



The rise of an Insulation Economy: Early COVID-19 responses

Who's afraid of Coronavirus?

Big businesses—and innovation leaders will need to help meet the challenge



Insulation Economy

With the sudden appearance of COVID-19, organizations are being forced to quickly adapt to rapid disruption of their operations.

The outbreak has already had very real human impacts, as have the measures organized in response. While it may be tempting to think about the situation purely in terms of the serious short-term challenges it creates, this is probably not the best way to optimize outcomes. To really meet a big new challenge, it is critical to continue to learn from it.

This is particularly true of companies. From this standpoint, while many innovation leaders inside of companies have long emphasized that the traditional office environment is being replaced by alternative approaches to organizing work, they are now finding themselves with a new role—helping to rapidly implement big new innovations and policies to respond to this challenge in real time.

In short, the outbreak is driving the adoption of a series of measures that can collectively be understood as an emerging **Insulation Economy**.

We believe this is a critical role and that, in the spirit of open innovation, there is value in surveying these efforts. Here, we have collected some of the more interesting ways that COVID-19 is driving companies to rethink the ways that they work.

At its core, this situation can be seen as a collective innovation problem.



01.

Rethinking Shared Spaces

Some of the things that business leaders are looking at include boosting the ability of workers to be more productive using digital platforms, redefining supply chain strategies, and exploring other modes of collaboration, particularly in the virtual sphere.

Above all, this push to reevaluate business practices has involved rethinking the problems of co-presence and physical space. On growing fears of the Coronavirus's spread—or more specifically, of its impact on public health—an increasing number of major enterprises are endorsing telecommuting for many to all of their employees.

Huge organizations with correspondingly huge overheads have often limited employees' work from home. But in the face of widespread concerns over the COVID-19 outbreak, many have begun to sound like startups in their enthusiasm for virtual work: not simply urging, but often insisting that their business be conducted—at least for now—from home. The Coronavirus pandemic has forced business leaders to think about boosting productivity by putting more value and investment in **remote work**. The disruption brought by the virus has forced some leaders to reassess and

seriously look at whether every job or part of a job can be done remotely. Even an administrative job will not be immune to this type of reshaping of tasks and jobs to be done. The move towards doing more tasks in a remote setting has serious implications to travel, to the very idea of office work, of work-life balance, as well as patterns of productivity.

The shift to an emphasis in more remote work could also see the rise in importance of startups and online work platforms such as **Slack, Trello, RemoteHQ**, and many other similar applications.

This includes social media behemoths who, despite the online nature of their products, have employed a large on-site workforce. For example, Facebook **instructed** all of its roughly 5,000 Seattle-based employees to work from home after one of its contractors in that city was diagnosed with the virus, and computer giant Microsoft has **announced** its plans to significantly empty work sites impacted by cases of COVID-19.

This push for ad hoc containment differs from a reaction earlier in the week by Twitter. On March 2, the social media giant **said** that it was keeping home all of its employees in its Hong Kong, Japan,



and South Korea offices—those closest to mainland China, where the virus originated—“due in part to government restrictions.”

However, Twitter characterized its emergency response as part of its broader strategy for virtual work. “While this is a big change for us,” it said of asking employees abroad to abandon its offices, “we have already been moving towards a more distributed workforce that’s increasingly remote. We’re a global service and we’re committed to enabling anyone, anywhere to work at Twitter.”

In this, Twitter seems ahead of the pack. Because as the scramble to cope with the Coronavirus continues, corporations are recognizing what startups already know: being virtual can mean pivoting faster.

Last week, in San Francisco, for instance, when grocery delivery startup Instacart saw a ten-fold sales spike on customer enthusiasm for its new “Leave at My Door Delivery” option on its digital app, it quickly responded by rolling out the **no-contact feature**, then in beta testing, to all Instacart customers. The move was quickly followed by the **deployment** of a similar feature at Postmates, another San Francisco-based app-driven order-and-delivery service.

In this, both Instacart and Postmates are following the lead of businesses in China last month, when, due to the Coronavirus’s spread, the “majority of stores in the area had closed shop, leaving delivery as most people’s only option,” TechCrunch reported.

“The contactless measure seemed aimed at keeping everyone safe and minimizing exposure,” TechCrunch observed, adding, however, that the move has its critics. “While plenty of customers have praised this effort, not everyone is pleased, believing this move is just passing the buck,” it said, referring to the trickledown health risk of delivering in populated areas “to low-wage workers.”

At the frontiers, some Chinese companies are even deploying still-experimental autonomous vehicles to help address this challenge.

Beijing-based Meituan, for example, has begun piloting its driverless delivery service in the city’s Shunyi district, according to an announcement on its official account on messaging platform WeChat. They mainly deliver fresh vegetables and food. Although they began work on driverless delivery in 2016, this is the first time Meituan’s delivery robots are running on Beijing’s public roads.

Similarly, Keenon Robotics is using **meal-delivery robots** to reach people in hospitals and quarantine zones in more than 40 cities. The use of these automated deliveries



was introduced before the epidemic, and meal-delivery robots are already operating in restaurant chains such as Haidilao and Xinbailu. But now, people are doubling down on these smart technologies as a strategy to prevent infection.

Indeed, the virus could offer the first big test for several emerging AI and robotics technologies. Given where these tools are today, the question “can these tools be effective in helping us prevent a pandemic?” remains open. One UC Berkeley robotics lab director, Ken Goldberg, predicts that if the Coronavirus becomes a pandemic, it may lead to the spread of more robots in more environments. On Twitter, he has **argued** that: “A Covid-19 pandemic could accelerate adoption of teleconferencing and tele-robotics starting in hospitals, and for robots for warehouses, delivery, food preparation, and manufacturing.”

It is clear that many large-scale employers currently regard limiting physical contact as the best way to protect themselves and their staff.

In this context, independent professionals working alone, and from home, are ahead of the game.

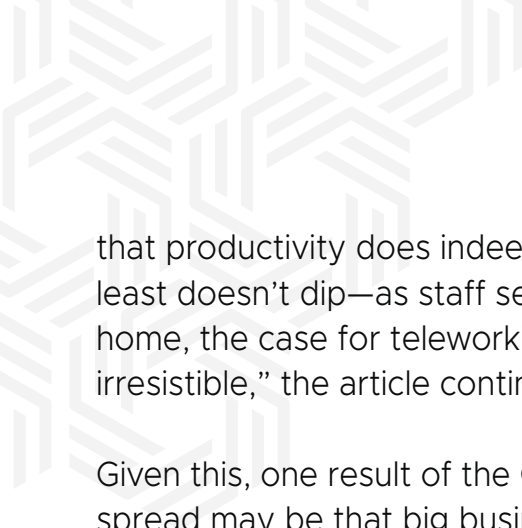
Because telecommuting employees are already set up to do business remotely via email or attend meetings virtually—via Skype, Zoom, or another meeting platform—they’re not now losing time to reorganizing their location and sanitizing their headquarters in response to public health concerns, says the greater DC-based independent development consultant Richard Eisendorf. “For me, I can just go virtual. I can do meetings over the telephone. I pretty much operate that way anyway.” Remote workers have an advantage here.

Some larger businesses, however, “need real time to start responding—setting protocols for work from home and installing software for employees to share documents: all those systems that you,” Eisendorf says—referring to corporate management prior to the current crisis—“maybe thought were a good idea to enable employees to go 100% remote.”

There are other drags on corporations’ speed, agility and balance sheets that the Coronavirus is highlighting. Among them are the high costs for shared physical space.

“Big British and American firms pay on average \$5,000 per employee in annual rental costs,” the British magazine *The Economist* has **reported**, and “just 40-50% of desks are actually used during working hours—often not very well,” a reference to workers’ complaints, captured by a Leesman survey, about how their offices stymie their productivity. “If their managers now find





that productivity does indeed rise—or at least doesn't dip—as staff self-isolate at home, the case for teleworking may look irresistible,” the article continued.

Given this, one result of the Coronavirus's spread may be that big businesses learn to drop weight by cutting costs for space.

If mass-migration to remote-friendly work has been triggered by worries of a pandemic, the opportunities to think creatively about where businesses do business are, it seems, healthy and numerous.



02.

Rethinking Safety Measures

While physical space has been the frontier where early innovations to adapt to COVID-19 have been concentrated, it is hardly the only area where the outbreak is driving new **Insulation Economy** thinking. General safety and emergency response protocols, for example, are another area of reevaluation.

One of the primary resilience strategies is proactive communication. For example, Singapore Airlines have proactively begun to send customers information to prepare them in advance for new screening procedures and enhanced aircraft cleaning details it has implemented in order to promote health and safety.

Innovative communication can extend to the business community. Coinbase, a San Francisco based cryptocurrency, has decided to make their COVID-19 plans publicly **available** in order to help other companies. As quoted in Fast Company, Philip Martin, Coinbase chief information security officer says that by sharing their plans they “hope to help other companies that are trying to navigate this situation and to encourage a calm, rational approach.”

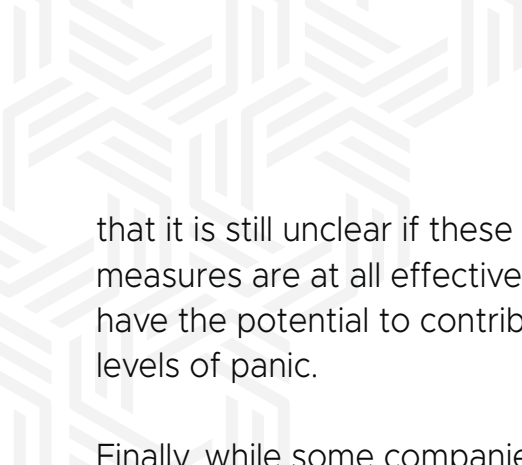
The Chinese e-commerce giant JD.com has gone even further—pledging to take

a direct role in attacking the pandemic. CorpGove reported that Beijing party chief Cai Qi recently toured the company’s headquarters in Yizhuang, **during which he heralded** JD’s “active role in fighting the virus.”

CEO and Chairman **Liu Qiangdong** previously had experience operating a retail company during the 2003 SARS epidemic, so explains that he knew the pressure that was being placed on businesses in Wuhan and how his company could respond. Not only has he utilized the company’s resources toward containment of the disease, but JD.com have also disseminated relevant information and announced that it is committed to minimizing the overall impact of the virus on employees’ livelihoods.

At the extreme end of the spectrum, some organizations impacted by the more extreme outbreak in China have begun to experiment with more drastic approaches. Several companies have begun to use remote temperature sensors to scan entering employees for signs of fever. One company in Chongqing has gone so far as to construct a tunnel fitted with infrared sensors that sprays workers with an antiviral as they walk through it on the way to their jobs. However, it is important to remember





that it is still unclear if these more drastic measures are at all effective, and they may have the potential to contribute to unhelpful levels of panic.

Finally, while some companies are focusing on communicating proactively or adding new safety measures, others are offering new benefits to make their employees feel safe. According to FlowPlay CEO Derrick Morton, a Seattle-based gaming company, their company is paying for parking downtown for employees who want to avoid public transport and are even making freeze-dried food rations available to employees who may want to take them home.



03.

Rethinking Business Models

From a business model standpoint, the outbreak thus far is proving to be a particularly damaging ‘black swan’ event, a rare occurrence that unleashes the powerful forces of disruption. It is at this level that many of the pieces facilitating the emergence of the **Insulation Economy** will be developed in coming weeks and months.

As an estimated **\$2.7 trillion-dollar destructive force**, the virus has deeply impacted businesses around the world, leaving behind in its wake some painful lessons and forcing leaders to rethink in profound terms the way things are done in the business realm from here on out.

While still in crisis mode, some leaders are already beginning to look ahead and thinking about some long-term strategy designed to weather another shock to the system. The goal is to achieve what the bestselling author Nassim Nicholas Taleb calls as a new state of “**antifragility**”—the capability for a business to thrive in the din of noise, stressors, mistakes, attacks or failures.

Some industries directly in the path of the outbreak are already beginning to rethink some of the principles of their business models in order to adapt. Over the long-

term, some significant trends are beginning to emerge regarding steps being done to ensure survival as well as a to find a new path to success. Some of the things that business leaders are looking at include boosting the ability of workers to be more productive using digital platforms, redefining supply chain strategies and exploring other modes of collaboration, particularly in the virtual sphere.

Services

Because it traditionally is centered on human-to-human interactions, the rise of an **Insulation Economy** puts services into a particularly vulnerable position. In the short term, managing the effects of the Coronavirus crisis in these businesses often has involved finding new ways to implement hygiene and ‘social distancing’ safety steps. One British cinema chain, for example, has **announced** that it is implementing a “seat separation” plan, leaving every second seat empty to minimize close contact among patrons. However, it is worth noting that outbreak centers in China and Northern Italy ordered the closure of all cinemas, concert halls, libraries, museums, and theaters.

Restaurants have long had to adopt standard hygiene measures as part of their



business models. Yet they remain vulnerable to the implications of the **Insulation Economy**. Here too, early signals are emerging from areas that have already been hard-hit by the outbreak. Italy's initial policy **allowed** restaurants to remain open from 6am to 6pm so long as they ensured that there is at least 3 feet of space between patrons.

Meanwhile, in China some restaurants in tightly quarantined areas have seen in-house dining drop to near zero, and have begun to compensate by **turning** to deliveries, or by using their existing relationships with suppliers to bulk-buy fresh vegetables and groceries for near-by residents.

Education

With the massive **cancellations of on-campus classes** in dozens of US universities—including Harvard, Ohio State, and UC Berkeley—due to the threat of infection this month, CIOs and leaders across institutions of higher learning are redefining the important role and value of online learning. Further investments are being contemplated in this educational environment. These are investments that are designed to improve student engagement and the quality of student experience online. This new emphasis in online pedagogy, whether university education or corporate learning, can only be a boon to existing online learning platforms such as **Blackboard**, **Teachable**, and others. However, users have reported a number

of agility issues with these legacy learning management systems, and so a longer-term disruption of the classroom is likely to see a push toward a patchwork of smaller alternative learning software tools.

This movement towards more online learning has tremendous implications down the road, particularly about the modality and the cost of both online and face-to-face learning. Fully embracing it will undoubtedly transform the very idea of university education as well as lifelong learning.

Manufacturing

The infection had an early impact on Chinese industrial centers which has led to the disruption of supply chain for companies like Apple, Toyota, and many others. These companies often rely predominantly on China, the biggest manufacturing hub in the world, to provide necessary parts to a range of products. Further, the disruption has also resulted in a huge drop in demand from consumers inside China and elsewhere due to lockdowns and quarantines.

The lesson learned from this experience has led some to begin to **rethink the idea of a supply chain**. One of the alternative solutions being explored by businesses is to create a local source site or a secondary site to get parts in an alternative location so that **operation will not be adversely affected**.

Another idea being floated is moving a lot of things into the realm of the digital supply



chain. Leaders are also exploring the option of 3D printing as a way to provide parts needed in the manufacturing process. The move to the **digital supply chain** includes deploying AI to boost customer fulfillment requirements and answer customer queries (e.g. bots, algorithms, etc.).

Events

With the cancellation of popular annual conferences and gatherings such as South by Southwest (SXSW) in Austin, Texas, Coachella Music Festival in California, and Google Cloud Next Conference, among others, many companies are exploring the idea of holding more **virtual conferences** and less face-to-face gatherings. This move is leading to new insights about the role of virtual conferencing in networking and promoting creativity and collaboration. While it is not a substitute to the power of IRL (in real life) networking and sharing of insights, doing a conference online, if properly designed, can lower the cost and increase access of subject matter experts to a much wider audience.

The much-coveted Google conference, for example, has been moved online and it is now called **Google Cloud Next '20: Digital Connect**. Keynotes will be live-streamed for free. This is a far cry from the more than \$1,000 ticket that participants pay to attend the conference, which was supposed to be held in San Francisco, California, next month.

Companies that provide live streaming and video conferencing such as Skype, Zoom,

and a startup called **Run for the World**, among others, are surely going to be given a new spotlight. The renewed energy and enthusiasm are due to businesses being keen on doing more online conferencing as an alternative to the significantly expensive and time-consuming face-to-face gatherings.





Conclusion

Coronavirus as a black swan event certainly has done some serious damage to disparate industries from art museums, restaurants, concerts, air travel, and many more. As it catalyzes an **Insulation Economy**, the virus is forcing companies to deal with the immediate existential threat as well as their long-term survival and viability. There are certainly some losers and some potential winners as businesses crawl their way out of this crisis. The pandemic is already forcing some significant paradigm shifts in the way we do work and the way we learn and engage with one another in the world of business.

Charles Darwin famously said this about emerging from a harsh environment: that those who survive “are not the strongest or most intelligent, but the most adaptable to change.”

The COVID-19 pandemic is certainly forcing every organization to figure out ways to adapt to new realities in order to survive and flourish.

