

stars insights: 23 September 2020

Leadership in a COVID-19 World: Lessons Learned from Senior Executives



*The Covid-19 pandemic has exacerbated leadership and decision-making challenges, given that employees, decision-makers, and various stakeholders are dispersed and forced to collaborate remotely. stars alumnus Dr. **Roger MOSER** and **Srinath RENGARAJAN** explored specific changes in leadership behaviours and practices of senior executives in relation to decision-making and managing their direct reports in a Covid-19 world. Ten specific leadership behaviours were evaluated by a panel of senior executives globally based on the experiences gathered in the last few months, offering insights into how leaders can lead their organizations and employees successfully while navigating through a new normal in the wake of Covid-19.*

Addressing a group of executives in 1955, Peter Drucker, one of the most prominent management thinkers of all time, said: “We are at the beginning of a period of extreme flux, of extreme change and great competitive pressure in which traditional ways of doing things, traditional products, traditional processes will be challenged on all sides.” These words still reflect our contemporary reality. The Covid-19 pandemic has induced fundamental disruptions in the internal and external environments of organizations. With organizations across sectors having suddenly been forced to shift to remote work, leaders face challenges in ensuring employee engagement, productivity, and connectivity. Senior executives are also challenged to engage with stakeholders virtually in decision-making processes while ensuring trust, transparency, and teamwork.

While organizations have been struggling to adapt to these dynamics in the short-term, the consequences of the pandemic will likely stretch much longer. Firms are exploring various telecommuting and staggered work arrangements for at least the next 12-18 months to ensure social distancing and deal with further potential waves. In some extreme cases, firms even begin to question the need for sprawling commercial office spaces and

evaluate long-term remote work options for significant parts of their workforce. However, these developments are also throwing the spotlight on issues like the disjointedness of digital workflows, stress and anxiety of separated employees, and the poor fit of legacy work patterns and existing performance metrics. These circumstances have necessitated executives to rethink how they lead their organizations, while steering a dispersed workforce towards a common purpose and taking strategic decisions to convert current ambiguities into competitive advantages.

Changes in leadership behaviours

Senior executives globally have gathered some initial experiences leading their organizations in the last few months. The lessons learned in this period offers insights into leadership behaviours and best practices for navigating through a new normal in the wake of Covid-19. Through an online expert-panel study with 35 such leaders, we investigated changes in leadership practices and behaviours related to decision-making and managing direct reports, and the consequences for productivity, strategy quality, and organizational resilience.

The expert-panel rated how much they agreed with each behaviour, formulated as a statement, on a scale of 0 to 100, and the impact on the three performance dimensions on a scale of 1 to 5. Table 1 shows the quantitative results for each statement, including the minimum and maximum ratings, as well as a heatmap of their impact on the three performance dimensions of productivity, strategy quality, and organizational resilience. The interquartile range (IQR) represents the middle 50% of the responses and serves as a measure of consensus among the experts.

Table 1: HEATMAP of the Impact of different Leadership Behaviours on Company Objectives

IMPACT HEATMAP

#	Projection	Average	IQR	Productivity	Strategy Quality	Resilience
Decision-making	1 In a COVID-19 world, executives are more successful as leaders if they are truly comfortable admitting they don't know everything but are able to ask the right questions.	91.76	10	4.11	4.46	4.26
	2 In a COVID-19 world, executives are more successful as leaders if they invest significant amounts of their own work time (i.e. more than 6 hours / week) to reflect on the most important decision-making challenges ahead of them.	82.67	20	3.60	4.23	4.43
	3 In a COVID-19 world, executives are more successful as leaders if they expand their decision contexts beyond immediate shareholder interests to integrate a more systemic perspective.	82.73	25	3.80	4.30	4.37
	4 In a COVID-19 world, executives are more successful as leaders if they open their social capital (personal network) to their direct reports for information gathering.	73.55	35	3.74	3.87	3.84
	5 In a COVID-19 world, executives are more successful as leaders if they focus their diversity and inclusion agenda for their direct reports on a multitude of thoughts and cognitive structures rather than gender, social background, race etc.	80.33	28	3.93	4.26	4.11
Managing direct reports	6 In a COVID-19 world, executives are more successful as leaders if they are able to increase the cross-company collaboration and business ecosystems thinking of their direct reports by more than 40% compared to a pre-COVID-19 world.	75.38	29	3.81	3.88	4.00
	7 In a COVID-19 world, executives are more successful as leaders if they significantly invest more time (i.e. at least 40% more) in coaching their direct reports compared to their pre-COVID-19 world.	65.17	23	3.83	3.93	3.59
	8 In a COVID-19 world, executives are more successful as leaders if they evaluate the performance of their direct reports not only based on results but equally on how creatively they approach new challenges.	77.78	30	3.78	4.04	4.04
	9 In a COVID-19 world, executives are more successful as leaders if they empower their direct reports to take on significantly more leadership responsibilities (i.e. at least 25% more) compared to their pre-COVID-19 world.	82.22	30	4.07	4.15	3.96
	10 In a COVID-19 world, executives are more successful as leaders if they allow and support their direct reports to blend work and non-work activities completely fluently and flexibly.	71.11	35	3.63	3.81	3.41

Decision-making

The experts generally agreed with the changes in leadership behaviours modelled in the five statements related to decision-making. This is captured in the high average ratings in the experts' evaluations with moderate to high consensus with IQR mostly below 30.

This is especially the case for the first statement (#1) on the ability to ask the right questions, which also corresponds with a high positive impact on each of the three performance dimensions. In addition to "projecting authenticity" and "mitigating confirmation bias", participants felt that it would be "perceived as a strong leadership trait when an executive is willing to admit vulnerability, but show their competence and clarity in thinking by identifying the right issues to prioritize" given that the pandemic is an unprecedented and dynamically evolving event.

Experts largely agreed on the importance of reflecting on key decision-making challenges (statement #2) and predicted a strong impact on strategy quality and increased organizational resilience. As one respondent suggested, it is "very important to take the necessary distance and time to reflect on important future decision-making challenges, notably at such a time of uncertainty." However, its impact on productivity was rated less positively. Some respondents argued that "if reflection takes up a lot of time, the circumstances change too fast to formulate a solid strategy". In such cases, "gut feeling and fast decisions are preferred". Others argued that given a leadership team structure and decentralization, "six hours in five working days does not appear to be too long".

A very similar pattern in responses is observed regarding the expansion of decision contexts to include wider stakeholder interests (statement #3). One expert reasoned that *“short-termism is usually futile in a fast-changing world, even though compensation structures of executives can skew behaviour to short term benefits at the cost of long-term gains.”* Another expert added that *“shareholders are only one among many stakeholders in an ecosystem”*. Since there are diverse variables that impact decisions in this disruptive situation with a systemic and global nature, *“expanding the decision context beyond immediate shareholder interests is key.”* This provides a *“broader perspective by re-framing decisions beyond their immediate context”*, especially at a time when customers expect more social responsibility than just great products or services from organizations.

The respondents were slightly apprehensive regarding opening their social capital to direct reports for their information gathering (statement #4) and its impact on productivity, strategy quality and organizational resilience. Even though the experts recognized that this behaviour might be more efficient for gathering information, they felt realizing it in practice would be difficult. An expert reasoned that *“network contacts may not respond the same to direct reports of executives as they would with executives directly”*, given that *“strong long-time relationships will be prioritized rather than someone who looks like they are collecting information”* in a world where everyone is busy dealing with unprecedented challenges. Others felt that this would help the direct reports advance in their careers and ensure diverse opinions are brought in, improving collaboration in uncertain times. Another caveat mentioned was that *“the network shouldn’t be bombarded with requests from the subordinates.”*

Finally, the results support the indubitable importance of cognitive diversity and inclusion (statement #5) in dynamic environments and their positive impact on all three performance dimensions. While *“factors like gender, social background, race, etc. are often verifiable indicators for diversity”*, they are ultimately *“imperfect proxies for the underlying objective of having diversity of thought and cognitive structures.”* One participant added that *“cognitive diversity hasn’t taken off as a concept because most companies have a ‘way of doing things’ that is considered holy. Organizational routines need to redesign, if cognitive diversity is to be built by design and not by accident.”* Pursuing cognitive and psychological diversity *“might reduce productivity in the short/medium term, but the organization would evolve to be resilient and strategically sound.”*

Leading and managing direct reports

Though to a lesser degree than in the case of decision-making, the experts tended towards agreeing with specific behaviours relating to leading direct reports better. Moreover, the majority of the statements also achieved lower consensus levels among the experts, with the majority of IQRs being 30 or higher.

The first statement was on encouraging wider collaboration and ecosystem thinking among the employees (statement #6). Some experts felt that internal problems should take precedence, and that a lot of effort would be necessary to establish organizational and communication structures which in turn can erode productivity and strategy quality. Others argued that *“too much emphasis has been placed on rigid organizational and functional identities”* which has slowed down the ability to react quickly to disruptions. Another respondent added that *“we are changing from a knowledge-based to a network-based world”* where *“connectivity between people, cultures and even machines becomes*

ever more important.” Therefore, collaborative approaches breaking down silos have *“to be taught and lived by superiors as well.”*

The second statement on coaching (statement #7) surprisingly showed much lower agreement with moderate consensus among the respondents, and only a rather neutral impact on all three performance dimensions. Over 35% of the respondents felt that while coaching is useful as a long-term tool and could help subordinates better deal with uncertainty, they simply have insufficient time to coach them in the current circumstances. One expert added that if the direct reports can manage on their own, there would be a lesser need for explicit coaching. On the other hand, one respondent argued: *“I think that coaching is the most important part of work for every leader, before, during and after Covid-19. There is however an additional need during the crises for a more personal relationship.”* Others added that coaching is necessary to foster scanning, sensemaking, and sense giving abilities in future leaders.

The respondents seemed more inclined to agree on the need to adapt how leaders measure and evaluate performance of direct reports (statement #8), leading especially to better strategy quality and organizational resilience. One respondent explained that *“most appraisals tend to be aligned to short-term exigencies. A measure of the person is as important as a measure of his/her output.”* One expert reasoned that *“especially under adverse circumstances, creatively tackling previously unknown challenges is a crucial skill”*, and performance evaluation should consider that. However, another participant presented a counterpoint, stating that *“creativity is a prerequisite for dealing with the dynamics in the new normal”* and doesn’t need explicit attention in the evaluations of direct reports. Others contended that results were ultimately more important than the approach taken, though employee performance should be evaluated only on results that they can influence. As one expert explained: *“I believe creativity should be appreciated and congratulated but creativity at the cost of results would not work. They shouldn’t be evaluated equally.”*

Empowering subordinates to take on more leadership responsibilities (statement #9) was a specific leadership behaviour that many respondents rated favourably with a positive impact across all performance dimensions. One of the experts put it succinctly, saying *“Giving direct reports slightly more responsibility than they can handle is the best way to mentor them to grow rapidly and learn fast.”* Some respondents felt that crises offer the opportunity for young leaders to emerge and relieve their superiors by taking over some responsibility and cognitive load. Empowerment also helps to build trust and internal competition within the organization. On the other hand, some respondents felt that *“empowerment should be done in controlled environments”* unlike the ones organizations currently face, where executives have to shoulder the responsibility for any bad decisions. One respondent added that *“not all employees are set out, predisposed or willing to take on responsibility, so they might even be demotivated by the empowerment.”*

Finally, there was a very low consensus on encouraging flexibility and work-life balance among employees (statement #10) and its impact on productivity, strategy quality, and organizational resilience, even though executives recognize its importance. Many experts argued for *“clear guidance on how work and private spheres can be separated”* to ensure that employees are not distracted while working, even though *“there must be time for both and timing can be flexible”*. They recognized that there is a tendency for employees to work longer and at higher stress levels, especially given the uncertainty and anxiety of being furloughed or let go, but it is *“difficult to track productivity, engagement, and output”*

when working remotely. Others argued that allowing flexibility is a sign of leaders showing empathy and trust that can unlock potential and creativity, together with empowerment.

In sum, the results show that all ten evaluated leadership behaviours in this study are perceived as useful for senior executives to improve decision-making and leading their direct reports. Seven of these behaviours have a significant positive impact on at least one of the three performance indicators we evaluated. Only statements #4, #7, and #10 have a rather neutral impact on productivity, strategy quality and organizational resilience. Further, six of the leadership behaviours had a significant positive impact (rated over 4 out of 5) on at least two of the performance dimensions. From a decision-making perspective, statement #1 has the highest impact on all three performance indicators. From a managing direct reports perspective, statement #9 has the most positive impact.

Contextualizing the quantitative results with the qualitative assessments of the participants provides an additional layer of granularity in understanding and interpreting the results. The arguments advanced by them for the lower or respectively higher assessments of individual statements underscores the fact that there are no silver bullet solutions to the challenges that the pandemic has thrown up for executives. Consequently, senior executives must ultimately adapt the specific leadership behaviours to the respective organizational and cultural contexts that they are embedded in and the uncertainties they face.

Conclusion

While it was already being recognized that senior executives are facing increasingly dynamic environments, these have been exacerbated by the Covid-19 pandemic. Against this background, we investigated their perceptions on how specific leadership behaviours are likely to change in the coming months to accommodate strategic decision-making and leading their teams. We strongly believe that a comprehensive understanding of these behaviours and their impact will result in better leadership and decision-making practices, resulting in better organizational outcomes and realization of competitive advantages in dynamic environments.



Srinath RENGARAJAN is an automotive expert in the Automotive and Manufacturing Industries practice of Oliver Wyman, where he provides expertise and advisory on key industry topics. He is also a research associate at the Chair of Supply Chain Management at the University of Erlangen-Nuremberg (FAU), Germany. His research interests in the strategy and international management domains include strategic decision-making, institutional interactions, social capital theory, and strategy-as-practice in organizations. Srinath was earlier part of the China strategy team at a leading automotive OEM and draws upon academic experiences gained as an external research partner at the University of St. Gallen.



Dr. **Roger MOSER** serves as faculty in different roles at Macquarie Business School, Australia, University of St. Gallen, Switzerland and the Indian Institute of Management Udaipur, India. He also acts as Chairman of SatSure, a satellite data analytics and decision intelligence provider for banks, insurers and governments. Roger is a thought leader in the emerging field of Decision Intelligence – a combination of managerial, behaviour and data sciences to improve the decision-making practices of senior leaders. Based on his expertise, he coaches MNCs and SMEs in how to improve their intelligence gathering and processing practices in dynamic business contexts including Asia & Digitization or now COVID-19.

stars insights are exclusive contributions by business leaders and experts who scan the horizon to discuss geopolitical, economic, technological and further trends and developments which will impact society and business in the next few years.

Impressum