

"TOWARDS A NEW WORLD"

Going back won't be possible, coronavirus has created too great a discontinuity.

A conversation with Fabio Corno, professor at Milan- Bicocca University
"Selfishness is useless! Cooperation is a must if we all want to survive. We are presently facing the "next normal", but we already have to start thinking about the "new normal".

Fabio Corno is the managing partner of Studio Corno, affiliated with Russell Bedford International (offering 360° consulting services concerning accounting, management, training and law). He is also a university professor at Bicocca University, chair of business administration and tourism management. Il Cittadino has interviewed him in order to draw **a road map of the next few months of 'Phase 2'**, when we shall need to coexist with the virus, carefully monitoring the economics.

Italy has been hit very hard by this **pandemic!** In lockdown since 8 March, it would hardly have endured further weeks of inactivity.

We have now entered in the "next normal" phase. We are not going back to the past, we are moving towards a future which will necessarily be different.

In the last two weeks we have witnessed a clarification of a set of new rules which are characterized by a **great subjectivity**.

No authority may say with 100% certainty which are "the rules" to follow: if the Government establishes a route, the different Regions tend to enunciate other rules, which widen or tighten the mesh without any coordination with the center.

There are **no written truths** and we all tend to feel uncomfortable within a context in which flexibility and adaptability play a key role".

According to Corno, people find it **difficult to perceive the need for a change**. "We haven't digested this new world yet.". There is still rejection, anger and frustration. No way shall we be able to go back to the life of two months ago.

You know why? Because all future scenarios, today, contemplate **two imperatives**: on one hand, **saving lives**; on the other, **safeguarding people's livelihoods**. If life is considered an important asset, the economy is, in many cases, considered even more important at this juncture.

At the end of April, the International Monetary Fund forecast has states that "the world economy will contract by 3%, five times more than during the 2008 crisis. Italian GDP is expected to drop by 9%.

Besides the entity of such figures, what's striking is the **supersonic speed of this recession**. In the US, 16 million unemployment claims have been processed in 3 weeks, compared to the 42 weeks which it took to reach these figures in the 2007-2009 period.

There are **more than a billion people in the world who risk losing their jobs or having their wages cut**. In Europe we risk 123 million full-time unemployed. We are witnessing a total paradigm shift".

And what could save us in such a complicated scenario and in such a vast world?

"Up to now **we've closed everything**, even borders. At this juncture, selfishness has been the necessary impetus. Yet, in the new normality we are living in, **we need to find a common sake to appeal to**, we'll hardly be able to survive.

A wise leadership can't avoid a **sympathetic approach** to our surroundings. My behavior will affect my sake as well as the others'. We are going through a period of strong discontinuity. In order to survive, we need to find a shared way.

Corno uses the following metaphor, "if we were all racing cars at the Monza circuit, at some point there is an accident and the **safety car** comes out. Everyone slows down so that the debris from the accident can be removed, and that's for the sake of everyone. When everyone slows down, there is time to create new strategies.

It is important to wait for the flag of restart in a well-disciplined way. Yet, the accident can be so disruptive that the rules at the restart can be different from when you had to stop.

Companies know this and in order to survive, to make the economy survive accordingly – at the local, national as well as international levels – we need to frame this phase in the best way possible. " **No one can be sure about what awaits us in the coming months.**"

At a business level, no one knows how many customers will pay at the end of the month, how many will be here next year. Faced with so many novelties – some have already arrived yet many are still expected for the near future – at our firm we have kept providing assistance to our clients. In particular, we have had to rapidly modify and integrate our offer in order to help our clients with cash management. This is today's critical concern.

No country can think of recovering without the help of the European Union. Unlike what happened in the Great Depression of 1929 and the crisis of 2008, when it took time for central banks and governments to understand that they had to put liquidity into the market, during this crisis the answer has been unanimous: **liquidity, liquidity, liquidity**. Money has been made available very rapidly in order to support the recovery.

Phase 2 and the economy, how can we save companies? Which is China's future role:

An immediate response, and a closed-box response, which does not, however, ineptly protect companies from risks. "In addition to **controlling cash**, a company today has to control customers, employees and the supply chain. The theme of diversification comes up in the supply chain also keeping in mind suppliers' geographical distribution, as well as possible lockdowns of such locations.

Let me explain: in Italy China has come to play a critical role within our firms' supply chain; yet, since production can shrink, we need to have alternative sources, closer to Italy even if more expensive, as not to incur in the risk of having to stop production due to lack of supplies.

Phase 2 brings companies to face problems "with a **spirit of resilience**," explains Corno, "with the ability to survive and get out from this crisis. From this perspective two key words tend to identify resilient companies: a great speed and a good discipline.

Speed is crucial because even in the early stages of the recession and during the recovery, fast companies are those who will be able to seize the opportunities the market will offer them. They will have to pay great attention to **cutting costs**, as they manage growth.

Within today's situation, use of the redundancy fund (cassa integrazione) will be crucial in order to cut cost: 95% of the companies that we follow have used this possibility, knowing that it is only a very short-term solution. We will have to understand what will happen after that."

A second aspect must be kept in particular consideration: despite the crisis, according to Corno, "there are some **great deals that companies can take advantage of**; for example, by mapping the possibility of diversifying their business."

Companies are called to prepare a **resilience plan**, which includes mapping the main risks, draw possible scenarios, check how they might react in each of them, and elaborate strategies aimed at bringing the activity back up to the full scale. This effort requires that one just does not watch just what happens to our company; we have to watch out for everyone in the supply chain.

"Look at what has happened to companies engaged in **tourism**": they have been hit by a real **catastrophe**." Today bars and restaurants can only sell through take away, but that's not enough. When they will be able to reopen, they will need to guarantee social distancing and this will mean drastically cutting tables and turnover. How will they be able to survive?"

"Examining the discontinuities with respect to the past and **understanding what evolutions there may be is a MUST**. This is the most visionary phase and it's here that, for an environment full of SMEs like ours, intermediate institutions have to work hard in order to catalyze thought and help put ideas and businesses online.

Finally, a **look at planet Earth's future**: "America and China are fighting against each other in order to gain a leading role in tomorrow's world. China, in particular, is sending aid to many countries and is using this outspoken solidarity in order to expand its area of influence. This is a crucial period for all countries in order to identify which part of the world they will live with ... Who will be ready to elaborate our next Marshall plan? "

Looking at Trump's attitude and "America first" approach, looking to the East seems to be a must...

On Saturday 9 May the newspaper «Il Cittadino di Monza e Brianza» has interviewed Fabio Corno, Professor of Business Economics at the University of Milan-Bicocca and Managing Partner of Studio Corno.