

J. Michael Locke

Musings

#35: Where are the Opportunities?

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During a virtual cocktail hour recently, some friends were discussing where the opportunities are due to Covid 19. A couple thoughts.

There is a lot of discussion about reopening the economy and the “post-Covid world.” I would like to suggest that there is no post Covid world, but simply a Covid world. There is going to be a Covid-20. What we have learned from this crisis is that certain viruses can be especially disruptive due to their rapid viral infection rates and the possibility of asymptomatic transmission. Combine this with the unknowns around why certain individuals are tremendously impacted while others don’t even know they have it, and this marks the beginning of a new era. I am sure most of you saw the coverage of the Director of the CDC recently saying “there’s a possibility that the assault of the virus on our nation next winter will actually be even more difficult than the one we just went through. We’re going to have the flu epidemic and the coronavirus epidemic at the same time.”

We know that President Trump will be pushing to reopen the economy and resume normal activity. He will do this based on his capitalistic instincts, a true desire to help the unemployed and stop the destruction of our economy, and probably some political calculations with the November election. The current situation is not sustainable with forecasted negative 10%+ GDP, 20% unemployment and societal shutdown. We know that this reopening will occur earlier than most medical experts would advise. As a result, we are likely to continue to see high rates of infection. We have bent the curve but rather than going down the back slope, we may ride the plateau like Crazy Horse’s arm (go check it out if you haven’t been there in forty years like me). What this means is the Covid world represents a new world where larger gatherings will be few and few between and technology will be used in replacement of many face-to-face human interactions. As a result, leaders need to plan for the future, not “post Covid” like a temporary state that has passed, but simply the new normal.

Some look at this new normal optimistically. According to CNBC, “famed investor Ray Dalio thinks people should be “very excited” about the phase that will come..., pointing to leaps forward in digitization, data and human thinking. [His] assessment reflects wider observations from economists and historians that we are currently in the midst of a technological revolution.”

The Wall Street Journal ran an interesting article yesterday on “Seizing the Opportunity of the Restart” imploring leaders to reinvent their businesses. It stated “this crisis, like any crisis, is a once-in-a-lifetime opportunity to make significant, lasting changes.”

Here are my best guesses on the future:

Remote working will be part of the normal rhythm and all employers need to update their work from home policy. You should consider what functions require onsite attendance and job sharing where

different people work different days of the week. You should know when your current leases expire and start planning a downsizing of your corporate office space. I would consider investing in real estate in pretty places from which remote workers might operate.

If you're in the school business, I would not assume your fall classes will start on time in person like they would historically. Rather, you need to have the online delivery system improved from where it is today and ready to go. The norm will be more about at hybrid/blended learning. Build your capacity which will allow you to flip between modalities or to break up your classes into smaller groups with one group coming to class and one attending online.

If your business involves the provision of healthcare services, you need to have the technology system in place as well as gaining approval for the payors to deliver via telemedicine rather than face-to-face. CMS will be slow to update its codes so work through the payment processes now.

If you are in a site-based business, you need to develop new guidelines which more limited access into your facility from outsiders. Technology will replace some visitors for interaction. Bulk up your "site to store" capability where the consumer can transact online and swing by the store to pick up the products.

Here is Jim Cramer from CNBC thoughts which I basically agree with:

Bucket 1: Buy big firms that are "big enough and deep pocketed enough" to weather the economic impact of the coronavirus crisis. The bucket includes IBM and Union Pacific

Bucket 2: Buy businesses made for "stay at home world" like online retail (Amazon, Walmart, Target); food for pantry (Hormel, General Mills); and stay at home entertainment (Zoom, Domino's, Netflix)

Bucket 3: Short businesses at risk of needing a bailout, shutting down altogether or nearing bankruptcy. Those industries include banking, oil, most retailers, airlines and the travel and leisure cohort.

While I try to stay away from political topics in these musings, let me say that one opportunity from this crisis is to reset the dismal financials of states like Illinois. Under federal law, cities can go bankrupt (ex. Detroit) but states cannot. Washington needs to change the law and Illinois needs to declare bankruptcy and deal with its pension issue. Illinois has unfunded pension liabilities of \$138 billion! I wish Governor Pritzker would approach this issue with the same zeal he does shelter at home due to 1,800 deaths from coronavirus.

State bankruptcy would be a form of debt jubilee which is a historical concept. A lot of IOUs are being written right now. While I don't advocate it, here is an interesting article shared with me by Dave Heyer. [Washington Post on Debt Jubilee](#)

We are all going to have different perspective on this situation. The hospitality worker in Manhattan is having a far different experience than the knowledge worker in Decatur, Illinois. See a great article by Peggy Noonan on these differences [here](#)

Be safe. Be glad you are not in the professional sports business.

Jml