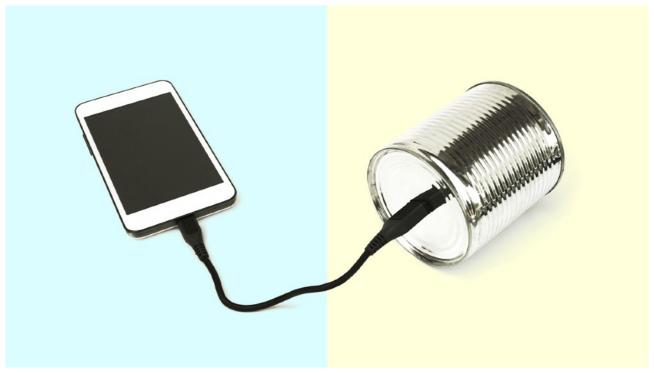**Managing Uncertainty**

4 Imperatives for Managing in a Hybrid World

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Summary.   As more and more companies turn to a hybrid model of work more than a year into the Covid-19 pandemic, what challenges are leaders likely to face when managing people both in the office and remotely? Interviews with 38 executives in Nordic countries point to four main tensions. First, the virtual world does not treat roles and tasks equally, something that spans from how different levels of management experience hybrid work to who gets access to high-end video technology. Second, nuances between people matter even more, both in formal meetings and in everyday interactions. Third, strong central guidance is a must in holding a more nimble and dispersed organization together. And finally, crisis-proof processes must be revisited and adapted to take advantage of what a hybrid organization has to offer.

More han a year after the pandemic's global debut, physical interaction is slowly resuming to workplaces in different parts of the world. However, hybrid work is

here to stay, as remote and virtual work will continue for many. Now is a good time for executives to start planning what their hybrid organizations will look like, and how to manage them.

Our research team, which includes a past public company CEO and current chair of several boards, strategy consultants, and a professor at Harvard Business School, wanted to gain insight in how to approach this challenge. We interviewed and surveyed 38 top leaders at five global businesses in multiple Nordic countries, spanning manufacturing to consumer-facing sectors, to find out what are their biggest challenges in managing in the hybrid mode. Participants ranged from vice presidents to CEOs in rank.

Nordic leadership teams provide a particularly interesting benchmark for hybrid management since they operate in complex and challenging settings with multiple nationalities and native languages among top management. Just as test driving a car in more difficult terrain can expose weaknesses faster, interviews in this setting can surface challenges organizations face but may have been able to ignore or mask to date. As organizations model longer-term practices for the hybrid world, leaders should examine their organization for hidden issues that need to be addressed.

Our conversations surfaced surprising organizational tensions. To manage them requires new approaches and skills. We summarize our insights into four key imperatives that leaders need to observe to be effective in a hybrid world.

1. The Virtual World Does Not Treat Roles and Tasks Equally

The executives we interviewed say that hybrid settings bring with them several new types of tensions between different levels of the organization, and even among executives themselves.

The most surprising one is emerging within upper management itself. CEOs often say that they are quite satisfied with how effective their team has been in a

virtual format. Yet, second- to third-level executives, such as the VPs and country leads just below the global executive team, are more skeptical.

To some extent, this isn't surprising; one rarely makes it to the top of a global executive team without showing significant self-direction, soft skills, adeptness with ambiguity, presentation and speaking skills — traits that make team dynamics on Zoom thrive.

These skills, however, are often weaker at lower levels. Some executives and middle managers we interviewed said they were frustrated with their own virtual effectiveness and with the difficulties to express themselves fluently. This is worrisome, as middle managers are also usually the ones who have had to face and manage the new operational complexities first-hand. As the CEO of a European logistics company noted, "We carried out an engagement survey after the summer, and it became obvious that some managers were struggling in the new environment. Some managers were reactive rather than proactive, and in a way had disappeared. The subordinates were lacking in support or had increasingly tense interaction with the managers."

So, CEOs need to be cautious about inferring that their own virtual experiences are representative of the whole company and learn what they can do to help support others. For the above CEO's company, that meant "increased managerial training and mentoring" and making "some changes in top and middle management."

Another tension we uncovered is who gets access to the best technology. The quality of video equipment, screen size, and web connections matter greatly for virtual impressions. During the pandemic, many companies deployed top-notch digital equipment to settings and roles where it delivers obvious returns, like teams dealing with customers or those that engage in complex strategic and innovative work where collaboration is key.

While this equipment can deliver a great ROI, they are not equally available to everyone — not even to executives at the same organizational level. In fact, our

team concluded from comparing interviews within the same company that today's broadband internet and top-notch cameras are "designer business suits." Leaders need to be cautious that they do not make poor talent judgments and decisions based upon these conditions — just as the best-dressed employee did not always turn out to be the smartest.

Finally, executives that we interviewed predicted business travel will decline on average 40% in the post-Covid world. This can result in big and lasting differences in face time with the boss, even among personnel at the same organizational level. We may have settings where one has purely in-person relationships with some people and purely remote relationships with some others. Leaders need to be careful, again, about taking into account these dynamics for their employee evaluations.

2. Nuances Matter in People Management

Many leaders we interviewed explicitly or implicitly highlighted a "hybrid paradox": While in-person connection is becoming less frequent, people skills become more important than ever. The best leaders listen and show empathy, allocate more leadership time to team management and coaching, enable versus control, and invest more in building a culture that reaches out of the traditional office and into people's homes.

This is easier said than done. Executives lamented that it's challenging to feel the whole team's collective spirit and resolve. One simply cannot get a group reaction clear in a Teams or Zoom meeting, where each face a is just a thumbnail.

One leader identified places where body language might matter more or less: "Two times a year, [we hold a] review of business sites where we have the whole leadership team [along with] group functions. That [will be] done face-to-face in the future also," he noted. "In the meeting you can read the person's body language, colleagues' expressions, etc. Currently we lack how the full team [is]

reacting. But [for the] monthly business review, we can continue to do in Microsoft Teams, as there is no need to read the body language."

The issue goes beyond regular meetings, too. Executives must increasingly discern what motivates or concerns individuals who they have not casually observed in the lunchroom or corporate retreat. For example, we all mostly smile at the camera once our video is turned on for something like a virtual happy hour, so it will take more commitment and skills for leaders to understand employees beyond what is being deliberately projected. In the hybrid world, this deep observational skill will become an essential leadership skill. One company went so far as to hire a psychologist to observe and help teams.

Ultimately, leaders will likely need to adapt their listening and communication skills. "Once we understood that [remote work] will not go away overnight, we decided that will have to adjust our leadership styles," the CEO of a global consumer goods company stated. "I feel that the discussions, both in teams and one on one, have been more in-depth and personal as would have been the case face to face. I am much closer to my team on a personal level now."

As communication has changed, however, many executives noted that slack time is vital for innovation and renewal. They often worry that employees may feel left alone, but employees also feel they are never alone — their calendars are always full of meetings, largely because follow-ups that used to happen informally now must be all formally scheduled. To address this, leaders will need to learn to be much more disciplined about their own calendars and those of their teams, balancing group and one-on-one discussions with time for more focused work or rest. Mastering people management nuances like these will differentiate good and successful leaders from those who are less successful going forward.

3. Strong Central Guidance Is a Must

Throughout the past year-plus, functional and product silos have been giving way to more networked and digitally linked operations. Many executives said that in a

hybrid setting, their organizations have been moving further towards a flatter hierarchy. Most have also been seeking to boost the empowerment of employees, who need to make more and quicker connections across geographies and business units during Covid-19. Executives noted that collaboration across business units has helped foster innovation; some even said that best practice sharing among industry players has increased.

All this sounds good and democratic. But companies now need to ensure that this transformation produces higher performance, not chaos. One leader reflected, "You must think how you get the whole organization to react correctly to the situation and how you must lead different groups. There has to be structure behind all these actions, and you have to be able to look close and far simultaneously."

Enabling more local responsiveness and initiative only works if organization has a clear and shared vision, effective performance measurement systems, and regular follow-up. Over the next year, leadership teams should spend significant time fine tuning — and strengthening — these integrative mechanisms for their new hybrid mode, so that local flexibility segues from being a necessary response to the crisis into a longer-term advantage.

"Our culture is based on local entrepreneurship combined with central coordination," as the CEO of a global industrial company said, in describing their company's success in this area. "This has been significantly strengthened during the pandemic — everyone realized that neither the center nor the local businesses alone could have handled this extraordinary situation as well as we did."

4. Even in Hybrid Model, You Still Have to Ensure Your Processes Are Crisis-Proof

The hybrid model promises to be a key tool for future organizational flexibility and crisis response. One leader commented that a key learning from the crisis

was "how quickly organizations can change and how well organizations withstand change — this pandemic has shown that there are no limits."

Management teams will continue to be pressed by directors and investors to be resilient; there will certainly be more crises to come. And while the companies we interviewed were all established and of significant size, we observed differences even within this group about their preparedness. Ultimately, the bigger the company, the more likely it benefitted over the last year from predefined, crisis-proof processes and models that they could activate and adapt.

"We always hope for the best but prepare for the worst," explained the CEO of a multibillion-dollar industrial goods company. "In January 2020, we started receiving reports of the pandemic situation in China from our local business there. On January 23 we had a global crisis system set up which was based on our existing process, and the process was adapted dynamically as we gained more and more understanding of the situation in China and in South Korea."

The downside of being tethered to traditional ways of work were severe in the crisis. Some leaders lamented that the Covid crisis brought them great strategic opportunities, but that they struggled to seize the moment because "keeping the lights on" internally became overwhelming. They lacked the right processes to handle the moment, and they underestimated the emotional and physical toll they would personally experience. This left these executives with too little bandwidth for making sense of where markets would trend and how the organization should respond.

In the 21st century, a major crisis has hit about once a decade, with minor ones sprinkled in. Climate change and geopolitical uncertainty may increase this pace. While executives cannot prepare every detail for every potential event, they can develop robust internal processes that are acid tested for crises. For example, many crises, such as contagious diseases or disasters that strike city centers like Hurricane Sandy's flooding of New York City, push companies toward distributed workforces. Others, like cyberattacks, widespread Internet/communication

outages, and power grid failures are best handled with centralized groups that take advantage of proximity and better backup facilities for offices. The hybrid model makes it more likely that the organization will be able to avoid the process bottlenecks and challenges that are specific to the crisis at hand because they will know how to operate in multiple contexts.

The pandemic also showed that investments in robust processes paid dividends and that they should be designed in advance. The hybrid model allows leaders and teams to step up more easily in challenging moments due to shared understanding of each person's role in physical and virtual settings, as well as the investment in the strong processes and control systems noted in the third imperative above. As a leader reflected, "The crisis again underlined the importance of carrying out necessary organizational changes ASAP, and not 'waiting for the appropriate occasion.' In tough times, missing capabilities or attitude becomes very visible and have to be compensated by others, which of course is not sustainable."

The hybrid work model provides organizations a powerful tool for organizing their work. Yet, as these four imperatives from the Nordic leadership teams attest, leaders need to appreciate the organizational tensions that lurk beneath the surface and be careful to not let them become part of their new longer-term model.

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