2020 – 21: My Reflections

The turn of the decade proved to be an epic anticlimax. The promise and anticipation of prosperity and growth were undone by a tiny, invisible enemy. 2020 became a blur as frenetic activity on some dimensions erupted in contrast to an eerie, frozen stillness in others. We will look back at the year not so much for the memories it helped us create, as for the new tangents and angles it forced on the arc of our recent history. 2020 is a year that will only gain in significance when viewed through the perspective lens of time.

And therefore, it is almost presumptuous to write the epilogue to the year and draw weighty conclusions regarding the "Post Pandemic World" – so soon. However, recent events are fresh, and I find value in capturing some early reflections – I have organised these along the lines of society, economy, organisation, culture, and the individual.

We have started the New Year with a strong sense of hope and optimism. This is not just because of the success in speedy development of the vaccine. It is also to celebrate, for having endured, survived, and overcome the challenge of a grave pandemic. The year-long response to the pandemic, across the globe, exhibited all that is noble and uplifting in the human spirit.

Personally, it was energising to see corporations—large and small join this collective fight.

Corporates are also Citizens that Count

The experience of the past year reinforces the criticality and importance of the role played by corporations in societies at large.

A corporation is, after all, not merely an inanimate thing. It is expected to be humane, ethical, have empathy, and be a caring friend of society. In this new paradigm, the license to operate has to be earned, and is underpinned by respect, credibility, and acceptability. This implicit license signifies genuineness, the willingness to match words and deeds, the willingness to abide by certain principles, no matter what.

The long-lasting institutions of modern times have been guided by these foundational principles. Even over the last several months, we saw many actions of humane corporations in society, distinct from philanthropy. From retailers who set aside an hour extra for lockdown-affected senior citizens to telcos who provided free recharges for stranded migrant workers, there were several examples of good corporate citizenship.

Perhaps uniquely, the crisis also brought to fore the regenerative and stabilising power of large corporations. Especially the ones with the ability and intent to enable smaller stakeholders in the ecosystem to maintain an even keel during periods of turbulence. This was manifest in several actions like allowing deferred payments to hard-hit value chain partners, honouring commitments on orders to maintain business continuity, and even investing ahead of revival in demand to kickstart economic activity. These are not acts of corporate benevolence, but they recognise the symbiotic nature of the various components of a functioning economy.

The symbiosis also creates resilience to better absorb volatility.

Ultimately, Volatility is a Froth

While volatility and uncertainty have been an underlying phenomenon for almost 2 decades now; financial variables have become even more volatile in these unusual times. For instance, in 2020, for the first-time, oil prices plunged below zero all the way to negative 37 dollars. Did oil consumers take advantage and stock up for their entire annual requirement? Of course, not. That crazy negative price prevailed for a fraction of time and did not really affect underlying production and consumption decisions, that too not in a lasting way.

2020 was a year in which we had a commodity like Copper registering a price range of 70%-plus – that is the gap between its highest and lowest price during just one year. And not to forget, the stock indices in the US that swung by a whopping 65%. What was the change in the underlying earnings prospects of companies or in the consumption of copper? Certainly, way lower than what those market gyrations would want you to believe.

What this tells me is that we should not get unduly disturbed by this excessive volatility. Such volatility sometimes is a frothy surface that floats on top of business and economic tides that move in a much more predictable fashion. It is far more important to focus on core economic and business variables, the demographic drivers of market trends, and the technological drivers of supply chains. These fundamental variables don't change as discontinuously as prices and indices suggest.

Soon after the outbreak, there were prophets of doom predicting irreversible shifts in consumer demand and the evisceration of sectors. But look at the swiftness with which we have seen recovery play out across sectors. For instance, the successful Airbnb IPO belied earlier predictions that travel was dead in the near future.

In India too, the initial prognosis and narrative of experts proved to be excessively pessimistic. Witness the strong recovery across manufacturing sectors, cement to paints, and automotive to aluminium. Several indicators for India, including GST collections, electricity demand, railway freight movement, and passenger vehicle sales have reverted to positive growth numbers in recent months.

However, how much froth there is in the euphoric financial markets is still an open question. Perhaps, we still need another quarter or so to confirm that this booming trajectory is here to last. The economists, I am told, are now searching for alphabets that will adequately describe this trend of cautious optimism.

However, outcomes at a company and individual level are uneven.

Don’t ignore the comorbidities— whether in life or business

The pandemic struck and brought devastation. While some hold the belief that it is just another kind of flu, hundreds of thousands have unfortunately been struck down by it. Quite notably, COVID-19 was more crippling for people with comorbidities. These were measurable and identifiable – diabetes, hypertension, blood pressure or obesity.

The analogy can partly be extended to businesses. Partly applicable, since comorbidities make businesses less able to withstand shocks like the financial crisis of 2008. But also different in that, unlike human conditions which often are beyond our control, there is no genetic predisposition towards comorbidities for businesses. The comorbidities are self-inflicted. The excessive financial leverage that provides sugar highs while weakening fundamentals in the long term, lax processes that lead to inventory build-ups clogging supply chain arteries like some pernicious cholesterol, or most devastating, a lack of focus on building consumer and human relationships.

These are comorbidities that can prove fatal when pandemic-type shocks rock the system. These dangers lurk beneath the surface during good times, and so it is imperative for corporates to be ever mindful of the first principles of good management practices.

WFH ain’t no WFO

One such dimension that has been tested by the pandemic is on working arrangements. There has been a lot of focus on new models of working in the wake of the pandemic. I have to confess I was amazed by the overnight switch to WFH across Corporate India. And as we now witness a calibrated return to the workplace, we are confronted with the larger question on the future of work. Many have opined that WFH is going to be a mega-trend of this decade. I have a slightly contrarian view. The ‘Office’, after all, isn’t just a place where we come to work. It is a melting pot—of people, ideas, and conversations. The coming together of people with diverse skills and experiences is what makes an office more than just a place of work. This is what defines culture. This is what creates magic. Culture is not some amorphous code that gets handed out to employees. It emerges from human interactions. It's hard to imagine that this is possible, on a sustained basis, by talking to computer screens.

At the margin, dispersed working has two distinct advantages that need to be harnessed. It offers employees the choice to be productive, even if their personal circumstances force them to be tethered at home. It also allows organisations the ability to recruit a more diverse set of people. But I do expect most companies to revert to the pre-COVID workplace equilibrium in large parts, once the pandemic is quelled.

Build your reserves

Perhaps most importantly, the last year has forced an inward look. The people, companies, and nations who have emerged stronger have been the ones who had accumulated reserves of strength and not necessarily the ones who were sprinting the fastest. In each of our professional contexts, we will often be called upon to be innovative, disruptive, and resilient. But I have learnt that these outcomes do not necessarily stem from moments of individual brilliance, but from the patient building of reserves. Continuously upskilling to build reserves of knowledge, openness to the world to build a reserve of ideas, and collaboration and teaming to build reserves of goodwill.

Now, is perhaps a good time to take stock of each of our personal reserves and the meaning of our work. An honest assessment could well be the best investment one can make in 2021 – the chance to start with a blank sheet of paper and the three words: *"What matters is…"*

I hope you find the process of individual reflection as cathartic as I found penning this note for myself.

- Kumar Mangalam Birla