

## **Beyond the COVID Crisis: Rebuilding a more resilient business and economy**

The Covid-19 outbreak has slammed Europe in the last ten days and a viral tidal wave is breaking in the USA. Many other countries will be effected too.

Tough times lie ahead – but there is also opportunity to use this crisis as a catalyst to rethink our priorities and to rebuild a more resilient business and economy.



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[www.pottinger.com/covid](http://www.pottinger.com/covid)

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# Fight back against the second great dark age!

A decade of denigration of experts and rejection of science has created a dangerous cocktail of ignorance, distrust and myopia. Objectivity is more important than ever.



Build evidence based on source material



Seek perspective from diverse, reliable sources



Think harder about risk and opportunity



Speak out to support science and integrity

Serious times call for serious analysis, quick thinking and purposeful action. The Covid-19 outbreak has slammed Europe in the last ten days, and a viral tidal wave is now breaking in the US. Numerous other countries – who may have only a few dozen reported cases today – are only a week or two behind.

For too long, politicians around the world have rejected science, economics and objective analysis in favour of spin, pork-barrelling and retail politics. This time, however, they must face up to the harsh reality of a hugely infectious new disease. The maths of this are remorseless, explaining why policy positions have been turned on their heads over a weekend.

All of this poses massive challenges for businesses, investors, governments and society. With the right perspective, it will also create huge opportunities too, both in the short term and longer term.

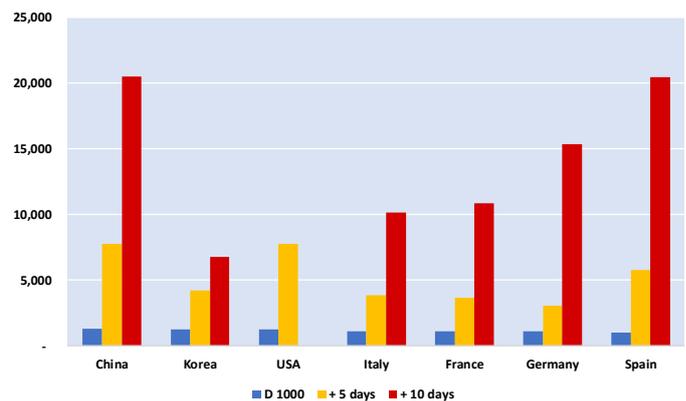
## Analysis: Where are we now?

The first WHO Coronavirus situation report was published on 21<sup>st</sup> January 2020. We have followed this outbreak daily since then, amongst other things analysing the data and building a predictive model of the likely course of each country's outbreak.

First, though we don't have all the information that we'd like to inform decision-making. Countries such as Korea and Germany are running large testing programmes, so will detect more low-level cases and thus see lower reported mortality rates. The opposite is true for many other countries.

We do, however, have enough data to estimate quite accurately the best outcome any country is likely to achieve over the short term. We can see how fast it is spreading with no containment, and there is data by country on how many of these cases need intensive care. Our analysis showed the same conclusion as the world's leading epidemiologists – hospital systems will be over-run quickly without containment measures in place. In practice, the outcomes may be *worse* than our model – but it is extremely unlikely that they will be better than it.

Covid-19 cases starting from first day with 1000 cases



Once established, outbreaks expand rapidly. The chart above shows case numbers on day 5 and day 10 after the country first reached 1,000 cases. In Korea, strong early containment meant case numbers increased 'just' 5.4x in ten days. In Italy and France, the figure was around 10x. In China, it was 15.8x and Spain 19.9x.

Irrespective of government policy responses in the near term, the actions required are clear:

- Companies should shift immediately to remote working as far as possible and prepare for remote working to be enforced in the near future;
- Keep your children away from school and further education institutions – government policy will catch up with this advice pretty quickly; and
- Prepare a commercial disaster plan, assessing worst case revenues in the event of significant economic contraction over the next three months, and identifying when and how you should act to ensure the ongoing stability of your business, whilst not overlooking longer term opportunity (more below).

To stay informed, look for source material and objective, scientifically informed comment. Useful data is available from WHO and Johns Hopkins amongst others, the New York Times and Guardian are providing thorough reporting, and individual commentators such as @HelenBranswell via Twitter are rightly trusted sources of perspective. For more links and data, visit [www.pottinger.com/covid](http://www.pottinger.com/covid).

# Let's work together - isolation is a team sport!

If you work remotely, you'll know that it's important to make a special effort to stay connected, organised and efficient – look out for yourself, your team and your community.



Take time to look after yourself every day



Care for your team – small things carry weight



Watch out for family, friends and community

## Caring for your team

The most important thing right now is to make a special effort to look after your people. For many businesses, remote working is easy from a technology perspective - we've had this capacity for over a decade. Making sure that your people stay emotionally connected take much more effort.

Our team has worked remotely and flexibly for at least five years, so we have plenty of first-hand experience as to what works, and what doesn't. The most important thing is to keep very regularly visual contact with your teams every day – we run three 15-minute Zoom video check-ins daily. We've shared our wider experience on our COVID toolkit blog ([click here](#)).

## Understanding the effects

Most leaders' minds will already have turned to thinking about how best to understand the likely effects on the economy as a whole, and the industrial ecosystems in which they operate.

At a first order level, there are massive short-term differences:

- ❑ Some companies have lost nearly all their revenue, such as cruise operators, airlines, events businesses and the like;
- ❑ Others are not much impacted at all, as they have recurring revenues that will not be disrupted by either the crisis or by a material economic downturn – there are more of these than you might at first think;
- ❑ For a few, the crisis is an overnight opportunity – companies offering cleaning products, certain types of medical supplies, home delivery businesses etc.

In thinking about the implications, don't forget Kipling: "If you can keep your head, when all about you are losing theirs, and blaming it on you..." For many businesses, there is an opportunity to create new products to meet new demand or to repurpose capability or capacity to address urgent societal needs.

Gin distillers are manufacturing alcohol hand sanitiser, a Nordic airline is retraining cabin crew to fulfil non-patient facing roles in healthcare, Atlassian has made some of its products free for many SMEs, and Zoom has likewise made its communications tools available to every educational institute in the world for free. Meanwhile, an Australian grocery business now offers a standardised "Quickbox" that can be delivered to your home in 48 hours. It's now *hiring* casual staff.

Meanwhile, the crisis will also have longer term impacts. Businesses and even entire industry sectors that were already struggling to adapt to technological change will see those shifts accelerate.

<b>Keep a routine</b> Get up, get dressed, make your bed [!], and get ready for your day. If you can, get outside and get some fresh air too!	<b>Team: Eye to eye</b> Hold quick, 15-minute general catch-ups via video. Bring coffee, pets or a favourite hat – or perhaps a drink on Friday!	<b>Community: Phone a friend</b> Make video calls to check in on your friends. They may be having a harder time than you, so you'll lift their spirits and your own too!
<b>Reinvent your commute</b> Follow a deliberate "journey to work" every day. Listen to a podcast, do some yoga, or try a virtual commute on Sydney Harbour!	<b>Team: Heart to heart</b> Take care of your team. Small things can go a very long way so don't hold back in asking for or offering things that might really help.	<b>Community: 50:50</b> "A problem shared is a problem solved", as they say. Share challenges with your friends and family – they may be able to help!
<b>Get set up</b> Sit on a proper chair at a proper desk/table. If you can use a full-size keyboard and screen, as well as a decent headset for calls.	<b>Team: Shoulder to shoulder</b> Talk openly about current challenges. Don't pretend what you can't deliver – but do ask for help. Your team will amaze you!	<b>Community: Say hello!</b> Say good morning! Communities may be in lockdown, but there's no ban on speaking to each other! Let's amp up the goodwill!

In doing all this, don't forget that remote working (and home isolation for that matter) is a team sport. It's important to keep some routine – and make new ones – and find ways to have fun along the way.

As one example, we held our first team eDrinks on Friday 13<sup>th</sup> March via Zoom, which was a resounding success. Our team dialed in from various colourful locations armed with their drink of choice.

Similarly, bring a coffee to your team meetings, wear your favourite hat, introduce your pets and kids, show your colleagues your garden. Done right, all this can improve team spirit, understanding and collegiality. And we should complement the Zoom platform here, which has stood what must have been a massive increase in demand with not a single glitch as far as we can see. Use technology to humanise your business!

# Prepare for the storm, then navigate towards opportunity!

In thinking about the current environment, it's important to think through both short-term and longer-term effects and their impact on customers, employees, suppliers and investors



Make sure you have a robust commercial disaster plan



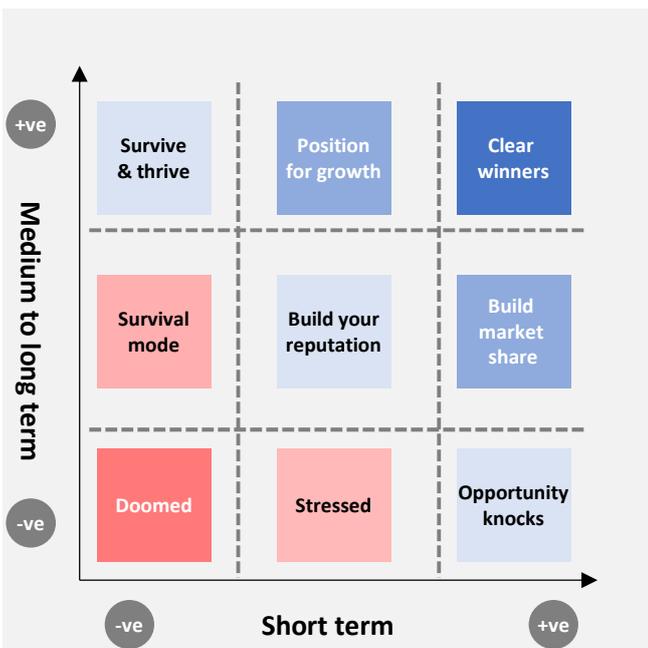
Remember that small actions at times of crisis will not be forgotten



Start planning now to make the most of new opportunities

Others will benefit – for example, we would expect to see a large increase in demand for flexible office space over the next couple of years, as many companies will have discovered that they can operate efficiently with far fewer people in a conventional office.

As you think through the implications for your customers, suppliers and employees, it's helpful to reflect on both the short term and longer term factors that are playing out. We give a few examples below, together with implications for their near-term competitive mindset.



Of course the financial position of each organisation will also play a critical role. Conservatively financed businesses with strong balance sheets now have a great opportunity to build their market position, add to their reputations, improve employee engagement and delight their investors, all at the same time.

Conversely, organisations that are already financially stretched may well find that they cannot seize the opportunities in front of them, thus missing what may be a once-in-several-decades opportunity to transform their market position.

## How should governments respond?

There is no doubt that the economic impact of the COVID Crisis will be significant in many economies. Unlike the financial crisis – where the underlying economy itself remained relatively healthy in many countries – this time there will be a substantial contraction in overall activity levels.

There are important lessons to be drawn from the Great Depression in the early part of the twentieth century. In the USA, GDP contracted by over 25% in real terms over just three years. Eventually FDR implemented the “New Deal”, turning then conventional economic wisdom on its head by implementing large-scale government spending.

This time around, economies cannot afford to wait for years for politicians to figure out how to act. Significant government investment is needed urgently to support the weakest businesses, which in many countries will include the smaller and medium-sized companies that account for most jobs.

As part of these measures, countries are now considering implementing some form of universal basic income, ie a society-wide monthly payment designed to help meet basic needs. As we outlined in our paper *The Future of Society* in 2018, this type of approach will be of increasing importance irrespective of economic conditions as automation extends its impact on society. Already a central policy debate in the upcoming US presidential election thanks to Andrew Yang, expect to hear much, much more about UBI in the weeks ahead.



## Three ingredients will help you to unlock opportunity

Whilst many companies face significant short term disruption, with the right mindset there will also be significant opportunity. Three ingredients are critical to your success



**Creativity is paramount to imagine new opportunities**



**Commerciality is essential to avoid distraction**



**Care is required to balance risk, reputation and reward**

### What should you do next?

A fast-moving, complex and challenging economic environment is like a difficult exam – it creates the best possible environment for the strongest candidates.

The COVID Crisis has created precisely these conditions for companies and other organisations. This means that the competitive landscape has become dramatically more dynamic in the space of just a few weeks. Leaders must analyse hard, think quickly and act purposefully if they are to make the most of this environment.

No matter how much stress your organisation is under, you must ensure that you prioritise seeking opportunity in the days and weeks ahead. If you do not, others will. Indeed, the more pressure you are under, the more prospective upside there is from launching new products, identifying new business models, serving new customers or using new distribution channels. As an aside, we've been taking this medicine ourselves – more to follow shortly!

As you do so, three ingredients will help you to unlock the opportunities that are almost certainly out there:

- ❑ **Creativity:** Flexible, innovative thinking will be of paramount importance. Beware focusing too early on reasons why things won't work – consider instead what would be needed to make them function. This is how entrepreneurs think every day and will be a tremendously important capability in the weeks and months ahead
- ❑ **Commerciality:** As ever, proper consideration must be given to the economics of any particular proposition. This must include not just revenue and profit, but also capital intensity and return on investment. Where products or services can be provided at low to no marginal cost, think also about business models that expand market share in the short term – whilst helping important communities – which might then become commercially attractive in their own right later on

- ❑ **Care:** As you pursue new opportunities, think carefully about the implications for risk, reputation and reward. Short-term price increases may be attractive but become known as a price-gouger may cause great long-term damage to your brand.

More broadly, this is an extraordinary time to build your organisation's brand. Way back in the 1990s, I worked Baring Brothers & Co., Limited, the UK merchant bank, either side of its failure and sale to ING Group. Within hours of administrators being appointed, almost all our suppliers had cut off their services – phones, pagers, paper supplies etc. But one, our car service City Cars, kept on delivering, helping a team that was working literally all hours to get to and from work. I suspect no-one who worked at Barings at that time has forgotten – and City Cars subsequently followed many of those executives as they moved to other banks in the years that followed.

### And finally, don't forget the long term!

Finally, as we navigate the short-term crisis, let's not forget the *much* more serious challenges that lie ahead of us as the 2020s unfold, thanks to the Robot Revolution – ie the extensive automation and robotisation of today's workforce.

One way to think of this is that companies must now prioritise the manufacture of jobs, not just products and services. With the right approach, we can use the COVID Crisis as a catalyst to rebuild a more resilient business and economy.

**Our team is ready to help you seize the opportunities. Our STARC™ programme provides a creative, commercial and entrepreneurial analysis of opportunities and how best they can be realised.**

**We can mobilise rapidly and work with you cost-effectively to help kickstart practical initiatives. These can support your business and the communities in which you operate in the near term, and open up new growth pathways over the years ahead. We'd be delighted to hear from you.**

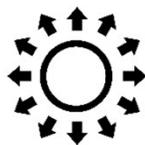
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