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Agile resilience in the UK: Lessons from COVID-19 for the 'next normal'

Agility has been a useful attribute for many global and UK-based organizations weathering the COVID-19 crisis. Here's how they can build on agile practices for more long-term operational resilience.

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The COVID-19 pandemic has demonstrated the need for all organizations to be able to weather major, unforeseen disruption. An April 2020 survey conducted by the Office for National Statistics found that 30 percent of businesses in the United Kingdom reported they had less than three months of cash reserves, 24 percent paused trading, and many more turned to government support (79 percent applied for the Coronavirus Job Retention Scheme).[1]

Organizations able to absorb and adapt to the challenges of the COVID-19 pandemic successfully are, by definition, resilient. Many also find themselves making decisions at a speed, which would have been unthinkable in pre-COVID-19 times.

What characterizes these organizations? What creates this kind of resilience? And how can organizations apply the lessons learned from the COVID-19 pandemic so that in the "next normal" they remain resilient, flat, and fast?

One answer is agility. We spoke with executives at several leading international and UK-based organizations to build on and complement McKinsey's global research.[2] Each of these organizations displayed uncommon resilience throughout the pandemic, and a few common practices emerged, which align well with the trademarks of agile organizations.[3] These organizations used resilience preparation as their base and were able to adapt and innovate by adding new practices to react to the crisis.

A resilient foundation to the COVID-19 response

All the organizations we interviewed were well-versed in building resilience through business continuity and crisis planning. They identified their critical processes and developed back-up plans to ensure they were on track, no matter what crisis hit. Most organizations complemented this with war-gaming, which involves rehearsing scenarios that establish a basic operational structure and mindset to adopt in a crisis. The war games also helped ensure role clarity and established chains of command that were communicated ahead of time. In particular, many executives mentioned how their war-gaming for no-deal Brexit helped prepare them for the COVID-19 crisis; for example, they had already put in place measures for supply-chain resilience.

However, understandably, no organizations anticipated or planned for a crisis with the broadscale operational impact of COVID-19. Most multinational organizations we interviewed found that all their global subsidiaries were affected almost simultaneously. War-gaming could only get these organizations so far, but they were able to build on the resilient backbone that their business-continuity planning gave them and, by adopting a series of new practices, absorb and adapt to the pandemic.

Common characteristics of resilient organizations and how they can build to agility
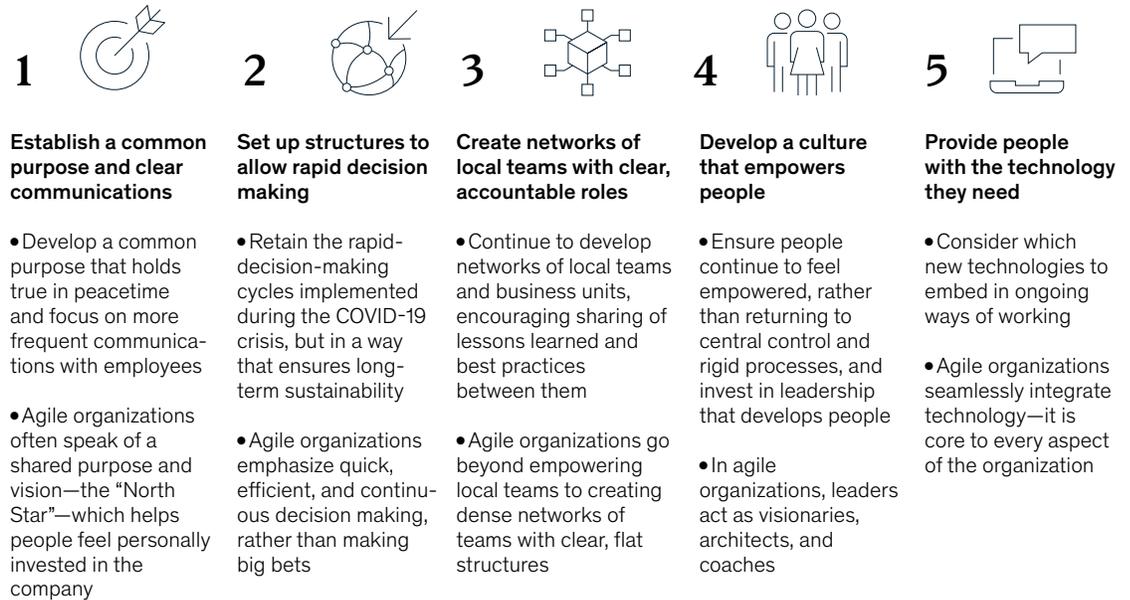
Five characteristics stand out across the organizations we interviewed (exhibit). Each characteristic not only helped them navigate the COVID-19 crisis, but also now points the way toward a more agile operating model that can be more resilient in the next normal. Since it is impossible to war-game every scenario of disruption, building these characteristics into normal operations will allow organizations to deal with future changes and potential shocks. In essence, these characteristics are both a proof of resilience in the past and a measure of readiness in the future.

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[1] "Coronavirus and the economic impacts on the UK," Office for National Statistics, April 23, 2020, ons.gov.uk.
[2] Christopher Handscomb, Deepak Mahadevan, Euvin Naidoo, Lars Schor, Marcus Sieberer, and Suraj Srinivasan, "An operating model for the next normal: Lessons from agile organizations in the crisis," June 2020, McKinsey.com.
[3] Wouter Aghina, Karin Ahlback, Aaron De Smet, Christopher Handscomb, Gerald Lackey, Michael Lurie, and Monica Murarka, "The five trademarks of agile organizations," January 2018, McKinsey.com.

Exhibit

Resilient organizations displayed five common characteristics during the COVID-19 crisis that can help build agility in the next normal.

1 **Establish a common purpose and clear communications**

- Develop a common purpose that holds true in peacetime and focus on more frequent communications with employees

- Agile organizations often speak of a shared purpose and vision—the "North Star"—which helps people feel personally invested in the company

2 **Set up structures to allow rapid decision making**

- Retain the rapid-decision-making cycles implemented during the COVID-19 crisis, but in a way that ensures long-term sustainability

- Agile organizations emphasize quick, efficient, and continuous decision making, rather than making big bets

3 **Create networks of local teams with clear, accountable roles**

- Continue to develop networks of local teams and business units, encouraging sharing of lessons learned and best practices between them

- Agile organizations go beyond empowering local teams to creating dense networks of teams with clear, flat structures

4 **Develop a culture that empowers people**

- Ensure people continue to feel empowered, rather than returning to central control and rigid processes, and invest in leadership that develops people

- In agile organizations, leaders act as visionaries, architects, and coaches

5 **Provide people with the technology they need**

- Consider which new technologies to embed in ongoing ways of working

- Agile organizations seamlessly integrate technology—it is core to every aspect of the organization

1. Establish a common purpose and clear communications

The first shared practice was that organizations established a clear, simple *common purpose* that was applicable to the whole company. This helped engage and motivate employees, and prioritize competing demands. A major UK grocer, for example, established three clear principles at the start of the COVID-19 crisis:

— being a safe place to work and shop

— having colleagues who are knowledgeable and aware of how to deal with COVID-19 issues

— ensuring the commercial well-being of the organization through issues raised regarding the COVID-19 pandemic

These three objectives guided the organization's response and established the priorities in support of the business objectives and values.

Across all sectors, the common purpose did not have to be newly conceived for the COVID-19 pandemic to be effective. Many organizations found their existing purpose held well, and employees were able to change their behaviors and actions to achieve the same purpose in new ways. A large UK bank, for example, found that its clear purpose to serve customers helped prioritize innovative propositions in both the aftermath of the Brexit referendum and during the COVID-19 crisis.

Alongside establishing a guiding purpose, the most effective organizations focused on *more frequent communications*, taking an adult-to-adult tone

that explained decisions and shared a realistic assessment. During the COVID-19 pandemic at UK Power Networks, for example, the CEO shared daily video messages showing the rationale behind corporate decisions. Feedback from employees demonstrated the positive effect of this clear communication and transparency.

For organizations that have found a new focus during the COVID-19 crisis, the next key step should be to consider if they can enhance and develop their common purpose to hold true in more normal times, giving employees the same clarity of decision making and ability to act as during the COVID-19 crisis. Agile organizations often speak of a shared purpose and vision—the "North Star"—which helps people feel personally and emotionally invested in the organization. This North Star allows employees to individually and proactively watch for changes in customer preferences and the external environment, and then, act upon them.

2. Set up structures to enable rapid decision making, including the reallocation of resources against new priorities

The second shared practice we found was that organizations created new forums and structures, or repurposed existing ones, to act as *rapid-decision-making bodies*. These structures often began life as crisis-management forums composed of the most senior people and met regularly— often daily at the start of the pandemic—to make decisions and reallocate resources quickly. A leading global bank, for example, set up a decision-making daily-working group of key leaders from across the company to coordinate their COVID-19 response. Through this forum they accelerated procurement cycles to days rather than months, enabling the purchase of the technology required for employees to work from home.

These new structures allowed organizations to cut the usual red tape and management layers that had

led to slow and laborious decision making. Decisions that previously required hard-won consensus or an onerous burden of proof could be accelerated if they could be overtly aligned to the organization's common purpose. Intel UK, for example, used its decision-making forums to quickly shift employee focus and resources. Government, education, and healthcare became more important sectors for them during the COVID-19 crisis; for example, they developed partnerships with pharmaceutical organizations to aid in enabling vaccine production. Similarly, a UK grocer made the decision to close its fresh-meat and -fish counters and reassign the staff to other jobs within a single meeting—a decision that might normally have taken weeks or months.

The lessons learned from these examples highlight that organizations should retain the rapid-decision-making cycles they implemented during the COVID-19 crisis, but in a way that is sustainable for the long term. Daily conference calls with the entire executive team may be unrealistic, but continuing to embrace the mindset of making small decisions quickly— ensuring teams are guided by a clear purpose and have access to all the information needed to make those decisions—will lead to a greater ability to innovate and adapt to changing circumstances.

Agile organizations emphasize quick, efficient, and continuous decision making, preferring 70 percent probability now versus 100 percent certainty later.[4] Rather than big bets that are few and far between, they continuously make small decisions as part of rapid cycles, quickly test these in practice, and adjust them as needed for the next iteration. This also means agile organizations do not seek consensus decisions—they take input from all team members, prioritizing those who have the most expertise on the topic at hand; but once the decision is made, all employees get behind enacting those decisions.

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[4] Aaron De Smet, Gerald Lackey, and Leigh Weiss, "Untangling your organization's decision making," *McKinsey Quarterly*, June 2017, McKinsey.com.

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3. Create networks of local teams with clear, accountable roles

The third common practice was *creating networks of teams and ensuring clear role accountability*. Local business units became the focus for many organizations, with clear accountability for what they were responsible for versus the central team. For example, a leading global bank published central guidance but then asked local teams to take the lead on implementation within their own jurisdictions. They also encouraged each local team to share any lessons learned or best practices with other jurisdictions. This freed senior leadership to focus on overall guidance and support, while local teams focused on day-to-day activities.

The COVID-19 pandemic also led to several organizations reducing hierarchical barriers, bringing senior leadership in much more direct contact with operational leads. UK Power Networks, for example, brought business leads and trade union workforce representatives into meetings to communicate directly with the CEO.

Agile organizations typically maintain a stable top-level structure but replace much of the traditional management hierarchy with a flexible, scalable network of teams. They go beyond just creating local teams to creating dense networks of teams. They implement clear, flat structures and ensure there is clarity of role accountability. Agile organizations can implement networks of teams in different ways, depending on what makes sense for their specific circumstances. For example, they might use "flow to work" pools, like UK Power Networks did during the COVID-19 crisis, where

teams are staffed against the highest-priority customer needs. Alternative models include cross-functional teams or self-managing teams. All of these can work—which model is best depends on the specific context, but all are based around the idea of connected networks of teams.

Flexible, scalable, and flatter organizational structures proved effective during the pandemic. In such cases, the team is at the heart of the structure, and team-based working—a central tenet of agile thinking—has advantages over a hierarchical structure in terms of speed, precision, decision making, and the satisfaction of employees. Organizations would do well to keep this lesson in mind and continue the team ethic and to extend the team-of-teams practice that has proved so effective in uncertain times.

4. Develop a culture that empowers people and gives them the opportunity to unleash their entrepreneurial drive

The fourth common practice is *empowering frontline employees and creating a flexible culture that helps unleash their entrepreneurial drive*. For example, a major UK grocer encouraged employees to capture the opportunities presented by the COVID-19 pandemic: new sales from customers no longer eating out in restaurants and fewer but larger shopping trips. Supply-chain staff likewise worked hard to keep up with the increased demand, negotiating with suppliers to buy more stock. This allowed the grocer to meet the unprecedented increase of more than 10 percent in year-on-year sales.

Some organizations we spoke to already had a culture of empowering staff and used the COVID-19 crisis as an opportunity to expand and reinforce this. Intel UK, for example, harnessed their employees' passion to help deliver on the organization's purpose—"creating world-changing technology that enriches the lives of every person on earth"—by encouraging staff to look for opportunities to make a positive difference. This flexibility and trust in their people led to a number of new frontline-led projects during the COVID-19 pandemic, including one employee working with a customer to attain a UK patent for the design of protective equipment for hospital staff and other teams working with the VentilatorChallengeUK consortium. (For more information on the consortium, visit ventilatorchallengeuk.com.)

Organizations should reflect on these examples to consider how, post-COVID-19, they can continue to empower their people. Frontline employees are closer to the customer and therefore usually have more relevant first-hand information and better ideas about customer needs. Organizations should ensure this sort of culture continues beyond the current crisis by investing in leadership that empowers and develops their people. In agile organizations, leaders act more as visionaries, architects, and coaches, and less as directors and controllers. They put in place processes that reinforce this and give their people clear accountability combined with the freedom to pursue opportunities. Many also proactively help employees build new capabilities through role-mobility programs.

5. Provide people with the technology they need
The final common practice was the *use of technology*. To enable many employees to work from home during the COVID-19 crisis, several organizations quickly secured access to remote-working technology such as laptops and webcams. For example, one leading global bank bought thousands of new laptops within days to enable remote working for their global staff.

By necessity, many organizations have had to move to a model where technology is key to every interaction, and a number of familiar tools have quickly become part of ordinary working life.

Organizations are already considering which new technologies they want to embed in their ongoing ways of working. We recommend that they go beyond that consideration. Agile organizations think of technology not as a supporting capability but as being seamlessly integrated with and core to every aspect of the organization. Organizations undergoing a full agile transformation would cut any technology that was outdated—including legacy architecture—to adopt new, more suitable platforms. All organizations now need to consider to what extent they want to do the same, bearing in mind their organization's willingness to take on cost and security risk, which may enable or limit how far they go down this path.

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Building from the COVID-19 crisis to agile practices

It is not surprising that agile practices have enabled organizations to be more resilient to crises such as the COVID-19 pandemic. Agile organizations are designed to make fast decisions and to absorb and adapt to challenges. McKinsey's research on how agile organizations fared during the pandemic showed that 93 percent of organizations thought their agile business units had performed "better" or "significantly better" than their nonagile business units in both customer satisfaction and operational performance.[5] As economies open up and we start to move toward the next normal, nonagile organizations must decide how much of these new practices they want to maintain.

Organizations that want to keep the benefits they've enjoyed during the COVID-19 crisis, such as faster decision making and clarity of purpose, need to make that choice now. To shift toward an agile operating model, organizations need to reflect on what they have learned during the crisis and be deliberate about which practices to keep. These practices need to be embedded in their culture and processes if they are going to persist. Further, if they want to undertake a full agile transformation, they will need to allocate appropriate time and effort for management as well as for the teams directly affected.[6,7] But when the next crisis hits, they will have even greater resilience to absorb and adapt to the challenges they face.

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[5] Christopher Handscomb, Deepak Mahadevan, Euvin Naidoo, Lars Schor, Marcus Sieberer, and Suraj Srinivasan, "An operating model for the next normal: Lessons from agile organizations in the crisis," June 2020, McKinsey.com.
[6] Daniel Brosseau, Sherina Ebrahim, Christopher Handscomb, and Shail Thaker, "The journey to an agile organization," May 2019, McKinsey.com.
[7] Aaron De Smet, Michael Lurie, and Andrew St. George, "Leading agile transformation: The new capabilities leaders need to build 21st-century organizations," October 2018, McKinsey.com.

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