



Back2Better Whitepaper

How the Chief HR Officers of the World's Largest Companies are Preparing for the Post-COVID Era



Global Research Partners

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Contents

- 3 Introduction
- Foreword by Dr. John Boudreau
- Section 1: The Pandemic and the Economy
- Section 2: The Organization of the Future
- 18 Section 3: Leadership of the Future
- 23 Section 4: The Work and Workplace of the Future
- 26 Section 5: The Worker of the Future
- 31 Conclusion by Victoria Livingstone
- **34** References & Acknowledgments

Introduction

Executive Networks has gathered the top Human Resources leaders from some of the world's largest companies to build the foundation for a better tomorrow. Under the banner of Back2Better, a term coined by Roche's Chief People Officer and study contributor Cris Wilbur. Executive Networks began conducting research in the late spring of 2020 to examine how organizations can thrive post-COVID.

With noted Future of Work researcher Dr. John Boudreau at the helm, a group of industry-diverse senior human resources leaders of very large, global organizations formed the Back2Better Steering Committee. Employing the Delphi technique, Boudreau and Executive Networks CEO Mike Dulworth led a series of conversations among Steering Committee members, and then shared the output with the 40 other Chief Human Resources Officers of large global companies who make up the membership of Executive Networks' Human Resources Roundtable Group.¹ Their input from June, July and August of 2020 forms much of the data underpinning this report.

The Back2Better initiative continues in the fall of 2020 with a comprehensive survey of the Global 1000 based on the five sections of this paper and a year-long weekly webinar series led by Thinkers50, featuring top business, leadership and management thought leaders weighing in on their vision of Back2Better.

Members of the Back2Better Steering Committee:

Fiona Cicconi, EVP, HR, **AstraZeneca**

Michael Fraccaro, Chief People Officer, Mastercard

Emma Hardaker-Jones, Group HR Director, Legal & General

Hein Knaapen, Executive Director, EN; former CHRO, ING

Mauricio Machado, VP, Total Rewards, Cargill

Amanda Manzoni, CHRO, Ansell

Ronald Shellekens, EVP & CHRO, PepsiCo

Cris Wilbur, Chief People Officer, Roche

"We've learned in this crisis that it was often artificial boundaries and hierarchy that restrained us from doing our best work."

Cris Wilbur, CHRO, Roche²







Mike Dulworth





Global Research Partner

Foreword

BY DR. JOHN BOUDREAU

There is justifiable celebration now. McKinsey notes the "quickening" is the "whiplash" from moving ten years forward in 90 days' time.³ Pundits celebrate a new awareness of inherent racism and inequality in social and corporate systems. Most attention now is devoted to describing best practices that embody rapid adaptation to the current crisis. Those are the lessons of today, but it is vital to identify the lessons to sustain beyond the crisis.



The Economist <u>heralds CHROs</u> as the heroes of the COVID-19 crisis, just as CFOs were the heroes of the 2008 financial crisis.⁴ Arianna Huffington's <u>article</u> in the Harvard Business Review celebrates how "CHROs now meet virtually with company leaders twice a week, instead of in-person once a quarter, to discuss key people and operational issues." ⁵

CHROs report days filled with valuable tasks aimed at managing the immediate crisis. HR will be tempted to bask in the well-deserved attention and kudos from boards, CEOs and others on the c-suite team.

HR leaders must insist that their organizations establish values and decision rules that will allow today's lessons to be sustained.

Yet, there is a paradox: It is precisely during

the crisis that HR must actively identify how to harvest today's excitement, capitalize on the attention and authority that HR has earned now, and turn that excitement, attention and authority to create what will sustain beyond the crisis. Now is when HR can draw attention to the key lessons and insist that the organization establish the frameworks, values, decision rules and working relationships that will allow today's lessons to be sustained.

This paradox was recognized in March 2020 by an insightful steering committee of members of the Executive Networks' CHRO network. Mike Dulworth and his team were kind enough to invite me to engage with that elite group of CHROs to get beyond the focus on managing the crisis and explore what lay beyond it. In typical fashion, we began with the question, "When will we get back to normal?" but quickly realized a better question would focus not on when, but rather on what might be the future. Moreover, rather than defining that what in terms of a new normal, the group adopted the idea of getting "back to something better," and the phrase "Back2Better" became the moniker for our exploration and discussion.

This report offers important insights gleaned from this collaboration.

The group developed metaphors such as "identifying the new and powerful green shoots that have begun to grow through the sunlight and environment of this crisis and avoid trampling them in our rush to return to normal." Or, the idea of "soft realities," or "organizational changes forced by COVID-19 that have produced positive outcomes, but will require real effort to maintain post-COVID."

This inspired me to formulate four questions that might help guide the journey through the paradox and create value:

- 1. What are the new and important lessons being learned and experienced now, due to the crisis?
- 2. Which of those lessons should sustain after the crisis?
- 3. Which sustainable lessons will be challenging, due to inertia, ignorance, or other factors that push to snap back to before ... or worse?
- 4. For the challenging lessons, what are the pivotal and essential actions to take now, while the crisis provides motivation, attention and awareness, to avoid missing the window for change?

To introduce the report, I'll articulate the broad topics of this white paper, and apply these four questions. It will provide a preview of the much deeper analysis that you'll find in the paper, and I hope excite you to read more.

Business Strategy & Organization

The temptation is to focus on how one's own organization is faring during the recovery, or the general "shape" of the recovery ("V", "Hockey Stick," "Swoosh," etc.). A more future-focused perspective was reflected by the Back2Better group.

- **1.** Lessons learned now Global and organizational systems were fragile and vulnerable to pandemic-like shocks in ways that were not perceived. This will not be the last pandemic-like shock.
- **2.** Lessons to sustain We cannot rely on governments to create sustainable economies, they must be built upon sustainable organizations and their work relationships, supply chains, collaborations, innovations and systems.
- **3.** Challenging lessons The traditional measures and concepts of organizational success were insufficient to prepare many organizations for this crisis, yet it will be tempting to return to those metrics once the crisis has passed. There is a danger of attempting to rebuild what cannot be rebuilt, or to emphasize cost-cutting to boost short-term returns.

4. Essential actions now Use the examples of resilience and agility from the crisis now to showcase the value of resilience, redundancy, flexibility, purpose, etc. Build new organizational measures and systems based on those examples to insure that the organization recognizes, values and nurtures resilience, redundancy, flexibility and purpose after the crisis.

Leadership

- 1. Lessons learned now Ironically, COVID-induced physical distance between leaders and workers has actually increased leaders' opportunity to humanize themselves and those they lead and to internalize and express their commitment to cherish empathy, diversity, holistic well-being and work flexibility. It has also highlighted which behaviors and attributes contribute to "wartime" leader success.
- **2.** Lessons to sustain Leadership happens at all levels of the organization, most notably among front-line supervisors and workers. Expressing humanity, vulnerability and empathy has great value and will now be expected after the crisis. The organization needs an array of leadership types, not only "wartime" leaders.
- **3.** Challenging lessons Traditional leadership processes have often rewarded maximum time and effort commitment to work, financial and operational results and prioritizing shareholders. While some leaders have embraced a role beyond tradition, it will be tempting for many leaders to snap back to the traditional model that they have known for their entire careers. It will also be tempting to be entranced with "wartime" leadership when a balance is required in the future.
- 4. Essential actions now leadership at all levels, in particular leaders adapting at the front-line of the organization and those who have been key to successful transition to remote work. Identify and highlight the use cases emerging from the crisis to develop sustainable frameworks and shared understanding about leadership empathy, vulnerability, openness and flexibility. Highlight the distinction between "wartime" leadership that is effective for an immediate and focused response to a disruption and "peacetime" leadership that is needed to sustain focus and urgency, but over the longer term. Find and highlight examples from the crisis that illustrate the optimum balance. Embrace crisis-induced external scrutiny of the organization's role in social and organizational inequity by including external policy makers and advocates in organizational decisions during the crisis to create relationships that can sustain beyond the crisis.

Work & Workplace of the Future

- **1.** Lessons learned now Work is fluid, workers swarm to projects and tasks, and this is not effectively managed through traditional concepts of jobs and job holders. Location and time flexibility is more feasible and productive than we realized before. Remote work has accelerated virtuality, but our understanding of how virtual work affects collaboration, productivity, health, social networks and culture lags behind because it is based on old paradigms.
- **2.** Lessons to sustain Workers will expect new rules for how work, space and virtuality integrate. Old ideas—and even evidence—about what can be done remotely, the purpose of physical space and the true costs and benefits of remote and on-site work will need to be revised in light of the lessons of the crisis.
- **3.** Challenging lessons It will be tempting to go to extremes such as "work from home forever," or "everyone return to the office." It will also be tempting to return to traditional definitions of work based on fixed jobs and job holders because of the inertia of existing systems. Many leaders have simplistic or naïve ideas about work flexibility and will revert to simple rules such as "I only know how to manage workers when they are physically present."
- **4.** Essential actions now Use the crisis-induced "natural experiments" with remote collaboration, communication, team building and work reinvention to build more insightful decision frameworks. Identify where remote work is ill-suited. Establish cross-discipline collaboration between HR, Facilities and Finance, etc. to develop a shared understanding of the real costs and benefits of "workspace," "collaboration" and "flexibility." Develop use cases that will help leaders learn more nuanced and sophisticated ways to balance remote and on-location work.

Worker of the Future

1. Lessons learned now Hierarchical "distance" has been reduced as virtual connections have grown. Workers have experienced new interconnections with each other, their leaders and their communities and society. Worker "voice" exists not only through formal collective bargaining and grievance systems but through social networks. The crisis has illuminated economic and social inequity, leading workers to examine more carefully the role of their employer in exacerbating or addressing those issues. The pivotal role of front-line "hero" workers has revealed how traditional organizational systems overlook or under-value vital contributions.

- 2. Lessons to sustain Measuring, understanding and responding to worker "experience" will be vital to addressing increased worker scrutiny and activism. The organization's "brand" with workers is inextricably linked with its "brand" with customers, society and other stakeholders. Organizational "purpose" and contribution to social inequity and other issues will become more vital concerns of future workers. Transparency about the existence of social and organizational inequity is a powerful tool for inviting a diverse array of perspectives and solutions. Work systems must be flexible and transparent about the systems and frameworks that lead to differential work outcomes.
- 3. Challenging lessons

 Leaders may be tempted to revert back to traditional worker engagement and communication approaches once the novelty and urgency of the crisis subsides. Issues of systemic inequality require uncomfortable conversations and new organizational measures that will make many workers and managers uncomfortable. Newly discovered social platforms that amplify worker collective voices will be unfamiliar and uncomfortable for organizations and leaders. Remedies for inequality may require difficult decisions such as weighing executive remuneration against front-line worker layoffs or pay reductions.
- **4.** Essential actions now Embrace and systematize the crisis-related role of social media and other emerging ways to better listen and anticipate worker collective voice. Use the discomfort of the crisis to build organizational capability to continue uncomfortable conversations and decisions after the crisis. Capitalize on the crisis-induced leader awareness of the full humanity of the workforce to institutionalize systems that take into account that more holistic view of the worker.

As you read the white paper, consider how the insights from these leading HR executives help you articulate and answer questions like these. You will find the paper a rich source of ideas, questions and creative solutions.

> - John Boudreau September, 2020



The Pandemic and the Economy

On January 23, 2020, the Chinese government announced that it had ceased all travel to and from Wuhan, a city of 11 million people where a novel coronavirus was sickening locals with a treatment-resistant pneumonia-like illness. The news upended China's travel industry less than 48 hours prior to the kickoff of Lunar New Year celebrations, normally its peak weekend of the year. More than six weeks before it would officially be classified as a pandemic, the virus had dealt its first major economic blow.

In the days that followed, travel lockdowns cascaded across the region, and eventually, the globe. The \$8.9 trillion travel and tourism industry cratered in February and March. A sector responsible for more than 10% of global GDP hemorrhaged cash and jobs. Travel and tourism's projected losses for 2020 stand at over \$2.7 trillion with more than 100 million jobs gone.⁷

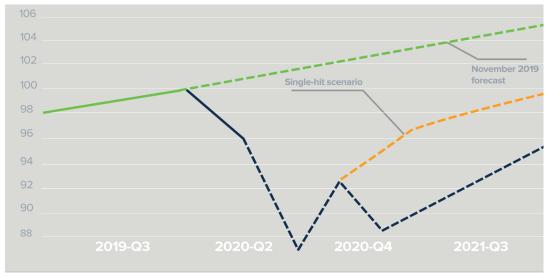
Adjacent industries followed travel's rapid descent. On April 20, U.S. oil futures dropped below \$0 per barrel for the first time.⁸ As countries implemented quarantines and social distancing practices to contain the pandemic, advanced economies, emerging markets and developing economies all plunged into parallel recessions—a first since the Great Depression.⁹

In countries that have managed to control the virus's spread, the battered travel sector has shown signs of revival. China and South Korea hosted domestic automotive and construction trade shows with more than 40,000 attendees later that spring when positive COVID-19 cases were fewer than 50 per day in those countries.¹⁰

However, as of August of 2020, those hopeful Asian trade shows have proven to be the exception, not the rule. The pandemic has claimed more than 800,000 lives and counting. Dangerously high levels of community spread continue to burden many dozens of countries, delaying school start dates and any hoped-for return to normalcy. Travel and tourism's recovery remains well over the horizon and unknowable in scale and shape. The Back2Better CHROs were in consensus in their doubt that business travel will ever return to pre-pandemic levels.

"Public sentiment continues to prioritize health and wellbeing over economic recovery," said a U.K.-based Global CHRO.¹³ The industries that followed travel and tourism into the red will each have their own recovery trajectory, some leading the return to growth, while others lag behind with permanent damage.

A collapse in output followed by a slow recovery World GDP, index 2019-Q4=100



Source OECD(2020), OECD Economic Outlook No. 107, OECD Economic Outlook: Statistics and Projections (database).

Not all industries in pain

Some fortunate industries have experienced a pandemic windfall. While their strength has not been nearly enough to offset losses in other sectors, many online retailers, business/communication software providers, internet service providers,

grocers and their suppliers, delivery services, makers of personal protective equipment, pharmaceutical firms, in-home entertainment companies and others have experienced significant financial growth in 2020.¹⁴

Some of these sectors will lose steam in an eventual recovery, but others, like e-commerce, are likely to sustain their new growth trajectories. This will have cascading effects on the supply chains of many other industries.¹⁵

While the industries in freefall share the headlines with those turning record profits, for many global companies 2020 has been a mixed bag. A European conglomerate and Back2Better participant serves as an example. The company's business unit making products needed for limiting the pandemic's spread has vastly outperformed expectations. A second major business unit is split, partly exposed to B2B customers in a locked-down industry. Another major B2B unit is down dramatically with all of its customers in some of the most negatively impacted industries.¹⁶

Women and minorities facing outsized burdens

In recent previous recessions, including the 2008 Financial Crisis, the gap between women's and men's pay narrowed slightly because more men lost jobs and women with newly jobless spouses took on more work. Data from the National Bureau of Economic Research, a U.S.-based thinktank, suggests that 2020's pandemic-led recession is having the opposite effect. The gender pay gap is now expanding because more women have lost jobs than men, and they are less able to take on new work because of increased childcare duties.¹⁷

Many of the most impacted industries in the U.S. and around the world employ significantly more women than men. Minority women have been hit especially hard in the U.S. where some economists are predicting a "k-shaped recovery"—one where flexible-working professionals with stock portfolios enjoy a rapid rebound while

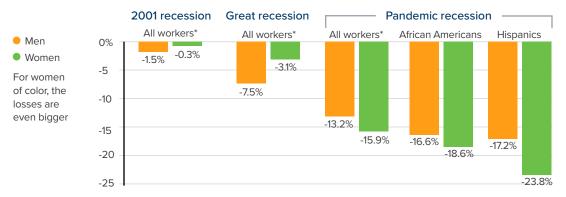
everyone else sees their employment prospects and net worth plummet further.¹⁸ The country's leisure and hospitality sector is heavily dependent on low-cost Latino labor. Its sudden collapse has been cited as a major factor in the ballooning of the U.S. Latino unemployment rate to 19% in May of 2020—the highest rate on record and 15% higher than it was in September of 2019. African-Americans, too, have seen their job losses outpace whites.¹⁹

"We're all in the same storm, but we're clearly not all in the same boat."

Europe-based Financial Services HR Executive

It's a "she-cession"

Previous recessions have thrown many more men than women out of work. This time it's just the opposite.



* All nonfarm workers, seasonally adjusted (Source: Christian Science Monitor, August 14, 2020)

Delayed job losses in Europe

Significantly more robust government stimulus programs across Europe have minimized pandemic-related job losses as of August 2020. So-called "short-work" programs funded by European governments have preserved at least 45 million jobs on the continent, but economists at German bank Allianz warn that close to 10

million of these are "zombie jobs"—positions in deeply impacted industries such as aviation, travel and auto manufacturing that remain on the books solely because of near-term government subsidies. In the U.K., such subsidies will likely expire at the end of October with other European countries scheduled to wind down subsidies as the calendar flips to 2021.²⁰



Many more questions than answers

A financial services chief human resources officer encapsulated the questions he and his peers raised about COVID-19 and the economy: "Will we enter an extended recession with increased income inequality? Or will the economy bounce back quickly as governments and companies collaborate for the greater good? Will governments gain trust and credibility as they respond to the crisis? Or will they become more isolationist as they attempt to control the crisis within their own borders? And what will high levels of global unemployment mean for future growth?"²¹

For the Back2Better leaders, outlooks vary along industry lines. The path of the post-pandemic recovery remains as unknowable as COVID-19's trajectory into 2021.

The pandemic has brought into clearer focus how organizations will be structured and led in the future and what that will mean for workers and the nature of work. As one CHRO put it, the crisis may cleanse organizations of the unnecessary and superfluous, forcing them to focus on the essentials. It could ultimately be a catalyst for new business and new ways of working.²²

"As leaders in large organizations, we have a social responsibility to get the economy going and to make it sustainable in light of future pandemics. We cannot rely on governments to do this for us. We have watched governments struggle to make good decisions to outline a path for economic recovery."

Europe-based Financial Industry CHRO²³

SECTION 2

The Organization of the Future

In 2019, strategic infrastructure conversations at large global companies were mostly about buildings. In 2020, offices and facilities have taken a backseat to the tubes carrying glass and metal beneath them. The owners of the physical infrastructure of the internet are among those that have seen their company values soar amid the pandemic. It is no wonder Google continues to lay fiber optics and Elon Musk and Jeff Bezos are doubling down on their competing expensive and ambitious projects to build satellite alternatives to wires and tubes.²⁴

The Internet has never been so important. Back2Better CHROs uniformly report vastly more people and processes online and digitized than ever before—by necessity. The already burgeoning advances in Artificial Intelligence will only accelerate this trend.²⁵

Broadband, video conferencing and cloud-based file sharing were ubiquitous within large, global companies prior to the pandemic. It's their mass increase in adoption—and the relative ease in doing so—that has Back2Better CHROs believing their organizations will emerge from the pandemic as less hierarchical and more agile with decision rights shifting closer to the customer.²⁶

Organization Realities

New Realities

Organizational changes under COVID-19 that will most likely become permanent post-COVID.

Example: Reduced business travel

Old Realities

Organizational practices suspended during COVID-19 that will be equally effective in a post-COVID world, and should return.

Example: Co-located agile teams

Soft Realities

Organizational changes forced by COVID-19 that have produced positive outcomes but will require real effort to maintain post-COVID.

Example: Increased employee engagement and the de-stigmatization of use of mental health and well-being resources.²⁷

Organizational priorities of Back2Better CHROs, Spring of 2020²⁸



The pandemic (and recession) as a tailwind for existing trends

Facing an estimated 20% downturn in their industry,²⁹ consultancies like McKinsey & Company, Deloitte, R/GA and Gartner have rushed to publish articles and papers framing the pandemic as "unleashing the future of work" by "re-focusing head offices on value creation," "breaking down silos" and "leveraging technology such as robotics, A.I. and the cloud to transform how work is done."^{30 31 32}

Far from new ideas, these consultancies are re-framing the "Future of Work" organizational design solutions that they have pitched for years, perhaps hoping to capitalize on how the sudden global shift to remote office work has "proven" some of their concepts.

Back2Better CHROs generally agree that the pandemic has accelerated prepandemic organizational and "Future of Work" trends.

"We have learned the value of more cross functional working as a way to improve agility, effectiveness and speed of decision making," said a North America-based consumer goods CHRO. "We are more inclined to question the role of functions and functional excellence and authority and adopt more agile ways of working." 33

"We've seen the rapid acceleration of trends that were underway pre-COVID. It's as if we've covered five years in a few months with the rapid digitization of work, the shifting of customer needs to online and the increased importance of ESG [Environmental, Social and Governance],"

North America-based Financial Services CHRO34

More dispersed and digital organizations

Companies with flexible work plans in place prior to 2020 benefited greatly when the lockdown hit, and employees who were already working from home were far less likely to lose their jobs because of the pandemic. Increases in remote and flexible working will remain long after COVID-19 has been brought under control. According to a June global survey by Mercer, 72% of firms will review remote-working policies in the next three to six months and 64% of employees say it's important for company culture to encourage worker flexibility.³⁶

A long-term more flexible workforce significantly reshapes organizational ideas on job design, team design, leadership, workspaces, real estate, business travel, expatriate assignments and talent supply.

One Back2Better participant in financial services has seen sick days decline and productivity increase since its call centers were forced into remote working because of the pandemic. The company has yet to decide if it will ever bring its call center workers back to an office environment. In parallel, it is running an even more inclusive flexible working experiment within its small New Zealand subsidiary. All non-customerfacing employees have been given the option to work remotely as often or as little as they please amid New Zealand's re-opened COVID-free summer.³⁷ The parent company's HR leaders are watching closely with implications for its global workforce.

With the ability to fully supply its newly remote workers, a global consumer goods company reports sustained productivity gains across the board—even as the pandemic drags into the fall of 2020. The company had limited flexible working arrangements prior, but the policy is now global and dictated by the CEO. All non-production workers will continue to work remotely for at least three days per week through the end of 2020 and potentially beyond. Additional time away from the office will be decided by managers and their teams. All meetings will be virtual, with each participant in front of their computer whether they are in the office that day or not.³⁸

"We went into a pre-pandemic workplace design thinking that probably about a third of our people could work from home. Now we believe that closer to 75% can work from home at least part of the time."

Financial Services CHRO, North America

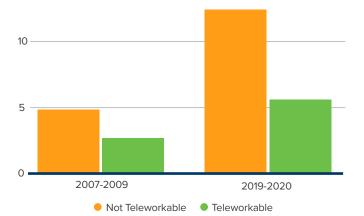
Unemployment & teleworking

Unemployment
has increased less
for teleworkable
occupations during
both the Global
Financial Crisis and
current pandemicrelated recession.

(Change in unemployment rate %)

International Monetary Fund

Sources: U.S. Current Poputlation Survey; and IMF staff calculations



Holding on to the good and mitigating increased risks

Boudreau asked CHROs to "think about the green shoots that we can nurture into trees—so long as we don't trample them down in a rush back toward the way things were." Human Resources leaders have an outsized role to play in this effort, providing the data on which "green shoots" are worth protecting and coming forward with proactive scenarios and frameworks. 40 Flexible work arrangements and increased digitization will stick around but both come with substantial risks. How do companies keep data secure, ensure

"If we've discovered we can be a paperless company, then we should remove the printers and paper storage from our workplaces now."

- North America-based CPG CHRO

connectivity and keep employees loyal if work is being done largely from home? And recognizing that digital capability is a differentiator regardless of industry is one thing. Making it a true priority and executing an effective digital strategy is another.

"We are making decisions now to deliver a better integrated and cross-functional digital interface," a consumer packaged goods CHRO said. "The mobile device will become the main entry point to the company, integrating sales effectiveness, information, communication and transactions into one." Such moves were discussed pre-pandemic, he added, but it took the lockdown to prove to leaders that a screen-first approach did not retard work or collaboration.

As a pharmaceutical CHRO put it, "The use of technology, digital and agile ways of working and connecting have new baselines and momentum that will accelerate the achievement of our ambitions."

SECTION 3

Leadership of the Future

It certainly was not obvious prior, but the act of forcing senior leaders to stay away from workers has brought the two parties closer together. "Leadership is coming across as more connected and authentic than it was in the past, and this is something we want to carry forward," explained a financial services CHRO based in North America. His company's CEO has been conducting a weekly global video address. Business unit presidents host bi-weekly informal town halls. "This public access to leadership has completely flattened the social construct of the organization," he said.⁴¹

"People will judge companies by their leaders' decisions during the COVID-19 crisis."

Europe-based Food Company

Back2Better CHROs uniformly report that webcam meetings, informal town halls and other means of frequent, direct and open communication have humanized senior leaders—revealing them as parents, pet-owners and "normal people" who are also worried that their loved ones will be exposed to COVID-19. Many are embracing their roles as "lighthouses, showing the way in unchartered territory" while demonstrating empathy by being reactive to employee health and safety concerns.⁴²

More authentic, more empathetic: leading with "purpose"

Values, authenticity and purpose were the key leadership terms repeated by CHROs during the Back2Better research sprints. "If leaders do things right, we should expect a stronger relationship with our associates," said one consumer products CHRO. "We will continue to demonstrate that we are a responsible employer that takes care of its people, that can be trusted and that does the right thing voluntarily."

Leaders cannot help but appear more purposeful and authentic when they demonstrate that they are placing health and wellness at the forefront of the employee value proposition. Through more frequent mass communication many are also taking on increased roles in supporting well-being and mental health.⁴⁴

"What we have seen is that the leaders who have been most successful in the crisis are the ones who live our brand values to the fullest," said an insurance company CHRO. The CHRO offered an example: One of the company's division presidents has been very vocal on social media and in virtual meetings about how children are always to be loved and cherished—and never to be referred to as a distraction to their parents' work.⁴⁵

These are leadership trends that CHROs certainly hope to maintain long term, but once safety concerns ease will they remain a priority?

A new social contract?

Seeing the inside of a CEO's living room during an unscripted Zoom call humanizes a leader in the moment, but it cannot smooth over structural cracks in the foundation of the social contract that are being exacerbated by the pandemic. As one CHRO asked, "With potentially widespread permanent unemployment, how will leaders meet stakeholder activism?"

Dr. John Boudreau predicted in April that always-rising executive compensation would now be "explicitly linked to the treatment of non-executive workers," potentially pulling down c-suite pay and mitigating the wealth gap.⁴⁷ His prediction may yet prove accurate but early results seem to indicate a marching-on of the status quo. Pandemic layoffs have disproportionally affected lower-wage workers while CEOs and their leadership teams continue to take home seven- and eight-figure pay packages. The CEOs of America's 350 largest companies averaged a total pay package of \$21.3

million in 2019, a new record. Of the 419 companies in the Russell 3000 index that shared details of CEO salary cuts related to the pandemic, two-thirds took reductions that equaled just 10% or less of their 2019 compensation.⁴⁸

...always-rising executive compensation will now be "explicitly linked to the treatment of non-executive workers"

Changes to the social contract may be felt more deeply in some industries than in others. Benefits added in some sectors during the pandemic, such as more generous paid sick leave, hazard pay, childcare stipends and flexible work arrangements, will be difficult to roll back. Some employees are now questioning why such policies were not in place prior and are making calls to labor unions.⁵¹ Despite skyrocketing unemployment in other industries, e-commerce and big box retailers are facing new pockets of labor unrest in both the U.S. and Europe.⁵²

As several CHROs and Boudreau pointed out, employees and other stakeholders are paying attention to the extraordinary measures that companies are willing to take amid the pandemic and extrapolating those actions onto other societal crises. Some global companies swift and decisive responses to the Black Lives Matter protests following the videotaped murder of African-American George Floyd by a white police officer in Minnesota seem to indicate a shift in this regard. Corporate actions were much more measured in response to similar protests that erupted in 2014 in the wake of a white vigilante's acquittal for the murder of unarmed black teenager Trayvon Martin in Florida and the unprosecuted police murder of unarmed teen Michael Brown in Ferguson, Missouri. Missouri.

Will callous leadership decisions today have long-term ramifications?

The press is noting when leaders prioritize shareholders over workers. For instance, U.S. based heavy equipment maker Deere & Co. was called out in August of 2020 for announcing another round of mass permanent layoffs even as it revised its 2020 earnings outlook upward from \$2 billion to \$2.25 billion.49 American Airlines leaders announced in August that the company would shed 19,000 workers, despite having received a \$5.8 billion bailout from the U.S. government and having spent more than \$13 billion on stock buybacks and dividends over the past five years.50 Back2Better CHROs believe workers and customers are taking notice but clearly the leaders of Deere & Co., American Airlines and others are betting that they will have short memories.

Corporate leaders as a buffer between political leaders and workers

When the U.S. state of Georgia's Republican governor Brian Kemp declared his state "reopened" on May 1 despite ongoing widespread community spread of COVID-19, the leaders of the state's largest private employers did not bat an eye. Home Depot, UPS, Coca-Cola, Mercedes Benz (whose North American headquarters is in Atlanta) and others completely ignored Kemp's order and still have almost all of their office workers teleworking as of mid-August.55 In the U.K., Conservative Prime Minister Boris Johnson received similar treatment from Britain's large employers after dropping "work from home" guidance on August 1 and calling for all offices to reopen. As of August 20, only 1 in 6 office workers in the U.K. have resumed their prepandemic commute.56

Leadership for the climate crisis

Back2Better CHROs predict that fresh memories of smog-free skies over locked-down cities will have employees and other stakeholders pressuring company leaders to do much more to fight climate change and reduce carbon footprints.⁵⁷

Germany is now on track to achieve its target to cut greenhouse gas emissions by 40% compared with 1990 levels by the end of this year. Environmental groups called it "highly embarrassing" that the government required a pandemic to achieve that goal, demanding that companies do more in the recovery to meet future targets. 58 Conversely, in the U.S., the Trump Administration has granted more than 3,000 waivers to suspend Environmental Protection Agency emissions monitoring during the pandemic—a move that industry insiders and government officials estimate is adding "thousands of tons of greenhouse gases to the atmosphere." 59

While the incumbent German and U.S. governments take opposite approaches to the climate crisis, leaders of multinational organizations have the ability to chart their companies' own paths—with employees and customers watching.

"Being a purpose-led company with strong values will become even more important in attracting talent and customers as people want to see a better contribution to society."

Europe-based Manufacturing CHRO

Line managers' importance rises along with focus on well-being

Less travel and more frequent meetings will drive decision power and speed, but some CHROs worry that it could disempower and alienate a large group of middle managers. Others see layers of middle management potentially disappearing from their organizations altogether.

However, nearly all CHROs in the Back2Better study emphasized the importance of frontline managers. "The quality of the local manager is critical, especially now that we cannot fly in and help," a manufacturing CHRO said. "Quality of line management and the ability to inspire will be the

Leadership skills CHROs identify as most important post-COVID: ⁶²

- Change management
- Compassion
- Dealing with ambiguity and stress
- Focus
- Speed of decision making
- Collaboration
- Resilience
- Empathy

differentiator of success." 60

In many cases, it is the line managers who are delivering on executive leaders' newfound focus on employee wellbeing. Back2Better CHROs uniformly report increases in scalable employee wellbeing offerings and adoption, but it is the frontline leaders who are actually seeing into their employees' homes during video calls and determining which essential workers need more flexible work options to support their wellbeing.

"We have an increased role in supporting the wellbeing and mental health of our employees during and after COVID-19," said a North American food company CHRO. "And we have an obligation to train our leaders to provide that." ⁶¹

Developing the Leaders of the Future

Back2Better CHROs acknowledged that some of their organizations' leaders are "just waiting to get back to the way it was" and that the pace of change has been "too fast" for them.

"Some of our leaders are still playing catch up," a pharmaceutical CHRO said. "The crisis has given us much better insight into who are great leaders and who are not. We should use this opportunity to upgrade our leadership." ⁶³

CHROs believe that their organizations "have an obligation to upskill our people" with many thinking differently about how to grow and develop leaders. As referenced above, training leaders to focus on the well-being of their teams is part of this effort. Financial pressures are also changing how leaders are developed and promoted. As a manufacturing CHRO in North America explained, "We were very formal about what leadership development looked like in the past. Now, because of cost pressures, we are expanding the roles that people are in. We're moving people into roles where they show potential. And it's working better than we expected."⁶⁴

Remote working could lead to more diverse leadership teams:

Greater flexibility in working arrangements should deepen the talent pool for leadership positions. "In our organization, it's often women who are reluctant to put their hand up for a promotion if it requires them to transfer to the head office or move their families," a CHRO in financial services said. "I believe it will be beneficial to our organization when a promotion doesn't require a move—and that's where we're headed."

SECTION 4

Work and Workplace of the Future

A global financial services organization embarked upon a workplace transformation project in late 2019 focused on activity-based facility design. After a pause at the onset of the pandemic the project resumed in August of 2020. What had begun mostly under the purview of the company's real estate group resumed with a more diverse team drawn from real estate, senior leadership, human resources and information technology. The plans from 2019 called for up to a third of the company's workers to move to flexible working arrangements. Proposals being discussed in August of 2020 have revised that number to 75%. "Instead of being incremental like we had originally planned, we're going to be much more radical now," the company's CHRO said. "We've covered five years worth of trends in a few months. We've proven we can work effectively in a flexible environment."65

"This crisis has taught us that making the workplace the place where work gets done is no longer essential. We can make decisions at pace and accelerate adoption of new ways of working."

Europe-based Pharmaceutical CHRO

As discussed in Section 2, "The Organization of the Future," large companies across a wide swath of industries will emerge from the pandemic with some newly permanent flexible working arrangements and accompanying reductions in real estate footprints. Employee engagement and productivity gains witnessed during the crisis have convinced many leaders that the benefits of such moves outweigh the risks. Offices being reconfigured now for safety and social distancing will likely be re-configured again once the COVID-19 risk subsides but in new ways that enhance those activities best accomplished by groups of people working together.⁶⁶

CHROs and their leadership peers must further refine and enhance workspaces in offices and at home to meet the current needs of people while also developing a future blueprint for workplace collaboration, team working and rationalization.⁶⁷

A bifurcated workplace experience

Virtual works well for knowledge workers, but CHROs in manufacturing and other physical labor-intensive industries warn about a "head office mentality" that highlights productivity gains from newly remote workers and downplays the additional burdens on those dutifully reporting for shifts on shop floors and retail settings. "Things haven't changed much for our factory workers, except that they have to wear uncomfortable masks and can no longer eat lunch with their colleagues," a North American manufacturing CHRO noted. "At some sites we're hearing from shop floor workers who complain that the office workers are 'just sitting at home eating bon bons in their pajamas."

The home office versus factory floor divide predates the pandemic but the contrasts are "sharper now" reports a European-based manufacturing CHRO. The company maintains its headquarters office adjacent to its largest single manufacturing site. "That office is already re-opening," he said. "But we are looking at reducing our office footprint globally and we are starting with the facilities that are not geographically close to major production sites." Some employees are likely to be relocated closer to manufacturing sites while others will move to flexible working arrangements that prioritize customer interactions over office time. ⁶⁹

"Planning our long-term business based on social distancing will set us on the wrong path. Human beings by their very nature are social creatures and we see the quality of innovation and collaboration that comes from that."

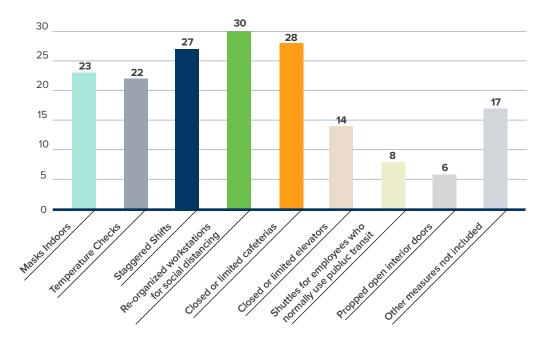
Europe-based Financial Services CHRO

Offices are not going away, but they will not be the same

Office workers will eventually return and companies are making it safe for them to do so (see chart). Office space remains important and workers desire to be back among colleagues as well as their clients. Colleagues miss the impromptu corridor conversations that spark collaboration. Companies still value their physical spaces as catalysts of culture and innovation and conductors of client engagement.⁷⁰

"While the COVID bubble is our current reality, Gallup and others show that people stay or leave companies mostly based on relationships," a UK-based financial services CHRO said. "I believe that a year or so after the vaccine emerges, things will snap back. The death of the office is being greatly exaggerated." As a fellow CHRO noted, Zoom is not the right tool for agile software development teams.

Executive Networks asked 30 global CHROs which safety measures their companies are implementing as they re-open or plan to re-open office worksites⁷²



Other measures included (far right column above): Equipment for touchless doors; Touchless coffee and vending; Increased presence of medical personnel; Additional PTO for employees who live with frontline healthcare workers; Social distancing stickers, sneeze-guards and other PPE; Health Questionnaires; Social distancing floor markers; Serology tests; New restrictive maximum building capacity policies.

Redefining critical roles and skills

Prior to the pandemic, critical roles were generally viewed as those linked most closely to meeting strategic goals. Now, employers are recognizing another category of critical roles: those that are critical to the success of essential workflows.⁷³ For instance, the importance of those fielding HR queries and procuring personal protective equipment has skyrocketed.

Back2Better CHROs agree that work in the future will be oriented around skills and capabilities, not traditional roles. They believed this before the pandemic hit, too. While the experience of working through the pandemic has not solved the puzzle of how to best inventory, upgrade and deploy skills throughout a complex global organization, it has demonstrated that more cross-functional, skill-based ways of working improve agility, effectiveness and speed of decision making.⁷⁴

SECTION 5

The Worker of the Future

Pulse surveys and productivity analysis shows that the majority of workers are navigating the stressors of the global pandemic better than could be expected.⁷⁵

When office workers went remote, some leaders feared that productivity would plummet. The distractions of home would wreak havoc on workdays, they thought. Some individuals have had a harder time than others working from home, but many companies say productivity has remained at pre-pandemic levels, or even improved. Without commutes, restaurant lunches or leisurely coffees in the break room, many workers—especially those without childcare obligations—are getting more done.⁷⁶

Back2Better CHROs report workers volunteering to take on new tasks and executing projects at much higher speeds. Several offered anecdotes about the successful completions of important projects in a small fraction of the time that they would have taken pre-pandemic.⁷⁷ "There's a leveling of introverts speaking more and extroverts listening more. You can't hide on a Zoom call like you can in a big meeting. And every box with a person in it on your screen is the exact same size."

North American-based Pharmaceutical CHRO

Will productivity gains last?

"What we have seen is that raw productivity for individual contributors has gone up and stayed up for months," said a North American-based consumer products CHRO. "But burnout is a real concern. And for the roles where we rely more on collaboration and teams, the jury is still out."

Some productivity gains are likely being driven by fear—making them difficult to sustain. At the height of the lockdown in spring, employees in North America were almost twice as likely to list "Job Security" as their top concern as they were to list "Personal Health." Other productivity gains can be attributed to longer hours in front of screens which also can lead to burnout. Several CHROs expressed that "Zoom fatigue" has become a concern within their organizations.

As the pandemic lingers, natural attrition becomes more of productivity lag as companies struggle to effectively onboard under difficult circumstances. "I am concerned about how new employees are going to get into the higher levels of trust," said a North American manufacturing CHRO.

Some productivity gains are likely to remain. Less travel and less face-to-face meetings means more time to get work done. Improvements in cross-functional collaboration, boosted by digital technology, are likely here to stay, too.

Shifting priorities

The long-popular human resources term "work-life balance" had problems prior to the pandemic. The HR leaders who advocated for better "balance" often freely admitted that their own lived experiences skewed heavily toward the "work" side of the scale. With employers now even more involved in their employees' lives, the term has largely been replaced by the already popular "wellbeing" which emphasizes the need for whole person support on and off of the clock.

"Now, the line between work and life is completely blurred," said a North American manufacturing CHRO.⁸¹

CHROs on future employee value proposition priorities:⁸³

- Safety
- Security
- Well-being
- Equality
- Flexibility
- Work-life balance
- Values
- ESG [Environmental, Social and Governance]

Office employees have been forced to take their work inside their domiciles. Essential workers, too, have dropped some of the barriers between their personal and professional lives.

A U.S.-based manufacturer found that a number of its factory workers were not returning from furloughs. Leadership suspected that generous unemployment benefits (boosted \$600/week by Congress) were to blame. "It simply wasn't the case," the company's CHRO said. "We started having individual conversations with people. Almost all of them were staying home because of legitimate health and safety concerns. We learned a great deal about individual employees' home situations—who had medically fragile loved ones at home, for example—that we never knew before."

Work-life balance may be the wrong term, but employees still do want more time off from work. An August poll of U.S.-based white-collar workers at large global corporations revealed that more than 36% of respondents said they would take a 35% pay cut if it meant their total work contributions would be "hard capped" at 40 hours per week.⁸²

New options for talent

War-for-talent hotspots could cool with more widespread virtual working options. "If we can hire from anywhere in the world, it is perhaps a remedy for super-competitive locations like Silicon Valley and China," said a technology CHRO. The flipside of this phenomenon could be reduced loyalty.

As an oil & gas CHRO put it, "The more your team is fully remote, the more they will look like mercenaries. How do you maintain loyalty if your people can work for almost any company from almost anywhere?"84

"If we can hire from anywhere in the world, it is perhaps a remedy for super-competitive locations like Silicon Valley and China," said a technology CHRO.

While higher unemployment likely means more contractors and gig workers in some industries, the CHROs in the Back2Better research cohort predict that workers will have less appetite for such roles than before—especially in markets where healthcare is tied to employment. "People will seek less risk-taking in choosing their employer, favoring companies with healthy profits, strong cash flows and good balance sheets," predicted a North America-based consumer products CHRO. "This give well-run, stable companies new opportunities to recruit talent that would have previously gone to start-ups or struck out on their own." 85

More personalized work experiences

Prior to the pandemic, the World Economic Forum predicted that no less than 54% of all employees would require significant re- and upskilling by 2022, with about 35% expected to require additional training of up to six months.⁸⁶

Companies have long been trying to better personalize learning and development to varying degrees of success. The pandemic has forced remote learning by default, overcoming a traditional barrier to customized learning experiences. The pandemic has also further personalized other aspects of work as companies listen more closely to their people and offer multiple options for those planning some type of return to the office.

"Workers have found their voice. They will speak up when companies aren't living their values. They will demand companies do more."

Europe-based packaged goods CHRO

Workers may have more say... Or they may not

Dr. John Boudreau predicts that workers will gain a more powerful voice as the pandemic subsides. He points to social media revealing "formerly hidden stories and perspectives" from within organizations as evidence of this trend.⁸⁷ As discussed in section 3, Back2Better CHROs anticipate that leaders will be under more scrutiny in a post-pandemic world to "do what's right" by making decisions that positively impact workers and the environment—even at the expense of shareholders.

The 37 major developed market economies that make up the Organization for Economic Co-operation and Development (OECD) have taken major steps to improve access to, and the generosity of, sick leave and out-of-work income support as well as job retention schemes, whose take-up has been unprecedented in many member countries.⁸⁸ In the U.S., the CARES Act made gig workers and the self-employed eligible for unemployment insurance for the first time.⁸⁹ Courts in California have

granted unprecedented rights to notoriously unprotected gig workers in that state. While Uber and Lyft are appealing the rulings, it appears likely that courts will side with the state and drivers, forcing the smartphone-powered rideshare companies to reclassify their California drivers as employees (instead of contractors), giving them higher pay and better benefits. 90 As discussed in section 1, generous jobs subsidies across Europe have thus far moderated job losses there.

There are signs, too, that workers may ultimately be marginalized by the pandemic and the recession it has wrought. The employment situation remains grim, which will have a lingering negative impact on workers' collective power. Europe, Japan and Korea have not yet endured the record-shattering job losses experienced in places like the U.S., Canada and Columbia, but all OECD countries have shed jobs and are in recession.

Rather than listening to employees concerns,
Gartner claims that more employers are using socalled "other employee monitoring data" such as
data mining, natural-language processing, semantic
analysis and machine learning to determine
employee sentiment and behavior. Gartner also
sensationally claims that one third of organizations
are replacing full-time employees with contingent
workers as a cost-saving measure amid the
pandemic—further eroding workers' power.
However, it's unclear how Gartner is tracking the
rise in "other employee monitoring data" and
its contingent worker claim is derived from an
unscientific and unreliable online poll.⁹¹

The Whole You at Mastercard.

"Unlocking Potential is a key element of our culture, or simply, The Mastercard Way. Well prior to the pandemic, we knew that to unlock the potential in our people, we needed to put their wellbeing first. This mindset drove us to pivot quickly in the crisis, expanding on existing programs globally and launching new offerings and resources during the pandemic, such as 10 days of paid COVID time off, a virtual summer kids camp and Inspiration Talks. Our wellbeing work continues, focusing on an employee's (and his/her family's) mental health, physical health, financial security, lifelong learning, meaning and purpose and other topics. Decency underpins all we do at Mastercard and this is our way of showing employees and the community that we care."

Michael Fraccaro, Chief People Officer, Mastercard

Conclusion

BY VICTORIA LIVINGSTONE

As the pandemic continues to impact our global economy, businesses, societies and everyday lives, organizations and their ways of working have been forced to adapt. Despite the many challenges, there have been positive changes to carry forward.



As businesses strategize amid uncertainty, it is clear that even once the virus is eliminated our economy and the

nature of work will never go back to "normal." Instead, there will be a series of new "normal" contexts that will continue to evolve at pace, encompassing the traditional aspects of work alongside the lessons and new strategies learned throughout the pandemic.

As with nature, it isn't necessarily the strongest or most traditionally high performing organizations that will survive, but the ones that are most adaptable to change. Taking the lessons learned highlighted through the Back2Better feedback, there are certain focus areas that CHROs can dial up in the ongoing crisis and aftermath planning that will contribute to optimizing their organization's adaptability and success.

In this conclusion, I've outlined some of my key takeaways from the paper in the form of actions HR leaders should consider to achieve "Back2Better."

Business Strategy

- Review your organization's brand purpose. Purpose and values-led business strategies with strong focus on wide stakeholder value and societal impact can create high levels of brand engagement for both customers, employees and future talent.
- While downsizing and restructures may be inevitable to respond to economic and business challenges, ensure a simultaneous focus on how to redeploy, re-skill and reuse, thus upholding employer brand commitments and minimizing negative impacts on employees and society.
- Build and foster attention on catalysts for new business and markets, investments in new collaborations and cross-industry partnerships. Ensure there is sufficient executive attention, resources and follow-through on investments topics versus the natural attention spent on crisis management.

- Digital strategies will require further long-term development into more established but continually evolving and adapting parts of the business operating model. Create opportunities to invest and stress test technology across a wide range of business functions.
- Consider setting up a dedicated team to manage change and transformation in a new way and to create a continually agile evolutionary approach to strategic planning to build a culture of resilience.

Organization

With evolving business strategies, purpose and new ways of working, assess the level of alignment of the organization operating model and review future changes to better embed adaptability and agility. Key steps will include:

- · Removal of deprioritized activities and units.
- Growth of investment areas.
- Strip out of hierarchies and silos.
- Enhancement of systems and processes across the model to build stronger crossfunctional collaboration and agility.
- Increasing automation, digitization and finesse governance and decision making.
- Updating new roles/skills in line with future of work plans, workforce planning and new flexible working.
- Evolve organization values and ethos to align to purpose and brand lessons learned through the pandemic. Share stories, build alignment across vision and mission and aid in embedding a culture of organizational redevelopment.

Leadership

- Update the leadership profile. The profile should encompass new understanding of skills and values while ensuring alignment to future purpose and brand.
- Systemize leadership profile aspects into key employee lifecycle processes (hiring, promotion, cultural engagement, development, etc.).
- Stress test the updated leadership profile to ensure it includes requirements for both 'war time' and 'peace time' leaders or those that can span across the spectrum.
- Recognize the importance of leaders at all levels. Focus especially on the role of the manager as the key guardian of the employee value proposition. Provide articulation of this role and support for required skills. Recognize this critical function and sustain visibility.

Work & Workplace of the Future

- Review and create a new definition of the purpose and value of work done at your organization's physical locations. For example:
 - Co-located/face-to-face: catalyst for idea generation, client engagement, creativity and innovation, alignment and key decision making
 - Remote location/video: business as usual, work execution and delivery, checkins, administration, idea testing/development
- Challenge the relationship between productivity and presenteeism.
- Identify changes in technology, location strategy and real estate to align with new
 workplace strategy and productivity optimization (e.g. connectivity, security, live
 program management, document sharing, hub and spoke location model, expansion
 and hybrid use of distributed retail and manufacturing sites for office workers,
 automation, elimination of transactional work and human/machine alignment).
- Identify reinforcing systems and processes to support more distributed and flexible workforce (e.g. new data-driven measurements of productivity, role design, performance management, reward, governance and decision rights).
- Review policies and contracts for flexibility to maximise productivity and align to new ways of working (e.g. job sharing, shortened work week, multiple agile project roles per employee, shortened day core work hours, staggered start/finish times).
- Enable increased employee choice on work style to align to new employee value.

Worker of the Future

- Engage and listen to employees on evolving priorities and expectations around employer brand, value proposition and experience. Review and update alignment with policies, benefits, key lifecycle events, culture and talent strategies.
- Address and value different experiences and perspectives to better enable adaptable
 and agile ways of thinking. Listen to and seek out full holistic diversity (demographic,
 neurodivergent and cognitive) to create stronger levels of belonging and potential
 for competitive advantage. Create action-oriented plans to better identify holistic
 diversity, remove bias, support optimised productivity and visibility and ensure diverse
 thinking at all levels in the organization.

- Expand approach to employee/employer psychological contract to reflect a more holistic reality as seen during the pandemic. Review engagement extending into both physical and mental health, wellbeing, financial security, family support, worklife balance, trust, integrity and community impact.
- Review traditional approaches to communication and engagement and adapt to reflect technology innovations, always-on listening and feedback loops, continuous action-oriented follow-through and role of the manager as ambassador of engaging employee experience.

As challenging as the forced pivot to change has been throughout COVID-19, the opportunities exist to take the best learnings and build more adaptable, agile and productive organizations with holistic engagement of the whole employee and positive societal impact. Risks still exist from economic, political and traditional business viewpoints to push for a return to previous norms or to move forward in ways that compromise new ways of thinking or realize short-term gains. It is critical for the HR function to ensure that these pressures are resisted and take the lessons learned to influence the future directions of their organizations, to build a better future for their businesses, customers, employees and society.

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