

Thinking Strategically During the Global Pan(dem)ic

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We start at 3 pm



**During
the pandemic**

**Immediately after
the pandemic**

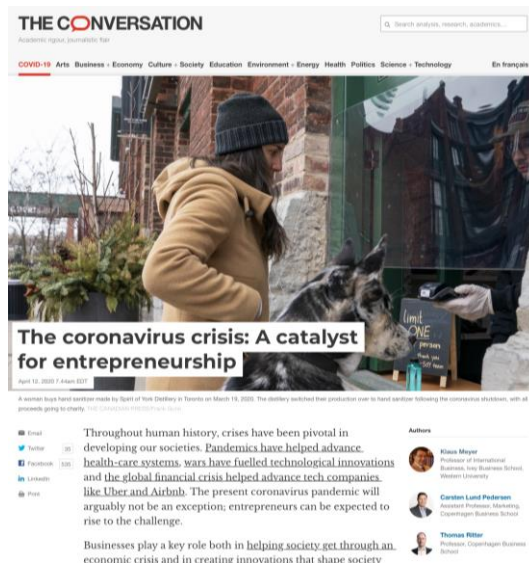
**In the long run
(the new normal?)**

Resourcefulness

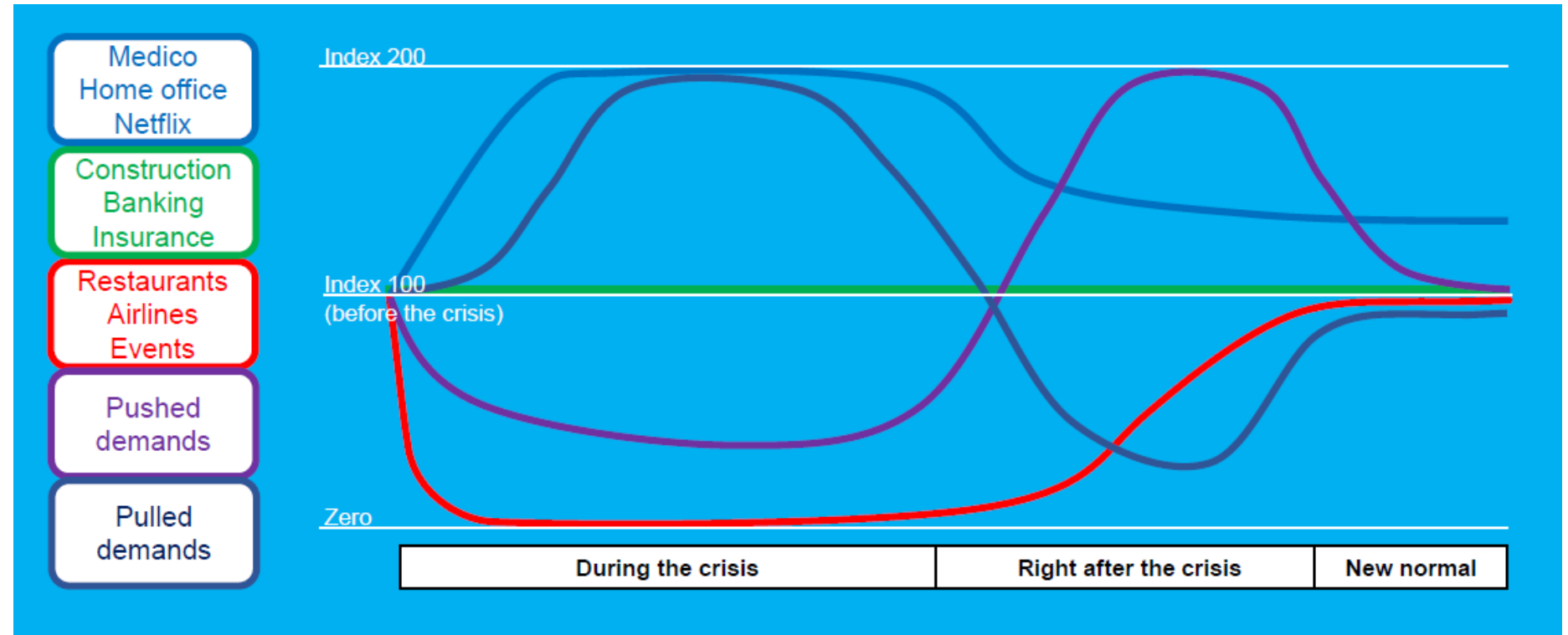
Agility

Thinking Strategically!

Citizenship



Which lines of business will see substantive changes in demand during and after the crisis?



Source:
Prof. Thomas Ritter
Copenhagen Business School

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How do we predict what the new normal will be like?

Scenario Analysis

Technology enables survival

- Service businesses run online substitutes for their traditional services
- Suppliers to hospitals grow, and innovate
- Substantial and last decline in GDP and standards of living
- Long crisis, recovery some time in 2021

New business models and technologies

Digital Entrepreneurship Boom

- Online-to-offline business models in many services
- Communication and meetings move partly online
- More robots replacing F2F interaction
- Drive through shopping, restaurants, even movies
- Online shopping takes off
- Industry 4.0 and artificial intelligence in manufacturing

Health care system collapse, F2F businesses close for months

- High unemployment
- People unable to maintain basic needs
- Social disruptions
- Large death toll from the pandemic

Quick development and roll-out of COVID-19 tests, treatments & vaccine

- Slow reallocation of labor
- Slow economic recovery
- Many businesses stay with old models, struggle with changing consumer expectations
- Lasting damage to some sectors, e.g. tourism, airlines, restaurants, sports

End of Civil Society as we know it

Bureaucracy inhibits new change

Struggling 'Business as Usual'

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Post-Pandemic: The questions to ask

How will your firm be different?

Resources

- Technology breakthroughs?
- Human capital?
- Organizational systems & capacity?
- Brand value gained, or lost?

Capabilities

- Strategic agility?
- Risk management practice?

How will your customers be different?

Consumers

- Attitudes to new technologies?
- Familiarity with online platforms?
- Preference for local produce?
- Attitude to different types of risks?

B2B

- Business practices?
- Technologies in use?

Short-term and long-term business potential (work in progress)

<p>During the Crisis</p> <p>Increase in Demand</p>		<ul style="list-style-type: none"> • Hospital equipment makers <ul style="list-style-type: none"> • testing kits, masks, protective clothing, ventilators • Home office equipment • Sanitary products • Online education for school kids (anything that helps keeping kids occupied) • Online training for people who lost their job 	<ul style="list-style-type: none"> • Digital or <i>digitizable</i> products, <ul style="list-style-type: none"> • e.g. online education, entertainment • Online-to-offline businesses <ul style="list-style-type: none"> • e.g. online home delivery of food, online reservation systems • Enablers of online business <ul style="list-style-type: none"> • software, hardware • Enablers of home office • Robots in health and hospitality services • Artificial intelligence • Industry 4.0 in manufacturing and supply chains (remote control technologies) • 3D printing
<p>Drop in Demand</p>	<p>F2F intensive services</p> <ul style="list-style-type: none"> • Cruise ships, group tourism, Business travel • Airlines, hotels, convention centers <p>Traditional shops</p> <p>Education so based on F2F</p> <p>Office real estate</p> <p>Entertainment with lots of people on narrow space</p> <ul style="list-style-type: none"> • music festivals, spectator sports, movie theatres 	<ul style="list-style-type: none"> • Consumer durables • Shopping malls • Outdoor activities • Luxury brands • Fast fashion <p><i>(possible temporary catch up immediately after the crisis, but little long-term effect)</i></p>	
	Below	On par	Above
	Long term business potential (relative to pre-crisis sales)		

Post-Pandemic

How will international business be different?

Trade in Goods?

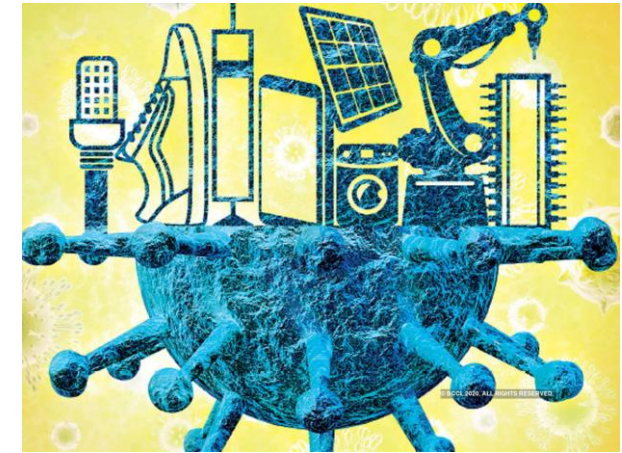
- Slightly slower movement of goods across borders,
 - New regulation on localizing sensitive sectors (health care products, fresh foods) might reduce trade
- ➔ Probably only small effects in aggregate

Trade in Services?

- Restrictions on international movement of people
 - Movement of consumers ➔ hotels, conventions, entertainment, mass tourism (e.g. cruise ships)
 - Movement of providers ➔ business services, transport services, after-sales services for goods
- Growth opportunities for digital services

Investment (direct and portfolio)

- Per se, no reason to expect substantive effects



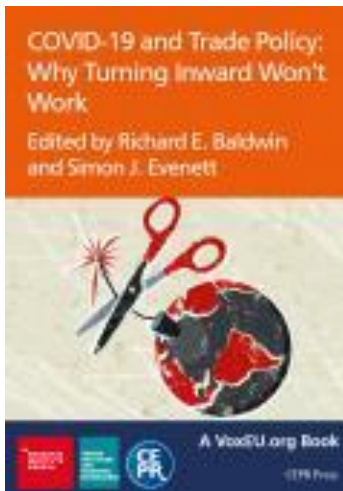
Nationalist policies present more threats to international business than the health crisis.

Post-Pandemic

How will global supply chains (GVCs) be different?

The case for global division of labor remains strong

- Key foundation of the wealth created (especially in “the West”) over the past three decades.
- Even for sensitive medical equipment, GVCs
 - enable state-of-the-art products
 - speedy introduction of new products



E-book, free
download from
voxeu.org

See especially
Javorcik (EBRD), Ch. 8 vs.
Miroudot (OECD) Ch. 9)

Case: Korean COVID-19 testing kits

- Jan 16:* Start of tests using AI and big data
- Feb 5:* Initial tests ready
- Feb 23:* Test approved in Korea
- Late March:* Production of 1 mio kits/week
- April:* 1 mio kits/week, by 25 companies, 90% exported

Of G20 nations, Korea is most integrated in global value chains, which critically enabled quick launch of these new products.

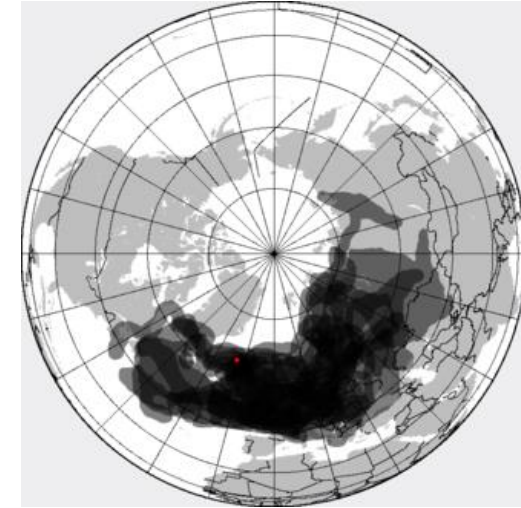
[Source:
Miroudot,
2020, p. 126-127]



Post-Pandemic

How will global supply chains be different?

*Remember Eyjafjallajökull, Fukushima, Katrina, ...?
Remember the lessons we said we learned?*



Risk management practices will have to improve

- Slack in organizations,
- Buffer inventories,
- Scenario planning,
- Contingency plans
- *Single vs. dual* sourcing?

Vocabulary:

Resilience = ability to return to normal operations **after** the disruption

Robustness = ability to maintain operations **during** the disruption

Risk Management: Supply Chain Robustness

Case: H-E-B Grocery (Texas)

Earned credit for reacting *early*, keeping shelves filled during the crisis.

Mid January – internal discussions, communicate w/ suppliers worldwide, retailers in China

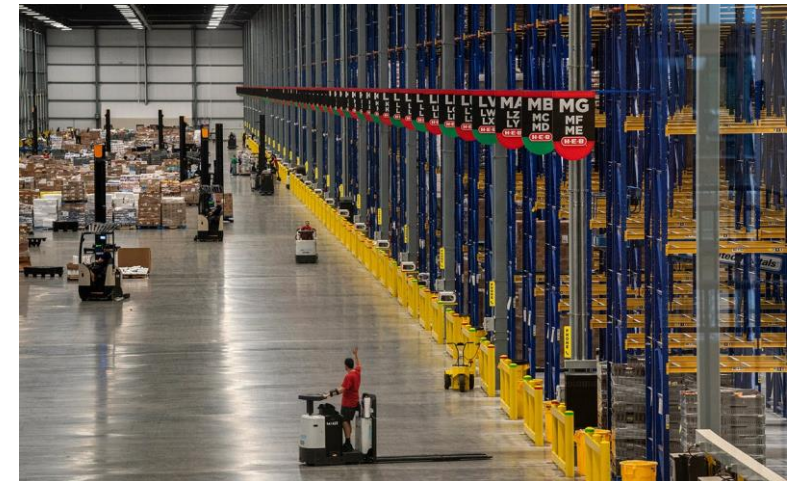
February 2 – review of influenza plan, trying to learn from Wuhan, simulation exercises applied to Houston

March 5 – Emergency Operations Center activated

March 15/16 – cut opening hours to reshelve while shops are closed, closing of in-shop restaurants, increase wages

How?

- **Director of Emergency Preparedness**
- Influenza **contingency plan** created after H1N1 in China (2005), updated after local outbreak of swine flue (2009), Hurrican Harvey (2017).
- **Big data analytics** on consumer behavior & supply chain
- Prepare, motivate **employees** – provide support, ask for volunteers
- Activate **network partners** to fill gas in the supply chain or for new forms of distribution
- ...



Sources: [Texas Monthly](#); [Austin Business Journal](#)