



UIDPCONNECT
2020

Innovation in a Crisis: Why it is More Critical than Ever

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Moderator
Erik Roth
McKinsey & Company



Laura Furstenthal
McKinsey & Company

Today's speakers



Laura Furstenthal

Laura Furstenthal leads McKinsey's Innovation Practice in North America and helps companies create systems to generate net new growth, across pharmaceuticals and medical products, healthcare systems, insurance and other B2B and B2C industries.

She earned her Ph.D. from Stanford University in Cancer Biology and graduated from Harvard College.



Erik Roth

Erik Roth is the global leader of McKinsey's Innovation Practice and works with companies across all sectors to deliver transformational growth through innovation and technology.

He has been the CIO of LG Electronics and a venture founder. Erik earned his MBA from Harvard Business School, where he co-published Seeing What's Next with Clayton Christensen.

Find our latest research and perspectives at:
<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/innovation-in-a-crisis-why-it-is-more-critical-than-ever>

COVID-19 is, first and foremost, a global humanitarian challenge.

Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and search for treatments and a vaccine.

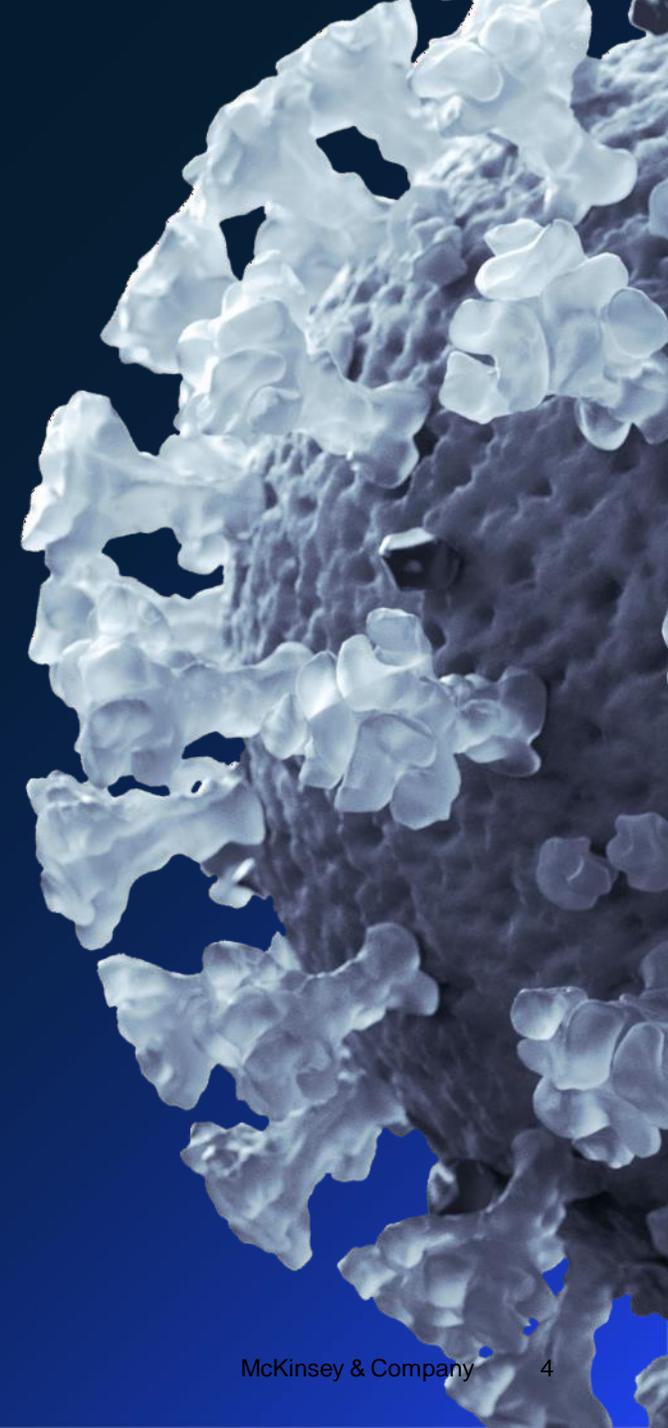
Companies around the world need to act promptly.

This document is meant to help senior leaders understand the COVID-19 situation and how it may unfold, and take steps to protect their employees, customers, supply chains, and financial results.

<https://www.mckinsey.com/about-us/covid-response-center/home>

<https://www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis>

[Read more on McKinsey.com](#)



Three things we hope you take away from today

**1. Choose
Innovation**

**2. Rediscover
Customers**

**3. Evolve the
Business Model**



The crisis presents a choice

“When the winds of change blow, some people build walls, others build windmills.”

- Chinese proverb



Executives feel largely unprepared

An opportunity to reimagine...



90%

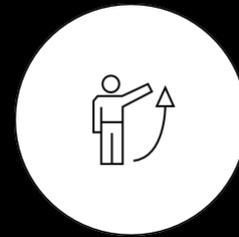
Believe crisis will fundamentally change their business in the next 5 years



85%

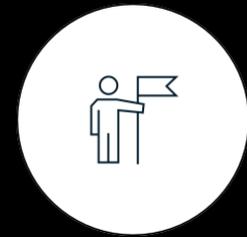
Expect lasting changes in customers' preferences

... the challenge to making it happen



21%

Feel confident that they are well equipped to grow

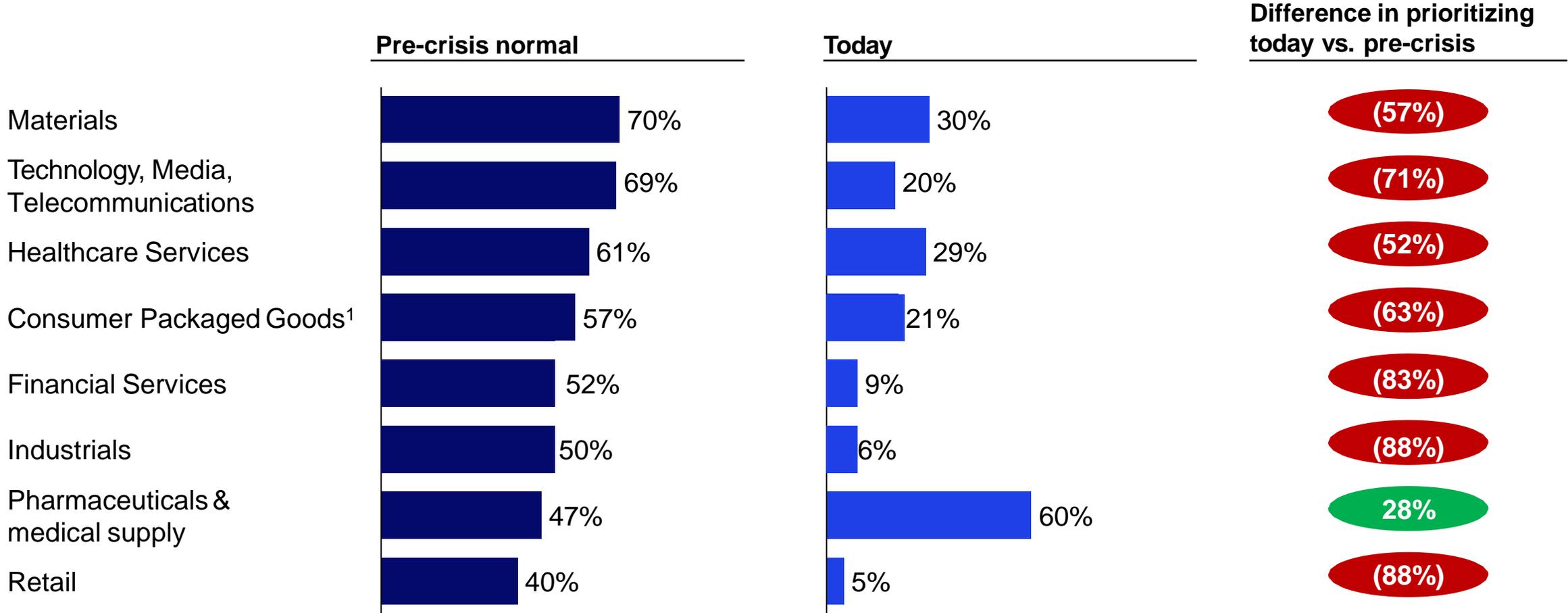


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Believe this is the most challenging moment in their career

The majority of industries have shifted their focus away from innovation during the crisis

% of executives who list innovation as their #1 or #2 priority before and after COVID-19



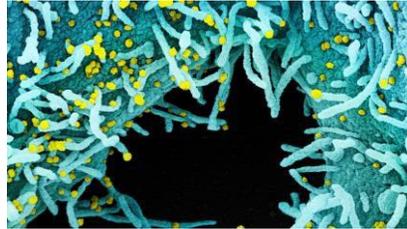
1. CPG includes grocery retail businesses

In contrast, the pharma and medical products industry has innovated in a multiple directions

Competitors become collaborators

Using a Global Network of Adaptive Clinical Trials to Fight COVID-19

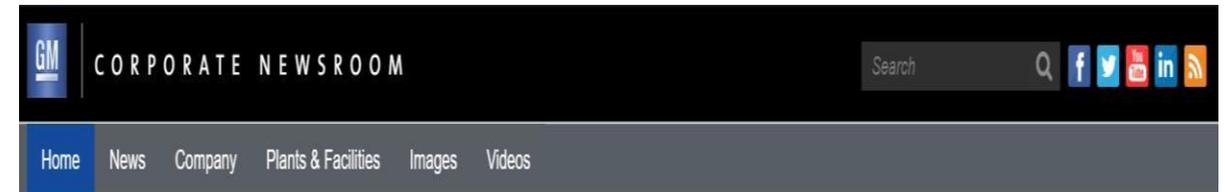
July 23, 2020



In the second week of March, with outbreaks raging on three continents, research heads at Amgen, AstraZeneca, Bristol Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Novartis, and Takeda began exchanging information. The alliance immediately began screening compounds for antiviral activity...

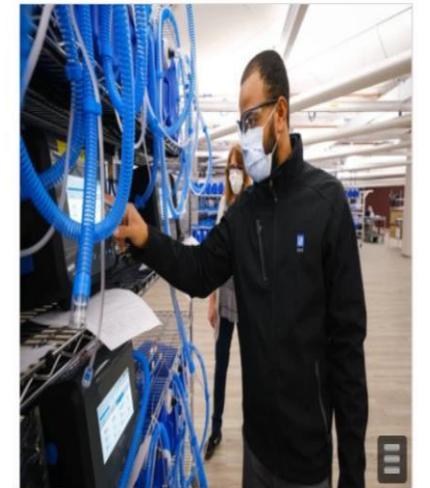
“... Struck by the magnitude of the pandemic, our shared responsibility to act, and the scale of resources at our disposal, we communicated with minimal ground rules or administrative red tape.”

New entrants enable rapid scale up



First General Motors-Ventec Critical Care V+Pro Ventilators Ready for Delivery

“In less than a month, Ventec and GM were able to marshal support to deliver 30,000 ventilators.”



Questions for you...

1) Thinking about Pre-COVID-19 crisis, which of the following was your top priority for your organization?

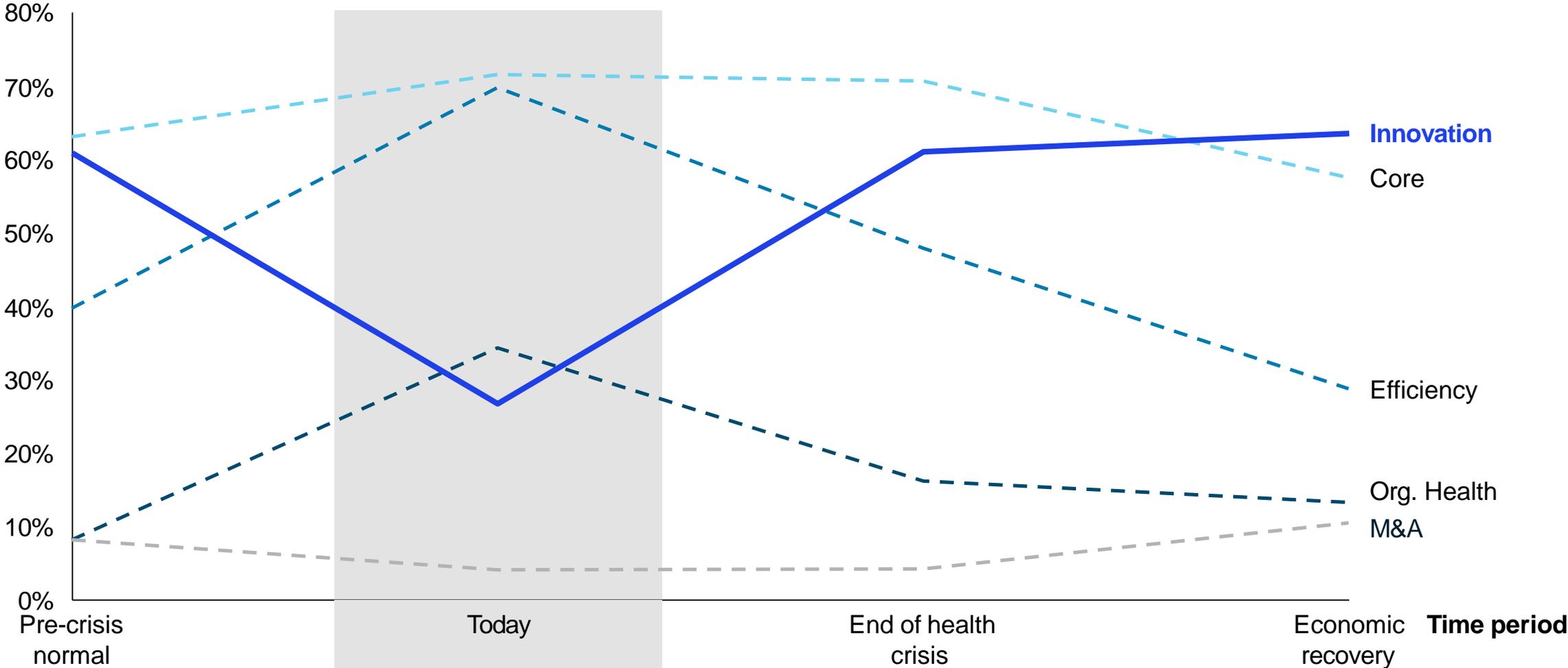
2) Thinking about TODAY during the COVID-19 crisis, which of the following actions is your top priority for your organization?

Select your Top priority:

- a) **Efficiency gains** (e.g. cost cutting, production optimization, procurement optimization, zero- based budgeting)
- b) **Stabilizing the organization** (e.g. strategic revenue management, marketing & sales optimization)
- c) **M&A / collaborations** (e.g., consolidation, finding synergies, forming new ecosystems)
- d) **Organizational health** (e.g. talent management, culture, up-skilling and re-skilling)
- e) **New sources of organic growth** (e.g. new products, services, categories, business models, technologies)

Many companies are putting innovation on the back burner during the crisis

% of executives who list each action as the #1 or #2 priority pre and post COVID-19



Source: McKinsey Innovation through Crisis April 2020 survey data

Beyond our survey, we have interviewed many executives



Executives are deprioritizing innovation...

- ...to focus on shoring up their core
 - ...to prioritize known opportunity spaces
 - ...to conserve cash and minimize risk
 - ...to wait until “there is more clarity”
-

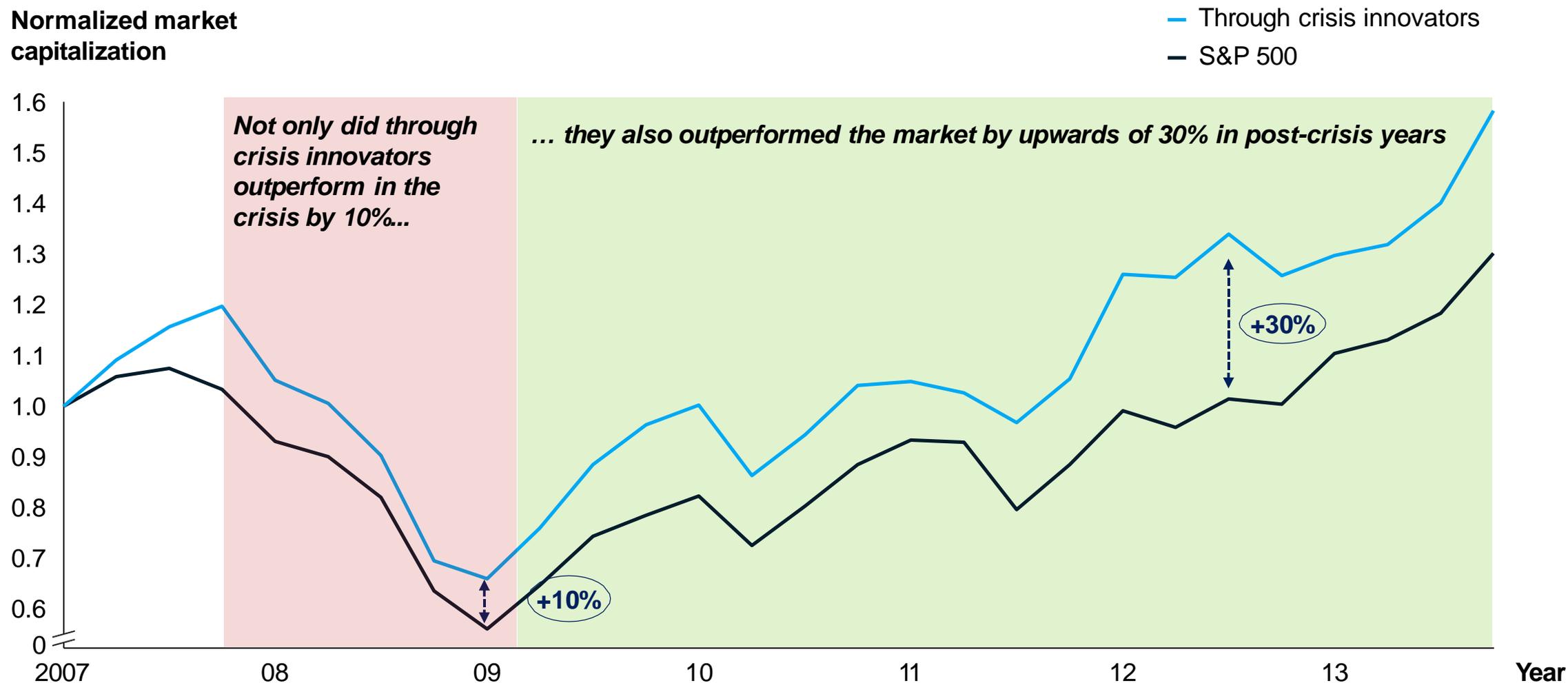


But innovation in a crisis is necessary...

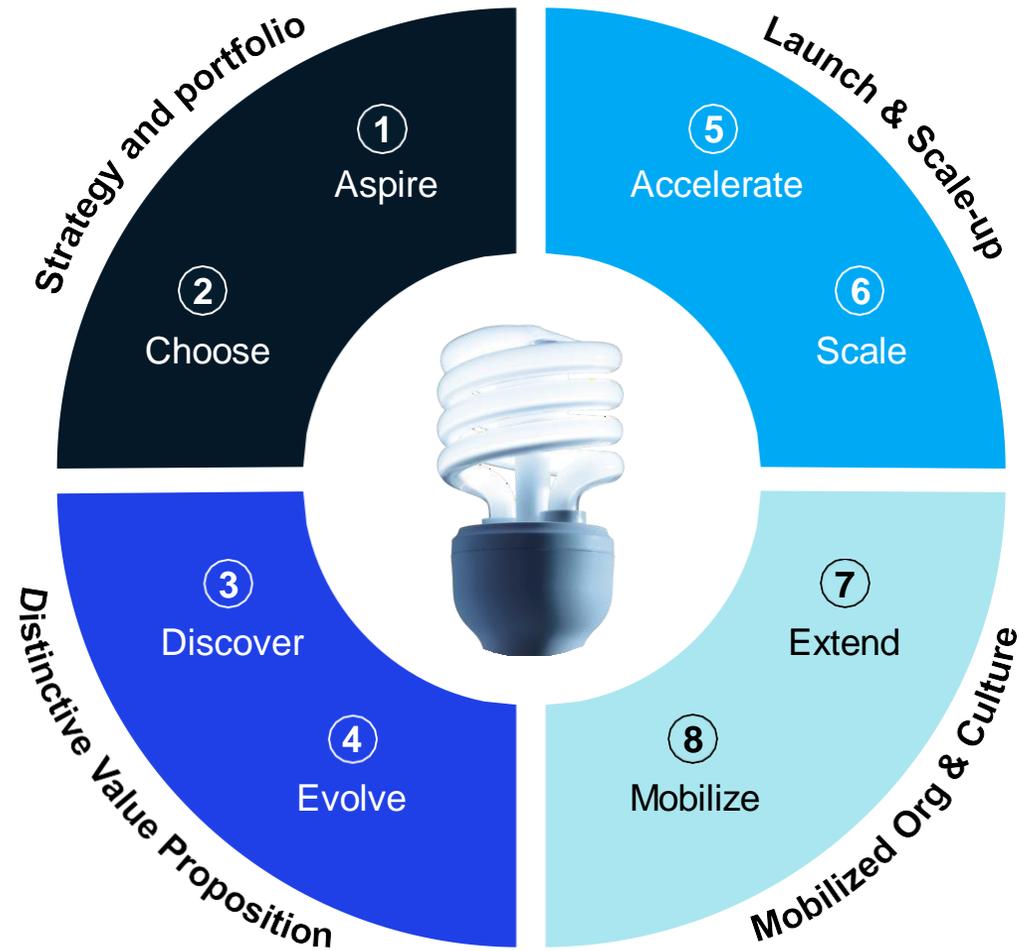
- ...to adapt the core to meet shifting customer needs
 - ...to identify and tackle new opportunity areas early
 - ...to ensure resources are allocated efficiently
 - ...to build the foundation for post-crisis growth and remain competitive in the new market landscape
-

2 History suggests that companies that invest in innovation through a crisis outperform peers during the recovery

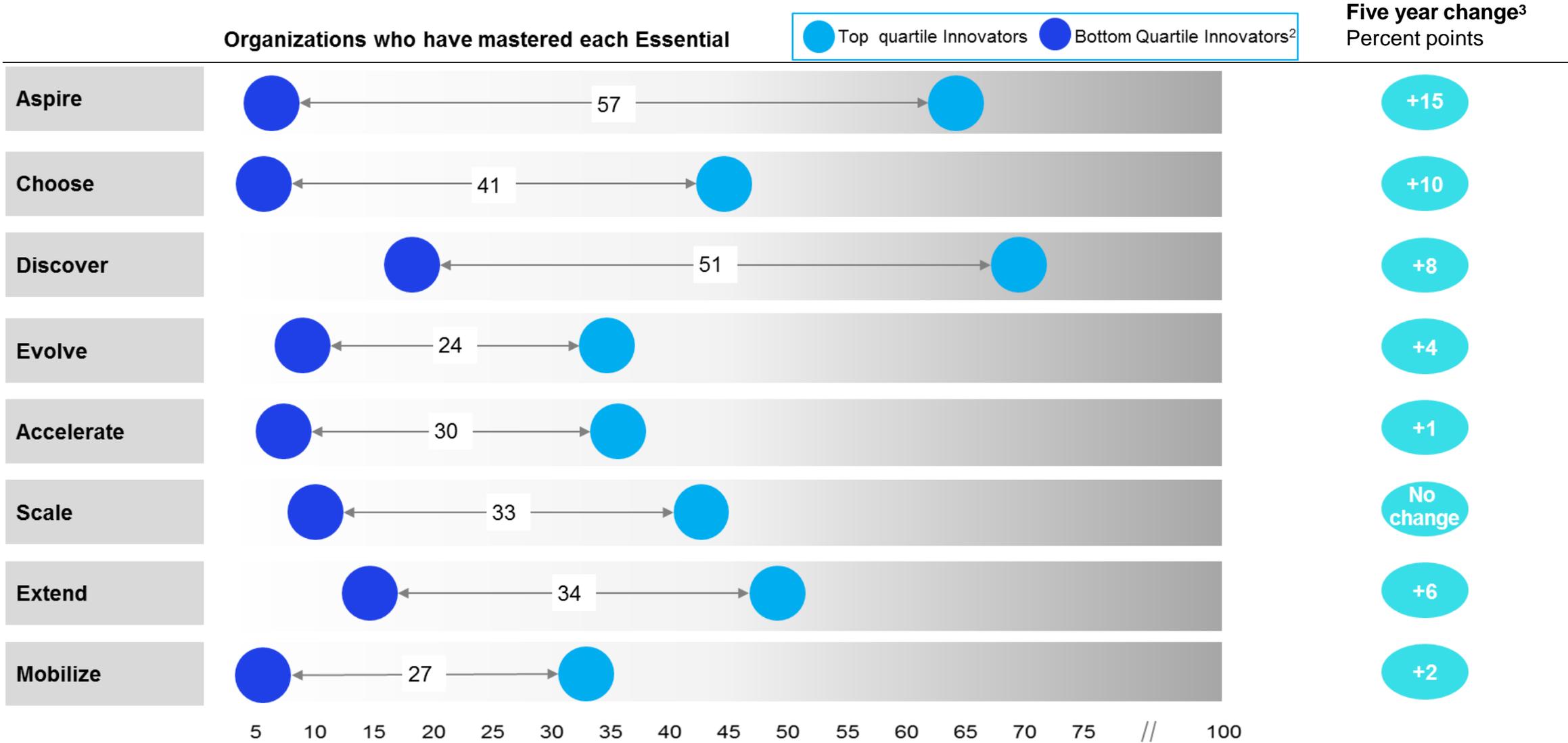
Normalized market capitalization



There is a recipe for continuous delivery of new growth: the eight essentials of innovation



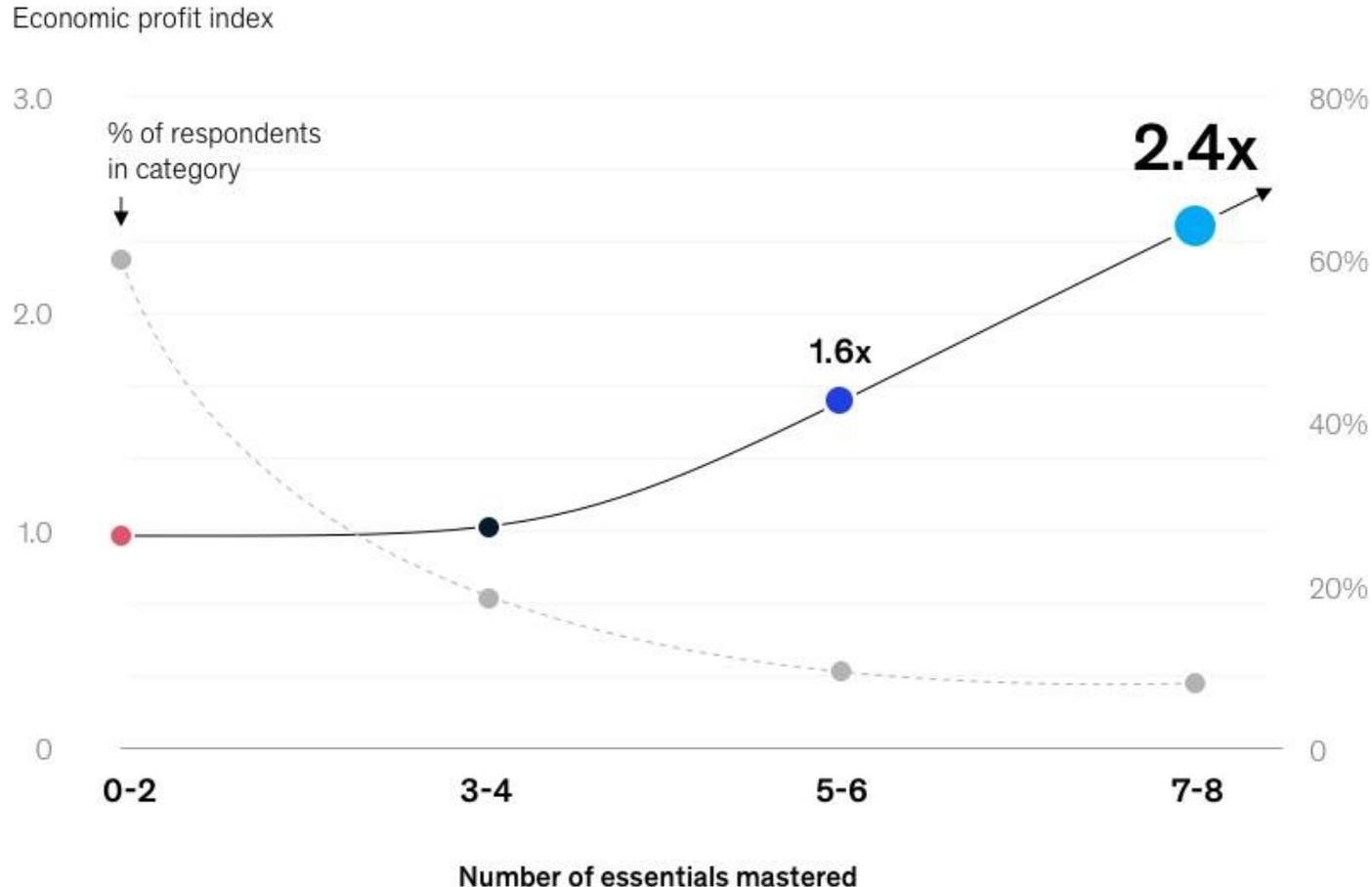
Innovation leaders are quickly moving ahead



¹ Top quartile on overall innovation ² Bottom quartiles on overall innovation ³ Five year change is calculated for the difference between the top performers and medium/low performers in 2012 and top performers and medium/low performers in 2016.

Companies that integrate Essentials into a robust Operating Model generate higher economic profit

Index of Economic Profit Generated by Mastery of Essentials

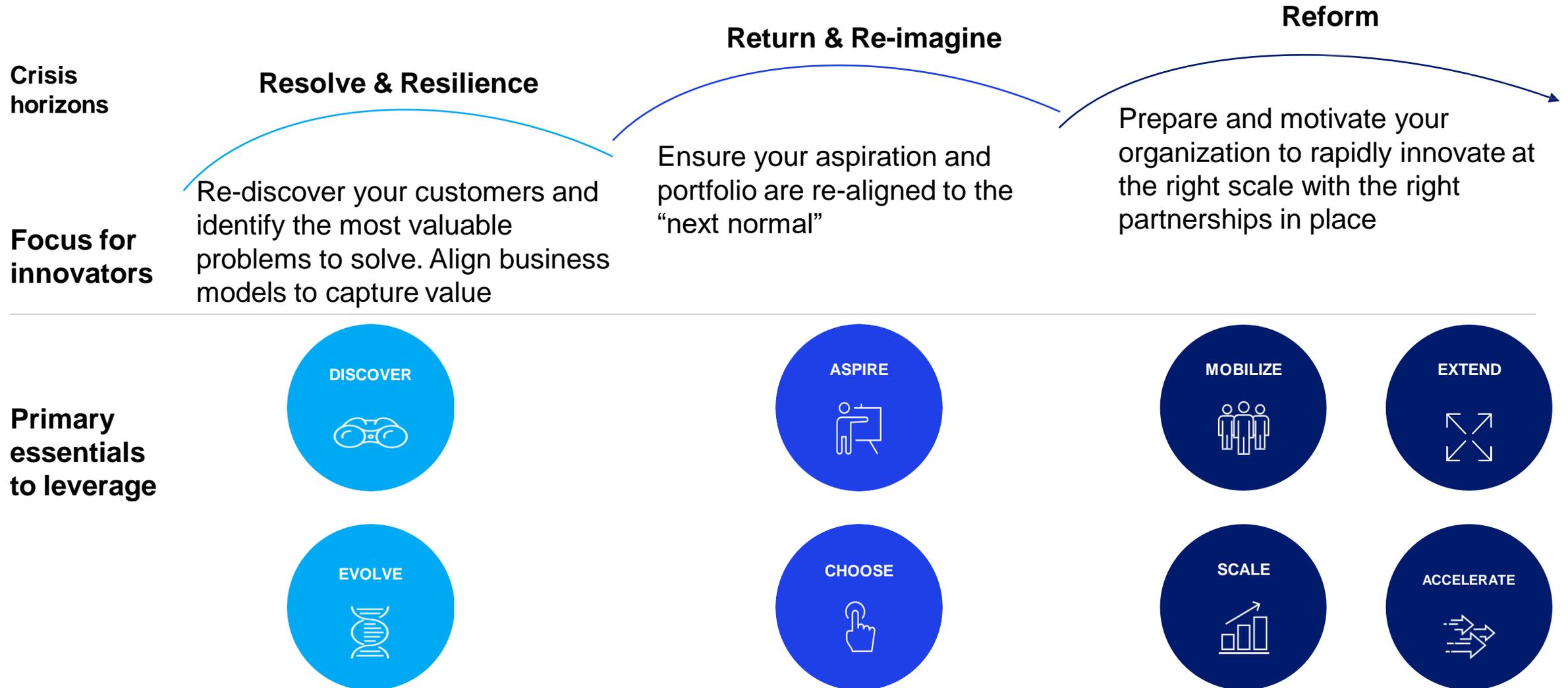


Companies can gain a significant competitive advantage by mastering the greatest number of Essentials

Previous work on the Innovation Commitment showed that mastering Aspire and Choose drive the most incremental value

In a crisis, we believe this shifts to Discover and Evolve being the most immediate needs

Rediscover your customers. Evolve the business model.



Which organizations below are pivoting to address COVID-19?

Getty

dyson

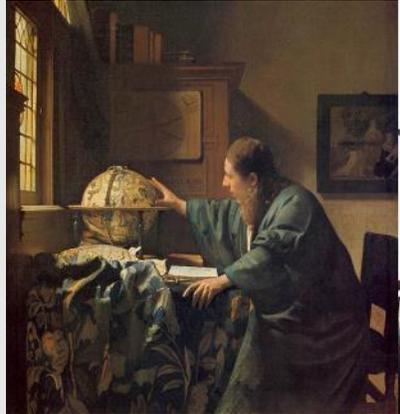
ALL of them!



LVMH

(Re)discover: Life imitates art

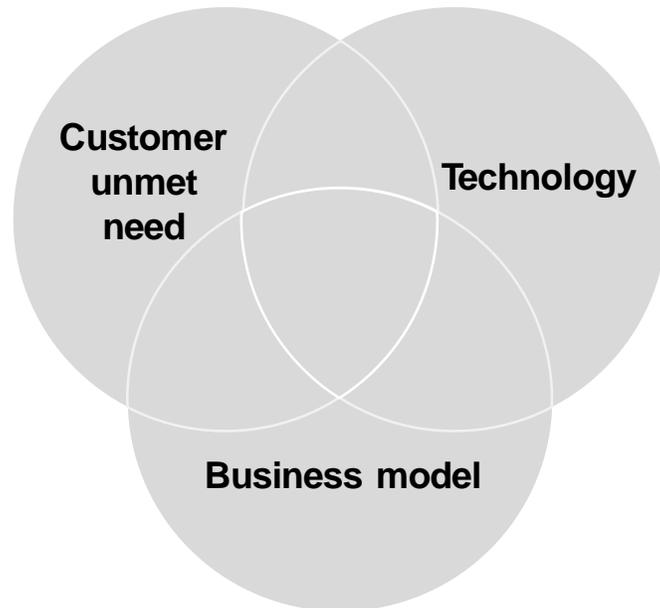
Getty



Source: <https://themindcircle.com/getty-museum-challenges/>, mymodern.net, The Getty Center

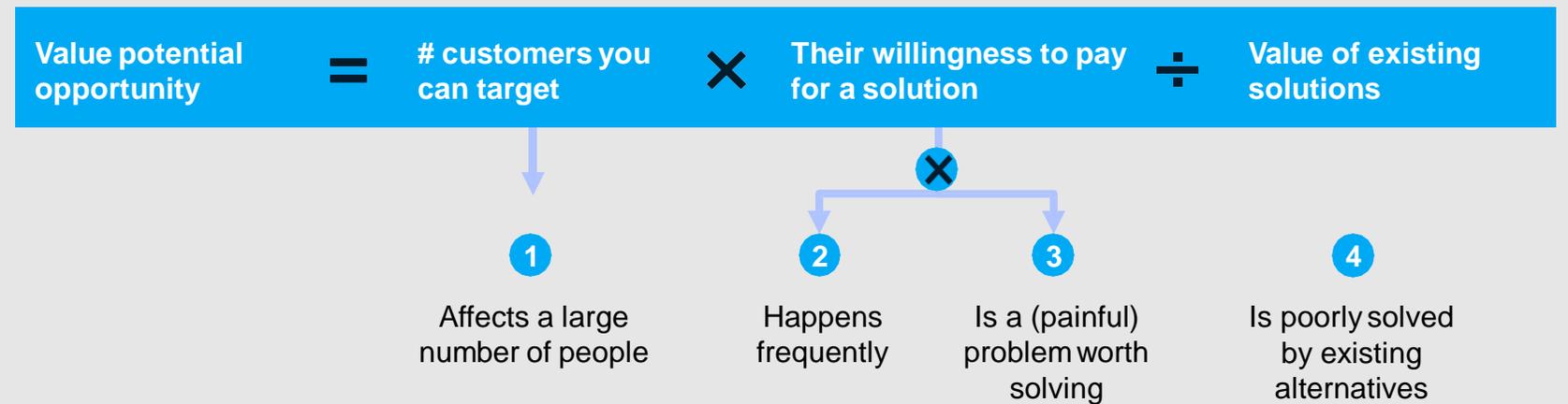
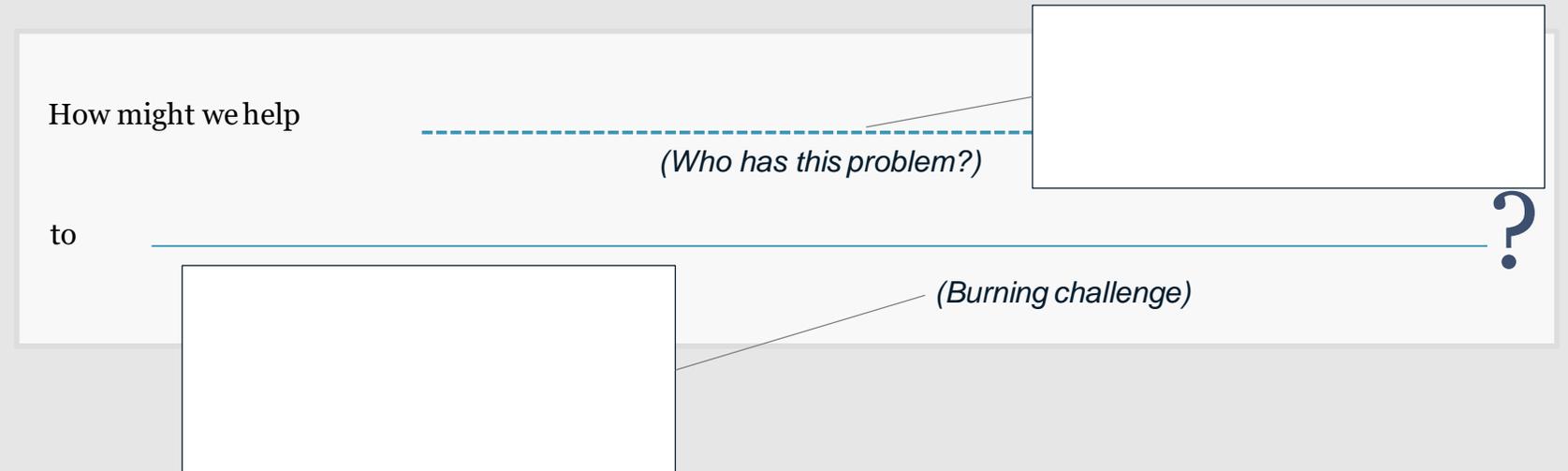
Discovery happens at the intersection of three lenses

All great innovations start with a valuable problem to solve, the technology to deliver the solution, and a business model that enables you to monetize and scale



Rediscover the most valuable problems solve based on new customer needs

Customer needs have changed and systematically searching for “valuable problems to solve” can surface priority opportunities



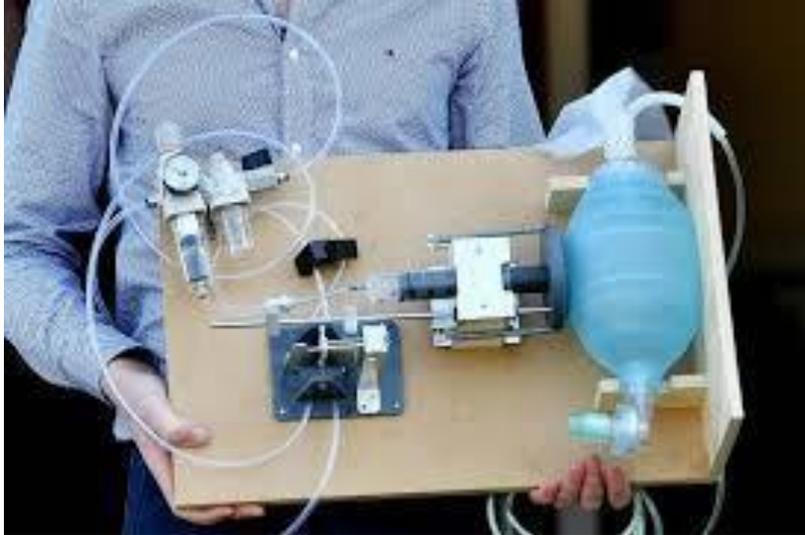
Evolve: From vacuums to ventilators

dyson

**James Dyson designed a new ventilator in 10 days.
15,000 for the pandemic fight**

By Nada Bashir, [CNN Business](#)

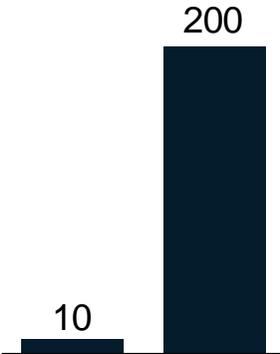
Updated 7:37 AM ET, Fri March 27, 2020



Aspire: 'We work' from home

ZOOM added over 190M subscribers in under 3 months

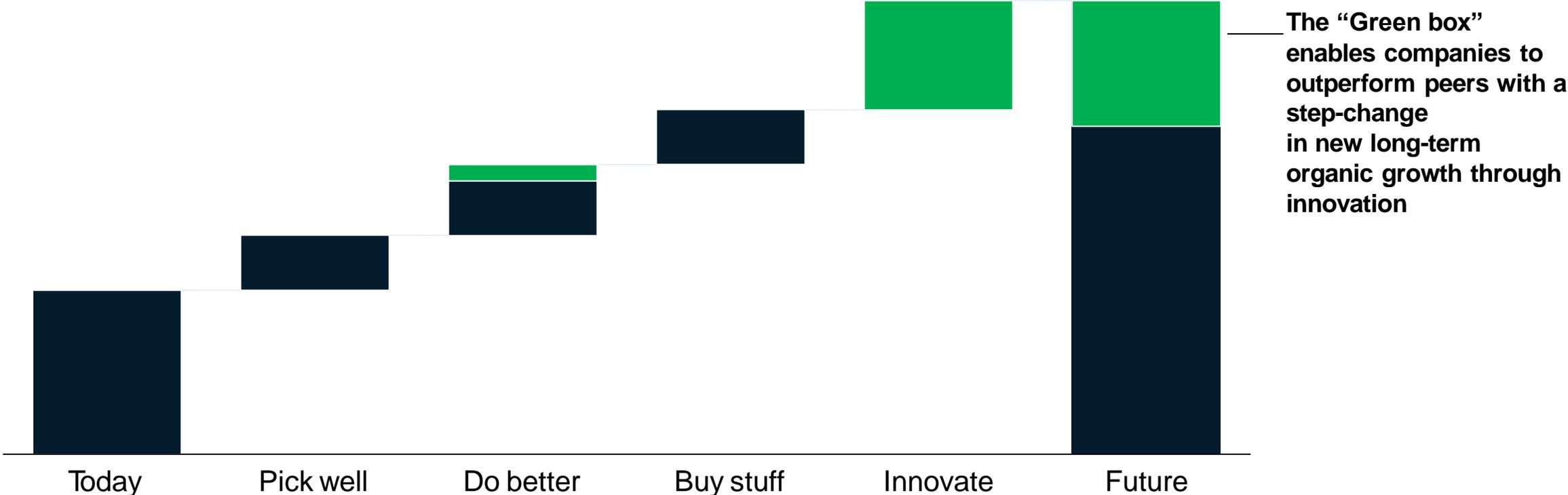
Total Subscribers



"I can't remember—do I work at home or do I live at work?"

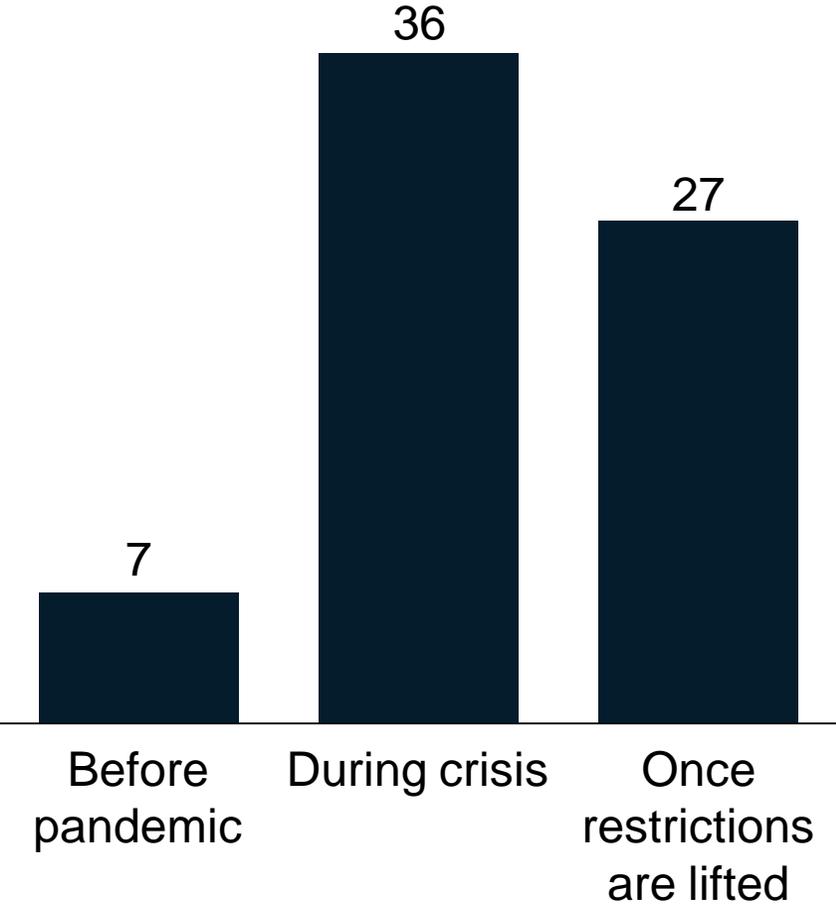
Making crisis-born changes permanent requires re-imagining your growth model and “Green Box”

The Growth Staircase



Choose: What was ‘not big enough to matter’ is now a major channel

% of physician-patient consultations conducted via telemedicine



**In closing, a reminder of
the three things we hope
you take away from today**

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