

The future is never what it used to be...thoughts by The Verto Executive Network - A Response to the McKinsey article “*The future is not what it used to be: Thoughts on the shape of the next normal*”



“For some organizations, near-term survival is the only agenda item. Others are peering through the fog of uncertainty, thinking about how to position themselves once the crisis has passed and things return to normal. The question is, ‘What will normal look like?’ While no one can say how long the crisis will last, what we find on the other side will not look like the normal of recent years.” - April 2020 Article By Kevin Sneader and Shubham Singhal

A Surprising Response from a Global network of executives, government agencies and entrepreneurs.

Compiled and created by Verto Advisors.

Last week McKinsey released an article - ([“The future is not what it used to be: Thoughts on the shape of the next normal April 2020 By Kevin Sneader and Shubham Singhal](#))

We circulated it to an international network of businesspeople and executives, and public officials whose responses and thoughts are captured below. We have summarized both the McKinsey lead in points from the article as well as thoughts and counterpoints from our network. The group is comprised of the following:

- senior executives in global technology companies
- a senior executive in VC and private equity funded software companies
- a former senior official in a European Government Agency
- an international group of entrepreneurs from the B2B sales and marketing agencies and consulting companies.

Introduction

The McKinsey authors pointed to an “imminent restructuring of the global economic order”. The McKinsey article addresses seven areas, Distance, Resilience, The Contact Free Economy, Government Intervention, Increased Scrutiny for Business, Changing Industry Structures, the Silver Linings and we added some final thoughts.

Distance

The authors argue that distance had "died." Digital and low price conquered commercial distance, and cheap flights, and enthusiasm has conquered physical travel. Despite this, a new protectionism led by populist politicians was emerging and COVID-19 could further fuel this.



“Overall, it seems that the quest for resilience could involve more dispersed OR proximate supply chains, which only demonstrates another area of conflicting forces in globalization.” – Verto Executive Network

“This pressure to include environmental, social, and governance factors in valuing a business is likely to expand to incorporate resilience to outside shocks, such as pandemics. In sum, many companies will rebalance their priorities, so that resiliency—in all its manifestations—becomes just as important to their strategic thinking as cost and efficiency.” - April 2020 Article By Kevin Sneader and Shubham Singhal

Our network’s view varied. Some thought digital will continue to conquer as consumers want the cheapest products. Less developed nations will continue to offer “cheap” as they race to climb into the 2nd and 1st world orders. Some repatriation of supply chains was already happening as the increasing use of technology demand higher-skilled labor and proximity to the target market of buyers satisfies the immediacy demanded by modern consumers. Others saw a renaissance of the nation-state providing security against foreign threats (like CV-19). More local sourcing will be an obvious outcome of this.

Resilience

The authors state that "resiliency—the ability to absorb a shock" will become a more desirable characteristic. Better capitalized companies have a better chance of surviving, but maybe more interestingly, that JIT supply chains could be yesterday's news.

Our network again had a varied response. On the one hand arguing that more digital investment and more technology solves this problem. Consumers and business buyers can still get what they want, when they want it, further using technology to switch from one supplier to another – preserving JIT but spreading risk in the supply chain. On the other hand, the group acknowledged an over-dependence on China. Overall, it seems that the quest for resilience could involve more dispersed OR proximate supply chains, which only demonstrates another area of conflicting forces in globalization.

The rise of the contact-free economy

The authors supported and predict more “contact free” transactions and interactions “in three areas in particular—digital commerce, telemedicine, and automation—the COVID19 pandemic could prove to be a decisive turning point.”

Nothing controversial or revolutionary here and our network agree. E-commerce, remote, and dispersed activities will obviously grow in popularity. Maybe we had overestimated technology’s ability to change our behavior. It needs something like a pandemic, apparently, to get us to overcome the psychological, emotional, and habitual inertia preventing us from working from home, online shopping, and using a digital doctor.

“As governments step up to serve, or save, the private sector, the means they choose will differ. Some countries will outright nationalize, some will take equity stakes, some will provide loans, and others will choose to regulate. If nonperforming loans require a second bailout, the banking sector could become something like a regulated utility in some markets.” -

April 2020 | Article |
By Kevin Sneader and
Shubham Singhal



“Taxes will almost certainly rise to pay for the support packages introduced in recent weeks and the govt. will have to work with a suffocatingly tight monetary policy to avoid rampant inflation.” – Verto Executive Network

More Government Intervention in the Economy

The article discusses ALL the government interventions in process across the globe and likens it to WWII. Their point is that maybe these interventions are here to stay, and this paragraph is worth quoting directly: “As McKinsey colleagues wrote in the context of climate change, ‘the tremendous costs of being the payor, lender, and insurer of last resort may prompt governments to take a much more active role in ensuring resiliency.’ The implications for the role of the state will materially affect the way business is conducted; business leaders in many more sectors will have to adjust to the next normal of more significant government intervention.”

The McKinsey's team observation on the scale of intervention is obviously correct, but some of the network point out that government intervention has risen since 2008, particularly in the US. The stock market has generally been propped up by an (unofficial) "we'll never let it tank again" policy. Government intervention has become more common than some people like to admit.

Central government would be forgiven for reaching the conclusion that "others" just cannot be trusted. From the mortgage crash to this disaster, the private sector continues to prove itself either unwilling or unable to make broadly sound decisions, think longer term, and be better prepared. The thinking goes that if "they" cannot be trusted, then rather than having to keep coming in and picking up the pieces, central governments should just take a more prominent role from the get-go. Our network sees the validity in this but warns of the danger that intervention leads to over-regulation, bloated bureaucracies, and the sluggishness that inhibits innovation and progress.

Technology has started to look like capitalism in that it needs Adam Smith's "other" (little known) "helping hand." Capitalism optimally distributes resources, but it takes no moral position. Technology seems to behave the same way. As technology creates workforce change, governments need to do a better job of enabling workers to migrate, re-train and be nimbler in this ever-changing world. With some exceptions (like Germany) most governments have done a poor job of this over the years, and without re-training, a disrupted workforce is condemned to live out its uselessness in immiserated unemployment.

The big issue would again be around finding the balance that better secures us against disaster, promoting greater equality while liberating the best of the creative and innovative spirit so well supported and encouraged in Western cultures. This is the kind of big challenge that modern public servants must be willing to confront.

“More Govt Intervention is no bad thing. Given the huge change technology has ripped through the economies of the world, there should be more and better government opinion and policy of the Future of Work and the infrastructure to support it. This has been sadly lacking as politicians play politics (as always).”



“This will be a good thing. We need to buy local and domestically sourced products, think and behave more responsibly with regard to finance, travel, waste, health; perhaps have less regard for the ‘here and now’ and for instant gratification.”

– Verto Executive Network Member

More Scrutiny for Business

The McKinsey team continue by stating that if companies accept public funds to help them through the current threat now, the price will be accepting more scrutiny and influence later. Ultimately business might also be obligated to broaden its thinking such that more consideration is given to ALL stakeholders as opposed to this singular, maniacal devotion to growing shareholder value.

The network supports the idea of reducing inequity, leading to a "fairer" society. Simultaneously, however we feel the hot breath of skepticism and that once more, this will be nothing more than window dressing. Some also felt that people will generally lose interest in "bigger issues" as Covid-19 fades in the rear-view mirror. Public scrutiny would also therefore fall away.

Changing Industry Structures, Consumer Behavior, Market Positions and Sector Attractiveness

The McKinsey team raised questions covering fundamental change in companies as well as consumer behavior. Can certain companies and industries survive in their current forms? Will consumers change their behavior to reflect a more significant concern with their health or the planet or the greater good of society?

Our network responded with a mix of skepticism and hope. Hopeful that consumers would adopt more responsible buying behaviors and that business leadership recognize the needs of all stakeholders. But even within this small group ones witnesses how the same catalysts are seen with different outcomes. On the one hand, more informed globalized attitudes resulting in more environmentally sound buying decisions, OR the same globalized attitudes resulting in retrenchment within national borders (globally embrace Vs locally embrace, perhaps).

The other common thread was the observation that whether people were more conscious of broader issues or not, they could still generally become more cautious and hesitant, perhaps saving more and spending less. Making sure they had savings for the proverbial "rainy day." This would be accompanied by a more fearful, less adventurous spirit which inevitably constrains travel and globalization. One hopeful though is that people start to think longer-term and move on from this thirst for immediate gratification which continues to prove to be one of our more toxic modern behaviors.

“For businesses, the consequences have been profound. Many have learned how to operate remotely—at a high level and at far greater speed. These practices could well stick, making for better management and more flexible workforces—something that could be particularly useful for many women, the disabled, and those who prefer untraditional career trajectories.” April 2020 | Article | By Kevin Sneader and Shubham Singhal



“If all we get from this crisis is a grandparent who can ‘Zoom’ then we have failed to learn anything.” - Verto Executive Network Member

Finding the Silver Lining

Despite trying to be positive I thought the McKinsey’s team’s final point on “Silver Linings” was weak. The authors observations regarding remote work and the use of web meeting technology are superficial and as one of our network pointed out, “If all we get from this crisis is a grandparent who can Zoom, then we have failed to learn anything.”

Of course, necessity is the mother of invention, and people and companies will adapt (some better than others). Some will innovate or stumble on new methods and markets. As one of the network concisely points out, “innovation in the face of a crisis? Yes! Of course! Always happens.”

All of us say we want a more compassionate world, some favor taking back control both from global elites and global forces (such as China), combined with a reconstruction of home and community values.

Final Thoughts

The McKinsey paper showed diverse opinions on both where things might go and where they ought to go. Our group was no different and no more have a crystal ball, than McKinsey do. We also acknowledge that it is easier to critique and respond to an article like this rather than to compose it in original form.

We’ll leave you with this quote for the conclusion of the paper and encourage you to read it for yourselves. These are our thoughts based on our interpretations of the McKinsey article. You should have your own. So back to that quote:

“One possible next normal is that decisions made during and after the crisis lead to less prosperity, slower growth, widening inequality, bloated government bureaucracies, and rigid borders. Or it could be that the decisions made during this crisis lead to a burst of innovation and productivity, more resilient industries, smarter government at all levels, and the emergence of a reconnected world. Neither is inevitable; indeed, the outcome is probably more likely to be a mix. The point is that where the world lands is a matter of choice—of countless decisions to be made by individuals, companies, governments, and institutions.”

Well they pretty much covered all the bases there – right? My concern is this. “where the world lands” is rarely a matter of choice for most people. Maybe that will be the real lesson we need to learn here. One more about democracy than disease.

This piece was prompted by a McKinsey & Co article [“The future is not what it used to be: Thoughts on the shape of the next Thoughts on the shape of the next normal”](#) April 2020 | Article by Kevin Sneader and Shubham Singhal.