

[COVID and the economy: What can you imagine?](#)

Predicting the future is a critical part of a CEO's job right now.

If the economy rebounds quickly after shelter-in-place orders are released, CEOs should maintain their current workforce to avoid losing valuable time in gaining market share.

If, on the other hand, the economy craters as thousands of businesses shut down and don't reopen, LPs start to default on their commitments to venture firms, and investment dollars dry up for tech firms for the next few years, then CEOs should cut their expenses (i.e., payroll) to the bone to extend their company's runway as far as possible, hopefully getting to cash-flow positive on the cash that they already have in the bank (or even better, retaining a significant war-chest so that they can acquire companies cheaply in the next 2-3 years as we emerge from the depression/recession).

The difference is stark.

In my coaching, I talk to many unicorn CEOs and investors at the most respected investment firms. And I am noticing a correlation. There are two distinct groups:

- Those who were in the working world during the 2000 crash of internet 1.0 and the 2008 recession (over 40)
- Those who only came into the working world after those events had occurred (under 30) or only experienced one of them (under 40).

The older group believes that the economy has already been smashed to pieces, and if we started rebuilding now, it would be 2-3 years before the economy were fully put back together. In the interim, many businesses will close, and most companies will significantly reduce their spending. Even software companies that operate entirely online will see their revenues reduced (except for online productivity tools) because their customers (enterprise and consumer) will be experiencing financial distress. (To see why, see Appendix below.)

The younger group believes that the economy will roar back to its pre-COVID level within 3-6 months of shelter-in-place being lifted, which appears to be 30-60 days away. When I ask this group why they think this, the most representative answer that I get is, "I just can't imagine anything worse, so I have a hard time predicting it."

How well said. Our imaginations tend to be limited by our own experiences. If we've seen it before, we can imagine it. We are unlikely to imagine it if we haven't seen it before (in some format).

But that doesn't mean that it won't happen.

If you are a CEO and must predict what will happen to the world to prepare your company for it properly, and you haven't lived through both the 2000 crash and the 2008 recession, I urge you to find several people you respect who have. Rather than relying on your imagination (limited by

your own experience), tap into their imagination as to what might likely happen over the next 6-12 months and 2-3 years.

Those who predict (and act) correctly will have a massive advantage over those who don't.

You don't need to have the experience to be able to tap into it. But you do have to reach out to someone who does have it.

Appendix:

To understand why it will take companies so long to rebuild, imagine a very complicated LEGO set that took many hours to build [while consulting the instruction manual]. That LEGO set has now been smashed apart with a hammer and lies in individual pieces again [majority of employees laid off]. When rebuilding starts again, that LEGO set will not magically assemble itself instantly. Instead, the builder will have to spend many hours putting the individual pieces back together [raising money, selling, hiring more people, raising more money, selling, hiring more people, etc.]. Maybe she will save a little time because she won't have to consult the instruction manual as often. But the time savings will be minimal.