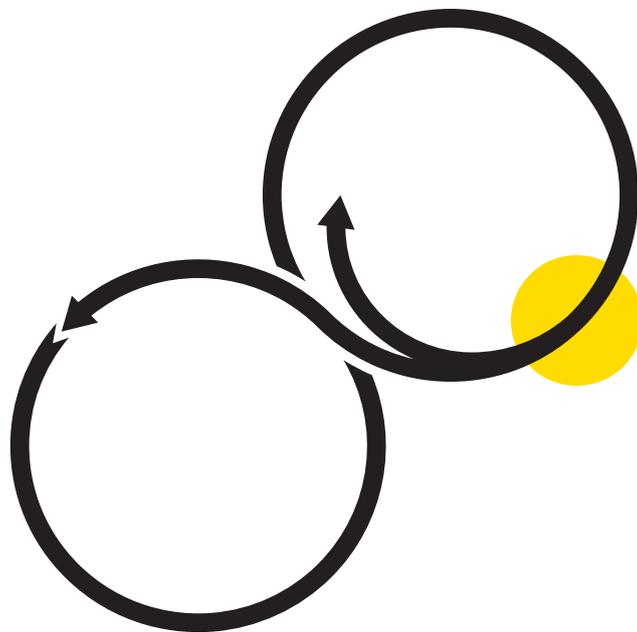


WHITE PAPER

The Economy after Corona

Setting the course



zukunftsInstitut

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What follows after the crisis? Adaptation and resilience shape the future of an economy that understands complexity better. A new analysis by the Zukunftsinstitut shows: The next few months will be decisive for this.

“Whatever it takes!” echoes from the governing districts of all countries. The economy must be saved at all costs. This has long-term effects – especially on the economy itself.

The economy is closely intertwined with the other subsystems of society, from politics and science to law, education, sport and religion. It is therefore not only the economy itself that is crashing and creaking through the Corona crisis: All subsystems of society are simultaneously being brought to their knees in an unprecedented global fashion. The state must intervene with a protective hand – with a focus on the economy, which as the driver of growth and prosperity plays a primary role in the collective belief in an “after”. Saving the economy promises a resurrection of the entire society.

But it is not that simple. The economy is too tightly interwoven with society – which is undergoing widespread change as a result of Corona. The “Whatever it takes!” phase is not automatically followed by a “comeback”. Rather, Corona initiates a lengthy process of renewal: the 2020s will be a decade of resilience.

But one thing is certain: the crisis and its deep distortions open up new possibilities. It is therefore also the time of “Anything goes”. The next few months will be a window of opportunity, and the course set will have a lasting impact on the coming years, in society and the economy as well as each individual company. This requires a new quality of entrepreneurial foresight and entrepreneurial courage: Welcome to the forecourt of the post-corona economy.

The post-corona economy described in this white paper is based on the scenario analysis of the Zukunftsinstitut on the post-corona world. It describes four possible development paths along two axes: “total isolation”, “system crash”, “neo-tribes” and “adaptation”. Even if none of the scenarios will occur in their pure form, some dynamics are more likely than others. The expertise of the Zukunftsinstitut network now indicates a probable path consisting of three successive phases. This path contains elements of all four scenarios, but the focus is on the “adaptation” scenario. (For more information on the analysis techniques applied, see Appendix).

Roadmap: The post-corona economy

The roadmap to the economy after Corona does not follow a straight line; rather, we will experience adjustment processes at different levels and at different speeds. Accordingly, the three phases of renewal described below will not follow each other strictly, but will temporarily overlap. For organisations, the most important thing is to switch to the learning mode. For even the slow “re-start” of the economy will take place under “abnormal” conditions. Improvisation, role-finding and letting go of old routines are therefore on the agenda. In the midst of the crisis, this requires a creative mindset and a culture of willingness to learn. The forecourt of the post-Corona economy marks the beginning of a long cycle of economic renewal.

THE PHASES OF RENEWAL:

Prologue: The world before Corona: Let it go.

1. Destruction and revision: Whatever it takes!

Premises: Health, safety and liquidity

2. Window of opportunities: Now or never!

Premises: Identity, creativity and speed

3. Adaptation and new models: Anything goes.

Premises: Glocalization, digitalism and adaptivity

PROLOGUE

The world before Corona: Let it go.

The continuation of the past is not our future.

Can we still remember the world before Corona? When we watch movies, they seem strange to us. People move freely, hugging and kissing each other. The public space seems to be the natural home of humans. Restaurants are full, mass events are packed to the brim. The much-cited “retreat into the private sphere” is only a fad.

THE FUTURE BEFORE CORONA

Before Corona, the future was either far away or already predetermined. Climate change as an urgent concern of the young generation never seemed urgent enough for a radical change. Nature was on fire – in the Amazon, in Australia – but most of the economy continued to do business as usual. The global economy buzzed in a low but steady growth zone. The promises of technology seemed to have the future firmly in hand. Artificial intelligence, drones, self-propelled vehicles – for every problem the future solution lay in technology. The big digital platforms and innovative start-ups were destined to make this possible. For most people, the future was suspect, or largely irrelevant anyway. Living in the here and now was the credo of the mindfulness movement, with yoga and meditation, even in business. For the rest, entertainment and consumption was on the agenda in a constant loop.

THE SEED FOR NEW THINGS BEFORE CORONA

So much for the bird's eye view. However, the zoom into the social and economic reality before Corona shows that substantial dynamics of change have already begun to take hold. Not on the main stage, but on many platforms, in growing communities and niches. In the slipstream of the protest and climate movement, principles such as circular economy gained increasing respect. The growing we-culture of society made social businesses flourish and the ego-attitude of affluent consumption look old. Companies and organi-

zations developed tools for self-management and dealing with complexity. Technology was increasingly developed in collaborative projects with the aim of benefiting the community. People and organizations were looking for visions to create sustainable value for all. The social seeds for a new, different understanding of growth had already been developed (see Zukunftsinstitut 2018).

NO RETURN TO THE OLD WORLD

With the Corona Crisis, our world is now experiencing not only the much-cited process of “deceleration” – or optionally: an abrupt stop before the crash – but above all a gigantic deconstruction of everyday life with all its economic effects. It becomes more visible what holds the world together – and what does not. What strengths we had – and what weaknesses. It is essential to recognize this. But not for a linearly thought-out future, because there is no going back into this world. The shutdown has triggered developments that are not reversible. Nostalgia may be a private matter, but not a functioning program for the future. Therefore, the new motto is: Let it go – let the world before Corona go. Its continuation is not our future.

PHASE 1

Destruction and revision: Whatever it takes!

The radical shutdown teaches us complexity.

In order to contain the uninvited guest, the leaders of all countries had only one means left: shutdown. Not the final stop, but the big pause button. Never before in history has the entire world been sent into a forced pause. The consequences are dramatic. Due to the required promptness it was not possible to think through every step in detail. And we only gradually realize what the manifold consequences and effects will be.

DOMINO EFFECT IN THE SUBSYSTEMS

Because people are in danger, many subsystems of our society are being reduced to a minimum. The economy is also running on the lowest possible level. As in a global domino game, one system after another is failing: Without functioning supply chains there is no production, without freedom of travel there is no air travel, without stationary trade there is less consumption. This means that the cause-and-effect relationships between our subsystems are largely at a standstill. First aid and emergency operations only work well where the networks and relationships between the individual sectors were already functioning before. In countries with ineffective linkages between authorities, banks and businesses, assistance does not arrive where it is needed. In the USA, only 1.5 percent of corona aid payments actually reached their intended target by April 10. Within a few weeks, the number of newly registered unemployed jumped from under one million to a dramatic 16.8 million. At the same time, 650,000 companies in Germany had applied for short-time work for their employees.

**THE COURSE OF THE CRISIS: U, V OR W?
IN ANY CASE, A “RECESSION OF THE CENTURY”**

The just-in-time world has eroded as a result of the frantic standstill. The clock is ticking against the economy. Compared to the Corona crisis, the financial crisis of 2008 ap-

pears like a harmless dent. According to the International Monetary Fund (IMF), the world's economy will shrink by 3 percent in 2020, Europe's by as much as 7.5 percent. For 2021, on the other hand, the world economists expect growth: The global economy is expected to grow by 5.8 percent and Europe's by 5.2 percent (see Gopinath 2020). Many investors, who now see their opportunities in the crisis, believe in even faster growth. In any case, the scale of the unfolding crisis is gigantic and economic assessments remain vague. For, according to the unanimous opinion: Everything could still be completely different!

What is striking here is that economic debates put a strain on one-dimensional curve developments: U, V, W. Will it be a long valley, a U that we have to cross? Or a fast V: into the crisis in a flash and out again just as quickly? Or will it be a W, a phase of up and down? Linear forecasts give a distorted picture of the world. Economic theory can live with this – but entrepreneurs cannot.

UNDERSTANDING COMPLEXITY BETTER

From the perspective of systemic trend research, the one-dimensionality of these models is the result of a linear cause-and-effect relationship. A central feature of complex systems is their multitude of feedback possibilities, which are separated in time and space: Each decision leads to subsequent decisions and actions that trigger delayed, non-linear effects. The crisis shifts the boundaries of complexity. We are saying goodbye to linear thinking, which has led us to dead ends, not only in the economy. This is an essential experience of the Corona crisis: After the acute crisis management, we have to switch to complexity and adaptation in order to be prepared for the future. A first indication of the success of this shift is the crash course in working online. While the online meeting service Zoom had 10 million users daily at the beginning of the year, by April it had already reached 200 million.

DECISION-MAKING ABILITY AND SELF-ORGANISATION

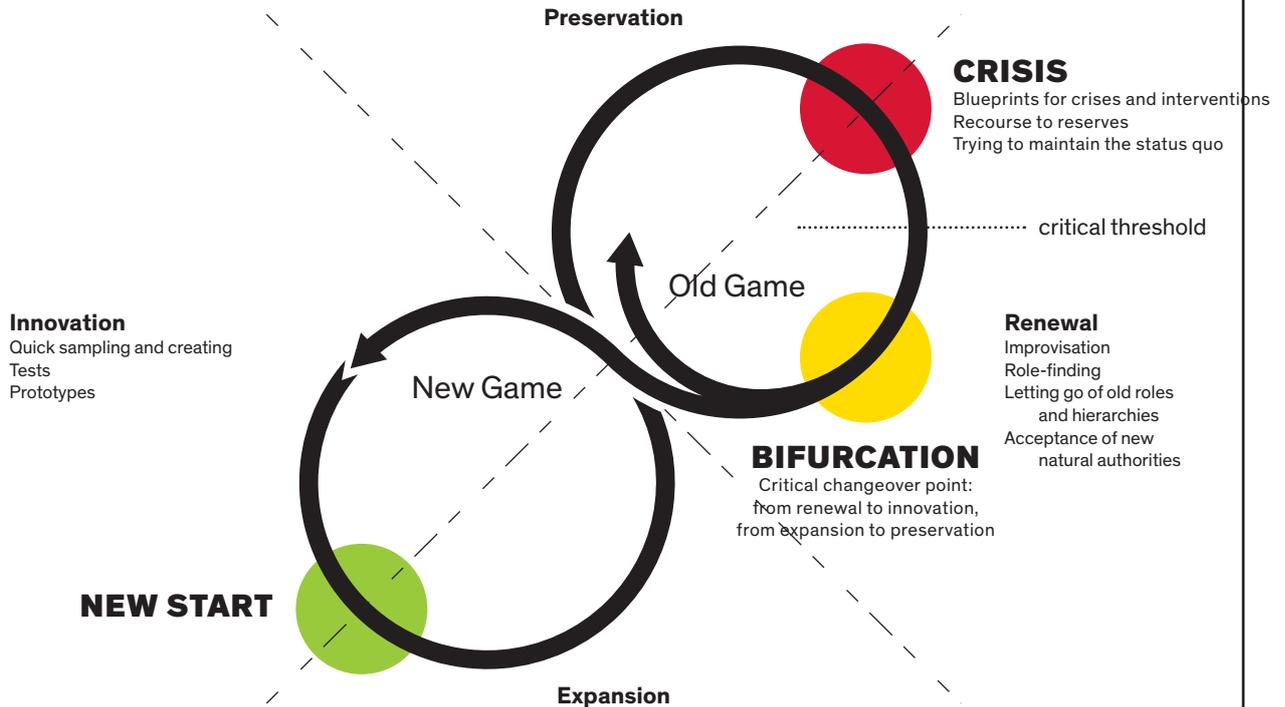
What it now needs most of all is decision-making ability and self-organisation. In every single company. The crisis initiated by Corona dissolves old cause-and-effect relationships that are always complex and therefore cannot simply be “re-started”. A variety of consequences are to be expected, which cannot be predicted. Every company will experience this.

In addition, we are now facing the world with a greater awareness of global connections and dependencies. The human being and his health are being inserted into the economic equation – this was hardly imaginable before Corona. After the shock, this will lead to multiple revisions of the economy. We will not find answers to their effects in linear thinking. Therefore, from now on the rule is: switching to complexity and adaptation. This is the prerequisite for being able to make decisions in an extremely volatile environment.

The linear discourse about U, V or W ends – and we shift to the Lazy 8!

LAZY EIGHT: THE ADAPTIVE CYCLE

In the Adaptive Cycle, also known as the Lazy Eight because of its shape, the path of the coming months can already be outlined.



Source: Zukunftsinstitut, 2020

Corona put the world at the crisis point globally. The forced pause decouples systems, established structures deconstruct, the cohesion of the world falls below a critical limit. This means that even with a gradual resumption of public life, the causal relationships will no longer function as before.

Based on the Lazy Eight model (cf. Gunderson/Holling 2002; Katzmaier/FAS Research 2014), the world – just as the economy – is entering a backward loop of renewal. At the critical point of bifurcation, there are two options: either to hold on to the old status quo, to return to the old game – or to jump into innovation, towards a new start. This is the beginning of a new game.

The attempt to regain the status quo is accompanied by a market shakeout. The question of the “old game” is: Who will prevail faster in (global) competition? Take aviation as an example: When the planes take off again, some airlines will have closed (Germanwings), new investors will have seized the opportunity (Heinz Hermann Thiele acquired 10 percent of Lufthansa shares), companies will have been nationalized (Alitalia) – or other airlines will have used money reserves to buy airport slots. This means that the attempt to regain the status quo is almost impossible for most small and medium-sized companies. They simply lack the resources to survive in

an increasingly cut-throat competitive environment. Powerful players prevail and dominate the game. Some companies will fail due to these conditions.

The crisis will lead many companies to a point in the coming months where they will have to reinvent themselves. Especially in tourism and in the leisure and event businesses this will not fail to happen. The shift of many events to the Internet is a first indication of a major innovation shift. Trade and many service companies will also not be able to simply continue as before after Corona. The slow return to public life is leading to many innovations and hybrid business models. The result is a phase of permanent adaptation: new kinds of collectives are emerging beyond the old, formal structures, adaptable and connected to the world.

PHASE 2

Window of opportunities: Now or never!

A new era of entrepreneurship begins.

Still in the phase of economic first aid and revision, companies are beginning to establish new business opportunities. In times of massive upheaval, openings and windows of opportunities arise that will not be coming back so quickly. The phase of crisis becomes the most entrepreneurial time of many decades. Any period at the end or after a crisis is the time of visionaries (see Zukunftsinstitut 2019).

STAYING IN THE GAME

The traditional “more and more (of what there was before)” loses its radiance. A new guiding principle begins to take off: stay in the game, preferably forever! In this dynamic process, classic goals such as KPIs or sales growth become clear for what they are: Means to an end. Decisive for economic and social success is the question of successful adaptation and adjustment.

MANY THINGS BECOME POSSIBLE

Every visionary complex idea of the world and economy is now in pole position. Many good designs can be observed where creative people have already implemented their ideas of another possible world (see Zukunftsinstitut 2020). Those who have already fully thought through such ideas have the best conditions for entrepreneurial success now. After all, the post-corona economy is developing new networks at a speed never imagined – and suddenly, something that hardly anyone had thought possible before is now possible:

A hairdresser in Bavaria is establishing a regional block chain to enable a cash flow between regional companies and their customers. This project was worked on for a long time, but now it is being implemented in a blink of an eye. This decouples classic money and cooperation flows and creates new, regional networks.

A shoe manufacturer on Mallorca is converting its 3D printers during the crisis and producing urgently needed medical equipment. A regional supply chain is established, global supplies are cut. Even against the background of empty quality promises from China, the newly created structures are relevant for the future.

New projects are being created and accelerated everywhere due to the crisis. “I’m using the time for my digital platform,” says a regional publisher. “No sales, but more to do than ever before,” says a carpenter, revitalizing his production and sales. “During daytime in the hotel, why not?” says a hotelier and rents out day rooms for remote working.

IDENTITY, CREATIVITY AND SPEED

In the “Now or never!” phase, a complex self-confidence is essential. The prevailing dynamics are challenging and require a very clear understanding of one’s own strengths and potential. Companies will tie their strategy more closely to their identity and focus more clearly on the well-being of the whole. In order to gain an edge in the new game, it is less important how large or financially strong a company is. Instead, ingenuity is now required: “Ingenuity, not just financial muscle, will become a source of advantage, allowing cleverer firms to operate closer to full speed,” writes the Economist (see Economist 04/2020). New networks and new natural roles are forming. The old is being questioned. Speed also plays a role: in the frantic standstill of the crisis, opportunities arise in the shortest possible time that would otherwise have taken years. The deconstruction of the present – as painful as it is – creates a new future.

PHASE 3

Adaptation and new models: Anything goes.

The road to new growth strategies requires resilience instead of efficiency.

With changed roles, new relationship patterns and a systemic understanding of business, the new possibilities are also opening up in practice: “Anything goes.” New structures establish themselves, innovations become visible and begin to take effect. Prototypes develop into real, holistic offers and growth paths. The phase of adaptation brings forth an economy that acts real-digital and glocal. Glocal means that the economy will strengthen itself in many regional networks and will reflect on its connection to the global. Large corporations will also push nearshoring and form more regional value networks. In the adaptation phase, the focus will be on resilience. It is all about crisis-proof, holistic growth.

THE CO-OP PRINCIPLE

In the wake of the corona crisis and an emerging we-culture, the cooperative model will gain in importance. New cooperative alliances are emerging – authors’ associations, technology collectives, regional trade structures. Companies that pursue social goals from the very beginning will also gain strength: social businesses whose goal is a profitable business model with a charitable purpose. These organisations have already been built up and are very successful in their activities (see Zukunftsinstitut 2018). In times of crisis, Purpose Identification – the orientation of the company towards the welfare of the many – becomes much more important. It gives orientation, motivates and holds together. In the future, economic activity will always include the contexts of society, people and nature.

THE NEW BUSINESS MODELS

At the same time, companies evolve further by expanding their understanding of business models. In addition to the pure focus on a market, new economic principles and society itself provide the framework for development opportunities. This has long been apparent in the strategic everyday

life of most companies. Who does not yet have a strategy for growth or digitization (economy) or gender or CSR (society)? In addition, the “factor” of people (health and nutrition) and nature (climate) are now increasingly added to this – both are becoming mandatory in strategic orientation (see Zukunftsinstitut 2019b). For this reason, business models with a greater awareness of context are rapidly forming in the post-corona economy. This will also be reflected in management methods and business model developments.

RESILIENCE INSTEAD OF EFFICIENCY

In the age of “Anything goes”, the classic efficiency thinking ends, as it only refers to finite games and shortages. Efficiency is followed by resilience. Resilient companies remain agile and adapt in the best possible way even in crises. As with the healthcare system, the same applies to companies: If they are operating at the maximum, they may be efficient – but they are not viable in the long term. Consultant-driven management has led to increased efficiency in many companies, with cost cutting and processes at the edge of the possible as a source of profit. But it is precisely this culture of efficiency that Corona is bringing to an end. Entrepreneurs in the post-Corona economy will increasingly rely on principles based on the knowledge of complexity.

THE ECONOMY OF THE FUTURE: GLOCAL, DIGITAL AND ADAPTIVE

The economy has been shaken up by Corona. Most companies had to suffer. They are embedded in cycles that have now been suddenly interrupted. This leads to a phase of instability – some companies will give up, most will not make it without support. The support is organised nationally and above all regionally. For this reason, too, regional cycles will gain in importance and establish themselves in the long term. The local follows the global as a new refer-

ence dimension: a regional focus in global connections. This process is supported by the arrival in real-digital everyday life: after the crash course in working online, the digital has finally shifted from the future to the present.

The general vulnerability will lead to a new way of thinking in most companies: away from efficiency and towards resilience. The ability to adapt to changing environmental conditions will become a primary management premise. Change heralds a long phase of learning in organizations. In the process, companies are condensing their networks: Instead of linear value chains, value networks are emerging. The post-corona economy will be a vital, glocal network of companies that actively participate in the development of the environment and society. Technologies will lose their aura of the future and will be used as everyday supporters of these developments.

The next few weeks will be a decisive moment for all companies to set course. Will the leap into a resilience movement towards new, glocal and adaptive networks succeed? Or is there only the way out into an old and definitely tougher competition? Now is the time of opportunity for new approaches!

APPENDIX

The observation of the post-corona economy

The Zukunftsinstitut observes the development of society and its subsystems, especially the economy and its dynamic interrelationships. The tools used for this purpose are theory-based and derive from systemic complexity research. The techniques used for this white paper are briefly explained below.

1. Context analysis

If one wants to see the full dimension of the crisis, one is forced to take a meta perspective. With the individual perspective or the purely professional view, one can only see excerpts – for example, people's health, possible virus spread or economic developments. However, since the corona crisis is a crucial event in all dimensions of human coexistence, it is inevitable to analyse the effects of all these dimensions on each other. Under normal circumstances these interdependencies are hardly visible – a crisis of this magnitude changes that. In order to get the whole picture in focus, the Zukunftsinstitut uses the system-theoretical model of the Impact Analysis, based on the theory of form in the style of George Spencer Brown (cf. Spencer Brown 2010, Baecker 2006). In the "Trend Canvas" applied by the Zukunftsinstitut, the economic contexts that interact and yet can be observed separately become visible in relation to companies.

2. Resilience dynamics

Resilience research is a relatively young scientific discipline whose focus is on the investigation of dynamic processes within complex systems (such as ecology). A central element of resilience research is the "Adaptive Cycle" (cf. Gunderson/Holling 2002), also known as the "Lazy Eight", which the Zukunftsinstitut uses in a more advanced form (cf. Katzmair/Gulas 2018) to identify dynamic structures and their probable pathways. According to the Lazy Eight, crises are an inherent component of complex systems and, as such, their dynamics and possible development paths can be assessed.

3. Scenario analysis

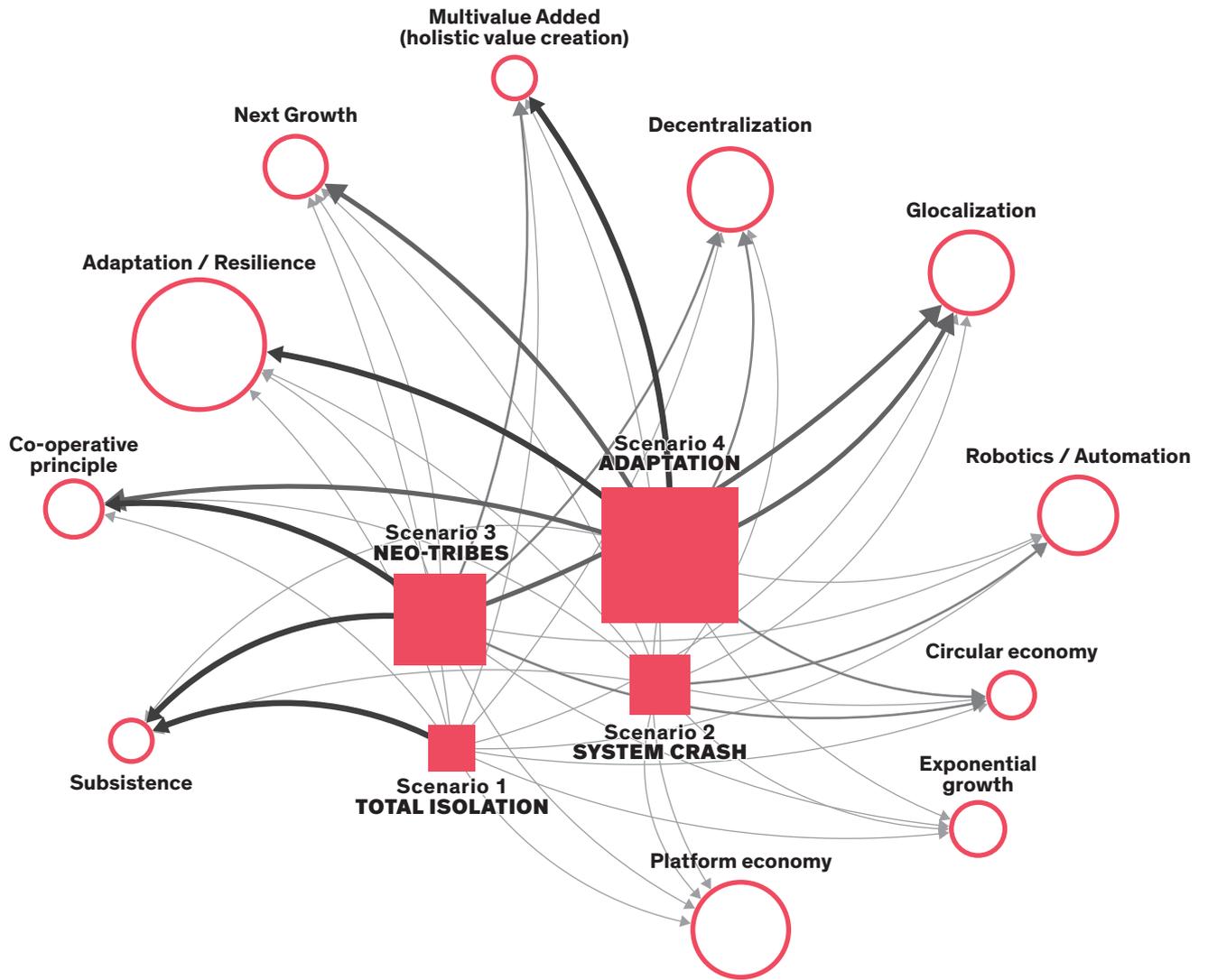
Scenario analyses are part of the standard repertoire of trend and future research. Scenarios serve primarily to structure future options. Thus, they do not anticipate the future, but serve as orientation and help groups (especially decision-makers in management) to develop a way of thinking about the future. A mixture of different scenarios is most likely in each case. The Zukunftsinstitut's scenarios on the Corona Effect are also designed to approach the possible future. Since the future can always be shaped and formed, scenarios also have a motivating effect in terms of desired developments and possible decisions.

4. Impact relations

Complex systems such as global companies exist in interdependencies and feedback loops. In an analysis of such interdependencies, the Zukunftsinstitut's team of experts has applied a variety of recent economic developments – from platform and post-growth economics to automation and recycling management – to the four post-corona scenarios. In the process, robust and probable as well as fragile and improbable developments crystallize. The techniques applied for this purpose come from network research (cf. Katzmair/Gulas 2018).

IMPACT RELATIONS

Economic developments in relation to the four post-corona scenarios of the Zukunftsinstitut



Source: Zukunftsinstitut, 2020

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About the Zukunftsinstitut

The Zukunftsinstitut was founded in 1998 and has significantly influenced trend and future research from the very beginning. Today, the company is regarded as a leading international contact for questions concerning the development of business and society.

OUR MISSION

Our mission is to identify and describe the patterns of social and economic change. We share our analyses and findings in publications, keynotes and events. We accompany strategic decision makers with our consulting formats.

OUR GOAL

The aim of our work is to sharpen the orientation and business intelligence of our customers. This creates space for new, forward-looking strategies, economic transformation and innovation. We see ourselves as a sparring partner who brings a differentiated view of the questions of the future to enable new thinking.

OUR PRINCIPLES

As a network of experts and researchers from various disciplines, we work with established methods and have comprehensive strategic insights. In doing all this, we are especially committed to the following: We are critical optimists of the future and are convinced that the future is a space for opportunity.

OUR PRODUCT PORTFOLIO

Consulting

- Future Room – the strategic consulting approach of the Zukunftsinstitut
- Trend and innovation consulting – contents, tools and methods for the best development processes

Publications

- Trend studies, industry reports, practice guides, workbooks, “Lebensstile” and “Megatrend” documentation
- Individually commissioned studies, trend dossiers, trend guides

Expert Publishing

- Tailor-made publications with maximum effectiveness – for entrepreneurs and companies

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- Future Day – Future congresses for decision makers, trainings, managed events
- Future Day speakers – the network of leading future speakers

Membership

- Future Circle – be at the forefront with all exclusive access to publications, multimedia and interactive content, specific know-how and unique events

zukunftsInstitut

MANIFESTO

1

We perceive, name and describe the future.

2

We think holistically and systemically.

3

Our work opens up new spaces in thinking.

4

Our findings increase the future competence for decision makers.

5

Our goal is effectiveness.

6

We are effective by recognizing early.

7

We stand for critical optimism.

And:

You may also rethink the future.

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