

Spotlight

REBUILDING YOUR WORKFORCE

 AUTHORS

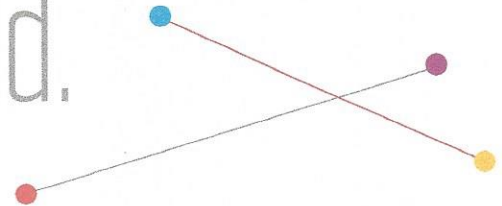
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Future-Proofing Your Organization

Prepare your team to stay ahead in the post-pandemic world.



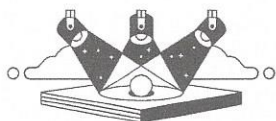
TECHNOLOGY WAS ALREADY changing the nature of work before Covid-19 took hold. Innovations were redefining the basis of competition in most industries and, consequently, the talent companies need to win over the long term. The pandemic sidelined the efforts of most companies to address these challenges and close critical capability gaps. Many had to lay off 15% or more of their workforce. Covid-19 required that the search for new talent—with new capabilities—take a back seat to economic survival.

But as businesses rebuild in the aftermath of the global pandemic, those that take the opportunity to remake and future-proof their workforce will pull far ahead of rivals. Even before working from home became widespread, digital

technology was transforming how and where work gets done and how many people are needed to do it. Consumer products companies, to take just one example, have traditionally employed hundreds of people to monitor purchases and inventory to ensure that the right products get to the right places at the right time. Predictive analytics—fueled by real-time point-of-sale, manufacturing, and logistics data—is changing that, reducing the number of employees required for the work, changing the skills they need to be successful in their new, technology-enabled roles, and allowing more and more of them to work remotely.

So how should companies rebuild? In the following pages we draw on

research by Bain & Company involving more than 300 large companies worldwide and every facet of the global economy, from manufacturing to retail to health care to technology. Half of those companies are headquartered in North America or Western Europe and the rest in South America, Asia Pacific, the Middle East, or Africa. We have identified a select group of the companies that are already building technology-enabled workforces. No matter their sector or geography, they all seem to adhere to six practices in the course of assembling and managing their teams. In the following pages we offer those practices for companies to follow as they regroup and reorganize for the inevitable recovery.



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1 Think Ahead When Defining Business-Critical Roles

Not all jobs are equally important. Research by Bain and others indicates that fewer than 5% of an organization's roles account for more than 95% of its ability to execute on its strategy and deliver results. But which 5%? As we emerge from a pandemic that has challenged assumptions about working productively, companies need to rethink which skills will be most important in an increasingly tech-enabled future, develop them in the current workforce, and actively recruit for them.

Smart companies began to do that even before Covid struck. Woodside Energy, a leading Australian natural gas producer, is one. When the recently retired Peter Coleman became CEO, in 2011, the company was a typical LNG producer with huge, multibillion-dollar projects and complex onshore and offshore operations. Coleman and his team recognized that Woodside's ability to navigate the challenges of the future would partly depend on enhancing its conventional technologies with data-driven breakthroughs.

To test the impact of big data science and digitization on the company's strategy and competitiveness, Woodside started with its energy-production operations. Like most other oil and gas producers, it had relied on seasoned engineers to oversee each asset. When issues arose, the engineers developed mitigation plans that were based on their personal experience and informed by the data collected from their sites. They played a business-critical role at Woodside.

The advent of new sensor technology, combined with access to low-cost computing power and big data analytics, meant that the company's asset operators could make better and faster decisions by using a broader range of more-accessible data sources and data science expertise. Accordingly, Woodside began experimenting with advanced analytics and machine learning across its offshore and onshore operations, using a combination of internally built and market-sourced solutions. The workforce started using AI-enabled tools—incorporating Woodside's 30-plus years of production experience across all its sites—to

identify ways of improving safety and productivity.

Integrating technology into ways of working meant that the definition of "critical skills" at Woodside expanded. Data scientists, along with experienced asset operators and engineers, had become crucial to the company's success. Starting in 2015, Woodside established a dedicated team of data scientists. The team now focuses on seeding data science and other digital skills throughout the organization using a range of new tools and platforms. The company recruits data scientists from the best Australian and international universities who work with and learn from Woodside's operationally seasoned team members.

Woodside's rethinking of business-critical skills has contributed to a growing perception of the company as an innovator in oil and gas. As other companies emerge from the pandemic, they should take a leaf from its book and think about the capabilities that will be critical in tomorrow's world—not today's.

2 Redefine What Great Looks Like

Traditional employee-assessment approaches work well when the jobs people will be asked to perform in the future are largely the same as the ones they (or others in the organization) are doing today. But those approaches break down if the nature of that work

IDEA IN BRIEF

THE PROBLEM

Even before working from home became widespread, digital technology was transforming how and where work gets done and how many people are needed to do it.

THE OPPORTUNITY

In the aftermath of the pandemic, companies can rebuild a workforce that is better equipped for an economy in which routine and repeatable tasks are increasingly machine-enabled.

THE SOLUTION

Drawing on research by Bain & Company involving more than 300 large firms worldwide in every facet of the global economy, the authors identify six practices for companies to follow as they regroup and reorganize for the inevitable recovery.



More than 60% of a company's future roles can be filled by current employees, assuming that adequate programs are in place.

changes, causing companies to struggle to identify candidates who can take on the new tasks. Like our assumptions about which capabilities are mission-critical, our assumptions about what success looks like must change in the wake of the pandemic.

Fortunately, new tools and techniques that utilize people analytics and behavioral science can help companies define “what great looks like” in a particular role and identify employees who already have the needed skills or could develop them with training. This allows companies to devise talent development and recruiting strategies to help meet their needs.

One such approach was pioneered by the Chemistry Group, a UK-based people analytics organization that helps businesses craft robust job descriptions for new roles—descriptions that include not only basic responsibilities but also the traits, behaviors, and skills each role demands. By rigorously defining what great looks like, companies establish a benchmark against which they can recruit—both internally and externally.

A leading mobile-phone operator has applied Chemistry's tools and approach with great success. Responding to changes in the smartphone market, the company's leaders saw that they needed to shift the retail operating model from pushing equipment sales to emphasizing customer intimacy and service. To achieve this transformation they encouraged employees to adopt new mindsets and behaviors through training and coaching.

The mobile operator also created a new role in each of its retail stores focused on enhancing the customer

experience. Using behavioral testing and survey data, leaders developed a profile for what great would look like in that role. The company then assessed its 22,000 employees to discover critical capability gaps. The result was a list of employees with the potential to succeed in the job, and training modules were designed to help get them ready quickly.

The company has also developed interactive recruiting tools to screen more than 10,000 job applicants a month for this role without human involvement. Using an online program, candidates respond to a series of scenarios they'd be likely to encounter. Improved recruitment has enabled store managers to spend less time supervising and mentoring, permitting them to serve customers on the floor. These initiatives have helped save more than \$7 million in operating costs and have garnered positive feedback from 85% to 93% of customers surveyed.

Coming out of the pandemic, companies will find that what people do and how success is defined must change. They'll need to recruit people who are comfortable with the new normal. Smart companies will leverage technology now to help them figure out how.

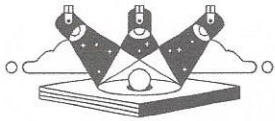
3 Don't Cut Back on Management Development

Although the Covid-19 pandemic has temporarily loosened labor markets in some areas, many jobs in software engineering, digital design, and data science remain challenging to fill. Accordingly, the best companies look to management development, often supported by technology, for reskilling

their current workforces and filling at least some of their capability gaps with existing employees.

The good news is that reskilling done well does help. In our experience, more than 60% of a company's future roles can be filled by current employees, assuming that adequate programs are in place. Reskilling is also cheaper than the “fire and hire” model for filling new business-critical roles. For one thing, the direct costs of severance associated with workforce reductions can be substantial—as can damage to the morale of remaining team members. And recruiting new talent can be expensive, particularly for high-demand sectors such as data science, digital marketing, and software engineering.

Guardian, one of the largest mutual life insurers in the United States, provides an example. Like many other companies, it is undergoing a broad digital transformation focused on modernizing technology, data, and processes to improve performance and support a customer-centric culture. Deanna Mulligan, Guardian's CEO until October 2020, and her team knew that to be successful, the company had to extract the maximum possible value from its treasure trove of data. So they broke down historical data silos at the company and created an integrated data lake. Converting that raw data into usable customer insights required many more data scientists than the company had or could realistically recruit. To fill the gap Guardian has looked to its actuaries, moving them into broader data science positions and training them in a number of essential new skills, such as predictive analytics.



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Similarly, Guardian recognized that it needed to shift far more of its marketing energy and talent from traditional avenues to digital channels. The company used assessment tools to identify the members of its existing marketing organization with the greatest potential to succeed in digital marketing roles and then invested in training programs to provide them with the knowledge and skills to thrive in those new positions.

In times of crisis it's tempting for companies to slash training and development budgets. But that's not a smart move. The pandemic will, if anything, speed up the obsolescence rate of professional skills, and it will be easier to teach old dogs new tricks than to find new dogs who are already trained.

Which brings us to the next practice.

4 Tech Up the HR Function

Companies that rely on large workforces will need to change the way they manage employees. This will be even truer for the dispersed workforces that have become common during the pandemic. From an HR perspective, a model that relies too heavily on frequent human interaction will not be cost-effective.

Ping An provides a glimpse into the future of HR. Founded in 1988, Ping An (Chinese for "peace and safety") is China's largest insurer, with premium revenues close to \$100 billion and a market value of more than \$180 billion. It relies on nearly 1.5 million agents to build trust with the company's policyholders and sell its array of insurance and financial products, which means



that the company has to hire thousands of new agents each year. To accomplish that, Ping An utilizes big data and artificial intelligence in its recruiting and management development efforts.

To identify the characteristics of top performers, Ping An collects and analyzes data on its existing agents (including performance data, customer visit records, and training information) and combines it with the views of outside experts regarding the importance to each agent's productivity of career ambition, customer network, adaptability, and sales ability. This information fuels AI-enabled interviews that generate questions and check candidates' responses against an answer pool to determine the best matches on the characteristics that matter most.

Using new technology and big data, Ping An has significantly improved its

ability to identify, recruit, and retain great talent at a dramatically lower cost. For example, the company has increased its 13-month retained-agent ratio to 95% while cutting close to \$90 million in costs—and keeping pace with the staggering demand for new agents.

Every company can do more in this area. As businesses acquire more and more data on employees and contractors—regarding each person's skills, performance, potential, and ability to learn new skills and take on new roles—people analytics will be applied across the spectrum of HR activities. Technology will enable companies to do a far better job of recruiting, deploying, developing, and retaining talent, at a lower cost. We know of no company that is fully exploiting the workforce information it has. Most organizations have barely scratched the surface.



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5 Get People to Engage with Tech

Companies and workers everywhere are increasingly engaging with AI-enabled processes like Ping An's recruitment system. This trend will only accelerate after the pandemic, as more and more people transact and work in the virtual world. Unfortunately, few companies—or employees—manage engagement with technology in a coordinated way, so employees become suspicious of it, and the technology underperforms management's expectations.

That's a pity, because when people and tech work together, everyone benefits. USAA, a leading provider of financial products and services to current and former members of the military and their families, provides a case in point. Within USAA's insurance operations, member service representatives handle more than 5 million claims each year, managing all aspects of the process. Providing the very best customer service means making claims processing more convenient, faster, more accurate, and less costly for USAA members. Accordingly, USAA leaders have taken steps to ensure that service representatives are supported by machine-learning algorithms that use artificial intelligence to more accurately and efficiently estimate the extent of vehicle or property damage.

In deploying these AI-enabled tools, USAA's technology team has collaborated closely with the company's service representatives. The team relies on them to "train" its AI model—ensuring that the model learns to "think" like an experienced USAA rep. The company's

loss adjusters use the model in estimating customers' insurable losses, but they can also make in-the-field adjustments to its estimates with an explanation, which feeds back to the AI so that the model can be continually updated and improved. Finally, machines are directly taking on lower-value tasks such as fraud detection and prevention, allowing claims teams to focus more deeply on connecting with and providing guidance to USAA members who are negotiating the claims system, which can often be a trying process. This kind of work is more satisfying for people and better leverages their capabilities.

The results are clear. Thanks to USAA's integrated approach to developing and deploying AI-enabled tools and the people who use them, the company has remained a leader in both customer and employee loyalty. In 2020 it received top marks among life insurers from J.D. Power. And in characterizing the results of a 2018 study of USAA by the customer research organization Raddon, one newsletter dubbed the company "the most beloved financial brand on earth." That year Great Place to Work recognized USAA as one of its best workplaces on the basis of employee advocacy. As important, USAA expanded its market share in insurance and financial services with military personnel and their families from 63% in 2010 to 75% in 2019.

6 Figure Out What Tomorrow's Stars Want from You

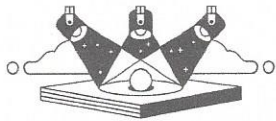
Even without the pandemic, tomorrow's managers would have been looking for a workplace value proposition

very different from what enticed workers 10 or even five years ago. By 2030 Millennials will make up 75% of the workforce, according to the U.S. Bureau of Labor Statistics. This generation wants it all: flexible schedules, diversity in the workplace, engagement, autonomy, and a meaningful connection with their employers. But with the trauma of Covid-19 fresh in our minds, we have all rediscovered the importance of meaningful jobs, supportive colleagues, and flexible employers.

For an idea of what companies will need to do to attract and retain talent in the future, take a look at ServiceNow, a \$3.5 billion enterprise software and services company based in Santa Clara, California. Unlike many of its Silicon Valley rivals, ServiceNow does not rely on workplace trappings such as fancy offices and a gourmet cafeteria offering free lunches and bottomless lattes. Instead the company focuses on the factors that are most critical to retaining and inspiring employees: a culture of inclusion, a workplace that makes getting things done fast and easy, and top-notch rewards for people who "stay hungry and humble."

In 2017 the company's then-CEO, John Donahoe (a former CEO of Bain), and his team set out to transform ServiceNow from a technology- and engineering-centric organization to a people- and customer-centric one. They started by rebranding the company, both externally and internally, as an organization dedicated to "making the world of work, work better for people."

Pat Wadors, who was ServiceNow's chief talent officer until mid-2020, and Alan Marks, the company's chief



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marketing and communications officer, joined forces to present the company's new proposition to employees and potential recruits. They discovered that in addition to great compensation, tomorrow's workers crave a deep connection to their employer and its purpose. They want to be part of an organization that is doing something worthwhile, such as making work easier for everyone. They want to feel a sense of inclusion and belonging—to be part of a culture that encourages all employees to bring their very best selves to their jobs, every day.

Accordingly, ServiceNow has built a culture of diversity and has taken dramatic steps to foster inclusion in the workplace. This distinguishes it from other tech companies, many of which view diversity as a "hiring issue" rather than a cornerstone of their talent strategy.

ServiceNow also discovered that prospective employees aren't much different from the company's customers, in that they want the company to work better for them. So it deployed many of its own products internally—an effort leadership calls *Now on Now*—to make onboarding and routine administrative activities easier and faster. The company's people processes are human-centered and growth- and development-focused. "People are treated like adults," one employee told us. "Not a lot of clutter gets in the way of getting things done." Finally, ServiceNow's liberal work-from-home and personal leave practices make it easier for employees to work when and where they want, supporting a culture of productivity, not "face time." These practices proved

particularly valuable in the midst of the pandemic.

ServiceNow's unique approach has not gone unnoticed. When Glassdoor surveyed current and former employees of the company, 69% of respondents indicated that they would recommend ServiceNow to family members or friends as a place to work—a level of employee advocacy that puts the company in the top 5% of employers globally.

TECHNOLOGY IS FUNDAMENTALLY changing the nature of work. But the approach that most companies take to workforce planning and HR management hasn't changed much at all over the past two decades. As companies rebuild their workforces in the aftermath of Covid-19, they must move into the digital age. Talent planning and management must become more strategic, more holistic, more rigorous, and more data-driven. Organizations that rebuild following traditional analog processes will be outpaced by more-prescient competitors. Given how much time it will take to build a winning talent pool, companies must begin future-proofing their organizations today. © **HBR Reprint S21051**

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