

Getting practical about the future of work

Adapting to a digital age will require organizations—and not just employees—to equip themselves with new capabilities.

by Bryan Hancock, Kate Lazaroff-Puck, and Scott Rutherford

What story will people tell about your organization over the next ten years? Will they celebrate an enthusiastic innovator that thrived by adapting workforce skills and ways of working to the demands of the new economy? Or will they blame poor financial or operational results and unhappy employees on a short-sighted or delayed talent strategy?

Our modeling shows that by 2030, up to 30 to 40 percent of all workers in developed countries may need to move into new occupations or at least upgrade their skill sets significantly. Research further suggests that skilled workers in short supply will become even scarcer. Some major organizations are already out front on this issue. Amazon recently pledged \$700 million to retrain 100,000 employees for higher-skilled jobs in technology (for example, training warehouse employees to become basic data analysts). JPMorgan Chase made a five-year, \$350 million commitment to develop technical skills in high demand—in part targeting its own workers. And Walmart has already invested more than \$2 billion in wages and training programs, including Walmart Pathways, which educates entry-level employees about the company's business model and helps workers develop valuable soft skills.¹

¹For more, see Julia Hanna, "Walmart's workforce of the future," Harvard Business School, July 7, 2019, hbs.edu.

Any company that doesn't join the early adopters and address its underlying talent needs may fall short of its digital aspirations. Equally important, senior managers may miss opportunities to work collaboratively with employees to create a prosperous and fulfilling future for all stakeholders—the communities where the company operates, its workforce, and the wider society that ultimately sanctions its activities.

Why employers should lead the way

The pace and scale of technological disruption—with its risks of unemployment and growing income inequality—are as much a social and political challenge as a business one. Nonetheless, employers are best placed to be in the vanguard of change and make positive societal impact—for example, by upgrading the capabilities of their employees and equipping them with new skills. And employers themselves stand to reap the greatest benefit if they can successfully transform the workforce in this way. Many leading businesses are realizing that they cannot hire all the new skills they need. The better solution is to look internally and develop talent they already have, as this approach is often not only quicker and more financially prudent but also good for morale and the company's long-term attractiveness to potential recruits.

We already know from our executive surveys that most leaders see talent as the largest barrier to the successful implementation of new strategies—notably, those driven by digitization and automation. Furthermore, 64 percent of executives in the United States, and more than 50 percent in the United States and Europe combined, agree that companies should take the lead in closing the global skill gap and preparing employees for the future of work.

Regrettably, the gap between the statements of these executives and the actions of their companies is stark. Only a third of global executives report that their organizations have launched any new reskilling programs, including small pilots. Yet digital skills are in short supply as incumbents in traditional industries actively recruit people who have them and as tech companies expand.

The good news, as we will explain, is that by taking concrete steps now to build an infrastructure that supports the future of work, companies can set themselves up for success in this new competitive era.

Rolling out the road map

Our work with some of the early movers has taught us that a successful transformation involves three broad phases (Exhibit 1). At first blush, they appear to be commonsensical, but each of them involves steps that are new to most organizations.

First comes an initial period of *scouting*. In this stage, the company develops a single vision of its digital and automation future and the total value of that future. It also identifies the most important skill gaps—looking at future needs, not just extrapolating from the past (the norm in much workforce planning). Then it assesses the organization's readiness to deliver.

A continuous transformation of the workforce involves three phases.



Second, there is a period of *shaping*, to redesign work for the demands of a more digital future and to create upskilling programs, often together with employees. This phase also involves developing the infrastructure of what we call a talent accelerator to facilitate the deployment of talent in the most important future roles.

The third phase requires *shifting* the organization's suite of talent-related activities onto a bigger scale. This work constitutes an acknowledgment that institutional capabilities to help employees adapt to the future of work are just as important as near-term (and seemingly more urgent) talent priorities.

Scouting the potential, assessing gaps, and reviewing readiness

The first questions to ask are, "Is our aspiration and plan ambitious enough?" and then, "Is there a central view of the total value of our digital strategy if we achieve the aspiration?" In other words, is the company capturing the full opportunity of automation and new technologies, not just the opportunities to cut costs?

Indeed, many companies make the mistake of focusing too much on just the costs and ignore the potential of new technologies to generate new revenues. Mired in the many small, localized, and often siloed individual initiatives that typically abound in organizations, most such companies have a hard time justifying needed investments and injecting a sense of urgency. They end up falling behind, never having grasped the magnitude of the opportunity in front of them.

For example, consider the insurance company pondering how to get enough qualified software developers to staff digital initiatives. Company leaders sought to choose between two proposals. One suggestion was to upgrade the skills of existing tech employees and redeploy them to new auto- and home-insurance businesses that were set on a critical new digital path; another idea was to offer higher wages to compete in the external market. On closer examination, the insurer's transformation office discovered that the potential additional profit of the digital initiatives came to more than \$300 million a year when it added up the estimated benefits (including revenue growth) and the more obvious cost reductions likely to flow from automation,

digitalization, and more agile ways of working. The company's top team could now see the big picture and the opportunity it represented—almost \$1 million a day of earnings before interest, taxes, and amortization (EBIT). They quickly agreed on a number of measures, including both new skill programs for current employees and higher starting salaries to attract new hires.

Diagnosing the existing capabilities of the workforce and comparing them with future needs are important parts of the scouting phase. Fluid workplace transitions make point predictions pointless. But even a rough up-front analysis is useful for estimating the gaps ahead. It can be particularly helpful to look at competitors that are further ahead in anticipating their talent needs or at “aspirational” firms, such as start-ups. Honest reflection on the capacity and quality of your organization's learning-and-development unit is crucial, and so is the organization's broader health, notably its employee value proposition. There's no point enduring the expense of retraining and redeploying expensive talent if the newly skilled employees think that competitors are more attractive and thus walk out the door.

One telco—media giant we know used a simple outside—in competitive analysis to assess its skills gap. The analysis showed that if the company was going to match the number of advanced-analytics specialists and software developers that leading competitors employed, it would have to hire or retrain more data-science and digital talent than it had originally expected. The exercise prompted the creation of a new program to teach the existing staff data-science techniques involving artificial intelligence (AI), among other skill-building initiatives.

The outside—in study also highlighted deficiencies in the telco—media giant's employee value proposition. The company realized, for example, that its current levels of compensation for digital talent were not competitive. This realization was the signal to start work on some of the weaker elements of the company's employee experience, including issues involving work—life balance, opportunities for job advancement, and the development of a more positive cultural environment in the workplace. As this example suggests, understanding the full value at stake and identifying the most important skill gaps are invaluable first steps—which in turn make possible the detailed work-redesign and talent investments that come next.

Shaping work and developing the right infrastructure

The scouting phase is largely centralized and top down. In the shaping phase, employers are better off taking an approach inspired by design thinking. To integrate technology, now and in the future, companies should gain a deep understanding of the way each employee and team does its present work and have them take part in redesigning their roles and ways of working. Involving employees in that process will undoubtedly spark better ideas about how roles might be split up, which activities require which skills, which technologies will be utilized (and how), and which new ways of working will be needed. Moreover, such involved employees will also surface and address pain points early on. Instead of generating the fear and resentment that can haunt strictly top-down initiatives, the process will give employees an opportunity to shape their own paths.

The balancing act. Outside—in analytics and expert input also can help to generate answers, at least when organizations introduce new work. By closely studying the experience of other players, companies can replicate—with confidence—the sorts of structures and roles that work elsewhere. Nonetheless, research at Stanford University has shown that “job crafting”—involving individuals in the design of their own jobs—creates stronger skill matches and smoother transitions. One way is to start with parts of the business that have the most to gain from new technology, notching up early wins, and then cascade the message to other functions by using the well-trying and -tested techniques of the McKinsey influence model.

This collaborative approach to designing new roles can create unexpected, novel, and value-adding types of work. One payments player, for example, found that a new prediction engine based on its customers’ online and account behavior saved valuable employee time at its call centers. The employees used some of that time to work with the company’s products and services, bringing the customer’s voice to discussions in a way that improved operational outcomes and gave employees a more diverse set of learning and career experiences.

The future-of-work talent accelerator. Redesigning work is about far more than changing existing roles. Digital strategies are creating entirely new, mission-critical tasks, and companies are undertaking them in new ways (including project-based work in agile teams). In response, some leading organizations are looking inside—developing structures to help systematically place the best-fit internal employees in roles—versus reflexively filling them with permanent hires from the outside.

These structures—talent accelerators—are similar to an internal marketplace for talent.² Their responsibilities include identifying the most relevant project-based work across the organization; defining the knowledge, skills, attitudes, and experience required; and then finding the best-fit talent. In some cases, employees may be identified and deployed on project teams directly; in others, the accelerator provides training and support to build new capabilities and skills, as much as possible through on-the-job learning (Exhibit 2).

In addition, the accelerator monitors on-the-job performance and the participants’ acquisition of skills and feeds these data into the broader HR systems of the company, so it can adapt as employees do by offering people new opportunities as they develop new skills. Finally, the accelerator gathers data on which projects (and corresponding skills) are most in demand, helping the company to refine what “best fit” means and to learn which training interventions make the biggest difference.

A company’s history—and current requirements—will no doubt determine how that organization defines the scope of an accelerator and sets it up (including supporting it with the latest technology). There are several options. Will the accelerator largely be a tech “talent-matching and learning” platform? Or will employees actually be located “inside” the accelerator at any point? Should the structure ultimately embrace all

² For more about the use of talent markets in organizations, see Aaron De Smet, Sarah Kleinman, and Kirsten Weerda, “The helix organization,” *McKinsey Quarterly*, October 2019, McKinsey.com.

A future-of-work talent accelerator can facilitate employee learning and transitions to new opportunities.



Mateo

Starting position

Mateo is a senior manager in a call center. Newly installed technologies will automate 15–20% of his activities within a year. His role is being redefined to include new activities—eg, using new AI-generated reports and working with colleagues from other functions.

Discovery within the accelerator

Nudged by the accelerator, Mateo enrolls in upskilling programs in call-center analytics, communication, and agile ways of working.

Training

Mateo completes the upskilling programs, applying what he learns in his work projects. After he struggles with the analytics program, the accelerator pairs him with a colleague mentor who recently completed the analytics course with distinction.

New activities

Mateo continues to grow, taking on new challenges with confidence. His exposure to other functions prompts him to explore potential redeployment to the growing digital product-development group via the accelerator.



Sonya

Starting position

Sonya has a nonmanagerial role in marketing. More than 50% of the activities in her role will be automated within a year; the role will be entirely phased out within 3 years.

Discovery within the accelerator

Sonya learns that skills in data visualization and design are a growing need for the company; she is interested in that field.

Training

She begins to work with a team on projects that involve data visualization and design. While getting hands-on experience, she takes company-sponsored online training courses to develop her skills in this new area.

New position

After 9 months of project work and training, Sonya is accepted for a managerial role in data design for marketing—an exciting career path in a growing field at the company.

available talent, including contractors and temporary employees? How are employees selected? Most companies will probably start small, focusing on high-performing people whose roles are changing and placing them, perhaps after project work, in some of the most critical roles for the future.

One financial-services firm created a user-friendly platform that takes advantage of analytics to help employees and HR leaders deal with work transitions. A key element was to create an up-to-date individual skill profile for every employee—first by trawling HR data and LinkedIn and then by getting employees to review and correct their own entries. These surprisingly rare databases are a vital tool to ensure that redeploying human capital not only addresses the organization’s strategic needs but also helps provide employees with a vibrant skill-development journey.

At the financial-services company, employees ultimately took a favorable view of the accelerator and, through it, of the whole transformation. They felt that their company was investing in their professional future and helping them to influence the direction of their careers.

The design of upskilling and reskilling. Within or alongside the platform, companies will need to create or modernize their organizational-learning function, so that it is rooted in the principle of employee self-direction and based on adult-learning concepts. Adult learning has become cheaper and more effective thanks to exciting new technologies (such as microlearning, simulations, gamification, and virtual coaching) and to new techniques (for instance, those for managing stress).

One European bank made a huge investment in digital learning as an alternative to laying off thousands of staff in the wake of the digitization of its core business. It has not only introduced a learning team with video-production specialists, graphic designers, and illustrators but also developed a highly sophisticated mobile app. The quality is so good that the learning-and-development unit has turned itself into a revenue center by selling the app to other companies. That money comes in addition to savings from the elimination of some in-person learning sessions, which generated travel expenses and required time away from work. Many employees report that they spend up to half of their time on the app outside working hours, on top of learning modules during the day. Over several years, the bank has involved more than 10,000 employees in the program, and subsequently has placed many in new lines of business.

Shifting the workforce at scale

Implementation at scale can start once the organization has begun to redesign the work of some units or functions and has established a pilot of the talent accelerator. As companies ramp up their efforts, they should expect two additional challenges.

'Offboarding' with sensitivity. Not all employees affected by change will find opportunities within their current company. For example, some may not be interested in changing or may lack the ability to acquire the skills needed to make the transition to new areas of work. Offboarding such employees will demand particular sensitivity. Companies increasingly understand the importance of thoughtful outplacement, either as a manifestation of good corporate citizenship or as a basic necessity in the increasingly difficult war for talent.

Many are forming partnerships with new, tech-savvy outplacement firms that help prepare employees for fresh opportunities by encouraging them to acquire skills likely to be useful elsewhere and by activating growth mind-sets. Other companies help employees to find the next role more directly—for example, by making arrangements with other local employers or encouraging people to explore new roles at suppliers or vendors (or, in Amazon's case, to become a supplier to the previous employer).

Accelerating the skilling engine. The company's learning-and-development engine will also probably expand during this phase as more employees embark on more diverse journeys. Critically, companies will need to measure the return on their investment in employee skilling—for example, by evaluating how successful they have been in giving their employees new skills and comparing the cost of these efforts with how much they would have spent on hiring. That expense should include the opportunity cost of waiting to hire in a highly competitive market.

Leadership energy is an essential building block for new skills. One Europe-based technology company we know is well advanced in its journey through the third phase. After redesigning the roles and work of an important business unit, the company turned to its newly enhanced learning-and-development function. This group, in turn, worked with technology and learning vendors to design role-specific learning journeys, which have helped upskill and reskill more than 20,000 employees.

The company consciously used the results of an initial pilot study to improve both the digital and in-person learning modules for later cohorts. It also created “sounding boards” to hear about and respond to the questions and concerns of employees. To show the connection between the skill-building initiatives and developments in the business, leaders made a point of speaking honestly and frequently about the transformation at meetings and on calls. These leaders insist that the program will not be a “one and done” effort and that lifelong learning and reskilling will become embedded within the organization.

CEOs increasingly worry that talent shortages will upend their strategies and that talent decisions may upend the communities where they operate. Yet companies can start putting the right people in the right places and turning the challenges posed by AI and automation into an opportunity rather than a threat. Q

Bryan Hancock is a partner in McKinsey's Washington, DC, office, where **Scott Rutherford** is a senior partner; **Kate Lazaroff-Puck** is a practice manager in the Boston office.

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