Revisiting Your Talent Needs for the 'New Normal' Economy

BattaliaWinston

By Terry Gallagher

IT'S DIFFICULT TO GO BACK IN OUR MIND'S EYE TO JANUARY AND FEBRUARY, WHEN WE WERE MOVING ALONG NICELY ON OUR ANNUAL PLANS AND FOLLOWING A WELL-FORMED STRATEGIC DIRECTION, ENGAGED AND EXCITED ABOUT WHAT 2020 WOULD HOLD AFTER MAKING GOOD PROGRESS IN THOSE FIRST MONTHS.

THEN IT HAPPENED – A DREADED BLACK SWAN EVENT LIKE THOSE WE OCCASIONALLY HEARD ABOUT IN STRATEGIC DISCUSSIONS BUT NEVER EXPECTED TO WITNESS, ESPECIALLY ONE AS DAUNTING AND DEVASTATING AS THE COVID-19 PANDEMIC.

This pandemic is a historic event that transcends anything we've seen in over a century; the only comparison would be the Spanish Flu of 1918. At the time of this article, there have been more than 5 million cases reported in 213 countries and territories. Many of these countries declared a state of emergency, restricted their citizens to their homes unless they were essential workers, and shut off their economies for two or three months. The impact on the global GDP for 2020 can be seen in the swing from a projected 2% growth to a 3% contraction, according to the International Monetary Fund.

Economic pundits' forecasts for the anticipated recovery vary widely, from a three-month V-shaped recovery to a six- to-12-month U-shaped recovery to a three-year bumpy, W-shaped recovery. Much of that depends on how quickly scientists can develop and demonstrate an effective treatment for Covid-19, a vaccine, or both.

Given that the economic upheaval has been caused by a health crisis, comparisons to past economic recessions may be irrelevant. Since the U.S. GDP for the first quarter of 2020 was -4.8% and the second quarter is estimated to be -30% by PIMCO, corporations are recalculating their expectations for the third and fourth quarters. Some are looking further ahead and adjusting longer-term plans in light of this uncontrollable and unforeseen global event.

Re-evaluating talent for new realities

As they revise goals in their annual budgets and strategic plans, top executives are also recalibrating their talent needs. Just as the economic environment shifted as a result of the pandemic, the skills required by the executive team to operate effectively during this ambiguous transition period and into the "new normal" world will also change.

For example, I am leading an active search for a Chief Strategy Officer. The initial skillset priorities were for an executive who had established a strategy function, had a record of success in evaluating and successfully completing multiple acquisitions, and had the ability to elevate discussions with the board and executive management team about strategic initiatives. Given the impact that the pandemic is having on the business, the client is now reassessing the skills required for not only this role, but for the entire management team.

The client was appreciative when I reevaluated the final four candidates against the "new normal" business priorities. In the process, the original second-ranked candidate became the top-ranked candidate because of his proven record of success in achieving significant profit improvement. That skillset would allow him to focus on driving efficiency and cost savings at the start. When the economy improves and there is less focus on capital and cash conservation, he could shift to building the strategy function and completing acquisitions.

If there is something positive about the disruption caused by Covid-19, it may be the opportunity for corporate leaders to observe their management teams through a different lens.

Suddenly thrust outside their comfort zones, people will reveal their mettle. Which of your executives will adjust most quickly to managing people in a virtual work environment? Which ones have the organizational skills to produce results with fewer face-to-face meetings and less structure? Which ones have the creativity and adaptability to discover new ways to achieve their goals? Which ones have the ability to manage through ambiguity, keep their teams engaged, and adapt to a new business paradigm?

It is equally valuable to discover through observation which executives lack the abilities your organization needs to get through and beyond the crisis. There will be some who will not be visible, responsive, or able to hold their staffs accountable. While some businesses might miss their numbers due to the pandemic, through no fault of their own, there will be some who try to shirk their responsibility to make the difficult budget cuts that will be needed.

My Partners and I have seen clients putting a temporary hold on active executive searches or delaying the start of new searches until the business environment and economy becomes clearer to them. However, we still have mission-critical C-suite searches that are active because these high-impact, value-added roles are essential to the achievement of our clients' strategic plans.

Rather than waiting until they can see the future, these organizations realize that the right executive talent enables them to create the future. Companies that can leverage the opportunities hiding within the chaos will incrementally lengthen their lead over competitors standing still.

Navigating to a new destination

Executives must plan for the transition back to a physical-presence work environment while understanding that some side effects from the pandemic will carry over. The top priority for companies will continue to be the safety and health of their employees and customers, and many organizations will be subject to state or local government restrictions until an effective treatment or vaccine is available.

Within their offices, companies need to set their own infection-prevention standards, such as requiring masks and possibly gloves in the office. They may have to make physical changes, such as erecting plexiglass partitions at six-foot intervals or rearranging furniture in areas where people congregate to maintain social distancing. Companies may choose to implement staggered arrival and departure times to avoid bottlenecks at the elevators and cafeteria. Now that the open-office model has become almost ubiquitous, cubicles and offices with doors might make a comeback at some organizations.

We know for sure that the pandemic will end at some point, but we don't yet know how much the nature of existing jobs will change or the exact skillsets that will be required to function effectively in those jobs. Rest assured, though, the "new normal" world will place a premium on executives and managers who are collaborative, digital-savvy, and can thrive in ambiguous dynamic environments.

Executives who have proactive change-management skills, those who can set a new vision and engage their teams, will be in high demand. The future C-suite belongs to creative problem solvers who are self-driven, have emotional intelligence with keen listening skills and empathy, are customer focused, and can develop relevant metrics and incentives that are aligned with these behaviors.

During high-growth economic periods with low unemployment rates, companies have a tendency to hold on to mediocre performers. When a Black Swan event like the Covid-19 healthcare crisis occurs, companies must raise the bar on performance expectations so that they will be positioned to capitalize on the increased opportunities to drive revenues and profitability when the economy reignites. Warren Buffet aptly described the gap between the people you have versus the talent you need when he stated, "Only when the tide goes out do you discover who has been swimming naked."

Well-run organizations with agile and thoughtful leaders are currently reassessing their management teams and determining the skills and behaviors they will need to meet their strategic goals in the wake of the Covid-19 pandemic.

As with every economic downturn, we expect to see steep reductions in the workforce, accelerated retirements, elimination of layers of management, and bundling of roles and responsibilities within broader spans of control. Astute business leaders will no doubt use this Black Swan event as a catalyst to lean out executives and managers who lack the skills and capabilities they need on the other side of the crisis.

Likewise, we expect to see even greater investment in digital technology, AI, and analytics as companies streamline decision making to improve business outcomes. As the adoption of these technologies reach new levels, companies will have to compete for talent with data science, digital technology, and analytical skills. We anticipate that some managers will be able to make the transition to a digital-first business environment through training and upskilling. However, others will not be able to adapt to the accelerated speed of change that the coronavirus pandemic has already set off.

The most dangerous thing to do during a time of uncertainty is to stand still. The current and upcoming turmoil will reveal leadership skills — or the lack of them — within your organization better than any other test. Now is the time to assess the talent you have and determine the talent you will need in the near- and long-term future. The sooner you fill in the gaps, the longer the lead you will have when the economy puts the wind into your sails again.

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About the Contributor

Terence Gallagher joined Battalia Winston in 1991 and was promoted to EVP in 1994 and President in 1997.Terry's search career of more than 25 years includes serving as Partner in Charge of the Northeast Region Executive Search Practice and National High Technology Practice Search Partner at KPMG.

Terry's primary focus has been in recruiting Presidents, CEO's, CFO's, CIO's, CISO's, Division General Managers, Board Directors and all C Suite Executives for Fortune 500 as well as Middle Market Companies and private equity firms and also Partners, Practice Leaders and Rainmakers for consulting firms.

He has consulted for a broad range of industries including: Financial Services, Industrial Products, Construction, Professional Services, Business Services, Technology, Retail & Consumer Goods and Healthcare.

Terry graduated from Duquesne University with a B.S. degree in Accounting and recently received the Distinguished Alumni Achievement Award. He served on the Americas Board for the Association of Executive Search Consulting Firms for seven years and the Advisory Committee for the National Association of Corporate Directors New Jersey Chapter.

Recognized by **Business Week** as one of the World's Most influential executive search professionals, Terry is a thought leader regarding executive recruitment and retention, organizational effectiveness, management development and succession planning.

Terry serves on the Board of Directors for Provident Financial Services (NYSE:PFS) as a member and Past Chairman of the Compensation Committee and a member of the Nominating and Governance Committee. Provident Bank is ranked as one of the best 50 banks in the US by **Forbes.**

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