

COVID and Corporate Purpose



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GLOBAL SCENARIO

COVID- 19 pandemic has disrupted lives across all countries and communities. This Emergency evolved into a global public health and economic crisis that affected the \$90 Trillion Global economy beyond anything experienced in nearly a century. It is estimated that the Global GDP has dropped by about 4.5% during 2020.

The infection has sickened over 194 million people globally with 4.1 million fatalities. At one point, more than 80 countries had closed their borders to arrival from countries with infections, ordered businesses to close, and instructed their population to self-quarantine, closed Schools and colleges to an estimated 1.5 billion children and sent most business plans and strategies into almost a chaos.

COVID and Indian Economy

In India, GDP for the financial year 2020-21 contracted by 7.3%. It is the most severe contraction from the time India got independence. The reasons behind this trajectory were obvious—Lockdown leading to closing of Business units, increasing unemployment rate and a decline in domestic consumption.

The Government's approach in dealing with the two waves has been different. The response to the second wave has been localized and driven by states, while in the first wave, we went for a national lockdown.

The Informal Sector was first to be hard hit by the strict lockdown and quarantine measures.

In the first wave, manufacturing and the urban economy had come to a grinding halt while the rural economy continued to move. As a result, Agriculture, which is the primary driver of our rural economy providing employment to 58% of our population, continued to grow. Reflecting on the GDP figures, our agriculture economy grew by 3.4%, while the overall economy contracted with 7.3% in FY21.

In India, after the first wave, it was thought that we had gained control of the situation but the second wave found us wanting for basic necessities such as Oxygen and medical supplies. It might appear that the second wave is on its way out with daily cases coming down under 40,000 from the peaks of nearly 4 lakh cases, but we have lost over 4.22 lakh precious lives to COVID-19 already.

Manufacturing was at the receiving end in both the first and the second wave. To control the coronavirus spread, most of the manufacturing sector had to work at a lesser capacity or shut down.

Non-essentials manufacturing was hit for a longer and with more severe restrictions. The fear of prolonged lockdowns led to migration to villages. In addition, the global and local supply chains were severely disrupted. This meant higher cost of procuring raw materials for both small and large industries. Despite speculations of a third wave but with the tapering of the second wave, there are certainly good indicators for the Indian Economy. The GST revenue collections are higher than the corresponding period last year. The Indian Government has come up with economic packages to stimulate demand in the economy which is a good sign. Foreign Direct Investment has increased during the pandemic. The fiscal deficit remains 9.3% of the GDP below the estimated 9.5% for the financial year 2020-21. Also, the Indian government has restored the Dearness Allowance to its pensioners and workers which will again benefit our economy. They will spend more and demand is likely to shoot up. However, the biggest challenge before the government is to inoculate 60% of our population with at least one dose of COVID-19 vaccine by the end of the year. Once this target is accomplished, we will be in a better position to tackle economic challenges.

While several high frequency indicators of activity are recovering, a solid increase in aggregate demand is expected to take shape. On the supply side, agricultural conditions are turning buoyant with the revival in the monsoon, but the recovery of the manufacturing and services sector has been interrupted a bit by the second wave. A pick-up in inflation is driven by adverse supply stocks and sector-specific demand-supply mismatches caused by the pandemic. These factors should ease over the year as supply side measures take effect. As also opined by RBI in its July 21' Bulletin, that with the tapering of the second wave coupled with an aggressive vaccination push, the near-term prospects of the Indian economy have brightened.

Corporate Learnings

The Pandemic has taught many management lessons. The COVID -19 pandemic has changed the business environment for many organizations around the globe, and has highlighted the importance of being able to react, adapt and set up crisis management mechanisms in order to wither situations of uncertainty.

The biggest lesson learnt is that health and economy are interlinked. First priority is to ensure employees' and customers' safety. Prior to the pandemic, wellness programs were considered an employee benefit, but now it has started getting recognition as a core business priority. In a post COVID world, health needs to be repositioned as an investment, not just a cost that could

accelerate economic growth in the years to come. Telehealth might become the new normal.

It has been realized by the industry and business that remote work is doable. While the employees were earlier begging for the opportunity to work from home, many organizations were hesitant on account of apprehensions regarding maintaining productivity and managing staff remotely. The pandemic has thrust many companies into the remote work model and they are finding that it works. Not only are employees able to complete their work load sans pants and avoid frustrating commutes, they are keeping pace with production and morale is high.

Another major lesson learnt by the industry is that they really don't truly understand their supply chains. Some organizations have discovered that there were critical points of weakness in their supply chains that were not identified until they were stressed by the pandemic. Methods of managing supply chains were not sufficient for the unpredictable environment of COVID-19, including spikes in demand, partners that suddenly paused or ceased operations, and sudden material and product shortages. Another major lesson learnt by industry is that they really don't truly understand their Supply Enterprises can't simply replace every third-party whose performance was impacted by COVID-19, because the vast majority of suppliers in any given sector or industry were affected. This brought supply chain resilience to the fore for many organizations. The supply chain issues at the outset of the pandemic illustrated the need to shift the buyer relationship "transactional" to "symbiotic."

Lot of companies have had to reinvent themselves in various ways: find new channels to interact with the customers, find new market opportunities, create new products to address new needs, modify their manufacturing facilities, find new selling channels or imagine new campaigns and promotions to cope with the declining sales. The pandemic was the trigger that got entrepreneurs understanding that they have to employ creativity and differentiation in everything they do, forcing businesses to get out of their comfort zone. Organizations who are able to rethink their business model or retool to quickly adapt to market conditions have a better chance to survive and even succeed. It's always important to encourage innovation within the organization, but the pandemic has illustrated just how beneficial it is.

The need to upscale and fast track ongoing digitalisation and ICT initiatives and embrace technology for faster response was highlighted. The onset of the pandemic made businesses reconsider how efficient they were in utilizing tech solutions. As more and more of our interactions start depending on the tools employed, it is also necessary that employees are adequately trained to use it to ensure seamless shifting to remote work and also teaching them how to use online meetings or

making sure that the website and other functions can meet the requirement.

During the outbreak, many organizations realized their communications were uninspired and crisis management was non-existent. As they return to productivity, it is necessary to plan to make improvements as to how they are able to contact all employees promptly to notify them of any current problems.

The COVID19 pandemic not only has brought with it huge miseries for mankind in general across the globe, but has also reposed faith in the resilience of the society to meet the challenges and reinvent the newer methods of work "to keep the show going on". The concept of new normal is now being widely accepted with some of the following major conceptual shifts in the industry & society;

1. Employees are the Human capital and not an expense. Health is of paramount importance. It is not a fringe benefit but an investment.
2. Remote working is a preferred mode. It has its positive ramifications in terms of costs, productivity & efficiency.
3. Technology is important. Continuous upgradation of technology and keeping pace with the developments pays in the times of need.
4. Communication is the key. It keeps the employees bound and contributes their best even in adverse situations.
5. System problems require system solutions.
6. Crisis always make the corporates more strong and present new opportunities.
7. Acquiesce to safety and hygiene standards of the highest order.
8. Shift our focus from the shareholder to the stakeholder approach.
9. Fostering strong cooperation at industry, local, regional, national and global levels.
10. Not to lose long term perspective while managing short term challenges.

Concluded

The COVID-19 pandemic has tested and hurt our society and business like no other crisis in recent memory.

COVID-19 crisis has taught us the importance of agility, stability, inter-dependence and trust.

There is no substitute to strong fundamentals, robust systems, competent governance and strong leadership.

The pandemic has reemphasized the value of Board diversities, digitalization, cyber security, flattening corporate structures and shorter decision-making lines to take agile decisions during uncharted times.

Sustainability is no longer a topic of 'comply or explain' anymore. It is a requirement that all businesses and people around the globe have to comply with.

Corporates that emerge from the crisis will be stronger and well placed to pivot and seize new opportunities.