

# **Navigating the COVID-19 crisis**

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**Updated as at 6 April 2020**

**STAKEHOLDER  
STRATEGIES**

# INTRODUCTION

COVID-19 is a rapidly developing crisis that is already having a large impact on our society, economy and lives

We are working with leaders of New Zealand organisations to help them navigate the crisis successfully. We are committed to New Zealand's success, and our unique perspectives as strategists spanning public and private sectors mean we are well placed to help manage through these uncertain times

This presentation shares what we are learning and seeks to start conversations with New Zealand organisations. Its content includes

- An overview of the virus and New Zealand's response to date
- The potential impacts for New Zealand's economy and society
- Tools and approaches to “batten down the hatches but come back swinging”

The content presented should be considered “draft” and “work-in-progress”

- It has been developed based on our research, leveraging research completed by others globally (mostly academic institutions, public health organisations, strategy consultancies and economists)
- It is not complete without accompanying verbal commentary. Please forgive any gaps if you are viewing it without one of the Stakeholder Strategies team
- The situation is changing rapidly, and our thinking is evolving. It is likely that some content in this version will be out of date
- It is focused on the New Zealand situation and should only be applied elsewhere with due consideration
- Our work on longer term, post-crisis, societal scenarios for New Zealand will be shared when ready

# COVID-19 WILL MATERIALLY AFFECT OUR LIVES

**Virus:** Much worse than the flu and requires rapid elimination to prevent fatalities

- Confirmed cases in New Zealand are growing linearly with most cases imported
- Vaccine unlikely for 12-18+ months, but elimination could resolve the crisis in the meantime
- Levelling of new case numbers indicates that New Zealand may be successfully eliminating
- Failing to eliminate now could result in thousands of fatalities, but modelling is highly uncertain

**Impact:** Serious economic and societal impact will be felt in the short and long term

- Six near-term scenarios developed to test the economic impact during the crisis and initial recovery period
- The economic impact during the crisis period in NZ is likely to be severe, and preliminary analysis indicates that recovery could be drawn out
- Broader and long-term implications for New Zealand society likely significant, but are uncertain

**Tools:** Survive and thrive by adopting tools which help to navigate high uncertainty

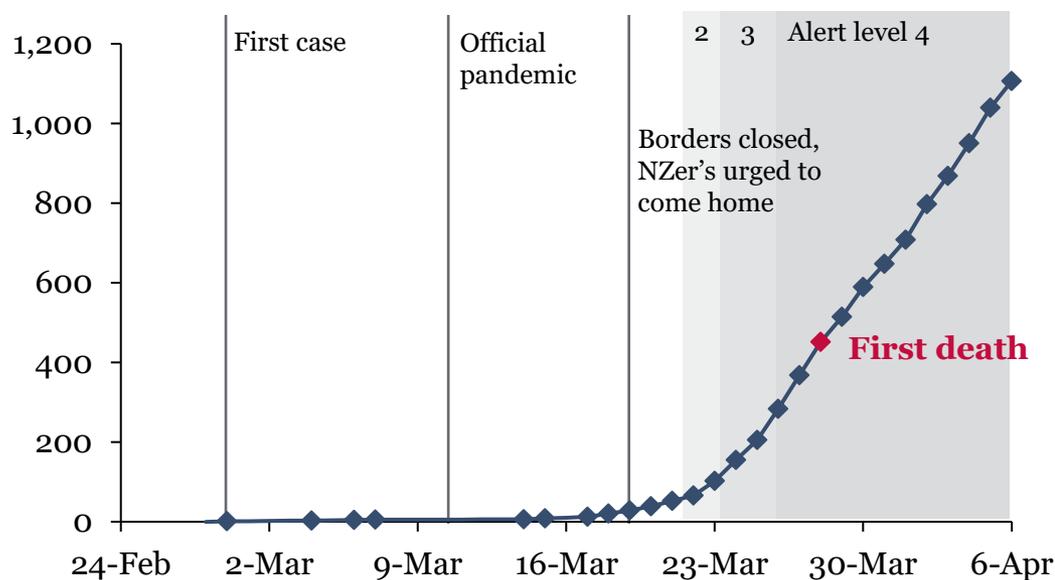
- Structured process can help diverse organisations steer towards success
- Scenarios need to connect the macro with the micro to provide actionable insight
- Effective crisis navigation can require a deliberate mind-set shift and an emphasis on looking for opportunities to “come back swinging”

# COVID-19 IS MORE CHALLENGING THAN THE FLU, WITH HIGHER CONTAGION AND FATALITY RATES

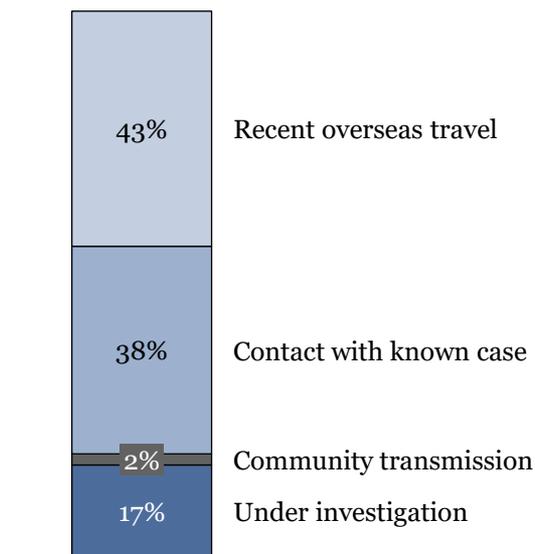
	Key facts	Implications
<b>Contagion</b>	<ul style="list-style-type: none"> <li>• <math>R_0</math> currently estimated 2-3 with edge range estimates closer to 1.4-3.6</li> <li>• <math>R_0</math> for seasonal flu around 1.3</li> </ul>	<ul style="list-style-type: none"> <li>• COVID-19 is twice as contagious as the seasonal flu</li> </ul>
<b>Current immunity</b>	<ul style="list-style-type: none"> <li>• No herd immunity exists yet as virus is novel in humans</li> </ul>	<ul style="list-style-type: none"> <li>• Social distancing and strict hygiene are the only means to slow spread</li> </ul>
<b>Incubation period</b>	<ul style="list-style-type: none"> <li>• Mean of 6.4 days (ranging from 2-12 days) while seasonal flu is commonly a 3-day period</li> <li>• Data suggests viral shedding continues beyond symptom resolution</li> </ul>	<ul style="list-style-type: none"> <li>• People are contagious for longer periods than the flu and many other illnesses, requiring longer bouts of quarantine</li> </ul>
<b>Fatality</b>	<ul style="list-style-type: none"> <li>• Case fatality rates range from 1% to 12%, are trending at 5.5% globally (0.1% for the flu)</li> </ul>	<ul style="list-style-type: none"> <li>• Fatality is orders of magnitude higher than typical influenzas</li> </ul>
<b>Portion of cases asymptomatic but contagious</b>	<ul style="list-style-type: none"> <li>• COVID-19 can be spread asymptotically</li> <li>• Experts estimate that of cases tested as positive, as high as 18-30% are completely asymptomatic, with another 10-20% with mild enough symptoms to not suspect COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• People who feel “fine” are transmitting COVID-19 to others</li> <li>• Mass isolation or testing required</li> </ul>
<b>Portion of cases reaching “critical”/ “severe” infection</b>	<ul style="list-style-type: none"> <li>• Approximately 19% of confirmed cases are considered “severe” or “critical”, requiring hospitalisation, and 25% of those need ICU beds</li> </ul>	<ul style="list-style-type: none"> <li>• Hospital systems risk being overtaxed (people, beds, ventilators and PPE) meaning case fatality rates could rise further</li> </ul>

# CONFIRMED CASES IN NEW ZEALAND ARE GROWING LINEARLY, WITH MOST CASES IMPORTED

Total confirmed COVID-19 cases in New Zealand



Source of confirmed NZ cases



True level of community transmission is still unknown due to testing criteria up to 31 March requiring people to have connection to travel

# A VACCINE IS UNLIKELY TO BE AVAILABLE FOR AT LEAST 12 TO 18+ MONTHS

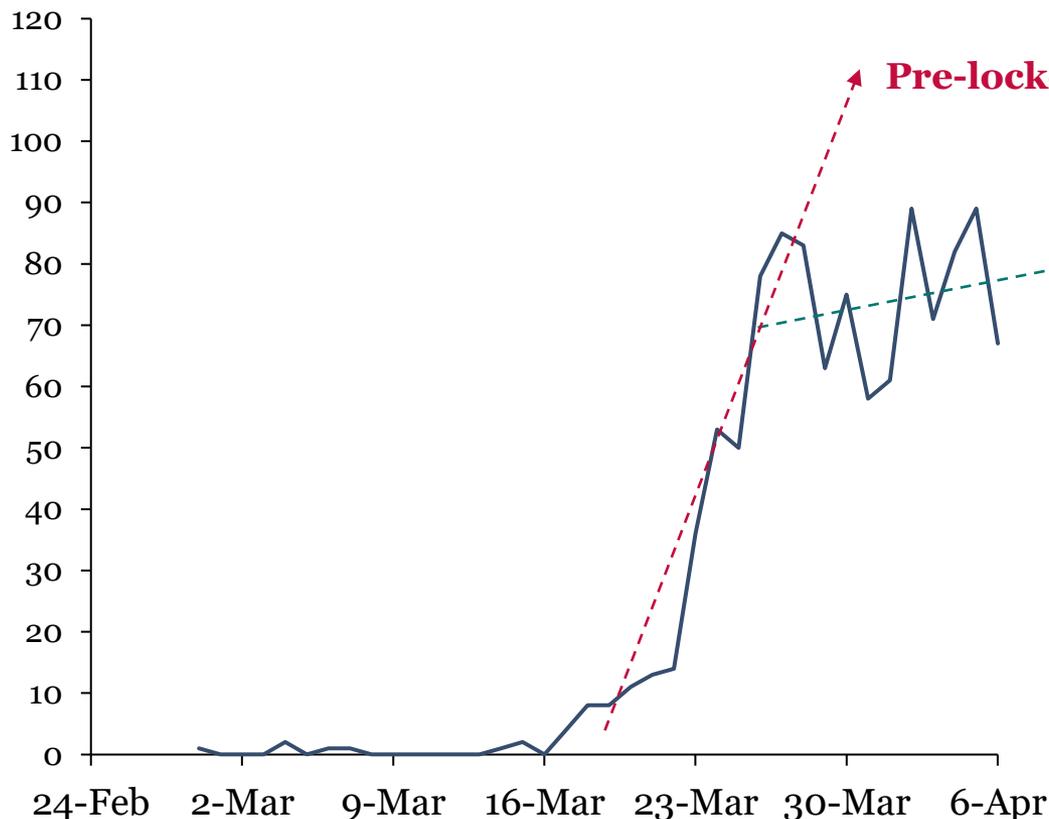
Layers	Options	Status <sup>1</sup>	Barriers
<p><b>Vaccines</b></p>	<ul style="list-style-type: none"> <li>• Traditional protein-based (longer timeframe but proven approach)</li> <li>• mRNA-based (quick to design but less proven tech and efficacy)</li> <li>• DNA based (quick to design but less proven tech)</li> </ul>	<ul style="list-style-type: none"> <li>• Two candidate vaccines in clinical evaluation, 52 in preclinical:               <ul style="list-style-type: none"> <li>– Moderna, a biotech, first to have launched clinical testing of mRNA vaccine in humans</li> <li>– Pfizer and BioNTech partnered to test mRNA vaccine in late April</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 12-18 months required to conduct safety and efficiency clinical trials, even if ‘fast tracked’</li> <li>• Significant manufacturing and distribution capacity required to ramp up production</li> </ul>
<p><b>Therapeutics</b></p>	<ul style="list-style-type: none"> <li>• Antiviral – slows virus spreading</li> <li>• Symptom relief</li> <li>• Immune system enhancement/antibodies</li> </ul>	<ul style="list-style-type: none"> <li>• Currently, potentially 80 therapeutics being investigated</li> <li>• Trials are underway to test efficacy of existing drugs (e.g. Remdesivir)</li> <li>• Front-line physicians are using some therapies off-label</li> </ul>	<ul style="list-style-type: none"> <li>• If off-label efficacy is confirmed, significant manufacturing and distribution capacity required to ramp up production; current global stores insufficient</li> </ul>

# ELIMINATION STRATEGY CAN WORK IN NZ IF STRICT INTERVENTIONS ARE ENFORCED EFFECTIVELY

Strategy	Requirements	Possible implications for New Zealand
<p><b>Elimination:</b> eliminate virus to only very small levels in community</p> <p><b>NZ Government's Strategy</b></p>	<ul style="list-style-type: none"> <li>• Very strict interventions where <math>R_0 &lt; 1</math></li> <li>• Effective contact tracing and isolation</li> <li>• Systematic testing to prove non-existence</li> </ul>	<ul style="list-style-type: none"> <li>• Virus eliminated quickly</li> <li>• Lowest loss of life</li> <li>• Within borders, people return to a somewhat 'normal' life</li> <li>• Strict border restrictions still required</li> <li>• Ongoing treatment for very small number of cases</li> </ul>
<p><b>Suppression:</b> delaying of epidemic, buying time for vaccine or treatment</p>	<ul style="list-style-type: none"> <li>• Maintain very strict interventions where <math>R_0 &lt; 1</math></li> <li>• Note that in lockdown, est. <math>R_0 \sim 1.2</math></li> </ul>	<ul style="list-style-type: none"> <li>• Prolonged period under 'lockdown' or similar restrictions</li> <li>• Low loss of life depending on <math>R_0</math> achieved</li> <li>• Requires long term commitment. If suppression is lifted, cases will ramp again</li> </ul>
<p><b>Mitigation:</b> aim to control epidemic to avoid overwhelming healthcare systems</p>	<ul style="list-style-type: none"> <li>• Pivot between high level of control where <math>R_0 &lt; 1</math>, and lower level of control where <math>R_0 = 1</math> to 2</li> </ul>	<ul style="list-style-type: none"> <li>• Higher loss of life because more people are infected with COVID-19</li> <li>• Oscillation between strict lock down (L3/4) and low control periods (L2)</li> <li>• Could take up to 1-2.5 years before vaccine or herd immunity acquired</li> <li>• Borders remain closed until global immunity or vaccine</li> </ul>

# LEVELLING OF NEW CASE NUMBERS INDICATES THAT NEW ZEALAND MAY BE SUCCESSFULLY ELIMINATING

**Daily new confirmed and probable COVID-19 cases in New Zealand**



**Current trend suggests lockdown is working** and New Zealand has avoided uncontrolled outbreak, especially as daily testing has increased from ~1,200 to 3,700 over the last 14 days

Government has stated they will begin surveillance activity this week to test whether virus is present in areas or among groups that may not have been widely tested yet

# CONTROLS IN PLACE ARE FOCUSED ON REDUCING THE SPREAD AND GROWING HEALTHCARE CAPACITY

Interventions		Status in NZ	Effectiveness	Comparison
<b>Reduce spread</b>	Border controls	<ul style="list-style-type: none"> <li>Borders closed to non-NZers</li> </ul>	<ul style="list-style-type: none"> <li>Created “window of opportunity”</li> </ul>	<ul style="list-style-type: none"> <li>Moved faster than most countries</li> </ul>
	Quarantining	<ul style="list-style-type: none"> <li>Recently instituted for inbound travellers</li> </ul>	<ul style="list-style-type: none"> <li>Criticism on speed and enforcement</li> </ul>	<ul style="list-style-type: none"> <li>China, S Korea and Singapore stricter with more monitoring</li> </ul>
	Mass isolation	<ul style="list-style-type: none"> <li>Implemented “level 4” for at least four weeks</li> </ul>	<ul style="list-style-type: none"> <li>Moved fast, most people complying but little enforcement<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>China, S Korea and Singapore stricter with more monitoring</li> </ul>
	Contact tracing	<ul style="list-style-type: none"> <li>Enforced early and scaling capacity quickly</li> </ul>	<ul style="list-style-type: none"> <li>More capacity needed</li> <li>Smartphone data not yet being leveraged</li> </ul>	<ul style="list-style-type: none"> <li>China and S Korea investing huge resources and tech</li> </ul>
	Testing	<ul style="list-style-type: none"> <li>Originally only for travel-connected cases</li> <li>Capacity increasing</li> </ul>	<ul style="list-style-type: none"> <li>Good given number of cases, but systematic testing lagging</li> </ul>	<ul style="list-style-type: none"> <li>S Korea, Singapore and Taiwan “gold standard”</li> </ul>
<b>Grow health system capacity</b>	Centralised response	<ul style="list-style-type: none"> <li>Alert “level 4” gives system time to adapt</li> </ul>	<ul style="list-style-type: none"> <li>Moved fast given stage but CDC missing</li> </ul>	<ul style="list-style-type: none"> <li>Asian countries better prepared due to SARS</li> </ul>
	Scaling hospital beds	<ul style="list-style-type: none"> <li>Ramping from ~230 ICU beds to 550+</li> </ul>	<ul style="list-style-type: none"> <li>Not going to be enough; temp options needed</li> </ul>	<ul style="list-style-type: none"> <li>Wuhan, UK and NYC building capacity rapidly</li> </ul>
	Scaling health workforce	<ul style="list-style-type: none"> <li>6,500+ re-entering workforce</li> <li>DHBs training ICU staff</li> </ul>	<ul style="list-style-type: none"> <li>Self isolation after case contact challenging</li> <li>More capacity needed</li> </ul>	<ul style="list-style-type: none"> <li>UK and US calling for retirees to re-enter</li> </ul>
	Securing PPE	<ul style="list-style-type: none"> <li>Good national reserves</li> <li>Local supply for masks</li> </ul>	<ul style="list-style-type: none"> <li>Not all essential workers have PPE</li> </ul>	<ul style="list-style-type: none"> <li>Huge demand globally with limited local supply</li> </ul>

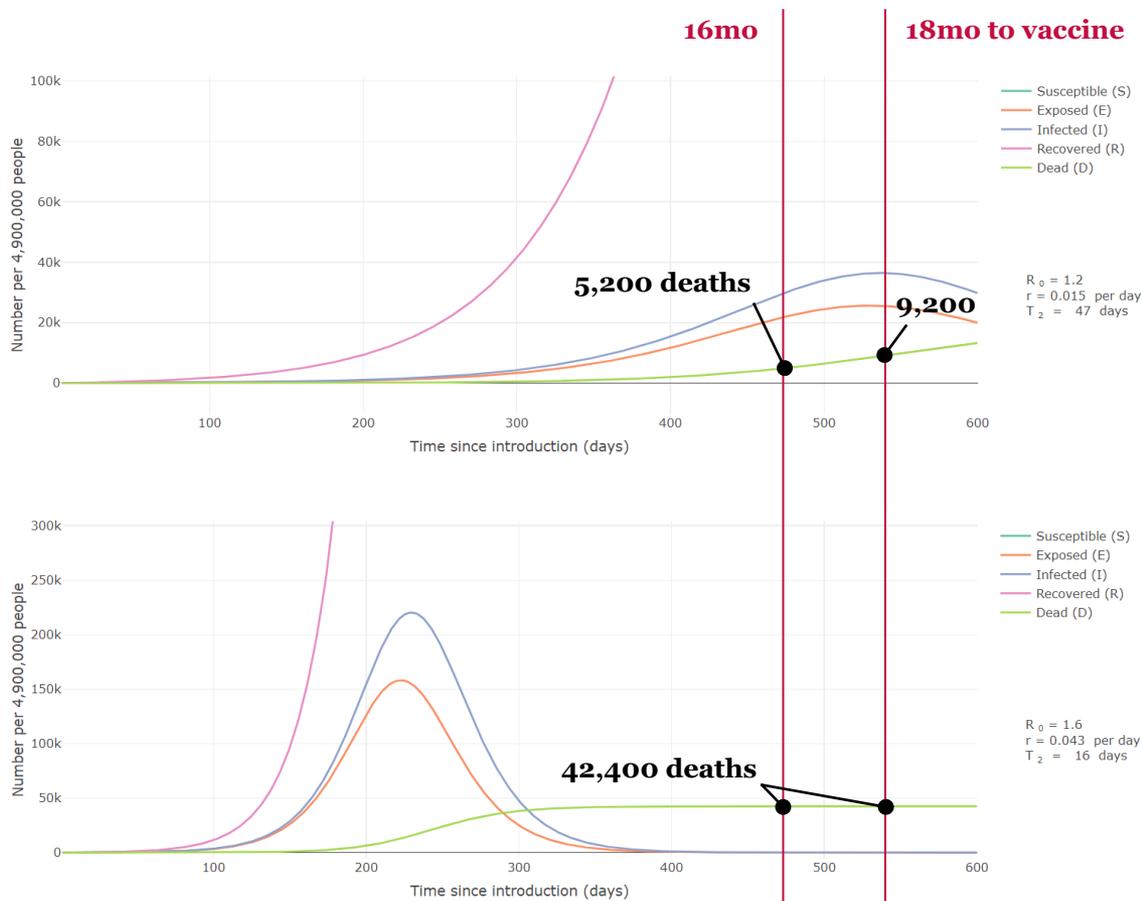
1. Consequences of small numbers of breaches can be very serious. Source: ShS analysis based on Epidemic Response Committee meetings; various local and international news sources; as at 6 April 2020

# FAILING TO ELIMINATE NOW COULD RESULT IN THOUSANDS OF FATALITIES...

## Modelled progression of COVID-19 cases in New Zealand

**No elimination, suppression at  $R_0 = 1.2$ ,** similar to lockdown-like interventions with some level of public non-compliance and risk of transmission through essential services

**No elimination, suppression at  $R_0 = 1.6$ ,** similar to enforcement of case isolation, quarantine and some social distancing



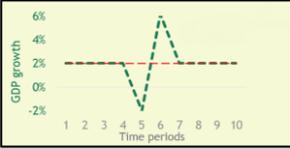
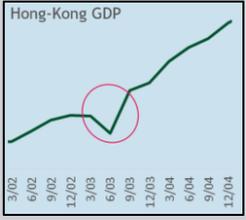
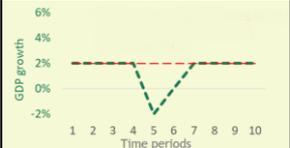
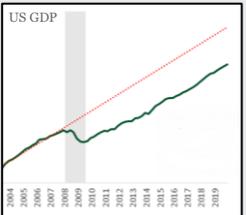
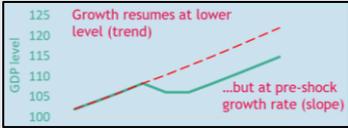
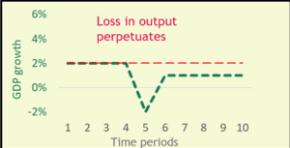
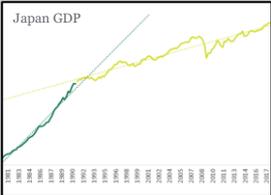
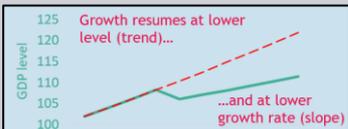
Scenarios presented here are scenarios only and do not necessarily reflect the current or emerging situation in New Zealand. Preliminary modelling assumes 2% case fatality rate, 100 starting infections in population of 4,900,000;  $R_0$  definitions adapted from Hendy et al. Research. Source: Model developed by Hill, A. and others: <https://alhill.shinyapps.io/COVID19seir/>.

# ...BUT THE OUTCOME IS STILL HIGHLY UNCERTAIN

**Number of modelled case fatalities with varying  $R_0$  and case fatality rate**  
(Fatalities after 18 months)

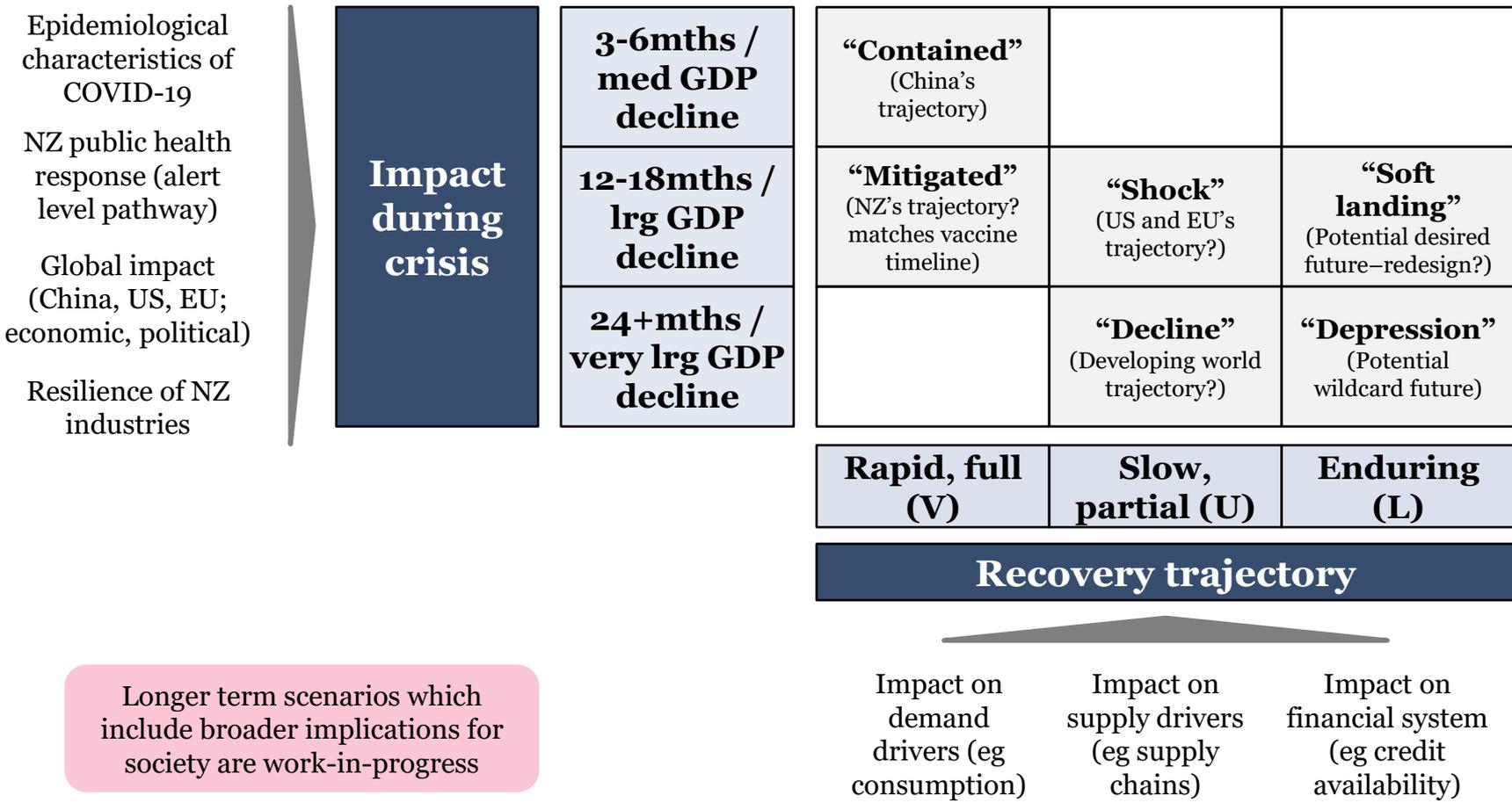
		Varying degrees of control			Range of uncontrolled epidemic	
		$R_0$	0.9	1.2	1.6	2
Case fatality rate (%)	0.25	1.7	1,144	5,304	6,780	8,056
	0.5	3.4	2,288	10,608	13,560	16,112
	1	6.8	4,576	21,216	27,120	32,224
	2	13.6	9,152	42,432	54,240	64,448
	5	34	22,880	106,080	135,600	161,120

# ECONOMIC RECOVERY COULD HAPPEN AS A V, U OR L SHAPE

Type	Description	Duration	Illustration		Example
<b>V-shaped</b>	Temporary shock leading to short-term reduction in demand, which is quickly recovered once shock alleviates	~12 to 24 months	<b>Growth rate</b>		<b>2003 SARS</b> (and other epidemics) 
			<b>Abs. GDP</b>		
<b>U-shaped</b>	Shock breaks the growth trend leading to suppressed growth for a few years but ultimately recovery	~2 to 10 years	<b>Growth rate</b>		<b>2008 GFC</b> 
			<b>Abs. GDP</b>		
<b>L-shaped</b>	Shock that perpetually breaks growth trend. Involves a structural change in the economy that shifts future growth trend	More than 10 years	<b>Growth rate</b>		<b>1990 Japan asset bubble</b> 
			<b>Abs. GDP</b>		

# SIX SCENARIOS TEST THE ECONOMIC IMPACT DURING THE CRISIS AND INITIAL RECOVERY PERIODS

## New Zealand COVID-19 scenario framework for next 18-24 months



# ECONOMIC IMPACT DURING CRISIS PERIOD IN NZ LIKELY TO BE SEVERE

	Driver / Risk	NZ outlook
<b>Virus properties</b>	Contagion / <b>higher R<sub>0</sub> rate</b>	Highly contagious virus
	Mortality / <b>higher death rate</b>	Very low, full extent still unknown
	Virus resilience / <b>mutations</b>	Unknown
<b>Medical response</b>	Vaccine development / <b>no vaccine</b>	Accessible vaccines 12-18 months away
	Treatment / <b>ineffective treatment</b>	Scaling capacity but more required
	Testing / <b>insufficient or inaccurate</b>	Good progress but more scale needed
<b>Economic/policy responses</b>	Social distancing rules / <b>not used</b>	Moved early but gaps in the system
	Govt. support / <b>too little, too late</b>	Significant wage subsidy and stimulus
	Economic confidence / <b>extreme drop</b>	Confidence shocked and falling
	Solvency / <b>mass default</b>	Should be expected
<b>Industry resilience</b>	Market growth / <b>no growth</b>	Large recession to be expected
	Supply chain / <b>no access to resources</b>	Some supply chains interrupted
	Financial system / <b>credit freeze</b>	Relatively strong financial system
<b>Global impact</b>	Virus containment/ <b>not contained</b>	Global cases still growing quickly
	Border closures / <b>long-term closures</b>	Borders closed for foreseeable future
	Trade / <b>reverse of globalisation</b>	Reverse of globalisation possible

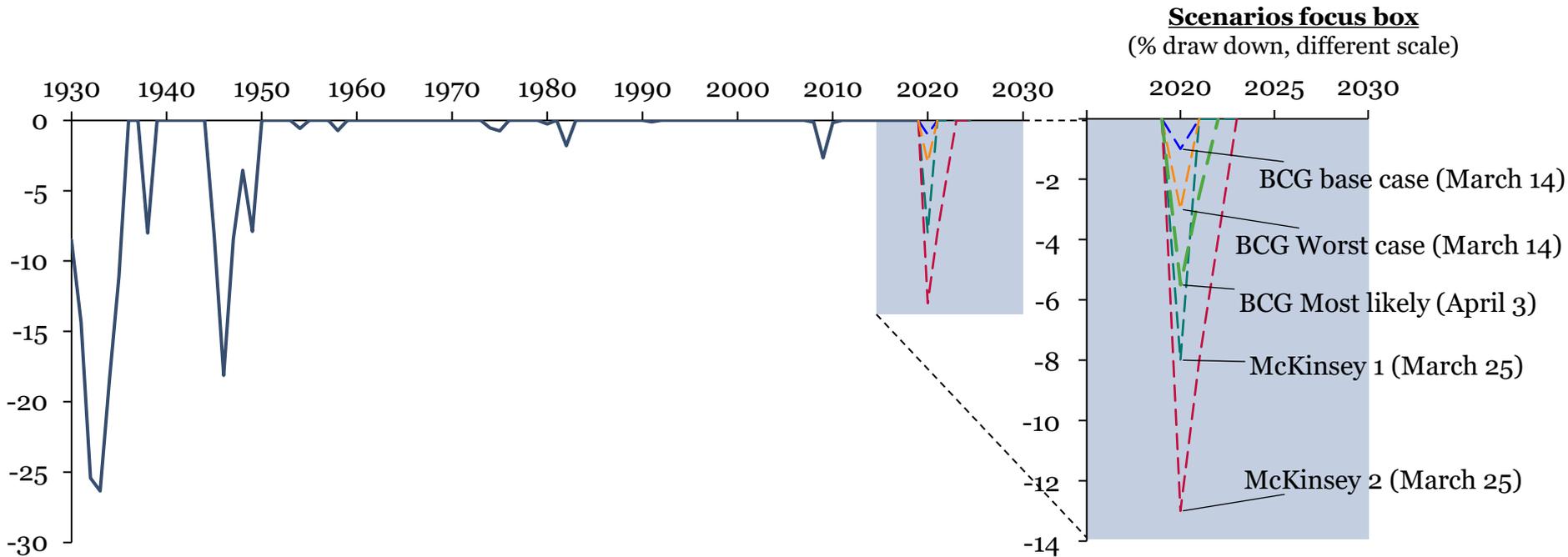
# NEW ZEALAND'S ECONOMIC RECOVERY MORE LIKELY TO BE U-SHAPED THAN V

	U-shaped recession drivers	NZ outlook	Rationale
<b>Persistence of real-economy shock</b>	Supply chains prove difficult to re-establish	Likely	Supply chains disrupted by asynchronous disease waves and hard to restart; potential for global trade barriers
	Consumption stays low for a long time	Likely	Potential for sustained unemployment, high household debt, changes in consumption patterns and global trade disruptions
	Capital investment stays low for a long time	Uncertain	Potential for insolvencies; period of corporate deleveraging post-crisis but public investment in infrastructure likely to increase
<b>Potential for financial shock</b>	High levels of household and corporate debt	Likely	High levels of debt before the crisis; payment deferrals (eg mortgage payments) increase debt while incomes may reduce
	High levels of insolvencies/bankruptcies	Uncertain	Lockdowns and global trade disruptions likely to drive insolvencies, which will take time to roll through the economy; nationalisation possible
	Financial institutions and system disrupted	Uncertain	Relatively sound financial system but exposed to international financial system disruption, domestic insolvencies and deteriorating household incomes
<b>Effectiveness of government responses</b>	Fiscal stimulus limited or ineffective	Unlikely	New Zealand has relatively low levels of public debt compared to other OECD countries; robust interventions so far but duration and scope uncertain
	Monetary stimulus limited or ineffective	Uncertain	Robust well-timed intervention so far; limited room to lower IRs but considering negative rates; QE and bank capital ratio easing underway; other innovative tools being considered

# US SCENARIOS PREDICT BIGGEST RECESSION SINCE 1950, AND ARE GETTING WORSE

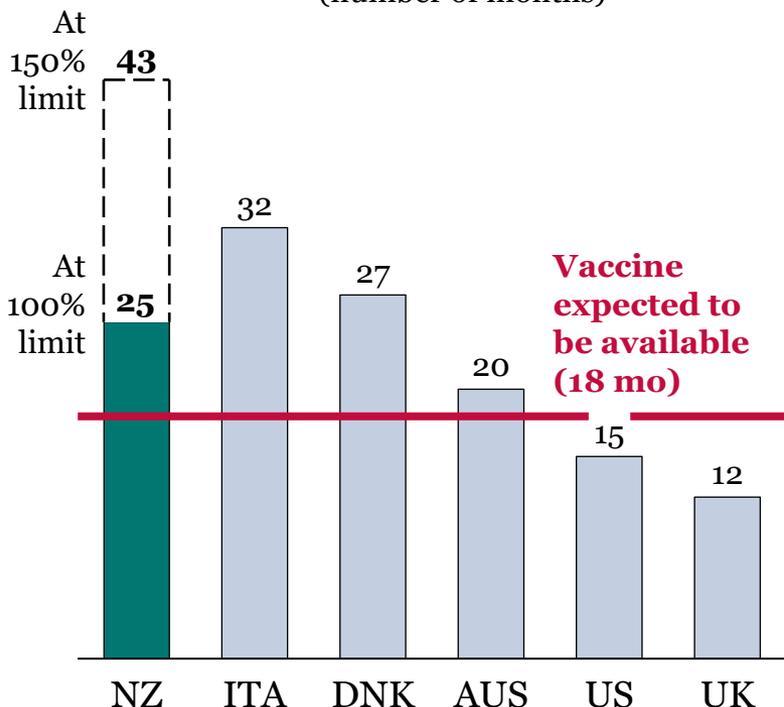
## US GDP PPP reductions from prior peak

(Real PPPs % decline, actual until 2018, possible scenarios thereafter)

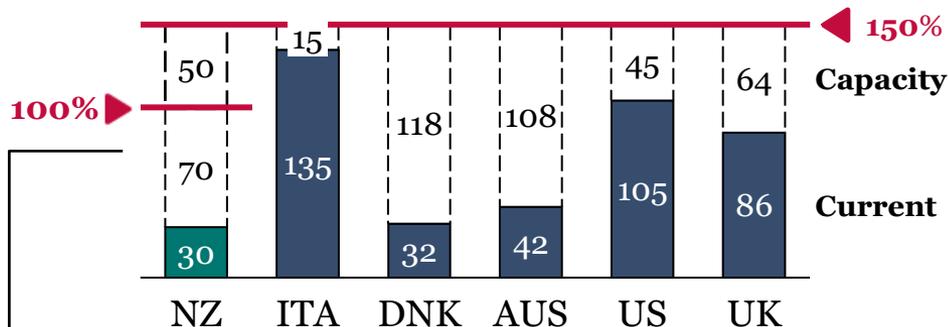


# CURRENT NZ GOVERNMENT STIMULUS CAN BE MAINTAINED UNTIL A VACCINE IS AVAILABLE

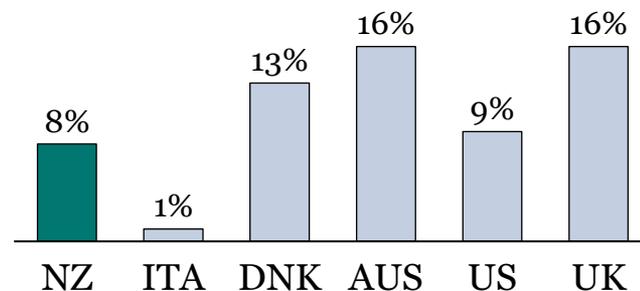
**Time until govt. support breaches debt limit<sup>1,2,3</sup>**  
(number of months)



**Govt. debt-to-GDP: current and capacity<sup>1,2</sup>**  
(% of GDP, nominal)



**Govt. COVID response expenditure<sup>3</sup>**  
(% of GDP, nominal)



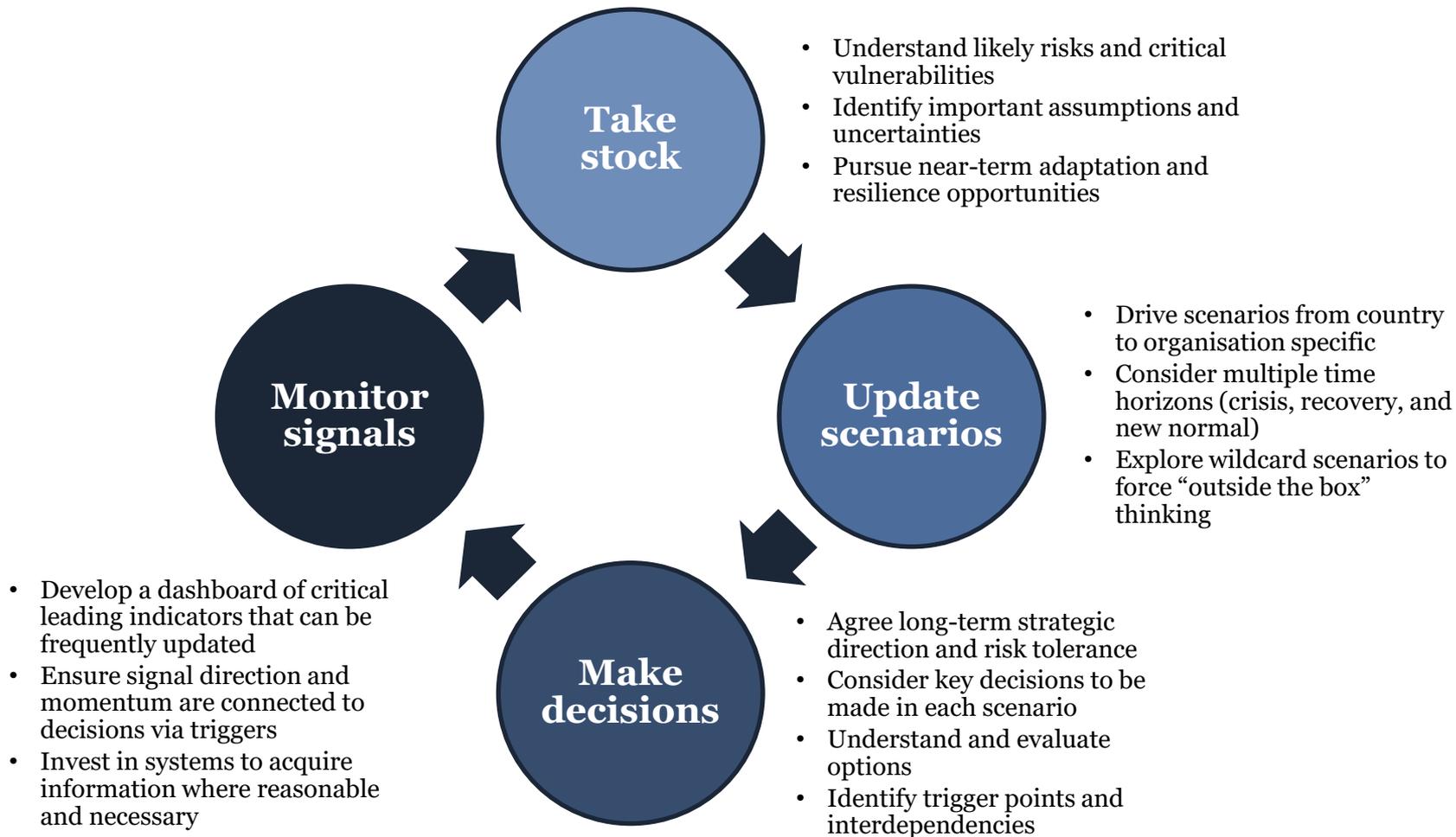
1 Assumes countries can reach 150% public debt-to-GDP levels before credit crisis occurs (based on observations internationally); NZ cap shown as 100% to reflect that small and remote economies are generally less willing to take on higher levels of public debt  
 2 Does not include government debt repayments that may result from Quantitative Easing  
 3 Assumes stimulus will last 3 months before next cycle of stimulus is required; does not assume that stimulus will increase  
 Source: NZ Treasury, IMF datasets, government policy announcements, The Economist.

# BROADER AND LONG-TERM IMPLICATIONS LIKELY SIGNIFICANT BUT UNCERTAIN

Layers	Precedents	Potential changes	Potential impacts
<b>Attitudes</b>	<ul style="list-style-type: none"> <li>• Black Death: ending feudalism and serfdom</li> <li>• SARS: importance of public health preparedness in Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Greater emphasis on resilience and reducing social inequality?</li> <li>• Importance of public health and access to health care?</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of supply chains?</li> <li>• Emphasis on wellbeing?</li> <li>• Investment in health infrastructure?</li> </ul>
<b>Politics</b>	<ul style="list-style-type: none"> <li>• WWII: European Union, NATO, Cold War, United Nations</li> <li>• GFC: 1% movement, Tea Party movement</li> </ul>	<ul style="list-style-type: none"> <li>• Shift in balance of power between China and US?</li> <li>• Decline of globalism, rise of “new glocalism”?</li> <li>• More active government role in economy?</li> </ul>	<ul style="list-style-type: none"> <li>• Greater risk of trade barriers?</li> <li>• Greater risk of super-power conflict?</li> <li>• Effects of high govt debt and low interest rates?</li> </ul>
<b>Work</b>	<ul style="list-style-type: none"> <li>• WWII: women joining the workforce</li> <li>• 9/11: aviation security increasing cost of domestic commuting</li> </ul>	<ul style="list-style-type: none"> <li>• Less “office work” completed in commercial buildings?</li> <li>• Structural increase in health sector funding?</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced demand for comm. office real estate and transport infra?</li> <li>• More demand for public health workers and clinicians?</li> </ul>
<b>Consumption</b>	<ul style="list-style-type: none"> <li>• SARS: online retail in China, accelerated adoption of e-channels</li> </ul>	<ul style="list-style-type: none"> <li>• More consumption occurring within homes; less conspicuous consumption?</li> <li>• Greater emphasise on sustainable values?</li> </ul>	<ul style="list-style-type: none"> <li>• Growth in online entertainment and delivered F&amp;B</li> <li>• Decline in “brick and mortar”?</li> </ul>

Note - potential changes and impacts are not exhaustive

# TO SURVIVE AND THRIVE ORGANISATIONS NEED TO ADOPT TOOLS TO NAVIGATE UNCERTAINTY



**Adopt mind-set changes to navigate crisis successfully**

# STRUCTURED PROCESS CAN HELP DIVERSE ORGANISATIONS STEER TOWARDS SUCCESS

Step	Logistics co.	Luxury Consumer Durables co.
<p><b>Take stock</b></p>	<p><b>Key vulnerability:</b> Maintaining social distancing and ensuring workers are not infected  <b>Key uncertainty:</b> Government regulation on what can and cannot be delivered  <b>Key adaption:</b> Reconfigure warehousing to increase social distance and maintain throughput</p>	<p><b>Key vulnerability:</b> Demand slump, high fixed costs, and narrow margins threaten cash flow  <b>Key uncertainty:</b> Depth and duration of recession, international production capability  <b>Key adaption:</b> Reduce non-core discretionary expenditure to defend cashflow position</p>
<p><b>Update scenarios</b></p>	<p><b>Online shopping takeover:</b> Long period of social distancing leads to enduring rise in online shopping and parcel delivery  <b>Sickness disrupts system:</b> Sickness takes out critical volume of workforce or requires facilities to close for cleaning, causing backlog</p>	<p><b>Buyers bounce back:</b> Economy recovers sharply after lockdown and many of those who might have purchased products purchase later  <b>Shrink and survive:</b> New Zealand rebounds but international recession is deep and long; demand returns but supply is constrained by manufacturers</p>
<p><b>Make decisions</b></p>	<p><b>Key decisions might be:</b></p> <ul style="list-style-type: none"> <li>• How to maintain operating efficiencies at same time as physical distancing?</li> <li>• When to invest in or divest delivery capacity?</li> <li>• How to increase system capacity without unduly increasing risk to workers?</li> </ul>	<p><b>Key decisions might be:</b></p> <ul style="list-style-type: none"> <li>• When to reduce fixed costs and other overheads? What must be retained, should be retained and is discretionary?</li> <li>• How to resolve supply issues if manufacturers are constrained?</li> </ul>
<p><b>Monitor signals</b></p>	<p><b>National:</b> % growth rate in cases, % of cases from community transmission, online purchasing habits, traditional “brick and mortar” purchasing index  <b>Company:</b> Parcel throughput as % of capacity, employee wellbeing indications, leverage ratios</p>	<p><b>International:</b> Case growth rate and GDP decline in markets with key suppliers  <b>National:</b> Alert level, unemployment rate, consumer confidence  <b>Company:</b> Expected cash zero date, asset turnover, website visits, leverage ratios</p>

# SCENARIOS NEED TO CONNECT THE MACRO WITH THE MICRO TO PROVIDE ACTIONABLE INSIGHT

	Uncertainties	Vulnerabilities	Opportunities	Decisions	Outside the box
Society	Safety Social cohesion Compliance	Disorder Non-compliance	Provide direction, belonging, safety	Provide clear measured advice and directives	What messaging could we send to strengthen community?
Economy	Economic outlook Business confidence Spending levels	Many businesses are likely to fail, households at risk	Provide targeted stimulus, invest in job training	Provide stimulus as and where needed	With what new principles could we rebuild our economy?
Industry	Implications of societal and economic changes	Shift to substitute services and online channels Industry workshop shortages	Invest in resilience building capabilities, and policy advocacy	Collaboration vs competition, vertical integration	Will the industry aggressively consolidate during recovery period?
Organisation	Viability through an economic shock, supply chain threats	Job losses, supply chains, cash flow  Competitors with deeper pockets	Engage customers and suppliers to negotiate plans for resilience	Reallocate resources, corporate dev., policy positions	Should we remain a digital/at-home only business post crisis?

# EFFECTIVE CRISIS NAVIGATION CAN REQUIRE A DELIBERATE MIND-SET SHIFT...

Change required	Pre-COVID state	Required state	Rationale
<b>Shift from deterministic to probabilistic planning</b>	<ul style="list-style-type: none"> <li>• Ignoring uncertainty</li> <li>• Dealing with uncertainty as an afterthought</li> <li>• Considering uncertainty but acting on base case</li> </ul>	<ul style="list-style-type: none"> <li>• Understand risk aversion</li> <li>• Make least-regrets decisions</li> <li>• Iterate as information becomes available</li> </ul>	<ul style="list-style-type: none"> <li>• Humans are naturally deterministic thinkers, but a intentionally probabilistic strategy will get better results more often</li> </ul>
<b>Shift from top-down to integrated nerve centre</b>	<ul style="list-style-type: none"> <li>• Tendency to pull close small group of trusted advisors</li> <li>• Seeking control to manage risk</li> </ul>	<ul style="list-style-type: none"> <li>• Seek order not control – make expectations clear</li> <li>• Delegate decisions that you can</li> <li>• Empower leaders with character</li> </ul>	<ul style="list-style-type: none"> <li>• Involving more people results in better decisions, and with proper structure, faster decisions and better buy-in</li> </ul>
<b>Switch from maximum value creation to minimising loss</b>	<ul style="list-style-type: none"> <li>• Make decisions and manage negotiations for maximum value creation</li> </ul>	<ul style="list-style-type: none"> <li>• Act to minimise chance of catastrophe</li> <li>• Understand risk tolerance and aversion</li> </ul>	<ul style="list-style-type: none"> <li>• In high-risk environments, avoiding catastrophe and surviving should be top priority</li> </ul>
<b>Balance need for speed with need for careful consideration</b>	<ul style="list-style-type: none"> <li>• Tendency to make rash moves when situation is changing rapidly</li> </ul>	<ul style="list-style-type: none"> <li>• Slow down, take a breath</li> <li>• Ask what is important and what isn't, what might be missed</li> <li>• Act swiftly but calmly</li> </ul>	<ul style="list-style-type: none"> <li>• High levels of uncertainty and need for rapid action mean blind spots are likely</li> </ul>

# ...AND AN EMPHASIS ON LOOKING FOR OPPORTUNITIES TO “COME BACK SWINGING”

Potential opportunities that may emerge from COVID-19 for:		
Time period	Businesses	Government
<b>Crisis period</b> (next 12-18 months)	<ul style="list-style-type: none"> <li>Strengthen connection with customers by supporting them through a challenging time</li> <li>Accelerate transition into digital channels</li> </ul>	<ul style="list-style-type: none"> <li>Build credibility with constituents</li> <li>Leverage unutilised experts for workforce development</li> <li>Appetite for more ambitious policy changes</li> </ul>
<b>Recovery period</b> (2-3 years from now)	<ul style="list-style-type: none"> <li>Leverage stronger customer connection to deepen share of wallet</li> <li>Acquire devalued competitors</li> <li>Access cheaper capital to pursue expansion</li> </ul>	<ul style="list-style-type: none"> <li>Leverage societal appetite to pursue major reforms (for example, improving supply chain resilience)</li> <li>Opportunities to be seen as a leader</li> </ul>
<b>New normal</b> (2023+)	<ul style="list-style-type: none"> <li>Redesign traditional approaches in light of innovative approaches that emerged during the crisis and recovery period (for example, optimise virtual/in-person work to improve engagement)</li> </ul>	<ul style="list-style-type: none"> <li>Redesign the system in light of the imbalances that emerged during the crisis and recovered period (for example, strengthening policies to reduce environmental degradation)</li> </ul>

Note - potential opportunities are not exhaustive

# SO, WHAT ARE THE IMPLICATIONS FOR YOU?

- What are the critical COVID-driven vulnerabilities, uncertainties and adaptation requirements facing your organisation, your customers and your stakeholders?
- What near-term opportunities exist to get assistance from Government, suppliers and customers, and what can you do to adapt if your business model is being undermined?
- Moving from the “macro” to the “micro”, how do the scenarios and assumptions that underlie your strategy need to change, and what options do you have available?
- What signals will you rely on to determine when decisions are required, and what systems do you need to ensure signals are available?
- What organisational arrangements do you need to manage your immediate adaptation priorities, longer term strategy refinement and “business-as-usual” operations?

# FURTHER INFORMATION

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More information on Stakeholder Strategies can be found at [www.stakeholderstrategies.co.nz](http://www.stakeholderstrategies.co.nz)

For regular updates and brief summaries of emerging international COVID research, please subscribe to our mailing list here: <https://stakeholderstrategies.co.nz/covid-contact/>

Thank you,

The Stakeholder Strategies team