



The next normal business perspectives

IAAF Think Tank and Survey

October 2020



EXECUTIVE SUMMARY

COVID-19, a catalyst for business transformation?

COVID-19 is considered as an unprecedented crisis having a huge impact on businesses, where **“all sectors are affected and not all will die”**. In this context, the INSEAD Alumni Association France created a task force to reflect on the **business perspectives for the post-Covid “next normal” period**. To that end, a survey was sent to France-based alumni and initial reflection followed up by **a series of webinars entitled “INSEAD Essentials”, October, 2020 – January 2021**.

When hit by the crisis, most managers reacted quickly by putting in place **appropriate crisis management measures and using scenario planning techniques** to manage uncertainty. This was done with a particular concern on preserving the health of employees. The pandemic **initially triggered an extraordinary sense of solidarity and caring** within companies. The well being of staff became paramount for senior managers, some of whom went as far as to contribute part of their salaries to welfare initiatives. But **this sense of new-found solidarity has not uniformly survived** within all companies as the hard realities of needing to deal with the bottom line has tempered the enthusiasm of being more responsive to the conditions of employees.

When presented with three possible scenarios, most respondents have projected themselves into **the median: “Living on the Knife Edge” scenario**. This scenario is deemed the more likely to occur, followed by the more optimistic “New Green Deal” and finally the darker “Great Recession” scenarios. The medium scenario integrates positive external factors such as the **acceleration of digital transformation of companies, a rising awareness towards environmental and sustainability matters**. Of note however is that all three scenarios were deemed by respondents as credible, reflecting the high level of uncertainty that exists regarding the future. The persistence of the pandemic represents **real risks, with rising unemployment and growing inequalities** potentially being major causes of instability.

In practical terms, the crisis was viewed as **a catalyst for transformation**. The response to the pandemic has led to a number of fundamental changes in the way companies operate:

- The pandemic provided an opportunity **to accelerate digital transformation and remote working practice**.
- The need to adapt or reinvent the existing **offering of products and services**, business models, go-to-market and organizational structure is considered as a top priority by most companies.
- Some companies have also started **adapting their portfolio of activities** in line with the asymmetrical impact of this crisis on different sectors.
- **Changes in geographic footprint and adaptation of supply chain** are also part of priorities for some companies.

Addressing the challenges and preparing for the next normal will require at personal and personnel levels **the development of new management skills to build resilience** for self and others and to **influence for a better world in business**:

- In a context of decision making under uncertainty, new techniques for “scenario planning” are being used to address the black swan phenomenon of this world, within the framework of a more “holistic view”.
- Collaborative behaviour is favoured to invigorate and engage people and avoid massive despondency.
- Creativity and innovation are being encouraged to develop new business models, new products and services.

It is hoped that you will find what follows of value.

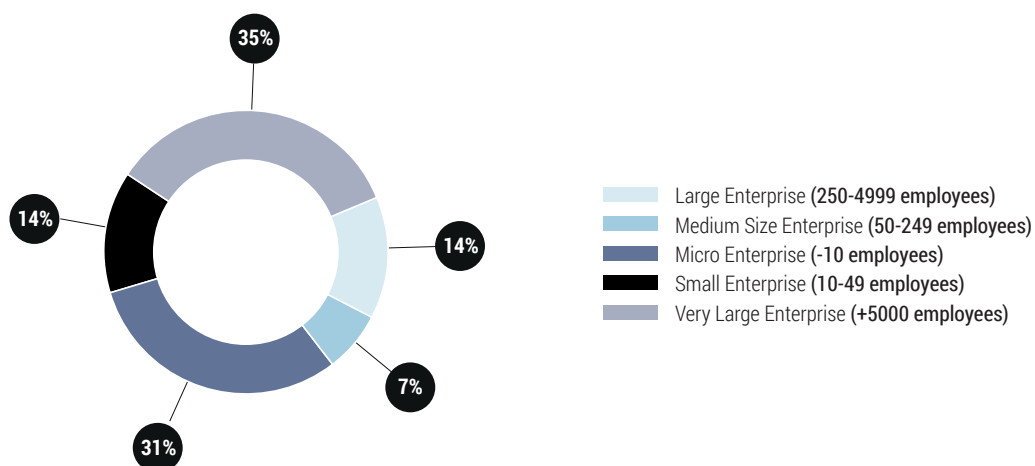


A DIVERSE SAMPLE TO COLLECT INSIGHTS FROM INSEAD ALUMNI ON THE MAIN IMPLICATIONS OF COVID-19 FOR BUSINESSES

COVID-19 not only brings challenges and unknowns. It has introduced new behaviours and ways of doing business that would have been previously unimaginable. How are these challenges being understood and planned for by managers? What are the major implications of COVID 19 for the business?

Inputs were collected from a sample of 132 engaged France based alumni between June and July 2020, reflecting the diversity of the INSEAD alumni community.

INDUSTRY SIZE



Industry	→	Executive	Non exec
Services	→	Executive	Non exec
Consulting	→	Executive	Non exec
Other	→	Executive	Non exec

1.

5 keywords emerge from the verbatims of the respondents:

- *Elisa Alabaster*

- Ying Wang

- *Mathieu Balleron*

- *Edouard Benroubi*

- *Olivier Assayaq*

- *Lilian Leroux*

Despite mixed feelings coming from the nature of this crisis, **the results painted a generally more upbeat and hopeful take on things.**



2.

Immediate responses to the crisis: a high level of reactivity



Many organisations have experienced a near-death experience. How leaders and people react in such crises, and work (or not) together will shape an organisation's culture for years to come.

Pr Charles Galunic, INSEAD



THE CRISIS HAS ACTED AS AN ACCELERATOR

Decisions that would have taken weeks/months in a normal context were taken within days, existing trends on digitalization were accelerated, and a new focus on business resilience has emerged.

A majority of respondents reacted with a high sense of urgency

- Setting-up crisis **management teams**.
- With high priority on **staff safety** and introducing partial unemployment plans when needed.

A second priority in the short term has covered **production and sales**: adapting field operations and production facilities, re-allocating resources, updating business continuity plans

Many other short-term actions were either undertaken or placed on the agenda, including **financial measures** (from treasury to cost cutting to pe-pricing), **adaptation of supply chains and offerings**.

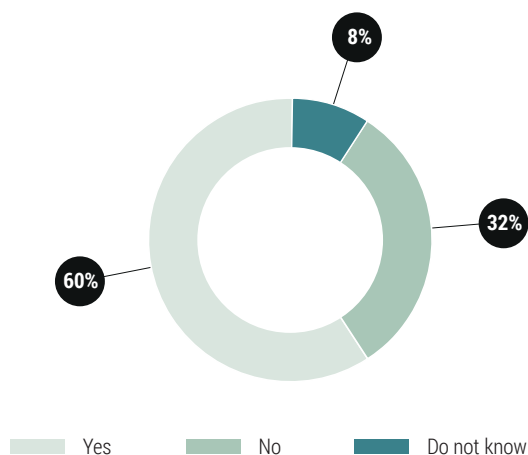
Interestingly, those actions not completely acted on by the beginning of the summer concerned

- **Securing remote working systems** – many companies have probably unwillingly increased their data security risk under the pressure of other priorities.
- **Adjusting sales and marketing models**, including the switch to on-line models.

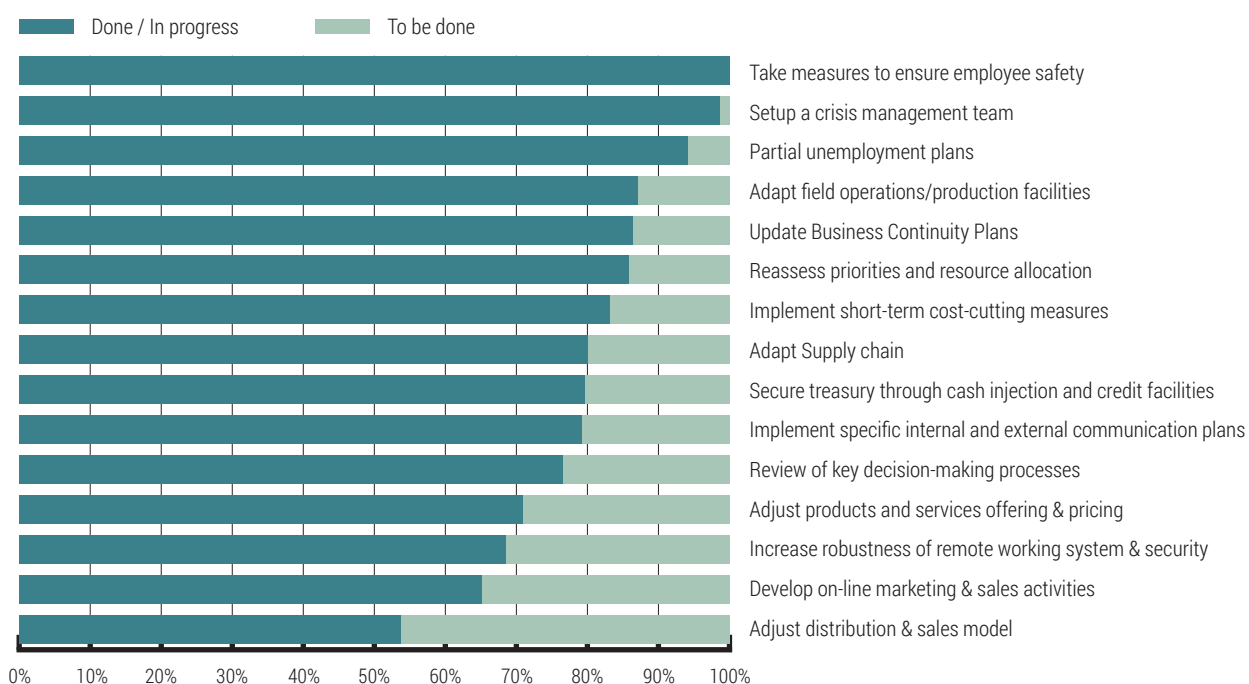
SCENARIO PLANNING WIDELY USED TO COPE WITH UNCERTAINTY

Longer term Future thinking and planning was undertaken by 60% of the companies surveyed and nearly 90% of the very large corporations.

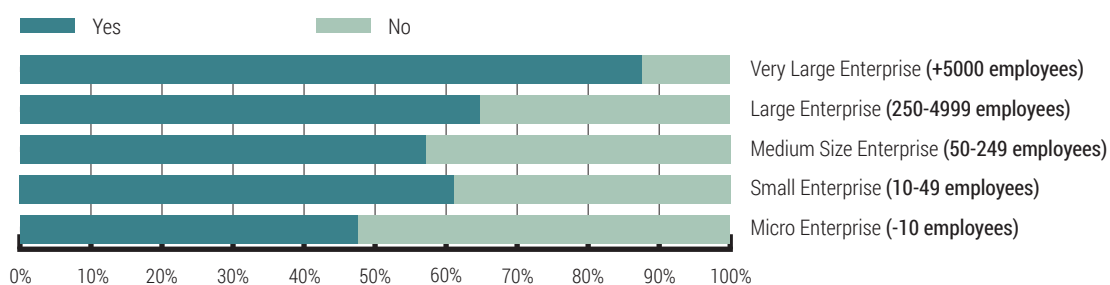
HAS YOUR COMPANY DONE SCENARIO PLANNING?



SHORT TERM ACTION



SCENARIO PLANNING BY INDUSTRY SIZE

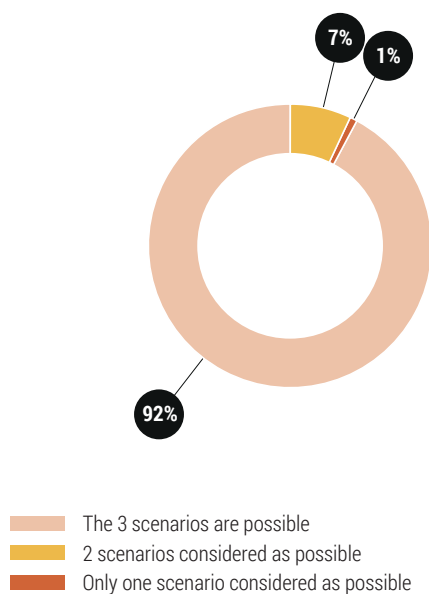


3.

Pondering levels of uncertainty for the future

POSSIBLE SCENARIOS

% of people judging 1, 2 ou 3 scenarios as possible



THE MEDIAN SCENARIO 'ON THE KNIFE EDGE' WAS CONSIDERED AS THE MOST LIKELY... FOLLOWED BY THE 'EUROPEAN GREEN NEW DEAL'

Three out of the four post-Covid scenarios for France at 12-18 months horizon developed by Futuribles International¹ were submitted to our respondents. The scenarios rank from positive (fast recovery and new green deal), to medium (still relatively severe), to a more severe one with a prognosis of a long depressed economy.

Most respondents (92%) consider that **all three scenarios were possible**, revealing the high level of uncertainty when considering the future over the next 12-18 months.

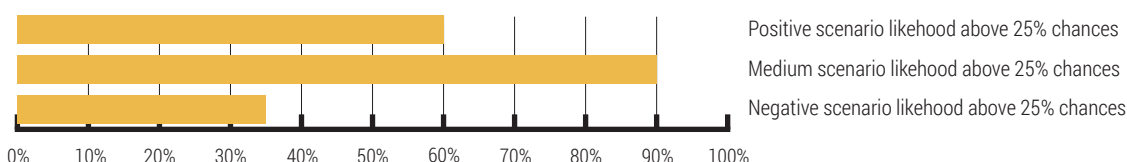
Asked to allocate 100 points to the 3 scenarios, **a majority of respondents consider 2 scenarios as highly credible**: 94% of the respondents attributed more than 25 points to 'On the Knife Edge' scenario and 60% to the 'European Green New Deal'.

Then consequently, 35% of respondents considered the most severe 'Great Depression' scenario as credible.

1 – <https://www.futuribles.com/fr/document/crise-du-covid-19-esquisse-de-scenarios-a-lhorizon>

LIKELY SCENARIOS

% respondents considering each scenario with 25% chances to occur or more





SCENARIO 1 EUROPEAN GREEN NEW DEAL

SANITARY SITUATION

- Lockdown measures eased 05-2020
- Vaccine is found in 2020
- Epidemic defeated by summer 2021

ECONOMY

- GDP2020 - 8%
- GDP2021 + 4,5% (Vs 2020)
- Unemployment 11,5% End of 2021
- Impacted Industries:
Tourism / Hospitality/ Air travel

FRANCE IN EUROPE

- France's economic recovery strengthened by a renewed international commitment
- A European Green New Deal emerges

SOCIETY

- A movement of solidarity emerges government targeted incentive measures keep social tensions at the minimum



SCENARIO 2 ON THE KNIFE EDGE

- Progressive and not uniform lifting of lockdown measures,
- Limited Mobility
- Epidemic contained but not defeated

- GDP2020 - 12%
- GDP2021 +5 to 8% (Vs 2020)
- Unemployment 12% End of 2021
- Impacted Industries: Tourism / Hospitality / Air travel / Culture
- Government stimulus measures on strategic sectors: Health / training / Agriculture

- Eurobond helps within EU
- However much of the structural support targets Euro Zone members
- The rest of the EU countries are fragilized

- Marked decoupling between active and inactive
- At time strong social tensions
- However stimulus measures contain social tensions



SCENARIO 3 THE GREAT DEPRESSION

- The virus, through mutations, remains difficult to contain
- Lockdown measures continue
The epidemic has not come to an end

- GDP2020 - 15%
- GDP2021 + 7% (Vs 2020)
- Unemployment 15 to 18% End of 2021
- Multi-activity & precarious jobs develop massively
- Tourism, hospitality, restaurants, construction, the arts are close to collapsing

- Closer coordination around the euro zone
- Some EU countries left on the side lines. Nationalism and exclusion in Europe*
- Gradually the crisis become also an international financial crisis

- Acute social tensions and movements
- The Government continues operating under exceptional measures
- Law and order is maintained through the repressive use of the police

4.

External factors have an asymmetrical impact on businesses

ACCELERATION OF THE DIGITIZATION, INCREASE IN ENVIRONMENTAL CONSCIOUSNESS, INCREASE IN INEQUALITY AND SOCIAL UNREST SEEN AS MAJOR IMPACTS ON BUSINESSES

Digitization, EU support (stimulus plan, monetary policy,...) and European Green New Deal are considered to have a **positive impact on business** overall, as well as increasing ecological and environmental consciousness.

The shock of the pandemic has also brought to the fore the nature of the **other vulnerabilities confronting society and the planet**. Among the positive consequence of this crisis is the support of the European Green Deal.

On the other the persistence of pandemic, **increase in inequality and poverty** and political and social unrest as well as potential fragmentation of UE are seen as major threats for the business.

Impoverishment linked to structural **inequalities of gender and race** have become more visible. Increase of inequality and poverty resulting from unemployment could have lasting negative consequences if left unaddressed.

Addressing these challenges and preparing for the next normal will **require reinvention** for both businesses and people.



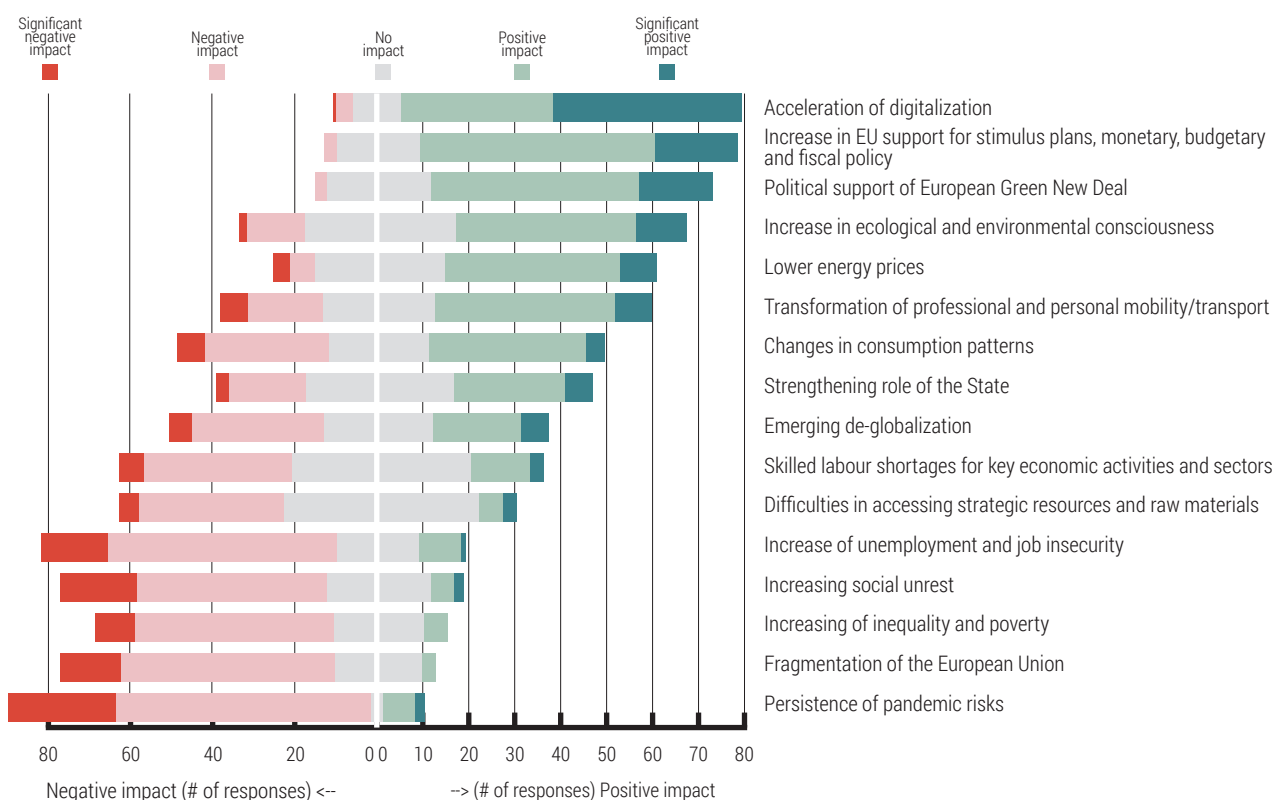


There is a danger that businesses and governments will not give top priority to solving current and future social, economic, political and ecological problems. There are solutions to address those problems, but they have yet to be planned and implemented.

Brian Mc Carron



IMPACT OF EXTERNAL FACTORS ON BUSINESS IN MEDIUM TERM



5.

Crisis as a catalyst of transformation: disrupt or be disrupted

REINVENT YOUR BUSINESS WITHOUT SHYING AWAY FROM POSSIBLE NEW REALITIES

The response to the pandemic has led to **a number of changes** in the way companies operate:

The pandemic provided an opportunity to **accelerate digital transformation** and **remote working practice**

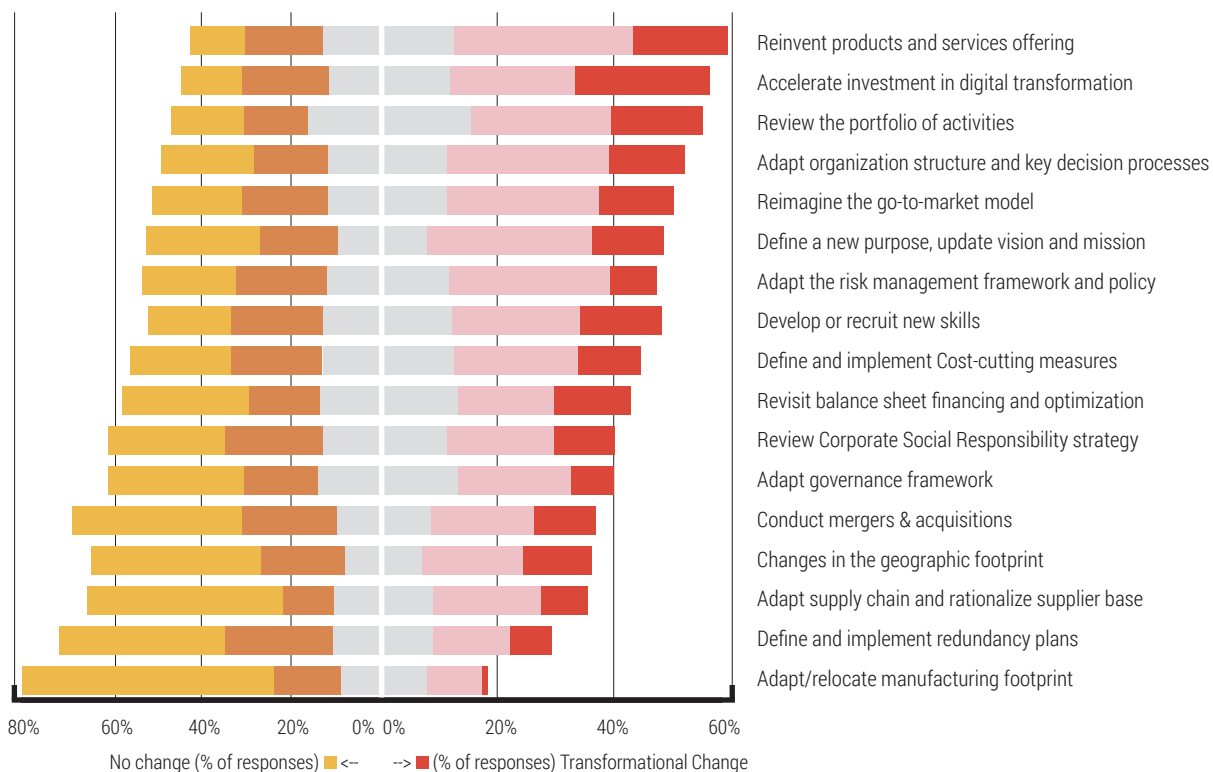
- The need to adapt or reinvent the existing **offering of products and services**, business models, go-to-market and organizational structure is considered as a top priority by most companies.
- Some companies have also started **adapting their portfolio of activities** in line with the asymmetrical impact of this crisis on different sectors.

- **Changes in geographic footprint** and **adaptation of supply chain** are also part of priorities of some companies.

These change initiatives want to **focus on the development side of the business** rather than purely on redundancy plans and cost-cutting measures. This should facilitate a more robust rebound on the midterm.

Relationships with customers is also at the heart of the transformation, with the **'why I am buying it'** and the **'how it is produced'** becoming more important than the 'what I am actually buying'.

MEDIUM TERM BUSINESS PRIORITIES



6. Future of Work



Collaborative spirit and care coexist with more cynical and political behaviour within companies. There are many moral and emotional struggles during times like this.

Pr Charles Galunic, INSEAD



The crisis as a catalyst for self transformation

DEVELOPING NEW BEHAVIOURS IS KEY TO ADDRESS POST COVID PERIOD

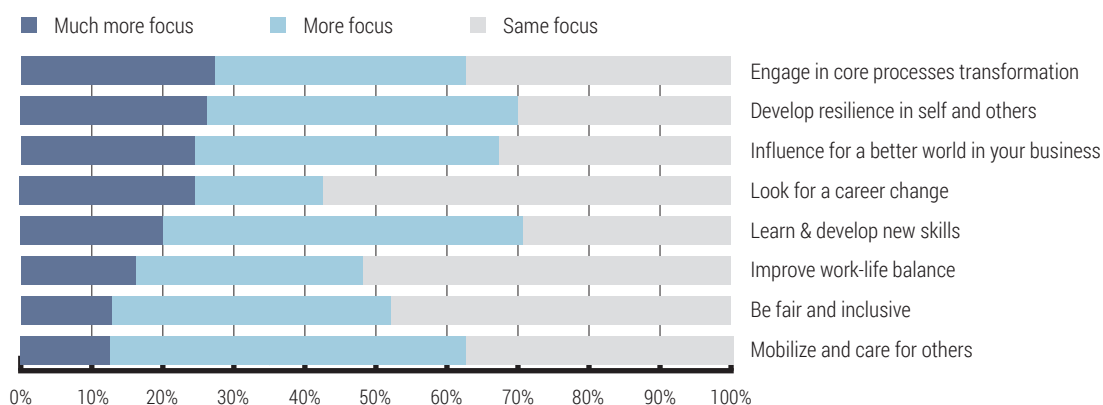
When asked to what extent they will place **focus on individual transformations** in their work, 69% of our sample say they will place much more focus on at least one of the options suggested in this question.

The Covid experience has been **a very strong trigger for self progression** and transformation.

The strongest intentions of change relate to :

- Engaging in core transformation processes
- Developing resilience on self and others
- Influencing for a better world in business
- Learning and developing new skills

INDIVIDUAL DEVELOPMENT PLANS in the next 12 to 18 months





More inclusive, collaborative,
non-judgmental, positive approaches.

Pr Charles Galunic, INSEAD

Creating an environment which ensures that each
colleague and each team gets all the chances to succeed.

Joseph Machiah



Also noticeable were **personal reflections** on **changes in profession**, living in places more in line with aspirations and returning to a more “natural” rhythm and humanity. It is worth noting that one **respondent out of 4 places much more focus on career change**. This could induce a high level of disruption in the business sphere in the short to medium term.

Young people (25-34) remain interested in all transformational journeys. The next grouping (35-49) tend to be more self-centered, interested in their quality of life, in learning new skills and in career change. The final grouping (50+), with presumably more leadership responsibilities are more interested in others, in caring and inclusive practices, and in influencing for a better world.

New soft skills required to embrace change

**SOFT MANAGEMENT SKILL REQUIRED
TO THINK FASTER, WIDER,
MORE CREATIVELY AND MORE
COLLECTIVELY**

Management skills required to be successful in the next normal:

- **Decision making under uncertainty** to address the black swans of this world and better manage catastrophic risks
- **Collaborative behaviour** to engage people and avoid a demobilization and sense of disaffection (“team-based leadership skills”)
- **Creativity and innovation** to develop new business models and new products and services
- **Holistic and systemic approach** to gain on resilience and consistency

Social responsibility is important and evaluated as critical by at least 50% of the sample – but less important than other management issues, which in term reinforces the risk of social action not being top of the pile in the months to come despite an acute concern for contributing to a greater world.

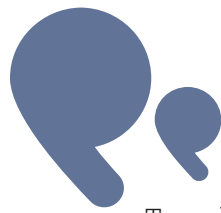
Finally, risk taking is not as critical in this period where **building resilience and securing businesses** are of greater concern.

Being able to better define the purpose

Karim Lamrid

and ethical decision making.

Manu Iyengar



Team based leadership for managers

Jocelyn Phelps

and personal resilience.

Pierre Barny de Romanet



Improve questioning. If we continue to ask the same questions, we'll have the same answers.

Marcel Bernadet

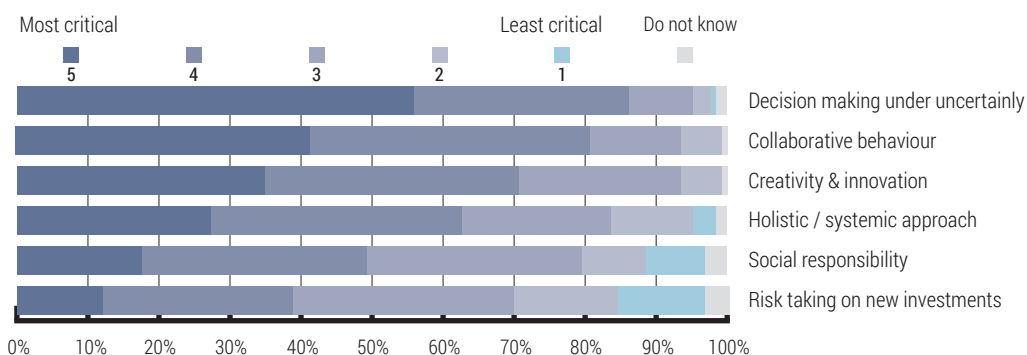


Ability to manage short term and operational issues as well as to take high-level medium-term perspective.

Patrick Giry-Deloison



IMPORTANT MANAGEMENT SKILLS in the next 12 to 18 months





Final Reflections and Conclusions

There is an overwhelming recognition that the pandemic has generated a movement of solidarity that has not been felt before. But **how serious is this new-found solidarity?** Already there are indications of certain companies prioritizing growth and profit, and in the process relegating the social and human dimensions of their activity to a second order of importance.

There are rapidly emerging trends towards deglobalization, which in turn has fuelled a rise in nationalism, with the re-emergence of protectionism and the re-imposition of tariffs as part of an **increasingly ruthless competition between countries.**

Governments have received or claimed exceptional powers from the legislative branch. The cost of restarting the economy will be enormous. A consultative democratic approach is essential to counter potential social troubles. **An event of this magnitude needs to make us reconsider the strength of our social contract.** Business leaders have a unique opportunity to weigh in, bringing their pragmatism and business learnings **to help the society at large.**

The ultimate challenge is **retaining the sense of solidarity that the pandemic initially created.** Doing so will be essential to deal with the management of the second wave of the pandemic. Maintaining this sense of solidarity within companies takes on more importance the further the confidence in government is eroded.

This will probably require the **emergence of a new kind of leader, more inclusive and “giving to” sustainability a top priority,** as well as a new way of working that we at INSEAD dub as **“the future of work”.** A new generation of business leaders must emerge out of this crisis. Their resilience, agility, as well as their creative, collective and systemic stances need to **become the hallmark of the “next normal”.**



Think Tank participants from all business horizons



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