

REPORT | *November 2021*

Responsible business through crisis

Senior leaders on building
new cultures of trust



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Report

Responsible business through crisis: senior leaders on building new cultures of trust

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Our research draws on interviews with 45+ CEOs and HR directors from private sector, public sector and third sector organisations, plus roundtable discussions with 80+ HR leaders, in summer 2021.

Interviewed organisations included:

Arup, BAE Systems, Bank of England, Barts Health NHS Trust, BMT Global, Buro Happold, British Heart Foundation, Capita, Dassault Systèmes, Day Lewis Pharmacy, Dorchester Collection, Edinburgh City Council, Financial Conduct Authority, Handelsbanken, Hertfordshire County Council, John Lewis Partnership, Microsoft, Nationwide, Northumberland County Council, Rank Group, Severn Trent, South Wales Police and Tate & Lyle.

Roundtable organisations included:

Asda, Compass Group, Canterbury Christ Church University, Cardiff Metropolitan University, Edinburgh Airport, Hodge Bank, NHS Employers, NHS Wales Shared Services Partnership, Pret A Manger, RSPCA, Schneider Electric UK, Scottish Council for Voluntary Organisations, Serco, Veolia UK and Ireland and Virgin Money.

1 Foreword

We acknowledged in our 2020 research that the COVID-19 crisis was far from over, but that from all the difficulties and challenges that have been faced, it can and should be a catalyst for positive change. But we also see that the pandemic is not the only crisis reshaping expectations and needs from business. The environmental crisis equally is a huge driver for change, and with so much uncertainty about the future, organisations have to be outward-looking, agile and resilient, but also responsible in all that they do.

In so many ways we are at an inflection point – a once-in-a-generation opportunity to respond and lead with a sustained focus and belief. We need to be driven by principles

of responsible business, recognise all stakeholders, and put people at the heart of the business agenda. We have seen new ways and patterns of working which can be good for our wellbeing, for inclusion, and also for productivity. The expectations of our workforces, which had already been growing, have been raised further. They expect to be heard, to have choice, to have more flexibility in how they work, to be given fair opportunity to be supported and for wellbeing to be seen as paramount. And they expect the organisations they work for to be clear on their purpose, to be trustworthy, and to act ethically and responsibly to lead on positive change for economies and societies everywhere.

2021 has proved to be another challenging and unpredictable year, and the picture across organisations and sectors is very mixed. Economies are generally bouncing back, unemployment rates are much lower than many had predicted, and at the same time, job vacancies and skills gaps are at multi-year highs, exacerbated by fears that resignations and attrition rates may rise. These are factors, along with growing trade tensions, that are creating supply-side issues impacting many businesses and creating more economic uncertainty.

It is clear that organisations, and even whole sectors, are emerging from the first stage of the pandemic at different speeds, in different states and with different challenges. There is much still to learn, and every organisation must work hard to ensure that the differences across society, the fractures and social inequality that were clear in the first year of the pandemic, are being addressed and understood as part of how we drive positive change. This means taking meaningful action on ethnic and other inequalities, addressing issues of low pay and progression, and ensuring organisations build fair, safe and inclusive workplace cultures.

All these shifts are creating a significant opportunity for the people profession and require it to play a profound role in shaping the future world of work. Our hopes in this regard have come to the fore. The perspectives of the leaders in this report demonstrate the desire for the pandemic to be a catalyst for change, and for people to be at the heart of that change. We see how senior leaders have taken decisions and maintained trust and resilience through the next phase of this crisis. The CIPD is committed to reflecting these leaders' experience and highlighting what can be learned – for leaders and the people profession – about what kinds of leadership, organisations and responsible business practices we need for the future.

Despite the different picture across organisations, trust and responsible business are golden threads that run through these leaders' thinking and experiences. Responsible business and organisational purpose more than ever are a guiding light for leaders to make decisions. Business is part of society and has great impact on everyone's lives, and therefore can and must be part of positive societal change, for people, for our economies and for the environment. It will take more cross-organisational collaboration, openness and transparency, bold targets and decisive action.

The challenges ahead are numerous, but so are the opportunities. Those organisations that will be best placed to survive and thrive are those that can adapt and learn, and whose leaders can demonstrate humility, be comfortable with uncertainty, and innovate to find ways to imbed the learning from the last two years into transformational impact going forward. The decisions we make now will define the workplace, and the relationship between business and society, for many years to come.



Peter Cheese
CEO, CIPD

2 Executive summary

If 2020 was a crisis, 2021 is characterised by uncertainty and transition. There is even more to learn and understand about what it is to lead through this transition, in a way that is responsible and that builds cultures of trust. This affects the kinds of leaders and leadership that we need, requires an acceleration of responsible business practices, and has raised expectations for people professionals.

This report looks at the challenges that senior leaders face in leading responsibly through this period of change. Our first report, based on conversations with more than 60 leaders, including CEOs, C-suite executives and HR leaders, was published in November 2020 and captured the height of the COVID-19 crisis. In this report we spoke again with these leaders. We find that 2021 presents a new set of challenges, but also an opportunity to do things differently, and, as one leader described, to *'rebuild on a new footing'*.

From crisis to transition: how has leadership changed in 2020 and 2021?

In 2021, senior leaders find themselves in a process of transition, swinging between three different worlds. First, parts of working lives that are pre-pandemic legacies; second, the routines and rituals that have emerged during COVID-19, such as working from home and relying on technology for communication; and third, new approaches to organising and performing, such as hybrid working. This is the nature of transition – a mix of old and new while we settle on the combination that works for each part of the system.

The leaders we spoke to realise now, with the benefit of hindsight, that this transition is not short-lived, but is a five- to ten-year project. This will mean new forms of resilience and a reinvestment in trust.

Divisions and differences: a fractured workforce

Organisations, teams and individuals are experiencing this next phase of the pandemic in different ways and with different challenges. First, the 'stop/start' experience: those that had to stop or make major changes to their operations are now attempting to renegotiate a new normal. Second, there are those that felt they 'never stopped': organisations and teams on the front line or key workers that worked through the pandemic. They are frustrated that they are not represented by the narrative in the media that focuses on 'returning to the office', while many grapple with exhaustion and burnout. Third, there are those that are struggling to restart operations, or that continue to face new phases of crisis. This might be due to mass resignations, continuing COVID-19 outbreaks, or working in a sector that is struggling to restart.

These different experiences present a challenge for leading organisations responsibly. People are no longer 'all in the same boat'. Many organisations have workforces in all three categories, and this exacerbates existing divisions. There are regional disparities, particularly due to there being different government guidelines across the four nations, and a frustration with London-centric reporting. There are vast differences at a global level too, with some countries still in lockdown. All of these present challenges for leaders.

Many leaders feel that the pandemic has accelerated their organisations to a brighter future, and are embracing their responsibility and chance to shape the next stage of their organisation's journey. Others see unexpected benefits – pop-up leadership and individuals or teams rising to the challenges. For some, the future is less positive: the pandemic has revealed fault lines and they are struggling to fix them. In all cases, it is clear we are no longer treating this as a one-off crisis moment: it is a long-term transition.

Questioning the meaning of work: the ‘great rethink’

Much has already been written about ‘the great resignation’, but we find stronger evidence for the ‘great rethink’. Leaders tell us that they see people at all levels and across all sectors reconsidering the role that work plays in their lives, and renegotiating relationships with their employers. For some this is a tug of war. The fear of attrition is disrupting the foundations on which the employer, employee and organisation relationship has run for decades. For many, however, this is an opportunity to do things differently. HR leaders are overseeing movement from strict policies to principles-based approaches. Many are rethinking management practices – moving from performance management to coaching. And of course, many organisations are changing their workspaces and schedules. Through these changes, leaders have to be innovative and creative, developing workplaces and management approaches that account for the individual and the community in equal measure.

Refreshing responsible business

We also see responsible business practices and strategies being accelerated and organisations being more ambitious when it comes to sustainability, and inclusion and diversity strategies. The disruption caused by the pandemic has enabled acceleration of change, but it has also necessitated a doubling down on mental health and wellbeing. As one leader said: *‘It might have been a nice-to-have before; it’s now non-negotiable.’* While many organisations ‘leaned in’ to support their local communities in 2020, relationships with community seem to be less strong this year. While some are developing community strategies, many leaders are understandably more focused inwards than outwards. As leaders struggle with mass resignations or fear of attrition, responsible business and purpose are seen as a key part of the employee value proposition.

Maintaining trustworthy leadership through transition

For senior leaders, the last two years have been a time of significant growth as they faced the task of leading responsibly through crisis. They have developed new responsible leadership behaviours, such as comfort with uncertainty, balancing strategic thinking with day-to-day problems, having ‘directive empathy’, continuing two-way, authentic communication, leading with humility, being empowering and experimental, and taking time to reflect on the last year and what has been learned about individual and organisational resilience. Given the continued uncertainty and inevitability of change, investing in embedding these new leadership behaviours is vital. Reinvesting in trust and demonstrating trustworthy leadership has become even more important.

Actions for leaders

Throughout the report we make recommendations for leaders to embrace these opportunities, navigate the challenges and maintain trust through the next stage of transition. Trust remains the glue for a well-functioning, empowered society and for an engaged and innovative organisation. As such, trust is a vital ingredient for the necessary economic and social recovery.

In Table 1 we summarise actions for leaders in relation to maintaining the four criteria for trust: ability, benevolence, integrity and predictability.



Table 1: Actions for leaders to maintain cultures of trust

Ability	<ul style="list-style-type: none"> • Accept it's not just a crisis but a transition. • Be ambidextrous: use existing competencies to keep the business profitable while creating new forms of organising and competing. • Be innovative and experimental: anticipate and prepare for both success and failure. Decide <i>now</i> how to generate confidence in the face of failure. • Invest in <i>new</i> cultures of trust. Understand work as a community, not just as a workspace. Address differences and divisions. • Make yourself a champion for inclusion and diversity, purpose and sustainability. Challenge and hold leaders to account around these topics. • Systematically evaluate learning from the pandemic. • Make healthy workplaces a strategic objective. • Rethink talent streams, leadership development and your own leadership practice: new ways of leading are essential to success.
Benevolence	<ul style="list-style-type: none"> • Don't be afraid to renegotiate the employment proposition. Ask what benevolence can be expected from both parties. • Avoid two-tier workforces; do not create more divisions. • Prioritise mental health and support, both for your teams and yourself.
Integrity	<ul style="list-style-type: none"> • Address the inequality or risk/reward ratio from 2020. Be fair; acknowledge sacrifice. • Stay true to your organisation's purpose. • Don't close your eyes to social issues such as climate change and social inequality.
Predictability	<ul style="list-style-type: none"> • Keep using technology to communicate visibly, widely and regularly. • Emphasise that this is a phase of experimentation, to manage expectations. • Emphasise what's staying stable: behaviours, routines and practices may change but purpose and values will remain strong.

3 Introduction

From crisis to transition: shifting leadership challenges of 2020 and 2021
 The world has changed and we have changed with it. What started as a pandemic became a global crisis and is now unfolding into another form – the great transition.

At the beginning of 2021, the Rockefeller Foundation (Khan and McArthur 2021) gave the world this challenge:

'As the world begins to recover from the deep strains of 2020, many will be tempted to pick up where everything left off before crisis hit. But doing so would miss the point. We need to match the new awareness of our global fragility with renewed support for the approaches that will make us less susceptible to crises in the first place. We need 2021 to mark the start of a great transition.'

Similarly, in 2020, Matthew Taylor, the then CEO of the Royal Society for the Arts in the UK, highlighted the opportunity for society to treat the pandemic as *'a testing ground for the ways of thinking and acting we need to thrive in the twenty-first century'*.

COVID-19 invaded the way we lead our everyday lives. It made us change our everyday routines, our daily rituals. It transformed how we performed our jobs. It disrupted the way we conducted our relationships one with another, including family and friends as well as communities, whether local, social or in the workplace. It made us challenge the fundamental assumptions we make about our lives and made many of us reconsider the meaning of work. As one of the leaders we interviewed said:

'It takes an enormous amount of energy to disrupt people's way of working – being forced is the easiest way to do this. The pandemic did this in every way.'

Another said:

'This is a once-in-a-multi-generational opportunity. Most change in business is incremental, and I'm not sure there's ever been a better moment to rebuild on a new footing.'

And so began the 'great transition'.

The writer Robert MacFarlane (2012) describes transition as a psychological state which occurs when we enter *'another world: somewhere we feel and think differently'*.

In 2020, senior leaders were dealing with the shock of COVID-19, but now we find ourselves in 2021 in a process of a 'work' transition, a 'liminal space' where we are swinging between three different worlds. First, we have features in our working lives which are legacies from the pre-pandemic world of work. Then we have the routines and rituals that have emerged during COVID-19, such as working from home and relying on technology for communication. And then we have aspects of a new world order where we are testing new approaches to organising and performing, such as hybrid working. This is the nature of transition – a mix of old and new while we settle on the combination that works for each part of the system.

This report looks at the challenges of leading in this transitional world across all three sectors: the private, the public and the third sector. Our first report on CEOs and C-suite executives was published in November 2020. It described how they responded to the shock of the crisis. As well as containing their own fears and anxieties, it was their task to lead their organisations in as responsible a manner as possible. It taught leaders, organisations and people professionals a great deal about themselves and their capacity for change and resilience in crisis.

At the time we revisited this research, in summer 2021, we were facing new kinds of crises and a new phase for many organisations and leaders. These changes have implications for leadership, for responsible business and for the people profession.

The leaders we spoke to realise now, with the benefit of hindsight, that this transition is not a short-lived change. One HR director said, *'It will take us 14 quarters to get out of this pandemic.'* Another leader said, *'We're now thinking about this as a five- or ten-year project.'*

This shift means there is even more to learn and understand about what it is to lead through this transition, in a way that is responsible and that builds trust. Leaders call for new forms of resilience and for a reinvestment in trust and trustworthiness to strengthen that resilience. We know that high trust in organisations enables transition and change to happen faster and with more employee engagement. As Margaret Heffernan has said: *'Everything is easier with trust and its absence makes everything harder'* (Hope Hailey et al 2020).

Many of these learnings are not new. We already know a great deal about what makes good people management – whether virtual or in person. We know what makes leaders trustworthy, and we know that the future of business is responsible business. However, the assumptions we made about what delivers high trust in organisations and what senior leaders do needs revisiting in the light of the COVID-19 experience. Do we need new forms of leadership and different organisational cultures in this new world order?

So, our experience of the pandemic has thrown this all into sharp focus and given many of us the opportunity to undergo transformation and sweep away old ways of doing things. It gives us the opportunity to build a different future for work and business, based on principles of responsible leadership and high-trust workplaces.

Some leaders are literally seizing the moment – *carpe diem* on turbo charge. Others are finding 2021 more difficult than 2020 and, for some, the difficult bits are still to come.

This report aims to outline the experiences of organisational leaders in 2021. It highlights:

- how leadership has changed as a result of the next phase of the pandemic
- how leaders manage divided workforces
- people's changing attitudes to work and the workplace
- how responsible business practice has been accelerated
- the implications for how they maintain trust and manage transition.

We draw on candid reflections of CEOs and HR directors and leaders, and recommend actions to help leaders create cultures of trust in 2022 and beyond.

4 How has leadership changed in 2020 and 2021?

Leading in 2020

To summarise our 2020 findings, leaders needed to:

- work at pace
- keep the front line safe, make decisions about furlough, and enable people to work from home
- address the needs of all stakeholders, leaning in to support essential services
- maintain financial resilience for their organisations.

The recommended response was to:

- develop agility, reconfigure business models and workplaces
- put in place clear health and safety rules, some set down by government
- decentralise day-to-day decision-making to local levels
- show humility towards others at lower levels, appreciating that they may not have enough of the necessary knowledge to take those decisions for themselves
- rely on each other as a senior team.

2020 was a showcase year for many of the leaders we interviewed. They relied on their personal sense of integrity and their organisation's purpose and values, which served as 'north stars' to guide them through the fast-paced decision-making of the crisis. It was a human crisis; they learned to be more visibly empathetic in their leadership approach, demonstrating care for their employees and customers, and leaning in to provide additional help to protect their communities. Technological innovation and pace liberated

leaders into unscripted, more authentic communication, and increased their visibility and accessibility to employees. Leaders were faced with employees' and customers' domestic arrangements and home lives, and in some cases, their vulnerabilities. Social movements such as Black Lives Matter revealed social inequality.

Rapid exposure to the fragility and vulnerability of their workforces, coupled with an understanding of the criticality of good people management to maintain performance and productivity in extraordinary times, made C-suite leaders rely on their people professionals and HR leaders.

Not all the change was positive. Although people were all in the same storm, it became clear we were in different boats. Many employees had no choice but to stay on the front line to keep essential services running and were often the lowest paid in the workforce. Many people were exhausted and burnt out by the experience, including senior leaders and HR directors.

Nevertheless, leaders showed themselves to be highly trustworthy when examining their actions and behaviours against the four criteria for trustworthy leaders:

- 1 ability
- 2 benevolence
- 3 integrity
- 4 predictability.

While responsible and trustworthy leadership was high in 2020, this was in part because of the crisis. Employees, citizens, customers, shareholders and other stakeholders all felt a heightened propensity to trust in the early months of the pandemic. We were on a war footing and wanted to trust in our leaders. Research conducted for the British Academy (Lalot et al 2020) showed that trust rose in the first months of the pandemic in the UK as *'people's natural desire for certainty'* was high, a trend recorded in crises before COVID-19. Community connection rose to its highest level during the months of June and July 2020. However, the fractures present in UK society pre-pandemic were resurfacing by late autumn 2020, and the report argues that COVID-19 may have actually *'deepened fractures across different parts of society'*. A year later we can see that being realised in the workplace.

Leading in 2021

Leaders in 2021 need to:

- live with uncertainty
- balance strategic with the everyday
- deal with difference and divisions.

Their response should be to:

- reframe the crisis as a long-term transition
- renegotiate the employment proposition and rebuild community through experimentation and empowerment
- demonstrate care about social inequalities, inside and outside the workplace
- accelerate responsible business practices
- create new forms of resilience
- champion new types of leadership.

In 2021, senior teams are continuing to navigate uncertainty in a responsible way. Many are surprised to find this year much more difficult than anticipated, despite the successful

rollout of the UK vaccination programmes and the reopening of public life. As the UK Government rules have reduced, employers have had to devise clear guidelines for customers and employees themselves. In autumn 2021, many are now facing major labour shortages, the so-called 'great resignation' and challenged supply chains.

Leaders are under pressure to think strategically and long term about what it means to be a responsible business. Employee and consumer expectations are higher; many organisations are even more aware of the need for purpose. Major questions are being raised about the role of the office, the future of work, and what supportive and productive organisational structures or cultures look like. At the same time, nearly 55% (ONS 2020) of the workforce who cannot work from home – those who worked on the front line through the pandemic, or those who were furloughed throughout – feel forgotten about.

As predicted in our first report in 2020, this means different kinds of leadership are required. The benevolence of 2020 is altered. Effective senior teams need to display ambidexterity in their leadership. They have to think creatively, responsibly and strategically about the reinvention of their organisations, while dealing with the day-to-day snagging problems of employees, customers and citizens adjusting to the practicalities of restrictions being eased.

5 Divisions and differences: a fractured workforce

If 2020 was the year we came together, 2021 is far more defined by divisions and difference. The experience of 'coming together' to respond to the first year of the pandemic had temporarily disguised social divisions – some relating to Brexit, to unequal wealth-creation and distribution, and to regional inequalities. The impact of recent labour shortages has been well covered in the press, but the potential for these many sources of resentment to rise again in the UK has had less coverage. The pandemic has also highlighted and exacerbated social divisions, within and outside organisations. The outrage over excessive senior executive pay was quieter during 2020 as many leaders took salary cuts and cancelled senior executive bonuses in favour of 'hero bonuses' for the front line. Yet there are signs that even this nod towards a more egalitarian distribution of reward is being reversed. Some senior directors we interviewed believe the resentments these differences evoked are now resurfacing alongside others in the workplace.



How did organisations respond to the pandemic?

The pandemic has impacted different organisations in different ways, depending on the kind of sector and the type of organisation they are (as shown in Table 2).

Stop/start companies

For the stop/start companies, who had to stop or significantly alter their operations in 2020, the biggest struggle now is finding what the new normal is. If you're a company where everything stopped, how do you get started again? In the hospitality industry, for example, staff shortages and an uncertain economy are the major concerns. If you're an organisation now going through the 'return to office' process, you're now dealing with a mass onboarding exercise, preparing people – physically and mentally – to return to the office. *'Everyone is on their first day back at work,'* one leader from Nationwide told us. Not forgetting, of course, the number of employees who joined during 2020 or 2021 and may literally be on their first day in the office. Many of these companies are now feeling the relationship shift with their employees.

Table 2: How did organisations respond to the pandemic?

Typology	Characteristics	Implications
The stop/start 	Organisations, teams or individuals who stopped and started again, with staff working from home or furloughed.	Return to the office or returning to work is a key priority. This presents opportunities and challenges.
Those who never stopped 	People who worked through 2020 and did not work from home. Some are on the front line, eg in the NHS and in pharmacies; others have worked to keep essential services running.	<p>The focus on getting ‘back to the office’ or transforming workplaces has never applied.</p> <p>Many feel excluded or forgotten about, going from ‘heroes’ to being ignored.</p> <p>These teams may be facing exhaustion and burnout.</p>
Those struggling to restart 	<p>People who are still in crisis mode.</p> <p>Some sectors are struggling to restart businesses, due to ongoing COVID-19 issues or staffing problems.</p> <p>Some are rethinking employment or struggling to adapt.</p>	<p>Some companies are struggling to survive or keep business models running.</p> <p>People are reconsidering their roles; there may be mass resignations.</p>

Those who never stopped

For those companies that worked through – the ‘never stopped’ – the picture is quite different. For the water companies, for example, or public sector providers like the police, the NHS or local government, the work never stopped. While risk was high on the agenda to keep employees safe, many of them are still working in the same way, and they are not facing the same issues of ‘restarting’ or transforming. Certain sectors also found that their teams were used to responding to incidents and risk, so the pandemic was less of a shock. As Sir Peter Hendy, the Chair of Network Rail, put it, *‘Keeping going is easier than stopping and starting again.’*

That is not to say that these organisations are without challenge in 2021. These organisations include those with pandemic front-line workers, what one leader from Day Lewis Pharmacy called *‘those that were coughed on’*. Many of the teams have faced deaths in service, particularly in the NHS. Exhaustion, mental health and stress are issues to face going forward. Many of these organisations also have divided workforces, which we discuss below.

Another tension is the lack of representation of these companies in the media coverage about the future of work in 2021. As one leader articulated in a roundtable discussion, an estimated 55% of the workforce cannot do their roles at home. Of those, some spent the pandemic furloughed and another proportion worked through the pandemic as key workers. Yet now, as we emerge from the first phase of the crisis, the majority of the discussion is being led about the 45% who worked from home.






Those struggling to restart

Those organisations that have been hit worst by the pandemic are those now struggling to restart or repair the damage of the last 18 months. This is particularly stark in the hospitality sector, the entertainment sector and the charity sector. Some organisations are already needing to undergo restructuring, or continue with reviews and restructures that had been scheduled in 2020. Many leaders were addressing downturns that preceded COVID-19 but that were exacerbated by the impact of the pandemic. Many are struggling with high levels of resignations. Some industries still have a long way to go to bounce back after the economic impact. If the UK Government’s levelling-up agenda is to be realised, organisations and leaders need to be supported on this recovery.

How did the pandemic impact organisations, teams and people?

Table 3: How has the pandemic impacted your organisation, teams, leaders and people?

Impact	Characteristics	Implications
<p>Acceleration to a brighter future</p> 	<p>Organisations, teams, people and initiatives that have been boosted by the pandemic, eg through culture change, purpose or flexible working.</p> <p>These feel that, with the benefit of hindsight, it has been an overall positive impact.</p>	<p>They are able to use the pandemic as an opportunity to do things differently.</p>
<p>The unexpected benefits</p> 	<p>Organisations, teams or people for which the pandemic revealed surprising, positive outcomes, such as pop-up leadership, redeployment leading to new kinds of team skills and people demonstrating resilience or strength.</p>	<p>Creativity is boosted through innovation and unexpected positive outcomes.</p>
<p>Unpredicted fractures</p> 	<p>Where the pandemic identified a fracture or weakness, eg loss of staff, restructuring or manager weaknesses.</p> <p>Some have needed to go through restructuring, downturns or shareholder revolts.</p>	<p>Opportunities are needed to develop strengths in those fractures.</p>

Acceleration of good practices

Some organisations had existing initiatives (for example culture change, flexible working or technological innovation) that have been accelerated by the pandemic. Some leaders describe having a clearer sense of personal and organisational purpose, reignited by their organisation’s opportunity to be part of the pandemic response. For others, it catapulted forward initiatives they were already starting, such as culture change, agility, new kinds of leadership, sustainability, or inclusion and diversity.



Unexpected benefits and outcomes

In other organisations, the benefits had been less whole-scale and perhaps less expected. Organisations that had redeployed staff into different areas are now seeing the benefits of this in terms of skills. One HR leader told us that *'70% of appointments to managerial jobs are now happening internally. People have demonstrated their ability; and it's a great problem to have: people want more opportunities, progression and promotion.'* (Eugenio Pirri, HR Director, Dorchester Collection)

The former deputy CEO at one of the county councils told us how the pandemic had identified all kinds of cross-sector skills and pop-up leadership, including their PA, who had been running the community hub all the way through the pandemic. In addition, of course, many HR leaders expressed how hard their team had worked to enable working from home, workforce transformation and responding to change.

Unpredicted fractures

Even for those organisations not necessarily struggling at a high level, the pandemic has identified challenges that they hadn't predicted. One leader noted that they hadn't realised how transactional their staff relationships were until there was no money for bonuses to be paid out. Some had already lost significant numbers of the workforce. Several leaders mentioned that the pandemic had identified poor management as well as good. As one leader told us:

'[There's a] postcode lottery about how managers have engaged – there has been a range of capabilities there – some teams have had better or worse managers.... It has highlighted where we have weak capabilities in the management population.'

Regional differences

Many leaders, particularly in organisations across the four regions, are frustrated that the narrative in the media is London- or south-east-centric and does not reflect the range of experience across the UK. When speaking with leaders in Wales, Northern Ireland and Scotland, a different picture emerged. Some of this is due to different government guidelines and approaches to COVID-19. Those leaders in Scotland noted that their government guidelines were more prescriptive, so they are not feeling the pressure of creating their own rules and implementing them, as companies in England were: *'I think there is a difference than in England, which seems to have more of a "laissez faire" approach. Scotland has a much more centralising government approach – they see it as their duty.'*

At the same time, the prescriptive nature presents its own challenges, especially for the 'stop/start' organisations trying to bring people back into workplaces. In Northern Ireland, the HR leaders we spoke to described different kinds of challenges being faced due to supply chain breakdown, ongoing COVID-19 outbreaks and absenteeism. There is a feeling that approaches to work in Northern Ireland are more traditional and there is greater resistance to hybrid working.

At the global level, many of the organisations also noted vast disparities across jurisdictions. The CEO of BMT highlighted this challenge: *'What is common even now is that a large proportion of our workforce is still locked down... I don't think any of us were prepared for how long this would last but also the varieties of lockdown that would take shape around the world.'*

Divisions within organisations

The distinction between businesses being 'stop/start', 'struggling to restart', and 'never



stopped' also applies within organisations. As one HR leader pointed out: *'I didn't have a workforce who were just online or at home; I had all three – people furloughed, people working from home and people on the front line. It was not as simplistic as handling one scenario – the majority of HRDs were trying to manage all three groups.'*

As we go through 2021, out of lockdowns and into a 'new normal', the fracturing and difference within workforces is starting to become a key issue for HR leaders. Neil Morrison, HR Director at Severn Trent, similarly noted that, *'From March through to now [summer 2021] it has been much more diverse in the types of reactions and anxiety people are feeling. And that makes it harder to land on the kind of leadership solutions that suit everybody.'*

Another noted that they have real polarisation of the workforce – those who have been furloughed throughout versus those who have worked through, and those who can work from home and those who can't. This makes decisions about hybrid working very difficult in terms of developing policies that suit everyone.

Most organisations had some proportion of their workforce that worked from home during the pandemic – something that now, in the 'return to office' phase, is starting to reveal new kinds of divisions: those who can work from home and those who can't. As one leader put it, the return to the office is also creating and exacerbating divisions, between *'the people who would be quite happy never to walk into an office again and haven't missed any interaction, to the people who miss it so much and they're just desperate to be together. So how do we negotiate ways of working through groups of people, not just individuals? It is not possible to please everyone.'*

Some leaders identified generational differences emerging. When it comes to hybrid working or working from home, it has been well reported that this is more afforded to those in senior roles, and perhaps more enjoyed by those with spare rooms and large houses. Sara Bennison, Chief Marketing Officer at Nationwide, reiterated this: *'Hybrid working is marvellous and works really well for lots of middle-aged, middle-class people... at a senior manager level you can talk about that concept of working anywhere, being trusted to do what you do, because you've kind of made it. But that's not the experience for lots of people.'*

Divisions are also emerging as part of the transition to new kinds of working. One CEO told us: *'We have seen a split at a senior level where some people have been amazing and some have found it very difficult to adjust and have had to be brought kicking and screaming.'*

Several discussed high levels of managerial churn and leadership changes, as a direct result of leaders or managers not being able to adjust. Another told us that there were lots of 'old timers' in the business who were struggling with confusion and stress as a result of new ways of working: *'They just think it is going to go back to normal.'*

At the same time, leaders spoke of concern for younger and newer employees. Brad Greve, CFO at BAE Systems, told us of his concern: *'Especially when you are new or in middle management, you learn from others with their own challenges, learning from observing other people. Not being able to observe this is really a missing piece in developing new team members.'*

The divisions within workforces and the polarisation are not necessarily new phenomena, but the pandemic recovery has added a layer of uncertainty and strain on leaders to manage them. The deliberations over hybrid working have become the lightning rod for these resentments and divisions to surface. Leaders who had kept the majority of



their workforces on the front line during 2020 are, in some ways, finding 2021 easier compared with those employers who are renegotiating with those at home for some kind of partial return into the workplace community beyond the virtual screen. These divisions all have significant implications for leaders' potential to lead organisations, and to economically recover.

Actions for leaders

- Identify and acknowledge tensions and divisions between parts of the workforce. Are the teams 'stop/start', 'never stopped', or 'struggling to restart'? If you are developing hybrid working approaches, ensure they account for different sections of the workforce as far as possible.
- Has the pandemic accelerated good practice, identified unexpected surprises or revealed fault lines? Highlight to your teams the advantages that can be accelerated, but reflect on the fault lines.
- Redress imbalance with direct action. Day Lewis Pharmacy, for example, gave a 'hero bonus' to those employees who were on the front line in pharmacies.

6 Questioning the meaning of work: the 'great rethink'

The 'great rethink'

In intervening at the level of the everyday, COVID-19 achieved what many transformational change programmes aspired to do before – it challenged the fundamental assumptions we make about our lives and caused many of us to reconsider the meaning and place of work in our lives. Through our conversations with leaders, we heard this theme across every sector and almost every organisation. People are questioning the what, how and why of work, and how their job enables their personal aspirations. Of course, for some, it is all about 'getting back to normal', but for many it has caused a rethink.

While there is what one CEO called a 'tug of war' over the continuing right to work from home, the great rethink is not restricted to office work or senior managers. Workers at every level are recalibrating what matters most. This manifests in 2021 in staff shortages within the hospitality sector – not all caused by Brexit – some caused by staff having had time out and no longer being willing to work anti-social hours for low pay and few benefits. This can mean record numbers of people leaving. One HR director said: *'It's gone from a COVID-19 crisis to a talent crisis.'*

Another, in the technology sector, said that they are losing employees to rival organisations who were offering 30–50% pay increases. Another HR leader from a travel business said they are needing to consider offering a guaranteed bonus to members of staff that can stay until 2023.

An individual or number of individuals rethinking their working lives is not unusual. Several leaders pointed out that the attrition they are feeling in 2021 is simply due to the lack of attrition during 2020 balancing out over two years. The challenge is that *en masse*, this is disrupting the foundations on which the employer, employee and organisation relationship has run for decades:



'It's a bit like women after the First World War, isn't it? We can't go back to how we were before.' (Sarah Gillard, Partner, John Lewis Partnership)

Some leaders, particularly in HR, have found this liberating – the move away from policies to principles or a shift to 'work anywhere' policies represents a huge opportunity for the future of work. Lots of HR leaders described in depth the approaches they are taking to offer hybrid working or other flexible working options, including compressed hours, flexible working and part-time working:

'The pandemic proved an accelerator for what was already being done in the organisation – things we wanted to do anyway. A sense of a much more empowered and agile culture – creating a culture where people feel like they have control of their own destiny, experimenting with their side of the business, and using technology more than ever.' (Elly Tomlins, VP for People Strategy and Culture, Tate & Lyle)

Others, however, are faced with the challenge of trying to bring people back safely and securely and develop approaches that work for everyone.

The shift to 'coaching'

Many HR leaders told us that the last 18 months had made them move away from performance management towards coaching, from having workplace policies with rigid structures towards 'guardrails and guidance'. For many, this was about creating individualised approaches to people's working lives:

'The word performance management is almost disappearing. [It is] no longer about performance management – it is about nurturing and coaching. It is about bringing them along. It is no longer about going at someone who makes a mistake because you don't know what their lives are about and what they have faced this year – you don't really know what they went through... We looked into people's lives during the pandemic... we cannot lose that information we gained.' (Eugenio Pirri, HR Director, Dorchester Collection)

'We have developed an appraisal model that is based on an "adult-to-adult" rather than a "parent-to-child" employment model. It's as much about the person as the organisation. The appraisal discussion includes a health and wellbeing conversation: asking colleagues how they are as well as their friends and family. The conversation is supported by a menu of health and wellbeing support in place... We also have a conversation with them about their own risk assessment... and how we can respond to that... And then we'll have a career conversation including career aspirations, and personal objectives and development.' (Raj Bhamber, Interim Group Director of People, Barts Health NHS Trust)

The relationship between employee and organisation

There are tensions with wanting to grasp the opportunity of doing things differently while the relationship between employee and organisation is shifting rapidly.

One leader told us that there seemed to be a difference emerging between people on the ground and people representing the organisation: *'Managers want to be very accommodating, looking at pay and how flexible we are being, but at an organisational level, we need to look at the guardrails in which we are operating... Management want to keep people on side and retain people, but we're needing to be tougher at an organisational level.'*

Another leader said that, because their pandemic response had involved increased centralisation, they are now struggling to give power (and accountability) back to



the managers. Instead, everyone is looking to HR for policies and rules. Also, many leaders were worried about the longer-term consequences of moving towards totally individualised approaches, even while they saw the benefits for HR. As one leader pointed out: *'We need to build adult relationships. It's not about just deferring to employees or just about setting a rule. We need an adult conversation.'*

Another HR director explained their concern with an entirely individualised approach:

'The risk of focusing solely on individuals and choice is you lose the sense of consistency and fairness, and you risk getting into a neoliberal way of thinking, that it is entirely individual choice, regardless of the consequences – your choice not to have a pension, for example. There needs to be a sense of what is acceptable or not, to provide cohesion and identity... We need to have those procedures in place, but help people to follow them, and understand that sometimes things won't fit, and we need to take the time to understand that and why, rather than just pointing at the rule book... Good HR does that. It explains, it helps, it listens. Rather than just stating a rule and saying: "This is what's going to happen."' (Neil Morrison, HR Director, Severn Trent)

Getting hybrid working right

Hybrid working – like any kind of major organisational change – presents a huge opportunity, but is not easy. As Danny Mortimer, Chief Executive of NHS Employers, summarised: *'Hybrid working is not an easy, one-size-fits-all approach. Many sectors of the economy need many of their people to provide services to the public in person, and we must ensure that this is also considered. It takes work to get it right.'*

Of course, hybrid working is only the tip of the iceberg, as it only applies to some employees. Getting it right has an even bigger significance for leaders this year, because with the threat of mass resignations and the great rethink, it can feel to leaders that getting it wrong will lead to higher attrition rates.

Actions for leaders

- Re-establish shared commitments between employer and employee, and the customer with the service provider. What are the obligations on both sides to create learning, supportive and sustainable cultures and communities?
- Recreate a sense of common purpose and community among a workforce that may have been divided physically for 18 months. Consider new ways of creating community: what parts can be virtual and what parts must be face-to-face? What is the role of the workplace in your organisation's future?
- Start pilots around hybrid working, but only move to permanent solutions based on what one HR leader called 'evidence-based experimentation'. It is too early for 'forever' solutions, however much pressure leaders are being put under to provide certainty.
- Leaders should 'embrace the jolt': collaborate with the best expert innovators and the young to come up with new ways of working.
- Develop solutions by looking further: start with bigger issues like climate change, mental health, and inclusion and diversity, and then think about what that means for space, flexi-working and other solutions.



7 Rethinking what it means to be a responsible business

Responsible business approaches, purpose and values are only truly put to the test in difficult situations, and leaders have seen this time and again through the pandemic. Like last year, we heard from numerous leaders that the pandemic was a testing ground or proof point for their approach to responsible business:

'Purpose has been at the core of our transformation for last two years. In the last 18 months it has been tested to destruction, and I think really resolutely passed... it shows that having a clear purpose, living your values is not about "fluffy bunny leadership"; it is about having a true north, where you take really difficult decisions, you use your purpose and your values to test whether or not you're actually delivering according to those values.' (Will Serle, HR Director, Capita)

Purpose also helps leaders establish a clear framework for making decisions. For example, the HR director at Dorchester Collection told us that their early decision to prioritise protecting employees, relationships with small suppliers and the community is now *'just part of what we do'*.

Similarly, the CEO for Tate & Lyle reiterated this year that their goals (people safety, operational running, financial strength and future planning) were supported by their purpose. *'Purpose kept our focus on achieving these goals. It became even more important and it actually helped simplify decisions.'*

Although responsible business differs from organisation to organisation, the most common areas discussed were sustainability, inclusion and diversity, wellbeing, and communities and 'levelling up' – addressing regional disparities across the UK. Many leaders felt the pandemic had highlighted a need to reiterate or refresh their existing strategies, and to be more bold, ambitious and target-driven.

Accelerated focus on responsible business

Although the cliché 'Don't waste a good crisis!' is already overused, there is a clear sense from leaders that the pandemic is an opportunity to do things differently. It has enabled organisations to accelerate change and be more ambitious.

For some, this is simply because major disruption has a transformative impact. One said: *'This is a once-in-a-multi-generational opportunity. Most change in business is incremental, and I'm not sure there's ever been a better moment to rebuild on a new footing.'*

For others, the need to revisit their responsible business approach was more emotive: tied to the impact of the pandemic and its collision with other social factors, such as inequality and climate change. One CEO listed Greta Thunberg and *'inter-generational anger'* as a reason for actioning their sustainability programme, in a similar way that Black Lives Matter was a catalyst for encouraging leaders to be more ambitious and impactful in their inclusion and diversity strategies. Another simply said, *'It did not feel optional.'*

Sarah Gillard, Partner and Director of Special Projects at John Lewis Partnership, told us she felt that the pandemic has made people, and their organisation, even more aware of the need to be a responsible business. Talking about accelerating their purpose activity, she told us: *'It became really clear that we didn't have time: you've got to be clear about who you are and what you stand for.'*



John Lewis Partnership: Purpose is non-negotiable

'John Lewis was already on a journey to reinvest in their purpose, but also felt that the pandemic had accelerated that activity and crystallised the need to do it,' Sarah Gillard told us.

'The crisis really helped us to understand that while it's perhaps okay in a crisis to rely on people's innate judgement and intrinsic motivation, you can't rely on that for the long term, at scale. You need to have some way of codifying it so that in peace and crisis time you can say, "this is what we believe and therefore this is what we do."'

She also pointed out that, for customer-facing businesses, failing to do so risks irrelevance. *'Big societal problems like climate change, social inequality: the pandemic exposed those social problems so vividly that I think for the vast majority of people, they want to feel agency in addressing them. Whether that's who they work for, where they shop, who they read. It becomes a personal journey: a need to do something, to have agency. The expectation for business in general to step up has become universal. And for a customer-facing brand, if you are unable to say how you are addressing these social issues, you are irrelevant. You haven't got time to waste thinking about it. Relevance can be lost so quickly. Being clear on your role in society, your purpose as an organisation, might have been a nice-to-have before. It's now both urgent and non-negotiable.'*

Sarah Gillard, Partner and Director of Special Projects, John Lewis Partnership

Many leaders pointed out that concerns about resignation and churn require them to focus on the employee value proposition, of which purpose is a key part. HR leaders in particular know it can help their recruitment and retention, especially if they cannot compete on reward. Another pointed out how vital values are for community, especially through a crisis: *'Values were the thing that held people together.'*

'What counts is how you make people feel, not how much you pay them.... The reason people go above and beyond is because they feel they are making something to be proud of. It's about standing for an idea of what fair business, responsible business, trusted business looks like in the twenty-first century. People give their heart to it, as well as their brain.' (HR leader)

Being ambitious with sustainability

For leaders who mentioned sustainability, the pandemic provided an opportunity to reduce their impact on the environment with the reduction of travel, commuting and energy usage. This acted as a catalyst for renewing sustainability efforts. Those organisations that had previously had a focus on travel, or who had a majority of the workforce working at home during 2020, recognised the advantage of new ways of working for their sustainability goals:

'We've increased our targets for sustainability, put together new targets and our impact on the environment and carbon. And for us that's challenging, because we're not actually a large carbon producer... But what we do have is travel. It's been interesting to see the impact that it's had on emissions and also offices: our office footprint is quite large. We have shut offices permanently over the last 18 months that we have no intention of opening again, and we know that that has to go hand-in-hand with a change-in-work approach.' (Will Serle, HR Director, Capita)



Mental health and wellbeing

Almost every leader highlighted an increased awareness of mental health and wellbeing, and the need to redouble efforts to support people through this next phase. This is in part due to the following factors:

- **Exhaustion:** the sense that, although we are through the worst bit, we now need to gear up for the next phase.
- **Trauma:** the awareness that many are dealing with grief, huge amounts of stress, with long COVID, and now with new challenges in relation to work and the workplace.
- **An inability to look away:** leaders found themselves able to see into the frailty of people's lives. Nowhere was this clearer than the NHS organisations, who are acutely aware of the trauma experienced by many of their staff.
- **Doubling down:** deepening commitments to wellbeing to address burnout and health risks were clear in almost all the conversations we had. One leader said, *'There is a feeling that there will be a couple of years of navigating this, and it's really dragging on people.'*

This response is not just about developing new mental health initiatives or putting in more resources, although many are. It is also about putting wellbeing and healthy workplaces at the heart of their people strategies:

'The most important piece of mental wellbeing is our leadership coaching programme... helping our leaders to make it okay for people to say that they are not okay. Mental wellbeing is not a new issue; we just have not been giving people the confidence to talk about it.' (Nick Hampton, CEO, Tate & Lyle)

Community and levelling up

In 2020, many leaders were leaning in to the supply chains and communities, acknowledging the interconnectedness of their role in the ecosystem. This interdependency was not as strong in 2021 as we collectively emerge from the first phase of shock. Some organisations, however, had taken the lessons learned in the first year and focused efforts on the relationship with community and wider stakeholders.

In public sector organisations in particular, the pandemic has had a positive impact on relationships with the community and wider stakeholders. One leader described it as 'accelerated collaboration':

'We've always collaborated, but not to the extent that we do now... It's been aided by technology, and we're much more fleet of foot now.' (Kelly Angus, former Deputy CEO, Northumberland County Council)

Others found that the pandemic had made society more aware of their impact:

'We're no longer just seen as the ones that collect the bins.'

The Chair of Network Rail put it simply: *'COVID-19 was a massive change – but it was actually very helpful. It reinforced a sense of public service.'*

Although not specifically connected to the pandemic, Barts Health NHS Trust sees itself as an 'anchor institution' with a key role in addressing structural inequalities. As such, they have aligned their I&D priorities to opportunities within the local community:

'As a local employer, we have established a Youth Opportunities Community Board, to work with young people, to bring together initiatives for young people, from volunteering, work placements, apprenticeships and career entry jobs for one of the most diverse populations in London.' (Raj Bhamber, Interim Group Director of People)

For several organisations in the private sector, the connection to community seemed to have waned in 2021, after the initial rush of 2020. This is not to say it was forgotten: for example, John Lewis Partnership felt that their teams being involved in activities that provided support for people – sewing gowns for the NHS or providing online guidance for new parents – had helped to demonstrate to employees the impact they have, and helped to solidify their purpose as an organisation.

One leader in a water company (which, by its nature, has a strong regional connection) also pointed out the tensions inherent between commitment to local community and moving towards a ‘work anywhere’ policy:

‘We [the organisation] have a responsibility, set out in our strategy, to create jobs in our local community. It’s part of our social responsibility to build skills in the region. For regionally identified businesses, the “work anywhere” idea really challenges that.’

Similarly, one of the public sector leaders raised the question: *‘If everyone is working from home, what happens to the high street?’*

At Nationwide, they are trialling an approach that moves some of their digital and telephone support into branches. As the CEO points out, *‘That is a community preservation strategy; it’s enabling us to remain on the high street.’*

Others viewed the commitment to community and the economy on a larger scale. Microsoft, for example, is focusing on the impact it can have on the levelling-up agenda and economic recovery.

Microsoft: Levelling up

‘The pandemic has cost the country a lot. So how do we move to growth, how do we get the economy working again and adapt to how the economy will grow? How do you ensure people are working and raising revenue for the public purse? At the beginning of the pandemic, we had focused on (digital) skills for furloughed people, so people are well prepared when it opens up again. So now, we’re asking: how do we convert those skills into jobs? This also connects to the levelling-up agenda, and needing to support a local and regional approach.’

Microsoft is aware of the need to make sure that growth and jobs creation isn’t just focused on areas where we always see growth: London and the south-east. To do this, we are, for example, working with the Greater Manchester region to bring skills and partner opportunities, and customer investment to maximise the job growth potential in that area. This is also happening in Scotland, Wales and the north-west of England, and moving to other areas after that. This feels necessary, but is also a responsible approach. For us it’s about going further than the obvious next step.’

Hugh Milward, General Manager, External Affairs, Microsoft UK

Inclusion and diversity

Many leaders felt a personal commitment to deepen and strengthen their inclusion and diversity initiatives. The pandemic has disproportionately impacted those from black and minority ethnic backgrounds. The lockdowns, working from home and home schooling have led to many being concerned that women may drop out of the workplace, and Black Lives Matter has increased expectations that organisations tackle racism.

One leader told us that, *'Black Lives Matter and social inequalities are complex issues, but the last year has really strengthened our commitment to diversity. We are very conscious of social inequalities.'*

Another NHS leader said: *'The one thing that became very apparent was the disproportionate impacts of the pandemic on certain sectors of society, that really drew into sharp focus the inequalities agenda. That happened at the same time as George Floyd in the States and the impact that that had.'*

She described the three elements of their inclusion agenda: working with communities to increase opportunities, working within the organisation to better reflect the wider community, and a piece of work around cultural intelligence: *'to help people really understand different cultures, and having more insight into the lived experiences of a range of protected characteristics and particularly around intersectionality of experience.'*

While not unique to the pandemic, the need to demonstrate how the organisation is delivering on its inclusion and diversity goals – both inside and outside – has changed from a 'do no harm' stance pre-COVID-19 to a much more social activist approach in the wake of the murder of George Floyd and the impact of the pandemic.

Microsoft similarly noted feeling the need to increase resources for its inclusion and diversity strategy, and particularly to make themselves more accountable through collection of data:

'We know that to achieve the progress on diversity and inclusion that we aspire to, we need to apply a data- and insight-driven approach. We have asked employees to contribute by enabling us to achieve better data collection and measurement – this is essential in enabling us to track our progress. Our employees now have the option to self-identify across six dimensions: race/ethnicity, disability status, military status, sexual orientation, gender identity and identifying as transgender. Empowering employees to self-ID helps us to make more inclusive decisions around our employee benefits, learning offerings, leadership development and supports us in building a more consistent employee experience. Of course, enabling self-ID doesn't always mean employees will provide the data – what's essential is building the trust, transparency and support systems that make clear how we will use the data to drive lasting change. Our vibrant ERG communities are an essential part of this – and together with them, we are building stronger intersectionality across the resource groups and strengthening employees' "lived experience" of our culture.' (Andrea Winfield, General Manager – HR, Microsoft Western Europe)

Actions for leaders

- Take the opportunity to demonstrate your commitment to responsible business. If you are a purpose-led organisation, restate that purpose in light of post-pandemic changes.
- Challenge and hold leaders to account around responsible business behaviours. *'We are good at the intent, but do we measure it – do we really hold people to account as a leader?'* (Jane Hansen, HR Director, Nationwide). This may mean rethinking how you collect data about your people and being bolder with targets.
- Share best practice and collaborate with peers in your sector and outside it. Wide-scale social issues such as the climate crisis or social inequality require collaboration, and a view beyond your tenure as a leader.

- Develop leadership competence in creating inclusive, diverse and healthy workplaces. *‘If you don’t keep those things going in crisis, they’re just words on a page.’* (Dr Sarah Prichard, UK Managing Director, Buro Happold).
- Consider how the organisation incentivises the decisions and actions your responsible business approach requires. Does your reward and recognition structure reflect your purpose?

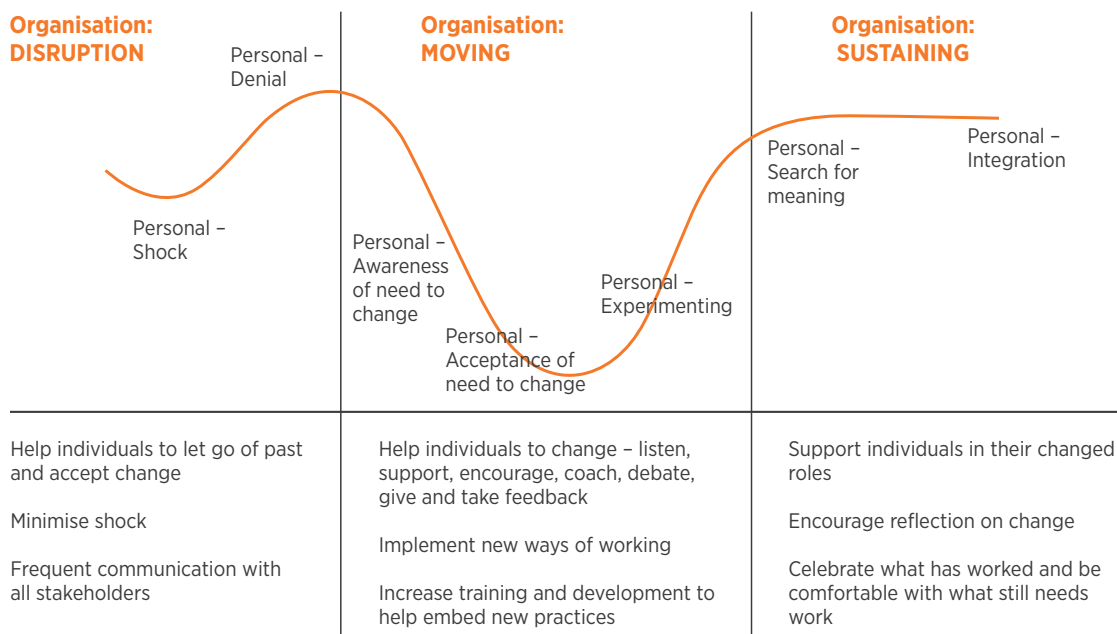
8 Maintaining trustworthy leadership through transition

‘It’s our choices who show us who we are, far more than our abilities.’

(Albus Dumbledore to Harry Potter, *Harry Potter and the Chamber of Secrets*, J.K. Rowling)

For senior leaders, 2020 and 2021 was a time of significant personal growth as they faced the task of leading others responsibly through the stages of change caused by the pandemic. Figure 1 plots the staging points in individual transition juxtaposed against the three stages of organisational change: disruption, move and sustain.

Figure 1: Facilitating personal and organisational transitions



Adapted from Balogun et al (2016)

While each organisation we spoke to was on its own unique journey, the majority had progressed through the first stage of transition (disruption), where their ‘taken-for-granted assumptions’ had been dismantled by COVID-19. Most leaders described their organisations, and themselves, as being in the second stage (moving), where the majority had either accepted change would happen or the behaviours and attitudes of employees were demanding different approaches. Leaders have started exploring how new working

practices might be introduced. Originally perceiving the pandemic as a short-term blip, leaders are now beginning to understand the length and depth of the transitions they face. As the CFO at BAE Systems said: *'We're in uncharted territory. I don't think any business has ever gone through what we're all going through right now and we don't know what normal is anymore.'*

Three things are now apparent:

- 1 CEOs and their teams have demonstrated new responsible leadership behaviours through this transition and new leaders have also emerged.
- 2 While some businesses may be struggling for survival, other senior leaders are seizing the opportunities presented to tackle at a more fundamental level some of the more complex problems such as climate change or social inequality.
- 3 Given the continued uncertainty and inevitability of change, reinvesting in trust and demonstrating trustworthy leadership become even more important.

New responsible leadership behaviours and pop-up leadership

Most leaders we spoke to believed that what it means to be a responsible leader has changed as a result of the last 18 months. Therefore, their behaviour has had to change, not just the organisation.

The new attributes of responsible leadership

Being comfortable with uncertainty

COVID-19 has shown that there are no universal solutions for some problems, and leading in unfamiliar territory is a skill. The HR Director of Nationwide calls the current time 'prolonged uncertainty'. Leaders need to be comfortable with experimentation and avoid rushing to fixed solutions.

Balance

Leaders need to be ambidextrous in their thinking, balancing creative thinking and innovation about a sustainable future alongside tackling everyday problems to maintain the financial resilience of their organisations (Tushman et al 2011).

'Directive empathy'

As the CEO of Nationwide put it, *'COVID-19 was a distinctly human crisis and therefore you can't just be directive and turn your empathy off... you had to be both highly empathetic and directive.'*

Facilitator of two-way communication

Leaders need to listen as much as they dispense pithy soundbites.

Humility

The pandemic has necessitated being humble: knowing we cannot know all the answers. *'Being humble is about being self-aware and really valuing and prioritising learning'* (Jane Cathrall, Executive Director, People & Culture, Bank of England).

Ability to empower and experiment

Failure is an inevitable companion to innovation and exploration. Recognise and trust your new superstars to come up with solutions for you. *'It's about checking in - not checking up'* (HR Director, Handelsbanken).



Reflection

Reflect on the learning from the last 18 months: what made you and your senior team both responsible and resilient? How do we prepare the system for resilience in the face of economic challenge? What will it take for you and your senior team to withstand economic challenge or the next pandemic?

Pop-up leadership is also occurring in surprising places. As Nick Hampton, CEO of Tate & Lyle, recounted: *'We've seen superstars stand up in this pandemic who were previously unrecognised... we have been able to see the future stars we really want to take the business forward.'*

Act or react?

Many models (about employment, markets, customer expectations and behaviours) we had as we went into COVID-19 have been overturned. The task now is to create new responsible business models, employment propositions and cultures.

Some CEOs we spoke to embraced their power and their chance to shape the next stage of the organisation's journey; they could not control everything but they recognised their capability to influence the future. They knew that they could use their power to demonstrate that COVID-19 had imposed change on their worlds but also presented an opportunity of their lifetime to make a difference. These leaders had already reframed the crisis in their minds as a long-term change process that they were choosing not to react to, but to lead. They saw an opportunity for creativity and innovation to be driven at a pace that would have been unthinkable before.

Nationwide and Network Rail are both organisations using different initiatives to encourage and explore new forms of working practices:

Nationwide: The 'Little Conversations'

'We've just launched what we're calling "Little Conversations". This is about saying, "Look, we've been driven by this external imperative called COVID-19 for the last 18 months. As that hopefully subsides, there is a risk that we lose energy, we lose imperative, and there's also a risk that we either go straight back into old bad habits or form new bad habits. So, let's take a moment and let's have some conversations to reconnect with each other, to re-energise, and importantly to reintegrate our work-life equation, taking the best of what we've learned. But let's do it consciously; let's take some time to do it.'

And everyone's mapping out what we're calling "My mission statement":

- *Why do I get out of bed in the morning and how does that align with our purpose?*
- *What member needs am I trying to meet and how does that connect with what I believe in?*
- *How are we doing it and how does that align with our strategy?*

I think at the moment the organisation's a little bit quizzical about it, but I really think that we're at that moment now where we have the opportunity to decide what we take forward and what we leave behind out there in the wider landscape.'

Joe Garner, CEO, Nationwide



Network Rail: Decentralisation

According to its Chair, Sir Peter Hendy, Network Rail was previously a centralised, risk-averse, bureaucratic organisation.

'We used to send decisions up to a level where people would take the decisions who didn't understand the decisions they were taking.'

Now, Network Rail is moving to a management structure attuned to taking decisions where the decisions need to be taken. Sir Peter told us that decentralisation had already started under the new CEO pre-COVID-19, but that COVID-19 had accelerated that trend. He asserted: *'We're not going back to normal.'*

These are just two examples of shaping the future. If leaders and boards want to espouse economic, environmental and social responsibilities into their purpose, they must take that rhetoric and turn it into everyday reality by creating new organisations that meet the needs of many on a sustainable basis. The pandemic has been the test of those purpose statements; now leaders need to revisit how they are enacted.

How can leaders create trust through this transition?

Leading through transition is a test of the trustworthiness of leaders. We know that public trust has declined from its heights in 2020. What must be done to maintain or renew trust?

Handelsbanken: Trust as natural territory

Handelsbanken prides itself on its high-trust relationships and sees trust as *'our natural territory'*. Displaying the bank's Scandinavian roots, the HR Director told us: *'It's a privilege to pay taxes as it means we are successful.'*

During the pandemic, the bank kept all its branches open but trusted local branch managers working with a framework to determine the actual working arrangements for staff. The bank recorded a 90% satisfaction rate from staff about its handling of COVID-19. It implemented a restructure during the first few months of 2021. Although challenging, particularly given it was conducted virtually, the leaders sought to ensure a *'culture of trust and respect for the individual'* throughout, says their HR Director, Bernie Charles.

While the pandemic has *'opened their eyes to the possibility around flexi-working'*, he balanced this by saying, *'We are a relationship bank and therefore it is important that customers and colleagues can interact.'*

They have issued a set of guidelines for flexible working from head office but leave the interpretation of guidelines to local managers. Nevertheless, the HR Director emphasises that they are in a *'wait and see stage'* and does not anticipate a *'straight road'*. They are managing employee expectations accordingly. Never overpromise certainty if you wish to maintain trust.

Leaders need to 'turn up the volume' on all their behaviours that can display their ability, benevolence, integrity and predictability to others. For instance, leaders who have led change or experimentation in the past should share that experience with the workforce.

We also have evidence of what helped organisations maintain trust with their workforces through the recessionary years following the financial crisis. From the CIPD research published at that time, three organisation-wide people management practices emerged as vital:

- 1 building bridges to the future from the past, based on continuing core values and purpose as responsible business
- 2 showing care for and supporting employees practically and emotionally; humanity and empathy must persist
- 3 empowering employees and treating them with fairness and with dignity.

Crises make people come together. We were all on a war footing in 2020 and wanted to trust in our leaders, whether they were in government, business or the third sector. Paradoxically, 2020 allowed leaders to ‘be at their best’ but raised huge expectation of their capacity for benevolence. We will need very *able* change leaders as well.

Maintaining trustworthiness from employees to the same levels seen in 2020 is going to be a stretch. Yet trust remains the glue for a well-functioning, empowered society and for an engaged and innovative organisation. As such, trust is a vital ingredient for the necessary economic and social recovery.

Finally, we detail the actions that leaders must take for maintaining trust through the next stage of this transition.

Table 4: Actions for leaders to maintain cultures of trust

Ability	<ul style="list-style-type: none">• Accept it’s not just a crisis but a transition process that needs your leadership.• Be ambidextrous: use existing competencies to keep business profitable while creating new forms of organising and competing.• Innovate and experiment. Anticipate the possibility of both success and failure in this stage of experimentation. Decide now how to generate confidence in the face of failure.• Invest in <i>new</i> cultures of trust. Consider the importance of work as a community, not just a workspace. Address differences and divisions; do not ignore them.• Make yourself a champion for I&D, purpose and sustainability. Don’t delegate it – mainstream it. Challenge and hold leaders to account around these topics.• Systematically evaluate the learning from the pandemic to ensure senior management resilience for the future.• Make healthy workplaces a strategic objective.• Rethink talent streams, leadership development and your own leadership practice: new ways of leading are essential to success.
Benevolence	<ul style="list-style-type: none">• Don’t be afraid to renegotiate the employment proposition. Ask what benevolence can be expected from both parties.• Avoid two-tier workforces – do not create more divisions.• Prioritise mental health and support, both for your teams and yourself.

Integrity

- Address the inequality or risk/reward ratio from 2020. Be fair; acknowledge sacrifice.
- Continue to use your moral compass and your organisation's purpose: *'We did the things we did, not out of an idea of reciprocation. We did these things because that's what we thought were the right things to do.'* (CFO, BAE Systems)
- Don't close your eyes again to social injustice. Collaborate with your peers on social issues such as climate change and social inequality.

Predictability

- Keep using technology to communicate visibly, widely and regularly.
- Emphasise that this is a phase of experimentation, in order to manage expectations.
- Emphasise what's staying stable: behaviours, routines and practices may change but purpose and values will stay stable.

9 Conclusion

We wrote in [2020](#) that bigger challenges lay ahead. That, of all the predictions we made, has proved to be the most accurate. In 2021, senior teams find themselves continuing to strive to lead responsibly and working through uncertainty. Many are surprised to find this year much more difficult than anticipated. Some are seizing the moment; others are finding 2021 more challenging than 2020. For some, the difficult bits are still to come.

Our research found organisational leaders worried about divisions and difference. Some felt that the experience of 'coming together' to respond to the first year of COVID-19 had temporarily disguised social divisions that are now starting to resurface: for example, division over Brexit, concerns about inequality, regional differences and between devolved governments. Concern about excessive executive pay was quieter during 2020 as many leaders took pay cuts and cancelled bonuses in favour of 'hero bonuses' for the front line. Yet there are signs that this is being reversed. The leaders we spoke to during this research, particularly those in the people profession, are acutely aware of how these social divisions play out in the workplace and their roles and responsibility in addressing them.

The deliberations over hybrid working have become, as one leader describes, *'a lightning rod for emotion'*. Yet even those leaders in office-based organisations are dealing with much more than hybrid. While at the beginning of 2021 there was excitement about the future of work being different, it is more difficult than it looks. We see leaders and managers demanding all employees 'return to the office', and others trying to provide options for all while ensuring we don't end up with a two-tier workforce. At the same time, a significant proportion of the workforce did not, and cannot, work from home. Leaders in these sectors face a different set of challenges that are rarely captured in the press coverage about the future of work. And across all sectors and sizes of organisation, we see the impact of the 'great rethink'. The outcome of all this deliberation is fluctuation: in talent, labour markets and in managerial churn and resignations as people rethink their lives and priorities.

It would be easy to read a gloomy picture of all that we have been through in 2021, but there are many leaders and organisations that have grasped the opportunities 2021 presents. Whether following the principle 'You shouldn't waste a good crisis', or acknowledging the transformative power of disruption, almost every single organisation we spoke to is doing something differently this year. Organisations that have long



histories of bureaucracy are seeing it being swept away. HR leaders in all sectors talked about changing their people practices away from policies and prescription and towards principles: *'freedom within a framework'*, as one leader called it. C-suite leaders told us about being able to be more authentic in their approach and communication, and of feeling that they are seen as more human. Public sector leaders described better collaboration with stakeholders. Most organisations have increased their commitment to sustainability, inclusion and diversity, or mental health and wellbeing.

These changes have the potential to mark the beginning of sustained change for these organisations, provided they can be made to continue through the transition. As we have outlined in our actions for leaders throughout, these actions will require the rebuilding and maintaining of cultures of trust, through embedding new leadership approaches. Leaders now have an opportunity for creativity and innovation, at pace.

Thanks to the generosity of time which powerful leaders have given to this project two years running, our aim for this report is to paint these different pictures for the reader: to demonstrate the diversity of leadership challenges, and the implications for leaders, people professionals, and for those of us working in organisations.

These pictures are important, because what senior leaders do and think at this time impacts all of us. Between them, the organisations covered in this research employ millions of people. What these leaders think, what they hope for and what they aspire to will shape the reality of work and the economy in the UK for years to come. Organisations have the potential to take a long-term, sustainable approach to tackle complex issues such as climate change and social injustice. Understanding leaders' motivations, fears and their challenges matters for economic and social wellbeing. It is down to all of us to encourage it, and to hold them to account.

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