

ISSUE BRIEF

## Robustness and Resilience

### Success after Covid19 will depend on strategic thinking

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There has never been, in the lives of most of us, any phenomenon to compare to the Covid19 pandemic. Nobody is still alive to tell us whether the pandemic will change global society as profoundly as the Second World War did, or whether it will pass away, like the Spanish flu, and see life return to a pre-pandemic normal once a vaccine is found or the disease dies out. The real answer is, of course, 'Yes to Both' (and for an analysis of that dilemma see the CogitoPraxis issue brief from April 2020, 'Don't Do It — Don't assume this crisis will "end" or that everything will change forever').

Yet there is already enough evidence to examine the forces of change in action. A [leading article](#) in *The Economist* on 'Winners and losers' from Covid19 introduces a remarkably complete [special report](#) on the world economy by [Henry Curr](#), that newspaper's economics editor, in which he assesses the opportunity and the danger arising from the Covid19 pandemic, from the standpoints of international trade, labour markets, interest rates and the role of government, with side features on market concentration and emerging economies.

#### ***Societal resilience provides little insight on who wins or loses, and why***

Some societies have fared much better than others, and raised questions about the efficacy of authoritarian versus liberal societal models. China's hard-line centralised autocracy seems to have been efficient, but the strongman tactics of Trump, Bolsonaro and even Putin have not. South Korea and Taiwan [have done brilliantly](#) through public information and testing, the United Arab Emirates initially controlled the pandemic well through technology and strict measures, Germany has succeeded best in Europe while Sweden and to some extent the Netherlands relied on citizen responsibility with considerable freedom of movement. The United Kingdom failed miserably compared to its continental European neighbours. The United States' response exposed all the flaws, and a few virtues, of the American way. No single model can claim to be the perfect solution.

#### ***Business success looks more predictable, but varies***

Among industry sectors, certain winners and losers do already stand out. Quite obviously, technology constitutes a big 'winner' sector as #WFH working from home has increased reliance on tech still further: the spectacular recovery of the tech-heavy [S&P500](#) during 2020 is evidence of that. Shares of Alphabet, the parent company of Google, Amazon, Apple, Facebook, Netflix and

Salesforce are near all-time highs at this writing, while Zoom, for obvious reasons, is nearly 'off the charts'.

Pharmaceutical companies, for equally plain reasons, have fared well, though not all of them equally. The share prices of those in the lead of vaccine or treatment research such as Johnson & Johnson, Sanofi, Regeneron and Roche are, for the moment, near their historic highs.

At the other end of the spectrum lie the 'losers' from Covid19, many of them sound companies but whose business model is under threat from the pandemic. This includes hotels, aircraft manufacturers (except for their cybersecurity and defence contractor segments), airlines, airports, travel and tourism generally, commercial property firms and many retailers.

Companies between these two extremes make an especially interesting subject. Some, such as in consumer goods—L'Oréal, Nestlé, Procter & Gamble, Unilever—are performing admirably on their existing business model. Luxury goods companies LVMH and Kering have recovered almost entirely to near their past highs, while Burberry and Richemont have not, or not yet. Manufacturing success is mixed—nothing new—with Covid19 effects felt differently across sectors and firms.

### ***Big problems for basic sectors***

More intriguing are those companies whose services or products are essential to the functioning of our world, but whose future prospects, whether from Covid19 or from other exogenous factors, or both combined, face massive strategic upheavals in their business models. The insurance industry, for example, is beset with transformations which are fundamental to business success (see CogitoPraxis issue brief 'Challenges to the Insurance Industry'); banks are caught in the deliberately tight noose of regulations inherited from the 2008 financial crisis; both are on the back foot in the race with fintech pioneers such as Ant in China or Lemonade in the US and Europe. Fossil-fuel based energy companies—especially big oil—are simply essential in the transition to a zero-carbon economy, but have fallen badly out of fashion.

### ***Robustness and resilience will require thought leadership***

What binds all these examples together are notions which *The Economist* cites in its special report: 'robustness (the ability to keep working through a crisis)' and 'resilience (the ability to bounce back from one)'. The only way to achieve those, whether as societies, industries or companies, is through strategic foresight (see CogitoPraxis issue brief 'Strategic Foresight and Fragmentation').

As time passes and we gain perspective to assess the Covid19 crisis, two truths will stand out: first, the longer the pandemic lasts, the greater will be the lasting changes to behaviours; second and above all, once the pandemic is past—even before it is past—the true winners will be those who have thought through the implications and constructed scenarios for the future, not those who have principally reacted to events. Thought leadership, for companies and for countries, requires thinking globally and strategically. Those who can demonstrate global strategic leadership—a more sophisticated, nuanced, scientific form of thought leadership—will be the winners.