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ORGANIZATION

Can businesses recover from the crisis?
Assessing scenarios, riding trends

LESLIE WILLCOCKS

NEW WORKING PARADIGMS

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DEAR READER,

Welcome to edition 52 of the Capco Institute Journal of Financial Transformation.

Transformation has been a constant theme in our industry for several decades, but the events of 2020 have accelerated change in employee working patterns, and in the very nature of the workplace itself. This Journal examines three key elements of these new working paradigms – leadership, workforce, and organization.

As we explore in this edition, a key part of any firm's transformation agenda centers around digital leadership and how to tackle the novel challenges created by changes within organizations and society. Leaders need advanced organizational skills to build teams that use digital technologies, as well as to inspire millennial workers who have grown up in a digitally transformed world. They also need deeper technology skills to lead, and a broader understanding of the ethical paradigms introduced by the challenges created through new technologies such as AI. These enhanced skillsets will help today's leaders and their teams fully realize the benefits of new working models.

The topics reviewed in this Journal offer flexibility for employees, increased agility for teams, and a combination of both for organizations. When supported by the right technology, these can create collaborative, outcome-driven environments. Through the resulting remote or hybrid models, organizations can transform their workforce and operations to boost productivity, cost effectiveness and employee engagement, while enhancing resilience and customer experiences.

As always, our contributors to this Capco Journal are distinguished, world-class thinkers. I am confident that you will find the quality of thinking in this latest edition to be a valuable source of information and strategic insight.

Thank you to all our contributors and thank you for reading.

Lance Levy, **Capco CEO**

CAN BUSINESSES RECOVER FROM THE CRISIS? ASSESSING SCENARIOS, RIDING TRENDS

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ABSTRACT

By 2020, five major long-term trends had been impacting international business. This article examines how the pandemic and related economic crises seriously disrupt these trends and will produce emergent, complex patterns. It then seeks ways forward. Establishing the point of departure, we look at public health and economic policy interventions and future scenarios. We assess the more likely global developments that businesses will need to prepare for. We suggest that the business challenge is to take into account six discernable emerging trends, and plan for and ride these as opportunities, rather than be overwhelmed by them.

1. INTRODUCTION: GLOBALIZATION TO 2020

By 2020 five major trends could be discerned in the global economy. The first long-term trend was the vast expansion in world output and cross-border trading. In 2018, world merchandise trade was U.S.$19.67 trillion, and commercial services U.S.$5.63 trillion, while world trade and gross domestic product (GDP) grew by 26 percent between 2008 and 2018. By the beginning of 2020, the value of world trade was 160 times larger than it was in 1960. Throughout most of the 2008 to 2020 period, so-called "developing" countries equalled or outperformed developed economies in trade and results.

The second major long-term trend was increasing foreign direct investment (FDI). The average yearly FDI outflow increased from U.S.$14 billion in 1970 to U.S.$1.45 trillion in 2016, when the global stock of FDI was about U.S.$27 trillion. Developing nations were increasingly important as destinations for, but also as exporters of, FDI. These trends reflect the internationalization of company operations.

The third trend in the years following the 2008/9 financial crisis was that multinationals were doing less well. In retrospect, multinationals had been overestimating the value of economies of scale, and, more recently, of arbitrage. Profits of the 700 largest multinational enterprises (MNEs) dropped by 25 percent between 2014 and 2019. Meanwhile, return on equity (RoE) fell from 18 percent in 2009 to 11 percent by 2019. RoE on foreign operations investments declined to between 4 and 8 percent across the OECD. Emerging country MNEs fared no better – worldwide RoE was 8 percent. The bright spot into 2021 was technology companies. One should also note that companies were reporting lower RoE in foreign markets than domestic ones. Even before the major disruption arising from the coronavirus pandemic, multinationals were needing to review strategies on the degree of globalization of markets and production, and the sources of competitive advantage.

Meanwhile, a fourth trend has been the continuously shifting political world order. Many former communist nations in Europe and Asia had become more committed to forms of democratic politics and market economies, hence creating new opportunities for international businesses. But there have been more recent signs of growing unrest and authoritarian tendencies in some countries, for example, Russia, Turkey, and Poland. China and Latin America had also been moving toward greater market reforms. Over the years, several Latin American countries have increased their attractiveness as markets for exports and as targets for FDI – for example Brazil, Chile, and Mexico. Will this continue? China, for example, has moved to greater state control since 2012.

A fifth recent trend has been towards deglobalization. During the 2010-20 period, there were indications of the long-term trend towards vertical and horizontal globalization being reversed. The global firm has most recently been in retreat. Some signs: by 2016, multinational cross-border investment had fallen by 10-15 percent, Western firms' percentage of sales outside their home regions has shrunk, multinational profits have been falling, as has new investment relative to GDP. The pace of economic integration has also slowed between 2015 and 2020.

The summary from an international business perspective is that trade stopped getting cheaper, and straddling the world became less profitable. While services were growing in many economies, companies found them harder to export than products (only 7 percent of world GDP is service exports). Meanwhile, "emerging" economies were becoming more self reliant, economic activity became more regional, while protectionism, tariffs and counterattacks against global intruders became more frequent. At the big picture level, the center of gravity for international business has been shifting east and south, with 18 countries there recording 5 percent plus annual growth over the last 20 years. The role for high growth "developing" economies has been expanding, as has the amount of South-South and China-South trade.

Following on from this, the 2020 pandemic has been highly disruptive, and will create new winners and losers, and new globalization and deglobalization trends. Let us, then, look at the pressing questions: how have these trends been disrupted by the pandemic and economic crises, how far will the trends change again, what will emerge, and what actions can businesses take in the new environment?

2. COMING TO TERMS WITH THE CRISIS

The five major trends were indeed highly disrupted by events during 2020. Expansion in world output and trade came to a grinding halt. FDI was put on pause, though many businesses anticipated opportunities in the event of an economic recovery. Multinationals continued to do less well, but some were more likely inheritors of the future than others. The political order continued to be dynamic and shifting, with the economic slump and health crisis creating both political tensions and increased need to cooperate internationally. Deglobalization and protectionism played powerfully into these shifts as potential salves and ways forward in a dynamic, interconnected, and uncertain world. Let us look at such developments in more detail.

By May 2020, The World Health Organization (WHO) had recorded globally over two million cases of coronavirus, and 150,000 related deaths. New cases were coming in at around 85,000, and deaths 6,500 per day. This was likely a substantial underestimate due, for various reasons, to under-reporting. The impacts were unevenly distributed across 212 countries, but major economies, and so the global economy, were largely on semi-pause, and this was likely to continue for some time. Some suggested at this time that it could take most economies more than two years, i.e., until 2023, to recover. In numbers, the most disproportionately affected (in size order) were U.S., Spain, Italy, Germany, U.K., France, China, Iran, and Turkey, but no country was left untouched due to the integratedness of the global economy. By 12 August 2020, the WHO reported over 20 million cases and over 737,000 deaths worldwide, with North and South America, (particularly the U.S. and Brazil) experiencing half of these. The virus was seriously impacting many more countries, while second spikes, often more localized, were occurring in the countries first affected by the virus.

3. THE GLOBAL ECONOMY TAKES A BIG HIT

According to the World Trade Organization (WTO; trade forecast press conference, April 9, 2020), world merchandise trade was set to plummet by between 13 percent and 32 percent in 2020 due to the COVID-19 pandemic. On a relatively optimistic scenario, a sharp drop in trade would be followed by a recovery starting in the second half of 2020. A more pessimistic scenario would see a steeper initial decline and a more prolonged and incomplete recovery. A 2021 recovery in trade was expected, but depended on the duration of the outbreak and the effectiveness of the policy responses (see below). Nearly all regions would suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest. Trade would fall steeper in sectors with complex value chains, particularly electronics and automotive products. Merchandise trade volume had already fallen by 0.1 percent in 2019, weighed down by trade tensions and slowing economic growth. The dollar value of world merchandise exports in 2019 had fallen by 3 percent to U.S.$18.89 trillion. The value of commercial services exports actually rose 2 percent to U.S.$6.03 trillion in 2019. But services trade may be the component of world trade most directly affected by COVID-19, through the imposition of transport, social distancing, and travel restrictions, and the closure of many retail, recreational, travel, tourist, and hospitality establishments. Unlike goods, there are no inventories of services to be drawn down now and restocked at a later stage. Consequently, decline in services trade during the pandemic may be lost forever. Services are also interconnected, with air transport enabling an ecosystem of cultural, sporting, and recreational activities. However, some services were benefiting from the crisis; for example, home delivery services, and, most noticeably, information technology services, as companies enabled their employees to work from home, and people socialized remotely.

In its April 2020 World Economic Outlook,[1] the International Monetary Fund (IMF) projected global growth in 2020 to fall to -3 percent. This represented a downgrade of 6.3 percentage points from January 2020, a major revision over a very short period. Advanced economies would be hardest hit, with negative growth at -6.1 percent. Emerging market and developing economies would have negative growth rates of -1.1 percent (-2.2 percent if China is excluded). But a note here. Emerging market and developing economies faced additional challenges with unprecedented reversals in capital flows if global risk appetite declined, currency pressures, weaker health systems, and more limited fiscal space to provide support. Moreover, several economies entered the crisis in a vulnerable state already, with sluggish growth and high debt levels.

All this would make the 2020 pandemic crisis the worst recession since the Great Depression from 1929 to the late 1930s, and far worse than the global financial crisis, which experienced a -1 percent reduction in economic growth in 2009, though its impact stretched for a long period. For example, following the 2009 crisis merchandise exports never returned to their previous levels.

However, assuming the pandemic faded in the second half of 2020 and that policy actions around the world were effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, the IMF projected global growth in 2021 to rebound to 5.8 percent. This recovery in 2021 would be only partial as the level of economic activity would remain below the level the IMF had projected for 2021, before the virus hit. The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around U.S.$9 trillion.

The WTO and IMF projections were, of course, possible scenarios, the main assumption being a V shaped economic recovery from late 2020 through 2021, at different rates for different economies. But given the high uncertainty around the duration and intensity of the health crisis, the pandemic could lead to longer durations of containment, worsening financial conditions, and further breakdowns of global supply chains. In such cases, global GDP would fall even further. This would be more of a U-shaped recovery. The IMF suggested an additional 3 percent fall in 2020, while, if the pandemic continued into 2021, an additional 8 percent decline from the +5.5 percent growth projection. Most research groups at this time were not contemplating the most pessimistic scenario of an L-shaped depression, i.e., a dramatic fall, with no recovery for several years.

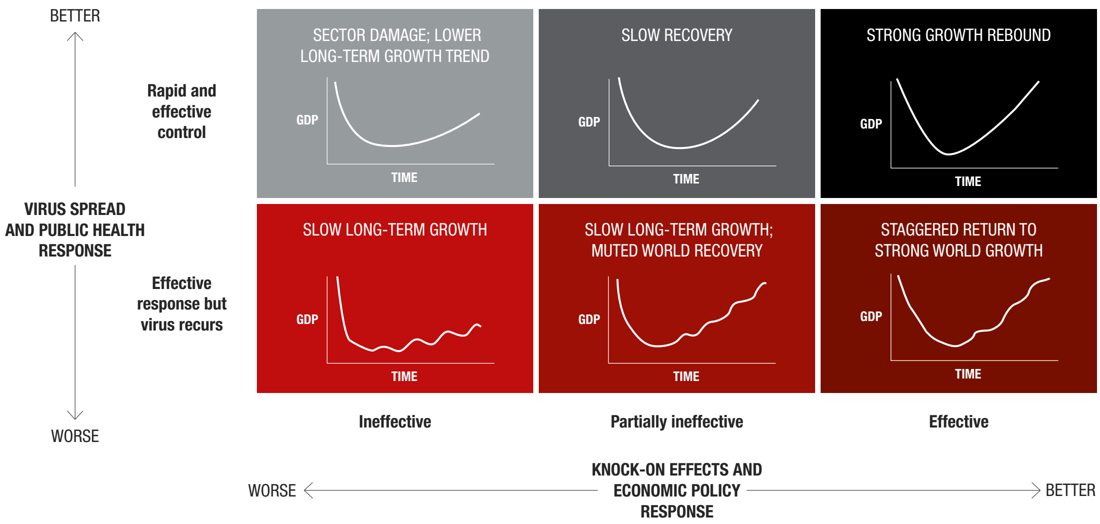
By August 2020, projections were becoming less optimistic, and suggesting long-term disruption before recovering to 2019 trade levels. For example, the U.K. Treasury forecast a central scenario fall of 12.4 percent in GDP in 2020, with the U.K. only reaching the pre-virus GDP peak by the end of 2022. According to the Organization for Economic Cooperation and Development (OECD), Germany's decline in national income (GDP) would be 6.6 percent in 2020, while Spain's GDP would fall by 11.1 percent, Italy's by 11.3 percent, and France's by 11.4 percent. By this time, the OECD was seeing little evidence for a V-shaped recovery for the global economy, citing the long-lasting effects of the pandemic. Meanwhile, as early as May 2020, The Economist was projecting the rise of the "90 percent economy", possibly lasting several years, with some countries and sectors more adversely affected than others.

4. BUSINESS CONTEXT: DISRUPTION AND NEW SCENARIOS

The above is a compelling endorsement of using environmental analysis on a frequent basis in contemporary business environments. But it also suggests changes of emphasis are needed. A common, useful analytical device is the PESTEL framework (political, economic, social/cultural, technological, environmental, legal). Clearly, "social factors" included accelerated moves to home and remote working, and potentially long-term shifting attitudes and preferences amongst consumers and workforces. On the "political, economic, and legal" fronts, we were seeing, during 2020, massive government intervention in the conduct of business. This was contrary to globalization's main direction of travel. Politically and legally, governments took on more command and control functions. Economically, governments moved to support faltering economies and businesses. Among the enormous relief programs to sustain companies and citizens during the lockdowns, the largest was the U.S. stimulus, valued at more than U.S.$2 trillion. Meanwhile, the European

[1] https://bit.ly/2PRH0nR

Figure 1: International business context: scenarios



Adapted from Hirt et al. (2020)

Central Bank (ECB) announced €870 billion in quantitative easing, and, to forestall a credit crunch, also forbade eurozone banks from paying dividends to investors or buying back shares until late 2020. The European Parliament released €37 billion to support small- and medium-size enterprises (SMEs) and the healthcare sector. By May 2020, the People's Bank of China had pumped the Chinese banks with more than 550 billion renminbi (around U.S.$78 billion) in liquidity. The U.S. Federal Reserve Board brought its policy rate near zero (0.00 to 0.25 percent) and announced U.S.$700 billion in quantitative easing.

But for international business, a pressing question arises for future environmental analyses: for how long, and how deeply will government command, control, and intervention persist? During 2020, all governments were building debt they would seek to repay, not least through taxation. Financial innovations that give power to the state may well be kept if they appear to reduce systemic risk. Interventions to preserve firms, industries, jobs, and worker incomes may well endure and become policy, not least to build national resilience in the face of any future crisis. State spending may become permanently higher. **If everyone is a Keynesian in a crisis, what if crises are expected to be more frequent, and impactful?**

If government interventions made previous PESTEL analyses outdated, then global businesses now needed to factor in much more seriously than ever before "technological" factors [Willcocks (2021)]. Technology has proved not only very supportive in business terms during the crisis, but technology and hi-tech companies were probably going to be among the inheritors of the future, following the pandemic. Many businesses were likely to accelerate their digital transformation and adoption of emerging technologies (e.g., internet of things, augmented reality, AI, blockchain), in order to build resilience against future unpredictable risk, and also to recover economic performance by becoming more cost efficient, while driving revenues and competitiveness.

Even more surprising to many has been the new centrality of "environmental" factors. In particular, how one environmental factor – an epidemic – shaped the other PESTEL factors so dramatically and pervasively. Of course, there had been warnings. Climate change correlates with a number of natural disasters in the last 15 years. In 2019 alone there were 15 climate change related natural disasters, including wildfires, floods, rainstorms, cyclones, and typhoons, costing over U.S.$250 billion. The prognosis: such events will become more frequent. There have been pandemics, notably the 1997 'bird flu', the 2002/3 SARS, and the H1N1 'swine flu' in 2009, to the point that Goldin and Mariathasan (2016) suggested that the world had become so interdependent that another pandemic was long overdue. The interconnectedness can explain why a natural disaster such as the 2010 volcanic eruptions of Eyjafjallajökull in Iceland caused enormous disruption to air travel across western and northern Europe during April and May, affecting some 10 million travelers. Likewise, for human-made disasters, such as the 2011 Fukushima Daiichi nuclear plant disaster in Japan. Hopefully, these and the coronavirus experience will lead to a new business mindset about how interdependent the global economy is, and how, from now on, environmental risk needs high profile attention.

The 2020 pandemic and economic crises have also highlighted for international businesses the criticality of scenario planning. This involves creating a series of more, or less, likely futures from which to derive actions points and business strategy. The secret here is to select the most powerful parameters, and map them against one another. Governments play a central role during and after pandemics, and public policy becomes a key environmental factor for businesses to consider. For 2020, it was useful to map out scenarios that took into account the spread of the virus, public health responses, the knock-on effects, and economic policy interventions.

Figure 1, adapted from Hirt et al. (2020), shows six scenarios generated from this mapping. Within the more likely scenarios, we would choose four to focus on that, in our analysis, contain varying degrees of optimism:

- **Most optimistic:** there is rapid and effective control of virus spread, and no recurrence of the virus. Meanwhile, there is a strong policy response that prevents structural damage and allows return to pre-crisis fundamentals and momentum. This is a V-shaped recovery.
- **Moderately optimistic:** there is an effective public health response but the virus recurs. Despite this, the economic policy intervention is effective and there is a strong global economy rebound. This would be somewhere between a V- and U-shaped recovery.
- **Less optimistic:** the virus is effectively contained, but economic policy interventions are only partially offset economic damage. A banking crisis is avoided, but recovery levels are slower. This would be a U-shaped recovery.
- **Least optimistic:** the virus is effectively contained, then recurs. Meanwhile, economic policy interventions are only partially ineffective. This leads to a muted world recovery and slow long-term growth – a staggered U-shaped recovery.

Note that one factor we have not taken into account is if there was a broad failure in public health interventions. The original McKinsey study did indeed include the possibility of failed public health interventions, but discounted this as unlikely. By April 2020, there was evidence that while some public health interventions were being more effective than others, for example in Taiwan, Germany, South Korea, Japan, and China, there was (as yet) no broad failure simply because governments had no choice. However, by August 2020, with no vaccine yet forthcoming, it was clear that some countries were not handling the pandemic at all well (e.g., U.S., Brazil, and the U.K.) and this would be having even more adverse impacts on economic activity. This point is important because COVID-19 has some distinctive features that make scenario development particularly difficult. First, the virus is highly contagious. Second, symptoms take many days to be noticed. Third, it would take time to develop a vaccine or cure. This creates considerable uncertainty over both length and depth of the contagion, but also in how public health and government agencies can respond.

A further factor not accounted for in Figure 1 was if the pandemic spread into countries/cities with crowded, often poor neighborhoods ill-served by healthcare organizations. This subsequently happened in many countries not at first seriously hit by the virus (e.g., India, Iran, Mexico, and Russia). Given that some informed commentators positioned the pandemic as a likely disaster for developing nations [for example, Goldin and Muggah (2020)], this is a serious limitation in our illustrative example. However, the model does develop scenarios assuming that the virus could recur. The key to scenario planning is not to discount all possibilities, but primarily focus on those adjudged the most likely scenarios, useful to develop action plans for. What is interesting is how the Figure 1 likely scenarios developed in April 2020, look very different by the time one gets to August 2020.

The scenario mapping exercise should not ignore the further possibility that in some countries government "economic" policies might actually be ineffective. By August 2020, it was difficult to make the call as to which countries, if any, were handling economic interventions badly. However, this judgement call may well become easier to make by the end of 2020. The point: like McKinsey, one can generate several more worse case scenarios than Figure 1 accommodates. Welcome to the challenges of scenario planning. An international business would be wise to proceed by taking the four likeliest scenarios and building flexibility and resilience into future strategy and capabilities, sufficient to mitigate the risks if any scenario becomes real. Two other action pointers. One cannot rule out "black swans", that is, seemingly unlikely events that can have massive impact. Some describe the pandemic crisis as one such event, though there were many warnings. Secondly, as evidenced here, a business needs to revisit the scenarios frequently. **We live in an accelerating world, not just of fast presents, but of faster futures.**

5. NAVIGATING THE FUTURE

What emerges from the 2020 crisis? The pandemic and economic downturn saw trade, financial flows, and travel contract, but a single trend towards deglobalization was unlikely. In the longer term, the globalization trends would continue, while reflecting increasingly the growing role of Asia and China with their continued growth in incomes, and homing two-thirds of the world's population. Speculating, we will see an acceleration of the trend towards reshoring production and services to move businesses closer to their final markets. This will be helped by the deployment of automation and digital technologies. Capitalizing on the pandemic experience, managers will also become more digital in order to build resilience in systems, and deal with cost reduction pressures, while responding to customers expecting fast delivery of more customized products and services. There will be a shakeout across business sectors and countries. This will show up weak business models, poor financial positions, and managements who failed to build resilience and adaptiveness into their competitive positioning and operations. Also, during 2020 certain sectors were being hit more severely than others, notably travel, recreation, oil and gas, commercial aerospace, insurers, and (off-line) retail. Think American Airlines, event companies, the smaller oil companies, and Marks and Spencer. Thus, damage is likely to be unevenly distributed. In terms of general damage and the ability of businesses to recover, much depended on the length and depth of the downturn. By August 2020, predictions on economic recovery had become noticeably gloomier, despite the Russian announcement of a possible workable vaccine. It was clear how global the pandemic had become, how it could spike again despite counter-measures, and how inextricably linked the pandemic was with the workings of the global economy [Willcocks (2021)]. Just as a rising tide raises all boats, a receding (economic) tide can ground all too many. **Government support for struggling businesses will be strong everywhere, but cannot be limitless.**

Some firms will emerge from the 2020 general drop in sales and profits even stronger; many firms, where they survive, will be weaker. In the past three recessions, share prices of the top ten American firms in ten major sectors rose by an average of 6 percent, while those at the bottom fell by 44 percent. Some firms had the advantages of large size and strong financial position before 2020. Look at Apple with its U.S.$207 billion cash mountain, and Unilever, able to fund its suppliers during 2020. The Economist (2020) called such businesses "top dogs". Their analysis of over 800 European and American firms showed technology firms making up 48 of the top 100. Microsoft, Apple, Facebook, and Alphabet operate with big cash buffers. High demand for their products surged further during 2020. Cisco Systems, Nvidia, and Adobe were also in this top dog technology group. Another 24 were pharmaceutical and healthcare firms with spare cash and a captive market of people needing drugs. Think Roche, Novo Nordisk, and Johnson and Johnson.

> *"If everyone is a Keynesian in a crisis, what if crises are expected to be more frequent, and impactful?"*

There will also be winners and losers within sectors. As an indication, the technology sector saw Amazon add 100,000 workers to its U.S. workforce, while Softbank was announcing U.S.$41 billion in divestments to raise cash. In the energy sector, BP, ExxonMobil and Royal Dutch Shell vastly outperformed smaller firms, and were better positioned to ride out the 2020 downturn in global oil prices. In cosmetics, L'Oreal has done better than its US rival Coty. In plane manufacturing, Airbus had U.S.$32 billion in liquid funds in March 2020, just as Boeing thought of seeking a U.S. government bail-out. These differing performances reflects previous good results and management, built-in financial and organizational adaptiveness and resilience, prescient long-term planning mixed in with happening to be in the right place, in the right industry, at the right time. As in previous recoveries, the "winner" firms will be better placed to achieve, over time, greater market share and enduring advantage in their sectors. With better cash positions, higher profits, and lower cost of capital, they will be in a stronger position than rivals to make further investments, pursue mergers and acquisitions, restructure the business, and change strategic direction.

6. RIDING FUTURE TRENDS

The problem and reality for all organizations would be highly challenging: how to build an international business organization for the new (ab)normal, that was likely to be increasingly in the hands of governments, developments in China and Asia, and the relatively few large corporations who emerged well from the health and economic crisis. There would be opportunities. Government and populations would need to increasingly address climate change, energy and water supply, and healthcare. In business terms, these all provided the source of not just potential crises, but also were potential growth markets for new products and services. Additionally, management could harness, rather than resist, six major future trends that accelerated during the pandemic period. What are these?

- **Digital technologies and automation:** global businesses has had a crash course in the value of moving to digitalization. Technology may bring more opportunities to create value, while redefining work. However, technological adoption has been uneven across countries, sectors, and companies. There is a growing gulf between those who have embraced technological change and those that have not, which may place many companies, and even countries, at a growing disadvantage as the 2020s proceed.
- **Supply chain restructuring:** the crisis highlighted the need for greater risk mitigation and resilience. This will speed moving a critical mass of production/service closer to home, rethinking processes and suppliers, bigger safety buffers in inventory, and even greater automation.
- **Repatriation and less cross border investment:** this pushes further a pre-existing trend where better financial performance came from shrinking to regional or domestic markets.
- **Flexible labor models:** the pandemic experience will push core-periphery models even further, minimizing the number of, but privileging core workers, while automating more work, and increasing automated control over the part-time, temporary, and contracted workforces.
- **Resilience in the face of uncertainty over business environments and human-made and natural disasters:** while we expect this to be high on the agenda over 2021-22, past experience indicates growing complacency if no further widespread crisis, of whatever sort, occurs for a few years.
- **Greater focus on south and east Asia:** countries here may well recover earlier, contain two-thirds of the world's population, and were already rising to globalism. They will be in prime position to shape the new (ab)normal. Focus here will not just be on prospective markets and sourcing options. What can be learned from Asia is a key question for international businesses. This covers not just innovative uses of technology, but, for example, how retailing can be restructured, and how to mobilize resources fast and at scale. Marrying the learning and the opportunity with what is best for the business will be a key management task. Trade-offs will be necessary. For example, over-dependence on Chinese supply may be reduced by building resilience, and some repatriation of production.

7. CONCLUSION

Global business received a severe shock to the system in 2020, and this will pass into 2021 and beyond. It had received many economic shocks before, but few businesses saw this coming because they had not trained themselves to sufficiently factor environmental human-made and natural disasters into their long-term scanning and scenario planning. Several commentators, including Ian Goldin and Bill Gates, pointed out as early as 2015 that a pandemic was long overdue, and that the world's economies and their businesses were not ready.

We have seen how five major 2015-20 global business trends have been shifted by the pandemic and subsequent crisis. Some businesses will come to terms with the disruptions in different ways. But many businesses will not. And many who survive the crisis might not emerge in such good shape to compete with others who were building themselves more resilient business models even before the pandemic hit. The crisis produced six likely future trends that international business need to ride and seize opportunities from: technology deployment, resilience, restructured supply chains, less foreign investment, greater focus on home markets, but also a greater focus on events and markets in south and east Asia.

This crisis points to the requirement for better forward planning, greater built-in resilience, and **the need for a new set of assumptions for managing what I have been calling the new (ab)normal.** Interconnectedness has turned into a complex interdependence. This has created uncertainty and systemic risk. The pandemic will provide all too many lessons, but the biggest and clearest for businesses, nations, and supra-national bodies alike is: **systemic risk requires systemic thinking, to shape systemic responses.**

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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