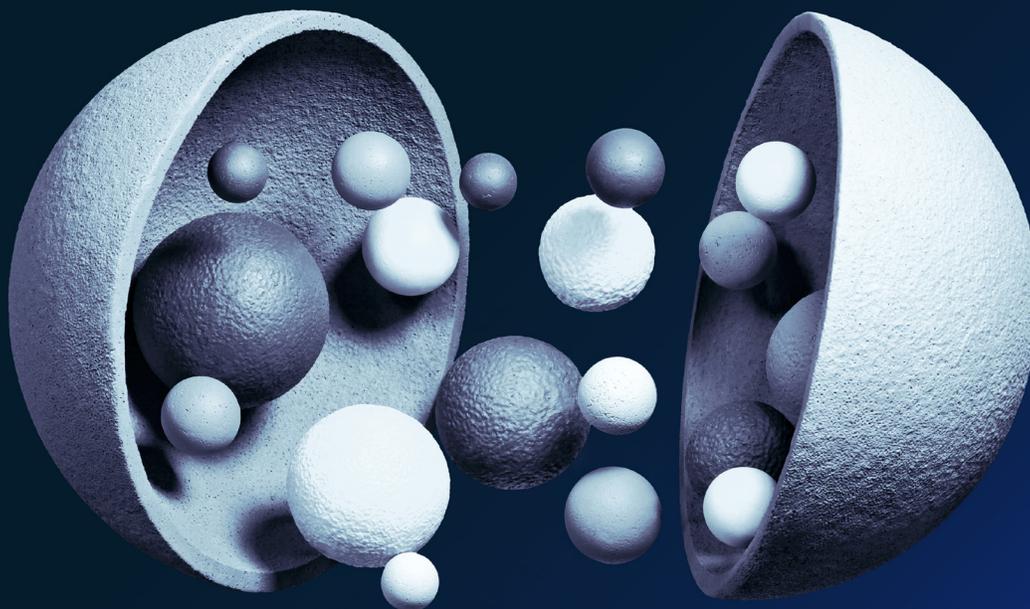


Risk Practice

COVID-19 and the great reset: Briefing note #20, August 27, 2020

Amid one of the greatest bull markets ever for technology, semiconductor fabs must find ways to keep up. And all advanced-industry companies should organize for speed to sustain their current pace.



This week, McKinsey healthcare researchers documented the shortage of medical oxygen in developing countries, a long-standing problem made worse by COVID-19. New ideas can help these regions meet short-term needs and set the foundation for a better long-term future.

Our industry research focused on semiconductors and the industries that make and use advanced electronics. Chips control everything from toys and smartphones to laptops and thermostats. In the pandemic, demand has soared for many of these products—even as supply chains have faltered and geopolitical tensions have risen. But will the boom last? Such questions have semiconductor companies thinking about their manufacturing plants. In a winner-take-all industry, even a slight edge in manufacturing can help a company capture an outsize portion of revenues (exhibit). Our new report outlines the essential ingredients of tomorrow’s successful fab.

Chipmakers and other advanced manufacturers have been running hot for six months now, with some notable notches in their belts. One factory recently ran at more than 90 percent capacity with only about 40 percent of the typical workforce. But few leaders think the pace is sustainable. Our new report lays out what it will mean for companies to switch from running on adrenaline to making organizational speed a permanent part of their cultures.

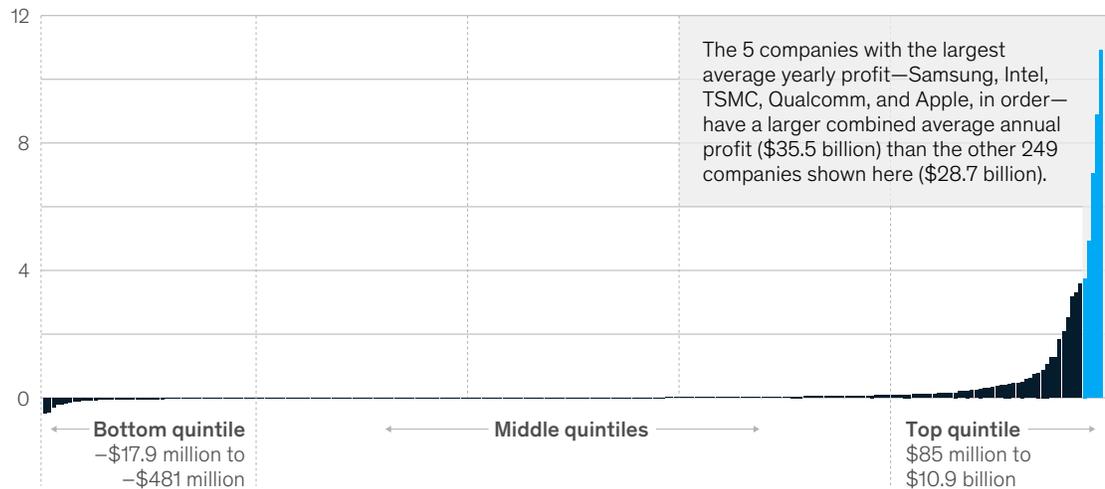
The pace is unlikely to slacken soon. As our new global survey suggests, the appetite for automation has not dimmed. Instead, the factors for success are shifting. More and more, successful organizations are finding ways for people to work in concert with new technologies.

In fact, automation is among the key themes that can lift India to prosperity. That’s the conclusion of a new report from McKinsey Global Institute published this week. The pandemic has sounded

Exhibit

The semiconductor industry is ‘winner takes all,’ with a limited set of top performers.

Average yearly profit of semiconductor companies,¹ 2015–19, \$ billion



¹Total sample of ~380 companies (with data available for 254 companies from 2015–19). Source: S&P; Corporate Performance Analytics by McKinsey

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a clarion call for India to accelerate growth. Our analysis suggests that a program of targeted reforms, including greater productivity in several sectors, can help the country produce the 90 million nonfarm jobs it needs to create by 2030.

This week, McKinsey researchers also examined cash management at privately owned companies and reviewed lessons from the past for US governors and mayors planning a second term.

We are in the thick of August, the time of year when many people take a break, or at least slow down—even in a pandemic. With that in mind, McKinsey broadened its annual summer reading list and asked 60 diverse leaders to share books that have inspired them, that have provided a much-needed respite, or that they look forward to reading. We hope you

draw some inspiration from this list and find ways to restore yourself during these unusual times.

Speaking of reading, our special collection “The next normal: The recovery will be digital” has a 172-page curated volume that you can download—the first of five edited collections produced to accompany Our New Future, a multimedia series we created with CNBC.

You can also see the full collection of our coronavirus-related content, visual insights from our “chart of the day,” a curated collection of our first 100 coronavirus articles, our suite of tools to help leaders respond to the pandemic, and a look at how our editors choose images that help readers visualize the impact of an invisible threat.