ABOVE the FRAY

ADRIAN GORE, founder and CEO of Discovery Group, talks to Brunswick's **MARINA BIDOLI** and **GEORGIE ARMSTRONG** about working for the greater good and the power of positivity.

It's been 21 years since health insurer Discovery was first listed on the Johannesburg Stock Exchange. In that time, it has grown to become the country's largest administrator of private medical plans and a leading financial services player, while also helping change health- and insurance-industry paradigms around the world. The company moved aggressively in its early years, battling entrenched models across a number of industries. And now it's leading the way for sea change in the way the world views healthcare in general.

But rather than being able to celebrate, founder and CEO Adrian Gore finds himself in the middle of yet another storm as coronavirus threatens lives and undoes societal norms.

Known for remaining positive in the face of the most difficult challenges, Mr. Gore is regarded as one of South Africa's most innovative entrepreneurs. He started Discovery from scratch and turned it into a multibillion-dollar company. The business created the Vitality behavioral incentive model, which pioneered the use of rewards to encourage members to live healthier, thus also driving down medical costs.

Lauded by business strategists as the epitome of shared value, Vitality has been adopted by global insurance giants like John Hancock, AIA, Manulife, Generali, Sumitomo and Ping An.

Even before COVID-19, Discovery had faced challenges. Among the most pressing: In 2019, the South African government announced plans to introduce a universal healthcare insurance system. Short-sellers believed that announcement—light as it was on detail—threatened parts of Discovery's business model. Countering that narrative called for a number of steps, including explaining to investors the value of Discovery's complex actuarial models.

And then came the coronavirus. Rather than back off on innovation, Mr. Gore pushed further, leapfrogging old business models in a quest to solve immediate and seemingly intractable problems. Discovery teamed up with mobile company Vodacom, enabling anyone in South Africa with access to a mobile phone to book free virtual consultations and get advice from doctors. The company also introduced financial flexibility measures to help people continue to pay their premiums.

In the middle of all this, Mr. Gore took time to speak to the *Brunswick Review* about his outlook for the company.

Tell us about your remote doctor consulting initiative with Vodacom.
It's a powerful partnership. We've had this front-line telemedicine platform called DrConnect, which had taken years to develop and was largely on ice as South African regulations required all doctor consultations to be done in person. Over the past few weeks we have managed to scale it up due to the national imperative of treating COVID-19. We are moving very quickly. More and more doctors are being trained up. With Vodacom we collectively committed an initial R20 million ($1.1 million) to fund 100,000 virtual consultations. This is likely to increase.

A large portion of the South African population live in close quarters and millions are immunocompromised due to HIV and TB. Our tool allows the doctor to check your symptoms virtually and then decide whether or not to refer you for testing. The aim is to support more efficient front-line testing and advice, relieving pressure on the healthcare system. In the UK too, we are offering similar virtual consultations through Vitality Health. The process is currently limited to COVID-19 but we'll learn what's possible. I expect that telemedicine will become ubiquitous in managing disease in the future.

How do you feel about South Africa's handling of the crisis and about Discovery's contribution?
I think we have managed this very well. Our lockdown was imposed early, decisive steps were taken to flatten the curve, and we have done that. The number of infections is low, our hospitals are relatively empty, we have built capacity, so up to this stage we have done well.

Decisions from here on will be crucial. President Cyril Ramaphosa has announced a risk-adjusted approach to restarting the economy. The really vulnerable sector is small-to-medium enterprises—the quicker we get funding and liquidity to them, the better.

For our part, I am proud of the impact we have had, working with government on many areas of the response, particularly supporting SMEs. Coming out of this, the new heroes are scientists, doctors and the myriad of healthcare workers and other support staff that work alongside them.

The experiences of our global Vitality partners, particularly around digital tools and data, are critical and we're working closely with them. We are modeling everything. What is clear is that you've got to test far more people, far more quickly. You've got to track and trace those people who are positive. That's the game changer in this battle.

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How do you see this affecting the debate around National Health Insurance?
The world, and certainly healthcare, will not be the same after this pandemic. After the Great Depression many nations adopted social security and national health systems. If we can create affordable and more sustainable systems that provide all South Africans access to basic healthcare, that would be a very positive outcome of this crisis.

How do you respond to criticisms that you're overly optimistic?
I am not a naïve optimist. I am not discounting that we face real, significant challenges. Especially in these times, we are seeing how poverty and inequality have real and tragic consequences. My plea for positivity is not in spite of these challenges but because of them—and it is rooted in cold, hard science.

Historical data shows the world has been getting progressively better for most people. Notwithstanding the enormity of the current coronavirus pandemic, with the right attitude and clear action from government and the private sector, I am sure that we will overcome this crisis too. New solutions are being developed as we speak.

Humans are genetically coded to seek out negative cues. This was fundamental conditioning for our survival, but it would be a mistake to view the world though a declinist mindset. As South Africans, we suffer from that mindset acutely. A 2017 Ipsos MORI global study showed that we are the gloomiest about how the world has changed and what the future holds on a broad range of issues. We are not just impervious to progress but confident in our erroneous perceptions. We are confidently wrong. This mindset has dangerous consequences which impede our progress.

A vision-based leadership approach is an antidote to declinism: acknowledging progress and creating hope; seeing problems as real, but solvable; seeking out positive cues alongside negative ones when reading our environment; and recognizing the potential and investing in it. This is how change happens.

You founded Discovery in 1992, in your mid-20s, with just R10 million in seed capital. Today it's a multibillion-dollar business with 12,000 employees. What gave you the courage to go at it alone?
I was a young actuary at Liberty Life and was inspired by the sense of how an institution can change society. It lit a fire in me. Liberty had achieved some global exposure. I was inspired and it gave me a great sense of ambition to build something that could positively influence people's lives. I remember sitting in their atrium thinking: "If you could build something like this it would be unbelievable."

The journey started with a sustainable health insurance product. It was always a big-picture, value-centric approach. It wasn't ever about making money. We disrupted on every front. We did not sit in the boardroom. We kicked the doors down on every single thing. Brokers had never sold health insurance. We created the distribution channel and restructured products. We tore everything apart. We took strategic risks. When we listed on the JSE, the government warned us they were going to take us down. We were fighting. That's what it takes. It was bold stuff.

The breakthrough at a philosophical level was understanding the concept of too few doctors in the midst of a terrible disease burden with HIV/AIDS and high levels of communicable illness. We wanted to keep medical aid costs under control. Our simple concept was a medical savings account. I like complexity but there is power in simplicity. If you have a savings account and people see they are spending their own money, they behave differently than they would if they spent a third party's money. Either you control cost by controlling the supply side or you give people control on how to spend their own money.

How did this develop into the behavioral economics model?
I was inspired by the idea of Walt Disney's purpose of making people happy. At a time when companies were only worried about shareholder returns, our idea was to make people healthier. We wanted to empower people to make the right choices through the savings account.

I started giving talks. I would tell CFOs of big companies to forget health benefits—"currently your employees and you are on opposite sides of the fence, they are trying to consume everything they can, and you are trying to fund it. So, we are going to change the incentives." They came to the same epiphany that I had had. And from there things started to rocket.

Regulators and competitors started to take notice. We were creating all kinds of discontinuities in the market. We started to say: "if you belong to Discovery, you can go to the gym for free." This was 1997. Nowadays a gym is a utility but then it was a status symbol. What we did was make people earn the gym. If they went to the gym enough times they could go for free. That was the embryo of Vitality. It just evolved. We were trying to incentivize behavior. It was an absolute consumer hit but at a policy level there were heated debates.

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MARINA BIDOLI is a Brunswick Partner and Head of the firm's South Africa office. **GEORGIE ARMSTRONG** is an Associate based in South Africa.

Then we started testing how this could be applied elsewhere—to life insurance, to banking. We launched a credit card business with First National Bank, changing credit card incentives. We innovated around dynamic pricing. We realized underwriting and paying the same life insurance price for 40 years did not make sense. We began to understand why people make bad choices and that risk was largely behavioral. This was a profound shift in financial services. This wasn't about loyalty programs.

Our purpose of making you healthier fed into the growing concept of behavioral economics. It was only in 2012 that Michael Porter came to South Africa to speak at one of our leadership summits. His view was that society would do well if companies, by virtue of their business models, created economic behavior that would benefit everyone. Our business was completely aligned with our clients: if they are healthier, we are more profitable. Our ultimate goal is that by being more competitive, we also help society. That's a perfect, shared-value cycle.

What about the analysts who fear you are taking on too much risk by expanding the behavioral economics model into adjacent industries?
We never bet the house on anything. Nothing we do poses a systemic risk. The scrutiny we have been under is more about our organic growth model. It's a function of "can you pull this stuff to scale?" That is not an illegitimate question. We have been transparent around what we are investing in, new businesses like the bank. This takes time—brick-by-brick organic growth. Had we been on an acquisition trail, you'd have no idea if value was created.

I don't get offended by this type of criticism. I listen to improve where I can. My team knows that I want to hear every comment and anecdote of what people are experiencing. I got a report last night at 10 p.m., about 40 pages long. People email me. I read emails the whole night. Even in difficult times, if you can afford to build you need to do this. When the cycle turns—and it will turn—you're in play.

As a founder-led business, how much thinking goes into your succession plan?
Quite a bit. I tend to emphasize IQ and ability but there isn't a "Discovery Person"; quite the opposite. There is value in diversity of thinking in pursuit of the same goal—real deep thinking, both IQ and creativity. That's what we are looking for—not an actuary who is technically brilliant but doesn't connect the dots. For succession planning, there are a lot of people able to take over from me one day, easily. ◆