



BY DEBORAH TARRANT

Massive upheaval from the COVID-19 pandemic plus the biggest economic decline since the Great Depression will leave the world inexorably changed.

Beyond the immediate health crisis, the upheaval caused by COVID-19 has led to sudden and dramatic change across societies. A crisis of this scale will have a lasting impact. As we have seen in the past, temporary measures have a way of becoming permanent. The way we work, where we work, the role of government in the economy and the forces of globalisation have all been upended.

Governments are by necessity rapidly becoming more involved with their citizens, and some are experimenting with more radical approaches. The City of Amsterdam is one example. It is working to adapt the Oxford University Environmental Change Institute's "doughnut" economics model, which is based on UN sustainable development goals.

Anti-globalisation was already gathering momentum before the pandemic, with Brexit a classic example. COVID-19 may have dealt it a mortal blow, with its sealed borders and societal lockdowns. There are calls for national self-sufficiency, shorter supply chains and onshore manufacturing. The demands to protect national economies by focusing inward are rising in volume in many countries, significantly in the US. The Israeli historian and best-selling author Noah Yuval Harari has weighed up the choice between nationalist isolation and global solidarity, and argues strongly for the latter.

As Bill Gates noted in *The Economist* recently, when historians write the book on the COVID-19 pandemic, what we've lived through so far will probably take up only the first third or so. "The bulk of the story will be what happens next," said Gates.

36%

of Australian senior executives say they are extensively implementing AI-related technologies to reimagine their business and/or operating models.

Source: Genpact AI 360 study

1

Federation gets its act together

Reforms to Australia's governance process jumped ahead in March when a national cabinet of federal, state and territory leaders was convened to address COVID-19 and its economic consequences in near-real time. All involved acknowledge the effectiveness of this emergency governing body, with the Prime Minister, who bolted it on as a subcommittee of the regular cabinet, floating the notion that it's a workable model for the future.

This may be the start of a revolution in our country's governance practices, observes Glenn Barnes FAICD, joint chair of Australian Citizens for Democratic Renewal and a former Ansell chair. The pandemic, and to a lesser extent the bushfire crisis, forced most Australian politicians to put aside political power games and ideological differences to seek "common-good" solutions.

"In doing so, there has been less grandstanding and parochial posturing – and more listening, seeking of fact, constructive dialogue and coordinated action," he says. "Our federal and state leaders, meeting regularly as a National Cabinet to... seek constructive and strategic solutions to issues that would benefit from a common policy approach, such as revenue raising, energy, water, education, health and transport, makes sense."

However, it should be kept free of the bidding and strain of project grants and revenue-sharing that typically comes with Council of Australian Governments meetings, which Barnes believes should be held separately. "The concept of separating strategy and policy reviews from the strains of operational planning and budgeting is something business has used successfully for decades," he says, noting formal changes to Australia's federal governmental processes will be needed. "I have real concerns the lessons and benefits seen during the lockdown period won't last, as politicians re-embrace the varied wishes of their constituencies, their ideologies and the need to garner enough votes to gain and hold power."

Barnes says a sustainable approach to locking in the lessons of the crisis will require a review, public dialogue and constitutional reframing of the role and funding of the three layers of Australian government.

2

The public service won't look the same

There will be greater collaboration and cross-cutting of objectives in state and commonwealth public services post-crisis, predicts Rory Gallagher, Asia-Pacific managing director of the Behavioural Insights Team, which works closely with governments across the world. As the COVID-19 crisis unfolded in the UK, the team (aka the Nudge Unit) helped design effective messaging around community hygiene. Controversially, it was also reported to have been involved in the UK government's initial "herd immunity" strategy.

In Australia, bureaucratic silos already have been torn down, says Gallagher. A trailblazer is the Victorian public service, which has pivoted its structure around tackling coronavirus. In early April, Victorian Department of Premier and Cabinet secretary Chris Eccles AO announced a "significant reorientation of the public service" with eight new core missions to manage the health, economic and social issues that had been raised by the pandemic.

It's a radical example of how policy, operations and service delivery can be applied in future, says Gallagher. "What makes sense from a traditional structural bureaucracy viewpoint will be so bent out of shape by the end of the crisis, it will be difficult to put back into silos," he says.

Tackling a crisis like COVID-19 is impossible through a single department, Gallagher points out – and collaboration is imperative.

"All-encompassing social distancing laws and remote working, for example, involve everything from the health department to policing, business and industry," he says.

"In terms of creating common KPIs and rapidly assembled groups of people making decisions quickly and agilely, those ways of operating have broader lessons for how we can tackle challenges such as climate change or the ageing population. We have found often everyone thinks it's a good idea to pool budgets and to try to get people behind these multi-sector, cross-department challenges – but then it hits the buffer of departmental structures. Now, by necessity, they have been broken down, providing lessons for a rethink."

3

Digitisation delivers

Even digitally resistant customers migrated online with the lockdown. Online media consumption spiked across all demographics. Digital delivery channels were the only option in many sectors, and this trend is expected to stick. Companies across the country now do business digitally and governance via videoconference.

To enable social distancing, the Australian Securities and Investments Commission (ASIC) acknowledged – by taking a no action position – that AGMs would need to go digital for a limited time. Australasian Investor Relations Association CEO Ian Matheson FAICD welcomed the announcement, calling for legislation to make virtual meetings permanent. He notes online-only meetings considerably cut overheads for companies. Holding them back have been the risk of tech glitches, concerns about fairness of process for shareholders and the *Corporations Act 2001* (Cth), which Matheson hopes may finally be amended to meet the 21st-century imperative for electronic communications when the pandemic crisis is over. Many companies' constitutions also need tweaking to allow for virtual AGMs.

In April-May, many December financial year-end companies seized the opportunity to hold a meeting within the obligatory five months. ASIC also approved AGMs being deferred to a later date.

4

New ways of working

In most sectors, workplaces transformed almost instantly to working from home. The trajectory for remote working is anticipated to sharply trend up globally post-lockdown. A worldwide survey of 229 human resources leaders by research and advisory firm Gartner found 41 per cent of employees are likely to work remotely at least some of the time, up from 30 per cent before the pandemic. (See story, p38.) For organisations with an anxious eye

on costs, one powerful persuader to continue is the reduction of commercial rents due to dwindling need for office space in the longer term.

Shaun McCarthy MAICD, chair of Human Synergistics Australia and NZ, notes concerns over employee engagement. While a mixed model of remote/onsite employees inevitably will endure, McCarthy warns organisations must get better, fast, at managing distributed workforces. "There is considerably less collaboration in a distributed workforce than in a semi-centralised one," he says.

"Technology is definitely an enabler, but it comes at a human price in terms of interaction and capabilities. Organisations will have to compensate for that. Remote teams put an awful lot of pressure on the leader to manage the interpersonal discussion and styles within the group to increase the probability of a good decision."

The WHS aspect of this change also presents challenges. "Directors are individually and legally responsible for making sure a workplace is a safe operating environment," says McCarthy. "When you have 1000 or 10,000 employees working from home, you'll need an army to check on this."

5

Climate change risk awareness

COVID-19 has raised awareness of the dangers of tail risks, including those associated with climate change. The pandemic has brought home that societies need to prepare for foreseeable risks that may not be immediately salient. Consumer preferences may also change post-crisis with heightened consciousness of health and ESG issues.

The immediate impact of the shutdown on greenhouse emissions has been dramatic, but temporary. The International Energy Agency's *Global Energy Review* says global CO2 emissions are expected to decline by eight per cent, the largest year-on-year decline, but adds, "As after previous crises, the rebound in emissions may be larger than the decline, unless the wave of investment to restart the economy is dedicated to cleaner and more resilient energy infrastructure".

With a health emergency curtailing so many activities, the revelation of what happens when large sections of the industrial world stop has been



jaw-dropping. People who live 200km away from the Himalayas are seeing the mountains for the first time in their lives as air pollution has cleared. Many countries report wildlife returning to empty urban streets and cleaner waterways.

In *Addressing Climate Change in a Post Pandemic World*, McKinsey says, "Not only does climate action remain critical over the next decade, but investments in climate-resilient infrastructure and the transition to a lower-carbon future can drive significant near-term job creation while increasing economic and environmental resiliency. With near-zero interest rates for the foreseeable future, there is no better time than the present for such investments."

6

Changing patterns of trust

Our patterns of trust have changed during the lockdown. The 2020 Edelman Trust Barometer spring update, released in May, shows government trust surged 11 points to an all-time high of 65 per cent, making it the most trusted institution for the first time in 20 years. However, there was only a four-point increase in trust in business.

A new COVID-19 report by McKinsey also shows trust in the future is very uncertain. About 65 per cent of consumers are very/extremely concerned about the Australian economy and 60 per cent strongly concerned about not knowing how long the pandemic will last. Fifty per cent reveal major concerns about their safety and 40 per cent reported reduced household income.

Australians trust health service providers (up

Mountain goats roam empty streets in the seaside town of Llandudno, Wales

25 per cent) and supermarket chains (up 18 per cent), as well as government (up 17 per cent), more now than before the pandemic, according to a survey by Boston Consulting Group. Its April 2020 *Consumer Sentiment* study also reveals 84 per cent of Australian consumers believe there will be an economic recession following COVID-19. Only 40 per cent feel financially insecure at this stage. Around 47 per cent of surveyed consumers are abandoning luxury products and 64 per cent say daily essentials and basic and simple products will do. BCG managing director and partner Monica Wegner says creating and maintaining consumer trust should be a key focus for organisations to ensure they maintain their relationship with customers into the future.

7

Global concerns

With a vaccine expected to be at least 18 months away, there's growing consensus the virus will need to be managed on an ongoing basis. There have been second waves in Singapore and South Korea, despite mass testing. China, which suffered a seven per cent hit to its GDP in the first quarter, has reopened for business, but recovery is patchy as new cases are reported.

In the US, where more than 90,000 people have died as of mid-May, bankruptcy courts are swamped, threatening recovery. Federal Reserve chair Jerome Powell warns recovery will be slow. Unemployment looks set to spike to 20 per cent by June and negative effects of COVID-19 are being borne more heavily by lower-income households.

The European Commission recommends phased reopening of borders, starting with EU countries with similar risk profiles. The UK government hopes the housing market will kickstart the economy, but the Bank of England projects a GDP contraction of 14 per cent on an annual basis and a 25 per cent fall for Q2. The Baltic states of Estonia, Lithuania and Latvia reopened their borders to each other from 15 May.

In Australia, global uncertainty casts a mood of conservatism over a return to normal, with phase three restrictions unlikely to lift before July. Some Australian businesses reopened in mid-May, but overseas travel may not resume until 2023, with the possible exception of travel to New Zealand.