

Reimagining the organization of the future

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**DOCUMENT INTENDED TO PROVIDE INSIGHT AND BEST
PRACTICES RATHER THAN SPECIFIC CLIENT ADVICE**

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COVID-19 poses significant risks on multiple fronts. While we must take vigorous action to control the spread of the virus and save lives, we must also act to protect our livelihoods.

This document is meant to stimulate ideas for CEOs to help them keep their employees safe, while maintaining high levels of productivity and looking ahead for a path to recovery and, ultimately, the reimagination of organizations.

Executive Summary

Long-term solutions to the humanitarian crisis do not yet exist, and economic recovery is far away under even mid-case scenarios.

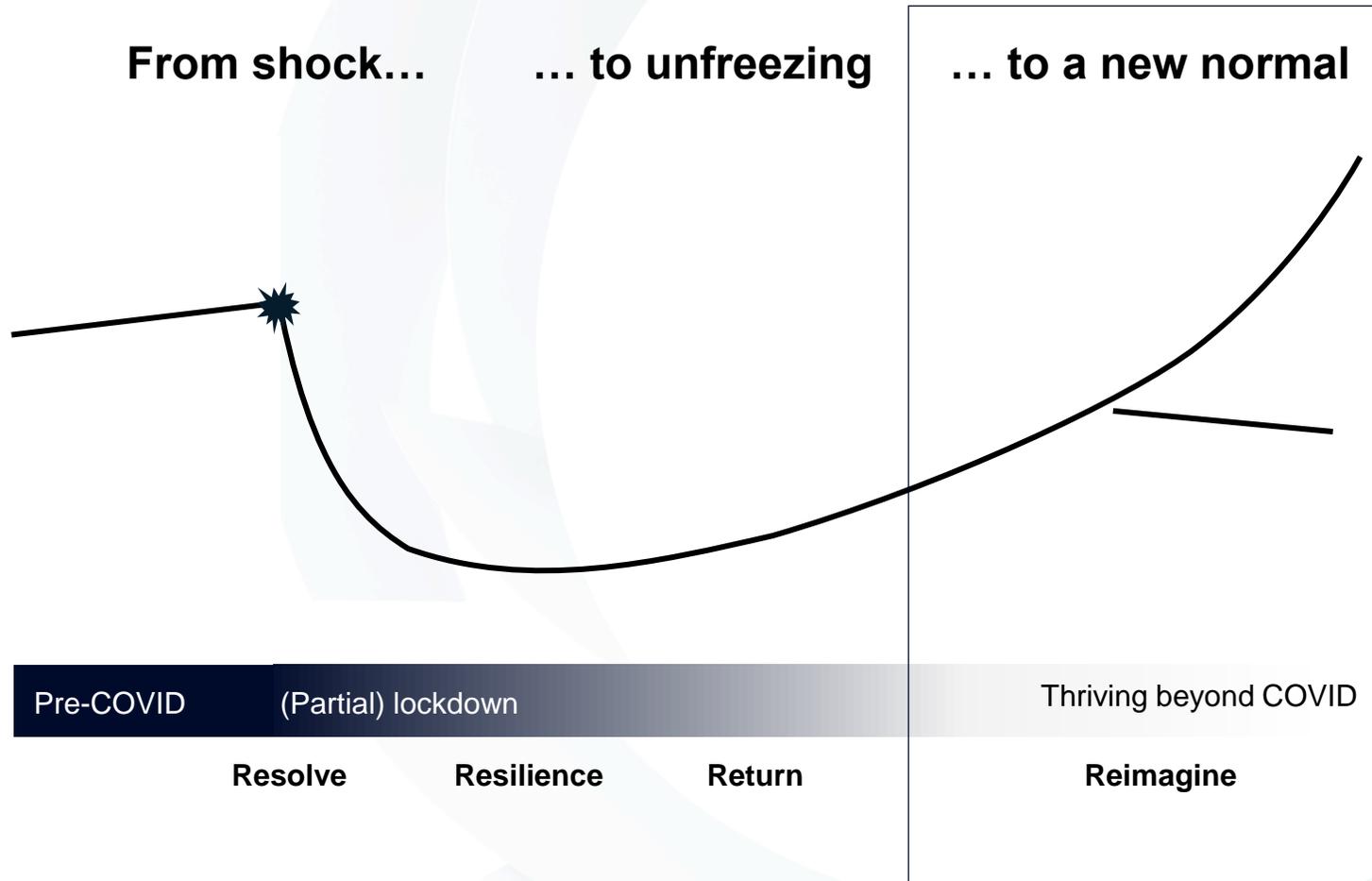
Leaders sense the potential for a paradigm shift; they want a sustainable model for a new normal, not a return to old ways of organizing.

Now is the time to take advantage of this 'unfreezing moment' to reimagine and remake the organization for the future.



In this “unfreezing” moment, reimagining organization will determine who thrives

Focus of this document



Pre-COVID, the rate of large **company failure** was at all time high and fewer companies were creating the majority of value

Many leaders are defining this moment as a **great “unfreezing”**

Reimagining now creates a path to **thriving in the next normal**

Many leaders are already reimagining their organization

“ We have removed **boundaries and silos** in ways no one thought was possible

Decision-making accelerated when we cut the ‘BS’

Much of our **middle management** is feeling stranded – they and I don’t know what value they added

Being in direct connection with teams was energizing – my **role changed** as I increased time spent on communications

We adopted new **technology** overnight, not the usual years

We were too reliant on **partners** and the **gig economy** ”

Change will never be this slow again...

CEOs are telling us that there is no turning back

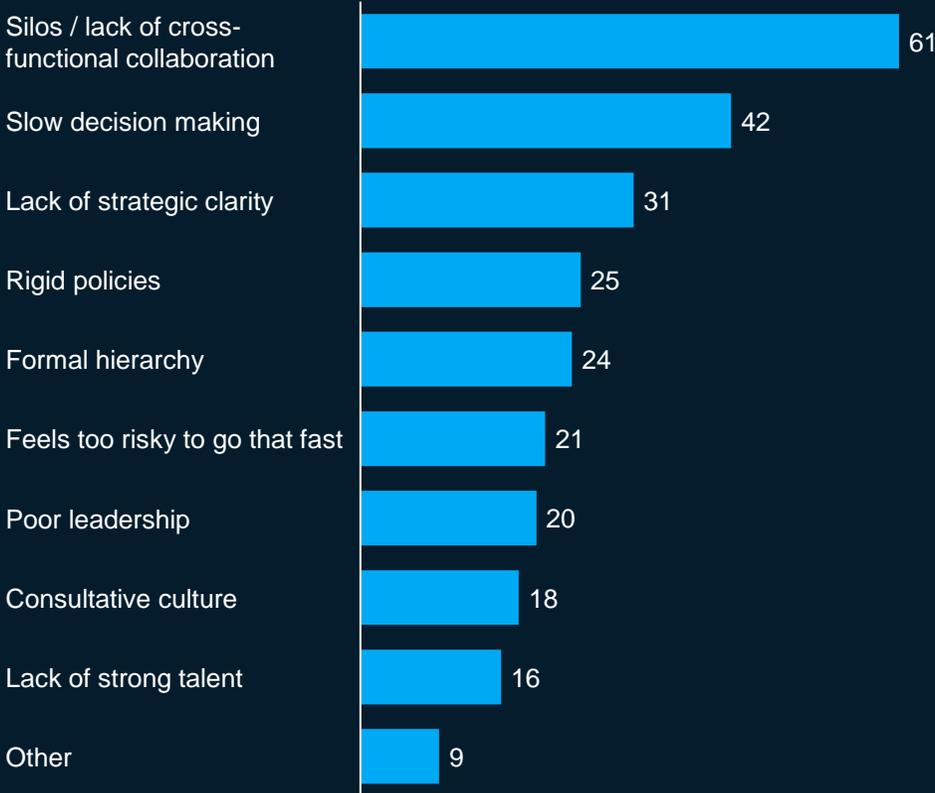
even though (or perhaps because) they don’t yet know what their new approach should be

More than half of leaders surveyed expect large scale changes within their organizations on almost every dimension

Indicate your level of agreement with the statements below based on how COVID-19 may initiate large scale changes within your organization, % of Agree and Strongly Agree



What gets in the way of accelerating work? % of respondents



**Pandemics, over human
history, accelerate trends,
reveal structural flaws and
create new paradigms**

Why now? We are at an inflection point – its more risky to stand still than experiment

Value increasingly concentrated

70% of value is created by **6%** of companies

Major companies' death rate accelerating

Median company lifespan **66** in 1960 to **22** in 2020

Bold moves are essential

Top performing companies move **60%** of their resources to new opportunities within **10** years

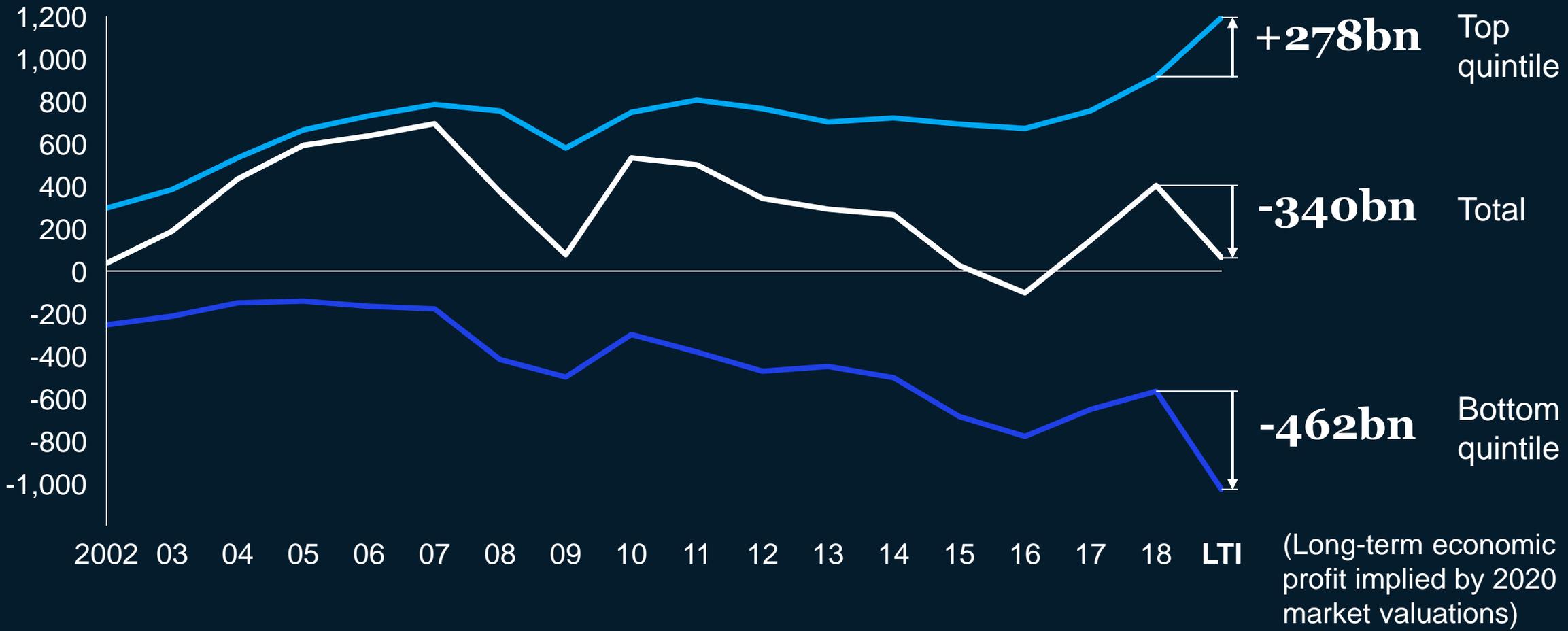
New types of organization are emerging

7 of the **10** most valuable companies are organized in non-traditional ways

Strategy is replicable, capital is abundant...

...organization is the new source of performance edge and key to thriving in a post-COVID 'new normal'

COVID-19 amplifies the winner takes all economy



1. Largest companies by revenue in 2018 with data available from 2003 to 2018

The pandemic has accelerated on-going trends



**Increased
connectivity**

4 degrees

separate every human on
earth



**Lower
transaction costs**

375m

global workers to be
displaced by 2030



**Unprecedented
automation**

170m

workers in the US and EU
work independently as part
of the gig economy – 70%
of them by choice



**Societal expectation
shifts**

75%

of Gen Z believes they
should be promoted in their
first year of employment,
32% in the first 6 months

Organizations have a unique opportunity to put them to work

The acceleration: Connectivity

4 Degrees of separation

3x more emails daily than stars in the galaxy

100b Google searches per month

3.5x IoT devices than people on the planet

“We saw two years of digital transformation in two months”

- *Satya Nadella, CEO Microsoft*

Why now? Four mega-trends are driving fundamental change



Increased connectivity

has shifted global systems, undermined traditional power structures and lead to unpredictable and sometimes chaotic outcomes.

Stakeholders are pressing for companies to take on new responsibilities



Lower transaction costs

enable people to find each other and connect to meaningful project work more easily than they could within a large organization.

The main reason organizations have flourished for the last 200+ years is becoming less relevant.



Unprecedented automation

fuelled by the rise of big data and ubiquitous technology, requires redesign of processes and organizational boundaries.

Automation offers both the possibility of a golden era for creative workers and the threat of disruption and redundancy for many.



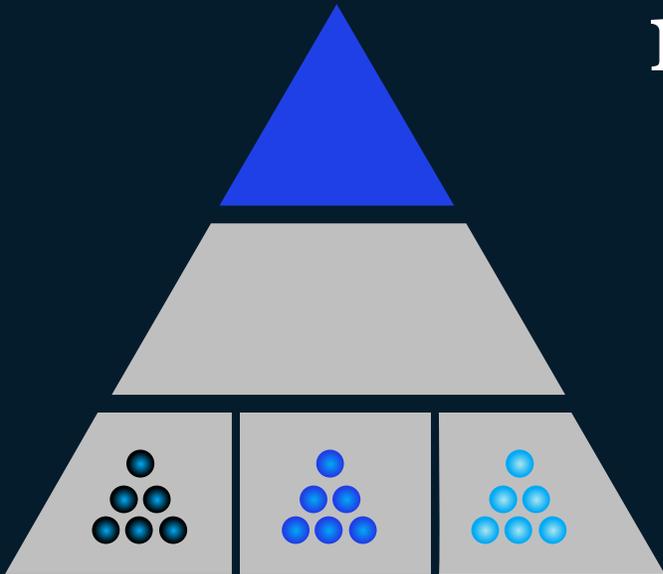
Societal expectation shifts

mean that employees of all generations are in search of more purpose and progression at work.

Employees are demanding a voice in decision-making and expect their work experience to be as seamless as consumer technology.

Organizations can fight these trends... or put them to work

**Now is the time to
reimagine the
organization**



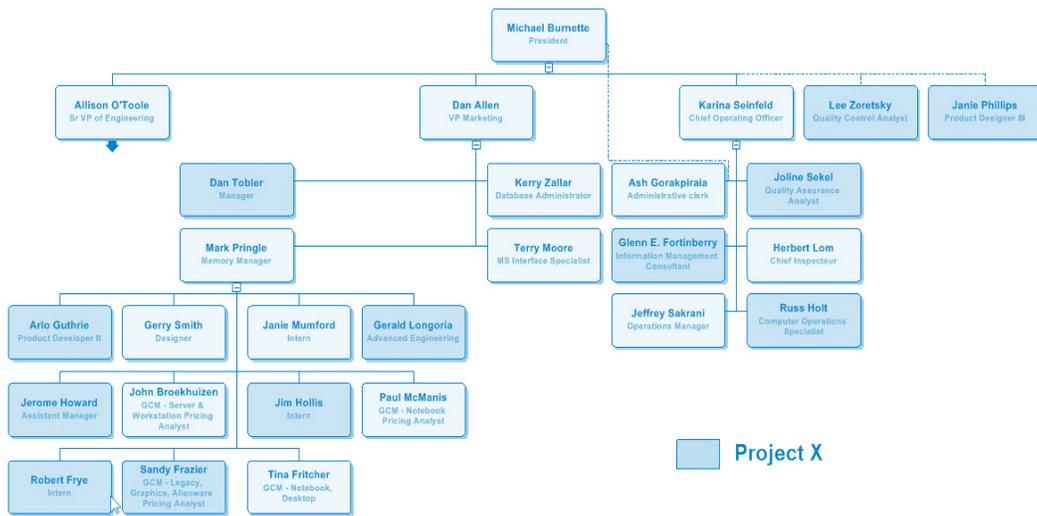
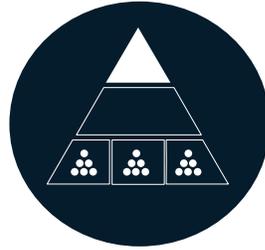


What needs to change to get ready for the future?

1. Treat organizations as a dynamic systems
2. Fundamental paradigm shifts
3. Human-centered approach to change
4. New kinds of leadership
5. Radically different ways of working

1. Dynamic system

FROM:
Organization as a static,
mechanistic hierarchy

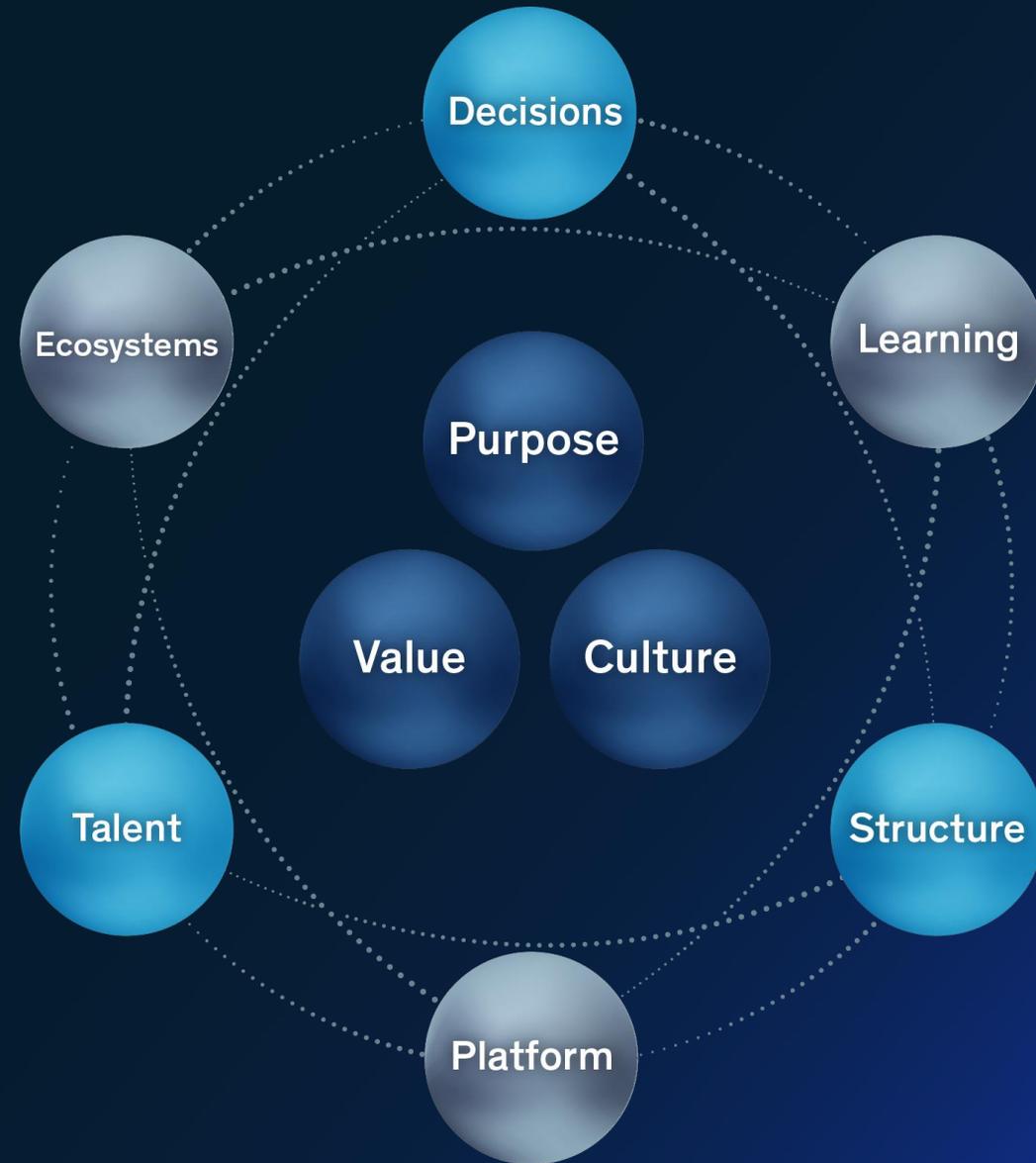


TO:
A dynamic, organic system in which
all elements reinforce each other



To build a distinctive organization, you need to make bold moves to redefine:

- Who you are
- How you operate
- How you grow



Who we are: **Purpose**

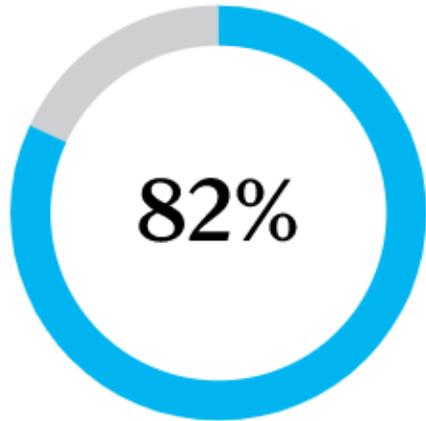


**Activate
purpose
to create shared
meaning**

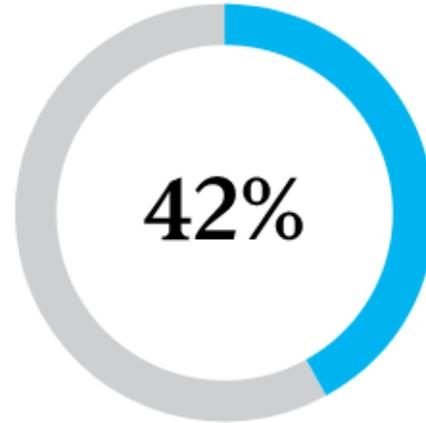
A resonant purpose is no longer optional. Access to markets, talent and capital now requires clarity about why an organization exists and what it stands for, beyond just making money

Take a stance on purpose

Employees report that:



...it is important to have a purpose



...their organization's purpose statement drives impact

Bold moves

CVS Health exited tobacco products in line with their purpose to “Help people on their path to better health”



Activation

Johnson & Johnson gave every employee an individual purpose finder to activate their purpose: “We blend heart, science and ingenuity to profoundly change the trajectory of health for humanity”



Who we are: Purpose



KEY QUESTIONS

How do you use purpose to create alignment across the whole organization?

What would it take for employees to wake up every morning excited and inspired to come into work, because it serves a higher purpose and is personally meaningful?

How does the societal impact you create drive the core of your business?

GOOD ENOUGH FOR NOW

“Why we exist” is written down, understood and connects to the EVP

Our mission, vision, purpose, values are motivating to most employees

The organization contributes to society and gives back to communities in some way

FUTURE SUCCESS

Purpose is at the heart of our identity. What we stand for helps attract, inspire and retain top talent

People are inspired by how they contribute to a higher purpose and the individual meaning they find in their day-to-day work

Purpose propels our people, shapes our business agenda, and informs business choices at every level

The new imperatives of organization

COVID has shown every leader that radical change is possible

Who we are

Take a stance on **purpose**

Sharpen your **value agenda**

Use **culture** as your “secret sauce”

How we operate

Radically flatten **structure**

Turbo charge **decision-making**

Treat **talent** as scarcer than capital

How we grow

Take an **ecosystem** perspective

Build data rich tech **platforms**

Accelerate organizational **learning**

Who we are: Value definition



**Push the value
agenda to the
edges**

The center needs to set the value agenda at a granular level, with a specific view of how and where the organization creates value, then dynamically, ruthlessly reallocate resources accordingly.

Who we are: Value practices

KEY QUESTIONS

Can your executive team list the agreed value priorities in the right order?

GOOD ENOUGH FOR NOW

Value is communicated as a set of high-level strategies and priorities

FUTURE SUCCESS

A granular value agenda set at every level, with specificity of value sources and drivers

Are you boldly (i.e., a lot, not a little) reallocating human and financial capital allocation, including killing things to free up resources?

Value creation is driven by putting capital in right places

Value choices are driven at the center – what to prioritize, bets to place, bold moves, and dynamic reallocation of people and resources to support those choices

Are the people who are serving customers clear on priorities and empowered to make decisions (within clear boundaries)?

Value is delivered by business units under tight performance management by the center

Value execution is driven at the edges by empowered cross-functional teams

Who we are: Culture definition



**Create a
performance
culture with a
behavioral
“secret sauce”**

**A unique set of behaviors,
practices, rituals, symbols and
experiences is embedded into
“how we run the place” and fuels
sustained superior performance
over time.**

Who we are: Culture practices

KEY QUESTIONS

Do your work practices stand out and feel powerfully different to an outsider?

GOOD ENOUGH FOR NOW

Culture is written down so we can prioritize strategy and execution

FUTURE SUCCESS

We have defined a distinct behavioral formula for how we run the place that is consistently role modeled by our leaders

Do people's day-to-day behavioral norms help you outperform?

HR ensures culture is top of mind and consistently reinforced in our people processes, communications, etc.

We embed our cultural strengths so they show up prominently in every aspect of daily work

Does the felt experience of your culture make people of diverse background proud to belong to the company?

We have events, protocols and processes that help reinforce our culture

We weave a consistent set of observable behaviors into how we deliver value and the employee experience so people perform better here than anywhere else

How we work: Structure definition



**Radically flatten
structure to
empower the
edges**

The primary structure of the enterprise is a flexible, dynamic network of teams, not a bureaucratic hierarchy of bosses

How we work: Structure practices

KEY QUESTIONS

Can someone tell your value agenda by reading your structure or allocation of teams to key projects?

How do you deal with leaders who care about hierarchy and bureaucracy over speed?

Dotted lines are clearly defined, and non-structural elements are in place, to help the matrix structure work

GOOD ENOUGH FOR NOW

Broad spans of control (more than 8) and fewer layers (less than 7) help create a flatter structure

Clear decision rights and delegated authority provide greater empowerment to lower levels

Dotted lines are clearly defined, and non-structural elements are in place, to help the matrix structure work

FUTURE SUCCESS

Radically flat structure, often with fewer than 5 layers top to bottom, and radically expanded spans using innovative new models (e.g., helix)

Execution decisions pushed to the edges; people are so empowered, many “don’t really have a boss” in the traditional sense

The network of teams grants people “free agency” to pursue their purpose within a dynamic, transparent talent marketplace

How we work: Decision-making definition



Rewire decision-making to unleash speed

Architect a decision and governance system built for speed to drive fast, effective decision making, bold moves aligned with the value agenda, and execution faster than the market.

How we work: Decision-making practices

KEY QUESTIONS

Who in your organization is really clear on what decisions they can make by themselves? Is that view shared by others?

GOOD ENOUGH FOR NOW

Single point accountability for key decisions is spelled out, specific rules and roles are legislated

FUTURE SUCCESS

Decision rights are fluid, frequently renegotiated by key stakeholders, and often include more than one decision maker

How often are decisions really made on analytics vs. beliefs, opinions and received wisdom?

Strategy processes, resource allocation, budgeting and target-setting decisions follow a well-sequenced annual calendar with tight execution management

Strategy, resource allocation, and target setting evolve throughout the year, adapting quickly to new realities and emerging insights

Is your decision system designed to stay ahead of the market or really just to fit internal processes?

Important decisions include stage gates to ensure effectiveness, including robust governance and oversight

Decisions processes are designed for speed, highly transparent, and with many people involved to accelerate execution speed

How we work: Talent definition



**Treat talent
as the
scarcer
capital**

Talent is scarcer than financial capital, but it's not fixed – individuals have unique profiles, and they have choice. Winning the right people means creating a special employee experience, expanding their capacity, and unlocking their full potential.

How we work: Talent practices

KEY QUESTIONS

Do you know what roles are most critical to your value agenda and are those filled with best talent without compromise?

GOOD ENOUGH FOR NOW

HR supports succession planning and uses performance reviews to rotate the top team periodically

FUTURE SUCCESS

The top team rigorously identifies the most valuable roles and continually drives to get the best people in them

Are talent and financial decisions equally considered when making major decisions and made to the same high standard?

HR creates an employee value proposition and helps recruit, select, develop and retain great talent

HR creates differentiated employee journeys, where diverse people have choice over their work assignments, development and can bring their full selves to work

How does HR drive business results by enabling the value agenda?

HR is a strategic partner with a seat at the table helping drive effective talent decisions, policies and practices

HR takes accountability for winning and retaining the people we need in our key talent markets so we stay ahead of competitors

How we grow: Learning definition



**Amplify
individual and
institutional
learning**

*85% of 2030 jobs
have yet to be invented*

The organization is built for learning, not just performing, constantly testing, innovating, experimenting, and sharing lessons openly from successes and failures. Learning systems capture experience and ideas and make them available on demand. People are rewarded for continual learning rather than authority and tenure.

How we grow: Learning practices

KEY QUESTIONS

Is access to resources easy enough that teams can test out new ideas without approval?

GOOD ENOUGH FOR NOW

Robust training programs are pushed to employees based on where they are in their career progression

FUTURE SUCCESS

Learning systems enable individual employees to access, create, and share innovation and know-how real time, on demand

Is sharing knowledge and expertise part of everyone's day job or a task of a central function?

Multi-faceted learning programs use classroom training, digital learning, and on-the-job development offered based on long-term career paths defined by the company

Learning systems, an "experiment and learn" environment, and a culture of lifelong learning drives accelerated employee growth, continuous improvement, and innovation as part of the daily work experience of all employees

Does every single employee learn something new every day?

Learning programs are focused on narrow skills and proficiency within role

Learning interventions help enable the holistic evolution and transformation of individuals, teams, and organizations

How we grow: Platform definition



**Build the rich
data platform
of a disruptor**

Too often data is trapped in antiquated processes and technologies that don't connect and can't scale. Re-designing operational platforms to capture the value in data requires new processes, open architectures, and a bias to use data on a grand scale to drive insight and automation, so your people focus on what only they as humans can do.

How we grow: Platforms practices

KEY QUESTIONS

Are you clear on the gap between the data you use and the data required to fuel your value agenda?

Do you have easy access to data so that you can combine it with other sources and make it available as a service?

Are you able to monetize data and other capabilities through partnerships with in existing and adjacent markets?

GOOD ENOUGH FOR NOW

Design processes to optimize locally within cost constraints

Maintain legacy systems of record and build applications on proprietary systems

Evaluate innovative business models against investment in existing core businesses

FUTURE SUCCESS

Design processes to maximize data capture, integration and usage from sources within and outside the enterprise

Bias for open architectures, SAAS and cloud-based development

Prioritize business models that have the ability to share in accelerated growth of ecosystem partners

How we grow: Ecosystem definition



**Share value
and shape
markets
with your
ecosystem**

It is no longer enough to control the supply chain or proprietary access to raw materials and IP. Now value is created through ecosystems where partners communities create value together. Success now requires “blurry boundaries,” “quasi-employees” and collaborative relationships around the value chain to enable scale and allow each organization to contribute unique value.

How we grow: Ecosystems practices

KEY QUESTIONS

How developed is your capability for actively managing a network of partnerships that are designed to share value creation?

GOOD ENOUGH FOR NOW

Create leverage so you can exert more control, extract and monetize more value from the supply chain

FUTURE SUCCESS

Develop a network of partnerships for scale, motivated by shared success and synergy

How much of your growth comes from sharing and contributing to value creation by others beyond your conventional supply chain?

Partnerships are engineered to optimize for known, precise, pre-determined objectives

Partnerships are cultivated to develop long-term options and learning, where our shared aspirations emerge and evolve over time

How do you evaluate pooling resources as a lever for value creation and societal impact?

We have clear boundaries, and follow strict legal protocols and agreements to keep a bright line on our boundaries as institution

The ecosystem is made possible through transparency, open access, and different types of relationships at the “blurry boundaries,” including exclusive partners and “quasi-employees”

2. Paradigm shift

FROM:

Old Rules

- Organization as a machine
 - Surprise is bad
 - Plan, predict, control
 - Bureaucratic, rules-based, resilient
 - Division of labor, reductionist, “siloed”
 - Labor as a factor of production
 - Performance improvement through transactive learning
 - Dehumanizing, mass standardization
 - Authority, hierarchy, supervision, rules, policies and procedures
-

TO:

New Principles

- Organization as a complex adaptive system
- Surprise is essential for innovation
- Explore, discover, cultivate
- Agility, principles-based, “anti-fragile”
- Holistic system, connected, “networked”
- Talent as the lifeblood of the organization
- Adaptive transformation through generative learning
- Human-centered, mass personalization
- Shared purpose, self-organization, culture, values and interpersonal trust

3. Human-centered

FROM:

Economic-led approach

A portfolio of transactions and change efforts managed around economic factors, with people and organization treated as separate work streams

Change driven top down by a project management office that tells people what to do and sets the pace

TO:

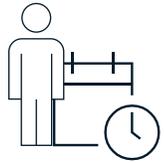
Human-led approach

Priorities are linked to meaning, not just economic value, and designed around people at all levels who will lead the change, focused on how people will be supported in creating value

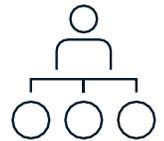
Change designed around a team of teams who co-create and implement change together

4. Lead differently

From...



Planner



Director



Controller

To...



Visionary



Architect



Coach

5. New ways to work

Shifting focus of how we work

From	To	How
Diagnosing problems	→ Discovering positive deviance and potential	Finds positive outliers to understand what enables their performance and scales learning
Economically-driven decision-making	→ Purpose-driven decision-making	Builds purpose as leaders' north star for navigating decisions and making bold moves
Executives are detached from the organization	→ Leaders experience the organization personally	Creates moments where leaders can see how the organization operates for themselves

Showing up differently:

Fostering a spirit of abundance and possibility

Listening, inquiring, and exploring

Embracing ambiguity and uncertainty

Being provocative, challenging and yet humble

Celebrating experimentation and learning

Strategy is replicable, capital remains abundant...

**...organization is the new
source of performance edge
and key to thriving in a post-
COVID 'new normal'**