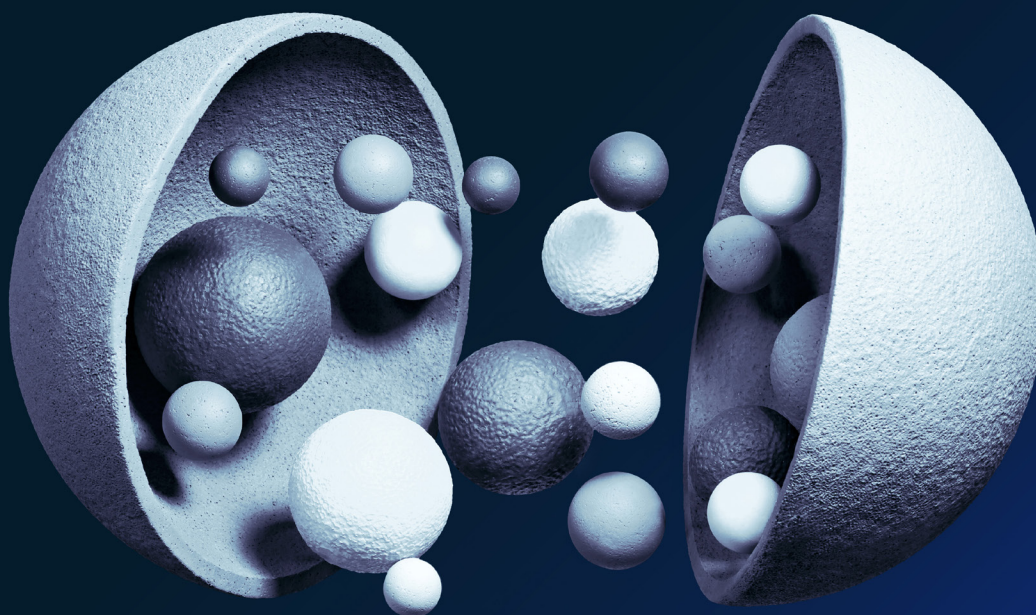


Risk Practice

COVID-19: Briefing note #71, September 8, 2021

What will be the top priorities in the next normal?



As companies and industries plan for life after the COVID-19 pandemic, one of the trickiest tasks will be to identify a new set of priorities. Throughout this crisis, coping and keeping up with the ever-shifting situation have taken precedence. But a contagious virus will not always be the top concern for organizations, and other urgent issues, including sustainability, cloud computing, and competition for talent, will require top-of-mind focus. This week, McKinsey examined how leaders can identify and address what matters most in the postpandemic world.

In the wake of COVID-19, a top priority for many companies has been to address talent questions, including how to optimize hybrid teams, attract and retain workers with needed capabilities, and make the most of scarce skills. Forward-looking organizations are choosing flow-to-work operating models, which create pools of resources that can be deployed flexibly and on demand. These pools are formed based on similarity of skills, rather than similarity of business functions, making it easier for organizations to access the right skills when they need them (exhibit).

What is the key to outstanding performance in banking? According to a recent McKinsey analysis, location is today's biggest factor, accounting for about 65 percent of the standard deviation in price to book. Banks that choose to prioritize location should consider looking for investments and acquisitions that expose them to flourishing markets. In expanding markets, they should consider prioritizing high-demand products and services and profitable customer segments.

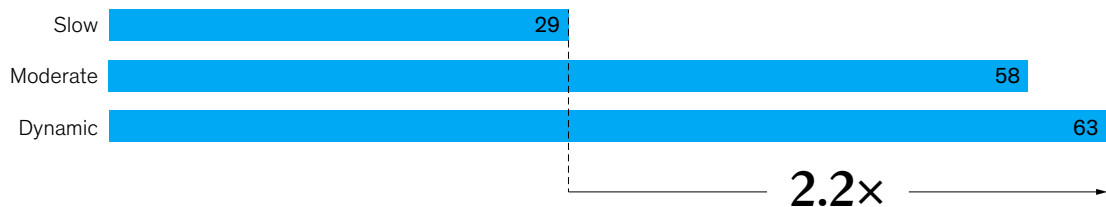
To operate efficiently and support their organizations' missions, corporate legal departments should focus on four key priorities: defining their functional purpose clearly, preparing for both a changing legal ecosystem and a new wave of corporate litigation, and competing for talent with law firms and the public sector.

Next week, watch for McKinsey senior partner Homayoun Hatami and global leader Liz Hilton Segel offering a deep dive into the five immediate priorities for CEOs now. Imperatives include centering strategy around sustainability and making the most of the cloud-computing revolution.

Exhibit

Dynamic talent allocation increases the odds of success.

Share of respondents reporting total returns to shareholders higher than competitors, by speed of talent allocation,¹%



¹Respondents were asked about their organization's current total returns to shareholders and speed of talent allocation. Slow = "very slow" (1) or "slow" (2); moderate = "neither slow nor fast" (3); dynamic = "fast" (4) or "very fast" (5). Source: McKinsey Quarterly Winning with Talent Survey (n = 628)

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

- IT services companies are often overlooked by private-equity investors but deserve more serious attention. The \$1 trillion per-year global market for IT service providers is projected to grow by more than 6 percent per year in 2021 and 2022, more quickly than global GDP.
- Direct-to-consumer and e-commerce companies need to avoid five common pitfalls that hamper growth and long-term success. These include deferring focus and investment in operations and channel management and designing technology platforms for short-term goals, such as launches, instead of the long game.
- The automotive future is electric. New regulatory targets in the European Union and the United States now aim for an electric-vehicle (EV) share

of at least 50 percent by 2030, and several countries have announced accelerated timelines for sales bans on internal-combustion-engine vehicles in 2030 or 2035. Increasing consumer appetite and improved technology are making EVs ever more popular and viable.

In a new edition of our Author Talks series, Vanessa Bohns, a professor of organizational behavior at Cornell University, discusses her book, You Have More Influence Than You Think: How We Underestimate Our Power of Persuasion, and Why It Matters (W. W. Norton, September 2021). People often have more impact on others than they realize, so learning how to use that power can be more important than focusing on acquiring more influence. Our latest edition of McKinsey for Kids is designed to help 18-year-olds (or so) explore automation and the future of work (heads-up: there could be robots involved). Our "find your fit" mini quiz suggests a few occupations that a kid might consider.

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