
Covid-19 effects on organisations and leadership

Are the structures of the decentralised office already cemented, or is there still room to shape what a more digitalised workplace will look like?

Executive summary

Decentralising our workplace was not the result of planning and research, led by strategically placed stepping stones and ruled by balanced routines and visions for sustainability. No, the sudden undoing of the office as we've known it for the last century or more, was one of the immediate effects of the Covid-19 pandemic.

We find ourselves in mid-transition having to evaluate the stability of each step. What are the immediate challenges facing organisations, what can they expect going forward, and how can we build the new normal that is in some parts already here?

This report reflects insights on how organisations and their people have been affected by the Covid-19 pandemic, representing the views of many industries and different organisational sizes.

- **Leaders are already considering themselves remote pros**

Although the perceived importance as well as time scope for remote work has drastically increased during the pandemic, leaders see their organisations as well equipped to tackle this new way of working. Going forward, 83% of respondents say they will allow remote working at least a few days a week, while a mere 1% will not allow it at all.

- **Distance brought us closer**

Working remotely has brought many teams closer together: communicating more frequently, openly and directly – and wanting to continue doing so after the pandemic.

Background

This research surveyed 730 respondents in June 2020.

- Board members (69), C-level (458), middle management (120) and employees (84)
- The Nordics and UK
- 11 follow-up interviews with board members and executives

- **Empathy and opening a window into our homes create employee engagement.**

Remote working has not only fostered better and more open communication, it has opened up the doors to a more personal and empathetic dialogue. This shift has not only had a positive impact on perceived employee engagement, but has (according to many) improved leadership in general.

- **Remote working but not remote recruiting**

Only one in five of the respondents see the digital workspace as a chance to hire more globally than before. Moreover, almost one in ten (8%) state that they are less likely to recruit globally. This while 25% of the respondents say they will allow remote working without restrictions after the pandemic.

- **Agility is a critical factor to survive**

Maintaining long-term targets yet staying flexible to day-to-day operations has proved to be a strategy implemented by numerous companies – many noting a planning cycle of maximum three months.

- **The crisis as a catalyst for desired behaviour**

More effective meetings due to digital tools, more personalised relationships due to working from home, less time spent on commutes; these are only a few of the new behaviours that companies previously have tried to implement, and are now realised as consequences of the pandemic.

Denial or optimism? Strong confidence, despite negative results

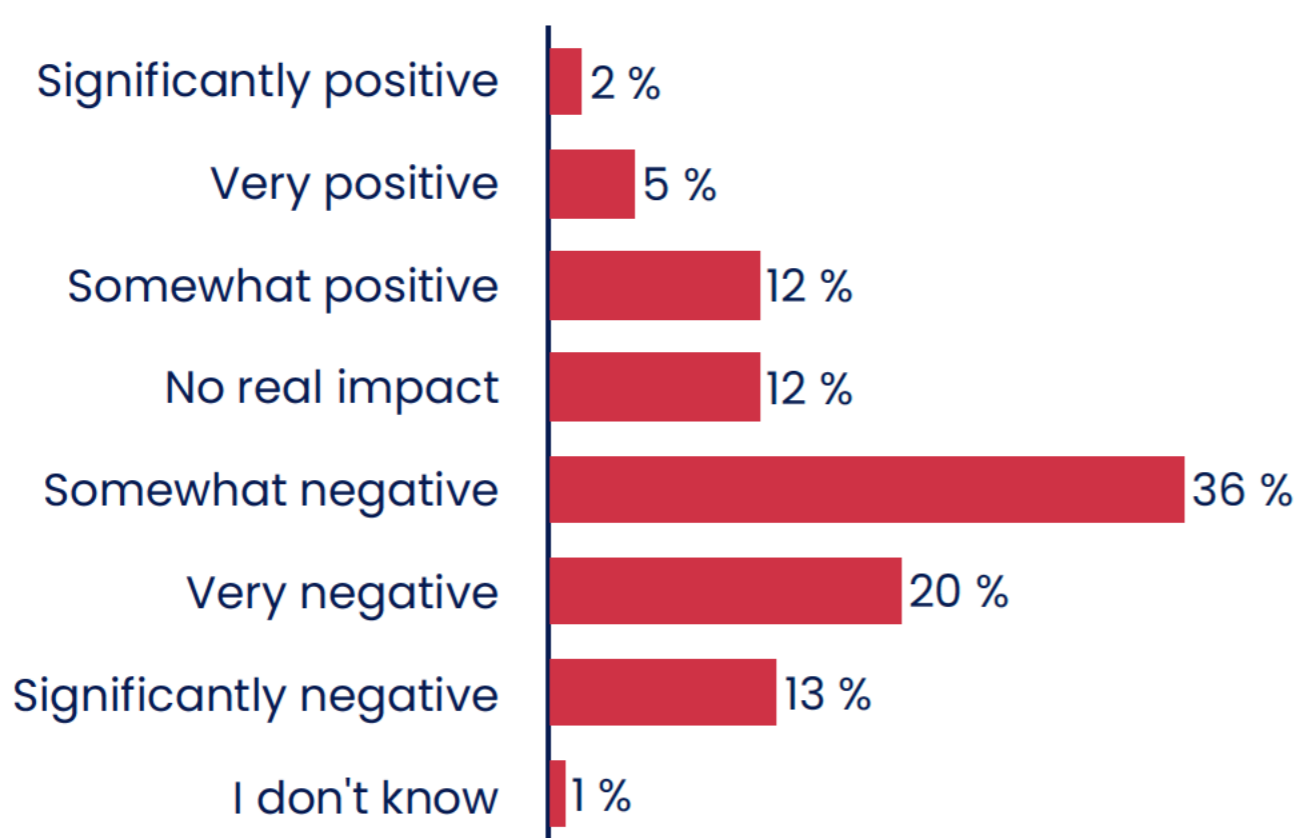
Calling Covid-19 a crisis is also applicable when it comes to business. From our respondents, 69% have seen negative business effects on the company due to Covid-19. Yet, confidence in the company's coping mechanisms seems to prevail at all organisational levels. Nine out of ten say they have adapted well to the new ways of working and report a significant change in appreciation for working remotely (83% want to continue working remotely in some form after the pandemic).

The crisis has put pressure on innovation

In the last months, innovation has more clearly than ever been required to succeed. Organisations are stress-tested on their speed and effectiveness in innovative capabilities and are forced to rearrange services to fit the new market demands. The results of these changes can have both positive and negative effects on the internal organisation and vary greatly between departments.

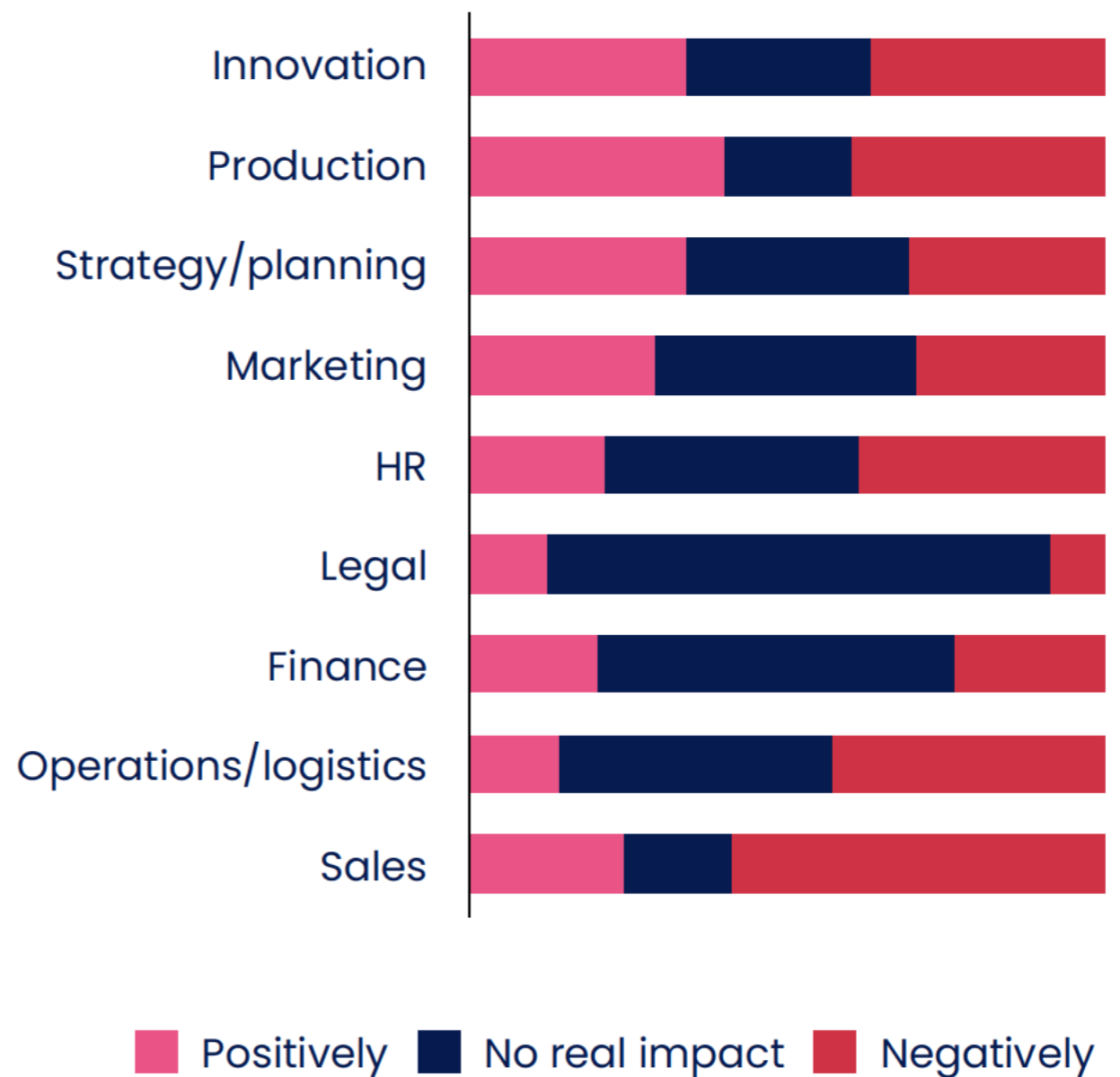
Effect on business results

Q: How has Covid-19 affected the business results within your organisation/s?



Effect on business processes

Q: How has remote work affected the key business processes?



One of the biggest consequences of the pandemic is the inevitable shift to digitalising processes, which has had varying impact on organisations and their departments.

Being forced to become more digital has proved favourable for the marketing department, driving a change which in many companies may have been long overdue. Strategic planning also gained from becoming more digital, while operations suffered from not being able to turn digital overnight.

Innovation processes are clearly affected both positively and negatively; while innovation is now more digital, the high level of uncertainty means that leaders are challenged by long-term business planning and how to implement changes when employees work remotely.

Leaders are already considering themselves remote pros

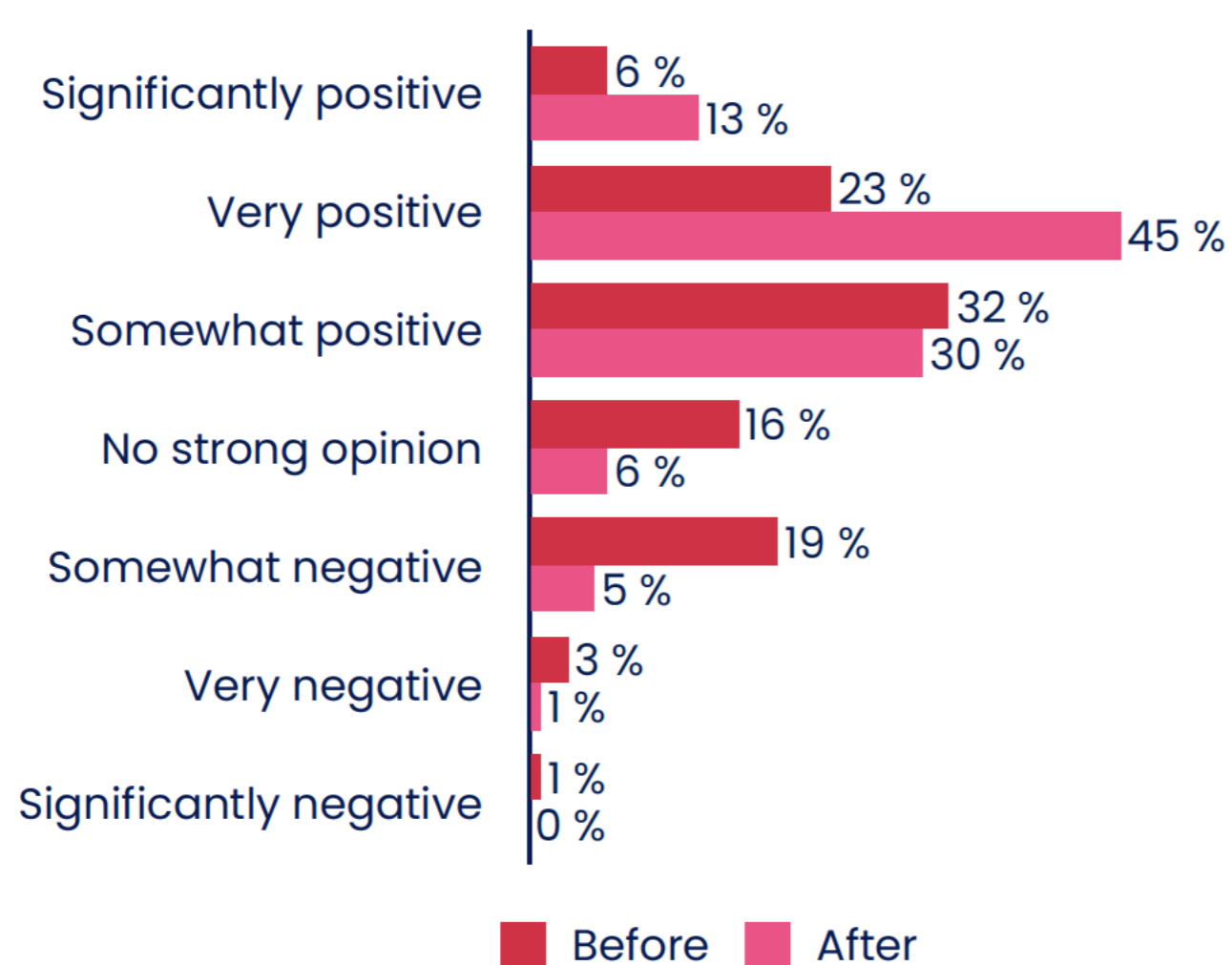
Although the perceived importance as well as time scope for remote work has drastically increased during the pandemic, leaders see their organisations as well equipped to tackle this new way of working.

The perception of working remotely has drastically improved. 83% say they will allow remote working at least a few days a week, while a mere 1% will not allow it at all. Respondents with a negative outlook on working remotely have reduced from 23% before the crises to 6% in the middle of the pandemic.

Interestingly, the ability to lead remotely was among the lesser prioritised skills to develop going forward. Managers and their employees think the skills in this area are adequate for the future. There will likely be an interesting development of this over time as we move from crisis mode to normal mode.

Thoughts on working remotely before and after Covid-19

Q: What were your thoughts on employees working remotely before and now after Covid-19?



“I’m the first to admit I was very sceptical towards remote work, but now that we have implemented good structures, I find it works surprisingly well.”

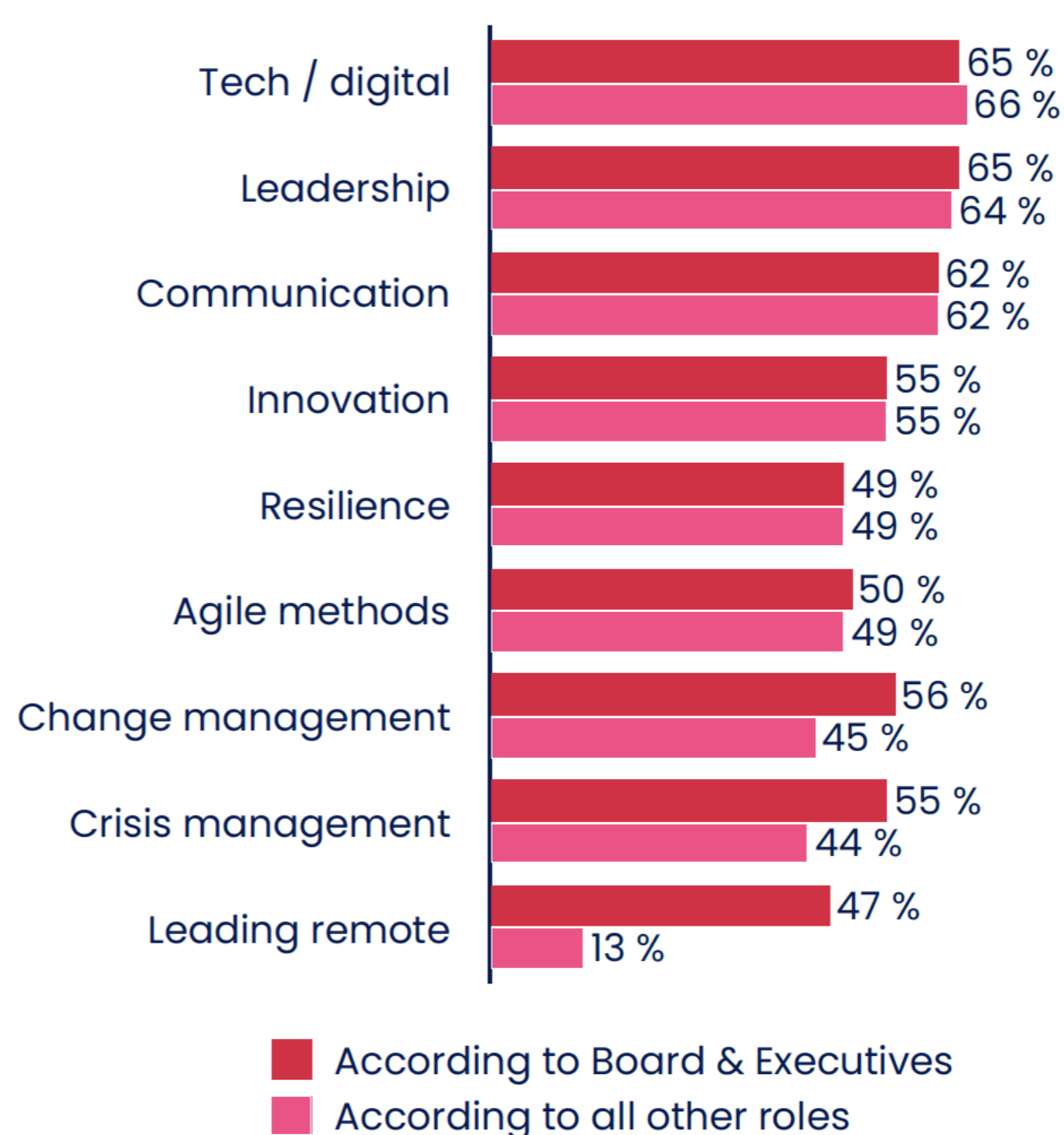
- CEO within the energy industry

Crisis management skills are perceived as adequate

Amidst a global crisis (where one third have already seen very or significant negative effects on business performance), it might seem surprising that the need for better crisis management is nowhere near as prioritised as topics such as technology, innovation and communication.

The most urgent capabilities to develop

Q: Which of the following capabilities do you see as very or extremely important to develop in your organisation going forward?



Could this be because the current situation is a consequence of purely external factors? Is the perceived risk of lagging behind in digitalisation greater than that of having bad sales results for a few months? Or, could it be that in the situation of a sudden shift to remote working, internal communications worked better than anticipated and the crisis was managed well internally?

Distance brought us closer

Working remotely has brought many teams closer together: communicating more frequently, openly and directly – and wanting to continue doing so after the pandemic.

Communications was ranked as the most important leadership skill in the crisis; nine out of ten rank transparent and frequent communication very or extremely important. One of many positive consequences of more frequent communication was the increase of democratic relationships within the organisation, for example through weekly newsletters from management. Leadership clarity and transparent decision-making were the second most important behaviours, having 87% and 84% respectively rank them as very or extremely important.

Informal communications (for example digital coffee breaks and online social catch-ups) have also proved vital and an element of the workday employees would like to keep even after social distancing restrictions are lifted.

Communication has increased, becoming more open and direct (and often more personal), suggesting that the distance has brought colleagues closer together. This is a behaviour both employees and executives wish to maintain well beyond the pandemic.

Empathy and opening a window into our homes create employee engagement.

Remote working has not only fostered better and more open communication, it has opened up the doors to a more personal and empathetic dialogue. This shift has not only had a positive impact on perceived employee engagement, but has (according to many) improved leadership in general.

“Empathy has needed to be the foundation of how I communicate with people in the organisation”

– HR Executive for a bank

Camaraderie and empathy from leaders are behaviours that many say they would like to bring into the future. Executives also acknowledge that empathy towards subordinates has been key to moving forward. For example, an interviewee explains how her organisation has an important societal function and therefore leaders had to be extra helpful and understanding towards employees who were concerned about their own and others' wellbeing, while maintaining “business as usual”.

“In a way we have internalised the agility as we couldn’t plan for longer periods of time. This alternative approach as well will be beneficial for us even after the crisis”

- Chief Human Resources Officer at a Financial Institute

Furthermore, an HR executive shares how she feels like a better leader now that her employees have gotten to know a more personal side of her driven by the crisis and working from home. In fact, trends show that more personal communications have improved the working environment. However, when the respondents ranked the behaviours that help leaders manage the crisis, ‘sharing personal information’ was by far the least important factor, well below ‘clear directions’ and even less than ‘digital communication tools’.

Remote working but not remote recruiting

One fifth of the respondents see the digital workspace as a chance to hire more globally than before. Moreover, almost one in ten (8%) state that they are less likely to recruit globally. This while 25% of the respondents say they will allow remote working without restrictions after the pandemic.

When looking to see how recruitment behaviour will change due to distancing, one hypothesis is that improved comfort levels towards working remotely would increase the likelihood of expanding the recruitment pool geographically. When remote working has proved to be an effective alternative, talent searches could be expanded to include a broader selection of candidates and (in some cases) less expensive hires.

This development, however, has yet to be realised. Recruitment so far seems to follow the same form as it did pre-pandemic. This may be because of a maintained prioritisation of the in-person work team, or, we may not be ready to alter the way we acquire talent yet.

Agility is a critical factor to survive

Maintaining long-term targets yet staying flexible to day-to-day operations has proved to be a strategy implemented by numerous companies - many noting a planning cycle of maximum three months.

Being agile is a capability nearly half of all respondents, across organisational levels, want to further develop in the future.

“We have really learnt to be properly agile in the way we manage our supply lines for example. Agility has also been the main focus in terms of payments in order to reduce credit losses”

-VP of a large real-estate company

The crisis as a catalyst for desired behaviour

More effective meetings due to digital tools, more personalised relationships due to working from home, less time spent on commutes; these are only a few of the new behaviours that companies previously have tried to implement, and are now realised as consequences of the pandemic.

Many companies have wanted to implement digital solutions to reduce work-life balance trade-offs and travel-induced environmental strains. While the traditional proverb is “necessity is the mother of invention”, we have during 2020 learned that “necessity is the mother of execution”. Where there were many practical and cultural barriers before, this spring many of us just had to make it work. Furthermore, we want to continue making it work; 73% of respondents state they are less likely to travel following the crisis.

“We managed to really put focus on what fuels our business and completely let go of reporting and less prioritised matters.”

- CEO within the real estate industry

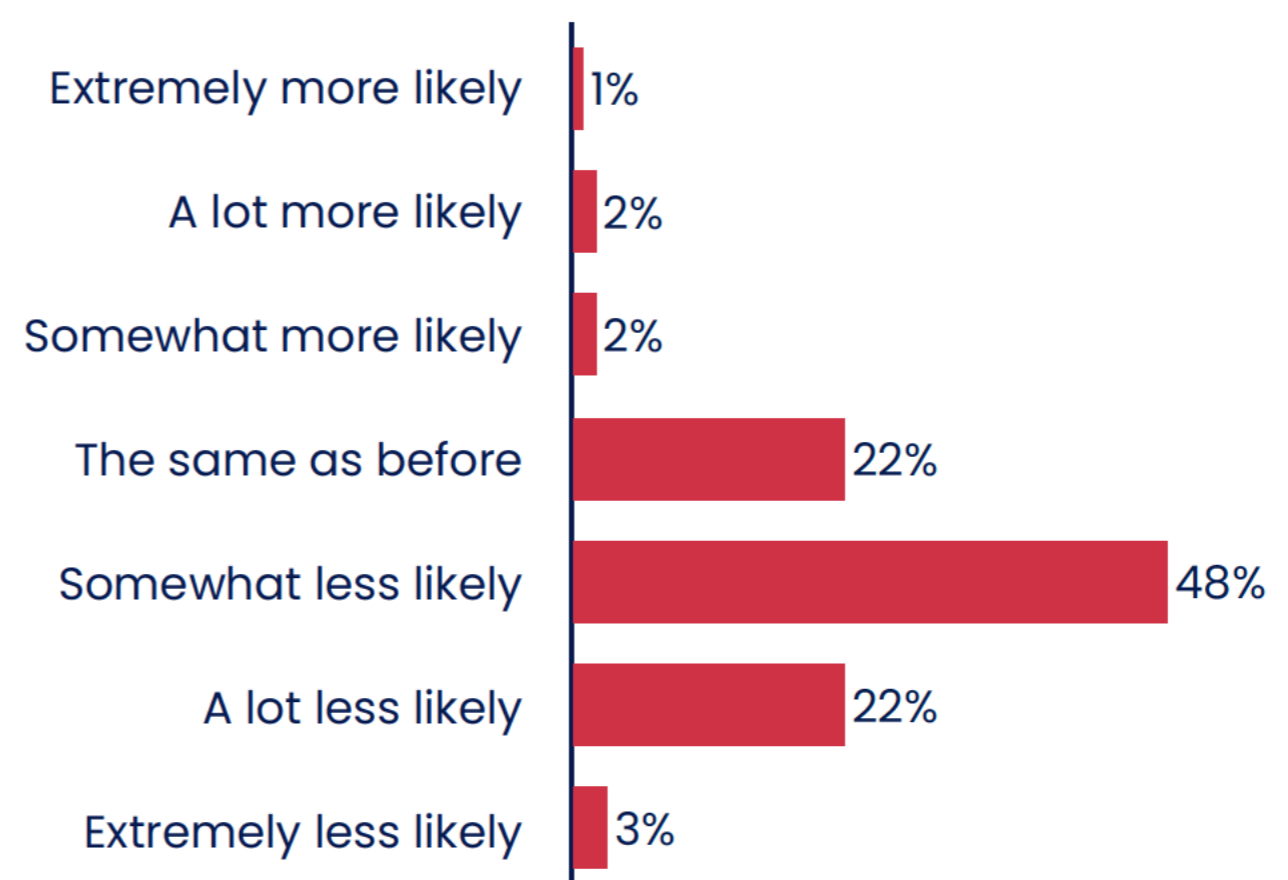
As the report shows, companies are wanting to keep the digital meeting culture, travel less and include co-workers more. How do we ride this wave, of certainly forced, but still desired and rewarding behaviours as leaders of tomorrow's workplace?

“In many of the boards where I’m active, we’ve become really good at cutting costs! And somehow we’ve also reduced many of the previous areas of conflict.”

- Board member in several large corporations

Reflections on travelling, post Covid-19

Q: To which extent will you be traveling after the crisis following Covid-19?



Looking ahead: What will a more digitalised workplace look like?

The requirement for social distancing and the inevitable economic downturn have forced us to develop new ways of working and behaviours that executives and employees seem proud of and confident with.

The evolution towards a workplace taking advantage of all the digital possibilities has for most of us occurred at a glacial pace. This spring, abruptly and without warning, we found ourselves in a workplace revolution – without a plan. How will board members, executive, human resources and employees react to and lead this development, while it is in fact still happening?

Agile backlash?

Agility frequently occurs in this study as a desired behaviour internally when it comes to work hours and location, often driving a flattening internal hierarchy. It also reoccurs in terms of an agile approach talking about everything from high-level strategies to customer demands. While stating its importance, respondents describe a need for structures and how they long for the social organisation that a physical office bring to their daily life. Did Covid-19 take agility to an extreme? Can the corporate world see a U-turn from an agile norm towards a more hierarchical order?

A stand still for the digitalised workspace?

Could the reluctance to recruit globally be an indicator of digital adaptation slowing down? Is it more difficult to form natural relationships with someone, both culturally and physically, on the other side of the world? Can you create the same relaxed atmosphere outside of your mother tongue and can it even occur with someone in the opposite time zone?

Decentralising the workplace means both scattering and refocusing. When we are everywhere – we need to work even harder to get somewhere. We need to redefine the core and purpose of a workspace, of recruitment and of the organisational structure. What is the next new normal? And how can we prepare to manage that transformation; as leaders, board members and employees, as it is happening?

Take charge of the workplace transformation

- How can we balance a hybrid office with functionality for on-site as well as off-site colleagues?
- How do we consider diversity and ensure digital literacy for all employees to optimise the collective contribution?
- What is the attraction of the workspace and how should it function to bring in the best talent that have an upper-hand in their location demands?

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