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Vol. 35, No. 6, 2022

Anticipate, Innovate, Transform

Trust Equals Productivity, and Other Pandemic Leadership Lessons

By Esther Derby, Dave Martin, Tony Ponton

Leadership Skills for the Post-Pandemic Era



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Traditionally, when we think of leaders, we think of personal qualities, interpersonal skills, and business acumen. But if our recent experience of suddenly having to work remotely taught us anything, it was that we need leaders who can create organizational systems and environments that support great work.

At the beginning of the pandemic, many leaders rushed to install monitoring/tracking software on employees' computers. Their traditional approaches to staying on top of what was happening didn't work in a remote model, and they worried that people working at home would take advantage of the situation and slack off. Far from ensuring productivity, however, their actions showed distrust, which further threatened productivity.

The challenges of remote and hybrid work call instead for a new way of thinking about organizations, innovative ways to tackle governance, and a shift in priorities.

The Pandemic Experience: Remote Work & the Need for Control

When the pandemic struck, most organizations were forced into crisis management mode. As cities and towns across the world locked down, businesses, many of which had been highly resistant to the idea of remote working, were forced to do so overnight.

Some made the transition easily; others struggled. We saw some huge positives: adoption of collaboration tools happened almost overnight, even in organizations that had resisted such tools for years. It was amazing how quickly the security/logistics/licensing/whatever problems that had been holding them back melted away under the harsh reality of lockdown.

Unfortunately, there was a corresponding rise in the use of "surveillanceware" to track keystrokes, eye movements, mouse clicks, and/or browser usage.¹ This type of software is pitched as a way to ensure

employees remain productive outside the watchful gaze of the boss. One such product markets itself as helping "keep track of how each individual person is keeping track of their time and hence makes them accountable for their working hours."²

The reality of remote working was that not only did most remote employees maintain productivity, many organizations saw a productivity *lift* as employees used their newfound flexibility to come up with better, smarter ways to work together.³

Interestingly, not all organizations saw productivity rise. Indeed, organizations that made extensive use of surveillanceware saw productivity fall or stay static. Why the difference? Did those leaders know something about their organizations that justified their lack of trust? Was their use of surveillance software justified by the results they saw? Research shows it was the opposite: the use of surveillance software drove lower productivity because it broke down trust. Employees (rightly) felt untrusted and, as a result, lacked motivation to improve their day-to-day activities.

Organizations that trusted their employees, allowed them to adapt to the new reality, and accommodated their unique needs thrived. Those that didn't trust their employees and tried to force them into working as though they were in the office did not. Leaders who were able to foster an environment of trust, however, were able to take advantage of the upside of remote work.

A 2002 study by Watson Wyatt Worldwide showed that high-trust companies outperform low-trust companies by nearly 300%, and other studies have demonstrated the many benefits that flow from high trust.⁴ High trust correlates with more sales, better retention, more effective collaboration, and innovation. There's less sick time and less shrinkage. It is good all around.

Pre-pandemic, leaders could succeed using control mechanisms. But successful pandemic leaders had to move to mechanisms of trust in order to thrive. We

believe the best way for leaders to ensure productivity and creativity going forward is not via monitoring and micro-management, it's about focusing on governing the system in a way that supports trust.

Navigating the Change: Lessons from the SEEM Model

We approach the problem by looking at the organization through the lens of the SEEM model (see Figure 1).⁵ SEEM describes three sets of concerns present in any organization: *Steering* (core questions about value proposition, culture, etc.), *Enabling and Enhancing* (supporting people and teams to accomplish organizational goals), and *Making* (creating products and delivering services). These concerns exist in companies of 20 people and those with that exceed 200,000 staff members. In large organizations, the *Steering* domain generally corresponds to senior management, the *Enabling and Enhancing* domain corresponds roughly to middle management, and *Making* corresponds to front-line teams. Although it may look like the SEEM domains mirror a traditional hierarchy, their focus is often quite different.

In many organizations, rather than focus on *Enabling* and *Enhancing* concerns, middle management acts as an information broker between the *Making* and *Steering* domains. Rather than focus on work that enhances and enables the *Making* domain in its execution of strategy, leaders in the middle often focus on controlling the

information flow between the two domains. Information on strategy filters down to the *Making* domain, and information on execution from the *Making* domain is filtered and messaged upward to the *Steering* domain.

Filtering of information both upward and downward through the middle management layer can lead to a low-trust environment across the whole organization. The *Steering* domain doesn't really trust the information coming from middle management because it doesn't have a true picture of what *Making* is doing. *Making* doesn't fully understand the *Steering* decisions because they lack context. Trust erodes in both directions.

One senior leader described the middle layer in his organization as "an [ahem] excrement polishing factory." Each layer of the organization polishes the data a little bit more to make things look good until the true picture is totally obscured. Note that this is not done out of ill intent; it reflects the structure and incentives of the organization.

Senior leaders in the *Steering* domain are aware of the amount of polishing that goes on in their organization and rely on informal channels of information and subtle signals to determine the true picture. Lunchroom conversations, informal chats in the *Making* domain, and even things like the general buzz in the office serve as signals. Is everything subdued? Maybe things aren't going so well. Is everyone really busy? Maybe deadlines are tight.

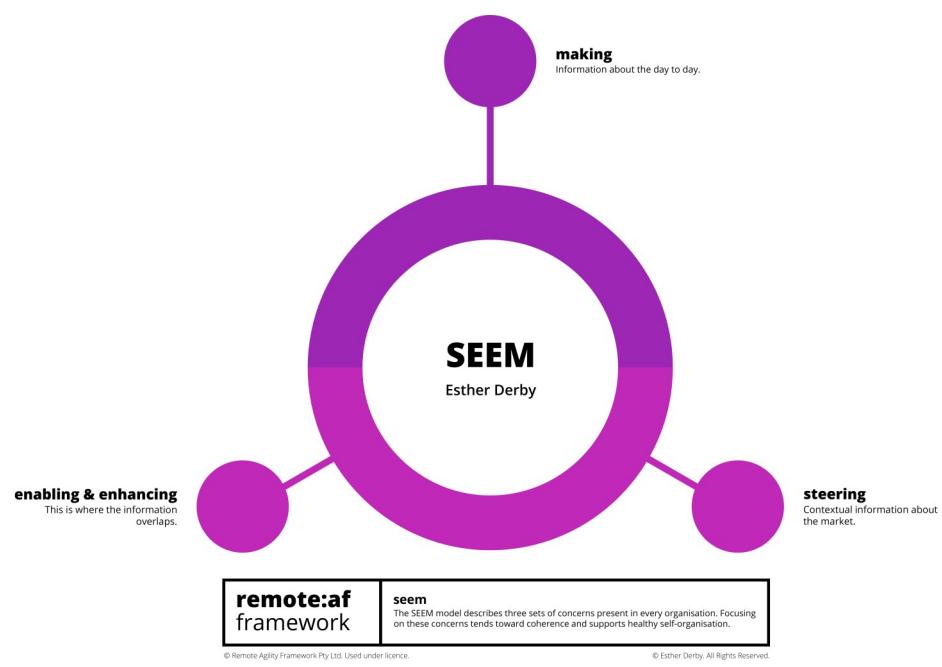


Figure 1. The SEEM model

The switch to remote working broke those informal channels. There were no lunchroom conversations. You couldn't determine the feel of the office from Zoom calls. Senior leaders were cut off from the sources of information they relied on to validate the information they were receiving from the "polishing factory" through formal reporting channels. Many senior managers began interacting directly with teams. This was helpful in some ways, but it diluted their focus on Steering concerns. They may have had more accurate information, but it often came at the expense of attending to the overall system.

At the same time, middle management was disconnected from many of its sources of information. The sudden loss of information and signals led to new requests for information from the Making domain: "What's going on?"; "Are people working?"; "Are they happy?"; "Are we going to be able to execute our strategy as planned, or do we need to re-plan?"

This breakdown in information flow and shared signals led to an information vacuum that surveillanceware makers were only too happy to market into, exploiting the fear and uncertainty inherent in the sudden changes the pandemic forced on us. The idea of being able to get the feel of the organization from a tool in the same way they used to by walking the floor was very attractive to leaders — especially in low-trust organizations.

Unfortunately, this broke trust even further when employees felt, quite rightly, that they were under surveillance. They had always suspected that the organization didn't trust them, and now they knew.

Fortunately, there is a better approach, and the SEEM model shows us the way. The key is in the name of that middle domain: Enhancing and Enabling. It's not called Information Control or Data Polishing.

In many, if not most, organizations, middle managers are not focused enough on improving the system so the organization can deliver on its strategic goals and enabling the Making domain to work effectively. This is not due to character flaws or ill intent; it is an artifact of structure and incentives.

Effective middle management actively builds trust across the organization by removing systemic blocks to effective action, creating guardrails or constraints where necessary, translating high-level strategy into actionable work, and developing effective policy and control mechanisms.

The question, then, is how we can use the SEEM model to make organizational changes that encompass a new way of thinking about governing the system as a whole and enable leaders to ensure productivity and creativity without micromanagement.

We advocate combining the SEEM model with the Remote Pillars of Governance from the Remote Agility Framework (remote:af) to create a system of remote governance (see Figure 2).⁶ This system allows organizations to understand and adjust their systems of governance to enable, rather than constrain, the creation of sustainable, long-term value.

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A Model for Remote Governance

When embracing (or being forced into) remote or hybrid ways of working, many organizations attempt to replicate their traditional methods of governing their system of work (the ones they used in physical face-to-face environments). As we highlighted above, they tend to amplify the worst of those methods to gain perceived control of the environment. Thus, we urge anyone who is undertaking or experiencing this change to consider addressing it in a more holistic, systemic way that is designed for the context of your organization.

We have identified four pillars that weave through all levels of organizations: transparency, leadership, systems, and information (see Figure 2). When considered in combination with the SEEM model, they provide the holistic view and method needed for systemic change.

Transparency

Most organizations rely on informal channels of information distribution to get a sense of the true picture. Formal sources of information like reports and steering committee meetings exist, but the information is seen as suspect. Leaders with "polishing factories" rely on informal channels to get a true picture; that is, lunchroom conversations, informal chats, taps on the shoulder.

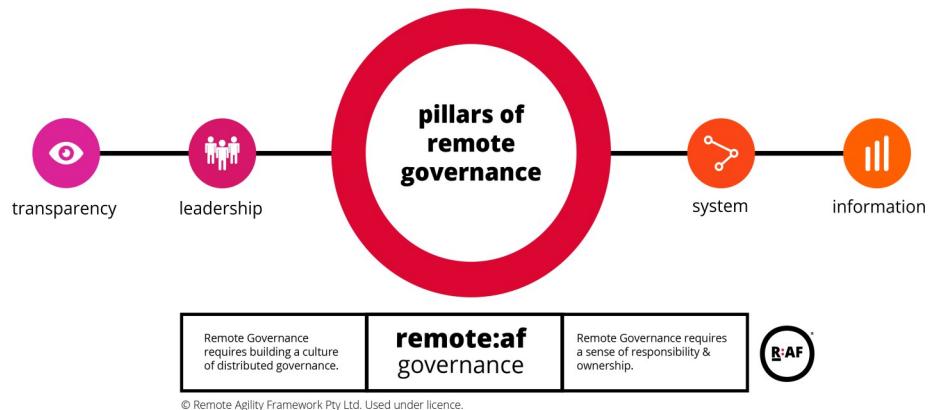


Figure 2. The pillars of remote governance

When remote working took those informal channels away, only the formal, untrusted channels were left. The principle of transparency makes information available at all levels of the organization, with no polishing layer to manipulate it.

We are not advocating for a system of radical transparency. Sharing too much can lead to important information getting lost and adds cognitive load to people as they sort through an information flood to find what they need. There are also things the organization legitimately cannot share (commercial agreements, HR information, etc.). Too much transparency and one-way transparency destroy trust just as fast as too little transparency does.

We advocate for a system of *intentional transparency*: designing information-sharing systems that give each part of the organization easy, direct, unfiltered access to the information they need to do their jobs.

Leadership

Leadership in a remote/hybrid environment has become a major pressure point for organizations. Traditional methods based on control became ineffective and caused a rise in micromanagement and surveillance to create the illusion of control.

Rather than attempting to gain control or relying on the “Big Brother” approach, organizations that want to excel in a remote/hybrid world need a purposeful adjustment of leadership styles. They must abandon traditional micromanagement methods in favor of a transition toward leading with intent.

What do leaders need to do to enable bounded autonomy for their people? Where are the guardrails that enable that bounded autonomy? What decisions,

based on those guardrails, can we move as close in person, place, and time to where the work gets done? What systems of control can we replace with systems of trust?

Systems

In the new environment of remote working, our systems must be adjusted to enable the move from physicality to digitality. Designing the collaborative connective tissues of the organization, in the form of systems of work that enable and enhance the ability of the organization to deliver value, becomes an important consideration.

We need to think about how to ensure the flow of value through the organization. How does the organization deliver on its mission and purpose? How does the organization produce products and/or services?

We also need to consider how social contracts and ways of working are crafted by our teams in order to engage both within the team and across teams. We need to look at feedback loops and how work cycles and cadences can be shortened to create transparency and delivery adaptability based on rapid learning.

We need to look at constraints within the organization. Which are immutable (e.g., regulations) and need to be accommodated? Which are flexible and need to be optimized? Which are imaginary and can be done away with? Which are chosen to provide the bounded autonomy that teams need to deliver effectively?

Information

In the absence of informal channels of information, information flow becomes the main consideration. We must get information to flow both horizontally and

vertically throughout the organization and look at how information needs to flow to enable transparency, leadership, and the expedient making of directional decisions.

Surfacing the right information at the right time in the right way enables every layer of the organization to make expedient directional decisions and underpins all four pillars. We need to ensure information flows both horizontally across the team of teams and vertically from the enterprise to teams. Information must be bidirectional, flowing from the enterprise to teams and the teams to the enterprise.

We must consider what information is actually required to make directional decisions at each layer. What data can we leverage from source systems for dynamic analysis and directional decision making, and how can we access that data? What data do we not need? Many organizations have reams of data that are collected and never used.

We also need to consider how the information will be displayed. What are the digital tools/applications that can display and enable the publishing and consumption of the information with minimal overhead?

We must also consider the behaviors that collecting this information will drive. Are they the behaviors we want to encourage? People in a system will naturally try to optimize what is being measured, and this will drive their behavior. When software developers are measured only by how many lines of code they produce, they produce reams of unnecessary code to maximize the line count. When sales teams are measured only on new customer signups, they sign up lots of new customers, often by giving things away. How can we use the information we are collecting to drive the right behaviors? How can we measure the system in a way that drives the system to behave the way we want?

Putting It Into Practice: Designing Remote Governance

Let's now look at how we can use the models together to design remote governance. First, we use a principles-based approach: the principles of remote governance (see Figure 3). These principles encapsulate the desired outcomes of a system of governance:

- **Decide who decides** — make decisions close to the work.

- **Decide how to decide** — govern the topic, not the decision itself.
- **Decide when to decide** — as soon as possible, or at the last responsible moment.
- **Define value** — allocate resources based on value delivered.
- **Navigate with insight** — take risks with wisdom.
- **Plan based on forecasts** — use objective data to plan and attend to adaptive capacity.

We can use these guiding principles and the pillars of remote governance as lenses to look at the factors influencing patterns.

We talk about these pillars as separate, but we acknowledge that everything touches everything else. A change made in one pillar will likely affect other pillars. If you make information transparent, it will affect work systems and leadership. If you change leadership practices, it will have a ripple effect in work systems. They are mutually reinforcing and deeply intertwined, as is always the case with complex systems.

As we work through the pillars of remote governance, the SEEM model weaves throughout and provides focused attention on three domains or sets of concerns that exist throughout all organizations (Steering, Enabling and Enhancing, Making), rather than levels of hierarchy (see Figure 4).

As with the pillars, we are always asking: How will a change in this domain affect the other domains? What's the impact of this process or policy in all the domains?

For **Steering**, the fundamental questions are:

- Where are we going and how will we get there?
- What difference do we make in the world?
- What's our revenue model, and how do we relate to customers?
- What do we want our company to be like?

For **Enabling & Enhancing**, we must answer the questions:

- How can we support the people who create products and deliver services?
- How can we ensure that Making aligns with Steering?

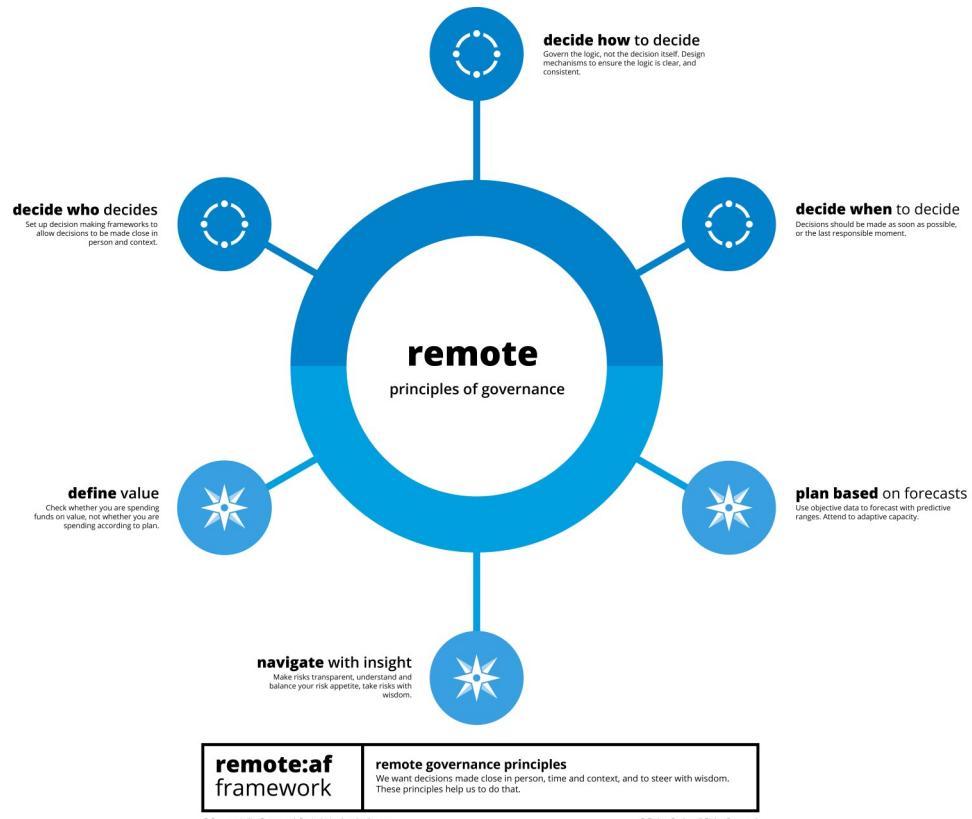


Figure 3. The principles of remote governance

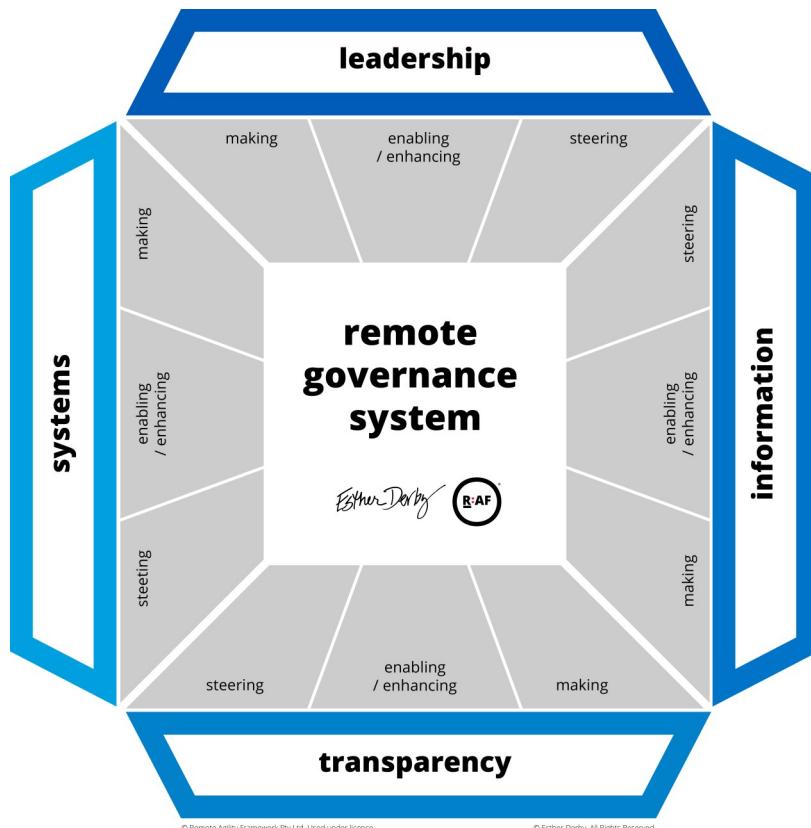


Figure 4. Remote governance canvas

The **Making** domain examines:

- How can we use our combined skills and work together effectively?

Although these domains are fractal in nature, when combined with the pillars, they provide answers for the entire organization (regardless of size) as well as for divisions or departments. This also enables conversations about how organizations can focus their attention on getting the right work done, at the right time, by the right people.

As we stated, everything touches everything in a complex system. It doesn't matter which pillar you start with; it's going to affect the entire system. By using the pillars and SEEM model together, leaders can shift their governance from top-down control and policies that reduce trust toward a model that supports trust and empowerment.

Early feedback from using this method shows it creates useful conversations and actions that lead to better fit for function. It provides leaders with pinpoints to adjust their governance system and creates the conditions for trust and productivity. When leaders focus on creating these conditions in the system *with strong alignment*, organizations can thrive whether they are remote, hybrid, or back in the office.

It Starts & Ends with Leadership

We have come full circle. We started by observing that leaders who were able to create an environment of trust thrived in a remote/hybrid world; those who were unable to do this struggled. The ability to create systems of trust is the key defining feature of successful remote leadership.

Successfully implementing the four pillars both requires and enables a system of trust. Providing real transparency, showing real leadership, enabling effective systems, and using information to guide decisions requires a level of trust. Without trust, transparency cannot function — people will hide or polish information.

At the same time, having those pillars in place creates an environment where trust can flourish. Thus, it is the job of leadership to create that initial system of trust to allow the organization to build a system that allows that trust to deepen and flourish.

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