



Will you define the new normal or watch it unfold?

June 2020



The better the question.
The better the answer.
The better the world works.



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Background

In early April 2020, a report by EYQ, EY's think tank, examined the long-term impacts of the COVID-19 pandemic.

Much has changed since that initial exploration, released in the immediate aftermath of most national lockdowns. The idea that something very different – a “new normal” or “great reset” – lies on the other side of this devastating pandemic has entered the mainstream consciousness. Aspects of the pandemic that were initially murky have become somewhat clearer.

So, we are returning to the topic to see what's changed. This paper represents the first step in that process. We wish to thank the many professionals who generously shared their time and perspectives for this report. In the weeks and months ahead, we will also launch a series of deep dive perspectives to explore specific aspects of the reshaped world that lies beyond the COVID-19 pandemic.



Thinking the unthinkable

The COVID-19 pandemic has unleashed changes that seemed unthinkable just a few months ago. In February 2020, it seemed unthinkable that the entire white collar workforce of many countries would soon be working solely from home. It seemed unthinkable that air travel would plummet by 96%. It seemed unthinkable that millions of migrant workers in India would be forced to undertake a herculean exodus – walking thousands of miles to their home villages.

While the crisis has slowed time to an excruciating crawl for many, the reality is the pandemic is still in early days. It is likely to bring more changes in the months ahead that seem unthinkable now.

In this report and subsequent follow-ups, we will not just explore what's likely, but also identify what's unthinkable. These are low-probability, high-impact scenarios – but, as we think about the world beyond COVID-19, they are precisely the sorts of contingencies that should be on your radar.

Headlines from the future

Q: What headlines might be seen in the next 1-5 years as a result of COVID-19?

May 2021 Rebels Rage Against Age of Surveillance Citizenship	June 2022 World's Largest Retailer Becomes World's Largest Farmer, Bringing Food to Masses	June 2023 Individuals Selling Their Data to Organizations
July 2025 Universal Basic Income Catching on Globally	December 2021 Nine-to-Five, Monday-to-Friday Work Week Goes Extinct	December 2025 World Shifts Away from GDP <i>Equality, Environmental Sustainability and Wellbeing Prioritized</i>

Thinking from the outside in

COVID-19 and the extraordinary response were not really unthinkable - they just seemed that way to most of us. While the pandemic took the vast majority of the business world by surprise, epidemiologists and other experts had long warned it was only a matter of time before such a disaster struck. That's why business leaders need to broaden their horizons when scanning for risks and draw insights from a wide range of domains.

That's what we have attempted to do here. We assembled more than 100 senior professionals – including academics, futurists, non-governmental organization representatives, investors, CEOs and other business leaders – with a wide range of domain knowledge for a series of virtual “Ideation Jams.” The four Ideation Jams were designed and delivered using EY's wavespace team (and convened, fittingly, on Zoom) over two days in mid-

May. Multiple sectors and every continent except Antarctica was represented, and we also benefited from a series of conversations with the EYQ Fellows, EYQ's external advisory board.

The crowdsourcing exercises, and in particular the Ideation Jams, were designed to surface lots of opinions rather than facilitate a deep exploration of ideas. This report distills these disparate thoughts into a cohesive narrative. This inevitably involved filtering the content and adding our own thinking to develop some ideas more fully. As such, this is not meant to be a comprehensive summary of every idea surfaced through crowdsourcing. It is also not a full exploration of these themes – that's the domain of the deep-dive articles that will follow this report.

Ideation Jam participants

Canada

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- ▶ Art Woo, Director & Senior Economist, Bank of Montreal
- ▶ Gabe Batstone, CEO, Contextere
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A photograph of a person working at a desk at night. A desk lamp is lit, casting a warm glow. On the desk, there is a pen holder with several pens and pencils, a glass of water, and some papers. The person's hand is visible, holding a pen and writing on a document. The background is dark and out of focus, suggesting an indoor setting.

The world beyond COVID-19: the four domains

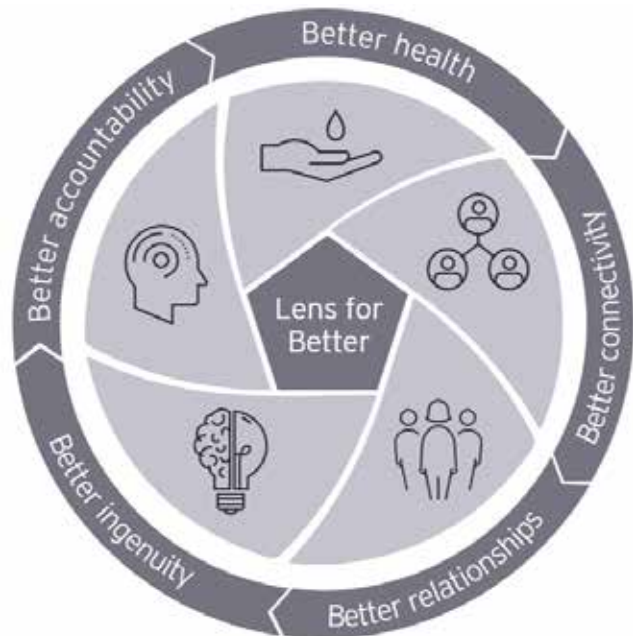


Four domains for the new normal

We have structured our exploration of the world beyond COVID-19 across four domains:

1. The global order. How will COVID-19 alter the structure of the international system?
2. Societies and economies. How will COVID-19 affect the structure of societies and economies, at the national, provincial and/or city level?
3. Firms and markets. How will COVID-19 change the ways in which firms and markets operate?
4. Households and individuals. How will COVID-19 affect individual behavior and household structures?

These domains (which readers of EY Megatrends reports may recognize as being the four “future working worlds” of the EY Megatrends framework) form the basis of the Ideation Jams and this report.



The lens for better

A key focus of the Ideation Jams was how the business community can not just shape the new normal, but shape it for the better. As leaders consider implications and action items to prepare for the post-pandemic world, they should consider how these steps enable a better working world across five dimensions: better health, better connectivity, better relationships, better ingenuity and better accountability. In each section that follows, we close with some questions for leaders that connect to these five aspects.

01 The global order

As a global pandemic and the most significant global crisis in our lifetimes, COVID-19 will inevitably bring sweeping changes to the global order.



The balance of power and influence will be realigned

The pandemic will have significant implications for the global balance of power. Ideation Jam participants focused particularly on the balance between the world's two leading economies: the United States and China. The US-China relationship, already contentious in recent years, is becoming even more fraught under the strains of the crisis. The pandemic appears to be accelerating America's departure from its post-war leadership role, further weakening the Bretton Woods multinational institutions and creating a vacuum of global leadership.

What will fill this vacuum? This is a crisis likely affecting all countries, so "winners" will be those least damaged.

Since the crisis is still in early days, it's unclear how the fortunes of different states will fare, but participants had thoughts based on what we've seen so far. Some saw a return to multipolarity, perhaps with an expanded role for Europe (though the continent will likely have its hands full on the home front, with the EU facing its biggest challenge since 2009). With the prospect of several large nations reputationally damaged by mismanaged pandemic responses, smaller countries, particularly in Asia, could gain influence. While it's too early to gauge the long-term reputational impact on different countries, several participants expressed concerns about whether the crisis might reinforce the trend toward authoritarianism.

01 The global order



Globalization will go regional

There was a strong consensus COVID-19 will advance the backlash against globalization. Already, the crisis has resulted in the sharpest reduction in international flows of all kinds in modern history, in part because demand collapsed in the midst of a deep global recession. The pandemic revealed vulnerabilities in cross-border supply chains, motivating companies to rethink their global operations and footprints. Beyond the crisis, expect supply chains to be restructured, with built-in redundancy and resilience at the expense of some efficiency. Manufacturing will come closer to home markets, boosting the trend toward regionalization and relocation. The rise of Industry 4.0 and 3D manufacturing will enable these shifts. Companies might find themselves limited to a sphere of influence rather than operating on a truly global stage.

Similar strains could restructure food supply chains. Like their manufacturing counterparts, food supply chains in much of the world had been optimized for just-in-time efficiency. They proved vulnerable when the pandemic hit, as the crisis produced large swings in demand (e.g., restaurants shut down while consumers stockpiled groceries) and many food products are highly perishable. In the US, the tight quarters in meat processing plants led to COVID-19 outbreaks and fears of meat shortages, especially given the high degree of market concentration in the sector. The resulting shortages and gluts have accelerated the rise of local and vertical farms. These are likely more resilient thanks to their proximity to the end market and may boost the popularity of plant-based meat substitutes – trends that are likely to be sustained beyond the pandemic.

A new concept of human mobility will emerge

The pandemic will not just affect the flow of goods and services – it will also alter the flow of people. Labor mobility has already fallen sharply since the start of the pandemic, as governments have clamped down on travel and immigration to stem the spread of the virus. Many Ideation Jam participants expect these restrictions to remain in place beyond COVID-19, as enduring economic weakness drives countries to maintain immigration restrictions and international travel remains depressed for several years.

But even as the pandemic reduces the flow of people, it will enable a different concept of labor mobility. The rapid and enduring shift to remote work will likely extend beyond borders. If people can't relocate for work, work will relocate for people. For jobs that can be performed remotely, companies will move to global remote workforces.

Imagine the unthinkable

- ▶ Could we see the US dollar displaced as the world's solitary reserve currency?
- ▶ Is significant political unrest ahead – perhaps even the collapse of some national governments?

Questions for a better working world

- ▶ Better connectivity: How are you restructuring your global supply chain for resilience and flexibility?
- ▶ Better ingenuity: How are you rethinking your business model to enable a global remote workforce?

Want more?

For more on these topics, also see:

- ▶ *Rebalanced global system in Megatrends 2018*
- ▶ *Populism in Megatrends 2018*
- ▶ *Techonomic cold war in Megatrends 2020*
- ▶ *Beyond globalization in Megatrends 2020*

02 Societies and economies

COVID-19 quickly deepened from a health crisis into a broader social and economic catastrophe. In many countries, social contracts were already under strain, damaged by decades of widening income inequality and a recent uptick in political polarization. COVID-19 laid bare existing weaknesses in social safety nets and systemic policy failures. Our Ideation Jam highlighted some of the key risks.



Societies will address inequality and repair social safety nets

By a significant margin, the most mentioned implications were the potential for inequality to worsen and the social damage of billions being exposed to the virus and cratering economies.

The pandemic is hitting vulnerable communities hardest, including young people, women, minorities, and low-income households. Several factors are driving this. First, the ability to quarantine and work remotely is highly correlated with wealth. Similarly, public transport is a significant vector for spreading the disease, but low-income groups have few alternatives. Wealthier people can also forego income for longer periods, whereas poorer families have low savings buffers – and are more likely to work blue collar jobs requiring physical presence – meaning they must return to work despite heightened risks. In some locations, low-income workers also often lack satisfactory access to healthcare, leaving them in weaker health before the pandemic gets under way, but also unable to get adequate care as the virus spreads.

Several participants worried about the risk of political uncertainty and social conflict, as anger about institutionally unfair outcomes is directed at the establishment.

While the crisis has boosted cooperation and community thinking in some places, it has also widened existing social fissures between left and right, old and young, rich and poor. While stock markets rally, labor unrest is increasing as workers demand better protections – personal protective equipment, distancing measures, higher pay, more sick leave, and improved healthcare access.

Participants expected major changes to address these and other inequities, such as gains in labor bargaining power. For example, many undocumented migrant farm workers were given “essential worker” status during the recent lockdowns. Having finally acknowledged the fundamental importance of these marginalized workers in ensuring a stable food supply, is it politically viable for governments to continue ignoring them? Participants also expect other reforms, such as investing in healthcare capacity or even the introduction of universal basic incomes (UBI) in some developed countries (with corresponding tax changes). UBI experiments have so far seen mixed success, but momentum continues to build. Whatever the outcome, our social contracts will be rewritten by COVID-19.

Action on social justice issues will increase

As this report is published, sustained protests against systemic racism are sweeping across the US and solidarity protests have emerged in other countries – an unprecedented response to an issue that is neither new nor unfamiliar. Why have the latest instances of police brutality inspired such a sustained and widespread response when similar incidents failed to do so in the past? While we didn't explore this question in the Ideation Jams, which predated the protests, we think it's no coincidence this is happening during the COVID-19 pandemic. People are paying more attention to the news – and moving beyond their traditional filter bubbles – which may have increased awareness of the incident. More significantly, the pandemic has taken a disproportionate toll on minorities and the marginalized, and lockdowns have subject these groups to greater strain because of their tighter living quarters. Growing awareness of such discrepancies, combined with the fact pandemics require a collective response, may have primed broad groups of people to be more sensitive to the societal impacts of actions. At a time when people are already thinking about a systemic reset, they may also be more inclined to think about correcting systemic racism. The Black Lives Matter movement may be a harbinger of increased awareness and action on issues of social justice – during the pandemic and beyond.



Urban landscapes will be remapped

COVID-19 will fundamentally reshape cities, accelerating trends already under way. Health concerns will drive residents of large cities to seek lower population density in suburbs and small towns. The accelerated adoption of remote work will make moving out of city centers increasingly feasible, since commute times will no longer be a factor. The pandemic's impact on mobility will accelerate the shift, as public transit becomes less attractive. The pandemic's impact on restaurants, movie theaters and retail stores might undermine many of the reasons people have traditionally flocked to large cities. These shifts will have profound implications for societies and economies, affecting everything from tax revenues to urban planning and education policy.



Imagine the unthinkable

- ▶ Could UBIs become real in some societies – and how would this impact your organization?
- ▶ Could the need for more responsive government spur the move to algorithmic government – and how would this affect regulation in your sector?

Questions for a better working world

- ▶ **Better health:** How will your company lead in addressing the intertwined social issues of health, income inequality and racism?
- ▶ **Better accountability:** How do your actions (e.g. job cuts, investments, supply chain) contribute to societal inequality? How can you mitigate these inequities?
- ▶ **Better ingenuity:** How could your innovation strategy change if you had innovation clusters spread across suburbs and small towns?

Want more?

For more on these topics, also see:

- ▶ *Renewed social contracts in Megatrends 2018*
- ▶ *Remapping urbanization in Megatrends 2018*
- ▶ *Innovating communities in Megatrends 2018*
- ▶ *New economic metrics in Megatrends 2020*
- ▶ *Mending social fabric in Megatrends 2020*

03 Firms and markets

Our Ideation Jam identified several trends accelerated by the global pandemic which will transform talent management as well as business models and governance models. Many companies may find they need to appoint a Chief Culture Officer to enable these changes.



Ideation Jam participants overwhelmingly believe remote work is here to stay. Workers with jobs that can be performed remotely often find they prefer working outside the office and are just as productive in these settings. Employers have discovered they can manage remote teams effectively and see potential to reduce real estate expenses. This has sped up the arrival of a long-anticipated trend: the delinking of talent from place. But as talent becomes more fluid, new corporate talent models will be required.

Several participants posited companies will be able to recruit the best talent globally even if they have only local scale. Given access to a greater talent pool, companies will increasingly pursue a free agent model, convening the

best teams for projects rather than maintaining standing headcount. Within companies, the organizational chart will flatten as teams become more autonomous.

As result, new metrics and rewards will be needed for onboarding, promotion, succession planning and leadership. Empathy and soft skills will come to the fore as success factors in managing distributed and autonomous teams. Participants see safety becoming an element of total compensation and access to physical work space being seen as a perk. Ultimately, human resources and operations will converge like information technology and operational technology have done in recent years.

Digital transformation and long-term value will create new business models

COVID-19 also accelerated two trends driving change in business models: digital transformation and the corporate shift to long-term value.

With virtual and digital replacing physical wherever possible, business models will have to pivot to online, mobile-first, and contactless. Adoption of automation, AI, digital health, and AR/VR will surge. The ability to deploy computing power, bandwidth, and the cloud will separate winners and losers. In a more virtual environment, cybersecurity will become paramount. Success will depend on continuous business model innovation with agile, open collaboration. Global technology firms, with their deep pockets, digital capabilities, and agile culture will have an advantage.

You may need a Chief Culture Officer

Corporate culture will be central to success in the post-pandemic world, whether in digital transformation, pursuing long-term value with authenticity or creating high-performing teams. Yet with a remote workforce and distributed governance, establishing and maintaining a corporate culture will become even harder. A few Ideation Jam participants suggested companies will appoint Chief Culture Officers to lead investments in culture-building from the top down, and from the bottom up.

At the same time, several participants observe that the pandemic has put human welfare and sustainability front and center. Consumers see a new role of companies for good and will value companies demonstrating a long-term value agenda in culture, purpose and ethics.

Governance will become distributed and data-driven

Participants expect corporate governance will adapt to new business and workforce models. Decision making will be distributed and digital rather than centralized and in-person. Human resilience will be an essential part of business resilience. Given the high stakes, decisions will be increasingly data-driven, and some participants see the possibility of companies forming cooperatives to pool and share data.

Imagine the unthinkable

- ▶ Could suburban corporate campuses and central business districts be hollowed out? How might they be repurposed?
- ▶ How quickly will today's video call platforms be replaced by avatars and virtual reality?

Questions for a better working world

- ▶ Better accountability: Which of your assumptions about talent are no longer valid?
- ▶ Better ingenuity: Will your culture drive success in the post-pandemic world?
- ▶ Better health: How can health and safety become an asset for talent management?

Want more?

For more on these topics, also see:

- ▶ *EY CEO Imperative Study 2019: For CEOs, are days of sidelining global challenges numbered?*
- ▶ *Superfluid markets in Megatrends 2018*

04 Individuals and households

Ideation Jam participants coalesced on a few themes that could reframe individual and household dynamics in the long term.



Trust will go smaller and local

Participants explored the pandemic's likely impact on the trust people have in institutions and each other – which has been declining for several years. Amid social distancing measures, people are relying on social media and other online platforms more than ever. To the extent these platforms are used to stay within known social circles and filter bubbles, this trend will sustain or worsen polarization and diminish societal trust. The absence of real-world interactions could also make it harder to build trust in new relationships – affecting everything from dating and marriage to the integration of new team members in the workplace. Beyond the crisis, companies will need to pay special attention to closing such deficits.

Additionally, many participants in the Ideation Jam sessions expect an increase in trust at the local and neighborhood level as trust in some national governments decays thanks to mismanaged pandemic responses. To the extent neighborhoods are like-minded enclaves, this could increase polarization, increase xenophobia and heighten stranger anxiety.

Minimalist and self-sustaining lifestyles could endure beyond the pandemic

Consumption has declined sharply amid the pandemic, thanks to a deep recession and historic levels of unemployment. Households are engaging in more mindful consumption with a greater focus on sustainable and essential purchases, as opposed to luxury and discretionary spending.

Do-it-yourself behaviors are also on the rise, with many growing their own produce and cooking from scratch. As people spend more time at home, many are undertaking home improvement projects, in part to accommodate working and schooling from home.

Whether these behaviors will persist beyond the crisis is an open question. Ideation Jam participants overwhelmingly indicate that they expect these shifts to continue in some form after the pandemic is over.

Mental health will come into focus

COVID-19 is taking an immeasurable toll on mental health, thanks to numerous factors, including social isolation, financial and healthcare worries, and the strain of adapting to remote work and home schooling. Participants in the Ideation Jams expect these will have long-term impacts akin to post-traumatic stress disorder (PTSD).

However, some are optimistic, anticipating the widespread incidence of mental health issues may reduce stigma and increase availability of support services. Mental health has long been the silent pandemic of modern life; COVID-19 might finally bring it out of the shadows. The world beyond the crisis may be one in which mental health is more honestly recognized and supported.



Imagine the unthinkable

- ▶ Will companies add Chief Mental Health Officers beyond the pandemic?
- ▶ Will trust tokens become a prerequisite for residence in certain communities or neighborhoods?

Questions for a better working world

- ▶ Better health: How are you transforming the approach to mental health in your organization?
- ▶ Better ingenuity: How will your business model anticipate post-pandemic consumer behavior?

Want more?

For more on these topics, also see:

- ▶ *Super consumer in Megatrends 2018*
- ▶ *Behavioral economy in Megatrends 2020*
- ▶ *Future of thinking in Megatrends 2020*

Guiding principles

The pandemic has unleashed a world of uncertainty. It can feel challenging to envision what the next month will bring, let alone the next year. How do you proceed? We think leaders should follow a few guiding principles in charting their path through the pandemic and beyond:

01

Plan for the unthinkable. “Unthinkable” scenarios are no longer dismissible; they should be a core part of your strategic planning process. The challenge is to do this in a structured and considered way that minimizes risk while allocating resources efficiently. Striking that balance isn’t easy, and this is a topic we’ll explore in our upcoming perspectives.

02

Scan – and wait. The journey ahead is uncertain; it is also a roller coaster ride. We will likely see huge swings in public-health outcomes, economic recoveries, investor sentiment, political stability, public policy responses and more. The situation will move at different speeds – and sometimes in different directions – across individual markets. In this environment, you may not want to act too quickly. Instead, it may make sense to continuously monitor the situation, which includes scanning widely and identifying the appropriate metrics and tipping points for your organization, sector and geographic footprint.

03

Be flexible – and move quickly. Waiting also does not mean waiting forever; it just means waiting for the right moment. The challenge is to build flexibility so you can move quickly when the time is right. In some ways, the changes catalyzed by the crisis should facilitate this. The responses to COVID-19 are accelerating the move from the physical to the virtual – replacing corporate headquarters with virtual work, business travel with Zoom meetings, global supply chains with more flexible approaches. Adopting these shifts will not only help you weather the crisis; they might also give you more flexibility to respond quickly in the world that lies beyond it.

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