



THE COVID-19 LEADERSHIP GUIDE

Strategies for managing
through the crisis

A COLLECTION OF INSIGHTS AND IDEAS

Here, Korn Ferry has assembled the guidance and strategies you need to steer your organization through this COVID-19 emergency.

This collection of articles brings practical advice that will help you lead through and beyond the crisis, dealing with the immediate issues and looking toward the opportunities for recovery.



Contents



LEADING IN A CRISIS

WHAT LEADERS ARE SAYING—AND DOING

Many corporate CEOs are facing their toughest leadership challenge. Two Korn Ferry veterans tell us what they are hearing—and seeing—from the C-suite.

In a stunningly short time, demand for her firm's multibillion-dollar product had dropped almost in half. And almost as quickly, the call for many inside the company was to act fast and preserve as much capital as possible. It was the standard reaction multiplied many times by a global pandemic—save all that is left for better times.

Yet this CEO saw things differently. Cutbacks were made, of course. But instead of purely hunkering down, she directed the teams to work on finding new efficiencies for the product, create new services for customers, and streamline operations. The goal: yes, wait for better times, but give the company an edge for when demand inevitably returns.

In today's remarkably rough times, with the global coronavirus outbreak upending the modern world as we know it, everyone is dealing with their own challenges. And that certainly includes the world's chief executive officers. It is these leaders who must keep their organizations afloat. It is they who must inspire people to innovate and try to preserve as many jobs as possible. And while these CEOs are balancing so many impossible dilemmas—what suppliers to pay, what factories to keep open—they must carry the burden of their own uncertainties as well as those of the thousands of workers for whom they bear responsibility.

"It's something that nearly everyone we're working with is wrestling with," says Kevin Cashman, Korn Ferry's global leader of CEO and Executive Development. "It has never been tougher."

For weeks, Cashman and Jane Stevenson, Vice Chair of Korn Ferry's Board and CEO Services practice, have been speaking daily with this group—hearing their struggles as well as their responses. Some admit to having moments of fear. But others have found a way to be energized. In a recent conversation, Cashman and Stevenson spoke about the common themes that shine through their work with the CEOs, and what great leaders are doing to help not only their organizations but themselves.

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**8 STEPS LEADERS
CAN TAKE NOW**

WHAT ARE CEOS STRUGGLING WITH THE MOST RIGHT NOW?

Kevin Cashman: In a crisis, “perform” can become “survive,” and that can provoke fear. Many CEOs right now are saying, “I have to act. I have to move forward.” But sometimes the desire to thrive, to transform, requires you to slow down. The more something is complex, the more you need to go slow to get it right. The paradox in the crisis is where do you push, where do you pause. You have to do both.

Are CEOs courageous enough to deal with the immediate problems but also courageous enough to do the things that will connect the organization to the future? And that, during a crisis, is one hell of a challenge. You have to be both empathetic and executional. Most of us are typically more one than the other.



Kevin Cashman

Global Leader, CEO &
Executive Development

Korn Ferry

Jane Stevenson: The fact that you can't fix so much of what you're dealing with is really hard for many CEOs. Some CEOs carry these burdens more easily or with less weight than others. Those who take on the challenges without carrying the weight of them personally have more internal space to stay creative. Taking on today's challenges personally adds enormous emotional weight to an already heavy load. For example, the leader of one major company I work with is doing all the right things, but I worry that it's almost killing him.



Jane Stevenson

*Global Leader for CEO Succession and
Vice Chairman, Board & CEO Services*

Korn Ferry

HOW ISOLATED DO THESE CEOS FEEL?

Jane Stevenson: The round-the-clock nature of this is taxing. The sense of not being in the same place as your team is also isolating. But there's more interaction than what you'd expect. Because of the nature of this crisis, top competitors are talking with one another more about issues. For example, several CEO clients in the healthcare sector are talking in real time with CEOs of "rivals" on how to fight a common enemy: COVID-19. There's more collaboration than ever before around "What are you doing on this or that issue?" and "Here's what we are thinking..." In this sense, for today they're in it together, despite being competitors.

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We're seeing an innate reaction to pull back, but the great leaders are pushing forward.



DO MOST CEOS HAVE A “WE HAVE TO SURVIVE THIS” MENTALITY NOW?

Jane Stevenson: We're seeing an innate reaction to pull back, but the great leaders are pushing forward.

Kevin Cashman: Yes. There's a big difference between what we're seeing with CEOs across the bell curve distribution and what we're seeing with great CEOs. The best leaders are not only connecting across everything they can within their organization to keep people engaged and motivated but also across the industry with collaboration that fits a deeper, broader purpose. Also, in the face of these tough, complex dilemmas, these top CEOs are doing their best to balance empathy and execution across stakeholder groups.

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If the CEO can focus on the key priorities, then the organization can harness its energy around the right things.

WHAT ARE THE GREAT LEADERS DOING THAT PERHAPS OTHER CEOS ARE NOT?

Jane Stevenson: In a situation like this where everything feels out of control, there's an innate move to try to control as much as you can. Just survival can overwhelm you. But some leaders are adapting in the moment and moving forward to new realities even as they address issues like the company's survival.

For instance, one transportation player has had to retire the vast majority of its fleet and is still dealing with a huge reduction in capacity for the remaining operating segments. So one way to approach this would be to just shore up capital to survive, which is no small issue, and which they are definitely doing. But this CEO is also asking his teams to use technology now to help shift the company for the future. Their approach during the downturn is to look at how they, a sleeping giant, can be ready to come

back even stronger in four or five months.

Kevin Cashman: It really seems that the CEOs who are truly purpose-driven are thriving a bit more. Take life sciences, where many are seeing their purpose as healing and touching patients. So what are they doing? Collaborating with competitors on treatments, cooperating with governments, even giving supplies away. That's purpose playing out, and at the same time, creating an environment of global innovation and service.

Purpose can be set aside very easily in a crisis because we have to survive. But we have to remind ourselves that purpose elevates us from survive to thrive. Purpose clearly shows up in world-class leaders in a crisis.

“ THEY ARE DEFINING THE FIRM'S VALUES CONCISELY, SO PEOPLE HAVE THE CLARITY AND GUIDELINES TO MAKE DECISIONS.

WHAT ELSE ARE THE TOP LEADERS EXHIBITING?

Jane Stevenson: They are defining the firm's values concisely, so people have the clarity and guidelines to make decisions on their own and quickly. The leaders don't have time to check in with everyone constantly, so everyone has to know what the values are against which they're going to operate and make decisions. Those values aren't inconsistent with the firm's normal purpose and values, but firms haven't always defined them well in the first place.

For instance, one CEO says, "Our first priority is the safety of employees. The second priority is to use every available opportunity to add unique value to our customers, building brand loyalty during this time. And the third priority is to use these opportunities to learn and develop as we go." That gives all of her employees the ability to operate with confidence and purpose for decision-making. It doesn't change the amount of risk there is in the world, but it does provide clarity and clear accountabilities as employees move the business forward with agility.

Kevin Cashman: They are showing resilience. I asked one CEO recently "how are you doing?" and was ready for some pretty tough stuff and then to empathize with him. He said, "I hesitate to say it, but I'm really energized by all these challenges." This situation will drain every bit of energy that most of us have. To be resilient and, as Jane says, to elevate in this situation is huge.



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The paradox in the crisis is where do you push, where do you pause.

WHAT TYPE OF GUIDANCE ARE YOU PROVIDING DURING THIS CRISIS?

Jane Stevenson: Honestly, rather than providing answers, I am being more of a thought partner and asking questions that may open up thinking. I remind them that human nature is driven by gravity and right now it is pulling us down. So this concept of elevation and really getting above the tactics of the essential minute-to-minute firefighting is really critical. I also want the CEO to, instead of pulling back, really look at the most pivotal points that will make a difference. That's even more important for the organization than it is to the CEO. If the CEO can focus on the key priorities, then the organization can harness its energy around the right things and not feel like it has to tackle everything.

Kevin Cashman: All of these conversations start personal, no matter what their role is, and then move to professional and all of the complexities. With CEOs, you want to give them a place to think out loud and sort through things.

HAVE CEOS DONE ANYTHING THAT HAS SURPRISED YOU?

Jane Stevenson: One of things that has helped is to maintain a sense of humor, even during this very serious time. One of the people we're coaching oversees a huge global business that has seen its sales drop by billions in a few months. She is a results-focused leader with a keen awareness of the global gravity of their situation, including a huge number of employees on the front lines daily. Despite that, every day when she has a video call with her top team, she places something totally ridiculous somewhere in the background behind her. The day I saw her, she had stuck a huge British saluting gnome right behind her and started the meeting as if nothing was out of the norm. It was hilarious! I laugh just thinking about it! She is doing something different like that every day and, despite grim realities, her team is looking forward to seeing what she's going to do next. Silly, corny things like that can bring people to a common sense of reality. Having the emotional intelligence to know when and how to do that is really significant.



ONE OF THE THINGS THAT HAS HELPED IS TO MAINTAIN A SENSE OF HUMOR, EVEN DURING THIS VERY SERIOUS TIME.

8 STEPS LEADERS CAN TAKE NOW

1

Be purposeful.

- Constantly remind people why it is so important that we exist.
- See this crisis as a new way to purposefully serve colleagues and customers in new, meaningful, value-creating ways.
- Leverage purpose as a new tool of innovation; purpose can touch lives in new ways.

2

Be empathetic.

- Acknowledge others' stress in this situation.
- Know that people are also struggling with personal and family issues beneath the business issues.
- Show you care about them versus the enterprise only.
- Repeat, repeat, repeat.

3

Be calm, clear, and confident.

- Communicate with realness, clarity, authenticity, and regularity: tell the real story.
- Express a vision of the other side of this...elevate from now to next.
- Convert anxiety to the attitude "we will get through this together."

4

Be both action oriented and reflective.

- Reconcile the paradox of pause and action; both are critical.
- Avoid being too passive or too hyperactive during these times.
- Step back to reflect, learn, and strategize when the pace and bias for action are too high.

5

Be inspiring.

- Share stories that reveal the enduring values and what is really important now.
- Remember the purpose of the enterprise and rally people around it.
- See the crisis as an opportunity to more deeply live and serve our people and customers.

6

Be resilient.

- Take care of your energy, wellness, and fitness.
- Encourage others to take care of themselves, and demonstrate by modeling it.
- Show your energy to take on these challenges with energy and innovation.

7

Be aware of mindsets.

- Move from fixed/fear mindsets to growth mindsets.
- Know that our openness and closedness opens or closes others.
- Catch yourself in fixed/fear mindsets and move to growth mindsets before acting or behaving.

8

Be courageous.

- Make the tough decisions on purpose and with courage.
- Pay attention to fear-based, reactive decisions.
- Inspire others with your courage, energy, and positivity.

REDUCING COSTS WHILE STAYING READY FOR THE REBOUND

The coronavirus has created a humanitarian crisis, becoming a serious threat to the most vulnerable populations in every community. Protecting the health and safety of employees, partners, and communities will be job one for leaders around the world during the coming months.

The dramatic declines in global equity markets also make clear that leaders must manage the economic impact of this public health crisis. The gyrations in markets from country to country and from day to day illustrate the complexity of this situation. The pace, duration, and impact of the crisis are nearly impossible to calibrate.

At a minimum, this event will be a disruption for business. Whether you are in the airline business or running a single restaurant, the coronavirus will hurt your ability to generate revenue in 2020. In that way it is starting to feel like 2008. But before we dust off the playbook we used during the financial crisis, let's take a look at some of the ways that this crisis is different.

This is a human crisis, not a financial crisis.

In 2008, banks stopped lending and investors stopped investing. During this crisis we will be tested by our ability to find new ways of successfully managing employees. We will have to use new tools and new leadership models to keep teams engaged as we practice "social distancing."

We expect this to be a disruption, not an enduring reduction in economic activity.

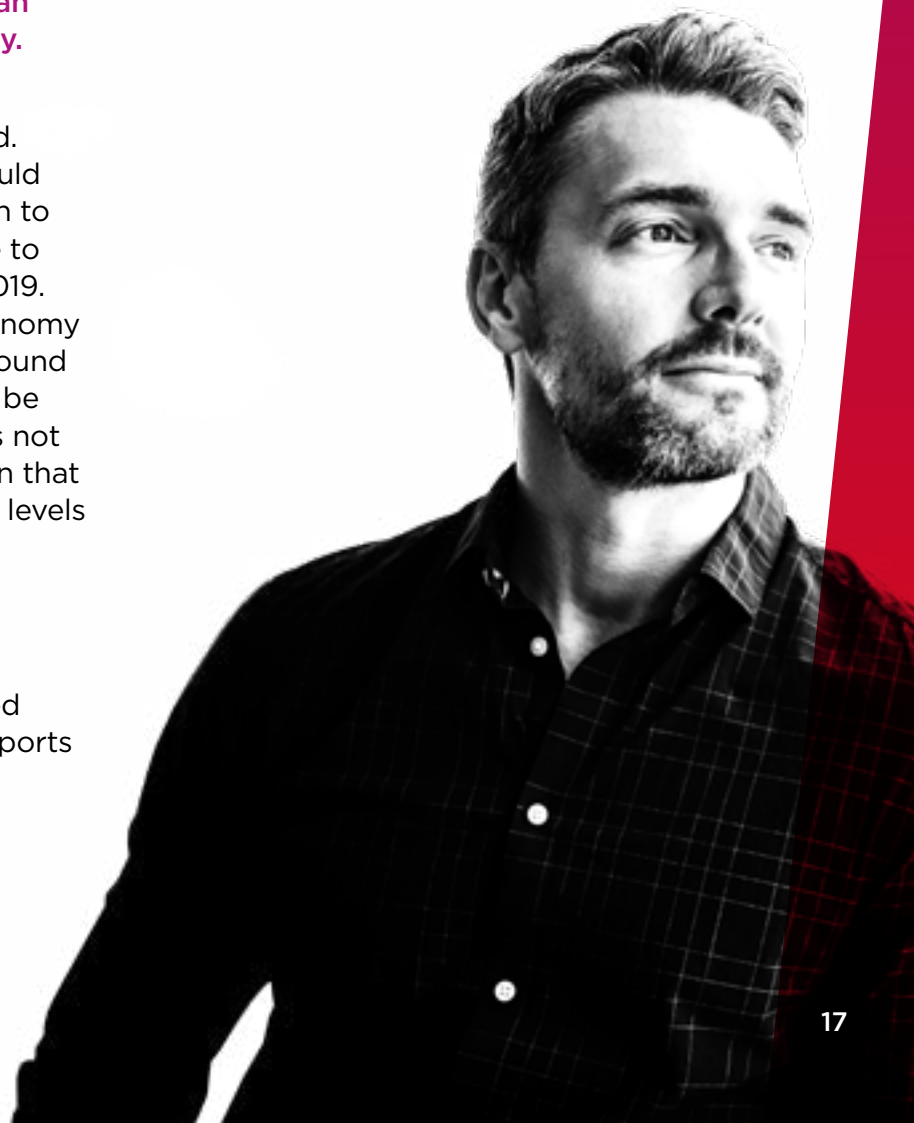
Like other viruses that came before it, coronavirus will eventually be contained. That means the decisions we make should ensure that we are prepared for a return to levels of business activity that are close to what we experienced during most of 2019. Protecting the fundamentals of the economy is the current focus of policy makers around the world. And protecting capacity will be a priority for business leaders. That was not true in 2008 and 2009. It was clear then that we would have to adjust to much lower levels of economic activity.

This disruption will start in our communities, not at work.

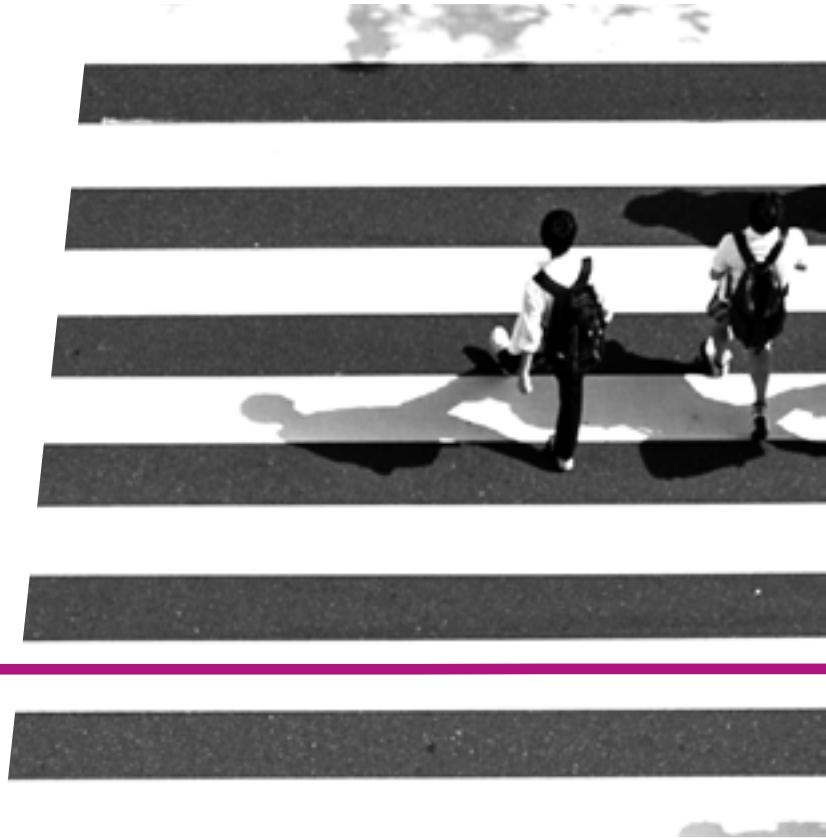
Schools are closed. Travel is discouraged or restricted. Community events from sports to entertainment to political rallies are

cancelled. And, as we have seen in Italy and China, it may take even more serious restrictions to control the spread of the virus. Leaders will need to think about their employees much more holistically.

In many ways, the economics of this crisis will be much more difficult to manage. For most businesses, a decline in revenue is inevitable. But the response to that decline isn't as simple as a corresponding reduction in headcount. Businesses will be working hard to preserve production capacity. This crisis will require more creativity, more attention, and more leadership. The businesses that immediately reach for the capacity reduction lever will find themselves at the back of the pack when the virus is finally contained.



SCENARIO PLANNING



Before anything else, organizations must evaluate the likely impact of the crisis on the economics of their business. There are two major dynamics to consider.

The first is the depth of change in demand. How far and how fast will demand disappear in their industry? In sectors like airlines and hospitality, the change in demand was immediate and severe. For other industries, the changes have been less consequential. Telecoms, life sciences firms, even technology companies are seeing more modest changes—and in some cases those changes are positive.

The second variable every leader is monitoring is the length of time it will take to contain the virus. This is harder to assess. We are sifting through the experiences of China and Italy for lessons. We are watching for signs that governments and citizens are acting to control the crisis. And we are all listening to the public health officials for updates on how this virus might behave.

At a high level, those two dynamics produce four scenarios that companies will need to consider.



Leaders will need to develop a point of view about which scenarios are likely for their organization. And they will need to establish a dashboard of metrics that help them to assess how quickly each scenario is approaching. That dashboard will include traditional business metrics. It will also include public health data, insights about potential government actions, and real time economic data.

WAVE ONE COST CUTTING TACTICS

What should a leader do to protect the economic health of their business? There are a wide range of options to consider as the depth and duration of the crisis becomes clear. The first set of moves (wave one tools) are designed to deliver one-time, near-term expense savings.



TAKE-OUT TACTICS

It is not a surprise that the travel industry is being hit hard by the virus. For short-term savings, most organizations will turn first to actions like eliminating travel, cancelling an event, or skipping an annual program.



TIMING TACTICS

Timing tactics are delays—delaying new hires, delaying product launches, delaying an office opening. Those moves soften the earnings impact of a short-term revenue decline.



CAPTURING VARIABLE EXPENSE SAVINGS

Variable expenses will naturally go down as revenues decline. Bonuses go down, sales incentives go down, materials spend goes down. That helps to absorb a short term shock like this. Companies will have to consider how much of those savings they want to capture to keep suppliers, customers, and employees engaged.

These are the first moves, but they may not be enough. As employers seek to balance the need to protect capacity with the need to reduce expense, they will have to use other tools in the toolkit—wave two tools.

WAVE TWO

Many of these tools increase efficiency—delivering the same level of output with a lower level of expense. And they can deliver savings in this calendar year. We can expect that large organizations will start to deploy these tactics in the second and third months of the crisis. They include:



OPTIMIZING REWARDS SPEND

Most companies don't have a good sense for the value they are creating with rewards investments. This may be a good moment to gather that insight and use it to optimize your rewards investments. For most companies this exercise can save you at least 5% in your spend and increase the value you are delivering to employees.



STOPPING GRADE AND TITLE INFLATION

Far too often we elevate high performing employees into new roles that don't have a level of accountability that is commensurate with the pay or title they have been awarded. Establishing a job taxonomy and a career framework can deliver significant salary savings and employee growth.



ADJUSTING MANAGEMENT SPANS

An audit of the level of people management responsibility across your company almost always reveals underutilized management capacity. Consolidating manager roles can be a quick source of enduring savings.



AUDITING YOUR OPERATING MODEL FOR REDUNDANCY

The tremendous volume of M&A activity over the last five years has not been accompanied by a corresponding level of integration work. Businesses who have completed an acquisition are likely to see opportunities to consolidate certain activities into shared service centers or centers of excellence.

WAVE TWO continued



TACKLING PROCESS EFFICIENCY

Most organizations have a handful of costly and complex processes that would benefit from a fresh look. There is almost always an opportunity to deploy new technologies and to restructure the roles involved in delivering process outcomes.



TARGETED HEADCOUNT REDUCTION

The actual savings from some of the tactics above will come from a reduction in the number of employees at the company. These reductions will likely be smaller in number than we might expect should the crisis deepen.



SUPPLIER CONCESSIONS

While 60% of the expense for most large companies is spent on labor, external spend is still a major area of focus for companies. They will start to renegotiate some of the agreements with suppliers.



TARGETED FACILITY CLOSURES

This may be the time for companies to begin to shutter operations that are underperforming.

WAVE THREE

For many industries, we expect to see changes that involve more foundational restructuring (wave three tools). They require absolute clarity about an organization's priorities and a collective effort to eliminate these costs. These activities may result in cash flow declines in the near term due to the cost involved in undertaking the actions.



RIGHTSIZING LAYOFFS

Companies will begin taking costs out of line functions (e.g. sales, manufacturing, service) across the board at a level that is commensurate with expected revenue



DIVESTITURES

We will likely see a lot of M&A activity that is designed to reduce the overall levels of capacity in a hard-hit industry. That may start with divestitures of businesses that are a drain on cash flows.



CAPEX CUTS

In hard-hit industries, the protection of cash flows will be critical. This is going to have a big impact on the level of expenditures in capital projects.



OUTSOURCING

In an effort to cut ongoing operating expenses, many companies may choose to outsource existing functions that don't directly differentiate the company's offerings in the eyes of customers.

MAINTAINING ORGANIZATIONAL RESILIENCE

Realigning the cost structure is hard on employees. The anxiety about health issues already has many of us on edge. Anxiety about job loss and job security is going to make that even worse. Throughout this process, be sure that your communications from leaders incorporate the following:



EMPATHY FOR DISRUPTION

Starting now, make sure your employees know that you are focused on helping them to cope with the disruption in all aspects of their life. Take steps to support them with adjustments in childcare. Equip them with tools to collaborate. And, above all, provide access to supplies and information to protect their health.



COMMUNICATING THE CONTEXT

If you are displacing employees during the crisis, be sure to help your entire workforce understand the context. How has the crisis impacted the company? What steps have already been taken to reduce expenses? Why are the cuts happening now? How will displaced employees be supported?



NEW TECHNIQUES TO MAINTAIN ENGAGEMENT

Your employees may be working remotely when cuts are made. Make sure that you provide virtual forums for employees to share their concerns and for leaders to provide transparency on any cost cutting that results in job loss.

Policymakers will continue to seek solutions to prevent the virus from infecting the economy. That said, the behavioral changes needed to fight the public health threat will result in an immediate decline in revenue for most businesses. The right response to those economic challenges will help to ensure a full and quick recovery.

CREATING EFFECTIVE LEARNING EXPERIENCES IN A VIRTUAL ENVIRONMENT

Organizations around the world are having to learn to conduct business remotely. With social distancing now the norm, we must all find new and innovative ways to carry on our work even though we cannot be together in the same room.

This poses some interesting challenges for learning and development professionals. Of course, virtual learning is nothing new. Organizations have long recognized the value of webinars, e-learning courses, and other virtual experiences. They save money. They cut out accommodation and travel costs. They can be condensed into shorter formats. They are scalable.

Nevertheless, there remains a deep and understandable concern that virtual formats

may not be sufficient for all learning experiences.

How do you engage workshop participants effectively when you can't even see them?

How do you make people accountable for their learning and successfully drive behavior change in a virtual environment?

And, crucially, how do you maintain the impact and momentum of learning programs that were designed to be delivered face-to-face?

ENGAGEMENT IS THE NUMBER ONE ISSUE WHEN IT COMES TO **CREATING AN EFFECTIVE VIRTUAL LEARNING EXPERIENCE**

In our experience, many organizations interested in going 100% virtual in the past have held back due to concerns about learner engagement and thus, accountability and behavioral change.

The question they ask is always the same: How do we get individuals to participate, engage, and apply what they learn within a virtual environment?

To find answers to this question, we first need to look at the two major challenges of operating in a virtual classroom.

1

Participants are prone to distraction.

Unfortunately, the virtual classroom places the learner in one of the most distracting places on earth—in front of their computer. As a facilitator, you therefore have to compete for the learner's attention with emails, social media alerts, news updates, and much more. The need for relevant, interactive content is greater than ever.

2

Engagement levels are less visible.

When you lead an in-person workshop, it is easy to tell how engaging the learning experience is. Energetic nodding and note-taking suggest your points are hitting home. Glazed expressions warn you that you're losing the room. Without these nonverbal cues to draw on, the virtual facilitator must be prepared to think and act differently, employing new techniques and technology to keep constant track of learner engagement.

WHAT NOT TO DO

The biggest mistake organizations make when shifting to virtual learning is to reuse existing materials and formats rather than designing them anew. The fact is that the challenges and opportunities of the virtual world are very different from those of face-to-face interactions. What works in one environment is unlikely to be successful in the other.

Typical issues we see when organizations use materials **that have not been designed** for the virtual environment include:

- Information-sharing with no real application or behavior change.
- Passive learner experience.
- No practice opportunities.
- Low to no engagement.
- Participants using time to catch up on email, news, social media.

The biggest mistake organizations make when shifting to virtual learning **is to reuse existing materials and formats rather than designing them anew.**

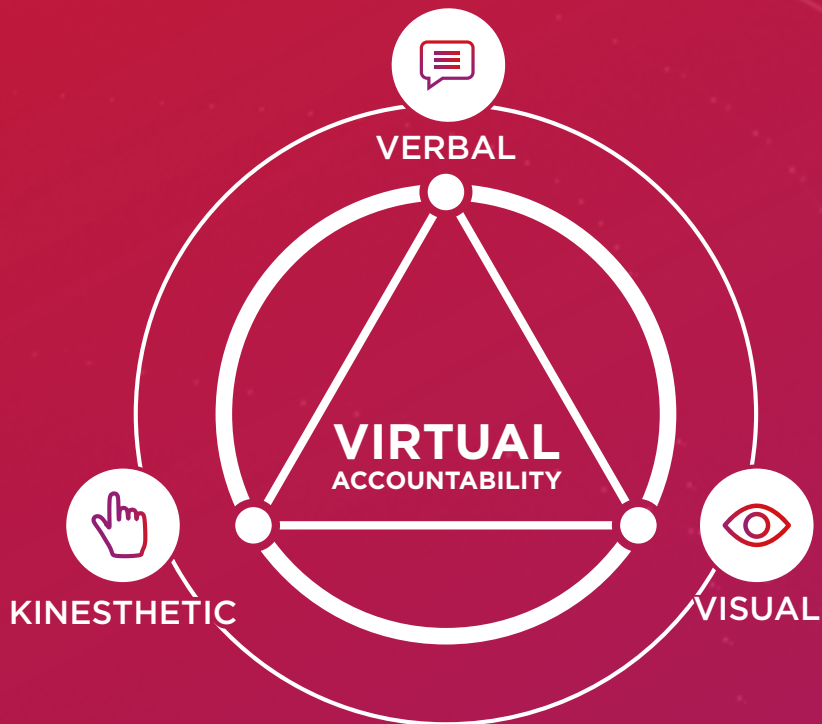
HOW TO DRIVE **ENGAGEMENT, ACCOUNTABILITY, AND ACTION** IN A VIRTUAL LEARNING ENVIRONMENT

One of the secrets to creating effective virtual learning experiences is building virtual accountability. This isn't simply about engaging learners. It's about holding them accountable to you and to the rest of the group throughout the learning session.

At Korn Ferry, we design virtual classroom and coaching experiences using a three-part Virtual Accountability Model:

- **Verbal accountability.**
Today, many virtual communication platforms enable you to divide people up into break-out groups, where individuals can discuss and share ideas on different topics. Use these features to increase the verbal accountability of participants and maintain high levels of engagement. You should also give learners permission to speak up if they need help or further explanation, as they would in a live setting.
- **Kinesthetic accountability.**
Passivity is a real problem when it comes to effective virtual learning. You should aim to create as many opportunities for interaction as possible. Chat, call-out, and polling functionality can all help you to increase kinesthetic accountability.
- **Visual accountability.**
The virtual environment has a wide range of visual possibilities. Varying layouts, and using rich content such as videos, diagrams, and charts, can help you increase visual accountability.

*The secret to creating **effective virtual learning experiences** is building virtual accountability.*



By designing virtual learning experiences around these three accountabilities, and ensuring each area is activated at least once per minute, you can achieve high levels of engagement and drive genuine behavior change.

QUICK TIPS FOR EFFECTIVE ENGAGEMENT

- *Keep classroom sizes about the same as you would in a live experience.*
- *Ask learners not to mute their lines (unless they are in an excessively noisy environment). People are prone to forget so remind them often.*
- *Use platform functionality to facilitate communication and engagement.*
- *Encourage people to speak up and ask for help whenever they want.*

3 WAYS TO **MAXIMIZE COACHING** CONVERSATIONS VIRTUALLY

Virtual coaching can take place on the phone or online, using a remote conferencing tool. The following three approaches will help to ensure the experience is as impactful as it would be face-to-face—or potentially more so.

1**Establish a safe space.**

Doctors, lawyers, therapists and others have had to find ways to build trust and credibility in virtual settings. The same is true of the coach. Coaches must aim to be as human and authentic as possible. This will help you build all-important intimacy levels and create a safe space for learning. They must remember, too, that many people feel more comfortable only using audio when communicating through online platforms. Turning the video off can also help reduce unconscious bias, forcing individuals to concentrate solely on the tone and content of each other's speech.

2**Compensate for
loss of visual cues.**

When you're coaching people over the phone or online, you do not have the same benefit of visual cues, such as facial expressions and hand gestures. This makes good listening even more important than ever. To be effective, a virtual coach must be mindful of everything the other person is saying, while also taking care to make themselves clear and understood. Asking powerful questions, such as "What's great about your life this week?" and "What did you learn in the process?" can also help to stimulate discussion and build intimacy.

3**Share resources.**

Being in a virtual setting opens up avenues of communication that may not be available to you in a face-to-face meeting. Make the most of the opportunity by sharing materials for use during and after the session, such as tip sheets, videos, book lists, and even bespoke online materials.

IS VIDEO OR AUDIO ONLY BEST?

It's a question our clients often ask us when designing online learning experiences. The simple answer is that there is no hard and fast rule. Both video communication and audio-only communication have their advantages. These may vary depending on the learning format and on the preferences of participants.

REASONS **TO** USE VIDEO

Useful for webinars and other forms of information sharing.

Can serve a specific purpose (e.g. showing how to perform a sales pitch).

Establishes the credibility of the speaker.

REASONS **NOT** TO USE VIDEO

Less effective in virtual classrooms.

Can make intimacy more difficult.

Causes stress to the facilitator.

MOVING FROM **THEORY TO PRACTICE**

In March 2020, Korn Ferry was planning to deliver a three-day residential learning session as part of a client's high-potential leadership development program. The COVID-19 crisis meant that this face-to-face learning intervention had to be rapidly redesigned for a virtual setting.

Here's how we applied some of the key principles of effective virtual learning in our design process:

- **Make it shorter.**

Three full days is great when you're working together in a classroom environment—not so great when you're sitting alone in front of a laptop. The first thing we did was to condense the learning into three action-packed half days.

- **Mix things up.**

Participants engaged in a variety of learning experiences in each half-day session, including virtual classrooms, breakout groups, and individual work.

- **Keep people engaged.**

Every few minutes, there were opportunities for learners to actively participate and interact. We also gave assignments for people to complete during the session and offline.

When moving to a virtual environment, it is vital that you work by design rather than by default.

THE VIRTUAL DESIGN SOLUTION

FROM

TO

3x full-day residential sessions



3x half-day virtual sessions

Long days with packed agenda



Shorter, targeted learning modules connected to learning journey

Table group discussions



Virtual breakout rooms

Flip charts



Virtual whiteboards

Networking, relationship-building time



Structured group consulting and peer coaching time, with interaction embedded

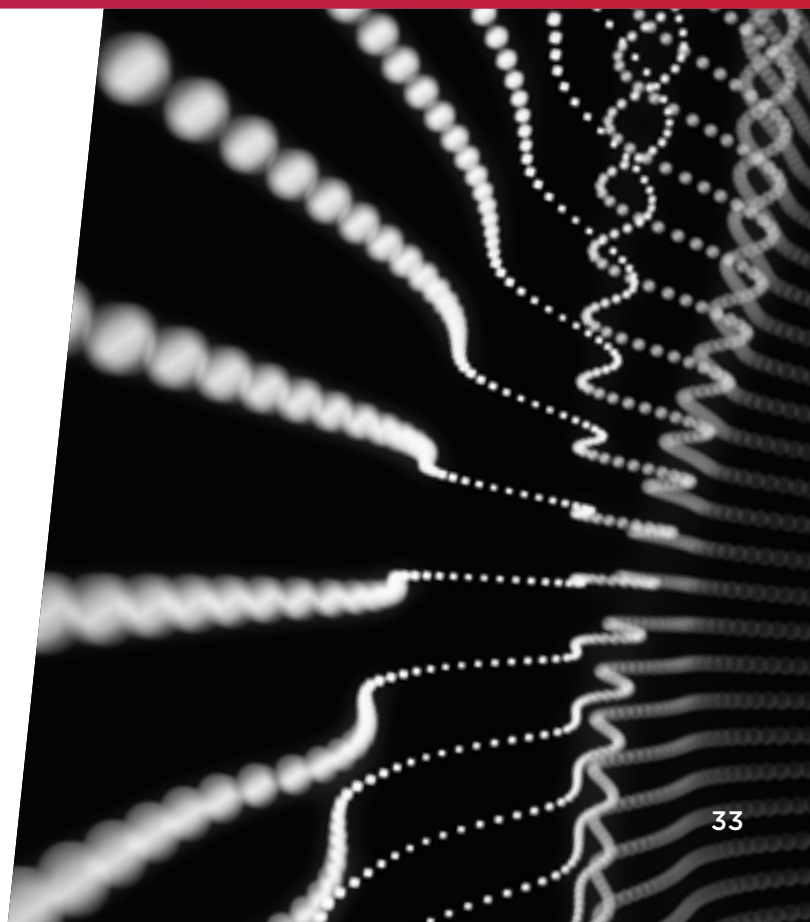
Travel time, cost, jet lag, evening work



Integrate more seamlessly into work and life

Learning and development can be a powerful way to engage your workforce during the COVID-19 crisis. It signals to your people that you are investing in them and supporting them during this challenging period, while at the same time moving your business forward through development.

When moving to a virtual environment, it is vital that you work by design rather than by default and that you focus on building accountability among learners. This will enable you to create learning experiences virtually that are more engaging and more effective than ever.



CRISIS-PROOFING YOUR TALENT PROCESSES

The COVID-19 pandemic is disrupting many talent processes. But it doesn't need to stop them. In fact, now is the opportune moment to review, re-evaluate, and redesign how you go about delivering the talent your organization needs.

This is about far more than converting in-person processes to virtual formats. It is about identifying the leaders who will lead our organizations and our societies through the immediate crisis and down the road to recovery. In this way, the HR function, and the CHRO in particular, will have a critical role to play in managing the current situation and in keeping their organizations two steps ahead.

What principles do you need to apply, and what pitfalls should you avoid, when creating virtual talent processes? How can you create experiences that not only withstand the current crisis but also enable you to build and accelerate your workforce of the future?

New epoch, **new leaders**

Leadership greatness is forged in the heat of adversity. Right now, the world is experiencing extreme levels of upheaval to match, and potentially exceed, those of other epoch-changing events such as the global financial crisis (2007-08), the September 11 attacks (2001), and the end of the Cold War (1991).

At this time of unprecedented disruption, both for businesses and for humanity, we can expect to see an extremely broad spectrum of responses from our leaders. Already we are hearing from organizations at the forefront of this crisis that their leaders are vacillating between being led by fear and by purpose, with obviously very different results.



“There is no better time to observe the quality of leaders than when seismic challenges are rocking their world.”

”

In the developmental heat of the situation, we need and are likely to see a **new breed of effective leader emerge**. This leader will need to:

- Step into, not away from, development.
- Embrace uncertainty.
- Navigate complexity.
- Lead with empathy, curiosity, passion.
- Be fast, decisive, and bold.
- Run towards the fire.

Now is the opportune moment

Businesses everywhere will face existential threats in the coming weeks and months. For many, the survival of their entire industry could be at stake. In such an environment, it may be natural for organizations to want to abandon or postpone work devoted to talent management issues.

But the truth is that there is no better time to review and shift talent management practices. Now is the opportune moment for organizations to gain complete clarity, knowledge, and intimacy of their leaders so that they can answer the killer questions of talent management:

1. What do we have?

What is our current supply?

2. What do we need?

What is our immediate and future demand?

These questions, concerning talent supply and demand, will be fundamental to the survival of many businesses in the coming weeks and months. And, just as the current situation is forcing companies to make rapid, real-time adjustments in their supply chain, so all of us need to be prepared to constantly reassess our supply and demand of talent.

That's why we are advising our clients not to postpone their talent reviews but to conduct them more frequently than ever. This is certainly not the time to get bogged down in bureaucracy. So rather than focusing on processes and tools, it's best to use this opportunity to reflect on the core purpose of talent management, namely establishing which leaders will lead your organization back to recovery and beyond.

The advantage you have is that the current environment is an ideal one for assessing your leadership—for there can be no better time to observe the quality of your leaders than when seismic challenges are rocking their world.



“Now is the opportune moment for organizations to gain complete clarity, knowledge, and intimacy of their leaders so they can answer the killer questions of talent management.”

Virtual processes work

Virtual connectivity has been growing exponentially for many years. Now suddenly it is the new normal. It is triggering us to explore new ways of socializing, of playing sports, and even of showing love and appreciation at a higher rate than ever before. And it is triggering us to explore new ways of working too. Can your talent management function meet the challenge?

You shouldn't have to look too far to find examples of successful adaptation. Most talent acquisition teams have spent years honing their virtual processes, using technology to deliver quality hires with greater efficiency, candidate experience, and at lower cost. Many learning and development programs are now conducted remotely rather than face-to-face, including at one global oil and gas company, where last year they began using virtual reality to develop their new generation of leaders. And here at Korn Ferry, we have been delivering virtual assessments with clients globally every day for many years.

It is true that when many of us think about talent reviews, however, we are likely to picture an in-person meeting. But that doesn't mean that a fully virtual version is not feasible. In some cases, it may even be preferable.

How can you increase your chances of getting it right? The important thing is to approach it by design rather by default. This is not about simply transposing an existing process to a new channel. Instead, it requires a new way of engaging and interacting that needs to be carefully planned upfront.

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We recently calibrated the top 300 leaders of one of our clients in the equivalent of a day (without meeting physically). Here are some of the **key principles of effective virtual delivery** that we used:

- Make it simple.
- Keep sessions short and focused.
- Include practical and interactive components.
- Incorporate elements that create emotional connection on a human level.

New paradigm for **building trust**

Why have organizations been slower to move some HR processes to a virtual environment than others? In conversations with our clients, we see a clear bias towards face-to-face interactions for processes such as talent reviews and senior executive coaching because it is believed that physical presence is required in order to create intimacy.

Our experiences cast doubt on this belief. For example, we recently conducted fully virtual talent reviews of the top 300 leaders of one of our clients. Many of the leaders, we discovered, felt liberated by the virtual environment. It provided a safe space in which they could be curious, open to different views, and willing to engage in dialog, rather than seeing the conversation as a competition, which can often happen in traditional face-to-face meetings.

Clearly, it is possible to create intimacy in a virtual environment. But to do it, we must find new ways to build credibility, reliability, and trust. This requires a significant shift in mindset. Technology can also help, with many platforms including features and functionality that make it easy for participants to connect, share, and reach out.



Courage needed

The COVID-19 crisis is a moment of truth for leadership. The unprecedented challenges and unpredictability of the current situation will enable many leaders to stand up and shine. Others will inevitably fall short, lacking certain capabilities that are considered mandatory for the executive committee.

Organizations will then be forced to ask tough questions about why they appointed these misfiring leaders in the first place:

- Was the decision driven by data?
- If so, do we have the right data to make our talent decisions?
- How are we using this data in the decision-making process?

In our experience, even organizations that have the right data may be using it to make wrong decisions. One common issue is when businesses dismiss information that goes against existing viewpoints, which can often be unsound. For example, many managers conflate performance with future potential. They also tend to favor people who are politically astute, highly networked, and personally congenial, even though they may lack the capabilities for a leadership role.

Now more than ever, **leaders need the courage** to make evidence-based decisions and the **humility to challenge** their own view of talent, especially when the data contradicts their beliefs.

4 THINGS TO DO RIGHT NOW...

Here are four principles that can be applied to talent processes, to ensure they can withstand the current crisis and give you the leaders who will steer your organization to future success.

1 **Seize the moment.**

There is no business as usual anymore. With leadership now at the front and center of everyone's minds, you have an ideal opportunity to redefine and refine your talent processes, especially those that been working less effectively.

2 **Measure what matters.**

The COVID-19 crisis has revealed clear differences between existing leaders. Some are rapidly figuring out new solutions to the unprecedented challenges their organizations face. Others are falling back on old playbooks, which may or may not work in the present environment. This highlights the need to ensure your leaders have the right capabilities. This can be achieved by building success profiles of the leaders you need and measuring against them.

3 **Update your data.**

As we saw above, the extreme pressures of the current situation will throw your leaders in a new light, revealing things about them you did not know before. People you thought of as high potentials may prove disappointing. Others may establish themselves as genuine successors. Using updated criteria to reassess your leaders, whether through formal assessments or informal talent discussions, will help you make the most of this new information and build a better workforce for the future.

4 **Virtual by design, not by default.**

Lastly, and perhaps most importantly, it is vital when moving into a virtual environment that you do not simply take the talent processes of the past and reinsert them into a different channel. To succeed, you need to recognize that this is a completely new way of engaging and interacting with people—and you need to redesign your processes accordingly.

HELPING EXITING EMPLOYEES TRANSITION TO NEW CAREERS

It was early spring of 2009, and the leadership team of my division was visibly upset. Earlier that day, another part of our firm had laid off most of our entry level customer service professionals — well educated, overachieving, recent university graduates. I was surprised at how emotional they were.

It had been about two months since the financial crisis had forced this same group to lay off a large portion of our own people, the first layoffs in our history.

We'd grieved in the days before knowing we were going to tell our friends and colleagues that they were losing their jobs in the worst labor market since the Great Depression. We rehearsed every aspect of the conversations and logistics repeatedly to make the upsetting conversations as easy on our people — and us — as possible. Much to my surprise, with only one exception, everyone told me how sorry they were that I had to do these conversations.

When our leadership team met after the last conversation ended, we were subdued, but calm.

When I asked why everyone was so much more upset with this second round of layoffs than when we had to let own people go, there was silence. Then, the senior member of my team said, “The people we let go have been working for a couple of decades. They understand how the world works. But at 22, you aren’t supposed to learn that even if you work hard and do a great job, you can still get fired.”.

SUMMARY

- **Layoffs typically produce negative consequences for organizations and the displaced employees.**
- **How organizations handle career transitions today is more important than it was during the financial crisis.**
- **The most effective career transitions are human-centric.**
- **Helping displaced employees find their next job is an insufficient ambition.**



NEGATIVE LONG-TERM IMPACTS OF **LAYOFFS**

Many scholarly studies back up this intuitive understanding of the emotional impact layoffs have on the employees who lose their jobs and those who remain with the firm.

Here's what the research says about the negative impacts on the employees displaced during the financial crisis after about a decade:¹

- Significantly lower income persists.
- Reduced job opportunities.
- Greater likelihood of being displaced again.
- Contraction of social and professional support networks.
- Increased mental health issues.
- Disproportionate physical health problems.
- Substantially lower trust in organizations and society in general.

Researchers speculate that these negative consequences will decrease over time, but the data after a decade hasn't supported that trend.

On average, organizations suffer as well, including:²

- Impaired reputation.
- Decreased shareholder value.
- Reduced long-term performance.
- Lower employee engagement, commitment, discretionary effort, and mental health.

The magnitude of these impacts generally grows the larger the layoffs and the younger the firm.

Of course, these results aren't inevitable. Some firms enjoy increased performance, employee morale, and wealth creation. Some displaced employees jump to better career paths and happiness. But the odds are against them, especially if they don't mitigate the negative impact on both remaining employees and displaced employees.

¹ Wachter, Song, Manchester (2011), Department of Economics, Columbia University Discussion Paper
Laurence, J. Social Science Research 50 (2015)

² Sucher, J and Gupta, S, Harvard Business Review (May-June 2018)
Ursel, N and Armstrong-Stassen, M, Industrial Relations (April 12, 2005)

LAYOFFS TODAY POSE GREATER RISK

The COVID-19 crisis may at a glance look like it is producing similar risks to employees and organizations as the financial crisis over a decade ago. When it comes to managing the potential negative consequences of layoffs, though, organizations face significantly different considerations.

First, the projected economic impact is much larger from COVID-19. Goldman Sachs has forecasted a 50% higher annualized unemployment rate by mid-year as well a precipitous GDP decline far beyond what we encountered in 2008 and 2009. The nearly 10 million employees who filed for unemployment in the two weeks at the end of March dwarf all previous claim levels. That means it's going to be a lot harder to find a job, at least in the short-term.

Second, in many countries, losing your job may mean you can't afford health care. That was true in 2008, but there wasn't a viral pandemic.

Third, social media is fundamentally different today. In 2008, Glassdoor was only one year old and Facebook had just introduced the like button. There was no Instagram or Snapchat. Today, layoffs play out in real time as employees share and vent.

Putting all that together, organizations will be laying off people in what's probably the worst job market in history, where the displaced employees already have very serious health fears that losing your job only exacerbates. Also, in the current crisis, we shouldn't underestimate the potentially adverse emotional impact someone experiences when they learn they have lost their job while they are in the home, a place traditionally viewed as a refuge from such upset and danger. That's not a good recipe for glowing social media reviews.

*Goldman Sachs has forecasted a **50% higher** annualized unemployment rate by mid-year compared to the financial crisis of 2008/09.*



HUMAN-CENTRIC LAYOFFS

Layoffs are about humans, not organizations. Failing to take a human-centric approach is what exacerbates harm to the organization.

Remaining employees

Human-centric layoffs focus first on the mental health and engagement of your remaining employees.

First, encourage employees to have counseling. Remaining employees routinely suffer from survivor's guilt and struggle to adjust after layoffs (and furloughs). Even one counseling session can significantly improve their ability to cope and recover. Unfortunately, most employees won't take advantage of counseling. Requiring employees to meet with a counselor — in person or virtually — simply for an explanation of the benefit, while allowing time for an impromptu session, frequently results in employees remaining for counseling.

Second, quickly follow layoffs with changes that give your people reason to believe that they won't find themselves facing the same negative circumstances and potential for layoffs in the near future. Plan to announce new initiatives, leadership responsibilities, and other opportunities the week after layoffs. Paint a vision for where the organization, department, or team are headed — literally have them take a picture in their mind of how it will look. Give your people some additional control regarding how to make that future materialize. Focusing on the future and giving your employees more control will help most of them recover faster emotionally, and engage them in their work.

Third, demonstrate to them that they will be treated well if they lose their jobs. That requires treating the displaced employees well.



Displaced employees

Most displaced employees feel tremendous pressure to find another job quickly. Lost income and, in many cases, lost benefits may threaten basic safety and security for themselves and potentially their family as well. That's especially true in the current COVID-19 crisis. That pressure often forces them to take the first available job, even if it is a step back in terms of compensation, responsibility, career aspiration, job satisfaction, or other factors. That drives many of the long-term negative consequences for the displaced employees and the perceptions of remaining employees.

Research suggests that employees who lose their job in an involuntary layoff suffer greater non-pecuniary consequences than employees fired for cause. Fired employees associate their dismissal with negative performance, real or perceived, and generally believe that they will have control over their fate in their next job. Layoffs, however, tend to make employees feel that the organization has treated them unfairly and that they have no control over their own fate. We know that those negative emotional impacts persist for at least a decade. That's the emotional impact that upset the senior leader in my story earlier.

We know that the negative emotional impacts of being laid off persist for **at least a decade.**

Organizations can take steps to mitigate these effects, reducing the negative impact to displaced employees, better containing reputational harm, and sending a reassuring message to their remaining employees.

1

If it is likely you will have to layoff or furlough employees, act sooner rather than later, and make sure that you free up enough cash flow to properly invest in support for the remaining and displaced employees. Acting one week earlier, or slightly increasing the number of displaced employees can free up substantial investment to provide high quality support to all the displaced employees. We naturally want to delay layoffs and try and protect that one extra job, but often we don't weigh the negative impact on all the displaced and remaining employees that those decisions create if it compromises our investment in supporting them.

2

Be especially cognizant of the unique circumstances in which notification occurs. People have limited access to their professional and social networks for support. Notification also most likely occurs while they are in their home, a location that historically provides safety, a retreat from such negative events.

3

Look for opportunities to provide displaced employees some choice. Voluntary layoffs can reduce the number of people who lose their jobs without any control. Where voluntary layoffs aren't possible (or sufficient), consider giving employees a choice among supplemental benefits, such as counseling or additional training, in addition to their standard career transition services.

4

Provide career transition support that goes beyond helping them draft resumes, prepare for interviews, and find job opportunities. Except for hourly workers who usually have limited expectations of career transition support, those services are table stakes. Offering them alone does little to mitigate reputational harm or provide assurance to your remaining employees. Assessment and skill development, however, can provide practical and emotional benefits. A trait-based assessment will help identify and highlight the individual's strengths, and allow them to identify jobs with a stronger fit, but possibly more importantly, can help restore any lost confidence. Guided skills development (as opposed to a large self-navigated library) increases the likelihood they will find a new job quickly and succeed in it, and again, restore lost self-confidence.

5

Don't end your engagement with displaced employees the moment they find another job. The second job they take after being displaced, whether by promotion or moving to another role or organization, may be more important than the first one. The second job decision usually doesn't come with the same time pressure as the first, and it represents an opportunity to recover from any setbacks caused by the displacement.

Similarly, don't end your engagement with displaced employees simply because their formal career services program ends. The longer someone is out of work, the more support they need. Researchers have found that after six months of unemployment, the probability of finding a job falls to 12%, and that number gets worse over time.³

You can support employees long-term with little to no financial cost, empowering them to reverse the drivers of long-term negative impacts. Ensure your career transition support connects them to displaced employees from other companies who can provide ongoing support in identifying future opportunities as well as emotional support given their common experience. Also, ensure that your career transition support includes the creation of a long-term development plan that extends well past their next job.

³ Bivens, J, Economic Policy Institute (2015)

Researchers have found that after **six months** of unemployment, the probability of finding a job falls to **12%**, and that number gets worse over time.

DELIVERING CUSTOMER VALUE DURING DISRUPTION

Conventional wisdom holds that “no one buys a million-dollar solution over the phone.” While this maxim no longer holds up universally, making time for an in-person meeting signifies importance and focus and often alleviates the perception of risk. Strategic use of in-person meetings, especially early and late in a sales process, correlates to better results.

So what happens when in-person meetings aren't possible?

As the global spread of COVID-19 drives many commercial organizations to cut back on travel and meetings and adopt social distancing policies, many chief sales officers (CSOs) find themselves with large sales teams of frequent flyers grounded in the office, functioning more like inside sales reps.

These drastic changes come at a vulnerable time for sales organizations. Business buyers, heavily influenced by their consumer purchasing experiences, rapidly escalated their expectations for sellers in the past few years. Sellers aren't scoring well against these new standards. Recent research⁴ with 1,500 sales organizations identifies several notable gaps:

- **31% of sales organizations** say they **effectively identify** and gain access to decision-makers.
- **39%** provide clients with **insights and perspective to reframe thinking**.
- **Only 40%** indicate they successfully **use questioning skills** to reveal buyers' realized and unrealized needs.
- Slightly more than half (51%) **articulate solutions** well aligned to buyer needs.

So it's not surprising that the vast majority of B2B buyers (77%) told us that they did not see salespeople as a resource for solving their business problems. And, tellingly, sales organizations reported to us that both customer retention and depth of customer relationships declined over the past two years.

With such headwinds, commercial organizations cannot afford an unanticipated shift in how they sell to result in further distance between their sellers and buyers.

WHAT TO DO NEXT?

There are immediate options that commercial firms can take to proactively drive a (temporary) move to virtual selling that won't result in customer friction. →

4 CSO Insights, 2019 World-Class Sales Practices Study

1.

FOCUS ON PERSPECTIVE

Sellers cannot waste buyers' time on check-ins or low-value conversations. A prospect may pay attention out of politeness in an in-person meeting, but a virtual interaction almost certainly leads to them multi-tasking with everything else that they have on their plate.

Fortunately, buyers in our study shared that they have not relegated all sellers to answering RFPs. The difference? Perspective. Perspective selling is an evolution of solution selling in which sellers bring their insights, networks, and unique expertise to educate buyers and expand their points of view.

Providing perspective strongly correlates with deep customer relationships and allows sellers more—and earlier—access to buyers. In a virtual setting, perspective needs to come first and come often, from the moment a seller contacts a lead to implementation and beyond.

To begin adopting perspective, create valid business reasons for virtual meetings. What is the customer going to learn? What expertise can you offer to clients and prospects as they reshape their businesses in response to COVID-19? Think about how you can help them and provide insights—not how you sell them something.

2.

RECONFIGURE SALES CONTENT

Virtual meetings allow for more effective use of sales content. Sellers can seamlessly move from demo environments to collateral and presentations, guiding conversations with agility that's often not possible in person. So, it's critical that sellers align presentations to both the stage of the sales process and personalized to the situation.

Take advantage of the opportunity that online conversations offer to revisit or create a content strategy that better equips sellers with precise content useful in a range of settings—such as email, social media or a web

CONTENT DELIVERY ALSO NEEDS ENHANCEMENT. IT'S HARDER TO “READ THE ROOM” IN A VIRTUAL SETTING.

meeting—and stages in the buying process. Prepare for longer sales cycles as clients bring in additional criteria for spending or postpone decisions. Make sure that your content helps the decision-making process.

Disconnected content requires buyers to spend more energy sifting through information and prolongs next steps. Content delivery also needs enhancement. It's harder to “read the room” in a virtual setting. Many a high-performing seller, sensing disengaged participants, chooses to turn off a projected PowerPoint to walk over to a whiteboard and map out a new approach. Sellers need to replicate this in a virtual environment. By verbally acknowledging, checking for understanding and acceptance, confirming and clarifying, salespeople can determine if content resonates with clients or they need to course-correct.

3.



GROW AND MINE **NETWORKS**

In-person meetings often lead to convenient introductions to additional decision-makers, rapport-building and a first-hand view of the client's work environment. Sellers new to working virtually now need to capture this information and gain these connections online by enhancing their social media presence. Using social networking effectively and following social selling best practices helps sellers identify and engage the six or more buying influences typically involved in a complex purchase. And it provides a vehicle for sellers to share perspective between formal meetings.

Social networks also provide opportunities for connecting customers with peers who share similar challenges. In times of disruption, business buyers look outside their company for validation and insights.

Mutual connections help engender trust and establish credibility with buyers not used to buying complex solutions from someone they have not met, or those facing more conservative spending requirements.

Creating these connections can be found internally, as well. Some of the most powerful players that a sales team can bring to a conversation include representatives from customer success, service and product development. Most deals don't merit the cost required to load all those team members onto a plane for a sales call. Virtual calls, however, are another story. Take this opportunity to think through how to marshal more resources across the organization to partner on sales opportunities.

4.

RETHINK WHERE SELLERS SPEND THEIR TIME

Sellers spend less time in actual sales interactions than in the past, now down to 32% of their week. By shifting to virtual selling, the 10% of seller time spent traveling can be reinvested in other activities that improve results. But without careful planning, those saved travel hours could be easily absorbed into forecasting, reporting and other internal and administrative tasks.

Avoid administrative creep by considering your sales process. Customers and prospects now face changes to their business models in response to this global crisis, which will drastically impact how they buy and, therefore, how sellers need to sell. Sellers and leaders need clear frameworks and tools for account, opportunity and call management to rethink and reprioritize their work. A formal sales process provides clear direction on what sellers and leaders should do to succeed.

Our studies consistently show that the more formal the sales process, the better win rates and revenue attainment. Structure provides the flexibility to respond to unplanned conditions.

SELLERS SPEND LESS TIME IN
ACTUAL SALES INTERACTIONS
THAN IN THE PAST, **NOW DOWN
TO 32% OF THEIR WEEK.**

5.

MAXIMIZE AVAILABLE TECHNOLOGIES

Our annual Sales Operations Study shows that the average sales organization uses ten sales technology tools. Yet many, if not most, underutilize these tools. How does your organization use engagement platforms, customer success platforms, social selling tools, or lead scoring tools? Consider even the most utilitarian tools: you likely have conference call recording or web meeting technology with untapped potential. Ensure that salespeople understand the advanced features of these tools and use them to create interactive and engaging experiences. For example, ask customers to record key calls—the resulting transcripts give sellers more complete and accurate call notes and provide critical details to sales managers for coaching.

Even something as simple as using video can demonstrate focus and discourage multi-tasking.

Adoption starts with sales managers and internal meetings. Unfortunately, when sales executives rated sales managers on key capabilities, “ensuring tool and technology adoption” ranked low among the items we studied, with only 27% of organizations claiming it is a strength. Your leaders may need additional support to model the way.

CUSTOMER INTIMACY MATTERS MORE THAN EVER

Regardless of the setting, selling at its heart remains the act of acquiring, growing, and retaining business relationships. Building those relationships requires a series of “defining moments,” which is any time a customer or prospect evaluates their seller, their experience, or their relationship against their expectations.

The vast majority of defining moments are neutral; they meet expectations. Negative defining moments fall short. Positive ones exceed expectations and drive loyalty—and it is just as possible to achieve them in a virtual environment as in a physical one. But they don’t occur spontaneously. Commercial organizations accustomed to more frequent, and in-person engagement need to revisit their processes, methodology, and skills to proactively drive the positive defining moments that create customer intimacy in this new, constantly-changing environment.

DEVELOPING AGILE REWARD STRATEGIES FOR A VOLATILE WORLD

A focus on workforce rewards, executive pay and sales compensation.

Most organizations don't have playbooks for the current situation. A pandemic of this scale has not occurred in many countries in well over 100 years (i.e., Spanish flu). And while we can draw on lessons learned in the last 20 years from events like the swine flu (H1N1) in 2009, and the global recessions of 2001 and 2008-09, the social and economic impacts of the COVID-19 pandemic are without

precedent in most people's lifetimes. The words "fluid," "agile," and "out of an abundance of caution" have become almost hackneyed to describe the reality of our daily lives and the decisions we must make, as the full effects of the pandemic unfold.

The situation is evolving rapidly and governments, societies, and organizations around the world are exercising care, caution, and agility. Virus-testing and population-wide constraints are only now ramping up in many countries, so the full magnitude of the impact is not yet known. Organization leaders are seeking to provide stability, direction, and clarity to their employees and customers.

People are inundated with messages from all types of organizations (governments, schools, service providers, caregivers, food and grocery providers, employers, etc.). It is quite likely that the situation for employers will continue to rapidly evolve. Two weeks from now, and two months from then, things will likely be very different. And different countries are in very different stages of the crisis.

As organizations are facing decisions with respect to rewards, we recommend they consider the following six principles to help guide decision-making:

1. Place employee well-being at the top of your priorities.
2. Leaders should lead by example.
3. Treat people like adults (share what you can as soon as you can, be honest, emphasize two-way communication).
4. Take a balanced approach (especially when considering labor cost reductions).
5. Remember this situation is temporary; avoid drastic near-term actions that could weaken prospects for bouncing back.
6. Tailor actions to fit individual company, industry, or regional circumstances; best practices, are what is best for you.

Workforce rewards

At this moment, many organizations are focused on helping their employees and customers with immediate safety and security needs, recognizing the immediate and short-term financial impacts for their businesses (people spend in particular).

These focus areas include:

- Establishing an approach to ensure a safe working environment for employees and customers.
- Providing guidance on good hygiene practices, social interaction/distancing practices, and employee information updates.
- Determining how to close offices, stores, and other facilities and adopt work-from-home, or other alternative work arrangements.
- Dealing with customer cancellations and delays in delivering products and services.

When it comes to employee interactions, many organizations are currently focused on direct and frequent communications from leadership urging employees to be calm and smart about how they deal with this situation.

Communications about benefits policies, wage continuation, and sick leave are a focus, as is support in childcare, eldercare, and general family wellbeing. Employment and wage continuity are the dominant concerns of both employees and employers.

A recent survey in USA Today found that most Americans are worried more about their finances than their health amid this coronavirus outbreak (by a 3:1 margin). This suggests that there are significant concerns with employees' financial viability during this crisis, especially if it is drawn out over an extended period. The facts are that 80% of American workers live paycheck to paycheck (source: CareerBuilder) and 60% of the working population have less than \$1,000 in savings (Source: Yahoo Finance). Income and savings are typically far lower in most global markets.

Outside the US, particularly in Europe, which has a stronger focus on workers' rights for the bulk of employees, the concerns are around non-regular payments and the large populations of the self-employed.

In some countries there is a great focus on sick-time policies. 70% of all hourly workers in the US do not receive sick-time compensation. Organizations are taking action regarding wage and benefits continuity for their employees, in addition to the interventions made by federal, regional, and local governing bodies. To do this, organizations are clarifying their employment, benefits and pay policies and making exceptions to policies given these exceptional times.

70%

of all hourly workers in the US **do not receive sick-time compensation.**

This includes:

- Providing hourly employees compensation for hours not worked due to the impact of this virus, not just for sick or health-impacted employees.
- Updating sick-leave policies so that infected and quarantined employees, as well as those needing to care for family members that are diagnosed, will receive sick pay.
- Addressing medical health insurance policies to cover employees not actively working, and include telehealth options and wellness programs.
- Clarifying employee disability benefits if they contract the coronavirus. Reviewing coverage provisions and limitations.
- Reviewing attendance and work at home policies.
- Planning for the impact on incentive plans; Do goals need to be re-calibrated? Should we adjust awards for missed metrics?

And all of these changes are being considered against the backdrop of actual or proposed additional government support, such as direct cash payments to workers below a certain income level and/or expanded healthcare coverage.

Some parts of the world (especially China and Italy) have been impacted by this virus longer than others. Many announcements to date have focused on compensation reductions for senior management (especially in the airline and hospitality sectors) with the intent of executives and management leading by example.

Below the senior executive levels, some sectors have already gone through a round of workforce reductions (although the costs and process associated with making such changes mitigates against these actions in many countries). Alternatively, for some businesses, investment in and supplemental payments to select employees are a priority (e.g. JPMorgan is paying its “front line” employees \$1,000, but not more than 10% of their salary in certain countries).

Relative to mid-to-long-term workforce reward considerations, **we recommend organizations consider a framework to managing labor costs** during this period of uncertainty.

PHASE 1

Review the organization's reward strategy. Involve a team of leaders across the business to develop the strategy and tactics on the why, what, and how of labor cost reduction programs.

PHASE 2

Develop a multi-pronged approach on reducing labor costs versus relying on a few traditional approaches.

- Among the dozens of ways organizations can take out labor costs are layoffs, hiring freezes, reduced hours, less reliance on contractors, reducing overtime, delaying bonuses or merit increases, suspending certain benefits like retirement savings /capital accumulation programs, and many others.
- Headcount reductions are often the default go-to strategy, but there are significant downsides to this, especially in rebounding the business afterwards; and in certain countries the protection of employment mitigates against this, even in the mid-long term.
- Savings may be realized across a number of areas—and this reinforces to staff that the organization has exhausted other avenues before it gets to the more emotional options of layoffs and wage cuts.

PHASE 3

Assess the financial impact of cost reduction opportunities versus the employee relations risk. The quality of ultimate decisions, and ownership of the results, will likely be higher. This involves:

- Comparing financial impact to engagement, litigation risk, leader credibility, and timeliness of the action.
- Involving a cross-functional team (HR, Legal, Operations) to determine the relative risk of the options.

PHASE 4

Implement with care, empathy, and consideration. Thoughtfully plan communications, but be agile and change course as needs dictate.

Executive compensation

As we see with workforce rewards, not every company is being affected the same way. Many companies are currently taking a wait-and-see approach before making specific changes in executive compensation, while organizations that face the greatest impact (e.g., travel and hospitality industries,) are taking immediate and dramatic actions, including implementing immediate drastic cuts to CEO and senior executive pay.

We believe the following practices will likely unfold over the next several months given these unprecedented times...



PRO-ACTIVE REMUNERATION AND COMPENSATION COMMITTEES

Committees need to quickly agree if there is a need for immediate, decisive actions.

Near-term decisions include temporary adjustments to salary (reductions, total eliminations) and suspension of short-term incentives already projected to be unattainable. These actions are typically limited to situations where the impact on the business or employees is very high.

In almost any other situation it is most prudent to monitor and hold off on

any immediate moves. In addition, we suggest putting a plan in place for “exception” management. Are COVID-19 metric impacts already adjusted out by plan design? If not, how will exceptions to results be managed (if at all) for global results, regional results, and/or officers (e.g., US Section 16)?

Committees should, seek to understand the impact of 2020 plans already in place, and those about to be implemented.

2020 Plans **in place**

It is important to note that if plans have been implemented or disclosed the Compensation Committee can still act to make changes. In addition to managing exceptions, the Committee should be considering replacing the short-term incentive with a six-month plan or stub plan if, for example, the incentives are now significantly unattainable or have become misaligned.

The Committee should monitor this fluid situation, be ready to make course correction(s) during the year, and look ahead to potential changes for 2021.

2020 Plans **not yet in place**

If nothing has been disclosed, consider eliminating executive salary increases. Some surveys may still suggest executive increases, but those surveys are getting further out-of-date by the day.

FOR **SHORT-TERM** INCENTIVES

we suggest...

- Establishing “adjusted” financial goals that eliminate the impact of the current crisis. The Compensation Committee can always adjust awards later if they are inconsistent with overall results.
- Considering shorter incentive plan measurement periods (e.g., semi-annual, quarterly) in industries hardest-hit, could help improve “line of sight” to performance goals.
- Widening incentive plan payout curves (the shape/slope of threshold to target, or target to maximum), particularly below target levels, to manage the uncertainty of incentive plan metrics results.

FOR LONG-TERM INCENTIVES...

Many of the design changes can be similar to short-term incentive changes: adjusted goals, shorter time horizons, and wider payout curves. An important additional factor to consider for long-term incentives is how to set share grant levels in a depressed stock market. Practices to consider include using a longer average stock price for setting grant levels (2-6 month averages) or simply using last year's share awards levels, reducing or eliminating the link to delivering a defined compensation value.

There are other more complex processes such as using discounts to market, or setting share/dilution limits, but these generally return similar results and are more challenging and more difficult to communicate to participants.

MONITOR RESULTS

As mentioned, the Compensation Committee needs to monitor the current situation closely. There are four ways to do this most efficiently:

- Immediate Committee notification of peer group changes.
- Realizable pay analysis.
- Monte Carlo simulations on goal attainment.
- Equity usage analysis.

Organizations might consider doing each of these at least quarterly and this can provide a view as to how well your plan is working and whether you need any in-year or following-year changes.

Proxy advisors may not support all of the changes described above, but they respond better when companies provide well-constructed arguments.

Sales compensation

A slowdown in sales productivity is inevitable as a result of the current pandemic. However, not all industries will be impacted equally—and there could be widely different impacts even within the same industry (e.g., FMCG). Most organizations are currently considering actions to help protect their employees and stabilize the “bottom line.”

There are typically a wide range of options to manage the salesforce as growth and profit slow. On the extreme end, companies may consider layoffs and furloughs of sales resources to curb costs as sales opportunity slows. Unfortunately, this strategy often proves to be damaging on morale and counterproductive during short-term crises and natural disasters. As productivity inevitably picks up, quite often in a relatively short period, it becomes more difficult for these organizations to ramp back up and meet pent-up demand for their products, which in turn can cause the slowdown to last even longer for them.

A better solution is to holistically review your sales compensation strategies. In past crises, companies have seen better results by incenting sales reps to keep working hard and driving toward their goals. In many cases, what might appear to be counterintuitive today is a better solution for tomorrow.

Enacting a short-term increase to cost of sales via sales compensation design components and policies will likely pay dividends over time. It will also be viewed as a morale booster and an investment in your people.



So how do companies do it? And what should leaders consider? First, get organized and be prepared for and mindful of the needs of the sales teams by considering these protocols:

1. Set up an incentive compensation relief team to include HR Leads, Operations Leads, Sales Leads, and Finance. This team will manage decisions and review cases on an as needed basis. Obviously, this team needs to be sanctioned by senior leadership and build the business case for expenditures and remediation efforts.

2. Identify affected sales roles or channels that need relief. The whole organization should be considered if the impact of the crisis is felt throughout the organization. If not, specific “triggers” should be established to identify employees or business development agents in need. Typical triggers include:

- An anticipated substantial decline in sales over a measurement period (say 20-25% miss, 20% quota miss, increase in the percentage of accounts below expectation, etc.) actual fixed pay becomes a larger percentage of total pay for a quarter or two—off target level.
- A substantial negative incentive impact (e.g., 15-20% lower payout than target Total Variable Compensation expectation).

3. Determine policies and methods best suited for your sales organization to ensure the most impact to future sales and the sales resources that will deliver them.

Once protocols are in place, there are a number of **temporary tools for adjusting sales compensation design** that should be considered. These include:

1. Increase ramp times and periods for new sales reps.
2. Redefine acceptable performance levels.
3. Provide non-recoverable draws (guaranteed earnings) for a predetermined amount of time.
4. Lower threshold performance levels on primary sales compensation measures.
5. Provide special incentives and spot awards (use cash versus non-cash awards) to sales reps for continued business development efforts.
6. Provide quota relief on new business or revenue measures.
7. Shift incentive measures to customer relationship/service/quality.
8. Shift incentive measures to activity-based measures.
9. Shift sales reps focus to retention, usage, and consumption efforts on previously sold products and services.
10. Lower target excellence levels for top performers.
11. Increase accelerated payment levels.
12. Remove performance linkages on multiple measures.
13. Move from billed or collected revenue to new contracts and new logos.
14. Review your measurement and payout periods to ensure they are well aligned with the current environment.
15. Provide a stay bonus if there is a creditable threat of sales reps leaving.

Amongst these options, it is important to ensure all relief efforts have a defined timeline and clear performance expectations associated with them. Related to this, they should be offered only to employees in good standing. It is also important to consider time commitments and payback terms if an employee terminates after receiving these added benefits. Lastly, you need to continue to manage your overall cost of sales to ensure you stay within acceptable limits.

In summary, these are unprecedented times, with an undeterminable end point. For organizations, we believe there is one prudent decision roadmap: focus first on employee well-being, prepare for a return to normalcy, make the necessary changes, and invest in the future.

ENGAGING AND ENABLING YOUR PEOPLE THROUGH CHANGE

In the age of social distancing amid COVID-19, what makes work, well, work?

Disruption abounds. Many companies have shut down travel and enacted mandatory working from home, where they can. Employees are grappling with chaotic home working environments—or continuing to come to work, uneasily, for jobs that can't be done anywhere else.

What can organizations do at this critical moment to keep work going—and, importantly, to care for and guide their people at a time of tremendous stress?

Let's examine the issue from the point of view of both leaders and employees—then turn to some practical solutions that address both perspectives.

WHAT'S ON EMPLOYEES' MINDS?	WHAT'S ON LEADERS' MINDS?
Worry over personal or family health concerns and job or financial security.	Uncertain company performance going forward.
Personal challenges—including lack of access to food and other supplies.	Loss of full participation from employees, leading to stalled projects or initiatives.
Anxiety generated from non-stop news updates and ever-changing requirements from the government.	Potential attrition due to overwhelming personal demands on employees.
Work environment challenges, like glitchy tech, kids at home, or safety concerns in the workplace.	
Difficulty connecting with co-workers and customers.	

As leaders, the key to addressing both organizational and employee concerns such as these is to act with empathy and understanding. They must not only engage but also enable employees to succeed.

Engagement is the “want to” of work. Are employees committed to the organization, and are they willing to put in extra effort for the good of the organization? Enablement is the “can do.” Are employees’ skills and abilities fully

utilized in their roles, and does the organizational environment support them in getting work done?

Keeping teams motivated and positioned to succeed today is already a demanding task, with business environments evolving rapidly and the workforce becoming increasingly diverse, mobile, and remote. Challenging times make engagement and enablement even more critical—but also more difficult to sustain.

IN A CRISIS, ENGAGEMENT MATTERS

In 2009, we asked leaders from the World's Most Admired Companies what the global financial crisis taught them about employee engagement. The chief takeaway? When you start out with strong employee engagement, you're already in a position of strength, with an opportunity to grow positive employee sentiment. In fact, 69% of the World's Most Admired Companies told us that employee engagement was higher after the global financial crisis of 2008 than before.

"Our employees are a tremendous source of strength and consistency, which is even more evident through a downturn," one leader told us. "It reinforces creating a strong reservoir of employee engagement and goodwill at all times to help you win during difficult times."

That doesn't mean you can coast on goodwill, as you risk eroding the support your employees show for you. And if your employee engagement needed improvement before the crisis struck, there is no magic wand to wave to fix it overnight. In either scenario, the actions you take right now will impact your employees' engagement as the crisis abates and will impact productivity and commitment down the road.

"OUR EMPLOYEES ARE A
TREMENDOUS SOURCE
OF STRENGTH AND
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IS EVEN MORE EVIDENT
THROUGH A DOWNTURN"

”



10 THINGS TO DO RIGHT NOW...

A quote often attributed to Napoleon holds that

**“THE LEADER’S ROLE IS TO DEFINE
REALITY, THEN GIVE HOPE.”**

Follow these ten approaches as you rally your team behind you, making sure that you can build upon existing goodwill or bring flagging engagement up.



1.

FREQUENT, CANDID, CONSISTENT, AND PERSONAL COMMUNICATIONS

There's no such thing as overcommunicating right now. Things are changing fast, and leaders must connect with employees in real time—as real people. Candor is especially valuable, as everyone's “honesty radar” is on high alert.

GOOD FOR THE ORGANIZATION

Make a quickly shifting strategy clear, and constantly build alignment for change (albeit change not initiated by the organization itself).

Create engagement by fostering an empathic environment.

GOOD FOR THE EMPLOYEES

Empathy from leaders reduces stress, while candor builds understanding and feelings of empowerment to act.

2.

PUT HEALTH AND SAFETY AT THE TOP OF THE AGENDA

Engagement is an exchange relationship. If organizations want employees to do and deliver more, then employees must feel valued as people. That's especially critical when health concerns intersect with work responsibilities. It is best to tailor the messages for different employee groups who will be in different places practically and emotionally.

**GOOD FOR THE
ORGANIZATION**

Guard your most critical asset—your employees—both physically and mentally.

**GOOD FOR THE
EMPLOYEES**

Drives physical safety and assuages anxiety.



3.

BE REALISTIC ABOUT THE PROMISE—AND THE REALITY—OF TECHNOLOGY

Digital technology provides employees with lifelines for connection and productivity in an isolating time. But today's technology causes frustration almost as often as it alleviates it. Be forthright about technology's imperfections, and if possible, show a sense of humor about these blips.

GOOD FOR THE ORGANIZATION

Teeing up a candid exchange about what can and can't get done via digital platforms is vastly preferable to having employees quietly wrestle with unruly tech while grumbling and gritting their teeth.

Gain real-time learning about the state of your digital efforts by encouraging employees to communicate about their experience.

GOOD FOR THE EMPLOYEES

Being able to provide feedback on technology both alleviates frustration and often drives real-time improvements.

4

TAKE EMPLOYEES' PERSONAL CHALLENGES SERIOUSLY—AND PROVIDE TRUE RESOURCES

Personal challenges abound right now, and Korn Ferry's global database of employee opinion indicates that one-fifth of employees lack an adequate understanding of their benefits. As they struggle with personal issues and worries, emphasize medical options through health insurance, available employee assistance programs, and company support for addressing childcare needs.

GOOD FOR THE ORGANIZATION

Many employees may not surface complaints—they may struggle silently. Being clear about resources can break invisible logjams.

Employees who feel they received genuine help during this period are more likely to remain long-term loyal to their employers.

GOOD FOR THE EMPLOYEES

Employer proactivity about helping with personal challenges can be a game-changer in a time of heavy “mental load.”

Many corporate-level resources have become suddenly relevant and useful, even for employees who've never used them before.

5.

RETHINK TIME MANAGEMENT AND REARRANGE THE WORKDAY IF NEEDED

Working parents—and others—may struggle to balance challenges during the traditional workday, with its often randomly scattered meetings. Teams can work in “chunks,” so people can be on for blocks of meetings or work, and then off for blocks of hours to address personal needs. Meetings may need to get shorter, be consolidated, or cancelled entirely.

GOOD FOR THE ORGANIZATION

Open conversations about different time management approaches can both revive productivity and lessen invisible distraction and strain.

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Better time management practices may emerge on a go-forward basis long past the immediate crisis.

GOOD FOR THE EMPLOYEES

Being given better control over time use during inherently chaotic days allows employees to create a balance that works for them, across work and life.

6.

HONE IN ON WHAT'S CRITICAL—AND WHAT CAN WAIT

A moment of crisis and overload can really highlight how much “clutter” exists in everyone’s working life—how many tasks we each do every day that are truly not that important. Leaders need to give employees permission to focus just on what’s really essential to navigating the crisis—including reporting to them just around crucial priorities.

GOOD FOR THE ORGANIZATION

A clear—and frequently communicated—view on what’s essential to get done will create movement on make-or-break initiatives.

Understanding what the organization can do less of—and still function well—can help streamline activities for the future.

GOOD FOR THE EMPLOYEES

Having the freedom to focus on the organization’s true priorities creates concrete space for needed personal activities, and mental space for the prioritized activities they are working on.

7. **ACKNOWLEDGE THAT EMPLOYEES' EXPERIENCES MAY BE VERY DIFFERENT —AND EVER-CHANGING**

A shared crisis highlights how diverse employees' experiences are —some may be energized by the crisis, some may find themselves with free time to fill...while others may be deeply stressed and overwhelmed by personal demands. And some employees may be in the former camp on some days and the latter camp on other ones! Making zero assumptions about how people are experiencing the COVID crisis is the right starting point for any effort.

GOOD FOR THE ORGANIZATION

As with any change effort, messages and initiatives will land with far more impact when differences in experience are acknowledged.

GOOD FOR THE EMPLOYEES

Being treated as an individual creates the feeling of being valued—especially at high stress moments.

8.

ADDRESS REWARDS AND PERFORMANCE METRICS

Leaders need to rethink what success looks like in this new situation. In challenging times, when companies most need the energy of engaged employees, they likely will be constrained in their ability to reward them. Take a considered approach to show commitment to your people. Look at options like reduced hours, reduced pay for those above a certain salary bracket, or taking unpaid leave.

Non-monetary recognition, like openly acknowledging employees who lead by example during the crisis, can have just as much impact especially in the short term. Clarifying for employees how the organization plans to manage reward and performance amid present disruptions both reinforces a sense of equity and eliminates a source of distraction.

GOOD FOR THE ORGANIZATION

Employees need their extra efforts recognized and appreciated—and you need to show them that over time there is a balance between what they contribute and what they get back in return.

GOOD FOR THE EMPLOYEES

Calms anxiety about broken linkages between their usual metrics and the extraordinary situation—and creates new pathways to excellence.

9.

ACKNOWLEDGE AND TACKLE THE GAP IN INFORMAL INTERACTION

Research shows that productivity can be the same or even better while people work remotely. That said, a number of studies also point to the critical role of informal connections within the office—e.g., the random conversation in the office kitchen—in generating innovative ideas. Organizations should acknowledge this gap and provide ways to create informal

interactions. Scheduling informal meetings (“virtual lunches”) can be helpful in this regard, but removing formal interaction is the greatest driver of informal interaction—which means pulling meetings off the calendar. Let’s say a given group spends 80% of their time in meetings. Bring their meeting time down to 60%, and informal interaction will start to spring up.

GOOD FOR THE ORGANIZATION

Continue to drive new ways of problem-solving, which can be essential to surviving and thriving in a difficult time.

GOOD FOR THE EMPLOYEES

With reduced formal interaction, employees fill those meeting gaps with ad-hoc calls, emails, texts, chats, and so on, creating moments where the real problem-solving gets done.

YOU CAN PROTECT LOYALTY AND PREPARE YOUR TEAMS TO BE READY FOR RECOVERY WHEN YOU ENGAGE THEM MEANINGFULLY AND ENABLE THEM WITH THE RIGHT RESOURCES TO CARRY YOUR ORGANIZATION THROUGH THESE DIFFICULT TIMES.



10.

PERHAPS MOST IMPORTANTLY: GIVE PEOPLE A VOICE

Taking all of the above steps meaningfully will improve engagement and productivity during a crisis—but they will fall flat unless you implement a final initiative: giving employees a real, palpable channel to express what they think, feel, and experience. Some of this can be done formally, with top leaders reflecting back the feedback they receive, but much of this work is done at ground level, with managers staying in true dialogue (not “messaging monologue”) with their direct reports. One of the organizations we talked to is deliberately creating small groups to work on solutions to key issues. Leaders don’t need to have all the answers. The best ideas will often come from far-flung corners of the organization.

GOOD FOR THE ORGANIZATION

To be engaged, employees must feel heard and understood. Moreover, they must see their thoughts and reactions come to life in the real world.

GOOD FOR THE EMPLOYEES

This is an opportunity for new leaders and innovators to emerge.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm.

We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities.

We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.

