

LEADING THE TRANSFORMATION TOWARDS THE NEW NORMAL

Conversación con Sven Smit de McKinsey

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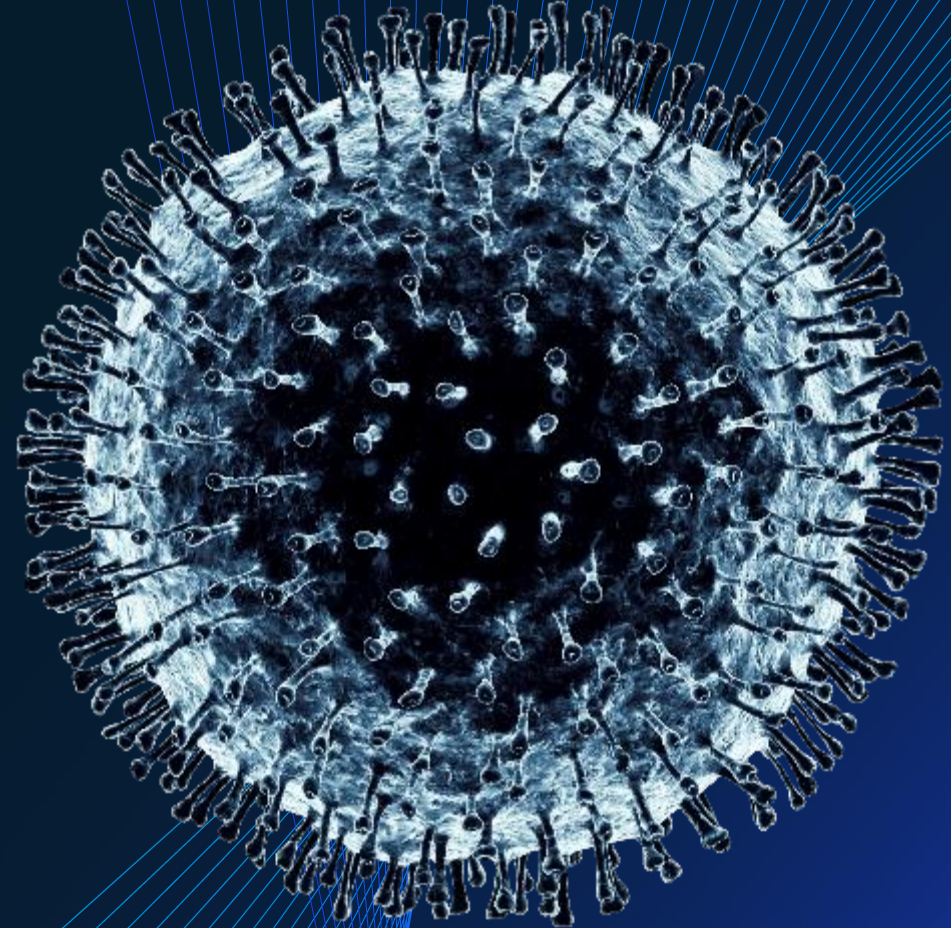


COVID-19: Update on Covid and how its “reinventing the office”

Presentación a Círculo de Directores

ESE Business School – Universidad de los Andes

20 de Noviembre de 2020



Presentación del equipo

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Contents

01

How COVID has evolved

02

Return: Building the muscle to succeed in the next normal

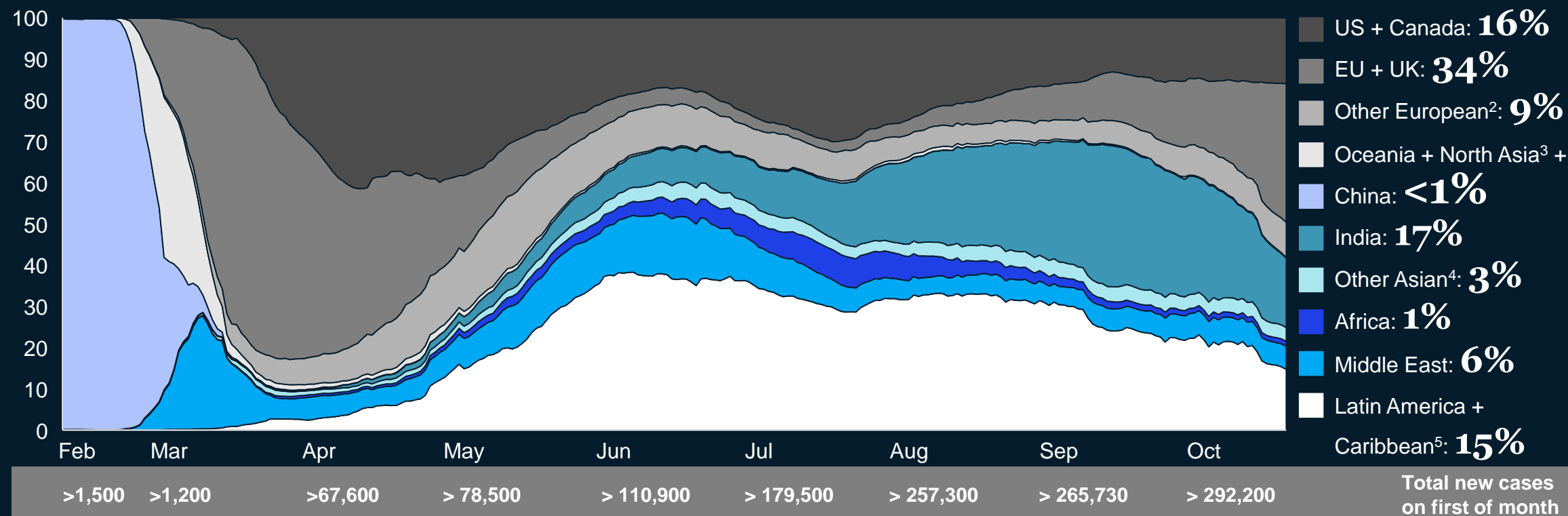
03

Reinventing the office

The global distribution of new COVID-19 cases has shifted dramatically over the last 5 months, where Chile is in good stand compared to other Latam countries

Proportion of new cases is shifting from Europe to predominantly Latin American and Asian countries (excluding China, Japan, Singapore and South Korea)

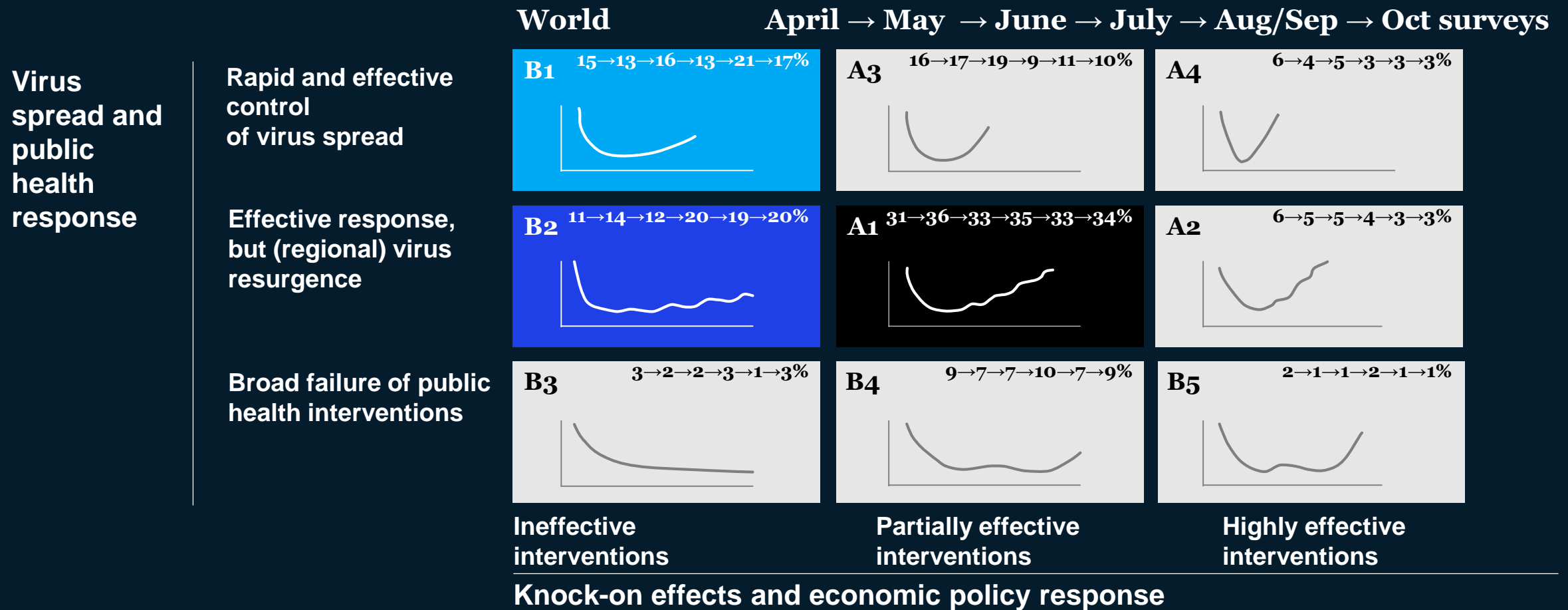
Daily new cases⁶ in each country/region as a % of global daily new cases



1. Includes Puerto Rico and US Virgin Islands; 2. All remaining European countries, including Russia; 3. Includes Japan, Singapore, and South Korea; 4. All remaining Asian countries, not including Russia; 5. Includes European territories in the Caribbean; 6. Data points shown as 7 days moving average to account for reporting differences (e.g., reporting only once per week), July 3 data not shown since UK adjusted case numbers.

... impacting on how executives think about the recovery in the World, voting for scenario B2 & A1 as the expected shape of coronavirus crisis

Survey of 2,264 global executives (133 in Latin America); % of respondents



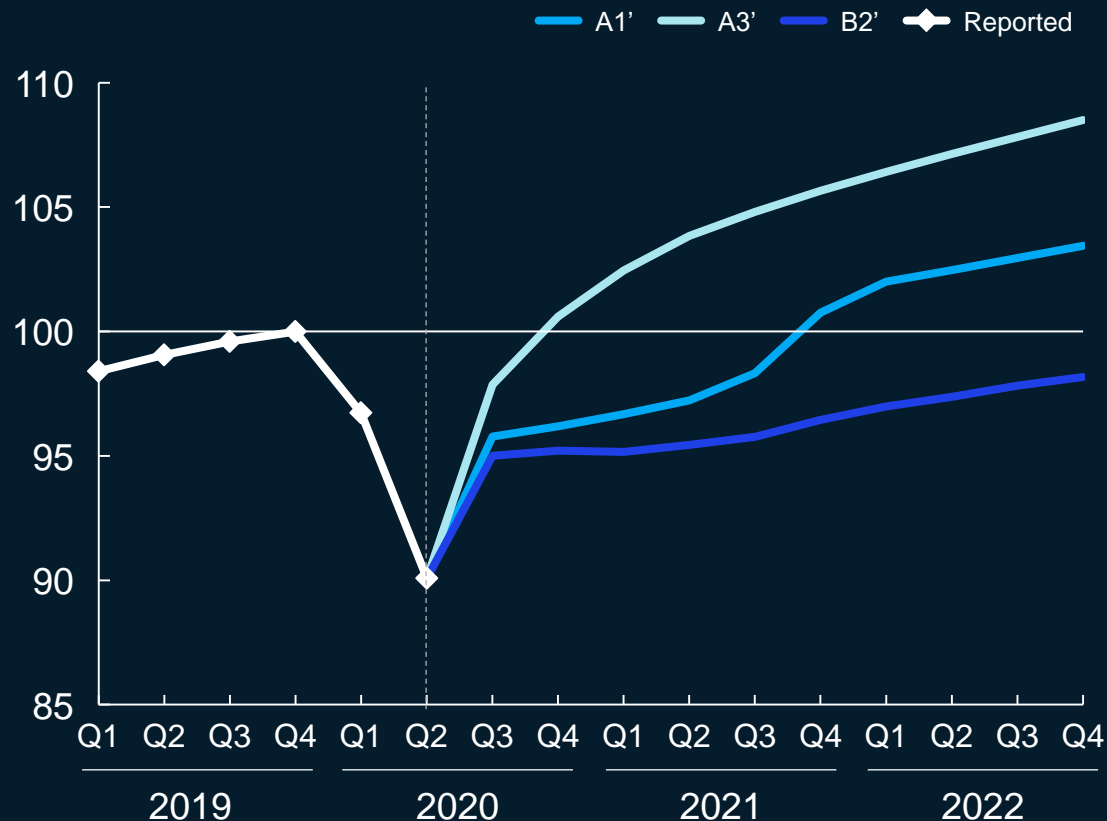
1. Monthly surveys: April 2–April 10, 2020, N=2,079, 133 in Latin America; May 4–May 8, 2020, N=2,452, 158 in Latin America; June 1–5, N=2,174, 151 in Latin America; July 13–17, N=2,071, 152 in Latin America; August 31 – September 4, N=1,116, 78 in Latin America; October 12 – October 16, N=2,264, 133 in Latin America

However we see feasible also scenario A3 by current evolution, were A's scenarios shows end 2021 as the year to reach pre COVID economic performance

COVID-19 scenario pathways, October 2020

Real GDP, indexed

Constant prices and US\$ exchange rates, 2019 Q4=100



A3'

Effective control of virus health impacts is achieved across most large economies. Jump in Q3 growth signals strong economic momentum that naturally continues

A1'

Recurring adverse health impacts largely controlled by mid-2021 with public health measures and/or vaccine. Growth returns as consumers and business revert to pre-pandemic activity

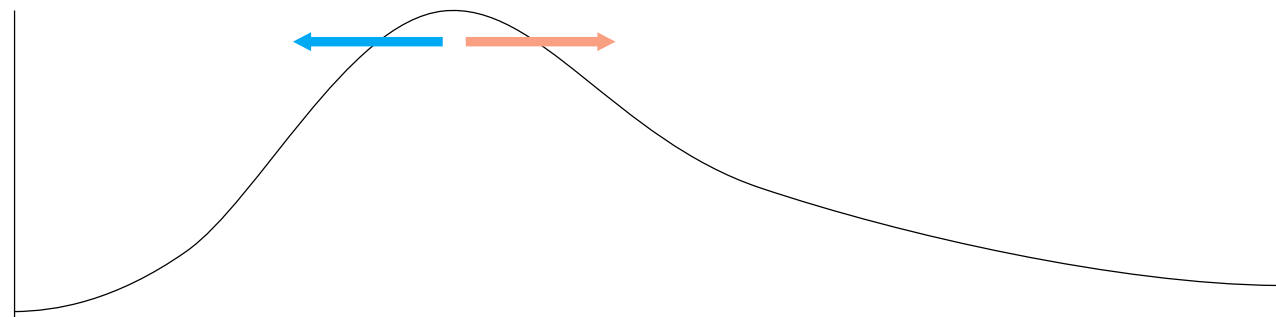
B2'

Structural damage has been done as business failures, personal bankruptcies and long-term unemployment take hold even as virus health impacts are largely controlled

A set of vaccines are currently being tested, were the projections are that will end the pandemic Q3 2021 in US

	A transition to a form of normalcy Almost all aspects of social and economic life resume	An epidemiological end point Herd immunity is achieved
Most likely timeline¹ in developed economies	Q1 or Q2 of 2021	Q3 or Q4 of 2021
Description	The next normal might come when we can live without fear of ongoing mortality ² or long-term health consequences related to COVID-19	Public-health-emergency interventions deployed in 2020 no longer needed, threat of widespread transmission will be gone

Relative probability of a functional end to the epidemic in the US²



What you have to believe on epidemic trajectory

Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	...
Low probability of reaching herd immunity	Some probability of functionally ending the pandemic		Peak probability of functional end if an effective vaccine is approved in Q1 or Q2 2021		Vaccine arrives, however, lower levels of efficacy or coverage require a longer ramp-up time to reach herd immunity				Long tail possibility that society is still battling hyper-endemic levels	
			Higher efficacy of vaccine Earlier approval of vaccine Faster ramp-up to manufacture/distribute				Lower vaccine efficacy and/or coverage Slower ramp-up to manufacture/distribute Shorter duration of immunity			

- 9/11 Pfizer Vaccine showed 90% effectiveness in their results and go to the regulators next month
- 50 M Doses could be available at the end of the yea, and 1,3 B in 2021

1. The timeline to achieve the ends will vary by location, and will not be single point in time events

2. When a mortality rate is no longer higher than a country's historical average

Contents

01

How COVID has evolved

02

Return: Building the muscle to succeed in the next normal

03

Reinventing the office

Resilience: Speed + discipline is key

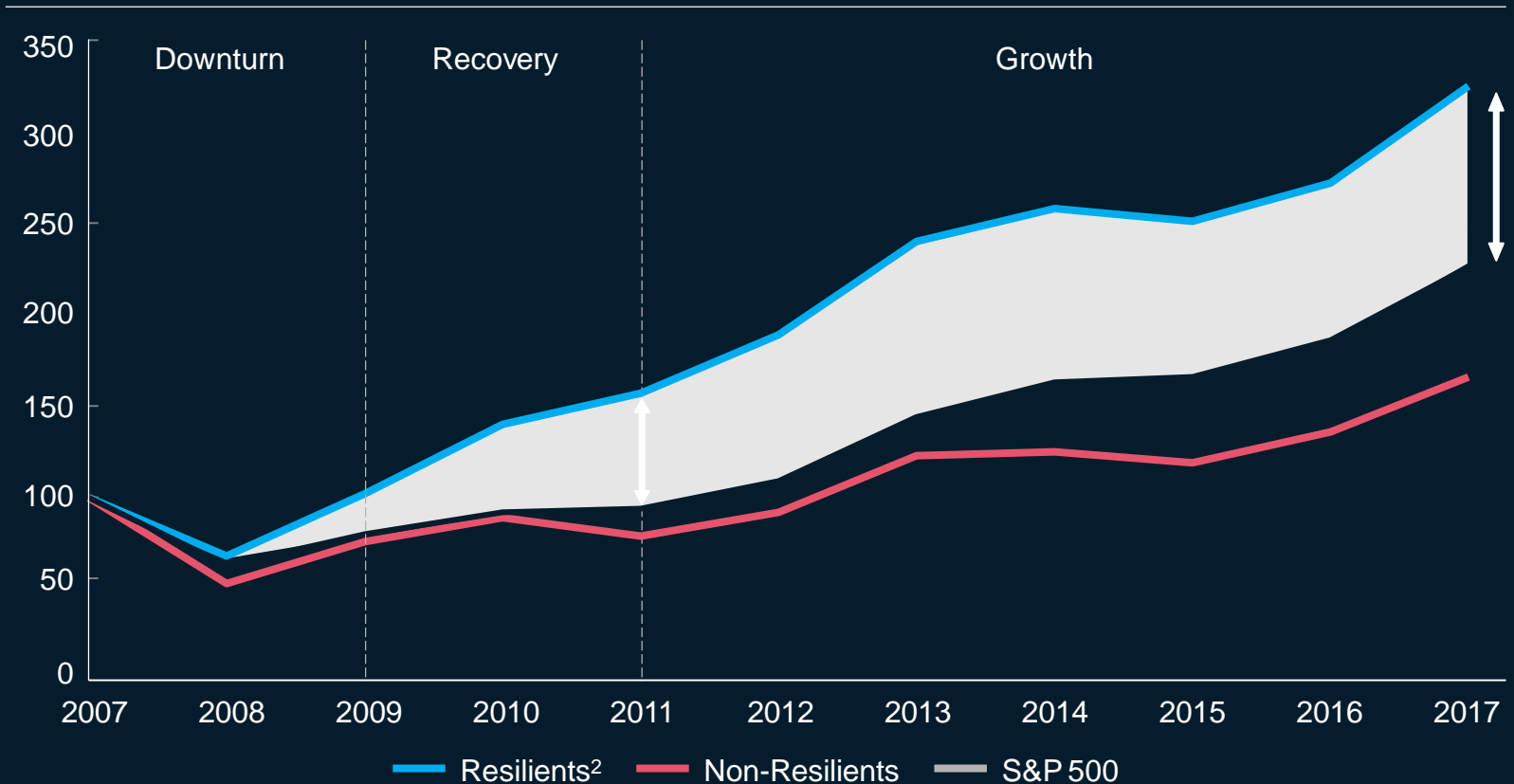
“The Resilients”

Teams seeking to boost resilience during COVID-19 need to learn lessons from the companies that survived and thrived in the last recession

Total return to shareholders curves show dramatic differences in performance during the recession

Resilient² companies in the GFC outperformed for the next decade

Total return to shareholders¹



1. Analysis based on 1,140 largest companies by revenue in North America and Europe (excludes FIG & REITs)

2. Resilient companies defined as top quartile TRS in their sector through the downturn and recovery

Speed + discipline—how the Resilients stood apart

Speed	EBITDA and revenues outperformance	Resilients companies sustained ¹ organic revenue growth early and throughout the recession and on revenue in recovery
	Early and hard moves	Resilients moved faster, harder on productivity; preserved growth capacity
Discipline	M&A activities outperformance	Resilients divested more during the downturn and acquired more in the recovery
	De-leveraging outperformance	Resilients cleaned-up their balance sheets ahead of the downturn

1. Resilients only lost 1% of organic revenue vs. 2007 level during 2009

How Resilients performed relative to Non-Resilients:

30%

Increase in revenue

3x

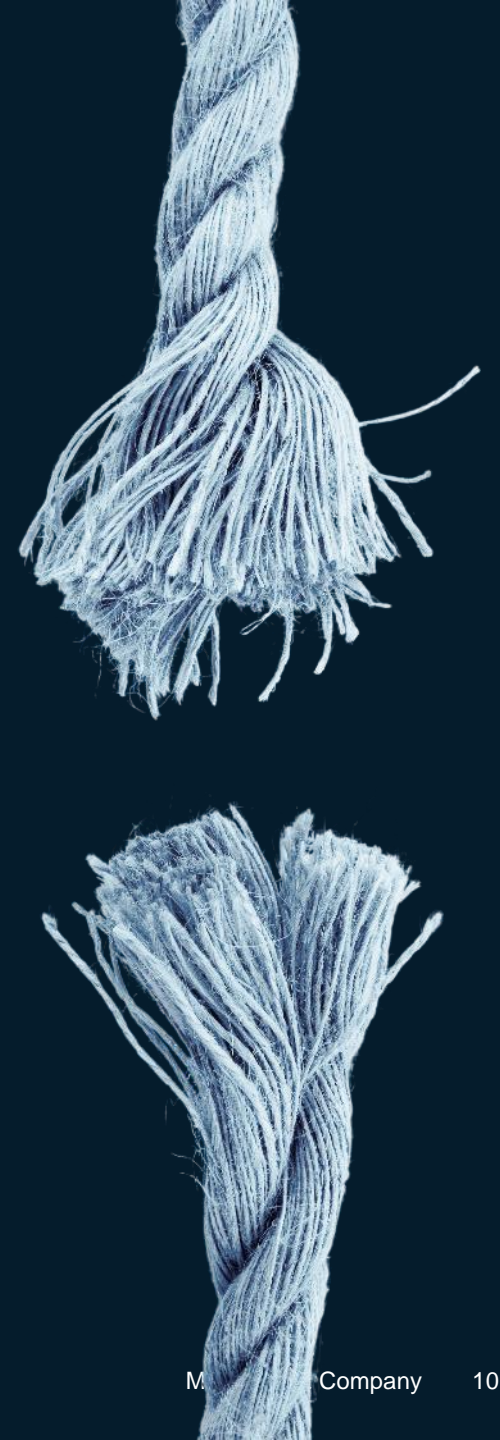
Reduction in operating costs; they also moved 12–24 months earlier

1.5x

Divestiture in the downturn

~5% pts.

Deleveraged before trough



Leading toward a COVID-Exit

2021 is an investment and transformation year to get on track for outperformance over the next decade

- Add a positive outlook to the range of scenarios for your 2021 planning
- Anchor the year 2022 plans on your 2019 trajectory rather than 2020-2021
- Launch the initiatives today required to put you on track for the COVID-Exit



Contents

01

How COVID has evolved

02

Return: Building the muscle to succeed in the next normal

03

Reinventing the office

Several companies articulate current and planned shifts in ways of working – based on existing trends and accelerated by COVID-19



“ ”

“It may be that going forward you don’t need to have 100% of the people in the office, 100% of the time”

– Jose Vinals, Group Chairman, Standard Chartered



“ ”

“Before Corona and home office, colleagues often lacked why agile work could actually help them”

– Martin Kompa, Lead Agile Coach, Dr. Oetker



“ ”

“If [...] our bank can still be there for our clients in an excellent way - do we still need so much office space in expensive cities?”

– Christian Sewing, CEO, Deutsche Bank



“ ”

“In the long term, 40% of our people will continue to work from home!”

– Christof Mascher, COO, Allianz



“ ”

“We will move from an input-oriented control of 'attendance hours in the office' to an output-oriented control based on performance and end products”

– Joe Kaeser, CEO Siemens



“ ”

“We will adjust the space requirements on campus next year.”

– Vas Narasimhan, CEO, Novartis

There are currently shifts in the ways we work but we need to be cautious on how we consider them for the office of the future

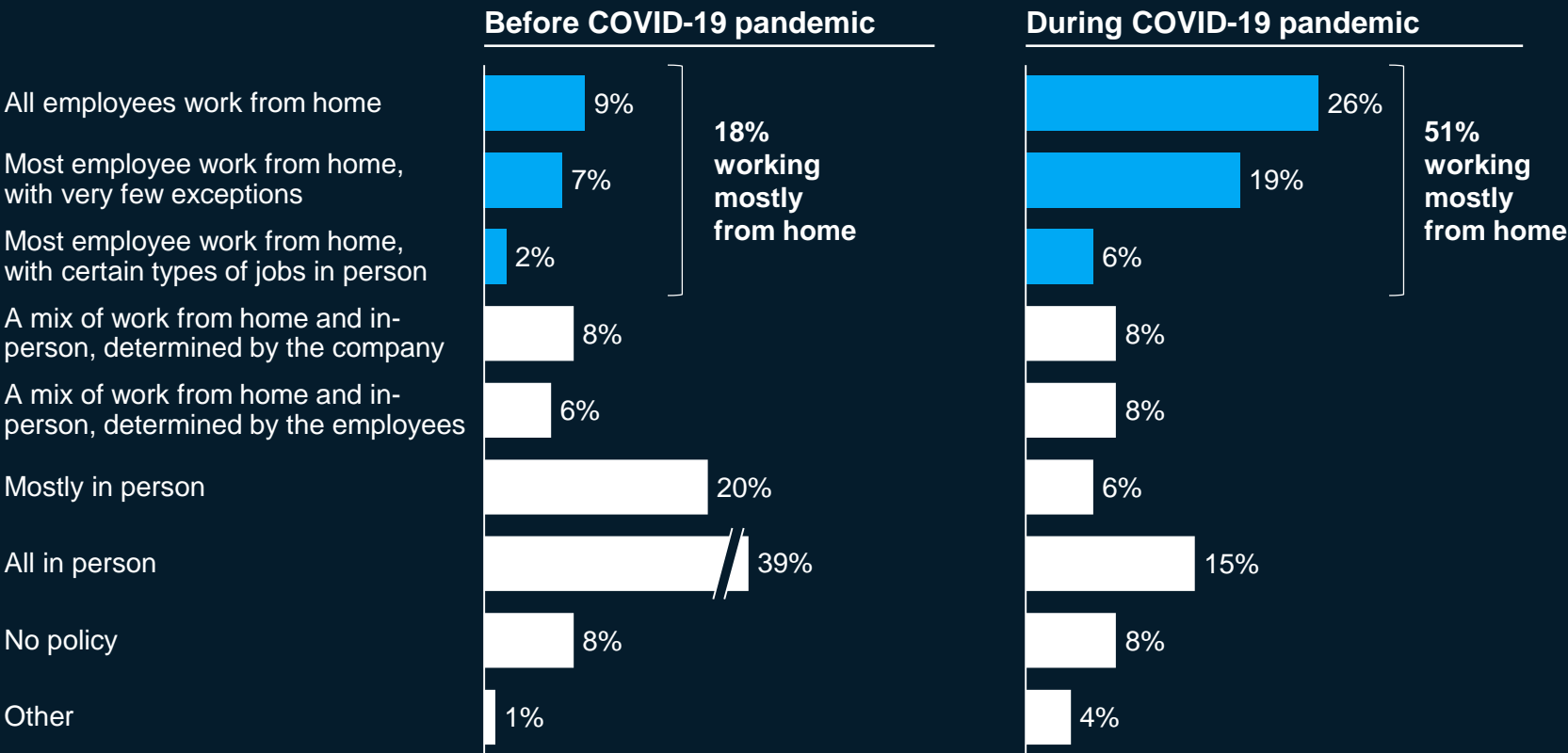
Illustrative

1 From working mainly in the officeto working 40-50% from home
2 From working at the own desk, needing 1 working space per employee....	...to working in shared office spaces, needing only 0.5 office spaces per employee
3 From holding physical meetings....	...to meeting virtually
4 From having 8 fixed core working hours....	...to working flexible with only certain in-person meetings (e.g. 3 times a week 2 hrs.)
5 From leading employees in person	...to distant/virtual leadership
6 From managing by oversight....	...to leading based on trust and motivation
7 From seeing the office as a place to work....	...to re-imagining as a place for mainly for collaboration, communication and socializing
8 From perceiving work as a necessity to fulfil existential needs...	...to perceiving work as meaning- and purposeful that provides a sense of belonging

While the picture is evolving, strong evidence suggests that the role of virtual work will continue as the COVID-19 crisis abates

Question: Which of the following best describes your company's typical work from home policy BEFORE or DURING the COVID-19 COVID-19 pandemic?

Working environment



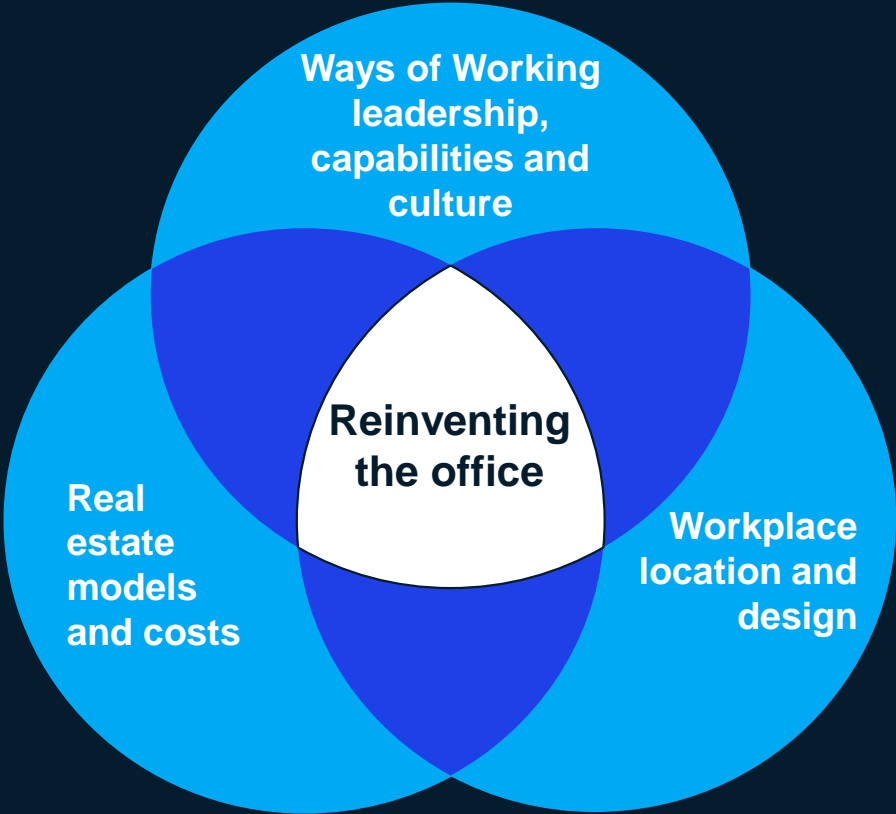
Productivity

Relative to your typical productivity when working in-person, how productive are you when working from home? (n=338)

41% Of our surveyed population indicate that they are equally as productive when working from home

28% Of our surveyed population indicate that they are even more productive when working from home






These shifts, in ways of working, the workplace, and real estate, require us to reinvent the office



	Pre-existing trends...	...have been dramatically accelerated
Ways of Working	As work has digitized, the need to be physically present has been challenged	Remote working has proven effective, but brings challenges sustain new ways of working and collaboration
Workplace	New amenities, flexible spaces, and digital interactions have how we interact in the workplace itself	There is now an urgent imperative to design offices to protect the health and safety
Real estate	New models such as co-working flexible leases, property technology, and integrated facilities management	Cost pressures and other factors require a fundamental rethinking of how to manage real estate

New changes in the office can even generate substantial value for organizations

Example Impact

	Increasing flexibility	Equipping organizations to react more flexibly and efficiently to events that are beyond their influence by decoupling location and business outcomes
	Improving talent access	Increasing the size of the addressable talent pool as (especially high potential) individuals are less willing to move for work
	Increasing operational efficiency	Improving employee efficiency Improving efficiency through required redesign of work (e.g., automation, new tools, improved process times, reduced paper flow and # reports)
	Improving cost position	Reducing demand for expensive real estate space and business travel
	Driving employee satisfaction	Offering employees flexibility to reduce attrition and unscheduled absences

1. McKinsey Operations Practice
2. Global Workplace Analytics
3. CNN.com:
4. Stanford Graduate School of Business
5. American Management Association

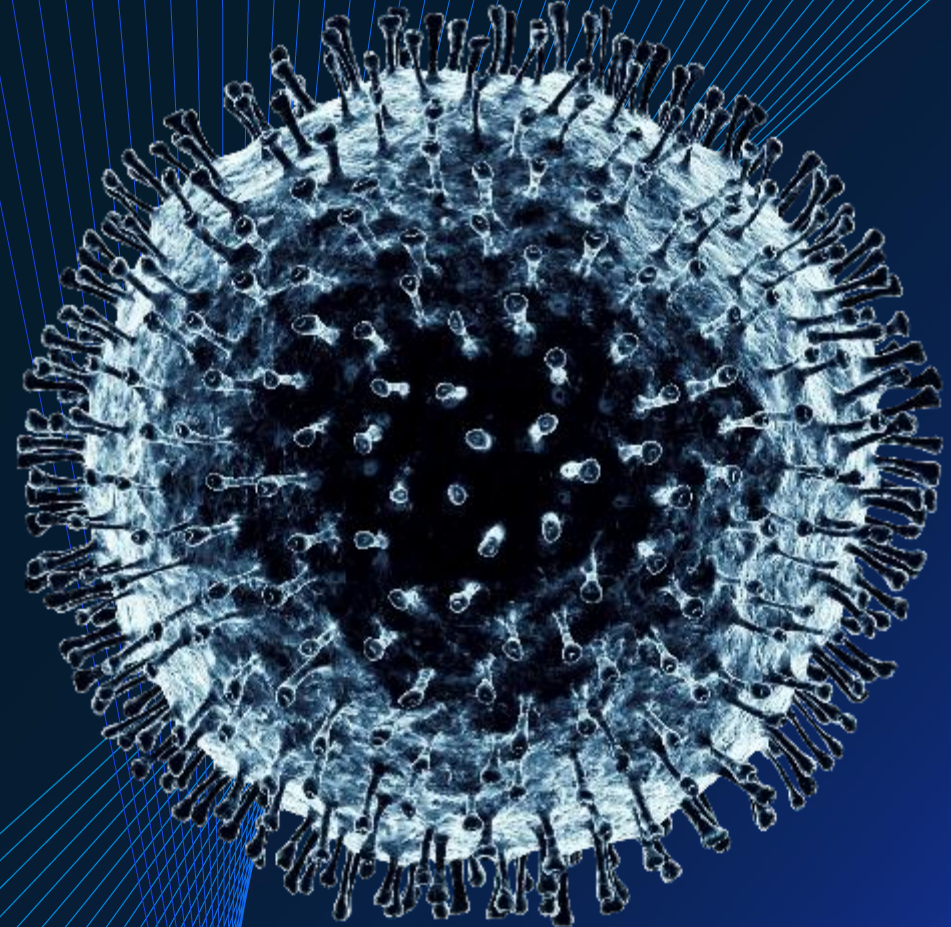
70%	of employees report that the ability to telecommute plays a role in the choice for their next job ²
13%	performance improvement of remote workers was shown in a Stanford study on the Chinese travel agency Ctrip ³
12mn	a year in real estate costs is saved by Dell through telecommuting ⁴
63%	average reduction of unscheduled absences for organizations that implemented a telework program ⁵

Q&A

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Thank you



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