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Transforming Businesses to Thrive in the Post-Covid-19 'New Normal'

Since the start of the year, the outbreak of Covid-19 has affected life across the planet in multiple ways. In addition to imposing massive and far-reaching economic costs, the lockdowns that were instituted worldwide as governments scrambled to control the spread of the virus have caused unprecedented shifts in how people go about their daily lives. Perhaps most importantly, this crisis has left behind a multitude of clues about the possible shape of the future. Although some of the recent changes will fade with time, others will remain preventing life from returning to its old ways once the crisis eases or what has been called 'the new normal'. These changes have arisen from a variety of causes, including those related to the unfolding of global megatrends, social shifts, infrastructure readiness, consumer values, and economic cycles. But whatever the initial cause is, **the current global pandemic is acting as a catalyst, accelerating and multiplying the impacts of changes that were already underway.**

Krungsri Research believes that **the Covid-19 pandemic will precipitate a huge range of changes in the economy over both the short- and the long-term. If companies stick rigidly to their old ways of thinking and do not adapt to the changing environment, they will eventually see their competitiveness collapse or be forced entirely out of business.** Under the new normal, consumer demand and the nature of business competitiveness will be substantially altered. Business strategies that may have been successful in the pre-Covid-19 world, such as spending heavily on marketing, developing new products and services or engaging in cost-cutting exercises, may not now be effective. Rather, businesses need to understand the context of this new environment and how to best adjust themselves to this. In many cases, businesses will need to transform themselves to ramp up their potential and protect from the risk of disruption.

Transforming businesses in responding to the post-pandemic new normal will be a five-step process. (i) **Reassessing** the new business environment carefully by considering the relative strengths of the different forces acting on businesses. (ii) **Reviewing** the potential of the current business model whether it immunes to the risk of the business or industry being disrupted in the future. (iii) **Redirecting** a new course for the business, and in particular building a business model that puts the operation in a superior position relative to its competitors. (iv) **Reinventing** a business model in a constant process with the emphasis on creating value for customers and establishing competitive advantages in the marketplace. (v) **Reforming** the organization's structure, processes and culture to underpin a process of constant innovation for adopting a superior business model.

Covid-19: From Wuhan to the world

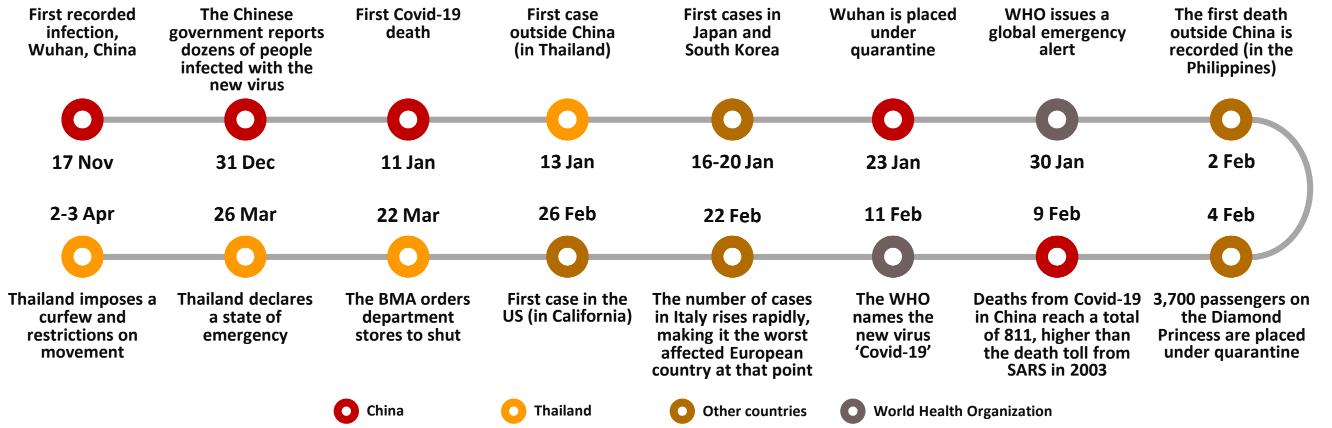
2020 began well. It was the start of a new decade and the long-rumbling US-China trade conflict looked as if it might be reaching a resolution. The year was also going to see a presidential election in the US and the holding of the summer Olympics in Tokyo, prompting many to believe that the outlook was distinctly better for 2020 than it had been a year earlier. That was, it looked that way until news began to emerge of a mysterious new respiratory disease that appeared to be spreading rapidly through the city of Wuhan in Hubei province, China.

As events transpired, 2020 was going to mark a major break in world history

Chinese authorities made their first official admission that citizens in Wuhan were being infected by a novel infection that attacked the respiratory system at the end of 2019, and the first deaths were recorded at the start of 2020. The first case outside China was diagnosed on January 13 in Thailand and following this, the World Health Organization (WHO) named the new illness 'Novel Coronavirus (2019-nCoV)' or Covid-19. The virus quickly spread and before long cases were cropping up across the world, forcing many countries to place a halt on international travel, in particular to high-risk countries. As a result of the new virus's extreme transmissibility, health services were being overwhelmed (Figure 1). Despite some countries quickly getting a handle on the pandemic, case numbers continue to rise worldwide and as of July 13, over 13 million infections have been recorded and 570,000 lives lost[1/]. At present, there is no end in sight to the crisis.

1/ Retrieved from https://www.worldometers.info/coronavirus/

Figure 1: Major Stages in the Spread of Covid-19



Source: Krungsri Research

From a public health emergency to an economic crisis

The rapid spread of Covid-19 forced governments worldwide to enact emergency measures as they tried to slow its progress. These moves included halting international travel, enforcing social distancing policies and placing regions or entire countries in lockdown, with the population largely forced to stay at home. Inevitably, this had huge economic repercussions, causing tourism, services and manufacturing to come to a grinding halt, which then had knock-on effects on exports, consumption and investment as businesses large and small ceased operations. The sudden collapse in income across the economy forced businesses to slash their expenditure. This rapidly fed into a cut in payroll expenses, which took the form of a reduction in working hours or for many of being completely laid-off, and so largely without warning, employees found themselves either with much-reduced paychecks or completely without work. In the absence of much business activity, the danger that this situation posed to the financial security of businesses and the general population let governments with no choice but to step in and take a central role in supporting the economy, the financial system and individual incomes. However, despite the extensive role played by governments in many countries, large numbers of businesses have still failed and unemployment registers have exploded in size. The International Monetary Fund[2/] slashed its forecast on the world economy into a recession by contracting -4.9% for 2020, compared to growth of 2.9% in 2019. In the case of Thailand, the Bank of Thailand forecasted[3/] a fall in GDP of -8.1% this year, which would be more severe than either the -6.9% contraction that followed the 1997 Asian financial crisis or the -2.5% decline in GDP that the subprime crisis caused[4/].

The Covid-19 epidemic has turned lives upside down

The new public health measures that have been introduced, especially the extensive lockdowns, have had dramatic effects both on the day-to-day lives of the general population and on how businesses operate. The seriousness of the disease and its high degree of transmissibility have forced people everywhere to adapt to a new reality by avoiding close interactions with strangers. A large fraction of the workers has had to work from home for several months, look for new sources of income, change their jobs, or economize drastically on their spending. In addition, the situation has changed from day to day and new emergency measures such as wearing facemasks, carrying disinfectant gel and avoiding contact with shared surfaces have become simply a necessary part of normal life. Even communications have changed and the need to stay abreast of a rapidly changing situation has forced people to rely more heavily on online information. The impacts of the Covid-19 crisis differ from those of other recent outbreaks of disease such as SARS, H1N1 influenza, MERS, Ebola and Zika in three separate ways.

Table 1: Outbreaks of Disease over the Past 20 Years

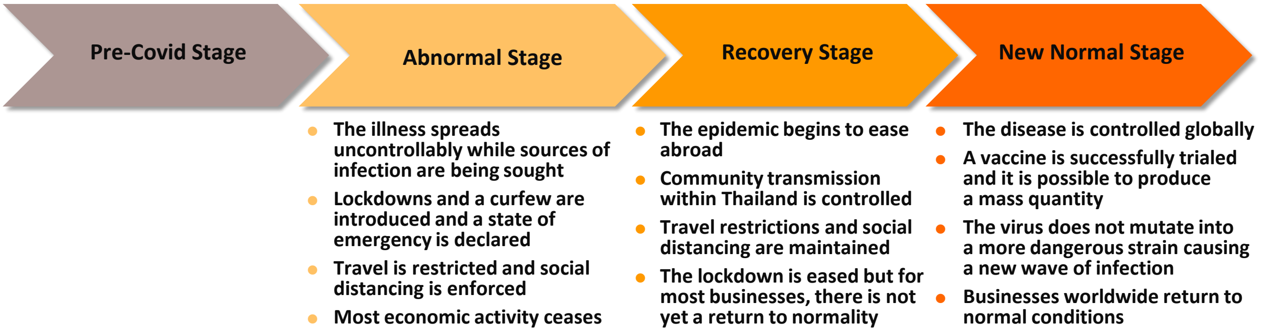
Disease	Year	No. countries affected	Infections	Deaths	Length of crisis (months)[5/]
SARS	2003	29	8,096	774	4
H1N1	2009	201	529,622	14,633	15
MERS	2014	26	1,289	498	3
Ebola	2014	10	28,646	11,323	9
Zika	2016	50	203,094	20	9
COVID-19	2020	213	>13,036,587	>571,574	>6

Note: COVID-19 reported cases are as of July 13, 2020
Source: WHO, CDC, PAHO, Wikipedia, Krungsri Research

2/ World Economic Outlook Reports (Jun 2020), International Monetary Fund (IMF)
3/ Monetary Policy Report (June 2020), Bank of Thailand
4/ Data on real GDP is from the Office of the National Economic and Social Development Council (NESDC). Comparisons with past recessions are based on the annual year-on-year contractions (i.e. on the four quarters following the initial crisis), which the 1997 crisis runs from 2Q97 to 1Q98 and the 2008 crisis goes from 4Q08 to 3Q09
5/ Ma, C., Rogers, J. & Zhou S. (2020) with data from the World Health Organization (WHO), the US Centers for Disease Control and Prevention (CDC), the Pan American Health Organization (PAHO) and the Wikipedia website.

- **Coverage:** In the case of Covid-19, countries worldwide have been severely affected, including advanced and powerful nations; the disease began in China and then spread to Europe and then from there to the US, where respectively 83,000, 2.6 million[5/] and 3.4 million[6/] people have been infected.
- **Dimensions:** Covid-19 has affected people's lives, the economy and society to a far greater extent than has any other recent outbreak of disease. Lockdowns have forced individuals to fundamentally change their earlier ways of life, with the result that many people are now having to learn to live a much greater portion of their life online.
- **Prolongment:** The Covid-19 crisis is certain to be a problem for longer than were other recent diseases, which the WHO estimates to have had an average lifespan of 3-9 months[5/].

Figure 2: Possible Outcomes at Different Stages of the Crisis



Source: Krungsri Research

Crisis – Recovery – New Normal

Although the Covid-19 crisis first broke several months ago, many countries are still (as of July 2020) implementing lockdowns, stay-at-home orders and curfews, and restricting international travel and using state power to control the population to an unusual degree. Thus, at the moment, we should consider ourselves as still being at the 'abnormal stage' of the crisis.

When the situation begins to improve and the spread of the disease is brought under control, the government will begin to relax the lockdown and allow most businesses to return to their normal activities. This is the recovery stage of the crisis and during this phase of the process, the economy can be expected to slowly begin the journey back to its pre-crisis state, although social distancing measures will need to be maintained and international travel will continue to be strictly managed. Countries will remain in the recovery stage until the disease is under firm control worldwide and a vaccine has been successfully trialed and manufactured, at which point daily life will return to normal, although this will not simply be a rewinding of the clock to the pre-Covid-19 state of affairs but rather the beginning of a 'new normal' (Figure 2).

However, although the general trajectory of the crisis and its abatement may be predicted, it is impossible to know when the world will arrive at the stage of the new normal or how intense the crisis may become before then since, although some countries (e.g. China, Japan and South Korea) appeared to have wrestled the disease under control early on and were therefore able to ease lockdowns fairly rapidly, new clusters of infection have been discovered and plans for the easing of epidemic control measures have had to be placed on hold. The speed at which the world is able to move forward to the 'new normal' stage in fact depends on three main factors.

1) **The degree of public cooperation with and adherence to public health measures:** The more successful individual cities or countries are in implementing these, the quicker economies will bounce back.

2) **The degree of success in producing a vaccine that protects against Covid-19:** This will in turn depend on the degree of international cooperation, the success of the testing regime, and the ability to sufficiently produce the vaccine.

3) **The potential of the novel coronavirus to mutate:** If the virus undergoes sufficiently extreme change, any vaccines that have been developed may lose their effectiveness, which would then allow a new wave of infections to occur. In consequence, countries would once again have to restrict international travel and go into lockdown.

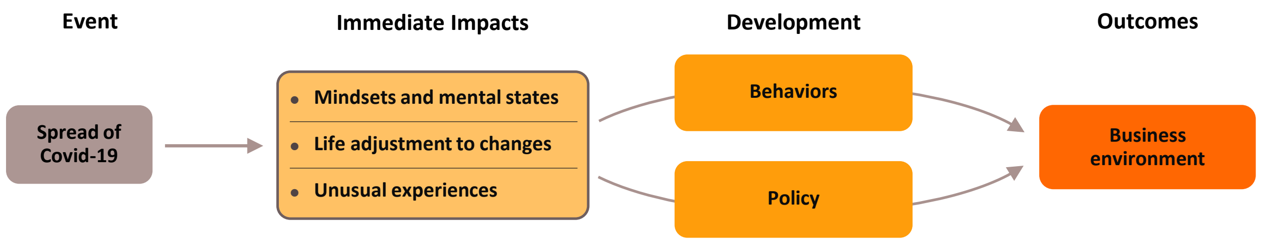
Under the likely future scenario, the crisis will gradually ease. Countries in the ASEAN zone, which have mostly been successful in managing the domestic spread of Covid-19, will see their economies return to a more normal state ahead of those in the West. Despite this, individuals will continue to be exposed to the risk of infection until a mass production of vaccine becomes available to ensure widespread immunity, which it is hoped for happening by the end of 2021[7/]. This, however, is on the assumption that the novel coronavirus does not mutate into a new and equally (or possibly more) dangerous strain, which the world might then struggle to control for several more years.

6/ Data on the number of European Centre for Disease Prevention and Control (ECDC)
7/ From an interview with Soumya Swaminathan, Chief Scientist for the WHO (June 18, 2020), AFP

The crisis is shaping a new world

If living under the Covid-19 'abnormal phase' lasts for more than a year, this may shape new behaviors and ways of thinking, and these may then displace paradigms that were dominant before the crisis. These new behaviors, beliefs, expectations and so on would then have the potential to exert an influence on government policy and help to fundamentally change the post-Covid-19 business environment (Figure 3).

Figure 3: Channels through which the Impacts of Covid-19



Source: Krungsri Research

How will the pandemic shape individual mindsets?

Initially, views about the world will likely change in 3 ways:

1) **The world will seem more dangerous.** Since the outbreak of the Spanish Flu in 1918, medical science has made huge advances, especially with regard to epidemiology. Over the past century there has not been a global pandemic on anything like the scale of the current situation. Before the emergence of Covid-19, ones could hardly expect that a tiny virus could bring the global economy to a halt.

2) **The world will seem more uncertain.** At the end of 2019, the world looked as if it was under control and relatively predictable. But through the start of 2020, it has appeared increasingly chaotic as ever greater numbers of lives have been lost and the economic costs of the epidemic have mounted. In response, many countries have taken hitherto unprecedented measures, restricting whole countries to what is effectively house arrest. Having experienced this, people will tend to be more wary and more expectant of other high-impact, low-probability events (or so-called 'black swans').

3) **The world will seem more interconnected.** Although the disease originated in a single location in the middle of China, it managed very rapidly to spread to countries across the world despite the fact that these countries all have their own border controls which aim to restrict just such an event happening. In addition, the measures put in place to control the pandemic have had the effect of creating considerable problems for economies that are heavily reliant on imports of goods and services.

These shifts will then encourage people to see themselves as being much more strongly located in a world that is marked by volatility, uncertainty, complexity and ambiguity or in a 'VUCA+ world'. [8/]

How will behaviors change?

Both the general public and businesses need to dramatically adjust their behaviors in response to the spread of Covid-19 but expectations about the role of the state are also shifting. Changes in behavior that are occurring during the 'abnormal phase' of the crisis are generally coming about as a result of the increasing value that people are placing on seven different factors (Figure 5).

1) **Valuing trust:** This is especially important with regard to safety because people are rightly worried about the risk of infection with the novel coronavirus because viruses are completely invisible to the naked eye and so consumers cannot be entirely confident that utensils or other objects that they use are clean and safe. Thus, service providers need to implement high standards of public health and hygiene, for example by disinfecting objects shared between customers, enforcing social distancing and using any other measures that build consumer confidence in their services[9/], while also communicating this as clearly as possible to consumers.

2) **Valuing space:** Public information campaigns about the need to maintain social distancing have increased the need for personal space, whether that be in residential locations, on public transport or inside workplaces.

8/ The Bank of Thailand's 2020-2022 Strategic Plan 2020-2022: Central Bank in a Transformative World
9/ Kuijpers, D., Wintels, S. & Yamakawa, N. (2020), McKinsey & Company

3) **Valuing the virtual**: A large proportion of the population has undergone a rapid change in their lifestyles, suddenly spending a much greater proportion of the day online or using platforms, including online marketplaces or social networks, accessing online entertainment, such as films and music, working online and meeting in virtual spaces, or engaging in online learning. The outbreak of Covid-19 has thus significantly accelerated the process of learning about and becoming familiar with life online, and this has happened in a very compressed period of time.

4) **Valuing wellness**: This refers not just to physical health but also includes having a healthy outlook and good financial health. The pandemic is raising the public's awareness of the uncertainties inherent in life and this is encouraging people to pay closer attention to ways in which they can build immunity against possible future risks, for example by saving more for use in an emergency, hedging against financial risks by taking out life, health and travel insurance, and building greater employment security by developing the skills that are going to be needed in the future.

5) **Valuing money**[10/]: The crisis has exposed many Thai households' fragile financial situation to view, though this is naturally particularly evident in low-income families and in small businesses, which have had to cut unnecessary expenses. Individuals and businesses that lack access to sufficient funds may now be pushed to take on new loans and/or to try to restructure their current debts, though this would increase their debt burden and extend the time during which they obliged to make repayments. In some ways, a similar phenomenon is seen at the national level because the government's stimulus packages and help measures have also increased the state's financial obligations. These developments have thus encouraged both private individuals and the state to place a greater value on money.

6) **Valuing the public**[11/]: Public cooperation is absolutely vital in the fight against Covid-19, whether that takes the form of obeying public health measures, allowing officials to collect and keep personal information, or helping to source medical equipment for doctors and hospitals. In addition, the crisis has alerted the public to the need for the government to act efficiently and effectively in managing the country and in stepping in to support the economy when normal market mechanisms break down, for example in dealing with problems with hoarding and price gouging, in responding to asset dumping and the flight to cash by investors, or in providing assistance to those most seriously affected by the Covid-19 crisis or who are least able to respond effectively to it.

7) **Valuing borders**: Borders of all types and at all levels, including the national, the provincial, the district, the sub-district or even at individual locations or sites, have taken on greater importance, given their role as the first stage in preventing the spread of Covid-19 and in allowing areas that are safe and disease-free to get back to business, while helping to quarantine areas where individuals are at high-risk of infection.

Figure 5: The 7 Values during the 'Abnormal Stage'

Source: Krungsri Research, Infographics by rawpixel.com

10/ Williamson, P. & Zeng, M. (2009), Harvard Business Review
11/ Sneader, K. & Singhal, S. (2020), McKinsey & Company

Not all changes will be permanent

Krungsri Research believes that of the changes in consumer behavior that have occurred during the Covid-19 pandemic, some will turn out to be only temporary, some will last through the mid-term, and some will become permanent.

- **Temporary changes**: There are several different categories of goods and services that will see only short-term changes in consumption. (i) Some goods (e.g. face masks and hand sanitizer) will be used in large quantities for the duration of the pandemic but once the disease is under control, demand will quickly revert to its pre-pandemic level. (ii) Consumers stocked up on some goods at the start of the epidemic (e.g. tissue paper, instant noodles, and canned and frozen food) for use later but as the crisis eases, these supplies will gradually be used up. (iii) Consumption of some services (e.g. travel, entertainment, and events organization) has had to be postponed and so there is a degree of pent-up demand for this. (iv) Some services were temporarily suspended during the epidemic (e.g. hairdressers and beauty clinics), though these differ from the services in (iii) in that after the ending of the lockdown, there is unlikely to be an increase in consumption to compensate for the period of under-consumption.

- **Mid-term changes:** In some parts of the economy, it may take several years for behaviors to return to normal and the sudden deterioration in the financial situation of many businesses and households may cause people to seek greater value for money and to cut back on luxury purchases for an extended period of time.

- **Permanent changes:** The 'new normal' that the pandemic is bringing about will take many forms. For example, the sudden increase in video conferencing that the pandemic has caused has other benefits besides maintaining social distancing in that it helps to reduce the need to travel and increases organizational flexibility. Thus, even after the crisis terminates, a significant number of businesses are likely to continue to meet online. In addition, the increase in working from home means that startups may decide that in the future they might avoid the high cost of renting premises by doing away with permanent offices and instead working from home and renting meeting places as needed.

Table 2: Consumption of Goods and Services during the Covid-19 Pandemic

Type of consumption	Goods and services	Pre-Covid Stage	Abnormal Stage	Recovery Stage	New Normal Stage
Unaffected consumption	Cigarettes, professional services, health products	●	●	●	●
Temporarily increased consumption	Facemasks, alcohol, eggs, vitamins and supplements	●	●●	●●	●
Stock-up consumption	Tissue, frozen food, beverages, animal feed	●	●●	◖	●
Pent-up consumption	Attending events and seminars, socializing at pubs and bars	●	◖	●●	●
Temporarily decreased consumption	Hairdressers, beauty clinics, petrol stations and vehicle service centers	●	◖	●	●
New normal consumption	Remote working, mobile banking, e-learning, remote medical services	●	●●	●●	●●
Disrupted consumption	Retailers selling through offline channels only	●	◖	◖	◖

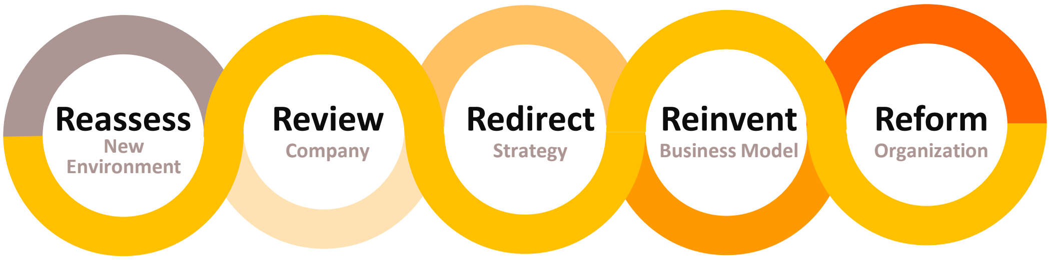
●● Consumed in greater quantities than previously ● Consumed at normal levels ◖ Consumed in lower quantities than previously

Source: Krungsri Research

Business transformation: Adjusting to the post-Covid-19 new normal

The post-pandemic new normal is likely to differ significantly from the pre-pandemic world. Although exactly what form these differences will take is as yet highly uncertain, businesses will need to transform themselves if they are to adapt successfully to what is likely to be a radically different environment. There are five steps to this process: **(i) Reassessing** the situation; **(ii) Reviewing** the potential of the organization's business model holistically; **(iii) Redirecting** the organization along its future trajectory; **(iv) Reinventing** businesses in a constant process; and **(v) Reforming** the organization's structure, processes and culture (Figure 6).

Figure 6: Post-Covid-19 Business Transformation



Source: Krungsri Research

1. Reassess: Comprehensively evaluate the 'new normal' environment

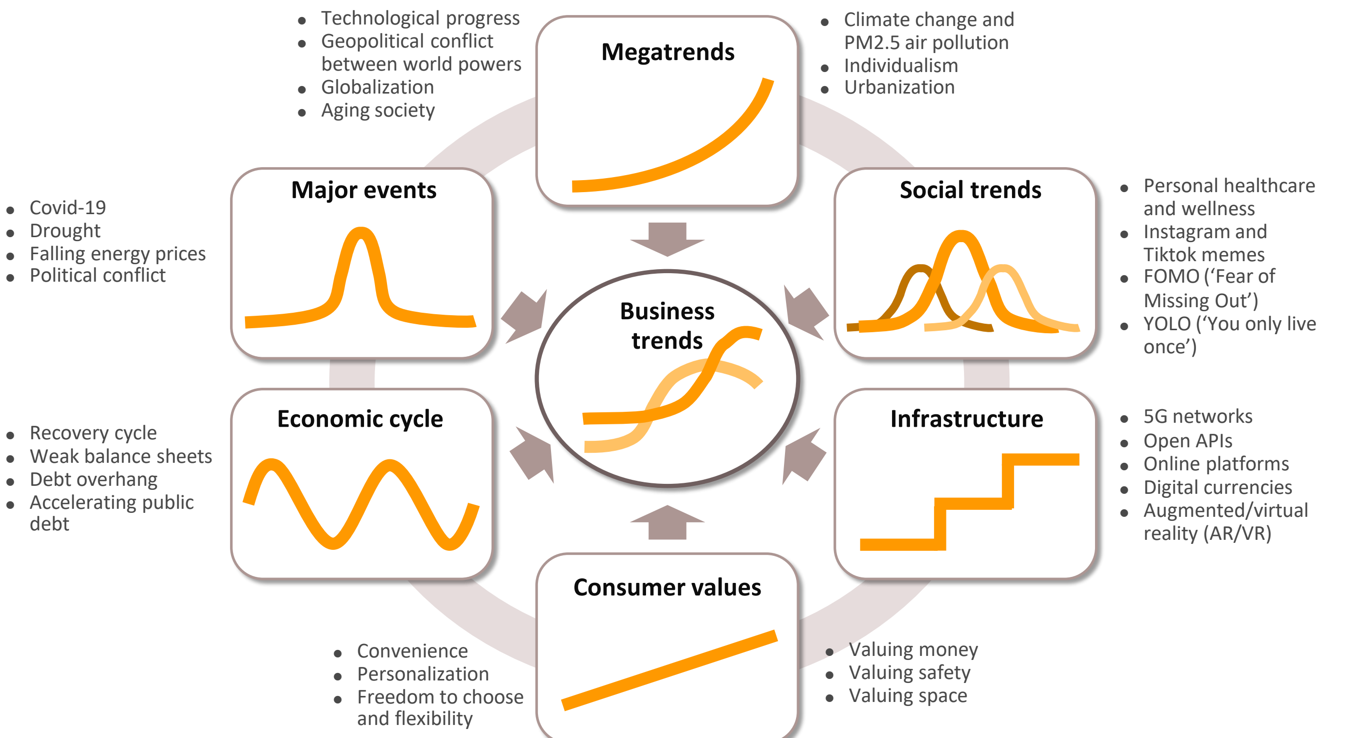
"The narratives sit in the background and are rarely expressed when decisions are made."

– Robert J. Shiller, Nobel Prize laureate in Economics & the author of "Narrative Economics"

The extent to which change becomes permanent depends on how far this process is supported by the surrounding business environment. The Nobel Prize-winning economist Robert J. Shiller has shown how this process and the spread of ideas from one person to the next depends on the way in which ideas are embedded in narratives and how this happens in a way that has many parallels with the spread of contagious illnesses; ideas that are structured into narratives are able to replicate and to spread quickly and widely, and these also tend to be long-lived[12/].

Using this framework to look at the Covid-19 crisis, it is clear that the pandemic is not occurring in a vacuum but rather, the impacts of the virus are entangled with other large-scale changes that were already underway before the emergence of the new virus. These are the 'global megatrends', and these will play a major role in determining what shape the future takes. The megatrends include technological change, the aging of society, urbanization, superpower conflict, and growing problems with climate change[13/], but they are also affected by social movements, changes in infrastructure, consumer values, and economic cycles. Each of these trends will be important and each will have impacts on populations worldwide in the coming period (Figure 7).

Figure 7: Environmental Factors Influencing Individual and Corporate Decision-Making Processes



Source: Krungsri Research

12/ Shiller, R. (2019)

13/ Jirath Chenphuengpawn, Patcharapon Leepipatpiboon and Ruja Adisonkanj (2017)

The business environment exerts a significant influence over individual and corporate decision-making processes

Looking back at the impact of earlier events, one might take **the Great Flood of 2011** as an example. This caused significant damage to property across the central region as it remained submerged for many months. But not long after the floodwaters drained, a rash of new condominium developments appeared in Bangkok and up-country. If one considered just the preceding events, one might be tempted to conclude that the 2011 floods were the principal driver of increased demand for condominiums. However, the flood was not the first major national disaster and these previous disasters had failed to stoke a sudden increase in interest in condominiums because in reality, the latter was caused by the convergence of a wide range of different factors, including increasing urbanization, the greater interest among young Thais in living alone and apart from their parents, the extension of the metro system in the Bangkok Metropolitan Area, and changing tastes and greater demand for modern accommodation in the city center that was priced affordably. **Thus, rather than describing the Great Flood as causing the increase in new condominium projects, it would be better to describe it as a trigger that helped to initiate interest and a catalyst that then sustained decision-making processes that were already primed to unfold** (Figure 8).

The surge in interest in **eco cars from 2009 onwards** that followed the hike in oil prices in 2007-2008 followed a similar narrative and can be explained by reference to the same factors, that is, the increased demand for eco cars was also due to urbanization, a greater tendency to live in a single family, and a desire to adopt a modern lifestyle but at an affordable price, though in the case of eco cars, growing concerns with climate change also played a role. Against this backdrop, the need to save money on suddenly escalating fuel prices was effectively pushing against an open door, and auto manufacturers then had to devote their energies to developing this new domestic market.

Figure 8: Examples of Factors that have Determined Business Trends

Megatrends	Social trends	Infrastructure	Consumer values	Economic cycle	Major event	Business trend
Urbanization	Living in a single family	Metro system readiness	• Convenience • Affordability	Recovery	Great Flood, 2011	Condominium market boom
• Urbanization • Environmental concerns	Living in a single family		• Convenience • Affordability	Recovery	High oil prices, 2007-08	Eco car market boom

Source: Krungsri Research

These global megatrends continue to exert a significant and ceaseless influence over the lives of the general public, notably through technological innovations that have driven social and economic changes, including increasing automation and robotics, cloud computing, artificial intelligence, distributed ledger technologies, and augmented and virtual reality. In addition, superpower conflict continues to disrupt the international scene, particularly the US-China conflict, which has been intensifying in its trade, technological and political manifestations, while at the same time, the impacts of climate change are steadily worsening and becoming more frequent. This has increased public interest in environmental issues, for example in campaigns against single-use plastic, the increased use of non-tariff barriers to trade and businesses' greater implementation of environmental standards.

In addition, social trends continue to evolve rapidly. In the recent past, society has been strongly affected by the development of social media. This process began with sharing news and opinions online but then developed into using channels such as Facebook, Twitter and the Line application to sell goods, which has helped to keep people permanently connected online. The rising popularity of social networks such as Instagram and Tiktok, which are often used to promote particular lifestyles, has also stimulated a greater desire to follow trends in consumption, eating, travel and entertainment that are set by influencers on these platforms, while the development of the so-called 'fear of missing out' (FOMO)[14/] causes many younger population to compulsively pull out their phones and frantically scroll through their feeds as they try to keep abreast of life online.

Other environmental factors, including the economic cycle, consumer demand, infrastructure development, and events are also constantly undergoing change. These factors all also interact with one another, exerting a strong influence over consumer tastes and decision-making processes. Thus, when evaluating the likely impacts of the Covid-19 pandemic, it is extremely important that these should not be overlooked.

14/ Herman, D. (2011)

Covid-19 is a catalyst accelerating the impacts of global megatrends

> "**Narratives that occur together in a constellation may have different origins, but in our imaginations they seem grouped together in terms of some basic idea, and they reinforce one another's contagion."**
>
> – Robert J. Shiller, Nobel Prize laureate in Economics & the author of "Narrative Economics"

As has been indicated above, the Covid-19 crisis is not the sole reason that the 'new normal' is emerging but rather, the virus is a catalyst helping to accelerate the impact of changes that were already underway (Figure 9). Of these, **the most evident is the impetus the pandemic has given to the increased use of technology**, especially to online channels that are now being used extensively for work, shopping, ordering food, paying bills, connecting with friends and entertainment. Over a short period of time, Covid-19 has helped shift many types of modern technology from being a choice to being a necessity that is essential for overcoming a whole host of problems. Now it is normal to use technology in day-to-day life, users are becoming increasingly familiar and at ease with this and so are more willing for modern technology to become simply another, unnoticed part of life. This increased use of technology is one of the megatrends that has been predicted for some time and it is easy to see that greater use of technology will have ongoing impacts over the long-term, eventually becoming a part of the new normal. This will then tend to reduce resistance to continuing technological change and undercut attempts to control its spread.

In addition**, the spread of Covid-19 has also stoked an escalation in the conflict between the US and China.** The virus first appeared in China before spreading across the world where the situation rapidly deteriorated. In the eyes of the US authorities, China was responsible for imposing the pandemic on the world. Beyond this, China was able to exert control over its domestic infections very rapidly which has helped the Chinese economy to recover fairly swiftly. In contrast, infection rates in the US continue to rise at a dizzying pace and the economy is entering a deep slump. In light of this, it is highly likely that China's political and economic influence will rise, placing the two countries on an equal footing. In the near future, it is possible that China may even surpass the US. If this happens, it would multiply the two countries' economic and political conflicts and possibly lead to the development of a second cold war.

The pandemic has also encouraged a stronger interest in environmental, social and governmental (ESG) responsibility and a greater concern with personal healthcare, especially with preventative care. However, the crisis may also have reduced pressures towards ever higher urbanization as people question the wisdom of living in high-density city environments when instead, people can be connected through modern technology, leading urban-type lifestyles but in more remote, rural areas. Trends in globalization may also be affected in complex ways, with international trade possibly leveling off at a new equilibrium while trends in the globalization of services including social media, news, entertainment and education will likely continue to be pushed forward, supported by the greater use of technology.

Figure 9: Impact of Covid-19 on Megatrends

Source: Krungsri Research, Infographics by flaticon.com

Post-Covid changes that can be expected to have long-term impacts will typically be those that are driven by forces in the wider environment, including megatrends and changes in social trends, infrastructure, and consumer demand that are being accelerated by the spread of the virus. These include the following:

- **Online activities** such as ordering food and shopping, using social media and consuming streaming video services were all already gaining in popularity before the pandemic but they remain so because (i) large numbers of users were already familiar with these platforms/services and they are especially well suited to a period of social distancing, and (ii) social trends and personal expenditure are strongly influenced by appeals to lifestyles, FOMO and consumerism, as well as by consumer desire for convenience and the ability to purchase goods at a reasonable price online.

- **Video conferencing** is a newly emerging phenomenon that has rapidly become commonplace for the huge number of people forced to work at home during lockdown, but in addition, trends in internet use have also tended to increase people's interest in video-based communications. Because this technology is reasonably mature, allows for many simultaneous users and makes communications much more convenient, it is likely that video conferencing will become a part of the new normal for business meetings, and for education and public health management. However, the speed of adoption will depend on how rapidly the supporting infrastructure can be rolled out and how quickly related regulations can be put in place (e.g. for maximizing the potential of online meetings or for evaluating and approving online curricula).

- **Supply chains** are contracting as the pandemic causes shipping goods internationally increasingly difficult. Trade conflicts between major trading blocs have also helped to make the prospect of being able to use robots and automated systems much more attractive. This will help businesses shorten supply chains by reducing the distance between sources of raw materials, production facilities and markets. Thus, by increasing reliance on technology and exploiting the advantages offered by automation, businesses will be able to reduce the risks arising from shipping at the stages of production or of selling, while also increasing efficiency and safety and cutting variable costs.

Figure 10: Examples of Shared Factors that will Determine the Direction of Businesses post-Covid-19

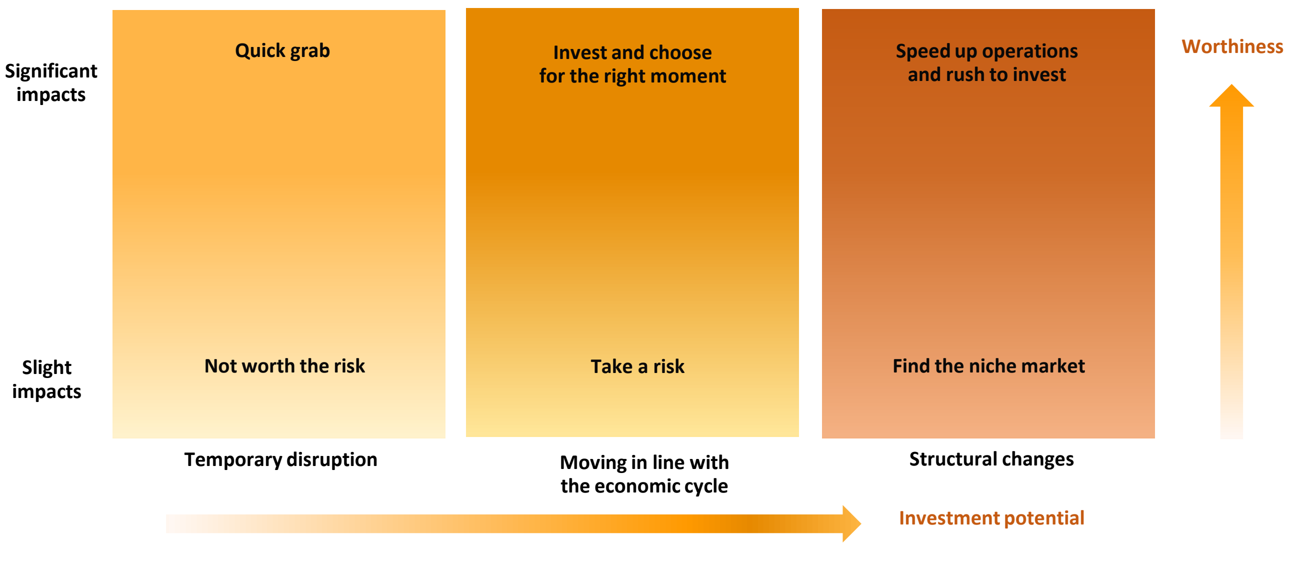
Megatrends	Social trends	Infrastructure	Consumer values	Economic cycle	Major events	Business trends
• Technological progress • Urbanization	Fear of Missing Out (FOMO)	Mobile applications	• Convenience • Affordability	Recovery	Covid-19	• Delivery • Omni-channels retail
Technological progress		• 5G networks • Video conferencing	Flexibility	Recovery	Covid-19	Telecommuting
Environmental problem (PM2.5 air pollution)	Interest in personal health		Safety	Recovery	• Covid-19 • Low oil price	Personal vehicles (avoiding public transport)
Technological progress		Cloud computing	• Safety • Efficiency	Recovery	Covid-19	Robotics and automation
• Globalization • Shifts in world power • Technological	Personalization	• Robotics • Video conferencing	• Flexibility • Overcoming trade barriers	Recovery	Covid-19	Shorten supply chains (from raw materials to markets)
Environmental problems (PM2.5 air pollution)	• Telecommuting • Interest in personal health	Expanded rail network and mass transit systems	• Valuing space • Affordability	Recovery	Covid-19	Townhouses in the suburbs
	• Telecommuting • Social distancing	Video conferencing	• Valuing space • Affordability	Recovery	Covid-19	Temporary office rentals

Source: Krungsri Research

Figure 11: Examples of Shared Factors that will Determine the Direction of Businesses post-Covid-19

	Temporary disruption	Moving in line with the economic cycle	Structural changes (New normal)
Significant impacts	Essential social activities • Seminars • Events e.g. wedding • Religious ceremonies	Restoring finances and valuing money • Debt restructuring	Increasing familiarity with technology • Online sale platforms, social media, streaming services, mobile banking • Automated systems, digital government services (e-gov)
Intermediate impacts	General social activities • Pub and bars • Department stores • Restaurants	Financial health • Life, health and travel insurance • Managing business risks	Virtual everything • Telecommuting or video conferencing • Online learning (e-education, online training)
Slight impacts	Activities that remain at risk • Traveling abroad	Avoiding crowds and valuing money • Using own transport (e.g. a used car or a motorcycle) • Townhouses and condos in the suburbs • Rental offices	Technology for which the infrastructure is not yet ready • Remote medical services • Using robotics technology or 3D printing to shorten supply chains

Figure 12: Relative Importance of post-Covid-19 Business Activities



Source: Krungsri Research

Post-Covid changes that will have an effect over the medium term but may not exert a strong enough influence to become a part of the new normal will include the following:

- **Essential services during the stage of economic recovery:** For individuals who have been badly affected by the Covid-19 crisis, it may take several years for finances to recover and so it may be necessary for these people to restructure their debts in the meantime. At the same time, businesses that sell durable goods or big-ticket items, for example real estate and automobiles, will need to consider their customers' ability and willingness to pay and their greater need for value-for-money because consumers will now face greater limits on their spending and will be more careful than normal about their expenditure.

- **Risk management on life and assets as well as financial resilience in the event of further crises:** Examples of this include life, health and travel insurance. It is expected that consumers will become more aware of the need to protect their financial health against unexpected events in the coming period (for example the Covid-19 virus mutating and spreading again) in much the same way as demand for flood insurance spiked after the 2011 floods.

- **Avoiding crowded urban areas:** Individuals who are able to work from home may decide to move to the suburbs, where they will be able to enjoy a much larger house than living in expensive locations in the center of the city. This decision may also be influenced by the steadily worsening problems with air pollution and the current low oil price, which is allowing people to switch from relying on public transport to attaining a personal vehicle. However, there are limits to how much of an impact these factors will have on the population at large due to most people's income constraints and limited capacity of the road system, making the prospect of commuting into the city center from the suburbs somewhat less enticing.

Post-Covid changes that will be temporary have been experienced mostly in areas where the lockdown and restrictions on travel forced a temporary halt to activities but which are not affected by any wider issues. Thus, when the situation returns to normal and the pandemic eases, social and crowded activities such as going to department stores, attending meetings, sporting events and concerts, traveling and visiting entertainment spots will all carry on as before.

By ordering changes according to their degree and the length of their effect, it allows players to focus their attention where it is most deserving particularly that are supported by the widest variety of trends since these will have the greatest and longest impact. Next in importance are those changes that are moving in a direction with long-term trends but which are not as widely supported by factors in the business environment. Finally, changes that will only short-live are likely not worth investing in. (Figure 12)

2. Review: Assess the business's potential under the new normal

The Covid-19 crisis has not just affected incomes, it has also seriously impacted various aspects in a business model

Evaluating the impacts of Covid-19 on business models using the 'business model canvas'[15/] shows that the crisis has had direct effects on businesses, but because of the interconnections between these effects, each has then had further impacts on other aspects of the business (Figure 13).

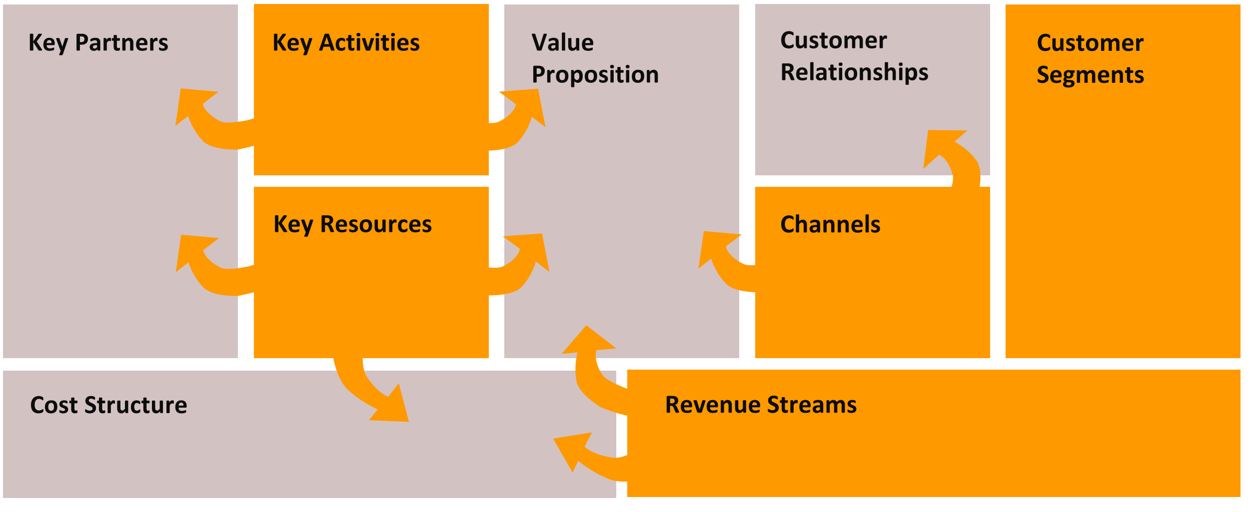
- **Key business activities** have slowed, halted altogether or mutated into a different form. For example, in the case of airlines[16/] international travel has largely ceased as a result of government's travel restrictions or 'fit-to-fly' measures that ensure that passengers are not infected before boarding an aircraft. In addition, airlines have also had to ensure passenger safety by implementing social distancing measures onboard aircraft, which has resulted in much reduced passenger numbers (or a lower 'load factor'), while some operations have switched to using the passenger fleet to carry cargo instead. These changes to core business activities will then have further effects across the airline supply chain, for example on aircraft and engine manufacturers, companies servicing aircraft, airports, suppliers and partners, and insurers of aircraft.

- **Key resources** for many businesses have declined substantially, including liquid assets, investment capital and the ability to raise funds. In the case of airlines, the International Air Transport Association (IATA) forecasts that in 2020, the global airline industry will incur total losses of THB 2.6 trn and further losses of THB 0.5 trn in 2021, with income at just 29% of its 2019 pre-Covid-19 level[17/]. Given their precarious financial state, many airlines are at risk of failure and this has forced governments to put them on life support, but in the meantime, they have had to cut expenses by laying off staffs, taking aircrafts out of service prematurely and/or delaying receipts of new aircraft that had already been ordered. Growth in fleet size has thus slowed or gone into reverse and this may then force airlines to cut back on their services. But the decline in assets will also have impacts on business partners, the business's cost structure and its value proposition to the consumer.

15/ Osterwalder, A. (2005)
16/ From interviews on The Secret Sauce Podcast (2020), Mission to the Moon Podcast (2020) and the 2019 annual financial report of Asia Aviation Public Company Limited (AAV)
17/ Jaiwat, W. (2020) and an analysis of CAPA (2020)

- **Customer segments** may see their needs change. Overall, consumer demand will tend to focus on the seven values described above. In the case of airline customers, concerns will be especially focused on worries over safety that arise from the need to sit close to strangers, both on the aircraft itself and in the airport, the need to wear personal protection equipment, and fears of contamination from contact with shared objects and surfaces. At the same time, the rules over travel have become much more onerous, which has forced travelers to spend longer preparing prior to travel. Unlike in the past, the current uncertainty surrounding travel means that travelers are now no longer likely to buy tickets many months in advance.
- **Channels** used to access services will be disrupted. The pandemic has raised consumer technological awareness and increased familiarity with the use of mobile applications, while at the same time encouraging individuals to avoid face-to-face contact with strangers. The outcome of this is then that when booking flights, consumers are increasing their use of online ticket booking services, airlines' own mobile apps and online travel agents, although simultaneously, in-flight sales of food, beverages and other goods will tend to decline as travelers attempt to avoid interactions with airline staff.

Figure 13: Impact of Covid-19 on the Business Model Canvas



Source: Osterwalder (2005), Krungsri Research

The Covid-19 crisis has pushed many business models to extinction

Although the pandemic has invited challenges for businesses, the virus has also reminded businesses to reconsider what is important and what comprises the foundation of business success. For example, in the case of airlines, although the pre-Covid environment was marked by a high degree of competition, the future path for players in the industry seemed secure, given the expansion in the global (though especially Chinese) middle class and the steady growth providing to the tourism industry. Against this background, players thus sought to build competitive advantage by cutting their costs and raising the efficiency and then using this to offer services at competitive prices. However, **the pandemic has drawn back the curtain on these processes, revealing how competing solely on price has weakened company's financial bases and eroded resiliency to the crisis.**

Figures 14 and 15 provide an assessment of business models following Alex Osterwalder's 'business model portfolio'[18/]. Osterwalder's 'business model canvas' is based on the relationship between profitability plotted on the vertical axis and risk on the horizontal. The latter reflecting the possibility of negative external events impacting the business or of new players entering and disrupting the market. Using this model, it is possible to classify businesses into four different groups.

- **Profit engines** are those businesses that are able to generate high levels of profit but are exposed to only low levels of risk. These are the stars of the business world and have the advantage of enjoying sustainable business models.
- **Engines at risk** are those businesses that have both high levels of profitability and high risk.
- **Sustainable businesses** are those businesses that have low profit levels but are exposed to low levels of risk.
- **At risk businesses** are those businesses that have low levels of profit and which face high levels of risk.

Pre-pandemic, airlines would generally be considered to be in the 'engines at risk' category but the crisis has imposed huge losses on operators and there is a very real risk of bankruptcy for many. Thus, airlines have now moved to the 'at risk' category, indicating that their business model is no longer sustainable and that this needs to be restructured if businesses are to survive.

18/ Osterwalder, A. & Pigneur, Y. (2010)

Figure 14: Business Model Portfolio

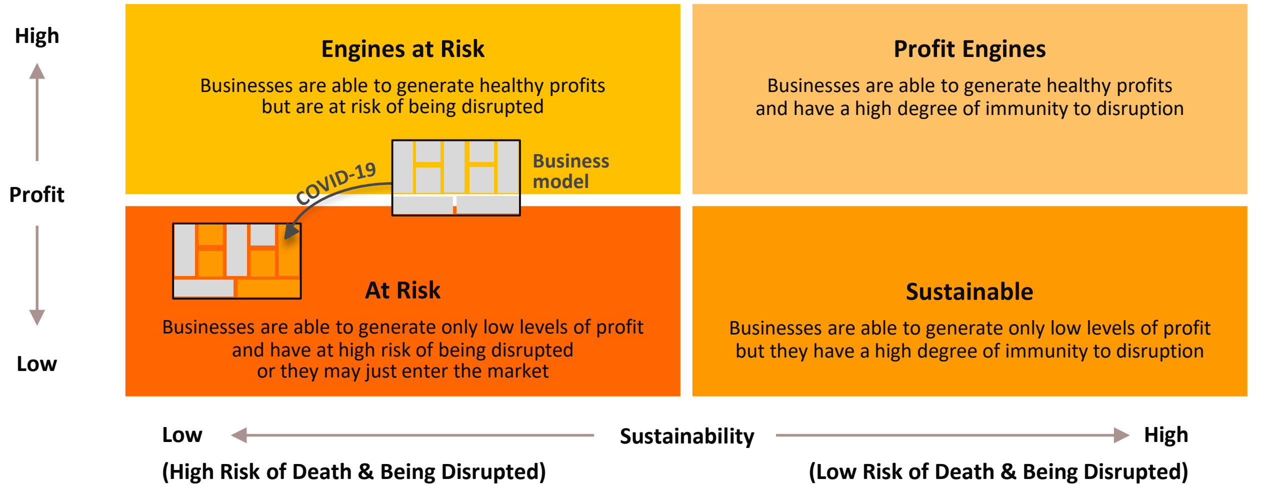
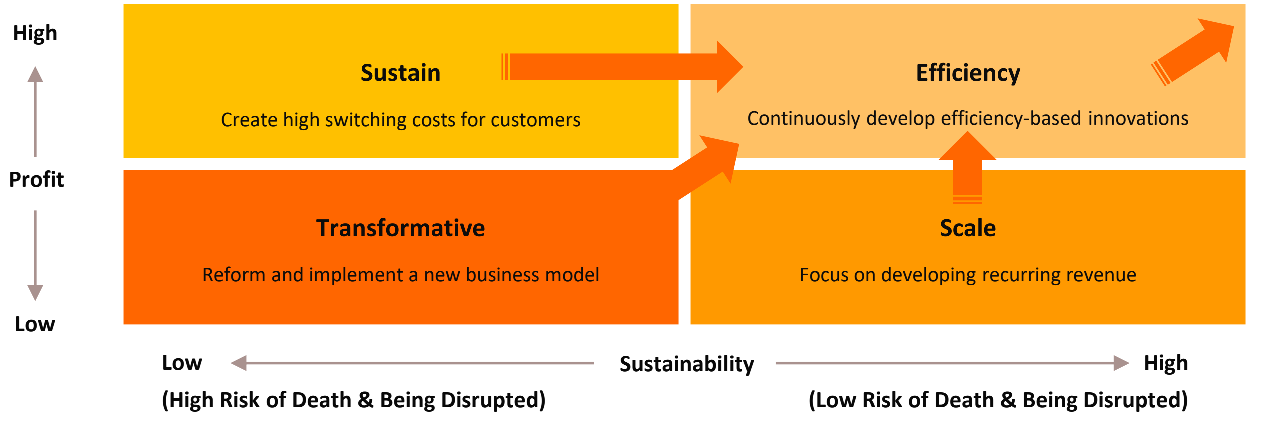


Figure 15: Strategies Appropriate for Each Category in Business Model Portfolio



Source: Strategyzer, Krungsri Research

Other industries that have fallen into the 'at risk' group following the outbreak of Covid-19 include the following (Table 3).

- **Hotels**[19/]: Pre-Covid-19, firms typically competed on price, running promotions to attract customers and advertising through online platforms and travel agents, which generally charge a fee of at least 15% of the monies paid for bookings. This then resulted in operations typically having fairly low profits but high fixed costs, while it is difficult for hotels to generate repeat customers, and this then put them in the 'engines at risk' category. However, **the pandemic has had immediate and direct impacts on hotels, which have only been very slow to reopen following lockdowns and this has had serious consequences for operations' financial status, pushing them into the 'at risk' category.** Hotels will thus need to revamp their business models, though initially most important will be developing strategies that build consumer confidence and that are in line with the seven values described above, especially values that relate to providing safe services and reassurance to clients. Also important will be providing especially noteworthy services that result in customer recommendations and looking again at ways to improve operations with regard to cost management and flexibility.

19/ From interviews with the Thai hotel business entrepreneurs

- **Retail operations**[20/]: The crisis has had an important influence on consumer behavior, increasing consumers' familiarity with online shopping and reducing their willingness to shop in crowded indoor spaces, such as department stores. Because of this, **in the post-Covid-19 business environment, retailers that will perform best will be those that have built efficient online communications and distribution channels, while operations that continue to rely solely on offline channels will find themselves moving to the 'engines at risk' or 'at risk' categories.** Retailers therefore need to adjust their operations by creating a unified strategy for their off- and online outlets (or so-called 'omnichannel retailing') that provides the optimal customer journey, drawing on the unique benefits of each; online distribution offers the greatest convenience for shopping and delivery but offline outlets allow customers to see goods in the flesh and to try them out before making a purchasing decision. If retailers are successful in adopting this mixed approach, they will be able to offer customers a more satisfying experience than was available under earlier business models, and this will help to move them back to the 'sustainable' or 'profit engine' categories.

Table 3: Examples of Post-Covid-19 Changes in Business Strategy

Industry	Pre-Covid-19 business focus	Impacts of Covid-19	Post-Covid-19 business focus
Airlines[16/]	• Increase operating efficiency to allow for more effective price competition • Expand new routes and build competitive advantages from attaining prime flight schedule	• Public health measures force airlines to temporarily ground their fleets • Company finances worsen dramatically • Staff lay-offs and many businesses cease operations	• Recover and build the business's sustainability by increasing safety values • Exercise caution in expanding fleets and routes and in engaging in mergers • Build public trust in the airline's commitment to maintaining public health
Hotels[19/]	• Increase operating efficiency to allow for better competition on price, and run promotions • Market to increase brand recognition	• Public health measures force hotels to temporarily shut • Company finances worsen dramatically • Staff lay-offs and many businesses cease operations	• Recover and build the business's sustainability by increasing values related to personalization and safety • Increase efficiency by using automation • Market to increase brand recognition • Increase flexibility by using more contract-out staffs
Retailers[9/ 20/]	• Increase operating efficiency and cut costs • Increase differentiation between own goods/services and those of competitors	• Retailers temporarily shut during lockdown • Consumers cautious on spending • Staff lay-offs and many businesses cease operations	• Develop omnichannel retailing strategies to manage the entire customer journey • Marketing and promotions • Build trust about public health and hygiene
Banks[21/]	• Digital transformation • Diversify income streams and attract new customer groups	• Clients' financial situation worsens and debt burdens overhang • Increasing use of mobile banking and online platforms	• Manage risks and restructure debts • Speed up digital transformation • Increase personalized services • Increase business partnerships outside the financial sector
Industries in manufacturing supply chains[22/]	• Reduce costs by moving operations to countries with low labor costs but a large supply of skilled workers • Replace labor with robotics and automated systems	• Global supply chains slow as production declines • Staffs work online where possible • Company finances worsen • Staff lay-offs and many businesses cease operations	• Manage risk of supply chain disruption e.g. by distributing sources of supply or shortening supply chains and bringing suppliers closer to markets • Increase usage of robots, automated systems and digitalization
Residential property[23/]	• Concentrate on developments in the city center • Focus on buyers' ability to afford properties	• Buyers' financial situation worsens and debt burdens overhang • Individuals increasingly work from home, and maintain social distancing	• Focus on buyers' ability to afford properties • Increase properties' space and function • Concentrate on good locations in the suburbs

Source: Krungsri Research

20/ Adhi, P., Davis, A., Jayakumar, J. & Touse, S. (2020), McKinsey & Company and Mission to the Moon Podcast (2020)
21/ Dahl, J., Giudici, V., Kumar, S., Patwari, V. & Vigo, G. (2020), McKinsey & Company
22/ Seric, A., Gorg, H., Mosle, S. & Windisch, M. (2020), McKinsey & Company
23/ Klinchuanchun, P. (2020), Krungsri Research

3. REDIRECT: Transform the business to thrive in the post-Covid-19 world

Clayton Christensen, the Harvard economist and thought-leader on business innovation[24/], shows that **business innovation should aim at creating disruptive business models that can provide services that are typically cheaper, simpler, smaller and more convenient to use, rather than simply increasing efficiency, cutting costs or engaging in research and development**. An example of this is provided by Netflix, which revolutionized the video industry[25/] and in the process killed Blockbuster, an earlier market leader with over 10,000 video rental outlets. In 1997, Netflix entered the market with a new business model, offering a monthly subscription service that delivered videos direct to individuals' homes through the mail. A decade later, the company turned its business upside down by developing a video streaming service, at which point the video rental market collapsed and a new market for online streaming was born.

Figure 16: Nespresso Coffee Machine and Capsules

Source: Nespresso website

Another example of a company that has adjusted its business model repeatedly as it has moved to sustain the scale of its profitability can be seen in the Nespresso coffee capsule brand[26/]. Having invented the concept of the coffee capsule and then creating coffee machines that could use these, Nespresso began life as a business to business operation (B2B) trying to sell its products to restaurants and offices, but this proved to be somewhat unsuccessful. Nespresso then reinvented itself as a business to consumer (B2C) operation, selling its goods to the public. The company also separated distribution of Nespresso machines from the capsules, selling coffee makers through retail outlets to increase its customer base because once somebody had a Nespresso machine at home, their only option was to buy replacement capsules directly from Nespresso itself, which could be done in shops, by phone or online. This business model had the advantage of enforcing high switching costs for existing customers if they decided to use a coffee machine made by a competitor and of ensuring recurring revenue from existing customers, who needed constantly to buy new supplies of coffee. However, Nespresso's patent expired in 2012 and at that point, competitors flooded the coffee capsule market with alternative products, forcing Nespresso to again overhaul its business model as it looked to re-establish its sustainability, and at the start of 2018, the company joined with Starbucks to sell Starbucks-branded Nespresso capsules to the company's huge number of loyal customers in America and Asia.

Within the Thai context, PTT[27/] provides an interesting case study of a company that has overhauled its business model and, in the process, become a market leader. Initially, transnational players, including Shell, Esso and Caltex, had a stranglehold on the service station market because of the greater trust on fuel quality that Thai consumers put in them relative to domestic players. However, through the intelligent use of marketing campaigns upcountry, PTT built national recognition to compete against these transnational players. The most important turning point coming in 2002 when PTT expanded its operations to include activities outside the scope of simply selling fuels. This included partnering with 7-Eleven and launching the Café Amazon brand and not long afterwards, PTT opened service stations offering a full range of services under the brand 'PTT Life Station', as well as then acquiring Jet (another service station operator) in 2007, together with its chain of convenience stores, Jiffy. From this point onwards, PTT has consistently maintained its position as the market leader in service stations in Thailand, with its operations being notable for the quality of their non-fuel services and the full range of conveniences.

Figure 17: PTT Service Station

Source: OKNation

Osterwalder[28/] also notes that there are lessons to be learnt from leading companies in the 'profit engine' category and these players often share three characteristics. **(i) Engage in a continuous process of reinventing their business model** because the rapid pace of technological change is forcing the business world to evolve at an ever-faster rate and often taking completely unforeseen forms. (**ii) Compete on establishing superior business models**, not through a rat race on new products, services, prices and technologies alone. (**iii) Transcend or even tear down industry boundaries** as they move out of their earlier area of competition and constantly enlarge the business territory within which they build value. Their action is then not confined in any particular industry or industry forces but being in business arenas that extend beyond traditional industry boundaries.

24/ Christensen, C. (1997)
25/ Downes, L. & Nunes, P. (2013), Harvard Business Review
26/ Amarsy, N. (2015)
27/ Retrieved from https://www.pttplc.com/
28/ Osterwalder, A., Pigneur, Y., Etiemble, F. & Smith, A. (2020)

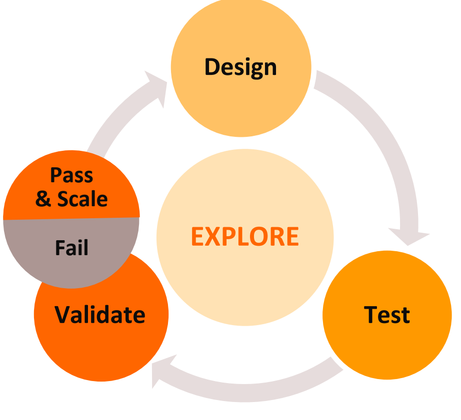
4. REINVENT: The path to business excellence in the 'new normal'

> **"All you touch will not turn gold. Make many small bets to catch one success"**
>
> \- Strategyzer, the author team of "The Invincible Company"

In the post-pandemic business environment, the kinds of business plans that were used earlier may well turn out to be useless because, in a world that is marked by its rapid degree of change and high level of uncertainty, producing forecasts based on assumptions may very well lead to their failure.

In light of the above, Osterwalder[28/] suggests that **businesses would be better served by making a large number of small investments in a wide range of projects and then gradually raising their involvement as time goes by, rather than making high-stakes, high-value wagers in a small number of investment projects**. This way of operating is similar to the investment strategies that venture capitalists use when funding startups. But, in this case, it is used internally within an organization, originating in a bottom-up fashion that involves staffs at all levels. These types of processes can be divided into two classes, which are labeled 'explore' and 'exploit' strategies.

Figure 18: The Process of Reinvention



Source: Strategyzer, Krungsri Research

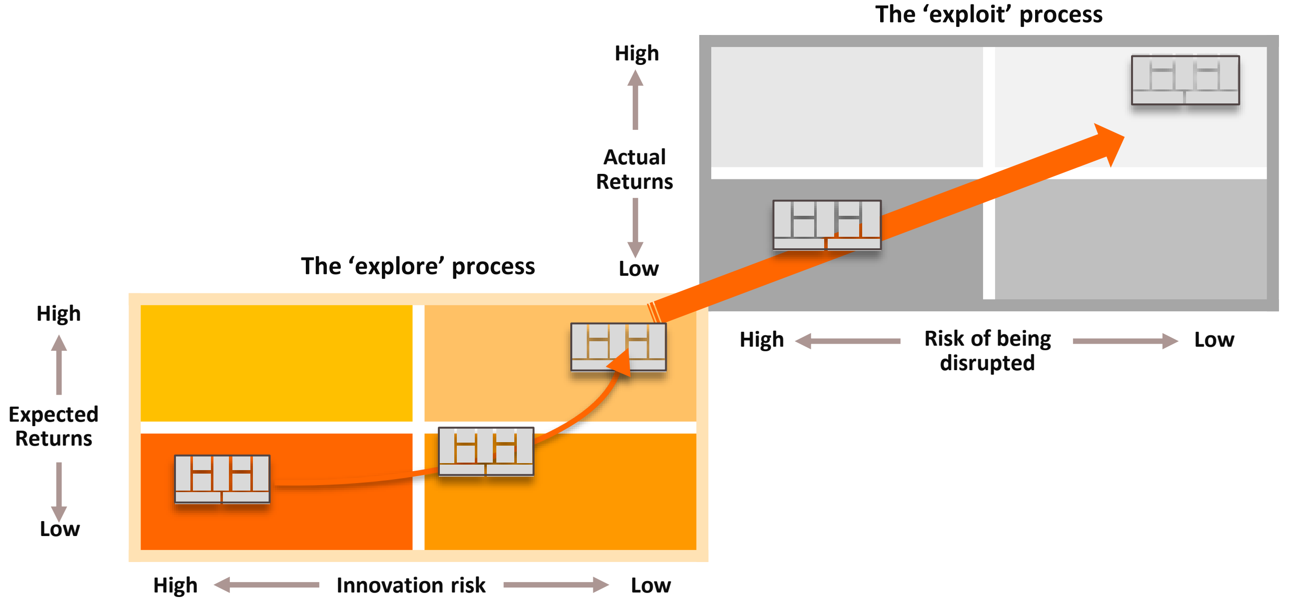
The 'explore' process is similar to organizing a hackathon[29/] except that the explore process is ongoing. In this procedure, a large number of business development teams compete against one another by researching, refining and presenting a business model, which will then be tested by the risks that it is exposed to and the potential opportunities of the model to grow in the future in order to screen out unsuccessful projects. Successful contestants return for another round of design and testing (Figure 18). This process places a premium on risk taking and trial and error since in reality, given historical data, it can often be extremely difficult to assess the likely success of a novel business idea. When a proposal has passed a sufficient number of rounds of testing, it will be selected for implementation into a real business or the 'exploit' phase of the process, which is on the upper right of the Portfolio Map below.

To help the business grow as rapidly as possible, the development of **the 'exploit' phase** follows the general stages of business development, beginning with forecasting and planning based as far as possible on high-quality historical data, laying out an organizational structure that will support the planned business activities through to execution, and then assessing performance to avoid making mistakes. During the exploit phase of the project's development, it may be the case that returns are somewhat low at the beginning but this is simply the nature of new ventures. In the end, the project has potential to generate healthy and sustainable profits (Figure 19).

In conclusion, **at the heart of the 'reinvention' stage is the goal of creating a new business model. Although it may not yet be clear what the current market will be for this, it may have the potential to create its own market in the future. Likewise, in developing new business models, innovations should not be valued through the lens of the old model. New models should not be required to meet the needs of old customers and the threshold of return on investment (ROI).** Beyond this, spreading investments through many projects will help to increase the chances of hitting on a new model that has sufficiently high potential to disrupt the market.

29/ Hackathons are events at which teams cooperate and generate ideas as they compete to solve problems posed by the event organizers. Generally, hackathons will last for 2-5 days and entrance to the competition may be restricted to within an organization or it may be open to the public. Teams will often be cross-functional, containing a mix of inventors, designers, marketers, software designers, technologists, graphic designers and scientists.

Figure 19: Portfolio Map: The Path to Business Excellence



Source: Strategyzer, Krungsri Research

5. REFORM: Innovation is the key to excellence

> **"Leaders don't create growth. Leaders create conditions for growth"**
>
> - Strategyzer, the author team of "The Invincible Company"

In order to constantly drive businesses with innovation to build proprietary advantages over competitors, firms need to overhaul all business processes and bring them into alignment so that they all aim at this same goal. If one compares innovation to a tree that needs a sufficient supply of earth, water, light and fertilizer to grow, an organization, in similar, needs to ensure suitable conditions to foster innovation. Osterwalder thus describes three aspects by which the potential to innovate may be judged[28/].

1) **Organizational management**: Factors to consider under this heading are whether the management has set aside sufficient time to determine the business's clear direction, whether the organization's goals, directions and the logics behind these have been communicated sufficiently, and whether sufficient resources have been allocated for these activities to succeed.

2) **Organizational structure**: Successful companies will set up departments or offices that are responsible for supporting and pushing forward innovation and which are separate from general management duties. For example, Ping An, a huge Chinese insurer, has created the position of Chief Entrepreneur Officer, who is responsible for the future development of the company and who has the power and authority equal to the Chief Executive Office. Departments responsible for innovation will need to cooperate with the core business departments and though need to have processes in place to encourage new thinking about innovation and to urge a willingness to engage in trial and error.

3) **Organizational culture**: One might ask whether the organization has sufficient tools to innovate, whether it can attract talents, whether it can develop the skills of its workforce, and whether it has the processes in place to successfully evaluate the innovations that it carries out.

Krungsri Research view: In crisis lies opportunity

The Covid-19 crisis has triggered huge transformations across many different parts of the economy as well as significantly accelerating the impact of megatrends that were already impacting society and the economy. Many of these changes will in the future solidify into the 'new normal', most obviously the surge in the use of technology in daily life. In addition, **the crisis has also reminded us about our tremendous exposures to risks, 'black swan' events, and uncertainty.** Businesses that were in the past classified as 'engines at risk' may have suddenly fallen into the 'at risk' group as a result of the crisis, including airlines, hotels and other businesses reliant on the tourism industry, and retailers and restaurants that provide older, offline-only services. **This dramatic change in the environment illustrates how evaluating an organization's potential with regard only to the current business environment may well be insufficient to the task in dealing with sudden future changes.**

Krungsri Research believes that in the coming period, the key to survival for many businesses will be our adaptability and our ability to develop stronger, more vibrant business models, especially with regard to the value propositions in offering a solution to consumer problem. Simultaneously, organizations will need to look for ways to encourage business innovation and to develop new markets. In some cases, companies will need to leave the environments where they used to compete in new arenas. Indeed, the track record of many companies and the recent experience of Covid-19 show that although new business models may not provide huge returns today, they may nevertheless have the potential to transform industries in the future.

The pandemic is providing an opportunity for businesses to reassess ourselves and to start afresh. For example in the tourism sector, when the crisis finally passes, there may be a very fewer number of players left, which will present an opportunity for companies to pivot to creating business sustainability and immunity, rather than simply continuing to compete with one another on price. Players may also consider raising the role of the domestic market as a way of widening a customer base and so increasing resilience to possible future international shocks. As regards the banking sector, the spread of Covid-19 has affected banks by increasing the fragility of our customers' finances, although at the same time, it has encouraged a much greater awareness of the need to better manage financial risks and a greater usage of online and mobile banking platforms. **This constitutes a major challenge for banks, but it will also open the door to a significant opportunity for the banking sector to overhaul itself, and speedup the digital transformation in aiming for supporting customers to manage their finances and risks in a much more personalized fashion.**

Beyond this, post-crisis conditions will encourage organizations to engage in major internal reforms, as well as marking a turning point in business transformation and the implementing of internal processes that support the development of new business models and the provision of new value to consumers. Implementing these new business models will then help businesses surpass our competition, progress towards excellence and insulate ourselves from disruption.

"**Ideas are easy. Execution is everything. It takes a team to win."**

- John Doerr, a venture capitalist at Kleiner Perkins and the author of "Measure What Matters"

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