

7 Forces Reshaping the Economy

In May 2020, UNC Kenan-Flagler Business School and the Kenan Institute of Private Enterprise established the [North Carolina CEO Leadership Forum](#) to provide private sector leaders with a venue to comment on the opportunities and challenges facing the North Carolina economy in the wake of the COVID-19 pandemic. As the pandemic has distorted business activity in the short term, it has also created new long-term growth opportunities for North Carolina. Next week, the Kenan Institute and the forum will publish the research whitepaper [Seven Forces Reshaping the Economy](#). The full paper details seven major economic and business trends, or forces, the COVID-19 pandemic has produced that will permanently alter both the U.S. and North Carolina economies. This summary outlines those forces, the opportunities available to North Carolina and policy recommendations the state should consider to capitalize on a rapidly changing economy.

North Carolina Policy Recommendations

- Support [workforce development](#) through up-skilling, re-skilling and traditional education. This should be the first priority, with the state building human capital while the labor market is slack.
- Implement an emergency program to [employ recent college graduates as K-12 teaching assistants](#) and tutors for the academic years 2020-21 and 2021-22. Education deficits will have long-run consequences for the economy.
- Expand [access to broadband](#). Without better broadband, especially outside major metropolitan statistical areas (MSAs), the gains from new opportunities will be limited to a few regional hubs.
- Focus on opportunities to [expand existing businesses](#), as opposed to attracting new businesses. There is a tremendous set of existing companies operating (and headquartered) in North Carolina, and many opportunities can be realized simply by expanding existing operations. [Additional near-term emergency support](#) also needs to be provided to many small businesses including farmers, minority-owned firms and rural businesses.
- Renew North Carolina's commitment to diversifying state purchasing from Historically Underutilized Businesses (HUBs) to promote supplier diversity.
- Continue to support initiatives that [highlight North Carolina's quality of life](#), including promotion campaigns specifically geared toward relocating knowledge workers from across the U.S.
- Establish a task force of North Carolina-based manufacturers to develop [best practices for firms considering onshoring operations](#).
- Establish a [task force of fintech leaders, education technologists and gaming industry experts](#) to develop long-term strategies for leveraging North Carolina's comparative technology advantages.



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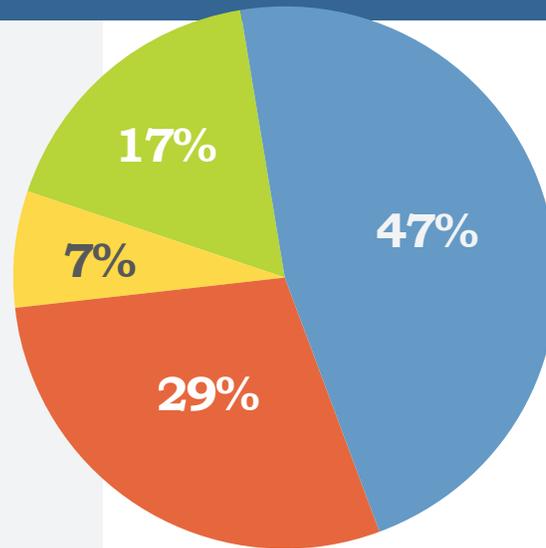
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Changes in Work, Travel & Migration Patterns

By far the biggest impact of the pandemic has been on where people go - to work, to play and even to live. This has had not only an immediate economic impact, but will also have long-term effects such as driving shifts in business travel activity, the "decoupling" of work from physical location and where people prefer to buy homes.

Opportunities for North Carolina

- The state can attract workers who bring high-paying (remote) jobs with them.
- N.C. businesses can also attract high-skill workers with the state's quality of life.
- Both the coastal and mountain regions provide growth opportunities for the "nearby" vacation market.
- Technological innovation in the remote-productivity software segment can be facilitated.



When Do People Expect to Travel for Leisure?

- 2020
- 2021
- 2022
- Do not plan to travel for leisure through 2022

Source: Harris Research

2

Accelerating Shifts Toward On-Demand & At-Home Retail

Retail has long been experiencing a move from brick-and-mortar stores to online retailing, and the pandemic has only served to accelerate this trend. Changes will have major implications for the workforce, given the substantial number of lower-income retail workers.

Opportunities for North Carolina

- Further expansion of central supply chain and logistics facilities and services, as well as retail services support.
- Online sales opportunities for specialty goods and services produced in N.C., such as food/agricultural products, furniture, personal care products, textiles, healthcare and finance.



Consumer changes due to COVID-19

Source: : Lai, Anjali (2020). A Snapshot of US Consumers' Attitudes and Behavior during COVID-19. Forrester Research, Inc.

3

Onshoring and Widening of Supply Chains

In recent years, the trend in supply chains has shifted from greater efficiency to resiliency and robustness. Across most industries, multinational firms will increasingly develop strategies to onshore more production, diversify supplier relationships, invest in inventories and materials and bring certain operations in-house.

Shift of Supply Chain from China



Source: BofA Global Research

Opportunities for North Carolina

- The state can benefit from its geography in the logistics and wholesale supplier market. N.C.-based facilities have the ability to service a large geography efficiently (particularly the Triad region, which has substantial unused or underused former manufacturing space).
- The state should invest in the growth of business data analytics for supply chain optimization and risk identification and mitigation services.

4

Renewed Focus on Diversity & Dismantling Systemic Racism

The national dialogue about systemic racism has led businesses to renew their focus on diversity in their workforces, supplier networks and business practices. The breadth and depth of this commitment has been swift, and companies are rapidly expanding internal workforce programs and broader external initiatives involving rethinking supplier and community relations.

N.C. Ranking among U.S. States

#1 in number of HBCUs

#3 in improved degree attainment among minorities since 2000

#9 most supportive state for Black-owned businesses

Source: *Seven Forces Shaping the Economy*, Kenan Institute Research Report

Opportunities for North Carolina

- Given its higher education resources, the state is positioned to generate a large pool of talented minority employees for professional careers.
- N.C. is also poised to facilitate additional formation and growth of minority-owned businesses.
- Public anchor institutions such as universities, military bases, school systems and hospitals can drive economic recovery efforts and target areas disproportionately affected by COVID-19.

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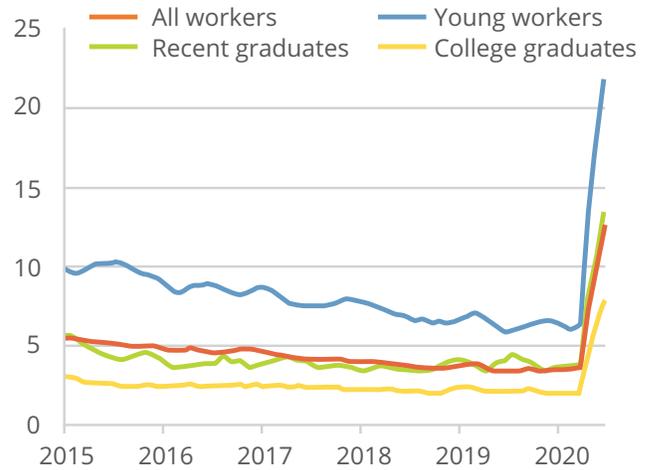
Unpending of Education and Childcare

The pandemic has unopened the traditional school format, with nearly two-thirds of students expected to attend school remotely in the fall. Hybrid instruction will likely continue until a vaccine is widely distributed – disrupting learning outcomes, widening the achievement gap and putting increased pressure on parents and caregivers. Projected state budget shortfalls may place a burden on local school systems, further hampering economic output.

Opportunities for North Carolina

- Utilize recent college graduates as K-12 teaching assistants to help instruct students remotely and facilitate in-person classroom learning. Expand this program to develop expertise in “tutor-pods,” in which small groups of students work remotely with a tutor.
- Leverage N.C.’s expertise in gaming to develop innovative products in the education technology space.

Unemployment Rates



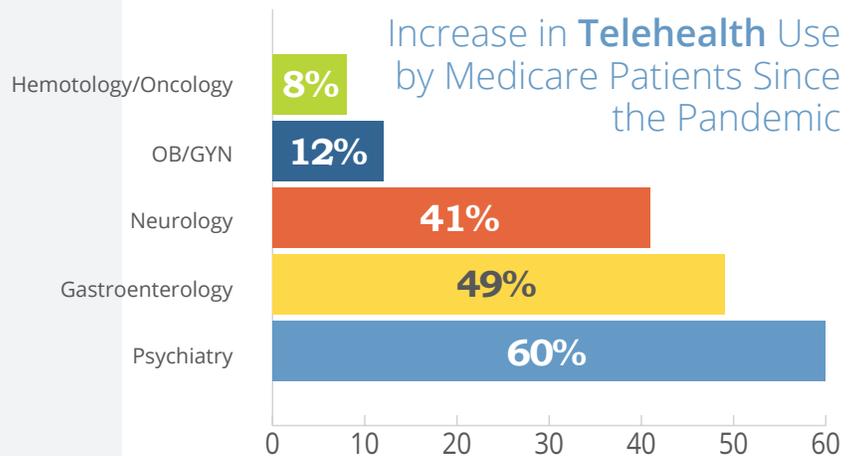
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Shocks to Healthcare and Pharmaceutical Demand

Financial pressure on already-stressed hospital systems will continue throughout the pandemic, and rural hospitals are in an especially precarious financial state. The additional challenges of the pandemic are exacerbating existing health disparities among lower-income individuals, people of color and rural citizens. Renewed interest in biopharmaceutical R&D and health teleservices offers opportunities for growth and job creation.

Opportunities for North Carolina

- The large number of biopharma production facilities, paired with educational training, offers prospects for high-wage employment to dislocated workers in other industries.
- N.C.’s healthcare ecosystem is well positioned to be a national leader in telehealth services.



Source: US Department of Health and Human Services

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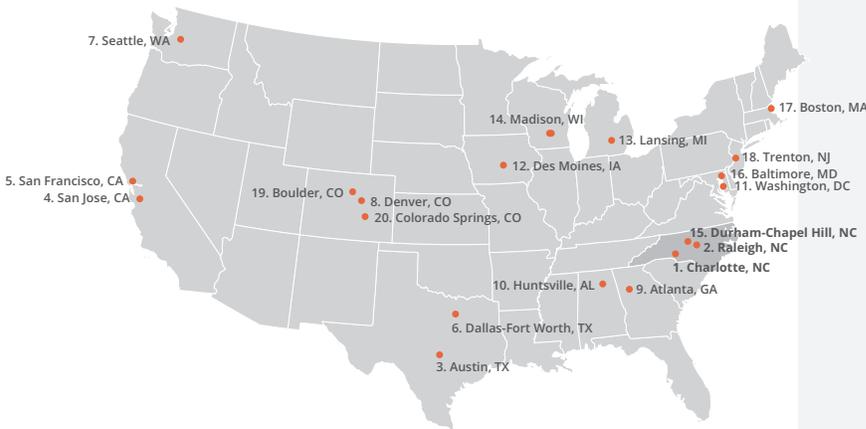
Risk Reassessment by Capital Providers

The pandemic has caused a massive change in the risk profile of many businesses, yet private capital providers will be essential for long-term investment in business and the rebound of the economy. A risk reassessment by capital providers will fundamentally change how capital is allocated to private sector businesses.

Charlotte, Raleigh and Durham rank #1, 2, and 15 in **best places** for IT Pros to live and work

Opportunities for North Carolina

- Our state's large financial services industry provides an opportunity for growth in asset management, credit and equity intermediation, and other financial services in the lower-middle market. Financial services has been one of the best performing sectors in N.C. and nationally.
- N.C. is also well positioned to be a national leader in financial innovation paired with data analytics.



North Carolina CEO Leadership Forum

Mission

The mission of the N.C. CEO Leadership Forum is to provide private sector leaders with a voice in navigating the complex issues that North Carolina faces in restarting the state's economy. The work of the forum is nonpartisan and data-driven by nature, leveraging a diverse group of business leaders and University of North Carolina faculty experts to develop actionable recommendations for the state's leadership and the business community at-large. The ultimate goal of the forum is to promote the health and economic well-being of North Carolina's citizens and to be a model of public-private cooperation for other states around the country.

CEO Leadership Forum Members

DeLisa Alexander

VP & Chief People Officer, RedHat

Leah Wong Ashburn

President & CEO, Family Owner, Highland Brewing

Gregory Brown

Distinguished Professor, UNC Kenan-Flagler Business School

Hope Holding Bryant

Vice Chairman, First Citizens Bank

David Carroll

Founder, Carroll Family Holdings

Allen Gant

Chairman, Glen Raven

Meg Ham

President, Food Lion

Edward Holmes

President & CEO, Holmes Oil Company

Tim Humphrey

VP, Chief Data Office, IBM

Roddey Dowd, Jr.

CEO, Charlotte Pipe and Foundry

John Kane

Chairman & CEO, Kane Realty

Stan Kelly

President & CEO, Piedmont Triad Partnership

Christian Lundblad

Distinguished Professor, UNC Kenan-Flagler Business School

Hilda Pinnix-Ragland

VP Corporate Public Affairs (retired), Duke Energy

Jimmy Rosen

CEO, Artizan Biosciences and Adjunct Professor, UNC Gillings School of Global Public Health

Stoney Sellars

President & CEO, StoneLaurel Consulting

Doug Shackelford

Dean and Meade H. Willis Distinguished Professor of Taxation, UNC Kenan-Flagler Business School

Amit Singh

President & CEO, SpectraForce Technologies

Eric Toone

Executive Managing Director, Breakthrough Energy Venture

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