

Beyond COVID-19

What's Next for Canadian Business?

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By Terry Whitehead, Managing Partner • Alexander Whitehead Executive Search

On Monday, January 6, 2020, Canadian business leaders were in a buoyant mood as they returned from holidays. The price of oil was a lofty \$63.27 a barrel and the TSX Composite Index closed at an ear-popping 17,101. The new NAFTA (CUSMA) agreement was expected to pass in all three countries, bringing an end to lengthy negotiations.

Globally, macroeconomic uncertainties included trade tension between China and the United States, the impact of Brexit, and the American election in November. A virus originating in China was just gaining a foothold in Italy. Nationally, Canada was weeks away from protests and the looming federal decision of Teck's Frontier project.

The consensus was that Canada's economy was in decent shape and poised to delay the inevitable recession for another year. The Conference Board of Canada projected Canada's economy to grow a modest 1.8 percent for the year. Low interest rates meant higher consumer debt levels, worrying economists but emboldening home buyers as mortgage stress tests were predicted to relax.

What a difference ten weeks can make.

Within Q1 of 2020, the Canadian economy was walloped by blockades across the country and an oil price war between OPEC and Russia that began March 8. On March 11, the World Health Organization declared COVID-19 a global pandemic. Within days public events were cancelled and "social distancing" entered daily vocabulary. Employees were directed to work from home, and the definition of "essential workforce" became apparent.



CORONAVIRUS

Initially, companies focused on employee and customer safety and adjusted to working remotely. Now, attention is turning to the new post-pandemic business environment. Leaders are meeting (virtually) to consider how their organization will emerge from the pandemic. What temporary changes may become more permanent? What challenges and opportunities lay ahead?

“We are learning what leadership really means,” says Kelly Stark-Anderson, an executive vice president with Dundee Precious Metals, a mining company operating in Bulgaria, Namibia, and Serbia. “This pandemic has taught us what it means to lead in a social media environment with quick responses and more transparent and thoughtful communication. How leaders are engaging with employees and external stakeholders is based on trust and this is critically important right now.”

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KELLY STARK-ANDERSON,
DUNDEE PRECIOUS METALS

Employee engagement going forward will change based on this experience, predicts Ms. Stark-Anderson, whose broad portfolio includes sustainability, HR, and legal. “Companies with strong technology infrastructure have learned that people can work remotely. New efficiencies are being discovered. How much workspace do we really need? The new normal may not include large downtown corporate offices and extensive corporate travel; instead, people will interact more through video conferencing and smaller shared workspaces.”

The other side of the pandemic may see a movement of human capital based on how many companies survive, according to Pat Bell, a Board Director of Vancouver-based Pinnacle Renewable Energy and owner of multiple small businesses in Prince George, British Columbia. “There will be talent available,” he predicts. “Retaining key staff during this period will be difficult for some companies. Those that come out of this with significantly more debt are at risk and will lose top talent to competitors that emerge from this with solid balance sheets.”

Human capital is not the only area of potential business disruption. The structure of supply chains will also warrant review according to Beverlee Park, Board Director of SSR Mining and TransAlta. “There will be disruption to current supply chains, but it really depends how long the pandemic lasts,” says Ms. Park. “Initially, when we return to pre-pandemic conditions, companies will go back to what they know; but if the pandemic lasts for an extended period, companies will seek closer-to-home solutions for materials and markets.”

“Opportunities for growth will emerge for companies with strong balance sheets.” DUNCAN DAVIES, INTERFOR

Ms. Park points to the current need for personal protective equipment (PPE) as an example for both business and government. “We are discovering that we can’t rely on other countries to supply us. These critical health-related resources will be reviewed as part of a national strategy.”

As business activity resumes, Duncan Davies, former CEO of Interfor, sees well-managed companies applying the lessons from the 2008 global financial crisis to the post-pandemic world. “Opportunities for growth will emerge for companies with strong balance sheets,” suggests Mr. Davies. “Well-positioned companies across most industries will be in a position to acquire companies that are weakened through high debt loads.”

Mr. Davies recalls that the forestry sector did not experience significant corporate transactions for several years after the onset of global financial crisis, a pattern he sees relevant today as business

leaders begin to imagine the post-pandemic environment. “It’s too soon to predict and plan for corporate transactions—we don’t know yet what we are dealing with. It’s likely smaller companies financially weakened by the pandemic may seek creative solutions to survive, while strong companies will wait, ensure their financial integrity is intact, and then take advantage.”

Other noteworthy outcomes going forward include deep and long-lasting impacts to several sectors. Mr. Bell predicts a significant time of change for several industries. “Tourism, particularly involving extensive international travel, and certain luxury consumer goods will suffer as individuals deal with concerns about being too far from home and increased personal debt loads. Education, and how it’s delivered, could also change as students and institutions adapt to online courses and virtual classrooms.”

Ms. Park anticipates companies and individuals taking a more conservative approach to risk management going forward. “Companies will begin to model for these larger interruptions to business and debate how much financial debt they want to carry. The same applies to individuals and how they look at spending and savings. Will access to cheap credit drive people to assume more debt and bad habits, or will they focus on strengthening their personal balance sheet?”

Ultimately, how companies, industries, and the global economy transition into a new post-pandemic reality will be driven by a diverse menu of factors, but perhaps the most meaningful consideration is how we evaluate our values, suggests Ms. Stark-Anderson. “Are we living our values? This situation is telling us something about ourselves as people and as businesses. What does our behaviour today say about who we are and who we should be coming out of this?” ●



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Pat Bell
Director
Pinnacle Renewable
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Duncan Davies
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Interfor



Beverlee Park
Director
SSR Mining
and TransAlta



Kelly Stark-Anderson
EVP, Corporate Affairs,
General Counsel and
Corporate Secretary
Dundee Precious
Metals

To comment about *Beyond COVID-19* please contact
Terry Whitehead, Managing Partner • Alexander Whitehead Executive Search
at Terry@alexanderwhitehead.com.



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