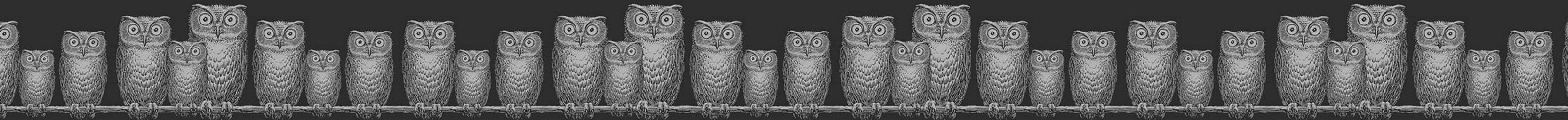




CHARLOTTE STREET
PARTNERS

A SUSTAINABLE ROADMAP FOR THE UK



FROM A DIFFERENT PLACE

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INSIGHT: EMERGING FROM LOCKDOWN



MALCOLM ROBERTSON
Founding partner

Around the world, the attention of leaders – not to mention us citizens – is moving beyond the initial health crisis to plans for the reopening of society and the economy. Some are managing this challenge better than others.

Those in the far east, closest to the epicentre of the outbreak, have been embroiled in the fight against Covid-19 for longer than we have, and they seem to be containing the problem and managing the recovery more effectively – although it is early days yet.

In the UK, things are different. Last weekend, *The Sunday Times* reported accusations that the government was too late in its response to the pandemic.

But there are more difficult questions lining up for the prime minister, one of the politicians most closely aligned to Brexit, a process that according to a well-placed source has “sucked all the blood out of pandemic planning” and ensured Boris Johnson was less than engaged in the early stages of the crisis.



“There will be a time and a place for enquiries and accountability no doubt, but right now there is unfinished business to be getting on with, and that cannot wait.”

Whatever the truth, the problem for the government now is that these and other claims – around the lack of PPE for frontline healthcare workers, for example – are easy to believe and therefore become an established part of the narrative. A narrative that is increasingly being controlled by commentators outside of the government.

We should be in no doubt that there remain significant questions to address before the lockdown restrictions can be eased to any degree in the UK. But, in the absence of a plan or framework, social media has become a fertile breeding ground for unreliable speculation. It is important to remember that national governments remain the sole reliable source of information about what they will do next.

INSIGHT: EMERGING FROM LOCKDOWN



MALCOLM ROBERTSON
Founding partner

Last week, the European Union (EU) published a ‘roadmap’ to lifting the coronavirus restrictions, in what may become a useful guide to what might happen here.

Leaving aside our new relationship with the EU, the roadmap provides one view of how our closest neighbours and trading partners are thinking about the journey back to productivity. It therefore has meaningful implications for the UK government, any business that trades with EU countries, and for the movement of people.

The most important factor for our leaders, particularly in the absence, as yet, of a vaccine, is the ability to mass test, trace, contact and isolate people with the infection to prevent its onward transmission.



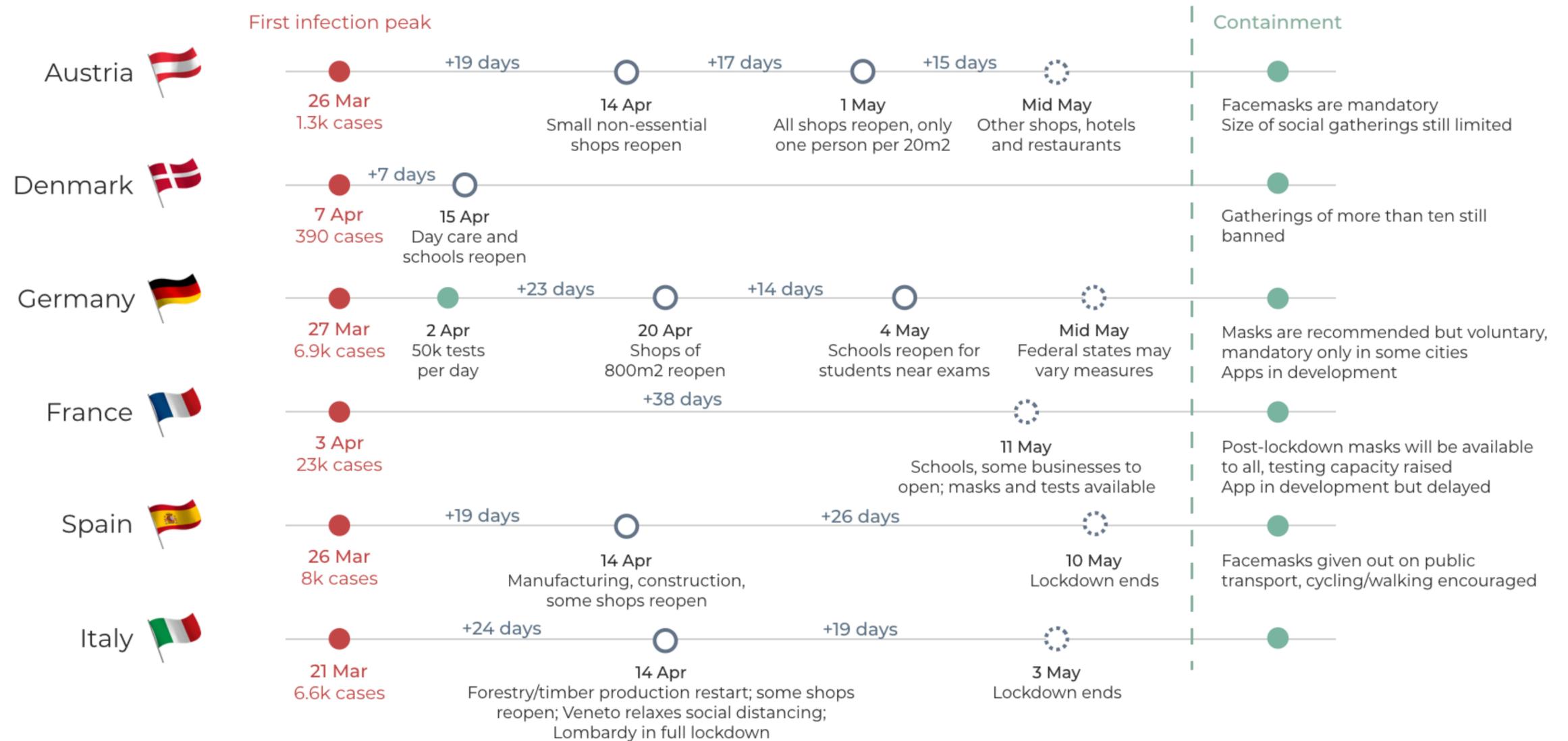
And, as governments build the capacity to test vast swathes of the population, so too will confidence grow in the easing of restrictions. Even then it is likely that travel will remain limited, particularly between countries, and mass gatherings will continue to be banned altogether or discouraged in the long term.

Our political leaders – as well as the medical professionals, scientists and economists advising them – now face a challenge: what is the sustainable solution? How can they protect the lives of citizens, but not risk a ruined economy and failing society?

They will doubtless attract criticism along the way, and they won’t get every decision right. But to maintain any level of public confidence, they need to provide as much clarity as they possibly can and to be open about what is known and equally so about what is not known. There will be a time and a place for enquiries and accountability no doubt, but right now there is unfinished business to be getting on with, and that cannot wait.

EUROPEAN TIMELINES FOR EASING SUPPRESSION

Countries around the world are now seeking to emerge from significant periods of lockdown. But, in the absence of a vaccine and a sustained period of evidence for what happens with reduced measures, the routes to restarting economies and societies understandably diverge.



Source: Tony Blair Institute for Global Change

INSIGHT: GLOBALISM VS LOCALISM



IAIN GIBSON
Associate Partner

According to the United Nations, there are 195 countries in the world, and all are facing the same threat. Ideally, we would be tackling Covid-19 together, unified and co-operative in our approaches. However, the different geographies, borders, cultures, values and types of government that make our planet so diverse mean that no one size will fit all.

Take Singapore, which was initially praised for its response and a relatively low infection rate. It adopted a policy of keeping those who had tested positive in hospital rather than home quarantine, as well as testing widely. However, it now appears that Singapore overlooked its large migrant worker population in initial testing, many of whom live in cramped, unsanitary conditions, and who are now likely responsible for an uptick in reported cases.



INSIGHT: GLOBALISM VS LOCALISM



IAIN GIBSON
Associate Partner

On the flip side, Sweden has had one of the most relaxed approaches of all in the western world, especially compared to its neighbour Denmark, which was one of the first to close schools. Now Denmark has reopened its schools, whereas it is rumoured that the government in Stockholm, which has a death toll five times higher (with a population only twice the size) than its counterpart in Copenhagen, may soon be forced to adopt more stringent measures.

It could be argued that a lack of international coordination enables governments to act dynamically to suit the demands of their specific populations. But, fundamentally, the death tolls speak for themselves.

It has not worked.

So, how do we work across international boundaries while at the same time prioritising country-specific needs?



There are two realities to address. Firstly, above all else, governments will act to protect their own. Businesses across the world are caught between pleading for domestic support and watching in dismay as protectionist policies hamper their operations abroad. International supply chains, often built up over a number of years, are crumbling as governments scramble to shield as many of their people as possible. This is absolutely right for the here and now, although at some point we will need to get these international supply chains moving again. And there is no way to do that alone.

Secondly, the stakes are so high that no government will escape criticism from the decisions they take. We have seen this tension boil over in Europe. The EU is a force for much good, but the unedifying spectacle of southern European states, led by Italy, berating the northern ones for a lack of support earlier on in the crisis, reinforces the point: even if your track record is gleaming (like Germany's, for example), you will be judged by the help you offer – or distinct lack thereof.

We know this is only stage one, there will be further upswings.

International entities, such as the United Nations or the World Health Organisation (WHO), can offer overarching guidance and help, whilst accepting that what suits a small, concentrated state like Kuwait won't work for the vast sprawls of Kenya.

THE UK: WHERE ARE WE AND
WHERE ARE WE GOING?

FROM A DIFFERENT PLACE

A SECTOR COMPARISON

The pressures of Covid-19 are not distributed equally across our economy.

The following table presents an analysis of the extent of the disruption caused by the pandemic on supply and demand across key sectors, measuring them on a scale of exposure:

- 1 Low exposure
- 2 Medium exposure
- 3 High exposure

	International supply	International demand	Domestic supply	Domestic demand	Labour market disruption
Agriculture, forestry and fishing	1	2	1	1	1
Industrial manufacturing and asset servicing	2	1	2	1	3
FMCG	1	1	1	1	2
Electricity and gas supply	1	1	1	1	2
Water supply and waste management	1	1	1	1	1
Retail and wholesale	1	1	2	3	3
Transport and storage	1	1	1	2	2
Construction	1	1	2	3	3
Real Estate activities	1	1	1	1	2
Financial services	1	1	1	1	2
Hospitality	1	3	3	3	3
Health and social work	2	1	2	1	3
Media	1	1	1	1	1
Arts, entertainment and recreation	1	1	3	3	3
Education	1	1	2	1	2
Software	1	1	1	1	1

SUPPLY CHAINS

The Covid-19 outbreak was disrupting global supply chains long before the WHO categorised it as a pandemic, exposing what many believe to be an over-reliance on Chinese suppliers and inadequate operational practices.

Towards the end of the crisis, the UK will start to see a reversal of the output contraction for many parts of the economy. But not all sectors will bounce back immediately, as some are more exposed to damage than others, as the table in the previous section points out.

The longer that lockdown measures continue, the deeper the changes in external demand, consumer taste and business models will be. This will present both challenges and opportunities depending on sector, forcing businesses to rethink some of their practices. You can read more of our thinking on this in our recent [economic briefing](#).

In the immediate aftermath, resilience will be key. Businesses will have to start thinking about diversifying their supplier base to hedge against future disruptions. In a post-Covid world, supply chain security will become a top priority. The practice of holding near-zero inventories for many sectors will be unsustainable, and cyber security will become ever more relevant and important.

Together with automation and the reduction of labour costs, this will likely stimulate reshoring – the movement of business processes closer to home and, namely, away from China – particularly in manufacturing. The newer EU member states, together with Spain and Portugal, may see a growth in manufacturing employment as a result, creating new opportunities for them.





THE UK AND SCOTLAND

For now, the UK is taking a cautious approach to easing lockdown measures, driven in part by the fact that decision-maker in chief, Boris Johnson, has not yet fully recovered from his own brush with the virus. At the time of writing, there exists no published plan.

Meanwhile, Nicola Sturgeon today (23 April) launched the Scottish government's approach to moving through the phases of response, recovery and renewal in relation to Covid-19. The first minister was seeking to deliver on her pledges to treat people as adults, and be as transparent as possible, both about the current position and future outlook.

A key message is that maintaining or lifting the current lockdown arrangements is definitely not a binary choice, and that there may not be a smooth curve when it comes to reducing restrictions.

What is certain, is that there will be no 'lights on' moment at which things will suddenly be returned to the pre-Covid-19 normal. In workplaces, schools and economic and social activities of all kinds, moving beyond the response phase will involve a process of recovery, during which restrictions may be lifted and re-imposed if necessary. We will live with coronavirus for a long time, and certainly until a vaccine becomes generally available.

The paper deliberately broadens the consideration from being principally about health and the NHS. It acknowledges, and does not seek to minimise, the economic and social impact of the current lockdown as well as the impact of Covid-19 itself.

THE UK AND SCOTLAND

The document fully recognises the need to recover economic activity. The advantage will lie with companies and industries that are able to evidence their ability to operate in a post-Covid world, having adapted successfully to the restrictions that will continue to apply.

Decisions will continue to be evidence based, although broader in scope. However, while it is crucial to notice the emphasis on balancing and minimising harms, it needs to be seen alongside the document's assertion that there is "no such thing as a level of acceptable loss" in relation to human life.

The first minister is also steering a careful approach between continuing to adhere to a four-nations UK approach, while reserving the right to do things differently in Scotland (or indeed in different parts of Scotland) if circumstances, including geography, demography and scientific advice support that. In that sense, she is acknowledging that different areas across the UK - more infected areas versus less infected (as more testing information becomes available), dense versus sparse population centres, vulnerable groups and older people compared to other sections of the population - will or may require differentiated measures and protections.

The prospect of geographically different approaches may be contested but the paper already begins to make the case for taking population density into account. Issues like intra-national and global supply chains will also be germane.

In any event, the first minister will be keen to put any further divergence between Scotland and the rest of the UK into this broader context.



MAKING AN EXIT

At some point, the UK government will decide to ease lockdown measures and allow a return to 'normal'.

We have previously thought about this in terms of the following phases: respond; reset; restart and rebuild; recovery and renewal.

1. Respond

From our perspective, the current 'respond' phase describes the partial shutdown of the market economy in the UK and most of the rest of the world.

In this phase, the economy drops to a degree which is currently impossible to measure.

In this phase, the health emergency is the focus of policymakers although governments have moved to partially secure incomes and sought to mobilise funds from the Central Bank and government to banks, businesses and people.

The main economic worry in this phase is that policymakers have come down too hard on the economy and damaged its ability to recover, both in general terms but certainly in competitive terms.

2. Reset

In this phase, which we hope will come sooner rather than later, the economy bottoms out and the decline levels off.

Conversations begin on how the lockdown will be gradually released, by demography (age and vulnerability), sector and region.

So, for example, we might expect schools to re-open more quickly than cafes, bars, concert and sports venues, and so on. Borders may remain closed between regions. The EU suggests they will open internally first and then externally. In this phase, the beginnings of activity will appear like the shoots of snowdrops in the last days of winter. And like the flower, late frosts can kill the most nascent of stabilisations.

MAKING AN EXIT

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3. Restart and rebuild

In this stage the grass has started to grow again – patchily, yes, but with clear signs of activity beginning to pick up. For us, this phase could be some time off and we do not expect a rapid bounce back for three main reasons.

- Any containment release will be gradual and therefore so must economic activity. Yes, government interventions can kickstart things, but the debate about what that could look like has not yet begun in the UK.
- The overall market of the world will be much smaller and it follows that the market for goods and services must be too.
- We have already lost capacity. Businesses that have failed cannot bounce back. Yes, owners can go again but many risk bearers (entrepreneurs) have lost everything - including their appetite for the fight - or they will.

4. Recovery and renewal

The final phase could be called simply 'recovery', but we think that would be a mistake because we will never recover to exactly the way things were. Before this virus even took hold the world knew that its trajectory was unsustainable.

Climate change, demographic challenges, automation and technological transformation already presented the status quo with existential challenges to varying degrees of urgency. The growing inequalities by geography, generation and gender added a crisis of legitimacy in the established economic and democratic norms. This pandemic accelerates all of this.

What emerges, therefore, must be a rapidly evolving economy in the UK and, indeed, internationally.

MAKING AN EXIT

The diagram below illustrates how this theory interacts with the reality of potential measures.

		Individuals	Hospitality, entertainment	Transport	Retail	Schools	Other business	Economic impact
	Hard lockdown if Daily new cases >500	Only leave home for exercise, medical need or essential supplies	Closed	Essential transport only	Closed	Closed	Only essential business to be done on site	Economy around 65% (OBR)
	Soft lockdown if Daily new cases <500 Testing capacity >100k Tracing capacity >50% Shielding	Work if workplace open and clear app reading, masks where possible. Otherwise, only leave home as for hard lockdown. Over 65s as per hard lockdown	Partially open with strict capacity limits. Patrons encouraged to show clear contact tracing app reading	Private transport, public transport with masks, social distancing and clear app readings for passengers	Social distancing enforced, entry to shops limited, patrons to wear masks and have clear app reading	Open	Open with social distancing enforced, masks, clear app readings for staff	Economy around 90%
	Soft open if Daily new cases <100 Testing capacity >100k Tracing capacity >50%	Public gathers <100 allowed, travel to low-risk countries allowed	Open, patrons encouraged to show clear contact tracing app reading	Private transport, public transport with masks and clear app readings for passengers	Social distancing enforced, masks	Open	Open with social distancing enforced, clear app readings for staff	Economy around 95%

Source: [Tony Blair Institute for Global Change](#)

INSIGHT: THE EXPLORERS



PAUL GRAY
Consulting partner

Complex problems – say, landing a spacecraft on Mars – may take a long time to figure out, but they are capable of being solved because we have, or can calculate or obtain, all of the information we need to find a solution.

At the moment, we are not dealing with complexity, we are dealing with something more like chaos. That doesn't mean that there are no options, or no solutions, but pretending that we yet have sufficient evidence to tell us precisely what to do is misleading, to the point of that it could be dangerous.

We've spoken previously about [navigating without a map](#) – that's what explorers do. They come from a different place, they take routes that have not been followed before. The basic rules of navigation hold good – you need enough food and water to get to where you are going, or the means to replenish on the way; time passes at the same rate; reefs are still dangerous; storms will come.



But anyone who tells you that they know that an undiscovered land lies precisely 216 miles due east is guessing. It might be there, but they cannot know.

Governments have not been able to do enough scenario planning to allow them to assess the potential outcomes. They are currently balancing a number of different harms; harm to physical health, harm to mental health, harm to the NHS and harm to the economy.

INSIGHT: THE EXPLORERS



PAUL GRAY
Consulting partner

The initial judgement was that the harm to physical health and the NHS of not having lockdown was so high that it could not be tolerated. The harms to the economy, and to mental health, were understood, and accepted as collateral – and the Scottish Government is now setting out a framework to address a phased approach to recovery and renewal. That does not mean that the current situation is without hope, or that we must wait until a grand plan emerges before working out how to respond to it.

A key response that is available now is scenario planning. Some things happen when you scenario plan. If a scenario emerges which cannot be dealt with, human instinct does one of three things:

1. Refuse to change from the current state, because the future is too awful to contemplate, or;
2. Ignore the scenario entirely because it is too awful to contemplate, or;
3. Make a change which removes that scenario from the reckoning

Scenario planning on Coronavirus showed that the harms to health and to the NHS of leaving the situation unmitigated were too significant to accept. We are therefore at option three (ie removing the most significant anticipated harms to health and to the NHS by having a lockdown), but the longer we stick with this option, the more likely it becomes that other scenarios which are also too awful to contemplate will emerge.

Failure to acknowledge this and failure to plan – or even to say when there will be a plan – allows people to substitute their own analysis, and to forecast disaster. The Scottish Government’s framework is therefore welcome.

But there is a fourth option which is often ignored: work out what you could do to mitigate, rather than just assuming you can’t; and think about the opportunities that you would have liked to take before this crisis began, some of which were perhaps consigned to the “worth doing but too difficult” box.

INSIGHT: THE EXPLORERS



PAUL GRAY
Consulting partner

If you do scenario plan with mitigation and opportunity in mind, you begin to have options. You will still have things over which you can exert control, and they become more obvious. You find that you are not entirely at the mercy of the prevailing wind. (Remember, the explorers still had boats, crew, equipment and navigation aids. They didn't just walk into the sea and hope for the best.)

A key rule of scenario planning is to start from where you are. Do not spend any time wishing that things were different. Scenario planning is your opportunity to make them different, to gain and retain agency and decision-making power.

Your core values will be absolutely critical to effective scenario planning. They will not only guide what you do, but how you do it. The 'how' matters. It will be crucial in the way you involve your own people in the planning process, and in the extent to which they feel empowered to make radical suggestions.



“*Your core values will be absolutely critical to effective scenario planning.*”

EMPLOYEE ENGAGEMENT AND LONG-TERM PLANNING

It is difficult to prepare for a future we do not yet fully understand.

Your employees are carrying the burden of this uncertainty too. It is your job then, to be as informed and prepared as possible to guide them through a fundamentally changed, and changing, environment. For the now, we have put together our thoughts on [remote working](#), as well as communicating with [furloughed employees](#).

For the future, start asking your colleagues some questions:

- If lockdown were lifted, would you feel comfortable commuting and being in our workplace?
- If not, how long would you prefer to wait before returning?
- What measures should we put in place to ensure you feel secure?
Increased cleaning, incentivising alternative forms of transport for commuting, more flexible working, for example.
- Likewise, how can we ensure long-term wellbeing and support your mental health in what will be a considerable period of increased stress?
- Would you like to hear more frequently about the business and our prospects?

Gauging this feeling early on will help to embed the views, hopes, and fears of your colleagues in any scenario planning, empowering them to think creatively, and providing some of the information you need to put a strategy in place.



OPERATING UNDER INCREASED SCRUTINY



When we look back on this crisis in the years to come, the behaviour of companies will come under significant scrutiny, particularly if an organisation was broadly viewed as having behaved badly towards customers, staff or society in general.

Employee experience ranks highly among concerns of the general public and should be a priority for any employer currently. It will undoubtedly impact your organisation's reputation during and after this crisis.

Any organisation with a visible workforce will likely find that there is significant public interest in the protections being afforded to those workers and how the latest guidance is being implemented. Social media empowers even the least visible of staff to get their opinions out there quickly and easily too.

Checklist of good general practice

- Employees.** The long-term health and wellbeing of your employees matters above all else. Make sure they know that and put in the support to make it a reality. Any communication with employees in the case of changes to their working arrangement (furlough, redundancy etc) should happen before public statements are made.
- Readiness.** Be ready to react quickly to changing guidance and prepare messaging and Q&As for a worst-case scenario.
- Visibility.** Do not hide; this will just do more to shine a spotlight on you and your business. Employees and stakeholders increasingly expect a drumbeat of updates, so the frequency of your communications should be higher than usual.
- Plan.** Identify your key stakeholders and ensure that public announcements don't take any of them by surprise.
- Tone.** Be empathetic, compassionate and rational; it is not just about what we say, but how we say it.

OPERATING UNDER INCREASED SCRUTINY



SPOTLIGHT: INVESTORS AND SHAREHOLDERS

Investors and shareholders are likely to take a keener interest in contingency planning, business resilience and ESG activities in the wake of the pandemic.

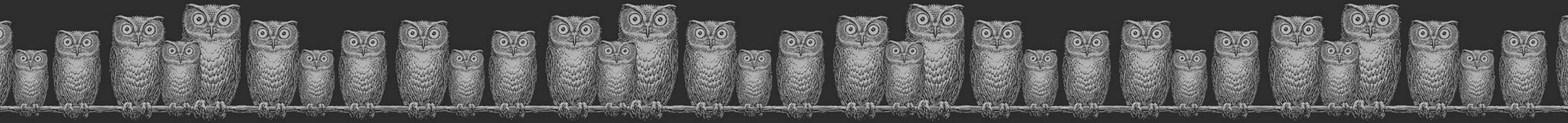
While the crisis will have left many bruised from volatility, new opportunities for transparency and shareholder interaction have emerged. The increased familiarity with video conferencing software opens up new possibilities for set-piece events and briefings, particularly for companies which may have previously struggled to engage a disparate shareholder group.



SPOTLIGHT: MEDIA

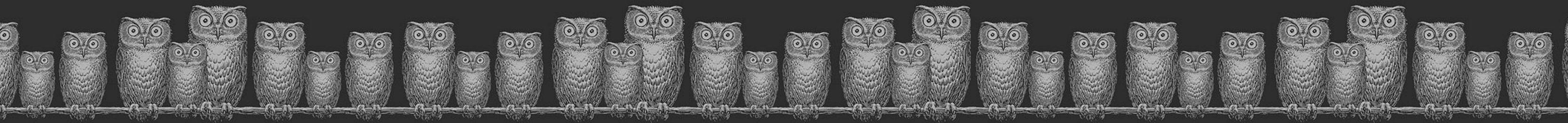
At the beginning of the crisis, companies were – rightly – concerned about reactive media engagement above all else. Now that we are starting to look to the future, more creative content has a place, both in traditional and social media, and journalists are keen to hear a different perspective. Exercise caution, as ever, but ask yourself:

- How can your business help to support the economy, healthcare system or community long-term?
- Do you have case studies of best practice?
- How are you adapting to meet the changing consumer demand in your sector?
- What are the challenges and opportunities for your business going forward?
- Does anyone in your leadership team have unique insight?



THANK YOU

We'd love to hear from you if you'd like to chat about
a more bespoke plan for your business





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EMPLOYEE ENGAGEMENT, WELLBEING AND THIRD SECTOR

FROM A DIFFERENT PLACE