

Organization Practice and McKinsey Accelerate

# To emerge stronger from the COVID-19 crisis, companies should start reskilling their workforces now

Adapting employees' skills and roles to the post-pandemic ways of working will be crucial to building operating-model resilience.

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**Imagine a crisis** that forces your company's employees to change the way they work almost overnight. Despite initial fears that the pressure would be too great, you discover that this new way of working could be a blueprint for the long term. That's what leaders of many companies around the globe are finding as they respond to the COVID-19 crisis.

Consider the experience of one pharma company with more than 10,000 sales reps. In February, it switched from an offline model to a 100 percent remote-working one. As the containment phase of the crisis gradually recedes, you might expect remote working to fade as well. However, the company now plans to make a 30 percent-online–70 percent-offline working model permanent, thus leveraging the freshly developed skills of its sales reps.

Even before the current crisis, changing technologies and new ways of working were disrupting jobs and the skills employees need to do them. In 2017, the McKinsey Global Institute estimated that as many as 375 million workers—or 14 percent of the global workforce—would have to switch occupations or acquire new skills by 2030 because of automation and artificial intelligence.<sup>1</sup> In a recent McKinsey Global Survey, 87 percent of executives said they were experiencing skill gaps in the workforce or expected them within a few years.<sup>2</sup> But less than half of respondents had a clear sense of how to address the problem.

The coronavirus pandemic has made this question more urgent. Workers across industries must figure out how they can adapt to rapidly changing conditions, and companies have to learn how to match those workers to new roles and activities. This dynamic is about more than remote working—or the role of automation and AI. It's about how leaders can reskill and upskill the workforce to deliver new business models in the post-pandemic era.

To meet this challenge, companies should craft a talent strategy that develops employees' critical digital and cognitive capabilities, their social and emotional skills, and their adaptability and resilience. Now is the time for companies to double down on their learning budgets and commit to reskilling. Developing this muscle will also strengthen companies for future disruptions.

In this article, we offer six steps leaders can take to ensure that their employees are equipped with the skills critical to their recovery business models.

### **Current trends are accelerating the need to enhance skills**

Remote working was gaining currency before the crisis, but the pandemic has shown that telecommuting is here to stay. A recent Gartner CFO survey<sup>3</sup> revealed that almost three in four CFOs plan to “shift at least 5 percent of previously on-site employees to permanent remote positions post-COVID-19.” Although many employees “learned by doing” during the first phase of the crisis or received “quick and dirty” training, continued remote working will probably keep posing an upskilling challenge. For example, sales forces will have to shift from setting up video meetings to managing customer relationships effectively in remote settings.

Companies also face a learning curve as managers figure out how to lead their teams virtually as they build social capital and how to maintain cohesion without the benefit of informal coffee, lunch, or corridor chats. As companies contemplate returning to the workplace, a new set of skills is also likely to emerge for the transition.

During the Ebola crisis, for example, a company operating in West Africa set a goal of rapidly improving its post-crisis performance. It executed a large-scale skill strategy that made the return

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<sup>1</sup> James Manyika, Susan Lund, Michael Chui, Jacques Bughin, Jonathan Woetzel, Parul Batra, Ryan Ko, and Saurabh Singhvi, “Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages,” McKinsey Global Institute, November 2017, McKinsey.com.

<sup>2</sup> “Beyond hiring: How companies are reskilling to address talent gaps,” February 2020, McKinsey.com.

<sup>3</sup> “Gartner survey reveals 74% intend to shift some employees to remote work permanently,” Gartner, April 3, 2020, gartner.com.

# COVID-19 has accelerated the adoption of fully digitized approaches to re-create the best of in-person learning through live video and social sharing.

to the physical workplace smoother, introduced new skills and training that boosted performance, and, last but not least, worked to create a more deeply engaged workforce. The company distinguished between critical and noncritical skills for the return and, realizing that its workforce lacked flexibility, moved to upskill people in adjacent skill areas. For instance, truck drivers learned how to be excavator operators. This approach yielded multiple benefits for the organization.

The learning landscape has changed in ways that will foster teaching new skills to employees, wherever they may be. COVID-19 has accelerated the adoption of fully digitized approaches to re-create the best of in-person learning through live video and social sharing. This transformation makes it possible to scale learning efforts in a more cost-effective way and permits greater personalization for learners—and in turn greater effectiveness.

## **Three skilling trends are likely to speed up after the crisis ends**

Chief learning officers (CLOs) can renew their learning organizations by building digital training programs and creating an ecosystem of learning partners to produce and deliver digital content rapidly to a broad base of employees. To do so they will have to master three trends.

### **New skills for the ‘distance economy’**

The crisis has accelerated the levels of digitization to help reduce avoidable physical interactions. This

has meant finding ways to reinvent work and, in some cases, a partial disruption of jobs and changes in the way workers perform them.

For example, the UK healthcare system has seen years of digital evolution take place within weeks. In 2019, less than 1 percent of appointments took place via video link, with the vast majority in person. Now, doctors assess 100 percent of patients by phone, with only about 7 percent proceeding to face-to-face consultations. This shift has meant that clinicians must learn how to do effective and safe remote diagnoses. Discussions are now moving to ways of locking in this progress after the pandemic.

A similar pattern is emerging globally for tech-based medical care. In Indonesia, where there are four doctors per 10,000 people (compared with 42 per 10,000 in Germany, according to the World Bank), telehealth firms have long been trying to close the gap. The COVID-19 crisis is consolidating this trend as Indonesia’s government turns to these firms to deliver remote consultations and to get medications prescribed and delivered.

Other sectors have had to train the workforce in new skills as they repurposed their operations to battle the pandemic. For example, consumer banks needed to increase employee cross-training in specific services as demand for mortgage-refinance applications surged. Banks also had to train employees in empathy as they helped distressed clients use digital tools and new products and services.

### **Imbalances in talent supply and demand**

COVID-19 has changed not only how people work but also how they shop and eat, as well as basic patterns of movement and travel. In this way, the pandemic is setting up what could be lasting employment-landscape shifts that could require the large-scale reskilling of new workers.

For example, the pandemic has accelerated the trend toward e-commerce rather than brick-and-mortar sales. Early indications from China show that new customers—specifically, people aged 36 and older and residents of smaller, less prosperous cities—have begun to shop online in greater numbers through the crisis. In Europe, 13 percent of consumers said in early April that they were planning to browse the sites of online e-tailers for the first time. In a virtual roundtable held in March, many executives based in China shared their expectation that consumers will now move even more quickly to e-commerce.

In the United States, the retail and hospitality-and-food-service sectors account for 42 percent of vulnerable jobs, while some sectors, such as groceries, are hiring two million to three million additional workers. In the United States, Uber introduced Work Hub, saying it is a way for gig-economy drivers to find work, whether internally or at other companies (such as CareGuide, Domino's, and Shipt) that are hiring during the crisis.

Digital talent-marketplace platforms are allowing companies to bridge the supply–demand mismatch, serving as the connection between companies that are hiring and workers who will need some degree of reskilling. McKinsey has provided research on the US job market to Talent Exchange, which opened on April 6 and within two weeks had 600,000 open jobs on the platform.

### **Changes to supply chains**

With sourcing and production moving closer to end users, the crisis could trigger a restructuring of supply chains. As companies localize or regionalize them, that will shift which skills are needed and where.

Global companies may move production closer to the point of sale. Japan's automakers and South Korea's electronics players may accelerate the diversification of the manufacturing footprint beyond China. In France, President Emmanuel Macron has confirmed a pre-crisis program to relocate strategic industries back home. As a consequence, some core strategic or automatable activities will probably be onshored in the next 12 to 18 months to build up domestic value chains for critical products and industries, like food and pharmaceuticals.

In some cases, these changes may require relocating activities to other countries. Companies may pick up talent locally (through talent exchanges, for instance) but then will have to get new employees up to speed on their new roles. This is a reskilling challenge—but not one inside the walls of a company.

### **Six steps to reskilling**

To make sure that organizations thrive after the crisis, leaders and their teams can take six steps to build workforce skills now. The first three will help define your strategy and the last three will help you execute it.

#### **1. Rapidly identify the skills your recovery business model depends on**

As companies decide on strategies that will shore up the future of the business, they need to map out which skill pools will disproportionately affect it and drive it forward. To do this, they should quickly identify crucial value drivers and employee groups.

Specify the exact contributions of these roles to value creation and reimagine how their day-to-day work will change as a result of value shifts. Identify which shifts in activities, behavior, and skills are needed. Specify the quantity and type of people you need. For example, if you are moving from in-store sales to predominately home deliveries, your tech team and logistics coordinators will have a greater impact on the new strategy than they did on the old one. They may also need

a different skill set to facilitate the increase in demand and customer expectations.

## 2. Build employee skills critical to your new business model

Start upskilling the critical workforce pools that will drive a disproportionate amount of value in your adjusted business model. The first step is to build a no-regrets skill set—a tool kit that will be useful no matter how an employee’s specific role may evolve. Focus your investments on four kinds of skills: digital, higher cognitive, social and emotional, and adaptability and resilience (Exhibit 1). The skill building in these four areas should be predominately digital and self-paced but not tailored to the individual in most cases.

## 3. Launch tailored learning journeys to close critical skill gaps

As companies prepare to reimagine and ramp up their business models, it is important to go deeper on strategic workforce planning. Leaders need a detailed view not only of the core activities that critical groups will begin undertaking in the next 12 to 18 months but also of which skills each of these groups will need.

For instance, a Chinese conglomerate shifted to strategic planning after managing the immediate effects of the pandemic. It looked at ordering remotely for the next season, began to work on revised three-year plans that included significantly more aggressive omnichannel targets, and

Exhibit 1

## Build a skill set that will help employees in key parts of your business respond well to changes.



### Expand the ability to operate in a fully digital environment

Build technical awareness and skills so employees can fully operate in a remote world and be productive within the company’s ecosystem (clients, partners, suppliers, public authorities). If moving to a more tech- and data-enabled model, a basic understanding of critical tech and data concepts and processes will be essential, including data visualization, applied machine learning, and advanced analytics. In commercial service industries, such as banking, companies are likely to widen the scope of those who receive digital upskilling.



### Develop cognitive skills to ensure that critical players can respond to the need for redesign and innovation

Critical thinking and sound project management are needed in an atmosphere of increased autonomy brought on by remote work. Problem solving, creativity, and innovation are required to take on the challenges of a rapidly changing environment and business model. For example, in order to relocate production strategically, companies will have to rethink critical components of their supply chains, including sourcing and logistics, which will typically require enhanced creativity, innovation, problem solving, and project-management skills.



### Strengthen social and emotional skills to ensure effective collaboration

Advanced interpersonal skills are needed to ensure that professional ties are kept strong despite distance. These skills will also be crucial for leaders trying to drive change and support their employees remotely.

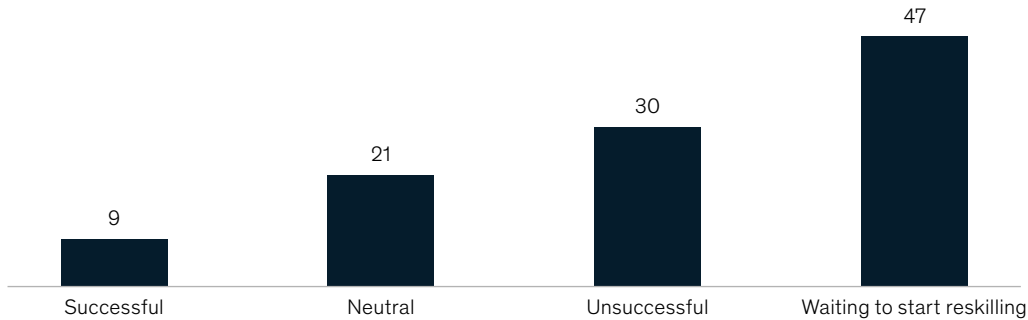


### Build adaptability and resilience skills to thrive during an evolving business situation

Support critical employees to build their self-awareness, self-confidence, and self-reliance so they can use new experiences as a source of learning. In addition, help them develop their personal tool kits to manage time, boundaries, and mental wellness to reinforce resilience.

**Organizations that had already tried reskilling felt more prepared to take on future skill gaps than those that hadn't.**

**Assessment of previous reskilling**, % of companies that said they were unprepared to address the potential role of disruptions due to market and/or technology trends



transformed its supply chain to be more agile, along with other moves to expand the business. Taking into account the skill gaps these initiatives created, the conglomerate tailored its reskilling journeys and delivery plans to help employees in critical roles build the skills needed to meet their specific objectives.

And when an international bank realized that its regular face-to-face sales model faced disruption, it concluded that virtual selling could become a competitive advantage if done well. The bank then began a tailored upskilling journey for its sales reps to deepen their core sales skills while improving their virtual ways of working.

As the operating model evolves quickly to accommodate a rapidly changing environment, the key is to iterate strategic workforce planning to determine the right skills to develop in a “just in time” manner. These learning journeys are tailored to each specific role, but companies can increase their scale and cost effectiveness by delivering the majority of the training digitally.

Such journeys can be supplemented by digital tools that re-create the best of in-person learning—for

instance, social-sharing tools and live video sessions that create a deepened sense of cohesion in cohorts and help build skills, such as empathy, that usually depend on in-person learning.

**4. Start now, test rapidly, and iterate**

In a survey, we found that most companies that had launched successful reskilling programs said they were better able to address skill gaps caused by technological disruptions or to implement new business models or strategies. And companies that viewed their reskilling programs as unsuccessful were still glad they had gone through the process, with a majority saying they were prepared to take on future skill gaps. The lesson here is that simply getting started on reskilling programs makes organizations better prepared for potential future role disruption—and is preferable to waiting (Exhibit 2).

Organizations shouldn't launch reskilling initiatives and then disband them after the crisis passes; whatever talent reskilling or redeployment you do now should also be used to expand your reskilling capabilities going forward. By building your own institutional learning, and capturing what works and what doesn't now, you put yourself in a position

to apply those lessons during disruptive events in the future.

### **5. Act like a small company to have a big impact**

The reskilling programs at small organizations (fewer than 1,000 employees) are often more successful than those at large ones, the global survey showed. This may surprise some, since larger companies generally have access to more resources.

But smaller companies are often more successful at following agile principles—making bold moves more quickly because they don't have to shift around large groups of people to try something new. They also may be more willing to fail, because they have fewer layers of approval to go through.

At the same time, smaller companies tend to have a clearer view of their skill deficiencies, so they're better at prioritizing the gaps they need to address and at selecting the right candidates for reskilling. That's not to say larger organizations can't be agile when it comes to reskilling, just that it can be harder for them.

### **6. Protect learning budgets (or regret it later)**

Companies should not cut their employee-training budgets. According to the Training Industry Report, US data during and after the Great Recession showed a significant drop in overall training expenditures in 2009 and 2010, followed by a surge in 2011 and a drop back to 2008 levels in 2012. What

this tells us is that if companies cut their learning budgets now, they're only delaying their investment, not netting a saving—especially since the current crisis will require a larger skill shift than the 2008 financial crisis did.

Use your training budget to make skill building a key strategic lever for adapting to the next normal. Don't waste two to three years and forego the efficiency and resilience you could develop now. What you can and should do is focus on the resilience of your learning ecosystem: make it both more digital (including in-sync digital components to replace in-person ones) and more accessible to your employees. Finally, leverage the ready-made learning journeys and objects of external partners.

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We know from past crises that companies must act quickly to build up critical workforce capabilities. The coronavirus pandemic has accelerated a trend in workplace dynamics that was already underway through automation and AI, shifting marketplaces, and changing workplace roles. To respond, leaders should pursue a broad reskilling agenda that develops employees' digital expertise and their cognitive, emotional, and adaptability skills. Companies can't be resilient if their workforces aren't. Building your reskilling muscle now is the first step to ensuring that your organization's recovery business model is a success.

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