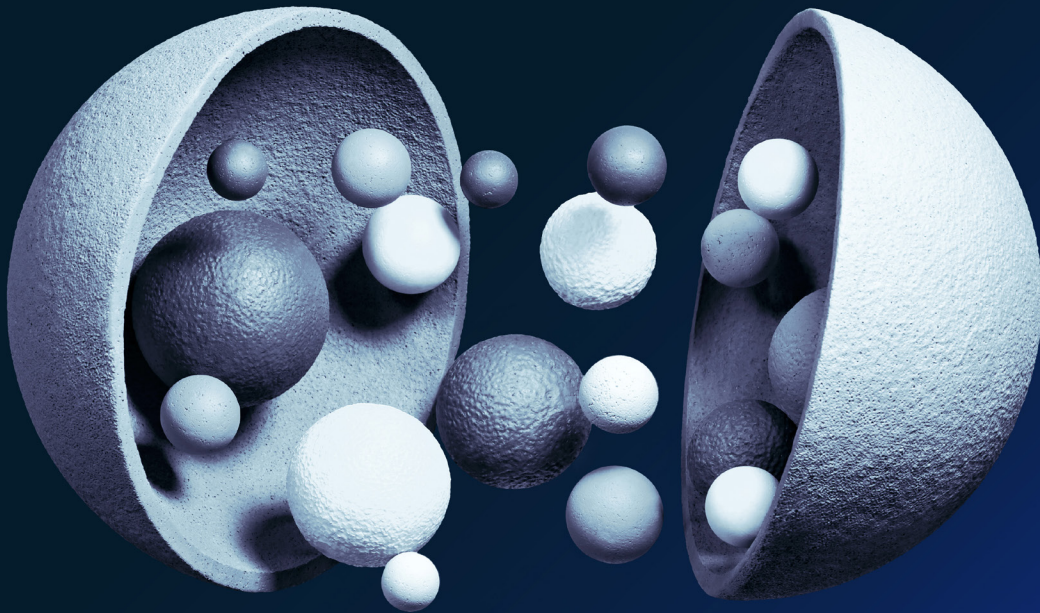# McKinsey & Company

Risk Practice

COVID-19: Briefing note #63, July 14, 2021

The future of work is far from settled.

The COVID-19 pandemic ushered in the opportunity to rethink how we work. It's a sea change that occurs less than once in a generation and has the potential to reshape society in countless ways. This week, McKinsey examined the need for humility as leaders, organizations, and employees grapple with learning best practices, testing solutions, and admitting that nobody has all the answers in hand.

Companies risk alienating their employees—and even losing them—if they refuse to acknowledge the disconnect between how employers and their workers see the future. Employers want to reestablish normality by bringing workers back to the office; employees want far more work-from-home (exhibit). For employers, the risks are high: recent surveys found that 40 percent of workers globally are considering leaving their current

employers by the end of the year. Companies must acknowledge that figuring out a hybrid working model will be a long-term project and require a significant period of testing and learning.

Research with more than 500 senior executives across eight industries helped McKinsey identify key things companies should do to create a robust and productive operating model for hybrid work. Companies that increased performance throughout the pandemic invested more time crafting clear goals and clarifying strategy; empowered small, cross-silo teams to make decisions; spent more time on coaching and recognition; and adopted new collaboration technologies. Going back to the office isn't a silver bullet, especially in light of weary and stressed workforces. Instead, companies need to build muscle in these key areas in order to make a return to the workplace successful.

Exhibit

Most C-suite executives report believing that the primary center for work will be the office, while most employees report preferring a more flexible working model in the future.

Average share of workdays in office reported before and expected after COVID-19 pandemic, % of C-suite respondents (n = 504)
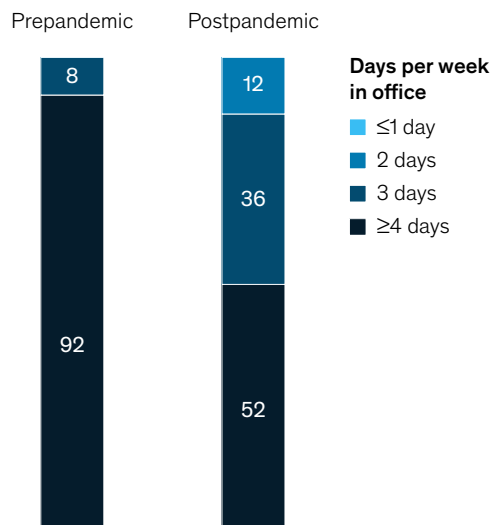
Working model before COVID-19 pandemic and desired working model after COVID-19 pandemic, % of employee respondents (n = 5,043)
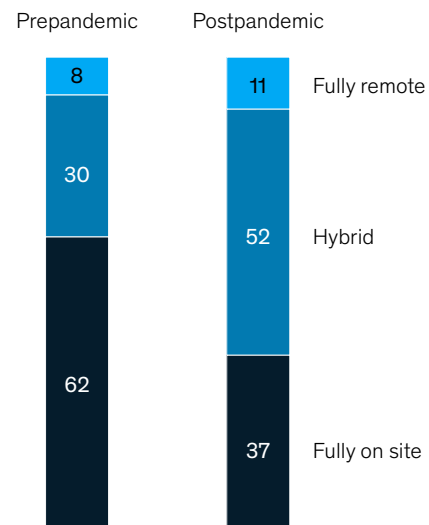
Source: McKinsey CxO Survey on Return to Workplace, May 2021; McKinsey Reimagine Work: Employee Survey, January 2021

Since the start of the pandemic, 42 percent of employees globally have reported a decline in mental health. Mental-health conditions cause absenteeism, presenteeism, and approximately $1 trillion worth of lost productivity a year, according to the World Health Organization. The good news is that a meta-analysis shows that for every dollar companies spent on wellness programs, their healthcare costs fell by approximately $3.27 and their absenteeism costs by about $2.73. McKinsey identified six main types of digital offerings that could be helpful for companies implementing an employee well-being strategy. These include mindfulness tools, data-collection wearables, meditation and hypnosis apps, and virtual mental-health services.

Forward-thinking retail companies are creating thoughtful guidelines for hybrid work, training employees to bounce back from burnout, and proactively reskilling their workforces. On the *McKinsey on Consumer and Retail* podcast, partners Bryan Hancock and Ashish Kothari discuss retail companies that need to add new skills because of the sectors' mass pivot to omnichannel during the pandemic. They share examples of companies that have replaced some work with automation and then redirected employees' time and energy to new tasks that can grow the business.

Chairman and CEO of State Street Corporation Ron O'Hanley oversees one of the oldest American financial institutions, with $38.0 trillion in assets under custody and administration, and $3.5 trillion in assets under management. On the *Inside the Strategy Room* podcast, he talks about his view of taking a stand on environmental, social, and corporate governance issues as part of mitigating investment risk. Remote work has made it harder to give employees opportunities for apprenticeship, slowed innovation, and created mental-health risks. Communicating to employees how values play into the big picture helps reestablish bonds.

Other key findings from our sector research this week:

— Seth Moore, former chief strategy and analytics officer of online retailer Overstock.com, who is now a senior adviser to McKinsey, clears up several misconceptions about dynamic pricing in a retail context. It's not about changing prices frequently, nor is it a blend of art and science. It's plain old science, whereby an algorithm can increase the rate at which a retailer makes good pricing decisions. Personalizing prices for customers is a delicate matter; the best strategy is to offer "just for you" discounts that make a shopper feel like they won something.

— McKinsey's analysis of 54 markets around the world found that over half of all postal carriers are well positioned to enter the financial-services market. If postal executives can leverage their existing distribution networks to provide financial services, their companies could become a more integral part of their customers' everyday lives and create enduring business models.

Our Author Talks *series features Shankar Vedantam, host of NPR's* Hidden Brain *podcast, about his book* Useful Delusions: The Power and Paradox of the Self-Deceiving Brain *(W. W. Norton, March 2021), coauthored with Bill Mesler. No one likes the idea of being duped, but our ability to persuade ourselves enables bonds and passions that logic would rule out. 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.*