Brighton NEWSLETTER

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Editor's Note

With new waves of COVID-19 infections hitting countries across the world, we are left to wonder what post-pandemic life will look like and how countries will find its way back to normality - whatever shape and form this normality may take.

One thing for sure…the world after COVID-19 is unlikely to return to the world that was. Many trends that were already underway in the economy before the pandemic struck are being accelerated by the impact of the pandemic. Understanding the changing nature of risks and trends that are shaping the global economic recovery is critical for businesses to design and develop appropriate strategies in sync with the changing world.

As we come out of the pandemic and move on towards recovery, what is the biggest question you're asking yourself? I doubt things will ever feel exactly the same as they were before covid, and maybe that is OK.

As for me, I'm taking a lesson from Buddha who famously said, "Do not dwell in the past, do not dream of the future, concentrate the mind on the present moment." Revel in the moment.

Annie Undikai,
Managing Director

The Changing Nature of Risk Management

The nature of risk has been in a state of evolution over the past 2 decades. This has created a number of difficulties for those involved in the management of risk as they increasingly find themselves lacking the necessary capabilities to cope with the nature of this change.

Global events such as the COVID-19 pandemic, Suez Canal incident, and FireEye cyber attack; are reshaping the nature of risk management practices. Risks emanating from such Black Swan events are forcing companies to see risk management through new lens as risks are not only more inteconnected, but are becoming supesized too. Increasingly, insurers are beginning to use risk management to create value, rather than limiting or protecting businesses from risk.

Changes in the nature of risk and risk perception over time have been fairly widespread and subsequently have placed new demands upon the existing risk systems architecture. According to the World Economic Forum (WEF), an overhaul of our risk reduction strategies is needed to protect ourselves from other global disasters, following the COVID-19 global pandemic.[1]

Given the scale of the challenges, WEF has recommended several actions that can be taken to better prepare for risks in the future. The first step is to recognize that the nature of risk in our society has changed dramatically. We are now living in the age of the Anthropocene, where human activity has now become the dominant influence on the environment and climate, causing significant global warming and other changes to land, environment, water, organisms and the atmosphere.

In effect, through global interconnectedness, human civilization has become a "super-organism", changing the environment from which it evolved and inducing new hazards with no analogue - such as the COVID-19 global pandemic.

The Sendai Framework for Disaster Risk Reduction 2015-2030 reported that in an ever more populous, networked and globalising society, the very nature and scale of risk has changed and continues to change, to such a degree that it surpasses established risk management institutions and approaches.[2]

Risks such as pandemic, cyber terrorism, and global economic crisis; serve to illustrate the borderless nature of risk and how these risks present several challenges to conventional approaches to risk management in at least 3 ways.[3]

First, such risks often lack a priori evidence that would render them predictable to any degree. Secondly, they are sufficiently large in terms of the damage that they cause, that these risks trigger further crises further down the timeline. Finally, their origin, evolution, and final scale and form are frequently unknown; such that they represent an emerging, ill-understood and ill-defined set of risks that somehow need to be dealt with.

The extreme uncertainty of the global economy requires a new risk management framework with emphasis on the need for new ways of behaving, making decisions and even reversing decisions. Because COVID-19 has permanently altered risk profiles across industries, the pre-pandemic risk management strategies may no longer be relevant.

[1] https://www.weforum.org/agenda/2020/04/here-are-the-biggest-risks-we-re-facing-right-now-the-covid-19-crisis-reveals-how-to-stop-them/

[2] https://www.undrr.org/publication/sendai-framework-disaster-risk-reduction-2015-2030

[3] Smith, D., Fischbacher, M. The changing nature of risk and risk management: The challenge of borders, uncertainty and resilience. Risk Manag 11, 1–12 (2009). https://doi.org/10.1057/rm.2009.1

Key Trends Shaping Global Economic Recovery Post-Pandemic

As the global economy pivots from pandemic to recovery, understanding factors impacting both economic and financial landscape becomes critically important for business strategy as businesses move forward with a stronger strategic direction. In this regards, Euromonitor has identified five key trends that are shaping the new global economy post-pandemic era.[1]

The first key trend is uneven global economic recovery. Although the global economy is expected to rebound in 2021 with real GDP growth of 5.9%, recovery will be uneven across the globe due to differences in public health strategies, the speed of vaccine rollout, and scale of government stimulus. With new waves of COVID-19 infections threatening many economies' growth trajectories, particulalry in emerging and developing economies, these will likely decelerate the global economic recovery and result in far greater uneven economic recovery. However, the strength of global recovery is largely attributable to a few major economies, such as the US and China, with many emerging markets and developing economies lagging behind. Both the US and China are each expected to contribute over one-quarter of global growth in 2021.[2]

Another key trend we are wtinessing is rising public debts across countries. Around the world, governments have responded to the COVID-19 crisis by aggressively deploying huge fiscal stimulus packages to help boost the economy. But as the pandemic continues to flare, governments will have no choice but to continue spending on healthcare and social protection, thus rising public debts further. This long-term high debt level will pose a significant challenge to vulnerable developing and emerging markets that have large financing needs as a debt spike can lead to lower government spending and higher financing cost.

[1] https://blog.euromonitor.com/five-key-trends-shaping-the-global-economy-in-2021-and-beyond/
[2] https://www.weforum.org/agenda/2021/06/global-economic-outlook-five-charts-covid-vaccine-pandemic-recovery/

The COVID-19 pandemic crisis has seen a dramatic decline in goods trade, investments and the movement of people; and with these a new type of globalisation is emerging. Globalisation as we know it is undergoing a remarkable shift by becoming more immaterial, non-physical and digital.[3] This "new globalization" is being characterised by fast growing digital services, research and development, data, ideas, and other intangibles.

Post-pandemic, we can also expect to see a shift away from primary industries to higher value-added activities in the global supply chain, particularly in developing and emerging economies. The pandemic has accelerated e-commerce growth and with this a "dramatic" rise in its share of all retail sales, from 16% to 19% in 2020.[4] For instance, online business-to-consumer (B2C) sales for the world's top 13 companies stood at US$2.9 trillion in 2020. This shift has implications for businesses and governments alike. Governments need to facilitate e-commerce adaptation and innovation in order to enable local businesses to participate effectively in the evolving economic landscape and avoid falling further behind competitors from countries where these opportunities are being more thoroughly addressed.[5] With this online shift is the "new normal", and businesses need to rapidly define their omnichannel strategy and ensure they have the enablers in place to support it.

The fifth trend is the acceleration of advancements in technology and digital adoption. As such, a shift to a digital way of doing things that was already under way prior to the pandemic is expected to gain even more momentum after the pandemic subsides. Technology trends such as e-commerce and remote working will likely continue, while the global supply chain will be powered by technologies such as industrial IoT, machine learning, computer vision, advanced automation, augmented and virtual reality.

The pandemic amplified the need for supply chain organisations to seek tools that help them make better and more informed decisions faster. Hence, the use of artificial intelligence (AI) and advanced analytics to mine data generated is imperative to understand what is happening in businesses now and – more importantly – what is likely to happen in the future.

[3] https://ecipe.org/publications/globalization-is-changing/

[4] https://news.un.org/en/story/2021/05/1091182

[5] https://www.africaportal.org/features/inside-digital-society-covid-19-and-e-commerce/

Mitigating Return-To-Work Risks

With the vaccination programme rolled out on a global scale, it seems that the light at the end of the tunnel is more visible now than a year ago. The easing of lockdown in many countries presents genuine management challenges to welcoming back employees.

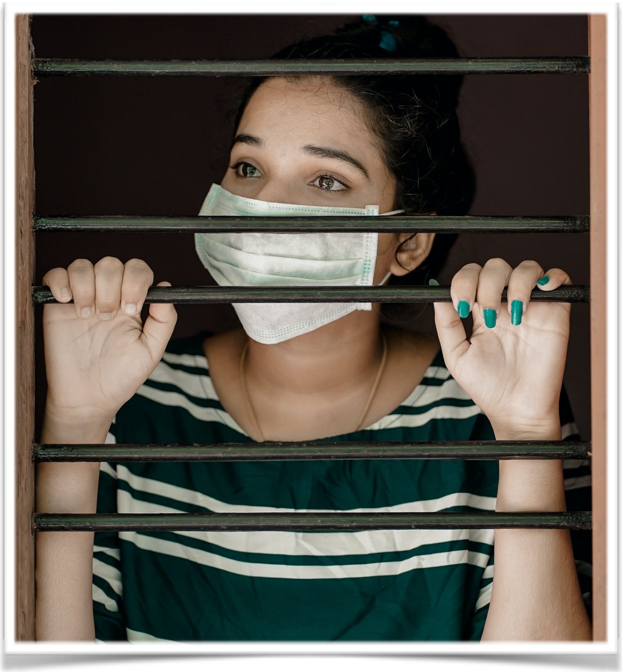
The sudden changes caused by COVID-19 had forced companies had to quickly and pragmatically set up a remote work environment. But as more people are being vaccinated, restrictions slowly lifted and countries move towards full re-opening; management now face the challenge of deciding which employees to bring back into the workplace and when; coupled with reconfiguring office space design, which may well be shaped by social distancing requirements and other health and safety measures.

On top of this, companies must be mindful that employees returning to office risk the 're-entry syndrome' – a psychological distress brought on by making major readjustments in life. The concept of re-entry syndrome dates back to the early 1960s, when two US psychologists, John and Jeanne Gullahorn, observed that after extended periods of travel, those returning home experienced downs as well as ups, readjusting to what was once familiar.[1] This syndrome, also known as the reverse cultural shock, affected mostly Arctic explorers and soldiers returning home from war.

But in a post-pandemic world, re-entry syndrome may present itself as anxiety around adapting to new social norms and physical environment, as well as the establishment of new behaviour patterns based on modified values of what is now deem to be important.[2] It also includes stress that comes with going back to work at the office rather than from the comfort of home, waking up earlier for a long morning commute, or the anxiety of feeling obligated to socialise again.

[1] https://www.abc.net.au/triplej/programs/hack/coronavirus-covid-19-restrictions-easing-reverse-culture-shock/12221534
[2] https://gulfnews.com/going-out/nervous-about-stepping-out-to-the-world-4-steps-to-make-it-easy-on-your-anxiety-1.1590516693024

For most employees, re-entry can be challenging for at least three reasons.[3] First, there is a general feeling that the pandemic has changed us and that we are navigating a new and foreign land. Second, some people are anxious because they experience a lurking worry of catching or spreading the virus, despite the vaccination programme. This is especially true of those with obsessive-compulsive disorder (OCD). Finally, we have fallen out of the practice of socialising. Some may find it difficult to reconnect, particularly for those with social anxiety.



It is imporant for companies to take stock that each employee's experience of working remotely is unique. Hence, understanding the impact it has had on each of their physical and mental well-being will help companies determine who is ready to return to the office.

One of the ways in which companies can prepare their return-to-work planning is to segmentise employees sentiment based on their remote work experience. A study conducted by Martec Group, for instance, revelead that employees working remotely fell into one of four segments: thriving, hopeful, discouraged and trapped.[4]

Employees belonging to the thriving segments have extremely positive emotions about working from home during COVID-19. They are generally content with how their company is handling the situation. Management needs to consider how this group will behave if and when asked to return to regular in-office routines.

Hopeful employees, on the other hand, are generally comfortable working from home, but often feel isolated and lonely – they miss their colleagues and the social aspects of working in an office. Discouraged employees are those who do not like having to commute but miss social interactions at the office. They are having a hard time with COVID-19; which leads to negative feelings about working remotely. The final segment, trapped employees, were found to be the largest of the four groups by the study. They miss social aspects of the office as well as the structure. Due to these, they experience the most negative emotions overall, have the lowest company satisfaction and mental health, and long for office socialization.

When planning for reopening, it is important for companies to take the variety of employees' emotions and sentiments into consideration. Companies should look at developing a multi-tiered plan to maximize potential success through identifying the different employee segments within their organisation.

[3] https://www.vogue.co.uk/beauty/article/re-entry-syndrome
[4] http://www.rmmagazine.com/articles/article//2021/06/01/office-hours-assessing-employee-needs-when-returning-to-the-workplace