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Liz McNally



Daniel Pacthod



Michael Park

*The Next Normal* | Video transcript

# Capability building in 2030

Four McKinsey leaders—Jon Garcia, Liz McNally, Daniel Pacthod, and Michael Park—describe the ways in which capability building could evolve in the next decade.

## Tech-enabled and personalized

**Michael Park:** I think the era of event-based capability building is over. We have to move from, “Let’s get everybody into a room and let’s do a snazzy workshop.” We need to now move to a model where we’re using technology, remote learning, more microlearning than event-based learning, and more simulations that truly immerse the learner as they do their job versus as a separate action.

**Daniel Pacthod:** Some of us love to go to the gym, and we go to the gym a few times a week. It’s going to be the same mindset for capability building: there won’t be a day or a week where you won’t have time set aside to invest in yourself, in becoming a better leader. Technology will enable us to do this. For example, if you’re an operations person and you want to learn the future of Industry 4.0, instead of flying all the way to see a plant, you’ll have AR/VR [augmented/virtual reality] technology that will help you do virtual visits.

**Michael Park:** I also think that with data analytics, we’ll be able to get a lot more precise around the capabilities we’re trying to build. And so the courses and the capability-building workshops are going to feel a lot more tailored to the person, a lot more captivating to the audience, and a lot more effective as a result.

## What leaders should do

**Liz McNally:** Senior leaders in the organization must role model the importance of capability building through telling personal anecdotes, walking the walk, and going to capability-building programs themselves.

**Daniel Pacthod:** A leader has to open up, has to disclose, has to share how they are evolving their personal leadership style and their personal operating model. When that happens, they create a culture of continuous improvement around leadership.

**Jon Garcia:** Of course, capability building is an evergreen process. You're never done. It's about constant reinforcement and constant application of the new skill, so that it's not just something that's understood in the mind of an employee, but it actually manifests itself in their behavior. So creating opportunities for reinforcement and application, and ensuring that your employees understand that it's all about bringing the skill to their day-to-day jobs—that's one of the most important things leaders can do.

## Capability building as a strategic advantage

**Liz McNally:** One of the most important things an organization should do is understand the role between capability building and business value.

**Michael Park:** What's the percentage of revenues you're plowing back into your workforce? That's something I think we'll see in the next decade: people getting a lot more attuned to their capability-building investment. When you're talking about the war for talent, when you talk about talent being a differentiator for companies and their performance, what's the amount of money you're putting into people? What's the effectiveness you're getting out of that? The investment includes capability building in resilience and adaptability, topical training, executive coaching, and a whole swath of things that makes your workforce a lot more effective.

**Liz McNally:** Capability building and learning should be a CEO-agenda-level item—a CEO- and board-level item, honestly. And they shouldn't just think about it for themselves and their peers but think about it all the way down to the frontline employee: What capabilities are going to be absolutely critical as a competitive differentiator for our organization going forward? And then build a plan to address them.

**Jon Garcia:** Developing talent is job one for every leader in an organization. If there were one thing that I would recommend to all executives in this time of great external challenges, it would be to own the capability-building agenda in your organization. Own that aspect of leadership yourself, because I think it really will define the difference between winners and losers.

**Jon Garcia** is a senior partner in McKinsey's Washington, DC, office; **Liz McNally** is a partner in the New York office, where **Daniel Pachtod** and **Michael Park** are both senior partners.

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