

Most businesses are adapting short-term, now what about the long-term?

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Prediction is tricky, scenarios helped...

At the end of last year, we asked around a hundred colleagues what would help them personally in 2021? Their response was simple: "*what will my working life be like?*" and "*how will I do my job in the future?*"

We researched, we read and we envisioned a world view using respected sources of information. Not totally doom and gloom. While social prediction is a wild science, scenario playing brought useful insights.

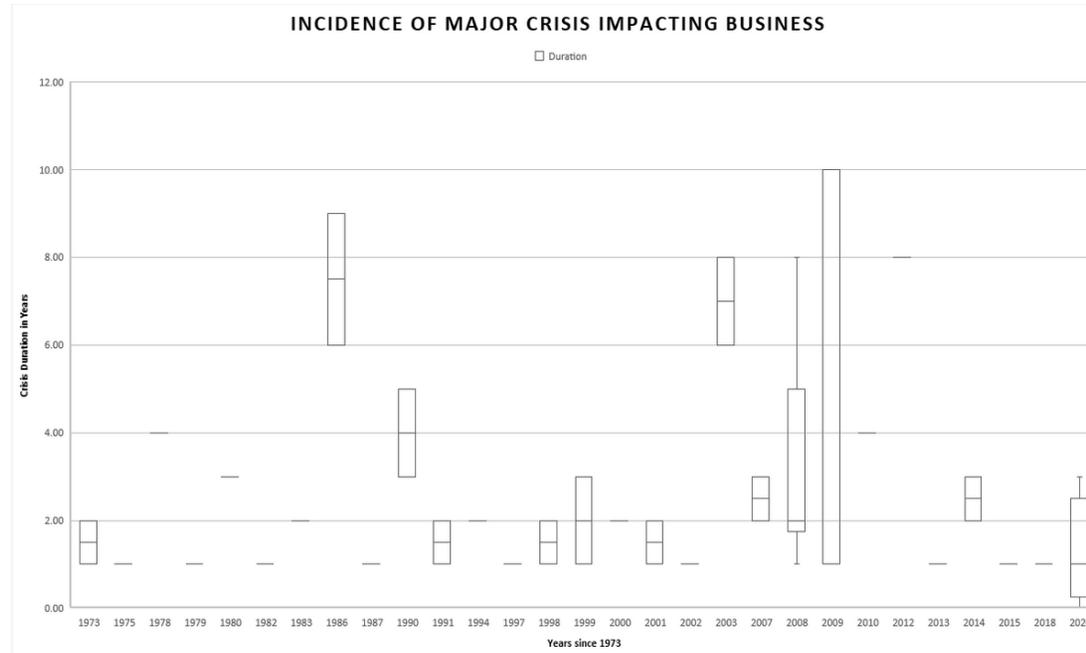
What became clear in this exercise is that we are sailing in a perfect storm where biology, economy, climate and commerce could come together causing unexpected consequences for us all. From experience the serious damage comes from risks we don't know about now, and over-confidence is seen as a major risk. Arguably, by governments striving to keep things economically 'as is', our society has lost an opportunity to restructure into greener and leaner businesses commercially.

In terms of our working lives, the most significant research is summarised in this e mail, no need to click anywhere.

Where did we start?

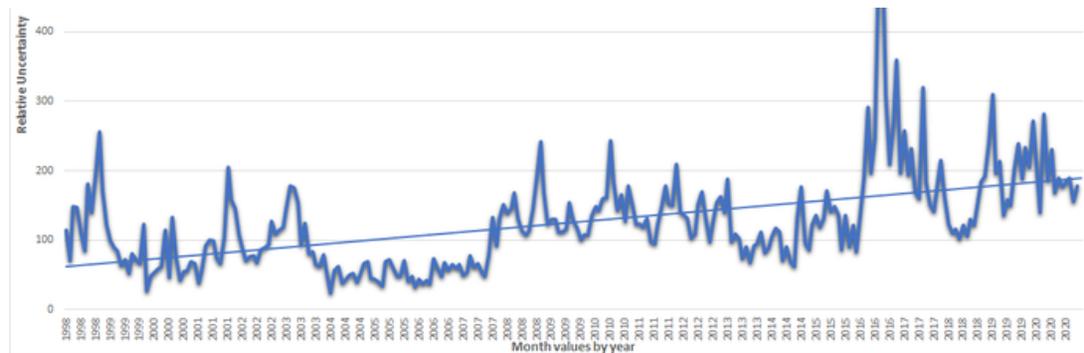
Many of our colleagues believed catastrophes were happening more often making their working lives more difficult. To establish an anchor or benchmark we took data from public sources such as Wikipedia and charted them.

Admittedly this is rough and ready, yet the general trajectory indicates increasing risks of disruption, plus the Time-To-Recover for business is getting longer. This includes both man-made, geographic, and biological threats to our well-being.



As a sense check we used published global economic uncertainty indices which show a trend line for continuing economic policy uncertainty, here for the UK. The index codifies a wide range of publications and media articles, indicating 'public confidence' in the stability of our national governments and economic policies. The Brexit spike in 2016 is a good anchor point for us in recent terms.





How did we respond to this?

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What are the business and work scenarios explored?

Work returns as before Covid?

This scenario is unlikely as the sheer economic and psychological disruption has clearly unsettled all; leaders and their teams, with our politicians, are all affected by Covid strategic paralysis. For those with skills and experience two years is the horizon for a new normality, for everyone else it will be patchy and tail-off over the rest of the decade.

Work returns as is now (the status quo)?

This is the most likely scenario, more of the same, as Covid looks to mutate faster than we can produce a vaccine, or a safe vaccine. It represents a split with the cottage industry scenario that follows keeping things uncertain and messy for at least five years.

Work will shift to cottage industries?

The trend since the 2000's has been towards self-employment in its various forms, driven by the lifestyle factors we understand. This trend has accelerated with Covid and will accelerate farther, the difference now is more of those who transition will be to a simpler and less wealth accumulating mind-set. The scene was set as most millennials rent their homes, having more to move adds a significant cost to relocation. Additionally, this scenario will force a Political rethink on how in the UK, Government restricts employment practice by the back door. For example, the IR35 regulation has almost obliterated what was legal self-employed consulting and contracting practices.

Work will shift to corporate organisations?

The practices of how we worked corporately will return, mostly, layered with ten years of natural digital evolution crammed into the next two. Reduced and centralised estate and office space will lower costs, with a more aggressive emphasis on margins and profitability to replenish the coffers. No surprise's here. However, such organisations will be more tolerant to their people working differently, which may bring unexpected benefits through a greater emphasis on talent and people development.

Work will become something else entirely?

Overall, this scenario is unlikely to happen quickly unless our economic environment suffers badly short-term. There is no vision found of a brave new world other than for a wholesale return to the land with healthcare, gaming and streaming thrown in.

Worst-case scenario is work collapses?

In this scenario, should Covid prove to mutate destructively and repeatedly, then what follows would be a slow decent into true poverty for a substantial part of society. This would drive the wholesale return to cottage industries; information, home-manufacturing, minerals, and subsistence farming. It would drive political ideologies currently focused on individual wealth accumulation, to turn to state sponsored capitalism having outgrown old-school socialism. This is very unlikely as a scenario as if necessary new vaccines could be available untested in months and Government just

vaccines could be available, untested, in months and government just accepts the political risk of vaccine failure.

What is the future like?

Fundamentally not that different! Broadly our working lives will continue to be messy and less certain for two to five years. No surprises here, other than the trends we experience now will embed more quickly. The entrenched economic uncertainty will permeate decisions across organisations, making our employment less reliable with the consequences that brings. In terms of working practice, we expect a disconnected and isolating version of today, the same functions and activities, just more of it. To watch for is the emergent risk of work aspirations towards cottage industries, blunted by HMRC IR35 type regulations, blocking larger employers buying-in resources that would fulfil the aspirations for greater cottage working.

Across the board, **countries, and organisations with a more strategic thinking**, where science guided the tactics, look to have done better. Ideology or conviction leadership has not delivered as strategy has.

For larger organisations, the long-term trend of the big getting bigger and the small getting smaller looks to hold true, and will most likely accelerate over this decade. The revenue gap between large and small businesses is widening as for employee income being devalued. We see the largest have become too big to fail while SME' increasingly struggle to maintain or build margins and profitability. Result will be fewer people valued more highly.

The exodus of those who can work from home or small out-of-town offices away from major urban areas will continue. Relocations to the EU continue as cheaper property and remote digital working remain realistic for many. Moving is the best defence and life/quality mechanism for families to adopt quickly.

The economy will bounce back in a few years, the banks have cash, mostly the businesses that were weakened already have failed, and manufacturing continues around the world. The developing nations were not badly hurt (so far), arguably the west has taken a much harder hit. Yet overall let us remind ourselves that the City and Wall Streets are not the economy.

Corporate leadership will aspire for a return to some sort of stability away from forced problem solving driven by uncertainty. "We can't cope with change this fast so try to keep it bolted down" - this is most unlikely to work as a long-term strategy

as a long term strategy.

Entrepreneur-investors will experience greater personal risk as national tax systems change. Start-ups in their unique economic bubble will face pressures to behave more like their larger brethren to keep investor confidence high. Whether the psychology of the start-up can achieve this is debatable. Accessing reliably the intellectual skills needed for performance will be a greater problem than at present.

Start-ups are still raising significant funds though mostly behind closed doors (dark raises). The challenge is this tech is predominantly me-too functions that rarely break new ground, meaning they are all chasing the same wheel to reinvent not inventing a modern-day ground breaker.

Organisations are now so interlinked financially that 'hedging one's bets' is no guarantee of sustainability. Since the 2008 onwards financial crises, central banks have kept watchful eyes on the flows of funds and their implications as a measure of financial interdependence. Interdependence is now wide reaching, meaning small out-of-control forces can cascade across a whole economy quickly, leaving the central banks as the stabiliser of last resort. Its possible that like pollution, businesses will be expected to pick-up-the-costs of their financial behaviours in the future.

Overall, **the natural horizons for serious change will shrink**. It will become ever harder to let decisions naturally make themselves, when most corporate executives know so little of their business more than one level of management apart. In now entering an era of true instability and uncertainty, leaders will have to be more methodical, informed and function faster. Betting their business on briefings and intuition just won't cut it in this future.

Lastly and by no means least, **weather changes our moods**. Most of us will be aware of Seasonal Affective Disorder (SAD), recognised as affecting mind-state according to the season. This is not just a winter thing; it also affects some people in spring and summertime. Changes in weather cause changes in our plans, plans we look forward to greatly, a summer holiday for example or winter skiing. Climate change is bringing weather instability, which at least unsettles our mind-set and at worst brings on depression and lethargy.

Please challenge these views, open debate here is essential as no government or business body is putting forward what they think the future will look like. As usual, people in organisations will have to go it alone, support will be profligate but generally superficial.

Drawing out our insights?

We had to discount our own, and public commentators, aspirations, and wish-list opinions for 'what could be' from 'what will naturally be'. Then drawing upon trusted colleagues and their long-term experience, alongside recognised sources of 'published and pre-published materials, the following threads seemed clear in the absence of a magic formula for the future.

Important Note: The content provided here is an opinion piece for promoting further discussion and research, not used as a basis for formal decision making or strategy formulation.

Our own simplistic risk assessment was created as an anchor. This suggests catastrophes seriously impacting business are becoming more frequent and taking longer to remediate. This was reflected in other professional risk assessment publications. See following chart.

Third party financial research suggests that while corporate profitability is growing compared to western country GDP, SME' profitability is actually shrinking. Especially so in the USA. *This will make it ever harder for SME' to anticipate and financially overcome serious business disruption.*

Biological risks are the headline threat. Research agrees generally that Covid virus types 'in play' will be overcome by vaccines. With the potential in this new DNA world of getting a fresh vaccine into production in 42 days, this is seen as a strong protection. However, we have only coped with Covid due to the long-term commitment of academic and invested research institutions. The pharmaceutical industry's commercial drivers are at odds with this kind of 'act of faith' working, yet without that research they are impotent to act. The realisation is every new 'Covid' will hit us hard for the two years it takes to respond practically and immunise globally. *Generic vaccines for virus families will be the future, probably five to ten years away to be universally applicable, and business may need its own medical resources to speed this process in critical periods.*

Political memory loss is a major threat. Historically politicians tend to move on to their next challenge quickly - strategy isn't their strong point. The risk here is that when viruses mutate the mutation typically makes it less of a threat to us, which may not be reliably the case with Covid and definitely not for an Ebola type. Scientists had convinced themselves that statistically the

for an Ebola type. Scientists had convinced themselves that statistically the risks from a serious mutation were small, trivial almost. That has changed as Covid is unusually nimble, it came from animals and transferred back to mink easily in Sweden. Now multiply this by the dozens of virus families, meaning, sustained public funding/preparation must become part of our critical national infrastructure simply for us to survive. Thinking 'lean' all the time becomes a real risk. *National governments do a good job of managing short-term tactical crises lasting weeks or months, strategic threats are a whole new landscape for them.*

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| UK Economic Policy chart data at January 2021 : Source: 'Measuring Economic Policy Uncertainty' by Baker, Bloom and Davis at www.PolicyUncertainty.com |

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