



COMMENT

How Covid-19 can lead to a more agile, productive and innovative economy

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Businesses rightly reacted to Covid-19 by focusing on safety, liquidity and continuity. Now a more nuanced form of crisis management is necessary. A marathon rather than a sprint, and encompassing different assumptions about markets, products and technology.

Encouragingly, leaders have embraced Churchill's evocation never to waste a good crisis, and have driven [rapid change](#). I have heard many variations of "we have done in three months what would have taken five years".

What is that change, and will the speed of it imply repenting at leisure? Let's start with the digital transformation that heads many chief executives' agendas. For example [John Lewis](#) expects 70 per cent of long-term sales to be online against 30 to 40 per cent pre-virus. Artificial intelligence is in daily use, analysing vast amounts of data to help gain insights into customers and suppliers. Other tasks are being automated in manufacturing, processing and logistics.

Covid-19 has accelerated supply chain reforms by prioritising diversity and security of suppliers (a process started by Brexit) and ensuring ethical integrity regarding modern slavery and sustainable production. Working from home is arguably the biggest shift in employment practices since the 19th-century countryside to city migration.

These changes represent a step change in how businesses will operate and will create a more agile, productive and innovative economy.

But we must ensure that the benefits accrue safely and equitably. In previous periods of accelerated innovation rapid changes in technology ran ahead of regulatory, legal, taxation and ethical frameworks. This allowed negative consequences, including accidents, health risks (including mental health) and environmental damage.

All of the changes above are regarded as adding economic value, driving efficiency and GDP growth. However, they may displace jobs, with a particular threat to lower skilled workers. Society may be better off, but potentially at the cost of creating a substantial underclass. Before Covid-19 some disturbing signs of this were apparent in rising youth unemployment and welfare costs. A terrible response would be a new generation of Luddite thinking; we must nurture not stifle innovation. But social consequences must be considered alongside technical and economic benefits.

In responding to Covid-19, governments rightly allowed slippage in the frequency and extent of inspection regimes; for example not needing to renew vehicle MoTs during lockdown. These reduced safety or compliance inspections. But, as attention has focused on keeping premises open and workers paid, there are threats to doing the right thing in areas such as mis-selling and employment-protection. Responsible businesses and regulators must collaborate to pre-empt any new conduct scandals.

Finally, companies have benefited from the work they have put into resilience. Not through fixed plans to deal with specific crises, which never come along in the way you plan. More by training the muscles of agility and empowering local decisions to restore order.

There will be temptations to return to purely financial key performance indicators, encouraging low inventory levels and stretched balance sheets again. Resilience must become an organisational goal.

Shareholders, government, regulators and business can deliver better capitalism by focusing on resilience, innovation and its consequences. Powered by technology and by social justice, the coming decades could be golden years.

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Graham Ruddick is away*