

The Next Normal | Video transcript

The technology industry in 2020 and beyond

McKinsey senior partners Brendan Gaffey and Lareina Yee share their perspectives on how the COVID-19 crisis has changed the technology sector—and how tech companies can thrive in the next normal.



Technology as a differentiator

Lareina Yee: In the last century, we often thought about technology as enablement, as the back office, as something that we use to support our businesses. In this century—and certainly, post COVID-19—technology's going to be very much in the front. It will be the competitive differentiator for how all businesses and ecosystems work.

Brendan Gaffey: Technology itself disrupts industries. Things that would've been difficult or that would've taken ten or 15 years to break down the barriers because of how industry dynamics were set up over 50 to 70 years—those have been changed and wiped out. So as tech players think about the future, it's not just, "How do I recover my business and grow fast coming out of the COVID-19 crisis?" I think it's as much about how to take advantage of the relative strength and the changes in the marketplaces that tech has historically looked at but struggled to really make significant inroads in. I think now is the time.



Lareina Yee: When we look at the tech sector, we look at everything, from the services to the application to the backbone—some of the things "in the water closet" that you don't see. And one of the things I'm incredibly optimistic about is that, when put to the test, all of these things individually and collectively worked. If all of that works, what more can we do? What are additional ways in which technology can help the way we work, the way we learn, the way we care?

Technology as an accelerator

Lareina Yee: The question is, can you do it faster? So I'll just take a very simple example. The trend around hyperscale and cloud has been here for a while. But now I think there's an

opportunity for tech providers to work with companies to say, “How do we get there? Instead of a decade, how do we manage that transition in 24 or 36 months?”

Brendan Gaffey: One of the things that has always inspired me about the technology sector is it’s nimble and it’s fast. I think this is not just an opportunity for tech to recover faster than other industries. This is an expansion opportunity for tech in terms of growth and bringing its ability to disrupt and drive efficiencies to sectors that have yet to really feel that disruption.

Lareina Yee: Certainly the ethics and the thinking on how technology does good in and of itself, but also how we think about things like data privacy and protection of information—all of that is coming to a head. So what’s wonderful is it gives us a chance to think about that collectively with the industries and consumers together.

Priorities for tech leaders: M&A, design, and talent

Brendan Gaffey: If M&A’s far down on your agenda, that’s probably a miss. On a relative basis, many tech companies are actually above pre-COVID-19 valuations. That gives a currency to think differently about acquisitions, offensively and defensively.

Lareina Yee: One trend that was here before COVID-19, which I think will increase, is to be incredibly user-centric if you are doing something that relates to the user experience. How do you think about a design-led piece? It’s not just delivering technology. It’s delivering an experience. It’s not just, “Can you and I talk digitally?” It’s, “From the moment that I turn on my laptop, or my iPad, or whatever device I’m using to connect with you—is it high fidelity? Does it meet the way in which I live and work?” And so I think design—and how technology is designed to delight—will be an even more prominent theme.

Brendan Gaffey: The tech industry has been driven by talent. Within the remote-work environment, I think we have an opportunity to think more broadly about where talent comes from. How can you find new talent pools without forcing relocation? The other thing we’ve seen is new leaders emerge. Experience has been less important. What’s been important is that the person can understand and digest new information quickly, lead colleagues, and make decisions. And I think it’s incumbent on leaders within tech to figure out who those new leaders are. Use this natural experiment we’ve all gone through on remote working to identify the leaders who have emerged as a new talent source for tech companies.

Brendan Gaffey, a senior partner in McKinsey’s Dallas office, is a coleader of Fuel, a McKinsey company that helps start-ups and investors accelerate growth; **Lareina Yee**, a senior partner in the San Francisco office, is the global leader of the firm’s work in technology hardware and services.

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