



**CIONET**

OPINION PAPER

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## COULD COVID-19 OFFER US A SILVER LINING?

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It is a year ago this October when China unwittingly released a deadly virus into the World, decimating western economies and causing millions of deaths (accounted and unaccounted). Already many leading regions such as the USA and EU have accumulated trillions of dollars of extra debt. Currently we in the UK are struggling with a second wave of infections as the government sleepwalks into further economic meltdown and social chaos. Is it possible to believe that in such dire circumstances there is anything to gain from this global calamity?

My personal belief is that there could be a silver lining, albeit some years into the future. This crisis may hit us hard in the short term with extra taxes and the possibilities of social unrest but could unlock a new era of economic and social progress that is sorely needed. Working from the assumption that COVID-19 is compressing twenty years of change into just twelve months, there may be spectacular gains to be had at individual, community and national levels.

## Eliminating waste

At the top of Toyota's corporate mantra is the need to eliminate waste from everything it does and to focus instead on value. This enabled the company to become the number one auto manufacturer world-wide in 2005 through its continuous improvement approach to manufacture and post-sales service. The same 'lean' mantra should apply to us as individuals, communities and nations.

Despite initial complacency amongst world leaders such as Johnson and Trump, COVID-19 caused billions of workers to leave their offices in March and work from home. For Unilever this meant relocating 100,000 staff in 110 countries in just three days. Suddenly we realised that for many sectors we could conduct our duties effectively without wasting hours in the day commuting in congested public transport or on grid-locked highways. It has brought a powerful realisation that hybrid working is feasible and has great benefits for work-life balance.

At a corporate level such a dislocation has had wider ramifications. Talent can be sourced globally rather than locally, and high cost city-centre property assets can be reduced by 30-50%, savings millions of dollars from company balance sheets. With greater employment flexibility and lower operating costs, we may well see the much

needed jump in productivity and corporate profits that have been stagnant for two decades.

## The agile imperative

Back in March COVID-19 demonstrated the need for greater corporate agility as market demand began to fluctuate wildly. Some activities such as e-commerce have seen ten-fold increases in transaction volumes. Others such as hospitality and travel have witnessed similar levels of decline. Digital leaders such as Amazon, Microsoft, Salesforce and Netflix were set up for such eventualities and have seen their equity values soar. Few traditional incumbents were thus equipped given historic emphasis on hierarchical structures and just-in-time supply chains. Their equity values have largely sunk through the floor.

Boards of Global 1000 companies are suddenly exploring new operating models for a post COVID era that could help them survive and flourish against the onslaught of digital leaders based on 'asset-lite' structures. This has encouraged management to reduce complexity, close unnecessary internal projects and focus exclusively on customer needs. Without the COVID shock such incumbents would have gracefully faded into oblivion.

## Time for a personal reset

The near collapse during COVID-19 of the travel, entertainment and hospitality sectors has shone a spotlight on how we spend our money. Some 15-20% of western economies are now entirely dependent on such largess. Much of this spend is incurred through credit cards and has generated trillions of dollars of debt. When interest rates finally return to historic norms, this will inflict intolerable pain on many consumers.

COVID-19 has made us all conscious of the extravagant times we live in. Removing such non-essential expenses from our annual spend has helped to clear the debt mountains and increase savings. The rapid reduction in transportation has begun to clean the atmosphere and may help to alleviate global warming. It is clear now that we have been sleep walking into dangerous waters. The advent of immersive technologies such as virtual reality will help reduce the need for travel or entertainment outside the home.

## Becoming an "expert generalist"

Perhaps the most important message from the pandemic is that job markets will undergo a much-needed transformation in the coming decade. We are all used to the 'gig' economy, but this has largely affected the less skilled worker. In the age of intelligent automation and machine learning we can expect professional and other highly skilled jobs to be redefined. Will we have need for so many trained lawyers and doctors in 2030 when machines can provide near perfect judgments and 99% accurate medical diagnostics?

The turmoil in jobs created by COVID-19 is far greater than that of the 2008 financial crash. Entire sectors have been marginalised and might never return to full strength. For companies like CIONET operating in the physical events business, we have had to pivot in weeks to implement entirely new service models. Even doctors are now seeing their patients remotely. The consequences for careers will be profound. New skills such as data science will be in short supply as companies adopt data-centric structures and services.

The mantra for the coming decade will be 'learn, unlearn and re-learn'. As professionals we can expect to pursue a broad portfolio of skills within a life-time career. In this sense we need to set ourselves up as expert generalists. This will have profound implications for the world of education and training.

## Why we should act now

COVID-19 is likely to be with us for many years even if we perfect a vaccine. Given China's track record we can expect more of the same beyond this specific virus. We need to respond at both an individual and corporate level to such disruptions in the following ways.

At a corporate level we need to transform our hierarchical structures into more fluid ones that offer the necessary agility to deal with a VUCA world (volatile, uncertain, complex and ambiguous). This will be facilitated by new technologies such as intelligent automation, and data centric business models. Executives will need to be prepared to make dramatic changes if they wish their organisations to survive. Incrementalism won't hack it.

At an individual and family level we will need to rebalance our lives, reducing planet harming and wallet emptying activities such as travel and focusing on a more natural work-life balance. Personal debt needs to be managed more effectively to encourage longer term wealth accumulation. Career planning and on the job training should be high priorities for skilled workers.

## Who will be the winners?

Suffice it to say, the originator of the COVID-19 virus, China, is now back to near full growth capacity, witnessing 4.9% advance in last quarter GDP against an average decline of 5% elsewhere. The authoritarian nature of the Chinese communist state enabled a swift recovery compared to that of most liberal democracies. It will take much more time and far greater cost for western countries to return to pre 2020 growth rates – perhaps 3-5 years.

However, this pandemic has sent a sharp warning to all concerned. It must lead to radical reforms in both public and private sectors that are much overdue. Also, to the way we live our lives as individuals and families. If these can be achieved then the world will be in a far better place.



## About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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