Transforming Beyond the Crisis with Head, Heart, and Hands

by Jim Hemerling, Deborah Lovich, Ashley Grice, and Robert Werner

The pandemic has compounded the already formidable challenges of business transformation. And there isn't a single organization that doesn't need to transform.

COVID-19 has catapulted us five to ten years into our digital future. But companies recognize that they must do more than digitize their strategy and operating model and amp up employees' digital fluency. They must also factor in new considerations, all of them interconnected: the trajectory of the disease, the health care system in their operating regions, and government policies and stimulus measures. And they must figure all this out while charting a strategic roadmap for a truly unpredictable future. This is transformation on steroids—and one that will remain "always on" through the twists and turns of the postpandemic era.

Central to all these issues are our people. For employees, COVID-19 has turned things upside down in virtually every respect. Apart from the anxiety over a disease whose full effects remain unclear, people are worried about safety measures in the workplace, their job security, the fate of their company, the complexities and distractions of working from home, their family's well-being, and the additional demands on family life—among other issues. Seemingly overnight, many have found themselves navigating new technologies and ways of working. This monumental degree of change and uncertainty has exacted a tremendous psychological toll.

In the initial stages of the pandemic, leaders demonstrated greater-than-usual attention to their people: companies mobilized to secure employees' safety and well-being, focused on enabling remote work, and revitalized their purpose. But the crisis is far from over. Now, as companies consider how to move beyond the crisis into what's sure to be a long recovery phase, they cannot revert to old habits of ignoring their employees or treating them as a means to an end—or, worse, as collateral damage. Beyond protecting people's health and restoring their confidence, companies must put people first to keep them productive, energized, and engaged. A people-centric transformation agenda will be a key differentiator of success, not just during the recovery but also in the post-COVID reality.

In this new reality, organizations cannot hope to transform successfully beyond the crisis unless they do so in a way that demonstrates humanity. The experiences of those that have carried out and sustained successful transformations prepandemic offer important lessons that point to the urgency of a human-centered approach to transformation. This approach, forged over the past decade (and the culmination of BCG's long record guiding hundreds of transformations), focuses on the Head, Heart, and Hands. (See "The Power of Head, Heart, and Hands.")

The Power of Head, Heart, and Hands

BCG's foundational research on the Head, Heart, and Hands of transformation revealed that successful transformation takes not only a winning strategy and deft execution plan, but also a deep recognition of the human element.

The Head, Heart, and Hands comprise three critical sets of challenges, treating them as interrelated, dynamic, and worthy of equal levels of commitment and discipline. The Head refers to envisioning the future and aligning on the most pressing and most promising priorities (the "big rocks"); the Heart involves inspiring and empowering people; and the Hands entails executing and innovating with agility.

In normal times, we've found that most organizations undergoing transformation quite naturally address the Head (69%); slightly less than half (44%) focus on the Hands. The Heart is the most neglected of the three areas: only 25% of companies focus on it. Companies that attend to all three areas are nearly three times as likely to show sustained breakthrough improvement as those that do not focus deliberately on any of them.

The Head: Infuse Your Priorities with Humanity

The Head of transformation is about envisioning an aspiration and defining the organizational agenda. In today's context, this starts with identifying the fundamental macro shifts that could affect business (including government measures) and their implications for the business and operating model, infrastructure, operations, and ways of working. Leaders must identify and prioritize key strategies across every major domain, including the portfolio, investments, innovation, and compliance.

And there's no time to waste: moving promptly and aggressively is as crucial to recovery as it is to seeding future performance. A BCG study of companies over the past four downturns found that only 14% were able to increase their profitability and accelerate growth. Those that did acted early on, balancing short-term actions with longer-term initiatives to drive advantage and resilience. By investing in growth, and not just cutting costs, they achieved longer-lasting performance gains.

The need to act decisively in crafting a transformation agenda is clear. However, navigating the uncertainties and envisioning the far-reaching impact of COVID-19 may seem overwhelming to leaders and, indeed, to people at all levels of the organization. What actions can companies take to ensure that their people needs are not shortchanged in the midst of this ambiguity and complexity?

Focus organizational agendas on people. A first step in the recovery phase is defining the immediate strategic, digital, cost, and operational agendas for the entire company and its functional areas—customers and channels, manufacturing and production, the supply chain, and so on. At the same time, companies need to secure future advantage. This means evaluating, optimizing, fortifying, and digitizing their offerings, operations, future opportunities, portfolio, and the tech function. It means taking advantage of the big leap in digitization that the COVID-19 crisis has fueled to further advance digital transformation. Amid high uncertainty, many companies are finding scenario planning useful in charting a course.
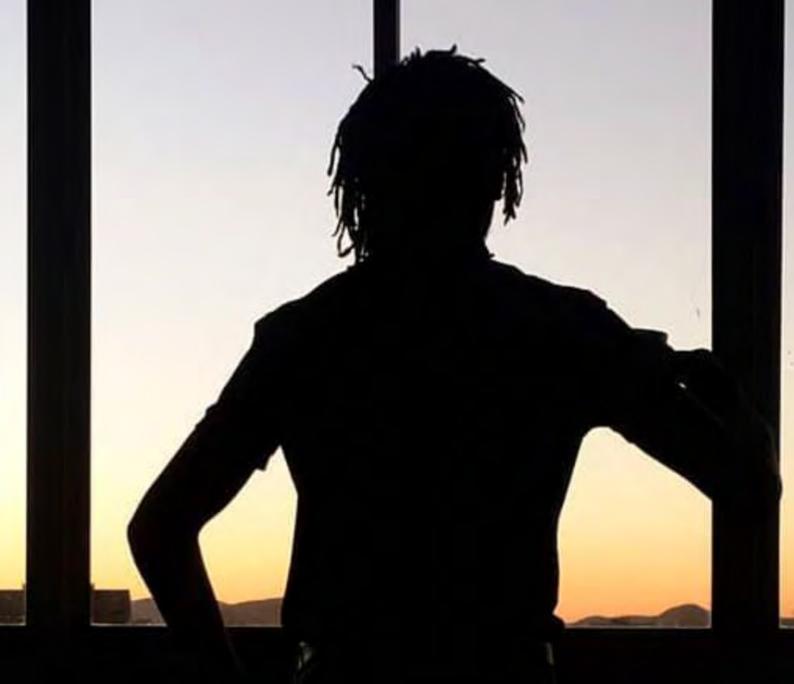
None of these ambitious changes can happen without a capable and energized workforce. That big digital leap, for example, is contingent on having the right talent and culture. Indeed, talent and culture must align with your context and business strategy. So companies need to be sure that a focus on people figures prominently in their transformation agenda. They must also be sure that the impact on people is considered across all the "big rocks"— the most urgent and most promising priorities—in your transformation agenda. To illustrate, in dealing with an organizational restructuring, you would normally address structure first, then roles and processes, and only later,

during implementation, would you deal with talent. Today, it's important to emphasize skills and talent during early-stage blueprinting. Successfully addressing the unprecedented and unrelenting challenges depends on having the talent to innovate creative solutions and an engaged workforce to carry them out.

Envision the future workplace. This strategic consideration, which is integrally tied to the Heart and Hands, should be front and center. That's because, despite the tremendous disruptions COVID-19 has wreaked on markets, supply chains, and entire industries (like tourism), no disruption has been as pervasive—or is likely to be as sustained—as the disruption to the workplace. Once government restrictions are lifted (or guidelines relaxed), organizations should take this rare opportunity to rethink how we work.

- Which business activities do we need to prioritize for an in-person restart? Which activities or processes that were temporarily managed remotely could be permanently handled that way? Are there others that show promise?

- What type of working mode—from fully co-located to fully remote, with various hybrid options in between— would be ideal for employees working in each area of activity? For example, are there locations where a sitewide alternating onsite/offsite work model would be most conducive to cross-functional collaboration? Are there functions, teams, or locations where an ad-hoc once- or twice-a-month, in-person working mode would be sufficient to foster connection and affiliation?

- What changes in organizational footprint, technology, tools, and daily processes will be required to realize these working-mode shifts? The seeds of many effective daily practices—collaboration tools, team routines, remote coaching—are likely already sprouting in your organization. Find the pockets of best practice and scale them. Others—including those related to cyber- and data security, and core people processes such as recruiting, onboarding, and performance management—will need to be redesigned.

Operationalizing the future of work through a thoughtfully planned return to the physical workplace will be crucial. Leaders need to consider how much flexibility to give employees in the timing and method of their onsite restart, recognizing that their ability to return will be affected by other factors, such as extended school closures and other family members' work-restart schedules. And leaders and teams will need to be especially mindful of not favoring certain groups of employees on the basis of their ability and willingness to be physically present, especially in the early days of a physical restart.

A people-centric transformation agenda will be a key differentiator, not just during the recovery but also in the post-COVID reality.

Make a truly human-centered case for change. Here, it's not just about determining the burning platform that will compel people to act out of anxiety or fear; those motivators are already in ample supply as individuals and organizations grapple with the ambiguity and insecurity sparked by the pandemic and its knock-on effects. Rather, it's important to appeal to people's deepest motivations in a positive way—to establish the aspiration for new possibilities that the organization can achieve, rooted in a broader purpose—and to galvanize people around that aspiration. This can be especially difficult, and is even more critical, in unsettled times, when employees hunger for a sense of clarity, meaning, and belonging. It is also one of the areas where the Head and the Heart need to be intimately intertwined.

The Heart: Build on Strengths Forged in Crisis

When we speak of the Heart of transformation, we're referring to four areas, or "chambers": demonstrating care for people whose lives have been disrupted; activating purpose to inspire employees and connect with customers and communities alike; creating an empowering culture where people can do their best work; and leading with Head, Heart, and Hands.

The pandemic has called for a focus on Heart to a degree greater than most organizations would commit to under ordinary circumstances. Companies now have an opportunity to embed Heart into their norms and practices. Doing so effectively requires leaders to look through three lenses:

- **Retrospective: assessing our actions during the initial stage of the crisis.** Where were our Heart actions especially strong? Where have we missed the mark? Which crisis response practices might we want to retain?

- **Current: considering our recovery strategy and the actions we are taking to weather the storm.** What kind of culture and leadership do we need to propel ourselves through uncertainty into postpandemic success? Are we clear on our purpose and our commitment to ensuring employees', customers', and stakeholders' engagement and well-being?

- **Prospective: examining our need to increase resilience.** Which Heart actions will help us build individual and collective resilience and continue to learn from crises big and small?
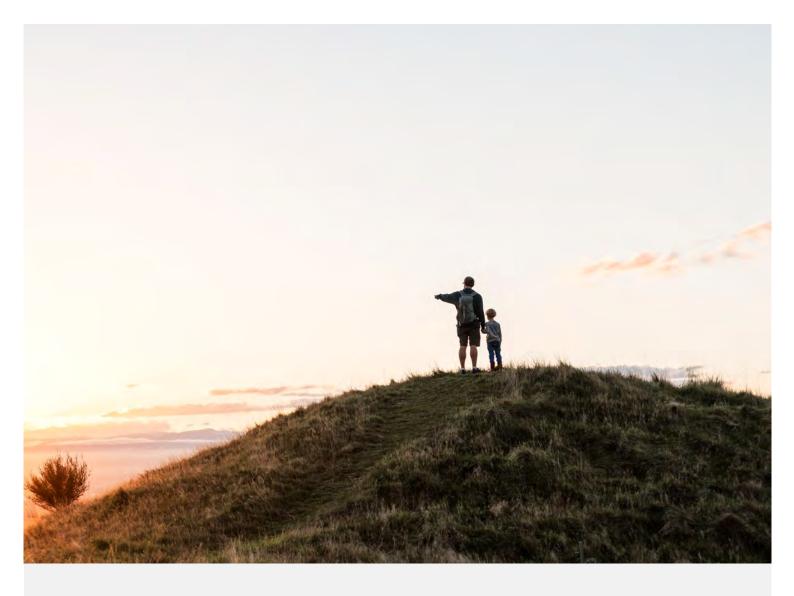
Demonstrate care to alleviate disruption. Everyone's life has been disrupted in the past several months, but many lives have been devastated by the disease itself, by its economic impacts, or by both. This pattern of disruption and devastation will continue into the foreseeable future. We cannot assume that employees or, for that matter, consumers will simply "snap back" to normal.

In developing recovery strategies—which include accelerated digital transformation, new ways of working, and associated workforce adjustments—leaders should ask themselves which crisis-era care practices should be retained, or even strengthened. These could be more-generous benefits, upskilling support, efforts to bolster employees' mental as well as physical welfare, or flex work options. (See "Care Tactics.") The deliberate and ongoing focus on connection and relationships will help provide a foundation for well-being and resilience during what promises to be a difficult time.

Double down on activating purpose. The all-encompassing disruption triggered by COVID-19 has led many people to ponder the "big" questions. Beyond the need to secure a paycheck (a very real concern for many), people are yearning to find meaning in their work. They wonder: Why am I doing what I do? How am I—and the organization I work for—improving the world? Why does my work matter?

Many organizations have leaned into their purpose during the crisis, going above and beyond to lend their unique capabilities to help customers, communities, and other businesses in need. SAP (whose purpose statement is "helping the world run better and improving people's lives") provided software to hospitals to help them screen patients, support health care workers, and manage information flow. The company is also collaborating with Deutsche Telekom on a contact tracing app for the German government.

During the difficult time ahead, companies must continue practicing their purpose and offering meaningful experiences to all stakeholders. Leaders may need to step back and consider whether the company in fact has a well-articulated and resonant purpose—one that applies the organization's strengths to fulfill a distinct need in the world. If not, then now is the time to discover, articulate, and activate it.

Care Tactics

Some companies are launching thoughtful, often creative, measures to ease the burdens employees face in juggling life and work in the COVID era. Consider the Broad Institute of MIT and Harvard, which is focused on improving human health by using genomics to advance our understanding of the biology and treatment of human disease. The Institute set up a subsidized day care program in partnership with Bright Horizons in just three weeks. The program, according to Frances Brooks Taplett, chief people officer, allows Broad's scientists to work onsite with peace of mind while providing their kids with social interaction and a sense of normalcy. Even nonparent employees benefit, because their colleagues are focused, less stressed, and able to carry out their share of work responsibilities.

Broad, which had already set up a high-scale COVID-test processing facility to support public health needs in Massachusetts, was able to offer short-turnaround testing to participating parents and teachers. Few companies have the advantage of access to such a level of testing. However, there are many other ways that leaders can give employees (whether parents or not) flexibility and a modicum of normalcy, and the tactics needn't cost much. As Taplett notes, it helps to shift from an output-based mindset to an outcome-based one. For example: companies might allow teams to establish email-free times or specific time blocks for meetings that work for everyone's schedule. Care can mean something as simple as designating mental health days at a time when destigmatizing stress and anxiety is important.

"Hot forge" an empowering culture. Culture—the way work gets done in an organization—gets "hot forged" in a crisis. Every decision you make, every communication you issue, every action you take, good or bad, intentional or unintentional, sets your culture. It is critical to be attentive to shaping culture as you forge recovery plans in order to ensure that your organization is on the right cultural path. This is especially important because remote work, social distancing, and safety protocols limit the opportunities for bonding, which is so crucial to reinforcing culture.

Most leaders we have spoken to over the past months have remarked that during the peak of the outbreak they moved with unprecedented speed, collaboration, empowerment, partnership, focus, caring—and a "just do it" attitude. For them, the question now is, How do we bottle what worked so well to get us through the crisis? They cannot afford to go back to the old ways. For example, to further empower people, companies might build test-and-learn experimentation into standard processes or formalize highly distributed decision making. To foster individual and organizational resilience, they might emphasize accomplishment, achievement, and strong social connections.
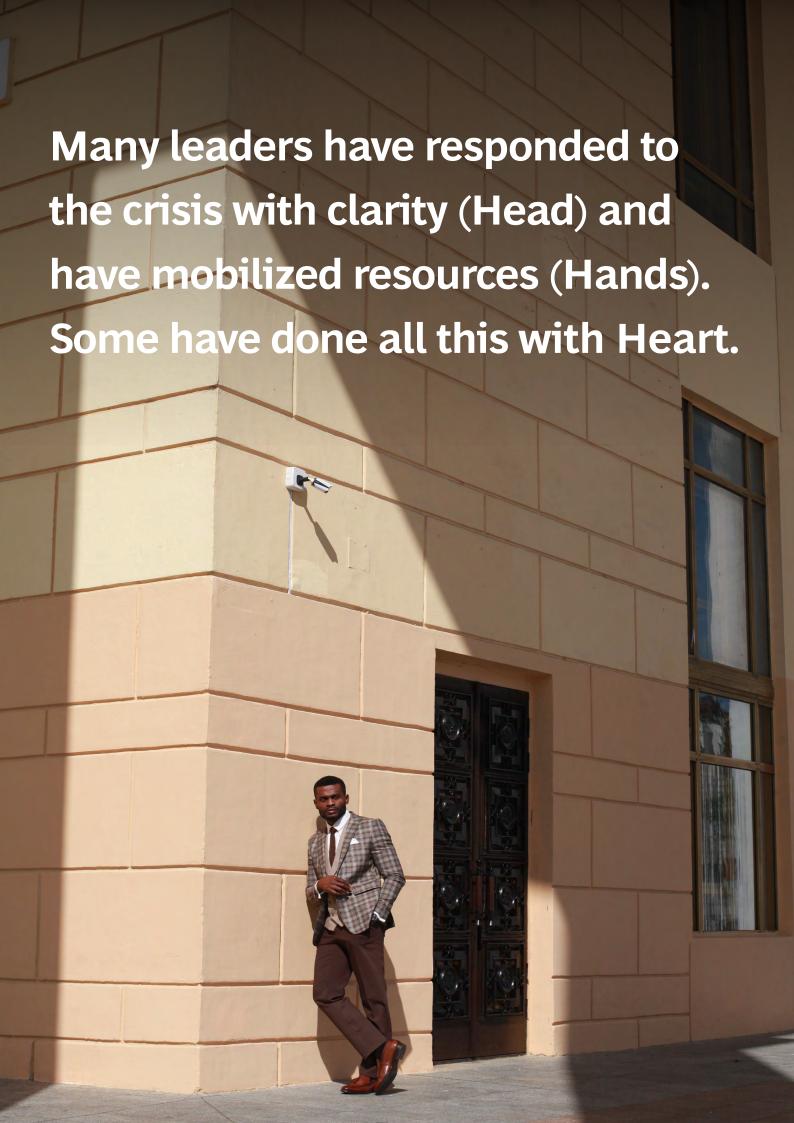
Or take the example of crowdsourcing ideas for improving remote work. IBM CEO Arvind Krishna, who took the helm midcrisis, developed a "work from home" pledge based on grassroots discussions among colleagues about the challenges they faced. Inspired by their ideas, Krishna crafted a pledge rather than imposing a policy, a move he believed would be more "from the heart" and more action-oriented. The pledge (which he posted on LinkedIn) includes commitments to being family-sensitive, allowing flexibility for people's personal needs, supporting "not-camera-ready" times, being kind, setting boundaries (and preventing videoconferencing fatigue), taking care of oneself, checking in frequently on others, and staying connected.

Lead with Head, Heart, and Hands. Perhaps the most critical question, given the impact of leadership on any organization, is, How will leaders guide the organization beyond the crisis into recovery?

The crisis has been a true test of leadership. Many leaders have risen to the occasion, bringing much-needed clarity (Head) and mobilizing resources against critical actions (Hands). The leaders who stand out have done this while leading and communicating with great care, empathy, and humility (Heart). In the vast majority of cases, leaders now face enormous short-term pressure to improve business results, drive transformation—or both. During recovery, employees, customers, and society will hold them accountable. Under these circumstances, everything that causes the Heart to be neglected in normal times will increase by an order of magnitude. The challenge for leaders now is to sustain, if not intensify, the focus on all three elements.

IBM CEO Krishna's pledge is as much an example of leading with Head, Heart, and Hands as it is of fostering the right culture. Another important move is holding weekly town halls in which leaders address the Head, Heart, and Hands. There are also a number of ways they can articulate, activate, and embed the commitment to each element.

For example, to focus the leadership team on the big rocks (the Head), CEOs and senior leaders can hold a virtual offsite to set the vision, following up with weekly sessions to ensure they're on track and remain aligned. To embed Heart, leaders might reduce or eliminate the number of steering committees so that it's easier to get work done. Senior leaders can solicit a dissenting opinion in every discussion and encourage team members to provide their viewpoint and explain how they will test it before leaders offer theirs. Senior leaders can also seek face time with one or two up-and-coming leaders every day to show support and see how they are doing. And to bolster the Hands, leaders can invest in building their own digital and remote-work muscle; for example, by using the platforms their employees are using, such as Slack and Trello.

Many leaders have responded to the crisis with clarity (Head) and have mobilized resources (Hands). Some have done all this with Heart.

The Hands: Shape the New Reality of Work

When it comes to operationalizing the business's recovery and transformation, engaging the Hands—the organization's ability to execute and innovate with agility—will not be as simple as flipping a switch. The COVID crisis has disrupted daily operations and ways of working in nearly every organization, which is at best confusing for people in their individual and team roles. To enable people to drive transformation in this new reality, leaders need to focus especially on three aspects of the Hands: reinventing ways of working, upskilling to address the digital skills chasm, and leveraging creative talent acquisition models.

Reinvent ways of working. Practically overnight, the COVID crisis forced most organizations to fundamentally shift the way day-to-day work gets done. This has not been easy, but most organizations have landed on at least some practices that work. They should use these as a foundation for rethinking how teams and employees can work in a more agile and digitally enabled way. For example, how can you:

- Focus on managing toward objectives and key results (and output), rather than by defining activities?

- Expand the agile practices that are serving remote teams well—such as stand-up meetings, backlog planning, and iterative working—across your organization?

- Further encourage the use of digital communication and collaboration tools to foster and facilitate remote and asynchronous work?

- Enable teams to set work arrangements (times and location) to maximize flexibility, collaboration, and productivity while accommodating the needs of the team and of individual members who require asynchronous collaborative mechanisms to deal with child care or other home responsibilities?

It's important to pay special attention to teams working in "hybrid mode." For example, if most members of a team are working in the office, the few working from home could be perceived as uncommitted. Conversely, when offices tight on space demand that some employees work part- or full-time from home, those workers can feel marginalized or excluded. It's critical to identify and stick to norms that level the playing field; for example, holding online-only meetings and agreeing that all team members—even those in the office—join individually from their respective computers so that everyone is sharing a virtual experience.
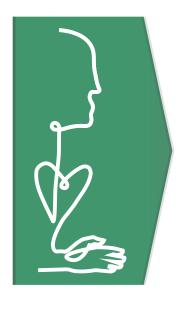
During our own 12-plus years of internal efforts in work flexibility and productivity, BCG has discovered tremendous benefits in allowing teams to set their own work rhythms and arrangements; the role of leaders and managers is to establish guardrails and encourage teams to choose their own norms, to which members hold one another accountable. By giving teams agency in shaping ways of working that suit everyone, employee engagement and productivity can flourish. In our own case, we have seen a 35% increase in effective teamwork, collaboration, and value delivered to clients, and a 75% increase in the number of employees who want to stay with the firm over the long term.

Upskill to address the digital skills chasm. The pandemic has dramatically shifted customers' preferences and demands. It has also put pressure on organizations to automate. As a result, companies will need to focus even more intensively on upskilling to enable their people to work with (and innovate) digital tools and offerings. Some digital skills will likely be in high demand over the coming months, so for most organizations, relying purely on recruitment is impractical. Building such capabilities requires more than a few virtual training sessions. That means the time to start upskilling employees is now.

Organizations can get going by:

- **Identifying areas ripe for further digitization.** In some pockets of the organization, such as customer-facing functions, it will be harder to defer digitization during the rebound. Investing in in-depth upskilling in such core areas as advanced analytics, artificial intelligence, and human-centered design will be important.

- **Holding upskilling boot camps.** Invest in intensive training for all those working remotely, covering topics as wide-ranging as working effectively from home, agile practices, and digital fluency, including analytics and digital marketing.

- **Starting with executives.** Put all executives and senior leaders through a digital upskilling regimen so they can lead, engage, and communicate on the digital big rocks of the recovery strategy.

- **Grooming the stars of your crisis response.** Who among your leaders and employees was particularly effective and impressive in the crisis response? Many companies were surprised by the talent that stood out positively; it was often not the usual high-potentials. These new stars would be perfect candidates for helping to drive the organization's transformative recovery. Invest in focusing them on this purpose.

Transforming with Humanity Using Head, Heart, and Hands

Head
Envision the future and align on the "big rocks"

Infuse your priorities with humanity

- Define organizational agendas with a focus on people
- Reenvision and reinvent the workplace
- Make a truly human-centered case for change

Heart
Inspire and empower your people

Build on strengths forged in crisis

- Demonstrate care to alleviate disruption
- Double down on activating purpose
- "Hot forge" an empowering culture
- Lead with Head, Heart, and Hands

Hands
Execute and innovate with agility

Shape the new reality of work

- Reinvent ways of working
- Upskill to address the digital skills chasm
- Leverage creative talent-acquisition models: gig workers, talent sharing

Source: BCG.

- **Tapping your best to upskill the rest.** Talented employees at every level can help advance your upskilling efforts. Enlisting their help has many advantages: They know how things get done, as well as how to get things done. They understand the culture. And inviting them to contribute is a powerful motivator.

Leverage creative talent acquisition models. Upskilling can take time, so you might need to augment your efforts with such tactics as engaging gig employees or using talent sharing. Talent sharing emerged as a creative "fix" in many places during the early days of the crisis; London's Nightingale Hospital and Freshippo supermarkets, for instance, faced extreme staff shortages and got a helping hand from Virgin Atlantic (UK) and Yunhaiyao restaurants (China), which found themselves with spare capacity. Consider internal talent sharing, too: redeploying employees with relevant skills to areas of greater need within the organization. Talent sharing can be a powerful lever as companies cope with the potentially uneven nature of recovery across industries, locations, and functions.

Embedding Head, Heart, and Hands in Recovery-Linked Transformation

Bringing a deliberate, balanced, integrated, and disciplined people focus to all aspects of Head, Heart, and Hands will help turbocharge and sustain your organization's transformative recovery. Deliberate, to ensure that each element is part of the plan. Balanced, to give appropriate weight to each element. Disciplined, because shedding old habits and building new ones takes time as well as regular practice. And integrated, so that rather than compartmentalizing people-focused initiatives you conceive of them holistically, recognizing their interrelationships and mutual reinforcement. (See the exhibit.)

The pressures of always-on transformation are exacerbated by the disruptions caused by COVID. Regardless of the ebb and flow of the pandemic, planning and executing transformative change with Head, Heart, and Hands must be an ongoing practice. For that reason, we advocate these measures:

- Elevate Heart and Hands to be a C-suite and business leader responsibility, not solely in the domain of HR.

- Track Heart and Hands metrics just as you would Head metrics. Create a Head, Heart, and Hands enterprise scorecard that you communicate regularly to employees, customers, and other stakeholders.

- Hold leaders and employees accountable for those metrics by tying results to compensation and talent decisions such as bonuses, promotions, and development opportunities.

Tracking progress and instilling accountability in people-focused Head, Heart, and Hands actions are themselves clear demonstrations that in transformation, people come first. Putting these practices into place now with all your leaders—from the C-suite to the front line—will boost your chances of successfully transforming your company as you lead it through the recovery phase. Beyond COVID, these practices will instill the kind of holistic focus that is central to every company's standing and performance in the 21st century. And they will help build the resilience your company needs to navigate future waves of transformation—and the inevitable and increasing unknowns to come.

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