The Power-Up Sequence: Addressing the Organizational Costs of Covid-19 Lockdown

To avoid a snapback to old ways of working, CEOs can start the journey toward a new social contract.

By James Allen

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As the world starts to shift from lockdown to reopening, we face huge questions: How do we bring people back to work? How will the Covid-19 virus strike back? Most crystal balls are cloudy. Given the uncertainty, CEOs are preparing their organizations for fast adaptability, not perfect anticipation.

In our recent blogs, we've explored the new CEO and board agenda emerging from the pandemic. We believe the crisis is a dress rehearsal for a more turbulent world ahead, where companies will fight a global battle for customer relevance. Winning firms are retooling for this new world. They will compete with scale and speed, replacing much of the professional management system with more insurgent ways of working. Their CEOs will refocus on building new businesses. With their boards, they will improve resource allocation across prediction, adaptability and resilience. Rather than prepare for *the* next so-called black swan, they will prepare for a world of darker swans.

How can CEOs implement this new agenda and manage more change than they've encountered in their entire careers? It starts with reopening. Remember Apollo 13 (or perhaps the Tom Hanks film)? After the accident, astronaut Jim Lovell and his crew completed the slingshot around the moon, powering down the damaged command module to save energy. Meanwhile, the NASA Mission Control team in Houston had to design the right "power-up sequence" to turn the command module back on for reentering the Earth's atmosphere. The sequence had to be perfect to get the crew home safely.

CEOs now face their own power-up sequence—how they "reopen" their organizations will determine if (and how) they thrive in the new world. Understandably, their people desire a return to normalcy. But many CEOs want to avoid a snapback to old ways of working, instead favoring the new and improved routines and behaviors learned during the lockdown. Because everything communicates, employees will view each step in the sequence as either an endorsement of the new or a return to the old.

We've discussed this issue with two renowned Stanford Graduate School of Business professors—Robert Sutton, an organizational psychologist and Professor of Management Science and Engineering, and Hayagreeva "Huggy" Rao, Professor of Organizational Behavior—who we met during our work on the Founder's Mentality. Sutton and Rao are leading researchers on what makes teams "great" and how the best companies scale. They've been on the front lines of work on how Covid-19 is affecting small and large organizations. Blending lessons from their work with the experiences of top CEOs, we've identified three critical actions for the power-up sequence.

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Preserve the best of "lockdown liberation"

Paradoxically, many CEOs report that the lockdown has been liberating. Their organizations have changed significantly to continue serving customers in this incredibly disruptive time. Now there's more teaming, less bureaucracy. More action, less planning. More direct conversations between the CEO and the organization's "doers," less governance processes. More willingness to question and put an end to sacred cows, less defensiveness. One CEO put it simply, "I've never been prouder of my firm than I have over the last eight weeks. My job is to not lose this magic." This CEO, like many others, wants to preserve the best changes, including three elements:

- **Bottom-up experimentation.** At global companies, local teams are experimenting at an unprecedented rate, as they respond to their unique and evolving situations. "We trust our local teams to do the right thing and are amazed by their inventiveness. Part of my job is to ensure the center stays out of their way and learns from their solutions," noted one CEO.

- **Smaller teams.** In his aptly named article "Why Big Teams Suck," Sutton notes that as teams grow, "Each member devotes more time to coordination chores (and less time to actually doing the work), more hand-offs between the growing cast of members are required (creating opportunities for miscommunication and mistakes), and because each member must divide his or her attention among a longer list of colleagues, the team's social glue weakens (and destructive conflict soars)." Through lockdown, many CEOs are discovering what academics have known for a while: Teams of four to six members (or, in lockdown speak, "two Zoom rows") are more efficient and build stronger relationships.

- **Fewer "rules, tools and fools."** In studying what they call "organizational overload," Sutton and Rao have noted, "Skilled leaders wield their power to eliminate needless friction and complexity—not to burden employees with 'rules, tools, and fools' that make it tougher to do their jobs and that waste money and talent." We've seen leaders do this during the crisis. The CEO of one consumer products company explained, "We simply didn't have time for old ways of working and ended up eliminating a lot of stuff that I don't think we'll ever miss. In the past few weeks, I haven't had a single discussion of 'variance to plan.' Those conversations are too often backward-looking and soul-destroying. They force our market owners to be defensive, because the whole point of the meeting is to justify past actions. Now our conversations are future-oriented. We say 'Here's our goal, so let's discuss as one team what actions will make this happen.'" Another CEO shared a creative approach: "I'm keeping a 'From/To' flip chart, which is visible during our video calls. I end each meeting by adding to the list. I want my team thinking, 'Where are we in terms of ways of working? What are we learning now about where we want to get to?' I want them all to understand we're not going back."

The action: Commit to moving forward and avoid snapback by creating a list of new behaviors to preserve and old behaviors to fend off. Align your team around it.

Pay down organizational debt

If only preserving new ways of working was enough. Sadly, there are bills to pay: Lockdown liberation carries real organizational costs. Here are three examples that CEOs frequently cite.

A lack of coordination

Endless local experimentation is expensive. As Sutton notes, "Using an evolution metaphor, during the early stages of Covid-19, companies went through a period of rapid *variance*, resulting from a burst of bottom-up experimentation. There have been many successful and unsuccessful experiments, which have brought solutions and complexity. At some point, CEOs will need to launch a period of *selection*, where they select some experiments for further investment. And they shut down others."

Leading CEOs will move to coordination, reallocating resources among experiments, ending some, and changing key parameters of others. The global center can take on this role—local teams won't necessarily volunteer for coordination themselves. "If they get this right, they will also focus on 'combination,' i.e., how to bring together multiple experiments into a single bigger idea and work to scale that. This is natural—periods of variance are followed by periods of selection. No system can survive endless variance," says Sutton.

The best CEOs will also be careful—while firms need more coordination, they don't always require more participation. Rao explains why: "Coordination is about learning across teams, about selecting between teams, about combining teams. It is critical to any organization. Your people might be asking for more participation, though. This might mean that the right people aren't on the right teams. This is important. But it might also mean that the people raising the issue aren't participating in as many teams and meetings as they would like. This is not always important. CEOs cannot say 'yes' to every person's desire to participate in every meeting. Not everyone should be in the 'room where it happens.' As CEOs pay the bill on coordination, they must be careful about the participation bills. They shouldn't always be paid."

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Less buy-in, more invisible contributors

While small teams are working well under lockdown, they don't all receive support from those around them. As Rao points out, "I love the energy I see from business leaders around working with smaller teams during the crisis. But there are also real downsides. Yes, organizations are moving faster, but leaders are also missing a lot of signals from team members. Many are not on board with the changes."

They're also not always the *right* teams. "We don't always have the right people on these video calls, as teams are hastily assembled and disassembled to deal with the problems at hand. There's also the danger that CEOs fall victim to a classic organizational fallacy. They are working with a set of people on a Zoom call and see the value added by those team members. The fallacy is, therefore, that those who are not on the call add no value. What they don't see, somehow, is not important. But often, people who aren't on the call will be critical to the success of that team. Just because only six people can fit on two rows of Zoom doesn't mean that the missing seventh person won't be critical to project success," says Rao.

Unsustainability

Most CEOs recognize that their new ways of working aren't sustainable. In part, some people are working too hard and the long hours are taking a toll. But there are also more subtle issues. Lockdown is a grand social experiment. And we're finding that we don't operate well in long periods of isolation.

People are lonely. Constant video calls are not the same as teaming or affiliation. They are transactional and exhausting. When we leave our workspaces and return to our living spaces (often a distance of four feet), we find ourselves turning to partners or calling friends, complaining: "I spend all day seeing and talking to faces, yet I feel utterly alone."

But paradoxically, we miss true solitude. Georgetown professor and author Cal Newport notes solitude is a time "to step away from reacting to the output of other minds ... [and] be alone with your mind." In addition to deep work—those four-to-six-hour blocks we need for the important parts of our jobs—we need solitude to create and to solve problems. Some used daily commutes, while others found time to hide in the office. But our Zoom lives just don't allow for solitude.

We're calling this puzzling issue the "loneliness-solitude paradox." And it might confuse CEOs who are trying to pay the bills. Their lonely people, pining to get back to normalcy, might be screaming for specific processes to return. But what they say they *want* isn't always what they *need*.

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For example, as one CEO notes, "My sales people are saying they're really suffering from a lack of face-to-face meetings with their clients. But I think what's really going on is they are missing informal relationships. They just need to shoot the breeze for a while with people they like and respect." During our conversation on avoiding snapback, another CEO realized his yearning for travel was actually a yearning for solitude. He exclaimed, "Damn it, now I know why I go to Japan so often to visit our team! I need that nine-hour flight. It gets me away from the hourly disruptions and lets me focus on what really needs to get done. I use travel to escape the day-to-day and focus on the long-term." Leading CEOs will listen and respond carefully when addressing desires to get back to pre-pandemic norms.

The action: Start discussing the bills to pay now. Explore the problems your people describe, but beware that they may not pinpoint the actual issue. Ask "why" more often.

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Commit to a new social contract

Beyond preserving the good and paying for the bad, leading CEOs will start a journey toward a new social contract. Based on their experiences in the pandemic, CEOs probably have a decent vision for this contract. But they also know that about a quarter of their hypothesis is wrong—they just don't know which quarter. The journey, which starts with the power-up sequence, will help them figure it out. It will also signal to the organization that leaders won't be restoring the *old* social contract.

The best social contracts will create balance within three areas of the organization.

Individuals. Employees want a better balance between solitude and teaming, between work and home, and between transactions and socializing. We aren't natural-born Zoomers. We need time to create with teams and on our own.

Teams. They need a better balance between external outcomes and internal norms. In recent research, Rao found that the best virtual teams invest time in developing some basic "Zorms" (or Zoom norms, a term coined by Stanford graduate student Janelle Terry). He says, "The research is clear. The best teams keep their focus on customer outcomes, not on their own internal ways of working. But this doesn't mean they entirely ignore internal norms of behavior. The best virtual teams invest in what we call 'a prenup,' which is a charter for how the team works together."

My fellow partner Peter Slagt has been working with CEOs to maximize the value of virtual teams. He shared some guidance on getting started: "The best first step is training on the 'growth mindset.' It enables your people to learn how to approach any team situation with a desire to learn and grow, rather than being protective and shutting down new ideas. During the early stages of the crisis, many CEOs simply bullied their way through individual protectiveness—but this is a short-term solution with a long-term cost. It's better to invest time in training people to decrease their defensiveness and accept new ideas and solutions."

Winning teams will also find more balance between experimentation and scaling new ideas (or what Sutton calls "variance and selection"). They want to retain the energy around local experimentation and, at the same time, shift that creativity from a single idea to a new routine. They understand that in order to scale ideas across the firm, those ideas must be repeatable and transfer to more situations.

The team of teams. Across teams, winning organizations will improve the balance between local empowerment and central coordination. Contrary to the belief of some team members, "coordination" doesn't mean "participation." And contrary to the belief of some global leaders, it also doesn't mean more "control." Leading organizations will coordinate across local experiments and encourage learning across teams—without destroying the teams' autonomy.

There's a risk that the social contract may sound like an agreement to sit around a campfire and sing "Kumbaya." So beyond finding balance, it also needs to deal with some very thorny organizational issues.

For instance, CEOs can't ignore the problems surrounding the global center, local teams and the middle. Right now, they're stuck with too many layers and too many issues up for negotiation. To continue fostering local experimentation, while encouraging global coordination and scaling, they can adopt a technology mindset. The leaner global center will be the "operating system." It will be adaptable, supportive of business building and run by a few non-negotiables. Local operations will be plug-and-play "apps" that utilize central capabilities but are otherwise free to serve local customer needs.

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But what happens to the middle? What happens to regional span breakers and the layers that separate the front line from the C-suite? If a firm embraces smaller teams with smaller spans of control, the math says they will have more layers. This will be a critical, but very difficult, issue for CEOs to tackle.

CEOs also can't avoid conflicts around governance, planning and accountabilities. Based on their liberating lockdown, many leaders recognize that they don't need to know everything or participate everywhere. People can trust one another. CEOs can simplify governance and involve far fewer people in decisions. They can also eliminate backward-looking financial planning and performance review processes. Instead, leading organizations can opt for action-oriented meetings that only include people who care about improving outcomes. In doing so, they will arm themselves with data to make fact-based decisions.

Even still, firms need a culture of accountability now more than ever. It is up to CEOs to navigate this tension.

In addition, many CEOs will grapple with their new social contract following a period of layoffs. They won't start from neutral ground. Concurrently, existing digital and technology trends, such as automation, are now accelerating. This not only affects specific jobs, but also firm cultures. It will prompt leaders to think through the emerging question of "job dignity": How do you unite a firm and its people when some see a significant portion of the workforce as an algorithm waiting to happen?

The action: Start a conversation around the new social contract, recognizing that a quarter of your first hypothesis may be wrong. And for more on how to address the middle, cultural accountability and job dignity, tune in next week.

As leading CEOs execute their agendas to retool the firm, they will invest time to get the power-up sequence right. They will remember that everything communicates and their people are listening. And they will take three steps to avoid snapback: Lock in the good, pay the right bills and start the journey to a new social contract. This is your moment.

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