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Beyond COVID-19

Three steps to
emerge stronger

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About the author

Michael McGauran is a Partner at PwC Strategy& where he works with senior leaders in business and government on topics such as corporate and digital strategies, partnerships, transactions, and organisational design.

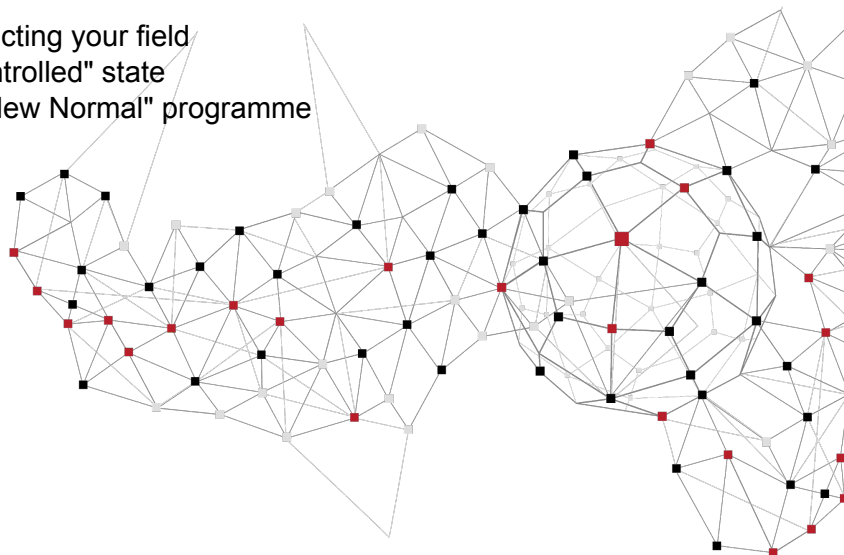
Michael is driven to help clients build new businesses, rethink operating models, and launch innovative data-led initiatives.

He holds an MBA from INSEAD, and lives with his wife and two children in Singapore.



Executive Summary

- In March 2020 amid the COVID-19 outbreak, we identified 3 stages countries have been moving through: Explosive, Managing, and Controlled.
- Over a dozen countries have since moved along the path to resolution and are attempting to get back to business with education and workplaces restarting. Many more large economies may have a handle on the initial crisis response and infection rates over the coming weeks.
- For leaders across organisations and governments it is important to delegate crisis management and business continuity to the crisis response teams as the senior leadership invests more time in preparing for the New Normal.
- In this publication, we present three steps to designing a plan to emerge stronger:
 - (1) Identify the permanent shifts impacting your field
 - (2) Imagine your geographies in "Controlled" state
 - (3) Implement "Fit for Growth in the New Normal" programme



The path to Resolution - Recap

In March we analysed how countries follow a somewhat predictable trajectory towards resolving Covid-19. They moved from "Explosive" to "Managing" and then to "Controlled", albeit with some back and forth.

Only China had controlled the outbreak then. Six countries were in the "Managing" stage. Around 75% of the world's population lived in countries in the "Explosive" phase of the pandemic.



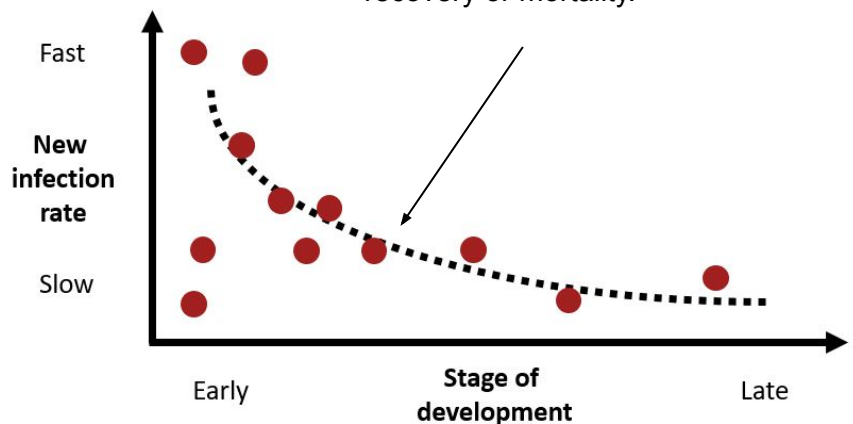
Each country follows a somewhat predictable path towards resolving the spread of the virus

COVID-19 Maturity Analysis concept

New infection rate: New cases as a % of total cases; indicates how fast the disease is spreading. As the disease spreads we expect the growth rate to start high and decline over time.

Stage of development: Ratio of resolved (recovered or deceased) cases over total cases. Countries, at some point, converge towards 100% on this metric. "Stage of development" metric is an important number as the disease takes several days to develop, several more to diagnose, and weeks to recover.

Trendline: Strong inverse exponential correlation between growth rate and maturity level, as total case numbers rise, new case growth slow or stay stagnant, and cases are resolved by way of recovery or mortality.



What happened since then?

As we track the developments of the past few weeks and overlay the number of infections, we see how each country evolves through the stages of development.

The jury is still out in some countries on the "Explosive" stage.

However, the situation is now stable for more than a dozen countries both in developed and emerging markets.

Where are we today?

COVID-19 Maturity Analysis

Countries by stage of development and new infection ratio
(Countries with >3m population and >200 confirmed COVID-19 cases), 14.03. – 26.04

- Country status 22 March
- Country status 26 April
- Global averages
- ... Regression (Inverse exponential)

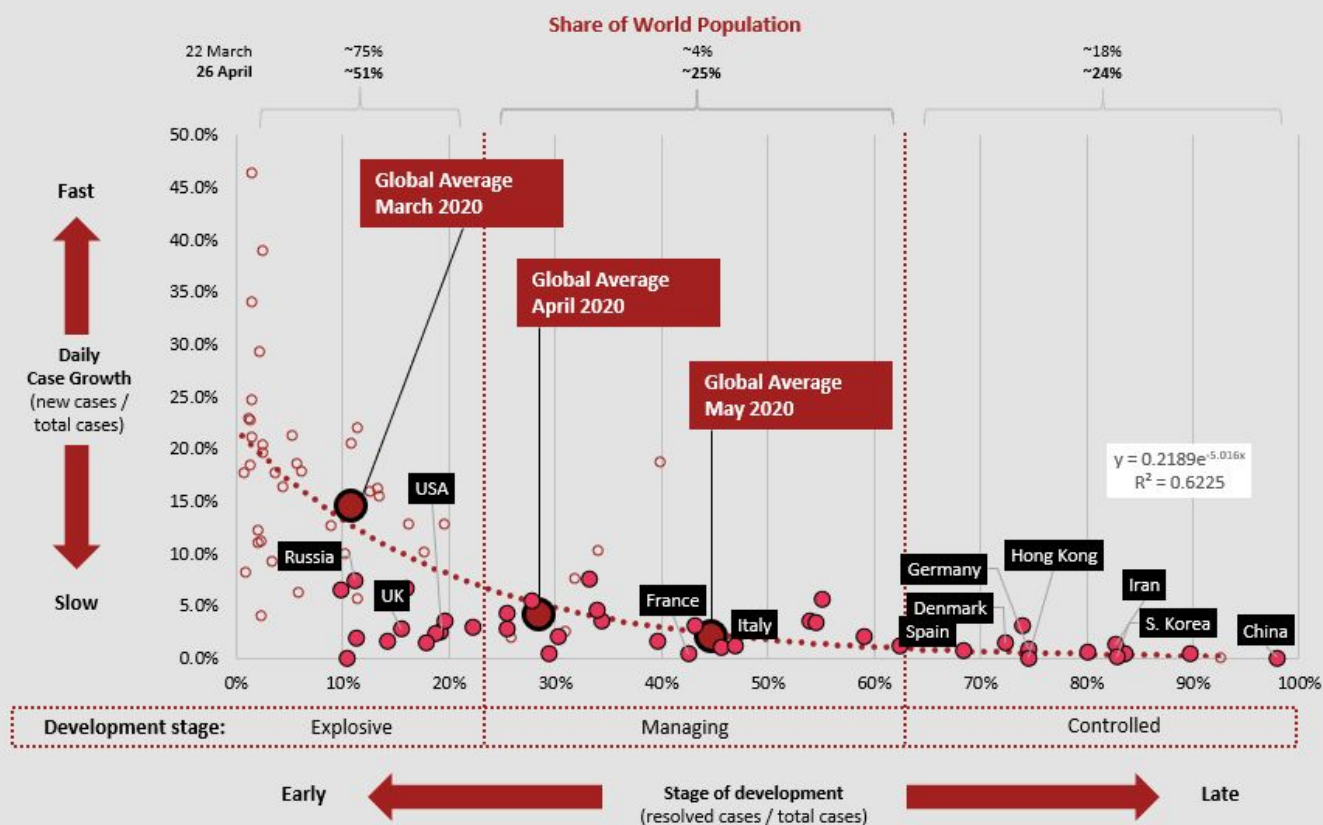


Exhibit 1

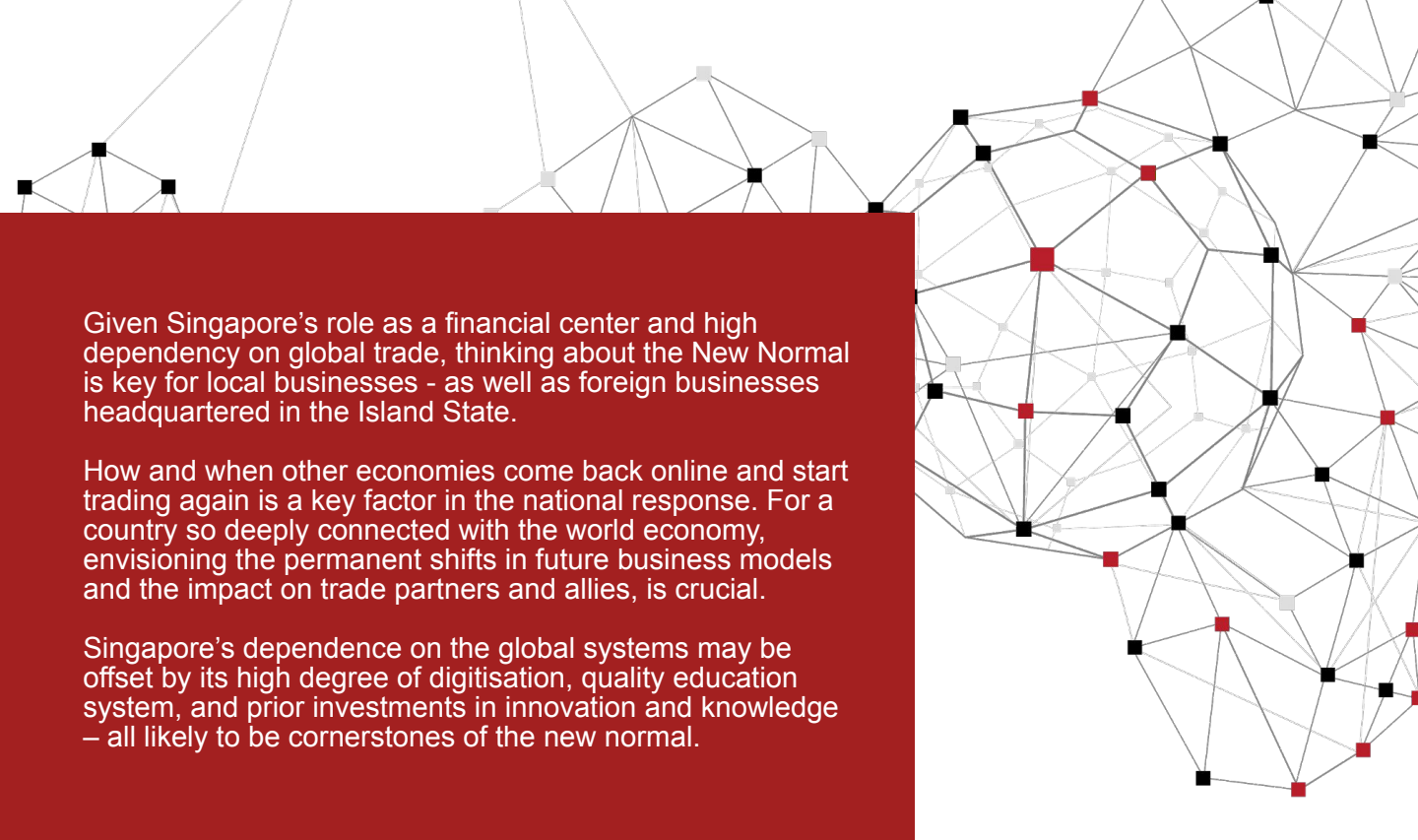
Source: PwC Analysis, Worldometer, April 2020

China has maintained its handle on the situation. Although the exact numbers may be disputed, most importantly, we have not seen another massive outbreak.

Since March, several countries including South Korea and Iran have joined China in the "Controlled" category. Many other countries have reached the "Managing" stage. This includes some of the more hard hit countries, such as Italy, Spain, and France. Singapore has been pivoting in and out of the 'Managing' phase but with overall low fatality numbers.

Many countries are getting back to business with schools and workplaces resuming. But, they are doing it carefully, with precautions and ready to dial things back if necessary. In Denmark, hundreds of thousands of children are back in school as of last week, allowing many parents to become productive again. In Germany, most retail outlets have reopened.

For those of us still stuck at home, it may feel endless but the world is moving through this crisis at speed.



Given Singapore's role as a financial center and high dependency on global trade, thinking about the New Normal is key for local businesses - as well as foreign businesses headquartered in the Island State.

How and when other economies come back online and start trading again is a key factor in the national response. For a country so deeply connected with the world economy, envisioning the permanent shifts in future business models and the impact on trade partners and allies, is crucial.

Singapore's dependence on the global systems may be offset by its high degree of digitisation, quality education system, and prior investments in innovation and knowledge – all likely to be cornerstones of the new normal.



Pivot to the new normal

Fast forward the Maturity Analysis chart (Exhibit 1) and the progression along the trendline over the coming weeks, many more economies should have progressed further towards a "Controlled" state.

Now, we know more about the virus. Crisis response teams are in place in most large organisations. Treatments, vaccines, rapid test kits are expected to be available at some point.

Business and government leaders need to keep their eye on the crisis response - empowering their teams, learning lessons from others, applying best practices. However, they should now invest much of their time and energy thinking about the post-crisis world.



Business and government leaders must now invest their time designing for the new normal and delegate crisis management to their teams.



Three steps to designing your new normal

Each country, business, and institution that emerges from this crisis will face a different kind of re-emergence. There is a lot of ambiguity over how economies will restart. But that must not deter you from designing your plans today. The crisis response team should cover business continuity and finance. The board, CEO, and leadership team should invest their energy in preparing the organisation for the New Normal, starting with these three steps:

1 Identify

Take a position on the most profound structural shifts in your geographies and sectors, and their impact on your organisation and ambitions.

2 Ideate

Determine a rough timeline for the economy where you're operating to move from "Explosive" to "Managing" and "Controlled" state. Then imagine: what bold, wise decisions would you want to have taken in anticipation of the new normal?

3 Initiate

Establish a "Fit for Growth in the New Normal" programme to deliver on those decisions. Radically reassess your priorities, organisation, assets, projects, policies, cost base, projections, policies, culture.

Step 1: Identify the most profound permanent shifts affecting you

Some disruptions, like schools closing, are likely temporary. But others may be here for good. For example:

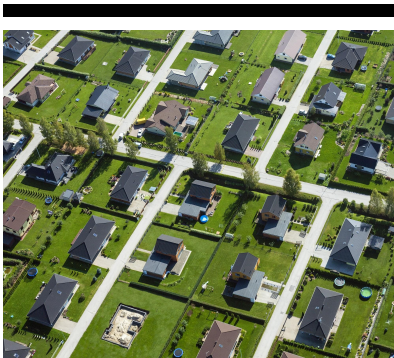
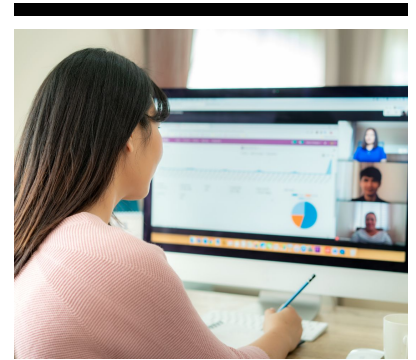
Potential permanent dislocations from COVID-19

Virtual Everything

Businesses, clinics, schools, and governments from Europe to Asia have swiftly moved to video-conferencing, even for high stakes meetings and negotiations. It's imperfect, but so is commuting. Billions of people are getting used to virtual working. Although we won't stay at 100% remote working, it's unlikely for us to go back where we were.

The shift to working-from-home during the crisis was so successful for an Asian telecom giant that it recently announced a permanent shift to this new model for its call center staff.

Today, millions of call-center staff work across thousands of offices globally. Even if just a fraction of workers in this and other industries embrace working from home, the impact on our society will be enormous.



Real-estate

Commercial real estate is poised to be transformed. It is unlikely we will go back to having armies of administrative staff working from expensive prime real estate. Those offices still in use will need to be re-designed for virtual teaming, fluctuating occupancy, and rapid repurposing. As long-term leases run out, the impact will be clear to businesses, developers, and the banks financing them.



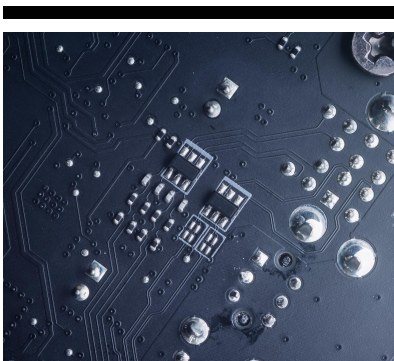
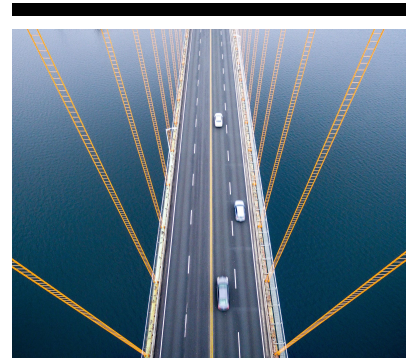
We don't have to be exhaustive or accurate about these permanent shifts in order to design a plan. The changes are so profound that we only need to be directionally right in order to start planning today.

Infrastructure

Assumptions and operating models across hard, soft and digital infrastructure will change.

Mass transportation is set to be transformed. We may need less of it, as more people work remotely. Alternatively, we may need more if we want it to be less dense to reduce the risk of contagion and future pandemics.

Demand for digital infrastructure, capacity, and cybersecurity is spiking and will need a boost in investment in hardware, software, and capabilities.

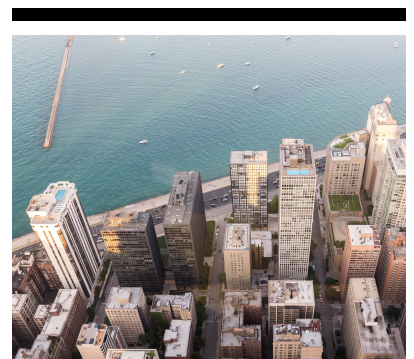


Data

The new way of working will generate profound sources of new data and analysis, across sectors. For example in healthcare, virtual doctors, powered by AI and machine learning, could be providing care for millions of people remotely and cost effectively. What if you could mine your organisation's virtual communications for compliance, security, or business insights. We already do some of this today, like call centers monitoring stress levels in customer voices. But that was last century's technology. With much of our world going virtual, the possibilities, and risks, are endless. Companies that anticipate this data avalanche will thrive.

Legislation

Countries will have to rethink their approach to data protection, taxation, and even constitutional issues. After the SARS outbreak, "Business Interruption" insurance policies were extensively pursued in courts. Covid-19 may cause an exponential surge in legal challenges. In countries where data privacy is a priority, there are already debates around the trade-off between individual rights and the rights of those who could be protected by collecting personal data.

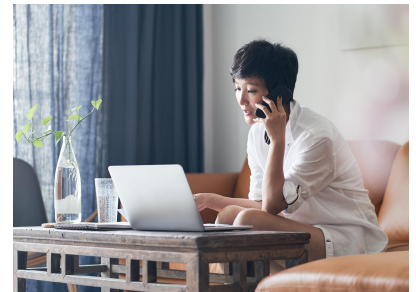


Step 2: Ideate, imagine the world in a “Controlled” state, and think back

With many countries en route to resolving the new risks and challenges brought about by COVID-19, organisations will soon see their supply chains restored and customers back with demand, but in a new transformed mode.



The key question is: when the time comes to rebuild our worlds, what bold, wise, creative decisions will you have made for yourself and your organisation?



Action plan ideas for post-COVID-19 world

- Restructure your portfolio of initiatives, projects, and investments. Aggressively remove what won't be necessary or as relevant in the new normal
- Consider partnerships and inorganic options such as M&As, acquisition of companies or assets at discounted valuations, or partnering with companies that deliver critical capabilities in the new normal
- Invest in digital capabilities to be ready alongside your products, distribution channels and services for when customer demand picks up
- Reorganise your leadership team, and/or hire key talent during times when no one else seems to be hiring
- Use the downtime to train your people for critical skills, redeploy your front-office to carry out mid office tasks, and fix things that should have been fixed long ago
- Take the long view with your employees, customers, suppliers, regulators, constituents, who will remember your behaviour long after the crisis
- Anticipate the shift to data ,and explore the practical opportunities in machine learning and AI for your organisation and invest in technology and talent

Step 3: Initiate the pivot to emerge stronger

Fit for Growth in the New Normal

Our leading strategic framework deployed for a time of economic uncertainty

Fit for Growth



Corporate strategy

- Build industry leading capabilities
- Transform cost structure
- Reorganize for growth

Enable change and cultural evolution

Source: PwC Strategy& analysis

Step 3: Initiate	
Fit for Growth	In the New Normal
Corporate strategy <ul style="list-style-type: none"> • Articulate the capabilities that really matter to strategy and ability to win in the market 	Agile strategy <ul style="list-style-type: none"> • Determine the fundamental shifts and "must haves" for your sector and geography—regardless of scenarios • Ground yourself in executing and accelerating no-regret moves • Review and adapt in agile cycles
Building leading capabilities <ul style="list-style-type: none"> • Invest in a few differentiated capabilities, funded by improvements in the cost structure 	Double down on differentiating post-crisis capabilities <ul style="list-style-type: none"> • Invest in capabilities that were previously nice-to-have (e.g. video-based sales) but have become table-stakes overnight • Flow investments to no-regret differentiating capabilities
Transform cost structure <ul style="list-style-type: none"> • Develop a clear cost agenda, making deliberate choices with a focus on process improvement 	Sustain without sacrificing the recovery <ul style="list-style-type: none"> • Zero-base total cost structure • Identify "good costs" and "bad costs" in the new normal and re-adjust • Aggressively cut what will become obsolete in the post crisis world
Reorganise for growth <ul style="list-style-type: none"> • Implement an organisation model, processes and systems to unlock potential and enable agility for growth 	Pivot to the new normal <ul style="list-style-type: none"> • Zero base and re-size / re-shape organisation model to new normal • Create agile interim redeployment models to reassign / train staff • Accelerate digital interaction models
Enable change and cultural evolution <ul style="list-style-type: none"> • Create an environment and culture that embeds change in the company DNA and enables a sustainable future 	Accelerate cultural revolution <ul style="list-style-type: none"> • Anticipate radical changes in customer, supplier, and employee attitudes and behaviours • Identify and sustain positive behavioural and cultural shifts incurred during the downturn

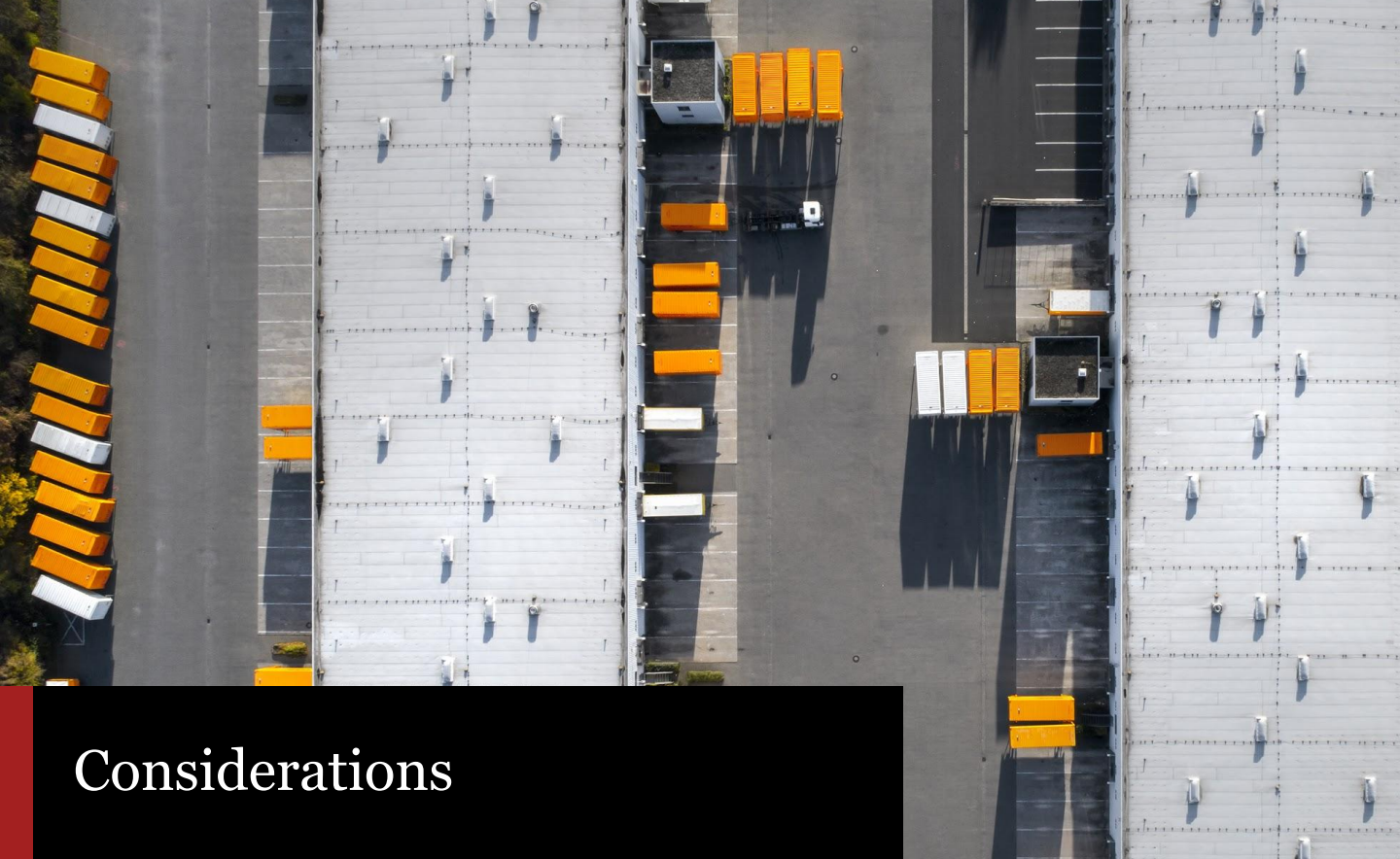


A note on Risk

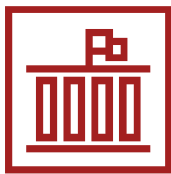
There is no suggestion here that leaders can take their eyes off the crisis response. Literally nobody knows exactly how things will pan out.

However, for every further downside scenario, there is a reasonable opposite. It is unlikely that our collective creativity and innovation cannot solve this situation.

This is not an argument one way or the other, only that that senior leadership time is well spent imagining and preparing for a constructive medium-term outlook.



Considerations



Government



- Intervention design
- Contact tracing, encryption & privacy
- Healthcare infrastructure
- Program management



Financial Institutions



- Policy & aid transmission
- Restructuring
- M&A
- NPL and Collections
- Talent & organisation
- Risk modelling



Corporates



- Strategy
- Route to market optimisation
- Supply chain stabilisation
- Capital & financial structuring

Crisis response & management



Strategy&

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The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

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