

Organization Practice

HR says talent is crucial for performance—and the pandemic proves it

Five talent-management practices can help steer organizations through new ways of working and into the post-COVID-19 era.

by Bryan Hancock and Bill Schaninger



To say that chief HR officers (CHROs) are busy in the COVID-19 era would be an understatement. Now, more than ever, they are central to how companies are reimagining their personnel practices to build organizational resilience and drive value.

In the earliest days of the crisis, CHROs kept people safe while fostering connectivity and caring in an intensely stressful time. In planning for and implementing the restart, they have been working to maintain morale and productivity for remote workforces while trying to figure out how and when to get folks back into office settings.

Those responses were to circumstances that no one had ever faced before. Now, though, the COVID-19 crisis is accelerating preexisting trends in five areas of talent management that are part of the CHRO playbook: finding and hiring the right people, learning and growing, managing and rewarding performance, tailoring the employee experience, and optimizing workforce planning and strategy. In

this article, we look at how CHROs can take action in those areas to craft a strong and durable talent strategy for the postpandemic world.

Finding and hiring the right people

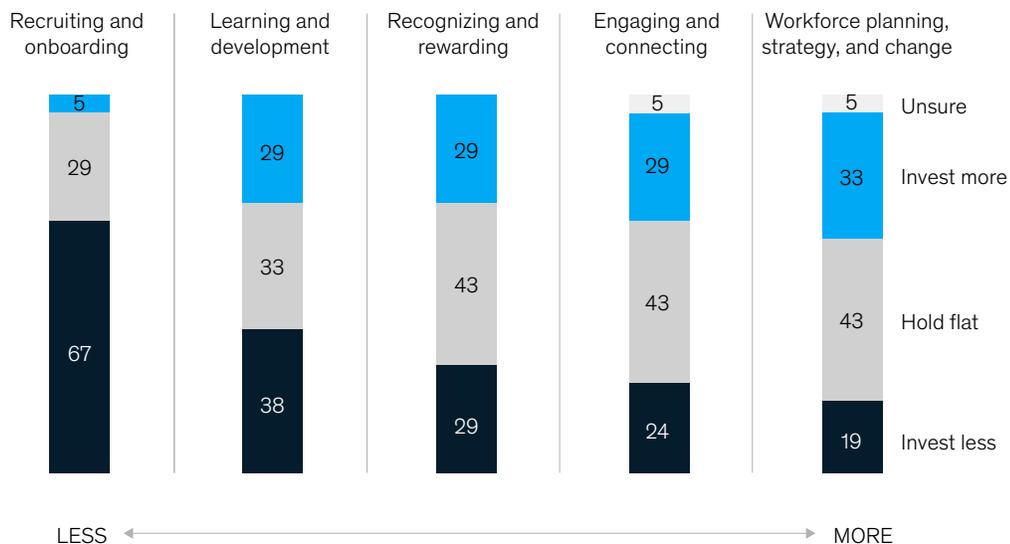
During the COVID-19 crisis, changes in customer demand have caused a temporary spike in hiring in areas such as grocery while leading to massive layoffs in sectors such as hospitality. Even with those shifts and an overall rise in unemployment, efficient and effective hiring will continue to be important—especially for the scarce skills required for the next normal in areas such as IT.

In May 2020, we surveyed more than 190 chief officers and functional leaders across industries to find out how they were thinking about spending allocation in the months ahead. Of those leaders, 67 percent say they anticipate spending less on permanent hiring in the next 12 months (Exhibit 1).

Exhibit 1

Leaders say they anticipate spending less on permanent hiring in the next 12 months.

Expected HR-activity investment for next 12 months, % of respondents¹



¹Question: What are your expectations for how HR will invest over 5 categories in next 12 months? Survey of chief officers and functional leaders across industries; n = 195. Figures may not sum to 100%, because of rounding.

¹ Online Labour Index, Oxford Internet Institute, 2020, labour.oii.ox.ac.uk.

While some of that decline is related to a reduction in labor demand, organizations are also rethinking their hiring processes more broadly. For example, given successful experiments in remote hiring during the COVID-19 crisis, companies are reconsidering the need to go on campus for interviews (which would admittedly be more difficult now, with many colleges and universities planning to use remote learning in the fall). That is an acceleration of a preexisting trend: companies such as Goldman Sachs were using remote interviewing for on-campus hiring before the pandemic. We expect that trend to continue in the postpandemic era.

In addition, temporary labor, which shrank faster than overall jobs did (a 29 percent reduction from February to May, compared with a 13 percent employment drop overall, according to the US Bureau of Labor Statistics), is poised for a faster recovery. Organizations should be ready to use that flexible labor in additional ways.

Of surveyed leaders, 63 percent expect to spend the same amount or more on IT-staff augmentation in the coming months. The number of online freelancers in software and tech jobs has actually increased significantly during the pandemic, according to the Online Labour Index.

Digital skills are still in short supply, and remote working for all employees places remote and online freelancers on a more equal footing with full-time employees. Even in other talent categories, temporary labor usually responds more quickly in a crisis recovery, as employers value flexibility during its early (and uncertain) stages.

Across both permanent and contingent hiring, CHROs should take a fresh look at the range of tools, including assessments and platforms, that are making it easier to connect people to work. There are a large number of up-and-coming organizations in the prehire ecosystem, and innovation is making it easier to connect people to employment based on a deeper understanding of their skills and how those match with available jobs.

Learning and growing

Learning organizations face a tension between continuing cost pressures in a downturn and the need to deliver training to help workers adapt to a changing organization and business environment. That tension was reflected in our survey, which shows that 29 percent of learning and development organizations plan to invest more in the next 12 months and that 38 percent plan to invest less.

Our research on reskilling shows that CHROs need to think about the effects of large workforce transitions being accelerated by the COVID-19 crisis and how reskilling plays a key role in helping close talent gaps while keeping employees connected to jobs. The agenda for postpandemic learning and development extends beyond reskilling, however, to three categories of cost-effective training:

- ***Broad-based digital training in essential skills.*** Many organizations are expanding remote training to address challenges, such as effective leadership of remote teams (a new skill set for most managers) and building personal resilience in difficult circumstances. McKinsey Academy, for instance, has updated its Ability to Execute platform with a COVID-19-related edition that provides a series of training modules on remote working, leadership during a crisis, and executional capabilities that matter.
- ***Focused upskilling rooted in changing work.*** Such forms of upskilling are function and work-group specific and tied to different ways of working. For example, a sales force that is moving from a largely in-person to a hybrid remote model will need to be upskilled in the practices that drive remote success. The right data-driven approach can bolster sales-force performance—and help HR departments draw a direct line from talent to revenue.

According to recent McKinsey research, 77 percent of leaders indicate that retraining salespeople is very or moderately important. To do that, some companies are retraining

field sales reps for inside sales roles, including those that require an increased use of data and analytics and those that provide customers with technical expertise via a website's chat function. In our survey of leaders, IT, marketing, and supply chain were among the most cited areas for specific upskilling. That holds true for HR: 61 percent of respondents believe that upskilling will be very or moderately important in the area (Exhibit 2).

behavior that would be required to keep them moving in a more focused way. Leaders who are working on these skills can spend a small amount of their learning time in formal settings (in classroom, online, or with a coach) and the majority of it working on real project-based business problems (which the COVID-19 crisis naturally provided).

- **Leadership development.** In response to the current crisis, the slow pace of corporate bureaucracy has been replaced by clear goals, focused teams, and rapid decision making. CHROs have a key role to play in making sure that the change sticks. Leadership-development programs can provide support for faster, more agile organizations. In particular, organizations can identify the three to five shifts in leadership

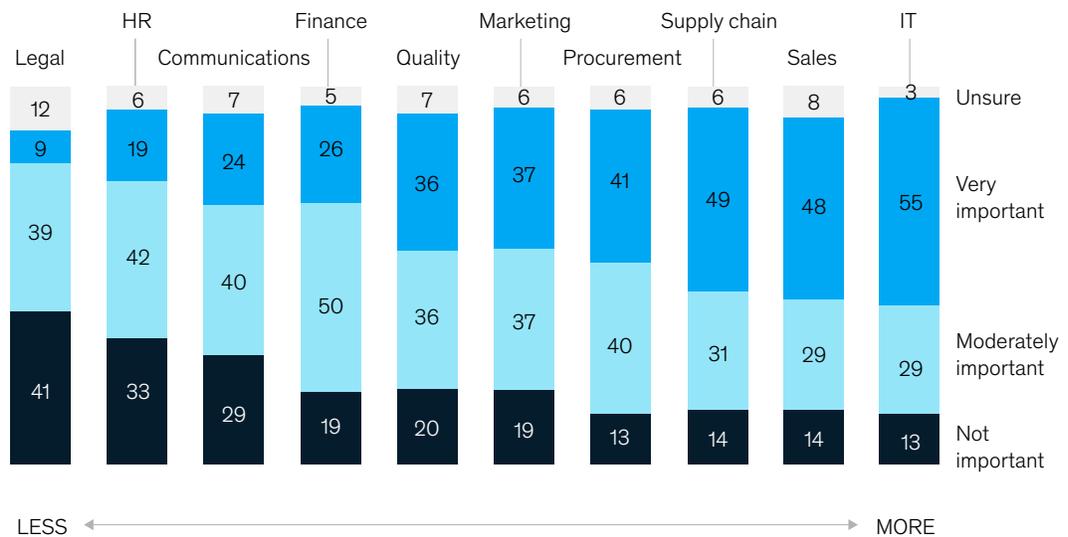
Managing and rewarding performance

The COVID-19 crisis is speeding up needed shifts in how organizations manage and reward performance. As our previous research has shown, the majority of business leaders don't believe that their performance-management system accurately identifies top performers—and the majority of employees don't feel that the performance-management process accurately reflects their contributions.

Exhibit 2

Leaders say reskilling is very important, but they are focusing on certain areas.

Reskilling importance by function, % of respondents¹



¹Question: How important will reskilling employees be in this function? Survey of chief officers and functional leaders across industries; n = 195. Figures may not sum to 100%, because of rounding.

It is important for CHROs to craft a talent strategy that calls out and recognizes the truly distinctive and the truly lagging.

The current crisis has dramatically affected goals and performance plans, with the added wrinkle of making the people who are working remotely even more reliant on performance management to tell them how they are doing. That makes three CHRO actions more relevant now:

- ***Transparently link employee goals to business priorities and maintain a strong element of flexibility.*** Managers should have regular conversations with their employees to set priorities jointly in a changing environment. Annual “set it and forget it” goal setting was already seeing declining relevance among knowledge workers before the pandemic, given the pace of change and need to adapt. And the radical shifting of priorities during the COVID-19 crisis highlights how challenging the annual system has become.
- ***Invest in managers' coaching skills.*** Coaching is the heart of managing performance, which is even more critical when workers are remote. Organizations need to invest in managerial skills—and mindsets—around coaching and feedback as a continuing process.
- ***Keep ratings for the very highest—and lowest—performers but also celebrate the broad range of good performance.*** Instead of investing time and energy in making small differentiations in ratings (and pay) for those in the broad range of good performers, organizations

should be focused more on having robust development conversations.

The COVID-19 crisis has amplified how hard it is to make distinctions “in the middle,” but those distinctions have always been hard to make for knowledge workers. As a result, a movement toward recognizing the broad range of good performance is welcome. At the same time, it is important for CHROs to craft a talent strategy that calls out and recognizes the truly distinctive (to motivate and retain them) and the truly lagging (to boost morale and organizational performance).

Tailoring the employee experience

Employee experience and connectivity have taken on whole new meanings as extended work-from-home policies have required organizations to be intentional about building each. In blunt terms, work can't be another source of anxiety or uncertainty for employees right now. They have more than enough going on.

The blurring of the line between work and life while working remotely means that employee experience is even more critical. For virtual workers, there's no commute to the office, no coffee- or snack-room chat, and no in-person gathering after work. Tethered video (or phone) interactions during the course of the work day are going to make it or break it for most people.

One way to handle employee experience in a remote environment is to tailor the approach to individuals or segments of people. Our research shows that experiences vary widely. That is also true for the hybrid work environment, with some employees back in the office and others remaining at home.

CHROs will need to help establish norms of working that foster engagement and inclusion for all employees. There is no one-size-fits-all solution. The answer, different for every organization, will be based on what talent is needed, which roles are most important, how much collaboration is necessary for excellence, and where offices are located today, among other factors (Exhibit 3).

HR departments should also consider the range of analytics tools they can use to understand and

promote connectivity and engagement. From using social-network analyses to map interactions and prompt needed connectivity to using listening tools (such as mobile text platforms) to gather and analyze employee sentiment, organizations must be thoughtful about how they track and comprehend employee well-being—beyond an annual engagement survey.

Optimizing workforce planning and strategy

Given the shifts in how value is being created in the post-COVID-19 world (for instance, the shift to contactless experience in grocery, retail, and restaurants and the change from in-person sales meetings to remote sales calls), the talent base required to deliver that value may need to shift as

Exhibit 3

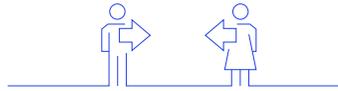
HR is central to helping people across an organization adapt to new roles.

Communicating change in a remote workplace



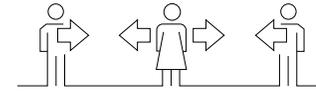
Individual contributors

- Understanding of and comfort in using virtual meeting platforms (eg, Zoom)
- Adaptation to role-specific components of virtual work (eg, a sales rep used to in-person visits to clients learns how to use other avenues to communicate)
- Establishment of comfortable working environments (eg, setting up personal preferences for work hours, creating physical environment comfortable to work in)



Managers

- Effective leadership of virtual teams through various platforms in lieu of in-person meetings
- Strong 2-way communication skills—clear communication to teams and clear channels for teams to communicate with managers
- Flexibility and willingness to adapt to team-member needs in context of virtual work
- Role modeling of new norms and policies of new working environments



Senior executives

- Clear communication with remote and in-person colleagues on changes in working models
- Promotion of cohesion and unified culture, even while workforces may have in-person and remote components
- Facilitation of regular virtual gatherings and town halls to recognize individual and team contributions

well. As such, it is natural that workforce planning, strategy, and change is the category of HR spending that survey respondents cite as the most likely to increase over the next 12 months, with 76 percent reporting that they will spend the same or more. There are three important components of workforce planning and strategy:

- **Critical roles.** Our research suggests that a small subset of roles (less than 50) is disproportionately important to delivering a business-value agenda. For each of those roles, it is critical to identify the core jobs to be done, the qualities needed of the leaders, and whether the role is set up for success. Given the shifts in the value agenda during the pandemic, it is important that organizations reassess the roles that are most critical in the current stage of the crisis (for example, new product development and innovation) and in the recovery.
- **Skill pools.** In addition to individual roles, organizations should look at their major skill pools (for instance, digital coders) to understand the skills required for the future and whether they are long or short on the required talent. That means embracing a more expansive and dynamic view of their talent supplies—one that tosses out the usual preoccupation with titles and traditional roles, looking instead at the underlying skills that people have. Indeed, we find that when companies start with skills (the ones they need, the ones they have, and how the mix may change over time), they can free up their thinking and find more creative ways to handle the mismatches.

- **Talent systems.** CHROs now have more workforce-planning tools to help them match people to jobs. Artificial-intelligence-enabled tools can help assess an individual's skills, and performance-management systems can be realigned to track skills alongside performance. Longer term, interoperable learning records can serve as skills transcripts that track the skills employees develop across educational institutions and employers.

In an example of matching talent to jobs, Talent Exchange, an online job marketplace powered by Eightfold AI, was launched in April 2020 to help people who are out of work during the COVID-19 crisis find the right employment. Based on an understanding of skills across an organization (and beyond), “smart slates” can be developed for critical roles, agile teams can be staffed dynamically based on matching skills, and redeployment opportunities can meet talent gaps while preventing layoffs. Such tools, in the early stages of deployment now, will become increasingly critical for CHROs and other leaders as they meet the challenges ahead.

The COVID-19 pandemic has imposed a tremendous cost on people's lives and livelihoods, and it has forced businesses to adjust rapidly to survive. We have seen “HR's finest hour” in managing the radical shifts facing workforces during the pandemic, and we are excited to see how CHROs reimagine core talent practices during the recovery—and beyond.

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