



## COVID-19: Crisis, Creativity & Collaboration

The impact of the ongoing Robot Revolution has been catapulted forward three to five years or more, creating permanent economic shifts. Though the near-term effects are painful for many, individuals, businesses and governments should seize this opportunity to renew their thinking, refocus their effort and retrain to help create a better, more resilient economy and society.



By Nigel Lake, Founder  
and Executive Chair

# The COVID-19 Crisis has accelerated changes already under way

The impact of the ongoing Robot Revolution has been catapulted forward three to five years or more in some industries, meaning many recent changes are here to stay



An accelerated shift to online shopping



Reduction in the use of traditional offices



White-collar cost-cutting via robotization and AI



Significant new focus on resilience

The COVID-19 Crisis has accelerated powerful changes that were already unfolding in all developed economies. Shopping was shifting online, checkouts were being automated, and white-collar jobs were being replaced by AI. Simultaneously, companies were expecting greater flexibility from their employees, landlords and other service-providers, and driverless vehicles were set to displace one of the greatest sources of employment.

Short term, the economic fallout has crushed the retail, hospitality, travel and entertainment sectors, as well as the supply chains on which they depend. Toilet paper, webcams and pasta may be in high demand, but economies have contracted savagely. In the USA, new jobless claims increased by a factor of *thirty* in just a fortnight, reaching a peak described by leading economists as “almost unimaginable”. The number of continuing jobless claims – one simple measure of unemployment – has increased *nine-fold* in four weeks.

Countries such as the UK and Australia do not report this data weekly, so we can only guess as to how far and fast those economies have shrunk – but both governments have implemented substantial job retention programs similar to the German Kurzarbeit scheme, which should limit the contraction.

These are, however, only the first order effects. With US unemployment heading towards 15% to 20% or more, swathes of the economy will feel the effects of the huge slowdown in demand over the weeks ahead. So a second wave of cost-cutting seems likely in May, as large employers seek to reduce their cost bases

before the next quarter’s results are announced. A V-shaped recovery seems like a far-fetched dream.

Meanwhile, many retailers have simply not paid their April rent bills, and I suspect many residential tenants will do likewise next time their rents fall due. Mortgage loans must be switched to interest-only and principal repayments deferred, and rents must be reduced substantially, or a banking crisis is likely to follow as surely as thunder follows lightning (see [From COVID to Catastrophe](#)).

Without purposeful action by governments, companies, entrepreneurs and even individuals, the relentless forces of robotization will continue to eat up jobs. This will further concentrate income, wealth and wellbeing in the hands of the rich. This will, in turn, *slow* any economic recovery, as the rich will tend to save a greater proportion of their income.



Robots and AI



Growing inequality



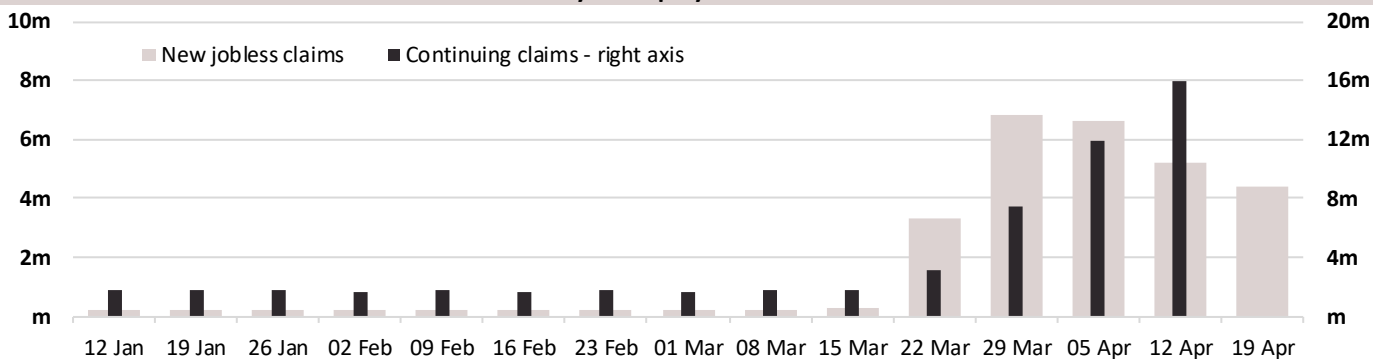
Slower growth



Dramatic change

How can we turn this crisis on its head and use this period of disruption to drive positive change, both for businesses and for society as a whole? How should we think about the changes that are under way? How should we plan and act over the coming months? And, most importantly, what does this mean for teams and their leaders, and for all of us as individuals?

US weekly unemployment data - 2020



# Creativity, collaboration and long-term thinking will be essential

Individuals, businesses and governments should seize this opportunity to renew thinking, refocus effort and retrain, to help create a better, more resilient economy and society



**Understand the shifts**



**Accept the new normal**



**Develop new skills**



**Care for people and communities**



**Think and act for the long term**

The decisions made now by companies and countries will impact competitiveness and living standards for a generation. Those that choose well will move ahead, and others will fall behind. We see five keys to success:

**1. Understand the shifts:** Split the tertiary economy into two parts, one clerical/administrative and thus largely automatable, and the other inherently human-centric – ie caring, creative, cultural and communication-based roles. Robots will dominate the former, driving most employment into what Prof Jorgen Randers calls the quaternary sector. So, use robotization to humanize your business!



**Administration-led businesses**



**Service-led businesses**

**2. Accept the new normal:** Start to reposition your business now for the new economy that will emerge. Focus energy and investment on improving efficiency, building broad stakeholder support and driving sustainable growth. This will require new thinking and a willingness to leave old business models and investment habits behind.

**3. Develop new skills:** Use the time provided by the COVID-19 crisis to build new skills that are relevant to the new economy that is emerging. Recognise

that these changes mean there will be a dramatic shift in the types of career that will be attractive, as well as in what will be expected of both current and future employees.

**4. Care for people:** Whilst some will find these changes easy, others will struggle to adapt. Leaders (and parents) must be mindful of the stresses that these significant changes will create for many people, and must lead with both courage and compassion. If your kids are making YouTube shows, see this for what it is: an object lesson in creativity, collaboration and communication!

**5. Think long term:** Short-termism has led to poor financial performance and increased risk in many businesses, and has left many large businesses hugely undercapitalised in the face of this crisis. Find new problem-solving methods that ensure long-term thinking drives short-term decisions, rather than the opposite.

There's an old adage in politics that you should never waste a good crisis. Though the near-term effects of the COVID-19 Crisis are painful for many, individuals, businesses and governments should seize this opportunity to renew their thinking, refocus their effort and retrain to help create a better, more resilient economy and society.

**For more information, resources and inspiration, please visit [www.pottinger.com/COVID](http://www.pottinger.com/COVID).**



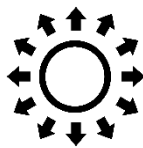
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