandemic as proof that it had all been just for show.

And yet, a frankly startling number of the executives with whom we spoke—especially those who had weathered the pandemic successfully, with their balance sheets and company cultures intact—spoke of investing in stakeholders as a key part of their strategy.

This was more than mere lip-service. Many of those executives took what would be considered counter-intuitive measures during the pandemic, when viewed from the perspective of the bottom line. When viewed as an investment in stakeholders as part of a long-term value creation strategy, those moves begin to look prudent in hindsight.

For example, one executive at a large, privately-owned international logistics company shared that the company had furloughed nearly 80% of their workforce towards the outset of the pandemic as a proactive measure. Faced with an

uncertain financial forecast, ownership made a quick and conservative business decision. Just a few months later, however, the company's forecast changed for the better. Demand in their industry did not take the dip they feared. Consequently, they hired back 100% of the employees that they had furloughed. And yet, the executive shared that the damage had already been done. Morale was low. Trust was broken. The dampening effect to the culture was unmistakable.

Contrast this with an international oil and gas company who took a different approach:

"The first directive I received from the president of the board [as the pandemic began] was not to affect the payroll. When people are scared, they can't do anything. They can't move. So, for the president of the board to say this was huge. And the effect was huge, too. While we maintained the payroll, spending went to zero. No new contracts, no hiring. But the employees were really motivated to rise to the challenge. They came up with a program—"Talent at Your Service"—to jump in regardless of their role, to support the operation of the company...We could have laid off 50% of our colleagues, and maybe we should have in the moment. But we didn't. And I can only imagine the damage if we had."

The CEO of a Southern-US based commodities company took a similar approach. In April 2020, just as the pandemic got started, he made the following announcement on a company-wide call:

"I can't make this statement forever and for always, but I'm making it now and for a long time: There will be no layoffs. Everyone has a job here. We're going to put a hard cap on hiring, but we will paint the fence and cut the grass before we lay people off."

Of course, it's impossible to make a one-to-one comparison. Each business has its own unique set of circumstances. Moreover, it's true that some businesses truly had no choice but to let go of employees during the pandemic to remain viable. What we heard from executives, though, was a newfound appreciation for an investment in stakeholders as a long-term strategy. Long-term decisions that demonstrate a commitment to stakeholders despite a short-term "hit," pay dividends in sustaining a culture primed for sustainable and long-term value creation.

The competitive advantage of a long-term, stakeholder approach has begun to be reflected in the research. For instance, McKinsey found that firms who adopted a "long-term" approach—to include eschewing the aggressive quarterly targets often

at odds with stakeholder interests—outperformed "short-term" firms in earnings (+36%), revenue (+46%), and market capitalization (+\$7b). In another study, researcher Raj Sisodia selected 18 publicly traded companies and 10 private companies that met his "Firms of Endearment" criteria, including not stating their goal as "maximizing shareholder returns." Sisodia found that Firms of Endearment outperformed the S&P 500 by a factor of 10.5 from 1996-2011.

Of course, employees are only one stakeholder among many. Several executives also pointed to the importance of investing in their communities as a galvanizing force for their teams. The decision to donate resources to local communities hit hard by the pandemic was cited by several executives as more than just a "nice-to-have" but a real motivator for employees to perform at a high level.

BRINGING HUMANITY INTO THE WORKPLACE

What We Learned

The line between “home” and the “workplace” has blurred dramatically, perhaps like never before. Even in companies with the most “buttoned-up” of cultures, the psycho-social effects of the pandemic dismantled the well-established barrier between the domains of personal and business, effectively forcing executives to consider the internal and personal lives of their colleagues.

“We used to only worry about what happened around the office. But right now, we have to pay attention to how people are at home, if they are physically ok, if they are psychologically ok. And as a leader, I have to think about how to put in place programs to make sure they have the support that they require: psychological, technical, emotional. The relationship with the team has gone beyond the work. We try to be very connected.”

In other words, executives began to relate to their employees as human beings, not simply ‘colleagues.’ For many executives, this initially contributed to an awkward dynamic but became both comfortable and cherished over time. Executives expressed that never before had they gotten such a window into the lives of their employees. Owing to the sudden ubiquity of Zoom, executives were able to literally peek into their colleagues’ homes.

“Thanks to the pandemic and to modern technology, I was able to see so many people one-on-one, right in front of my screen. I saw them, I saw their families. I even saw their homes, their furniture. I really felt like I was put much closer to the people. Before this I thought I was connecting with folks, but I really wasn’t. Now I was able to get right into people’s living rooms.”

This increased insight into the personal lives of colleagues led to the inevitable realization of the psychological toll that various developments during the year—to include pandemics, social movements, civil unrest, and the like—took on them. This is a well-documented phenomenon. For instance, according to one study, “55% of workers say a mental health issue has affected them more since the pandemic began.”

One executive from an international media company spoke about meeting this challenge:

"We were (and still are, to some degree) in this moment of uncertainty of stress and fear. And I found that if you focus first on the people, and you make sure that they feel motivated, energized, empowered, despite any circumstances including the pandemic—then the work they produce really creates results. And this is an everyday job. They listen to the news and they get scared, every day. And we have to have in mind their entire life and provide everyday support for them to be able to deliver their best."

Interestingly, nearly all the executives with whom we spoke said—often with a tinge of guilt—that the pandemic proved to be a rejuvenating period for them personally, affording them more time to spend at home and with their families. And yet, many of their colleagues did not have the same experience and indeed endured a difficult year, which had them more prone to burnout at work. This development was exacerbated by often increased workloads, due to teams being asked to do more with less. Executives were aware of their ability to access support and thrive in a work-from-home environment in a way most of their colleagues could not.

Consequently, "work-life balance" became more than just an empty buzzword or platitude. The pandemic truly forced the issue of work-life balance—maintaining that balance proved critical to sustaining the viability and productivity of the team. From one executive:

"Taking care of the people was our priority. We tried everything from lectures on time management to stress management, to cooking lessons, boxing, mindfulness, coaching. And we tried hard to take care not only of our employees but of their families."

Ultimately, the starting place for any executive seeking to bring humanity into the workplace is: vulnerability. This meant creating an environment in which colleagues felt comfortable being vulnerable, an environment often created by executives modelling vulnerability themselves.

As a result, despite physical distance, many executives reported feeling closer than ever to their colleagues during the course of the pandemic. From one executive at an animal health and nutrition company:

"You know, I would say even though we physically haven't gotten together, we're closer today than we have ever been. I mean, the whole leadership style has changed. It's not

just about efficiencies and effectiveness—it's about connecting with the heart. And so the question is, so how do you do that when you're physically apart. That's been the game. This year is for our customers and for our employees. They're going to remember for a long time how they were treated."

Even as the pandemic subsides, there is a sense that the barrier between work and home has been permanently dismantled and that executives will continue to be expected to be able to engage with the humanity of their colleagues. From an executive at a health technology company:

"A healthy environment is key. People must feel taken care of as human beings. They need to feel fairly treated and compensated, that they can advance, that there's lots of communication about their place in the organization, what they can look forward to, the stability they can enjoy. And the little stuff matters. Celebrating work anniversaries and birthdays, recognizing them as people outside of work...these are all important.

ATTUNING AND RESPONDING TO THE MACRO-ENVIRONMENT

What We Learned

In moments of uncertainty, many executives instinctively rely on pure grit and determination. They roll up their sleeves, and charge ahead in an effort to “muscle through” adversity. To be sure, there is value in that kind of fortitude which contributes to resilience in trying times.

And yet, from our conversations, we learned that the most successful executives also had capacity to do just the opposite: to pause, lift their heads, tune into the larger business context, notice trends and be responsive to them. Instead of merely ploughing ahead with what they were doing, they kept an open mind to what they should be doing—and demonstrated a willingness to pivot based on what they saw. It wasn’t always about doing “more of the same”—it was about “imagining what could be different.”

In the words of one pharmaceutical executive with whom we spoke:

“I look at what happened as ‘corporate yoga’—we have to bend without breaking. You can pivot, move, innovate and not get hooked into one thing.”

In some areas, the pandemic effectively “forced the issue,” leaving companies with an obvious need to pivot. For instance, the pandemic effectively shut down travel, leaving executives to find new ways of doing business. Some executives found this to be a perfectly seamless transition. One executive shared that she quickly learned that in-person site visits—previously considered a non-negotiable—could be done perfectly well via Zoom.

Other executives had a tougher time adjusting to the lack of travel. One respondent in the private equity space shared about the difficulty of acquiring companies because owners of those companies are usually older individuals who felt uncomfortable with remote meetings. Several executives expressed deep frustration in their inability to engage meaningfully in business development in the virtual setting.

Not all pivots, though, were obvious. Some required a higher degree of perception into the vicissitudes of the market and the taking of counter-intuitive action.

The chief executive of a multinational online food-delivery service company shared how the company departed from its core business:

"We even opened a call center (totally in the opposite direction of our core business of digital orders)—but we wanted to support grandparents that will not migrate to this digital world, and we just wanted to support anyone to be able to stay at home and stay safe. Taking care of people is our purpose. And whatever effort we made, was worth it."

We also heard from executives that the pandemic accelerated the need to embrace certain changes on a quicker time-horizon. For example, one executive shared that for a long while, the company knew that their back-end supply chain processes needed to be digitized. And yet it wasn't until the pandemic—when employees could not get to the physical office and physical papers were sitting on individuals' desks, effectively holding up entire processes—that the company understood the need to initiate that transformation in earnest.

Finally, we also heard about the importance of keeping one's finger on the pulse of various trends in the business and political landscape.

One executive of a tech start-up shared with us:

"We're certainly nervous about the data privacy environment. Right now, it's favorable for a company like ours. But there are certain pending cases that could make it more difficult to get info the way they we need it. It could add a lot more friction to the process. We don't know exactly how things are going to land, but we need to keep our eye on it and be prepared to pivot."

A healthcare executive shared with us:

"Medicaid expansion is a big unknown for us. Under a Democratic administration, we expect more expansion of Medicaid. We're keeping a close eye on that."

In a complex environment where predicting what would happen was not possible, successful organizations engaged in rapid experimentation, quickly amplifying experiments that worked and creating new experiments to replace those that didn't.

One executive in the plastics industry spoke of the existential threat to his business—the sustainability movement. He spoke repeatedly about "starting

small” and designing experiments aimed at introducing smaller probes into the marketplace. In his words:

“In 2018, we started a pilot program very small - to prove our technology for circular recycling. We knew that to change beliefs, we needed to show evidence. We’ve got to start small, to show little examples and applications where you can start the process. So, we go to Walmart and show our recycled product. And this is something that you want. If we can’t do that, I don’t know how patient the market can be.”

CONCLUSION

What It Takes to Thrive in an Exponentially Changing World

The current moment calls on leaders to lead in an exponentially changing world. The pandemic has flipped much of what thought we knew on its head—and long after the pandemic recedes into the rearview mirror, we will be contending with the complex and rapidly shifting world left in its wake.

One key for not becoming unmoored during tumultuous times such as these, is to focus on the lines of effort that reside within our locus of control. To be sure, there are many factors impacting us upon which we have little say. But the five themes outlined in this piece—*Communicating for Culture*, *Distributed Authority*, *A Multi-Stakeholder Mentality*, *Bringing Humanity into the Workplace*, and *Attuning and Responding to the Macro-Environment*—point to initiatives that can make an immediate impact in shaping the trajectory of your organization.

Does attending to these five focus areas guarantee positive business outcomes? No. But doing so creates the conditions for success for you and your company.

Our hope is that by continuing to focus on these domains, leaders can bypass the overwhelm often associated with moments like these and, instead, leverage the opportunity to catapult themselves and their businesses to new heights.