Coronavirus as a Mass Inflection Point

By Mike Van Wyk
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Editor’s note: This is the first of two articles about how the coronavirus has shifted expectations and behaviors of financial professionals. This first article compares the current pandemic with historical mass inflection points and discusses the behavior changes that financial professionals are navigating now. The second article will present case studies and specific how-to guides for navigating disruption.

Maybe I was a little slow. I didn’t realize that the coronavirus was going to be a disruption until the evening of Sunday, March 8, 2020. I was flying back to Los Angeles from Philadelphia and had patched into a company-wide conference call. On the call, I learned that the office would be closed indefinitely until the coronavirus was more under control. The good news was that I wouldn’t need to drag myself out of bed on Monday to brave a brutal LA commute. The bad news was that the pandemic had asserted its first of many disruptions on my life. Change had arrived and it was setting up for a long stay.

The United States collectively entered the coronavirus disruption in the first half of 2020. It has been exceptional in many ways, yet this time period shares distinct features with almost a dozen mass inflection points that have occurred in the past 100 years of U.S. history. Each of these inflections created abrupt, forceful, and indelible change across our country. They are milestones in history that forced shifts in behaviors, attitudes, systems, and needs. Gradually developing shifts that had been gently rippling along societal currents became rapid waves of change during the inflection point. Signals about permanent change became apparent during the inflection point but often were obscured by other short-term adaptations that people were making.

Capital Group has been studying how the coronavirus disruption has created change for financial professionals and investors since that March 2020 conference call. We partnered with a team of strategic designers from IA Collaborative to research similar points in history and have talked to dozens of financial professionals and investors about their experiences. And we will continue to chronicle how the changes we’re observing are settling into habits in 2021 so we can help financial professionals succeed in the new post-coronavirus normal.

MASS INFLECTION POINTS

Among the historical inflection points that we studied were a pandemic (the 1918 flu pandemic, which spurred a rise in public health awareness), a global war (World War II or WWII, which sped the integration of women into the workforce), a political scandal (Watergate, which bred government skepticism and new political narratives), and a financial crisis (the Great Recession, which paved the way for the Dodd-Frank Wall Street Reform and Consumer Protection Act and additional financial regulation).

Each of these historic inflection points followed the pattern shown in figure 1.

To illustrate how an inflection plays out, let’s trace the path of change for women in the workforce during and after WWII, specifically examining how needs, attitudes, behaviors, and systems changed.

HOW MASS INFLECTION POINTS ACCELERATE CHANGE

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SHIFTS IN NEEDS, ATTITUDES, BEHAVIORS, AND SYSTEMS
Women in the workforce during and after World War II

NEEDS
Manufacturing was critical to the war effort, but the draft created labor shortages. The government needed women to be open to new roles.

ATTITUDES
Society began reconsidering whether women should work and what roles were appropriate. But as women entered new roles, men felt their jobs were being encroached upon.

BEHAVIORS
When the war ended, societal pressure to employ returning soldiers and restore pre-war gender dynamics pushed many women back into traditionally female work. However, new perceptions of women’s competence and autonomy couldn’t be ignored, resulting in a new equilibrium of greater female workforce participation and equality. Although gender stereotyping remained a major friction against gender equality at work, U.S. women continued to gain economic power in the post-war era. The timeline for this change had accelerated, and despite fits and starts, it wouldn’t be reversed.

SYSTEMS
Bans on married women entering the workforce lifted or relaxed. Government propaganda like Rosie the Riveter framed women working in manufacturing as patriotic.

(see figure 2). Leading up to WWII, women already were joining the workforce in increasing numbers. However, cultural and systemic frictions, such as bans on married women working outside the home, acted against these drivers. These bans slowed progress and kept married, middle-class women out of the workforce. Pre-existing societal currents were moving more women into the workforce, but the pace was slow and unpredictable.

Then, after Pearl Harbor, the United States joined the war in late 1941. Joining WWII increased U.S. production needs and created a labor shortage, driving compression into the existing societal currents. Corporations and government programs needed to bring women into traditionally male workforces.

PRE-EXISTING SOCIETAL TRENDS THE CORONAVIRUS ACCELERATED

When the war ended, societal pressure to employ returning soldiers and restore pre-war gender dynamics pushed many women back into traditionally female work. However, new perceptions of women’s competence and autonomy couldn’t be ignored, resulting in a new equilibrium of greater female workforce participation and equality. Although gender stereotyping remained a major friction against gender equality at work, U.S. women continued to gain economic power in the post-war era. The timeline for this change had accelerated, and despite fits and starts, it wouldn’t be reversed.

CORONAVIRUS AS A MASS INFLECTION POINT
Now let’s look at the change framework from figures 1 and 2 as it relates to the coronavirus pandemic.

PRE-EXISTING SOCIETAL TRENDS
Leading into the coronavirus disruption, five societal trends already were acting as slow-moving currents for change (see figure 3). These trends cut across most industries, including financial services. Their long-term impacts weren’t predictable, but it was clear that they were preparing the ground for change. As 2020 proceeded, each of these five trends, described below, accelerated into a change driver, with some of them contributing to social, economic, and political disruption.

Digital fluency and flexibility:
Customer expectations that service providers conform effortlessly to their communication preferences and needs, which already were being raised, were accelerated further. The day of phone-only access between 9 a.m. and 5 p.m. already had been long gone. Now clients increasingly expected digital access and synchronized communications across all modes of interaction.

Authenticity within digital relationships:
Digital no longer could be perceived as an impersonal method of interaction; rather, it was enriching and defining ongoing, authentic relationships. Conventional communication stereotypes were starting to get upended. For example, you texted those closest to you and talked live with your boss and clients. Built into this shift was an expectation of efficient and varied digital platforms such as a website, app, and social media presence, and an understanding of the emerging social and business norms across platforms.

Low-contact commerce:
The value proposition of low-contact and asynchronous commerce was beginning to extend beyond convenience into fundamental safety and well-being. This was accelerated by the coronavirus, leading to a newfound appreciation for existing solutions such as telemedicine (its use increased 154 percent by the end of March 2020) and app-triggered food delivery (for which revenues doubled from April through September 2020).

Resiliency over efficiency:
Individuals and corporations were adopting...
behavior that enabled better resiliency for challenging times, often trading off efficiency in the bargain. Individuals prioritized personal resiliency through choices such as increasing emergency funds (the number one financial goal in 2019 for the average American), reducing overall debt loads, and building social support networks (e.g., for child-care and emotional health). Corporate flexibility and agility—e.g., in building localized supply chains rather than global hubs—took on similar importance as foundational elements of corporate resiliency and long-term sustainability.

Social and economic inequities: The pandemic shined a spotlight on and exacerbated long-standing social and economic inequities, heightening tensions and highlighting racial disparities in health outcomes. Before 2020, social movements such as Black Lives Matter were well-known but received less than majority support. During the coronavirus disruption, the Black Lives Matter movement surged and reached broader social acceptance, amplifying the voices of those fighting for racial justice. This trend forced a dialogue on systemic issues and further entrenched political polarization in the United States.

RESULTING SHIFTS IN NEEDS, ATTITUDES, BEHAVIORS, SYSTEMS
Throughout 2020, the coronavirus pandemic drove changes in needs, attitudes, behaviors, and systems by a magnitude that matched other historical mass inflection points we studied (see figure 4).

Needs
The huge shift in needs was rooted in the challenge of following local guidance for social distancing and reducing the personal risk of infection. Because the highest exposure risk came from social situations, and government regulations were placing varying levels of restriction on gatherings, people needed to find new ways to maintain authentic human connection with coworkers, clients, friends, and geographically distant family members. Political, economic, and cultural polarization added to the stress and unpredictability of 2020 and elevated the need to improve resiliency—emotionally, physically, and financially.

Financial professionals found themselves working hard to maintain and grow the strong relationships that they had created with existing clients and also learning how to prospect and onboard new clients completely through digital interactions.

One financial professional with 28 years of experience and $350 million in assets under management (AUM) said this when we met in May:

“I’ve never done video for reviews. It’s just been over the phone. That’s just how I’ve done it. … [Since coronavirus] my business has somewhat remained the same except I have not been prospecting at all … I would think going forward that I’ll probably need to do more Zoom-type calls when I’m meeting new people.”

Attitudes
Attitudes that arose during the coronavirus mass inflection point included increased empathy, flexibility, and anger. Empathy was expressed in the outpouring of support for essential workers who performed crucial services with calm courage in the face of tremendous uncertainty. Another example of empathy was seen in the thousands of people who supported small businesses with pre-purchases, delivery requests, and personal donations. Flexibility showed up in the way workers adapted to working from home and businesses adjusted to market realities by creating expanded e-commerce and delivery options.

Finally, anger was all too visible in the range of protests and counterprotests that raged across the United States.

Financial professionals told us they were modeling the attitudes of empathy and flexibility. A financial professional with 33 years of experience and $300 million in AUM described his attitude this way:

“We realize that some of our staff may have hesitancy about coming in, so we’re gonna have to accept, in the near term, not as much on-site administrative help. … You know, the new world we’re in, even after coronavirus there will definitely be a day a week, at least, where one of them is working from home.”

Another financial professional with 18 years of experience and $300 million in AUM echoed the thoughts of several others we spoke with about the coronavirus having some silver lining. This financial professional recounted how he was rewarded when he took a chance with more personal communication:

“About a month ago, we ended up sending out an email to all my clients … just letting them know that my daughter was born, and we shared a couple of pictures of her and me and my wife. I’d say almost 70 percent of our clients responded to that email. … We know everything about them; it’s nice for them to know a little bit about us.”

Behaviors
Americans rode a roller coaster of behaviors during 2020. By late March, 80 percent of U.S. households reported stocking up on household items—e.g.,

![Figure 4: SHIFTS IN NEEDS, ATTITUDES, BEHAVIORS, AND SYSTEMS DURING THE CORONAVIRUS](image-url)
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Regulations were adjusted to enable telemedicine, and business models shifted on a dime to focus on e-commerce and home delivery. The Federal Reserve acted quickly to cut rates, restarted quantitative easing, and negotiated lower rates on currency swaps with other foreign central banks. And large stimulus packages moved through the legislative processes in both 2020 and 2021 to help Americans affected by the coronavirus.

Three Challenges for the New Equilibrium

Financial professionals tell us that they are facing three new practice management challenges as they move into the post-coronavirus period (see figure 5).

The first challenge is communicating effectively—and particularly communicating authentically—across all touchpoints with clients and prospects. Coronavirus has accelerated the move toward remote interactions and has fragmented the interactions across touchpoints. Financial professionals often are justifiably proud of how well they communicate with their clients, and authenticity has been at the core of their success. Successful financial professionals know their authentic point of difference, communicate it clearly, and reinforce it regularly. But it isn’t easy to maintain this authentic style of communication when personal interactions are now often held via video or texted in short bursts in addition to the traditional phone, in-person, and email communications. And it is even more challenging to maintain this authentic style when clients are interacting via a firm’s client portal. This might be why financial professionals experiencing the fastest growth are 76-percent more likely to have invested in improving their client portals in 2020.

A second practice management challenge is future-proofing the office. Clients have gained more experience with 100-percent remote interactions. This calls into question how much physical office space is needed and what technological capabilities will be needed. Zoom calls from a conference room were fine for 2020 when the standard was simply low-contact commerce. But this approach was a Band-Aid; it isn’t a digitally fluent way to interact and share information with clients. New digital collaboration solutions for both internal and client meetings are coming fast and will set a new standard. Almost 40 percent of financial professionals expect digital communications to be a top source of disruption for the industry.

The third and final practice management challenge is finding new efficiencies that create lasting resilience. Our recently completed Pathways to Growth study revealed significant benefits for financial professionals that did the following:

Standardized practices related to client service. These clear processes help foster a higher-functioning team and a better client experience. For example, standard operating procedures for onboarding clients were common among higher-growth practices, with more than 62 percent using them. Additionally, a greater proportion of the fastest-growing financial professionals indicate an expertise in client service agreements, suggesting that information-gathering during client onboarding is crucial.

Spent more time optimizing team performance. A productive, efficient team sits at the center of many of the high-value activities uncovered in our study. Higher-growth financial professionals spend 81 percent more time on team management and 21-percent less time on client book management.

Spent less time monitoring the market and built scale and efficiency through investment models. Highest-growth financial professionals follow the advice often given to clients: Focus on what you can control. That means 10-percent less time spent following the market and 13-percent more time on investment activities such as due diligence on funds and models, which our study showed

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had higher value. Although most practices spend comparable time on asset allocation, fewer in the high-growth segment spend time rebalancing client portfolios. The 13-percent higher use of models among high-growth financial professionals may explain why.

About a year ago, I was caught off guard by the coronavirus. Since that time, I’ve heard story after story from financial professionals and investors about how they navigated through the disruption. I’m convinced that new behaviors have emerged that will become key factors of success for the future and that the opportunities for financial professionals are significant.

**WHAT’S NEXT**

The next step is for our researchers to create case studies that provide specific, real-world examples of how these situations have been navigated successfully by practices. Our goal is to build on the information in this article about mass inflection points and help you recognize the opportunities that emerge from disruptions.

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