McKinsey & Company

Financial Services Practice

Shaping and safeguarding the banking workforce after COVID-19

Banks can respond to this moment and reshape their workforce norms and culture to come out stronger than before.

by Indy Banerjee, Raelyn Jacobson, Alexis Krivkovich, Giorgio Libotte, and Ishanaa Rambachan

April 2020

Financial leaders today face a pivotal moment. Most responded to the COVID-19 pandemic without the luxury of time to consider implications on longer-term sustainability. Leaders now face operational and organizational decisions with profound implications for more than six million Americans who were employed in the finance and insurance sectors prior to the outbreak—and for society at large.[1] The choices they make today will define the industry's approach for years to come, with a generational impact on how it cares for its workforce.

The focus to date has been to provide essential services with sufficient attention to quality, customer experience, and risk control, all while caring for employees. These objectives are already interacting in nonobvious ways. For example, maintaining or reopening branch locations requires balancing uncertain disease propagation with customer needs. Ensuring high-quality service to customers in distress can press against the psychological well-being of even remote employees, especially contact-center staff. Working at home can complicate performance management. And losing the workplace as a great equalizer of employees of differing backgrounds also exposes underlying inequalities, raising questions on how to handle equity and fairness. The potential for significant additional change remains, happening rapidly and in unpredictable ways depending on factors like disease trajectory, government and regulatory moves, and the economy.

Given the dynamic, varied, and ongoing nature of the crisis, traditional HR decision making and support needs to be directly connected to all planning efforts. CEO and board-level commitment to the role of HR in navigating the crisis must remain firm. Success requires a working model that intimately links workforce-management processes to broader operational decision making, for both immediate implementation and emerging from the crisis. HR should be a strategic partner in the "nerve center" crisis-response team (which nearly all financial institutions established weeks ago[2]) and also any "plan-ahead team"[3] working to get ahead of the crisis. This will enable the workforce and HR to adjust to potential changes in environment, across various time horizons and geographies, and down to the most granular levels of city and even building, floor, and individual employees.

We expect four types of actions will help financial institutions best respond to the workforce challenges ahead. Companies should commit to their principles on employee well-being, introduce ways of working that will endure beyond the crisis, re-imagine performance management and incentives, and maintain cultural hallmarks threatened by the pandemic.

Commit to guiding principles on employee well-being

As banks begin to distill what lessons they can from their initial response to the COVID-19 crisis, they will also begin reshaping their business model and operations. The tremendous uncertainty that remains about the months and years ahead will continue to strain both the physical and psychological well-being of bank employees. Bank leaders will face sharp choices reflecting their commitment to any number of guiding principles. Principles may include the following:

Put health and safety first. Most important, banks should continue to take the stance of prioritizing employee well-being. Companies will need to energize campaigns on physical and mental health at a level of intensity that very few have matched before. This includes, for example, wellness check-ins and virtual mental-health gatherings with experts or even expanded healthcare coverage.

Apply care more broadly than ever, beyond your immediate employees. Banks are considering extending support beyond individual employees to the full ecosystem, including employees' families and contractors in the workforce. This might include, for example, expanding mental-health benefits to help with COVID-19-induced stress or job-placement programs for significant others

1 "Industries at a glance," US Bureau of Labor Statistics, bls.gov.
2 Mihir Mysore and Ophelia Usher, "Responding to coronavirus: The minimum viable nerve center," March 2020, McKinsey.com.
3 Yuval Atsmon, Chris Bradley, Martin Hirt, Mihir Mysore, Nicholas Northcote, Sven Smit, and Robert Uhlaner, "Getting ahead of the next stage of the coronavirus crisis," April 2020, McKinsey.com.

who are now unemployed. Moreover, in this context the too-often ill-defined scope of corporate social responsibility can be sharpened to invest in communities that are important to employees.

Engage with radical empathy. A number of institutions are finding innovative ways for team members to communicate directly with their leaders. For example, some are using "pulse" surveys (short, quick, two- to three-question surveys pushed to an employee's work phone) for colleagues to easily share how they're feeling. Others have set up a rhythm by which a member of the senior management or operating team speaks to each employee and team individually.

Provide complete transparency. Banks can minimize anxiety and uncertainty within the organization by candidly communicating which workforce decisions have been made and which are still up in the air. Bank leaders will need to be transparent while remaining cautious about making workforce decisions and by avoiding outright promises that might be difficult to keep down the road.

Balance consistency and equity. Despite its biases and challenges, the physical workspace was a great equalizer for workers who would come together to work in the same building or office. By compelling workers to stay in their own homes, the crisis has removed that equalizer—and created a whole new set of disparities. Employees of different age and ability groups are susceptible to the disease in different ways. And many have different care burdens and levels of stability at home. Companies are faced with this challenge: What benefits and considerations should be offered to all employees and what can be offered to particular groups within the scope of the law?

Hold firm on your commitment to diversity and inclusion. The crisis is magnifying traditional disparities that companies have long struggled to address. We know that among financial institutions the representation of women and minorities decreases at each higher level of tenure, with employees of color particularly affected—they have the lowest promotion rates to leadership positions. As leaders address COVID-19 response strategies, they must ensure that diversity and inclusion efforts are not put at risk. Changed approaches to recruiting, furloughs, and layoffs could disproportionately affect minorities, who are more likely to hold contingent positions.[4] Continued efforts by banks to accelerate advancement for minorities and other diverse groups may be unintentionally limited by promotion freezes. Some banks are exploring special outreach to vulnerable groups or explicitly incorporating diversity into agile COVID-19 response teams.

As the industry adjusts to tectonic shifts in the economic landscape around it, many leaders are finding that existing performance-management and incentive structures are no longer useful or appropriate.

[4] Karen Kosanovich, "A look at contingent workers," US Bureau of Labor Statistics, September 2018, bls.gov. For additional information, please see Jess Huang, Alexis Krivkovich, Irina Starikova, Lareina Yee, and Delia Zanoschi, "Women in the Workplace 2019," October 2019, McKinsey.com.

Introduce agile ways of working that will last beyond the crisis

Banks encountered a triple initial shock of COVID-19: health and safety concerns for employees, massive changes in demand, and rapid and often total lockdowns across their global operating and technology footprints. As they move beyond and recover from immediate concerns, they are learning from the crisis. They're making choices that will fundamentally reshape their ways of working and organizing. And they're responding to the COVID-19 era's tremendous fluctuations and uncertainties beyond. Some of the choices will include the following:

Planning. Workforce demand in the wake of COVID-19 is a tale of rapidly shifting priorities. Given the changing nature of demand, employees' staggered return to work, and variability across geographies, banks will need more than ever to map evolving demands for both current and future needs—with a clear view of prioritization every 30, 60, and 90 days. Potential processes that will require more support include responses to government support programs, in particular for small businesses; safeguarding financial operations to protect against cybersecurity risk and fraud; deposit taking; lending and loan servicing and modifications; and active monitoring and measurement to identify clients who are most vulnerable to primary and secondary effects of outbreak. These must be balanced with an eye to future workforce needs as scenarios that once seemed likely five to ten years in the future may be accelerated due to rapid digital adoption and work-from-home models.

Resilience of delivery. The most resilient managers are likely to be those who best match changing demand and delivery capability with availability, reprioritizing human capital as appropriate. In retail banking, they might continue to staff the handling of fraud charges while steering customers to check account balances online or through automated phone services. Some commercial and investment banks, for example, have set up internal gig economies with online portals that list specific timebound projects for which employees can sign up. Retail banks have begun to adjust their global footprint, selectively rebalancing sensitive customer-facing work. Many are leveraging work-from-home options, both onshore and globally, for less sensitive work. Some are also introducing a variety of workforce options, from staggered shifts to a different mix of full- and part-time positions to work schedules set up according to daily demand.

Training. Workforces are being asked to engage differently with customers and respond to new shifts in customer demand, especially heightened expectations for paperless servicing and remote advisory. Talent remains the biggest asset and source of capital for all institutions, and the challenge many are facing is how to quickly skill their team members to meet this demand in a contactless environment. Financial institutions are quickly exploring a number of options, including microskilling, upskilling, reskilling, and hiring new talent (Exhibit 1).

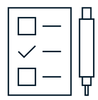
Ways of working. Financial institutions are also now adopting more agile approaches to working teams, including organizing around customer journeys. These approaches are essential to survive in the short term and their continued adoption may improve performance in the future (Exhibit 2).

Reconsidering structure. As financial institutions begin to return to work, many are considering how their structures might be reorganized to foster greater agility and scalability.

Hierarchy and complexity were already perennial pain points for incumbents challenged by more nimble digital disruptors. The COVID-19 crisis has compelled banks to quickly convert a traditional in-person working model to one that is largely remote, with a distributed leadership and far more digitally enabled teams. Locking that into a more permanent state will require a wholesale reimagining and streamlining of traditionally matrixed team structures to enable faster action. For some, this might include radically flattening the organizational structure to empower teams and rewiring decision making for speed.

Exhibit 1

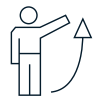
Financial institutions are reshaping the workforce to address shifts in customer demand.



Microskilling

Expand employees' skill sets without fundamentally changing the nature of roles

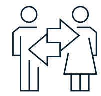
Example: Retask branch personnel to perform specific high-demand activities, such as small business association activities



Upskilling

Expand the nature of existing roles to encompass new skills and activities that will become part of the "next normal"

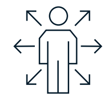
Example: Broaden abilities of CIB[1] trading teams to manage remote teams across a deal flow on a virtual trading floor



Reskilling

Retrain employees on all skills necessary for a new role in response to environmental and strategic shifts

Example: Train relationship managers in CIB to serve as workout specialists



Hiring new talent

Hire large pools of talent with the required skills to meet spikes in demand

Example: Expand hiring in roles with remote-work opportunities where demand has peaked, such as call centers or mortgage lending and operations

[1] Corporate and investment banking.

Several banks are already actively exploring changes to their global network from updating their location strategy and real-estate footprint to rethinking how they leverage their global capability centers and reexamining their provider relationships. More than half of North American banks have a significant workforce presence in other countries. Combined, they have more than 1,000 operations and technology centers outside the United States, representing more than 10 percent of the total workforce. Most of these centers are under significant restrictions as of this writing.

As the fallout from the crisis continues, financial institutions are working with near-shore, global-shore, and home-shore employees to ensure workforce resiliency and continuity of client and employee experiences. This includes reassigning delivery units to meet peaks and troughs in demand, adjusting to the limitations in one geography over another, and filling in as health issues and government responses affect different regions. To make this work for the long term, financial institutions will need to support overseas business process outsourcing partners in adapting to remote work by helping them to develop work-from-home options in low-infrastructure areas, for example, or creating hybrid delivery models where global capability centers (GCCs) and contractors work together.

Reimagine and adapt performance management and incentives

As the industry adjusts to tectonic shifts in the economic landscape around it, many leaders are finding that existing performance-management and incentive structures are no longer useful or appropriate. Reimagining may be essential, given emerging challenges in the workforce, rapid customer-demand shifts (whether a net decrease or growth in new products), and broad uncertainty in the overall forecast. Employee circumstances have changed rapidly, as have many daily job functions, rendering employees' former job expectations and goals irrelevant.

Across industries, companies have already canceled or abbreviated this cycle's reviews to alleviate stress and have restructured bonus packages for executives. As financial institutions reevaluate their structures, leaders will have to be particularly cautious given strong regulatory scrutiny of the industry. Many are already taking steps to ensure that new incentives do not unintentionally promote bad behavior or unethical sales practices (Exhibit 3). This is particularly important in light of the sales practices and trading scrutiny a number of financial institutions faced in recent years.

Exhibit 2

Financial institutions are adopting more agile ways of working.

Small, cross-functional teaming

- Teams of no more than 5-10 people are given a high degree of autonomy
- Could include new product-development teams to meet spikes in customer demand, teams in business-continuity operations, or teams to map risks in quickly established business processes, such as new digital transactions

Reinforced accountability

- Teams operate with clear objectives and key results and are given high degree of autonomy in decision making
- Leaders communicate who is responsible for what, especially critical in matrixed structure within financial institutions
- Teams lead with outputs rather than inputs

Focus on high-quality interactions

- Financial institutions are establishing a clear cadence of meetings that replicate in-person sessions
- Leaders are communicating priorities through a single digital source of truth, such as visual dashboards

Maintain culture in a time of rapid change

Cultural hallmarks are threatened by the COVID-19 crisis, in particular, traits financial institutions have worked hard in recent years to instill. These include credible challenge, information sharing across product lines and between lines of defense, and role clarity with accountability. A distributed, remote-working model makes reinforcing these more difficult. Leaders need to proactively pressure test that critical elements of the bank culture remain strong, including whether escalation pathways (where issues and risks are brought to leadership attention) are working, if product and lines of defense (such as business, risk, and audit) are communicating effectively and ensuring clear ownership.

At the same time, it is an important moment to reinforce culture. Financial institutions that have traditionally struggled with prioritization, decision making, or even limiting the number and diversity of attendees in meetings may now be able to embrace approaches adopted in the crisis as a new norm. Some banks are also using this moment to reemphasize the role of community and family as a pillar of culture—introducing virtual take-your-kids-to-work day, holding virtual team events, or beginning daily huddles with stories of the dinner table the night before.

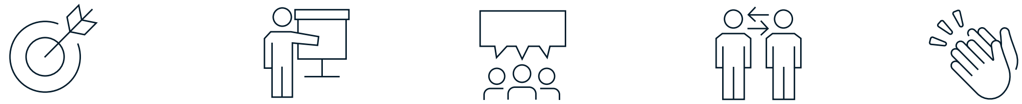
Even more broadly, banks can strengthen their sense of purpose as they fulfill a social mission that supports households and businesses with access to credit and reclaim the bank's employee value proposition.[5] Several banks have launched humanitarian funds to provide grants for small businesses or donate medical supplies.

Leaders must play a central role in determining how successful their organizations are at adjusting to the immediate fallout of the COVID-19 crisis. The uncertainty and long-term nature of the

[5] Kevin Buehler, Olivia Conjeaud, Vito Giudici, Hamid Samandari, Lorenzo Serino, Marco Vettori, Laura Webanck, and Olivia White, "Leadership in the time of coronavirus: COVID-19 response and implications for banks," March 2020, McKinsey.com.

Exhibit 3

Financial institutions are reimagining performance management to ensure good behavior.



Simplifying targets

Breaking down larger projects/goals, such as deal flow in CIB,[1] into smaller weekly, monthly milestones and adjusting them on a monthly basis to keep them aligned with shifting objectives

Communicating actively

Overcommunicating targets in shared visual dashboards to ensure clarity in a virtual distributed environment

Incorporating broad input

Soliciting wider input for performance reviews, going beyond direct managers to seek 360 feedback—both from temporary team leads and even digital sources

Considering qualitative input

Considering qualitative metrics to inform reviews for the immediate cycle and emphasizing development

Supporting morale

Reinforcing engagement by building in thoughtful opportunities for growth and actively celebrating performance in non-financial ways, such as team recognition or awards or elevation to special projects

[1] Corporate and investment banking.

COVID-19 crisis will likely trigger further unanticipated workforce transformations that will reshape aspects of the future of workforces with permanent effects.

As banks transition to that next normal, they will require a new model of leadership. Leaders will need to actively create links in a distributed network and connect the necessary people to solve problems together. They'll also need to engage frequently to understand roadblocks and adopt more radical transparency with honest communication about their experience—and about the level of uncertainty that they and the organization face.

The question for all leaders will be how to adapt and learn from the plethora of innovations and experiments applied to ways of working and identify which innovations, if adopted, might provide substantial uplift to their teams and customers.

Indy Banerjee is a partner in McKinsey's Bengaluru office; **Raelyn Jacobson** is an associate partner in the Seattle office; **Alexis Krivkovich** is a senior partner in the San Francisco office, where **Ishanaa Rambachan** is a partner; and **Giorgio Libotte** is a partner in the Milan office.

The authors wish to to thank Raphael Bick, Alex Camp, Leorizio D'Aversa, Aaron De Smet, Ian Power, and Olivia White for their contributions to this article.

Designed by Global Editorial Services