McKinsey & Company
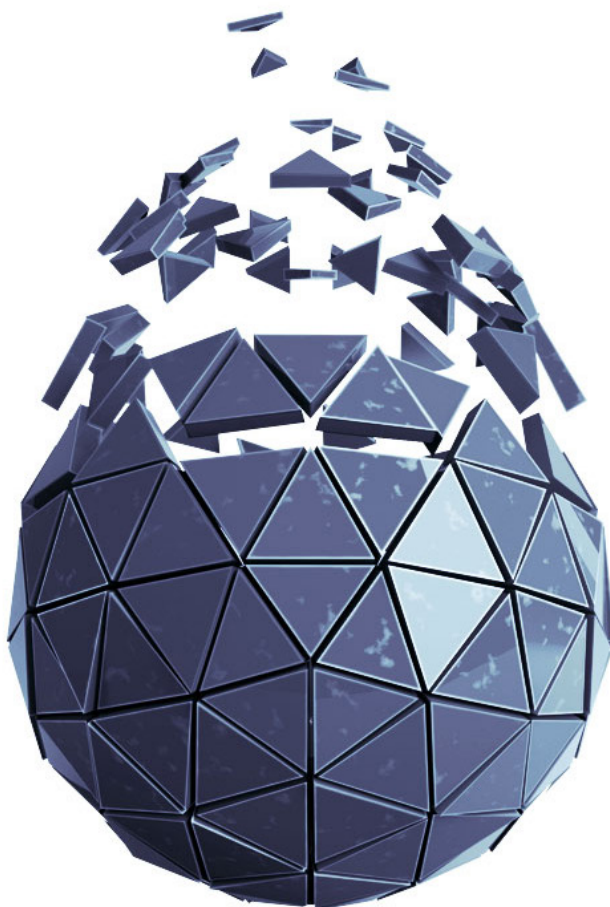
Rethink capabilities to emerge stronger from COVID-19

In a new survey, leaders say the pandemic has alerted them to the urgent need to get learning right. Yet companies are struggling to deliver outcomes, and executives have bigger roles to play.

Months into a global pandemic, the way people work has changed dramatically—and continues to evolve as the COVID-19 crisis goes on. Leaders at all levels are being asked to do things differently. But how are their companies preparing them and their employees for these new demands?

In our survey of more than 1,200 businesspeople around the globe—most whom are in leadership roles—respondents ascribe great value to learning and capabilities and say their companies are investing accordingly.[1] But many organizations struggle to achieve the impact they seek, even as they target the capabilities considered most important for the future: leadership, resilience, and adaptability.
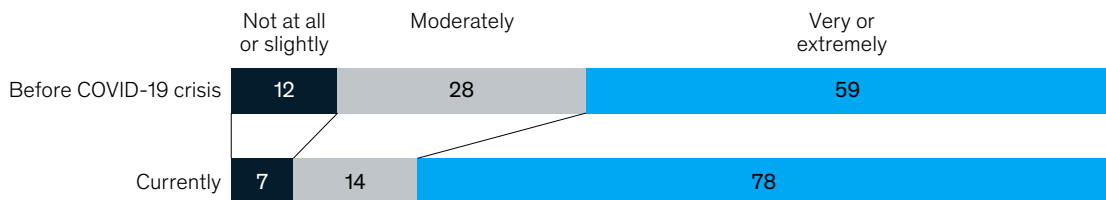
Capability building is more valuable during the pandemic than ever

Across the globe, company leaders[2] report that the value of capability building has increased dramatically since the start of the COVID-19 crisis (Exhibit 1). Nearly 80 percent say that capability building is very or extremely important to their organizations' long-term growth, compared with 59 percent who say that this was true before the pandemic. What's more, about two-thirds say their organizational cultures currently place a high or very high value on learning (Exhibit 2).

Exhibit 1

Capability building is much more important now than before the COVID-19 crisis began.

Importance of capability building to organizations' long-term growth,[1] % of respondents (n = 868)

|	Not at all or slightly	Moderately	Very or extremely
Before COVID-19 crisis	12	28	59
Currently	7	14	78

Note: Figures do not sum to 100%, because of rounding.
[1] Question was asked only of respondents in leadership roles (eg, C-level executives; senior managers; and department, division, and/or business-unit heads) in their organizations.

Exhibit 2

Most companies place a high or very high value on learning.

Level of value placed on learning in organizations' cultures, % of respondents (n = 1,240)

Very low	Low	Moderate	High	Very high
2	6	26	39	28
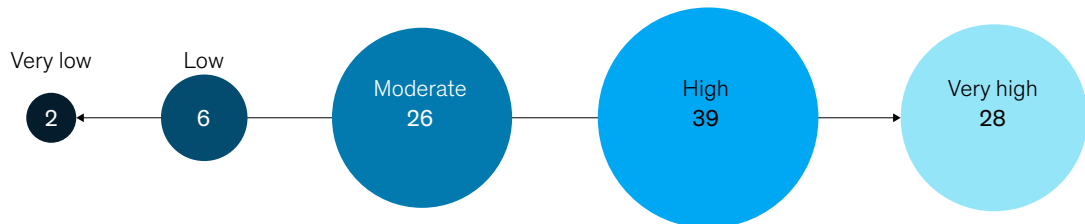
Note: Figures do not sum to 100%, because of rounding.

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[1] The online survey was in the field from August 18 to August 28, 2020, and garnered responses from 1,240 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP. Of them, 868 were in leadership roles in their organizations (for example, C-level executives, senior managers, and department, division, and/or business-unit heads).
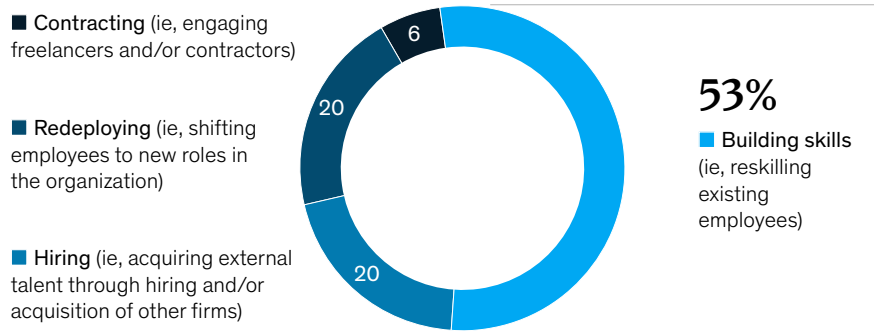[2] Includes C-level executives, senior managers, and department, division, and/or business-unit heads.

Many leaders also report that their companies value reskilling over other ways of addressing capability gaps: in fact, the share of leaders ranking it as the most useful way to close them (53 percent) is larger than the combined share who cite external hiring, redeploying people, *and* hiring contract workers (Exhibit 3).

Exhibit 3

To most leaders, building employee skills is the best way to close their companies' capability gaps.

Most useful actions to close capability gaps in the next year,[1]
% of respondents ranking each action 1st (n = 840)

■ **Contracting** (ie, engaging freelancers and/or contractors)

■ **Redeploying** (ie, shifting employees to new roles in the organization)

■ **Hiring** (ie, acquiring external talent through hiring and/or acquisition of other firms)

6

20

20

53%
■ Building skills (ie, reskilling existing employees)

Note: Figures do not sum to 100%, because of rounding.
[1]Figures were calculated after removing respondents who said "not applicable" or "don't know" (2% of total responses). Question was asked only of respondents in leadership roles (eg, C-level executives; senior managers; and department, division, and/or business-unit heads) in their organizations.

Learning is in high demand, with investments to match

The survey suggests that respondents also ascribe great value to learning in the pandemic. Four in ten say they are spending more time on it than they did before the COVID-19 crisis began (Exhibit 4). Only about one-quarter say they're spending less time and just 2 percent that they have not participated in any learning or skill-building programs at all during this time. Nearly all respondents (92 percent) say they have built capabilities on their own time—mostly informal learning efforts through commercial media. Company leaders, too, are prioritizing learning: 54 percent of them say they have engaged in self-paced learning, compared with 47 percent of all other respondents.

Exhibit 4

Since the pandemic began, respondents tend to spend more time on learning rather than less.

Change in time spent on formal learning and/or skill building since the COVID-19 crisis began,
% of respondents (n = 1,240)

| Less	No change	More
27	32	41

For the most part, respondents say their companies are making investments in learning and capabilities (Exhibit 5). One-third of company leaders report that spending on capability-building efforts has increased since the pandemic began. Forty-one percent report no change—despite the other urgent, evolving priorities so many businesses have had to balance.

And when asked about the capabilities they personally need to develop, leaders and all other respondents agree: leadership and the ability to inspire others, as well as resilience and adaptability, are most important.

Exhibit 5

During the pandemic, most leaders say their companies have either increased their capability-building investments or made no change.

Change in investments in capability building since the COVID-19 crisis began,[1] % of respondents (n = 868)

Significantly reduced — 5

Reduced — 17

No change — 41

Increased — 31

Significantly increased — 3
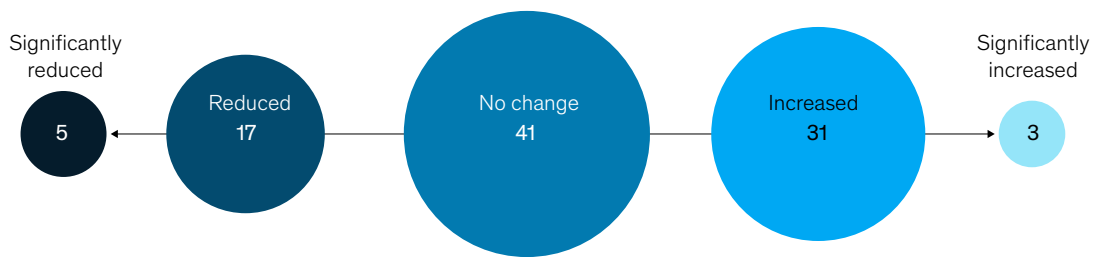
[1]Respondents who answered "don't know" are not shown, so figures do not sum to 100%. Question was asked only of respondents in leadership roles (eg, C-level executives; senior managers; and department, division, and/or business-unit heads) in their organizations.
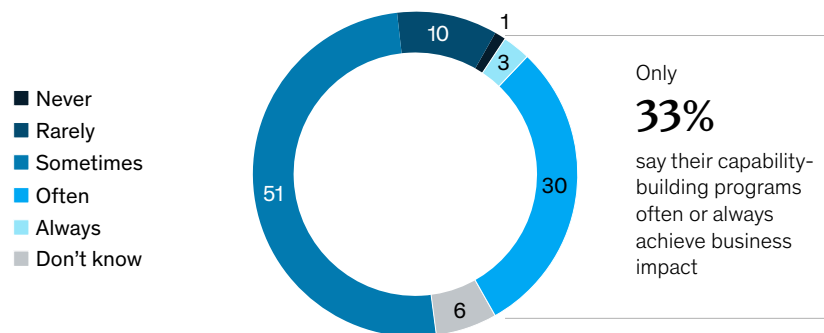
The opportunity at stake for leaders

Still, many leaders say their companies are falling short in their efforts. Just one-third, for example, report that capability-building programs are often or always successful at achieving their objectives and business impact (Exhibit 6).

Exhibit 6

Only one-third of leaders say their capability-building programs achieve business impact.

How often capability-building programs succeed at achieving desired objectives and business impact,[1] % of respondents (n = 868)

- Never
- Rarely
- Sometimes
- Often
- Always
- Don't know

10
1
3
30
6
51

Only **33%** say their capability-building programs often or always achieve business impact

Note: Figures do not sum to 100%, because of rounding.
[1]Question was asked only of respondents in leadership roles (eg, C-level executives; senior managers; and department, division, and/or business-unit heads) in their organizations.

Our results also confirm the idea that senior leaders have a critical part to play in capability building—and room to improve in a few key areas (Exhibit 7). Respondents say that their senior executives support employees' participation in capability-building programs but are less effective at role modeling learning for others.[3] Sixty-five percent of all respondents believe their companies' executives should participate in learning programs either as trainers and facilitators or as learners themselves. Only 52 percent say that their executives play either role now.
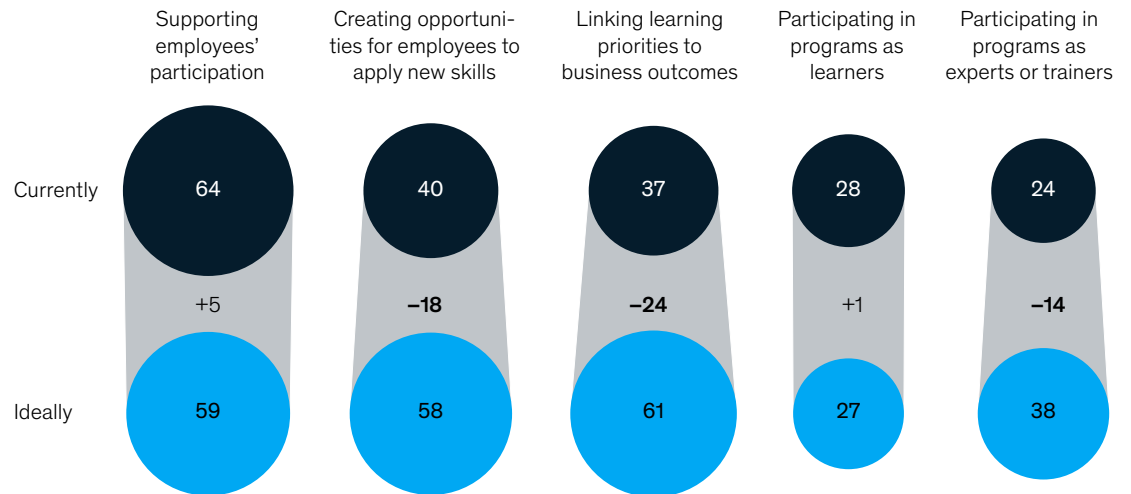
Respondents report that their senior leaders could also do more to demonstrate ownership of learning and capability building so that these become more relevant and applicable to people's work. The survey asked about two ways senior leaders could do so. Thirty-seven percent of respondents say their executives link learning priorities to business outcomes, while 61 percent say that they should. And 40 percent say that senior leaders create opportunities for employees to apply new skills, versus 58 percent who say that they should.

According to the survey, there's an opportunity for better planning as well. Forty-five percent of leaders say their companies don't have a concrete plan for building the organizational capabilities they have prioritized

Exhibit 7

There are several gaps between executives' current roles in capability building and the roles people want them to play.

Roles of senior executives in capability-building programs,[1] % of respondents (n = 1,240)

	Supporting employees' participation	Creating opportunities for employees to apply new skills	Linking learning priorities to business outcomes	Participating in programs as learners	Participating in programs as experts or trainers
Currently	64	40	37	28	24
	+5	−18	−24	+1	−14
Ideally	59	58	61	27	38

[1]Respondents who answered "other" or "don't know" are not shown. Question was asked only of respondents in leadership roles (eg, C-level executives, senior managers, and department, division, and/or business-unit heads) in their organizations.

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[3] Lynda Gratton, David Rock, Joe Voelker, and Tim Welsh, "Redefining the role of the leader in the reskilling era," *McKinsey Quarterly*, December 5, 2019, McKinsey.com.
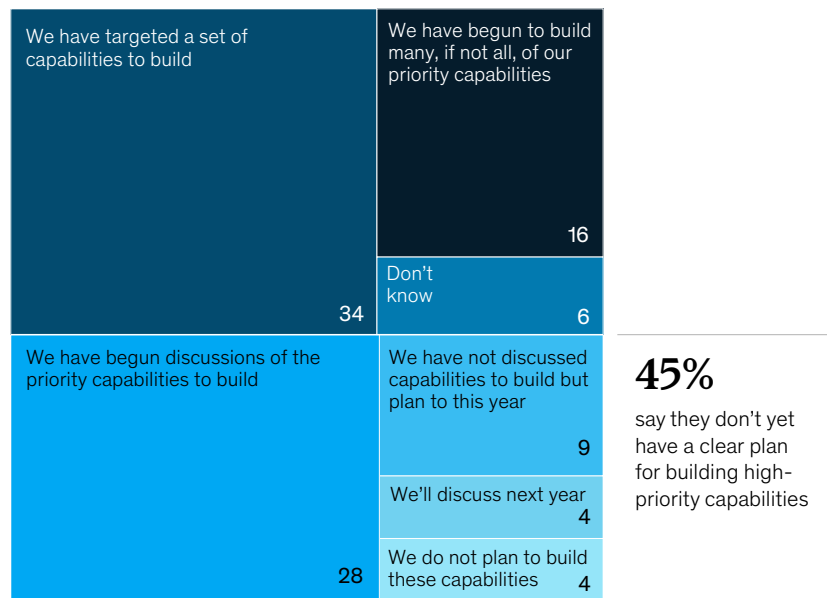
(Exhibit 8). Nearly half of all respondents (49 percent) feel that they don't have enough time to pursue more self-directed learning. Both of these findings may, in practice, reflect a feeling that employees don't have enough opportunities to apply what they learn or that learning is not a company priority or a core component of their own work.

In sum, the survey confirms that capability building is a business imperative and critical to help companies execute their objectives in the future. Yet organizations have many more opportunities to capture business value through capability building, to capitalize on the desire of their employees and leaders to learn, and to prepare today's leaders to guide organizations through an uncertain future.

Exhibit 8

Nearly half of company leaders say they don't yet have a clear plan for building high-priority capabilities.

Organizations' plans to build their priority organizational capabilities,[1] % of respondents (n = 868)

We have targeted a set of capabilities to build
34

We have begun to build many, if not all, of our priority capabilities
16

Don't know
6

We have begun discussions of the priority capabilities to build
28

We have not discussed capabilities to build but plan to this year
9

We'll discuss next year
4

We do not plan to build these capabilities
4

45% say they don't yet have a clear plan for building high-priority capabilities

Note: Figures do not sum to 100%, because of rounding.
[1]Question was asked only of respondents in leadership roles (eg, C-level executives, senior managers, and department, division, and/or business-unit heads) in their organizations.