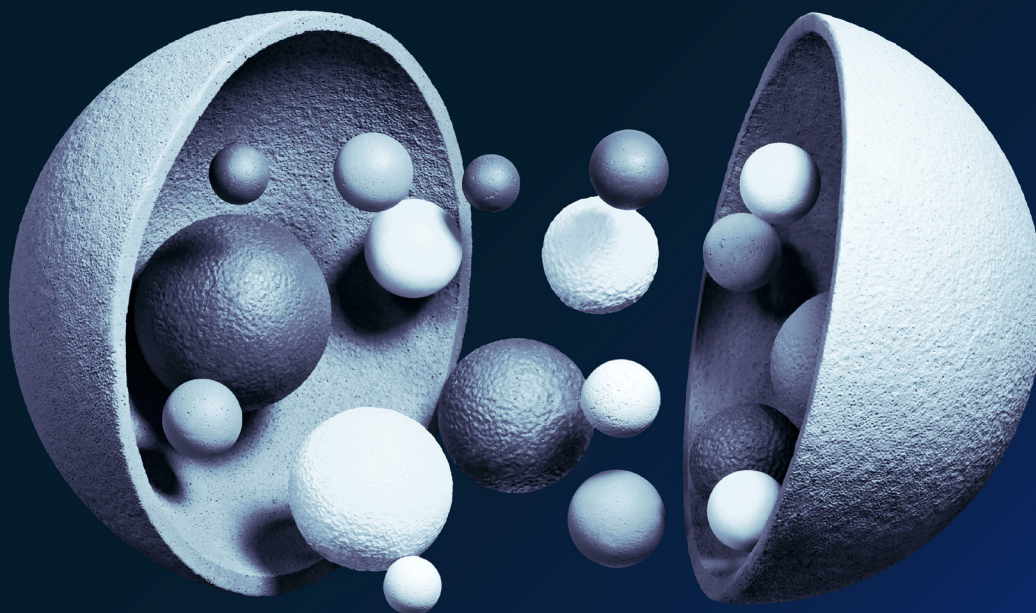


Risk Practice

# COVID-19: Briefing note #66, August 4, 2021

When change accelerates, so does the need to learn.



**Even before the** COVID-19 pandemic, uncertainty was rising. Brexit, trade disputes, and decarbonization were already having a profound impact on many industries and regions. Then the pandemic ushered in an era of shutdowns, hybrid work, and reversals, like the one some regions are experiencing now as variants bring renewed surges in case counts. This week, McKinsey examined the one constant throughout this turbulent era: the need to learn, adapt, and change.

The COVID-19 crisis and subsequent move to hybrid working models accelerated the need for new workforce skills, particularly social, emotional, and advanced cognitive abilities. Fifty-eight percent of respondents to our recent global survey said that closing skills gaps became a higher priority since the pandemic began. That statistic only hints at the need for retraining: research from the McKinsey Global Institute finds that more than 100 million workers in eight large economies may need to switch occupations by 2030. Companies should make a comprehensive inventory of skills across

their organizations, create “skills hubs” for ongoing learning, and build learning ecosystems through partnerships with communities and educators (exhibit).

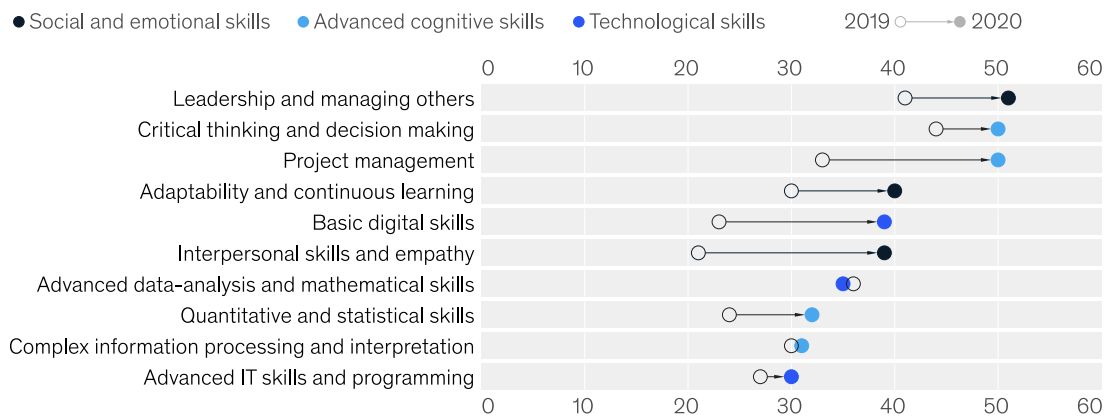
Strengthening more than 100 historically Black colleges and universities (HBCUs) in the United States could increase Black worker incomes by about \$10 billion and boost the economy with \$1.2 billion in incremental business profits, \$300 million in decreased student-loan debt, and \$1 billion in additional consumer expenditures. For some HBCUs, 2020 was their strongest-ever year of fundraising; if this level can be sustained over time, these institutions can continue the critical work they have been doing since 1837.

In this era of accelerated change, adaptability not only can but must be nurtured. Developing the adaptability muscle requires self-care, a focus on purpose, the ability to recognize the default mindset, deeper connections with colleagues, and an environment where it is safe to learn.

Exhibit

## Companies are increasingly focused on developing social, emotional, and advanced cognitive skills.

**Skills that companies have prioritized to address through reskilling,<sup>1</sup> % of respondents**



<sup>1</sup>Out of 25 skills that were offered as answer choices; n = 700.

Large-scale government overhauls are always challenging, but are particularly difficult in times of crisis, when leaders are under pressure to deliver fast results. McKinsey's experience is that dual focus on performance and organizational health leads to the most successful transformations. Two case studies of large US government agencies demonstrate how practices such as setting aspirational goals, creating a transformation office, and accurately assessing progress can lead to meaningful change.

Here are some other key findings from our sector research this week:

- According to the popular “Rule of 40” metric, a software-as-a-service company's growth rate when added to its free cash flow rate should equal 40 percent or higher. McKinsey research finds that barely one-third of software companies achieve this. Our experts analyze the four main approaches of companies that do and suggest ways to emulate them.
- In private equity, making an “add-on” strategy work depends on the successful integration of companies. The pitfalls are many, however, and deals can wither as a result. McKinsey experts suggest best practices for optimal integrations.
- Point-of-sale financing in the United States has grown significantly over the past 24 months. McKinsey provides an overview of the “buy now, pay later” market, details key factors influencing growth, and offers ideas for market entry for banks and partnerships for merchants.
- The rise of autonomous vehicles is shifting demand for automotive chips. McKinsey analyzes the current semiconductor market, which includes some OEMs considering in-house design.

*Our Author Talks series features Michael Useem, a professor at the University of Pennsylvania's Wharton School, where he is also the director of the Center for Leadership and Change Management. He discusses his new book The Edge: How 10 CEOs Learned to Lead—and the Lessons for Us All, which explores the thought processes behind leaders' pivotal choices. Also on Author Talks, Jeffrey E. Garten discusses his book, Three Days at Camp David: How a Secret Meeting in 1971 Transformed the Global Economy. The former dean of the Yale School of Management and undersecretary of commerce in the Clinton administration examines the end of the gold standard and its ramifications for world markets. Our most recent edition of McKinsey for Kids introduces younger audiences to mangrove forests and explains why building a business case for mangroves can help protect Bengal tigers and king cobras. For more perspectives, please see the full collection of our coronavirus-related content, visual insights from our “chart of the day,” a curated collection of our first 100 articles relating to the coronavirus, our suite of tools to help leaders respond to the pandemic, and how our editors choose images that help readers visualize the impact of an invisible threat.*