

RGM NEWSLETTER

RITA GUNTHER | MCGRATH

Thoughts in the Midst of an Inflection Point

March 2020



Dear colleagues,

Well, as this is the month of International Women's Day, I was planning to create a newsletter on some of the major inflection points with respect to women in the world. It's written, but just at the moment that doesn't seem to be uppermost in anyone's mind. So I am going to use this space this month to talk a little bit about what I'm hearing from people I trust with respect to where we are just now, and perhaps to speculate a bit with where we might be headed post-coronavirus.

Take. It. Seriously. Seriously.

It's become alarmingly clear that many people don't believe that the current coronavirus situation is anything to worry about. We see packed bars in Nashville, police using strong tactics to break up crowds on Bourbon Street, and people who

perhaps ought to know better going through with optional travel plans. Here's the thing—in classic inflection point fashion, everything looks just fine...until it doesn't.

Based on the spread of the virus so far, projections are that there would be about a hundred million cases in the U.S. by May. The only way any country has avoided completely overwhelming its medical systems is by stringent social distancing. We hopefully still have time to prevent the worst—represented by towns in Italy where ill people face death alone and officials don't know where to put the bodies.

Please be a leader in whatever way you can—supporting people whose routines are thrown out of whack, explaining how important this is, and providing an example.

Keeping Connected and Finding Support

With the disappearance of so many things in our lives, it's important to acknowledge how awful this is going to be for a great many people. Graduations disrupted, college visits postponed, visits to vulnerable relatives banned, weddings pushed back, jobs lost ...it's endless. This is not a quick halt, either, I suspect. Indeed, if we are successful at "flattening the curve" (to avoid medical system collapse), by definition we're going to be dealing with the virus for a longer time.

For me, one really positive development, since the "WFH" instructions have started to come in, is that people are finding clever ways to connect and support one another, albeit at a socially safe distance. I'm part of several groups that are regularly connecting online for status updates, to share information, and—in what has to be the best innovation ever in this space—virtual cocktail parties.

I've also loved the spontaneous emergence of affirmation and connection between people. The exercise instructor leading a class from his rooftop in Spain. The cheering in the streets to support medical professionals in locked-down Madrid. Similar applause in cities all over Italy, not to mention singing and "balcony parties."

Financial Insecurity Compounds Health Risks

On a more serious note, it is now clear to all of us that the choices we have made in the United States as to societal resource allocation are not working for the vast majority of people. Companies that employ hundreds of thousands of people refuse to offer paid sick leave, meaning that workers have a choice: go to work sick or lose what is often a desperately needed paycheck.

A second risk to public health is people's terror of crippling medical bills. Americans went into debt to the tune of \$88 billion in 2018, and an independent survey found that one in four skipped care because of cost. If you want to contain a pandemic, you need to socially isolate people to prevent it spreading, get people who are potentially exposed to be tested, and if they test positive you need them to get treated. If we let cost deter people from this sequence, we are abetting the spread.

More broadly, the blow to vast numbers of people who live paycheck to paycheck of all the cancelled events and postponed economic activity is revealing just how poorly the American economy is working for most Americans. Even in the midst of our long economic boom, 17 percent of Americans reported that they couldn't pay all their bills. And while the United States has created a lot of jobs, most of those don't offer decent pay and adequate, predictable hours. Indeed, an economy that once employed 23 percent of its people in manufacturing jobs today has only 8 percent so employed; the remainder were replaced with lower-wage/lower-hours service jobs. And where did those jobs go? To less expensive locations.

Back to inflection points. It wasn't as though we weren't warned. In 2010, Andy Grove published a severe rebuke of the notion that innovation could thrive with scaling and manufacturing happening elsewhere. He also presaged the newly discovered notion that companies should be run for people other than their shareholders. As he said then, "all of us in business have a responsibility to maintain the industrial base on which we depend and the society whose adaptability—and stability—we may have taken for granted."

A Change in the Social Compact?

Infectious diseases have often catalyzed social change. Water systems, sewer systems, and public health authorities all emerged from previous epidemics. Social change can also come from economic change, such as the creation of the first instance of mass inequality in what came to be called the Gilded Age. With vast income inequality, corrupt city governments, and often-brutal treatment of workers, the excesses of the first gilded ignited protests. It gave way to what is often called the "progressive" era, in which workers' rights, the rule of law, the breakup of monopolies, women's suffrage, and many other social protections which people living in western democracies have come to take for granted were implemented.

With respect to income inequality and the rotten jobs problem, a variety of specific policy recommendations appear to be gaining traction. One, championed by Bill Lazonick, is to rescind an obscure 1982 SEC decision that essentially allows

unlimited open-market stock buybacks, a decision that he argues has created “profits without prosperity” and fundamentally distorted the decision-making of leaders at firms such as Boeing to disastrous effect.

Nick Hanauer, a wealthy entrepreneur and unapologetic capitalist has been vocal in advocating for sharing the spoils of the capitalist system. Citing Henry Ford as an inspiration, he notes that “These idiotic trickle-down policies are destroying my customer base!” Paying living wages is a key policy that Hanauer believes governments should require so that all employers are on a level playing field with respect to labor costs, in addition to collecting a greater share of taxes from the wealthy to fund essential government services. Peter Georgescu, a refugee and former CEO of Young & Rubicam, has been sounding the alarm at what he calls the “slow suicide” of capitalism and has likewise called for higher wages for workers.

[Read more](#)

Reading List

A curated roundup of interesting articles and books to get you thinking:

- **How Two Founders With No Health Care Experience Built a \$2 Billion Oncology Startup.** By the time Nat Turner and Zach Weinberg sold their company, Invite Media, to Google for a reported \$81 million in 2010, they were all of 24. Eight years later, at 32, they sold their next company, Flatiron Health, to Roche for nearly \$2 billion. Successful serial entrepreneurs like Turner and Weinberg know how to see around corners. ([Marker](#))
 - **Reimagining Capitalism in a World on Fire.** This timely new book from Harvard professor Rebecca Henderson illustrates how capitalism can be transformed into a positive force to take on some of the biggest problems facing us today, including "massive environmental degradation, economic inequality, and institutional collapse." ([PublicAffairs](#))
 - **Don't Feel Sorry for the Airlines.** Author Tim Wu argues: "As the government considers what we, the public, should do for the airlines, we should ask, Just what have they done for us?" ([The New York Times](#))
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Upcoming Events

While many of these are currently scheduled to be in-person events, they may shift to a virtual format. Please let me know if you would like more information.

April 1: [Innovations In Talent & Mobility Forum](#) (New York)

Held at HSBC Headquarters Manhattan, groundbreaking speakers will share spotlight talks on the best innovations in talent, mobility, and overall operations in the categories of emerging companies and enterprise level organizations.

April 27: [Friday Fireside Chat With Alexander Osterwalder](#) (Virtual)

Join me for a fireside chat with Alexander Osterwalder, creator of the business model canvas, entrepreneur, speaker, and so much more! I'm going to be asking him to discuss his brand-new forthcoming book, The Invincible Company, which is being published in April, and we'll be sure to leave lots of time for your questions. If there is something you want me to ask, send me a note at rdm20@columbia.edu.

May 4-8: [Leading Strategic Growth and Change](#) (Columbia Business School)

Have you ever worried about how to drive new growth or how to make a change initiative successful? In this five-day program, participants will learn how to thrive in rapidly changing and highly uncertain environments, gain insight into a current pressing change initiative within their own organization, and immediately begin to apply the learning to make rapid progress on the issue.

May 28: [Institute of Corporate Directors Conference](#) (Halifax, Canada)

Canada's premier informational and networking event for Corporate Board Directors will explore how the traditional definition of the Board's role and fiduciary duty are evolving and highly contested, boardroom decisions have increased implications for the economy, environment and society.

Interested in having Rita speak at your organization or event?

Learn more

In the Press

- Why Leaders Still Need To Heed Clayton Christensen's Theory Of Disruptive Innovation ([Forbes](#))
- Ten Reasons Why Risk Management Increases Risk ([Forbes](#))
- 2020: Growing Smart Business in a Low-Growth Era ([Think: Act Magazine](#))
- Book Interview: Seeing Around Corners ([BCG Henderson Institute](#))
- How to Spot Inflection Points In Business Before They Happen with Rita McGrath and Alex Osterwalder ([Strategyzer](#))

Where there is uncertainty, there is also opportunity.



Here's to your next advantage! - Rita

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