

**Deloitte.**



**Facing uncertainty with confidence**  
**Thailand Institute of Director (IOD)**

20 February 2020

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# We are now living in a **VUCA** world

## 01 **Volatility**

The nature and dynamics of change, and the nature and speed of change forces and change catalysts

## 02 **Uncertainty**

The lack of predictability, the prospects for surprise, and the sense of awareness and understanding of issues and events



## 03 **Complexity**

The multiplex of forces, the confounding of issues and the chaos and confusion that surround an issue or an organisation

## 04 **Ambiguity**

The haziness of reality, the potential for misreads, and the mixed meanings of conditions; cause-and-effect confusion

## Our point of view.....

The world is becoming increasingly more volatile, uncertain, complex, and ambiguous. This demands that we address 'strategic initiatives' in smarter ways.



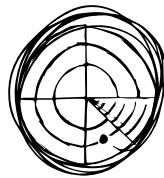
Strategic risks are both **external and internal**. Organizational *blind spots* and *personal biases* can prevent insight from becoming actionable.



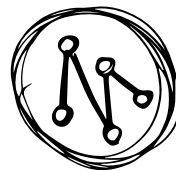
Disruptions may come from **unexpected places**. Trends from *outside your industry* and *non-traditional competitors* are increasingly likely to cause disruption.

“Disruption may be a risk, but it is also a wonderful opportunity. It means customer needs are not being met, so that’s an opportunity.”

— **Peter Harmer**, Managing Director and CEO, IAG



*Data gathering and insight development* must be **active and ongoing**. The nature and pace of change in today’s world demands a continual learning and discovery mode.



**Connections** amplify the potency of *trends and their ability to disrupt*. The world is too interconnected and changing too fast to keep your eye on only one ball at a time.

# Decades

## Current and coming.....

### **Decade of Digital and Applied Technology: Defining Moments (2010 to 2019)**

1. Nature – Humanitarian and economic crises resulting from calamities
2. Limited legacy of the World's most powerful man
3. Significant historical records and game changers – Japan, Malaysia & Thailand
4. Technology companies win
5. Digital connections and Industry 4.0
6. Sharing economy
7. Greed & Slow learners – Financial and economic crisis continue
8. Americans lost a decade

### **More Personalisations in a Hyper-connected decade: (2020 to 2029)**

1. Progress continues
2. Nature – Humanitarian and economic crises resulting from calamities
3. Human desires still rule
4. Business (un)usual, breakthroughs and transformation
5. Dragon on the throne
6. Connecting the unconnected
7. Digital world progresses – blockchain, new retail, cryptocurrency
8. From connections to interconnectedness
9. Globalisation and nationalism – populism threats
10. Sharing economy to trust and circular economy
11. New pedagogy of learning
12. Wellness and ageing

# Industrial Revolutions

The world is at a crossroads again.

The world has seen Four Industrial Revolutions to date.

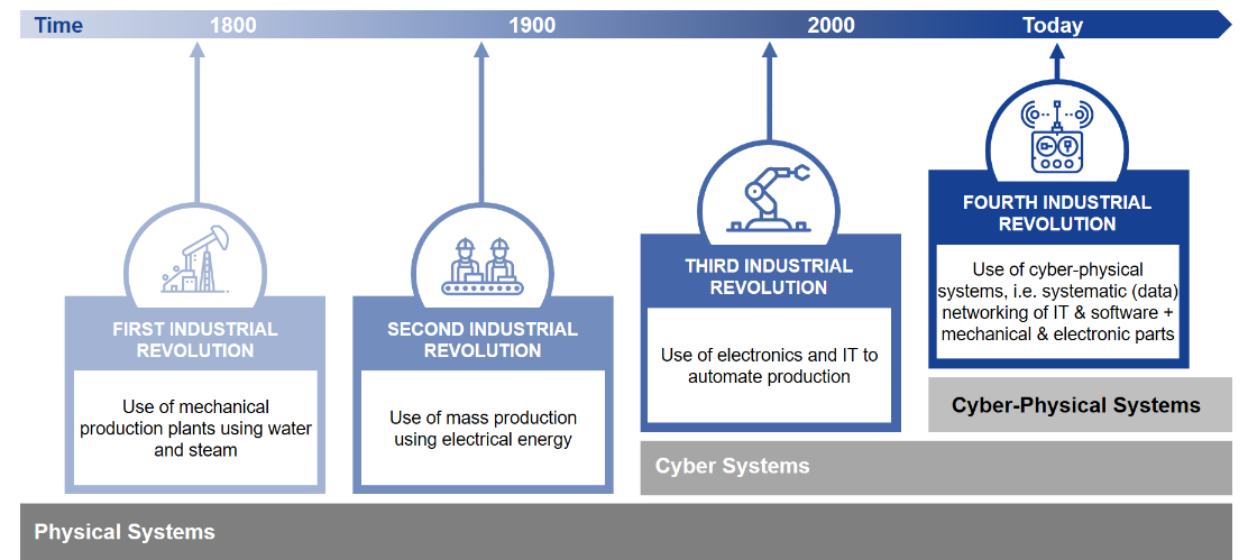
**First Industrial Revolution:** 1760 – 1820-40 moving from hand production methods to machines.

**Second Industrial Revolution:** 1850 - new types of innovations and manufacturing methods for mass production. It grew from steel manufacturing to chemical, petroleum and automotive industry -20<sup>th</sup> century.

The main features: technological, socioeconomic and cultural. This confluence of centralised electricity, the oil era, the automobile and suburban construction

**Third Industrial Revolution:** 1950s brought semiconductors, mainframe computing, personal computing and the internet to bear marking the era of the digital revolution.

**Fourth Industrial Revolution:** Debut in the 2010, builds on leveraging the power of the internet era and enters into a new phase of Cyber-Physical systems.



# Fourth Industrial Revolution

## Industry 4.0

### Industrial Revolutions

1<sup>st</sup> - 1760 to 1840

2<sup>nd</sup> - late 19<sup>th</sup> century to early 20<sup>th</sup> century

3<sup>rd</sup> - 1960s – computer or digital revolution

4<sup>th</sup> – 2010s - Industry 4.0 (Germany) Digital Age,  
also known as 2<sup>nd</sup> machine age ref: MIT

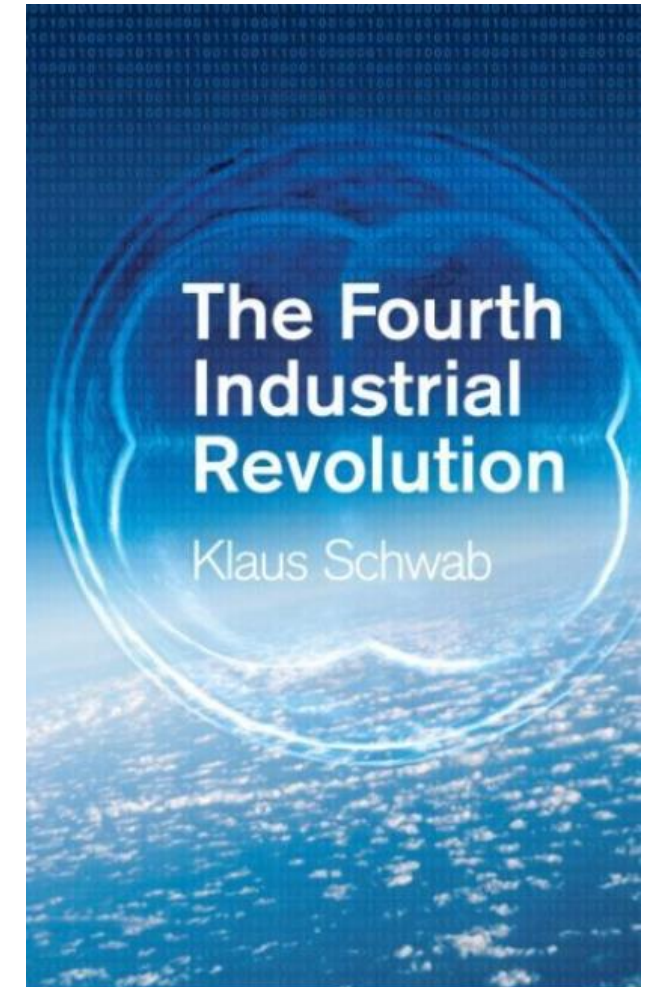
### Megatrends & Innovation

1. **Physical** -auto vehicles, 3D printing, robotics, AI new materials

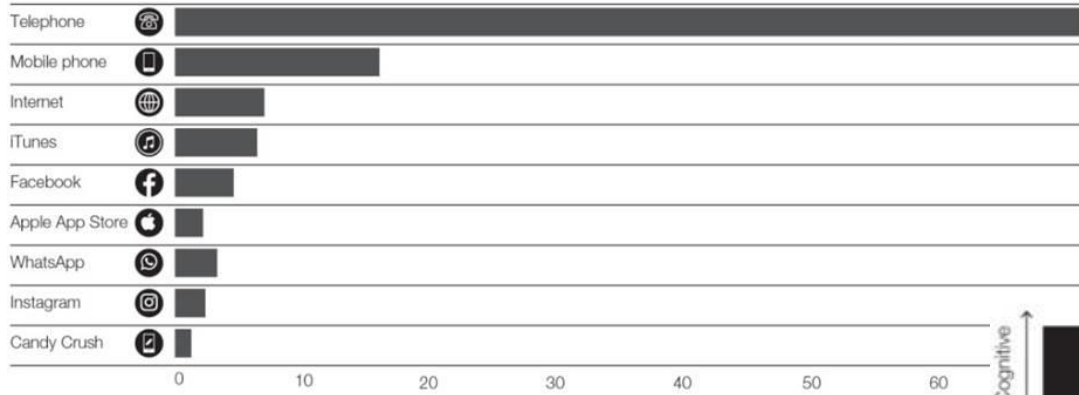
2. **Digital**

- IoT, remote monitoring, new approaches – individuals and institutions engage and collaborate, Bitcoin, blockchain
- technology-enabled platforms / on-demand economy or sharing economy

3. **Biologics** - innovation – genetics, synthetic biology



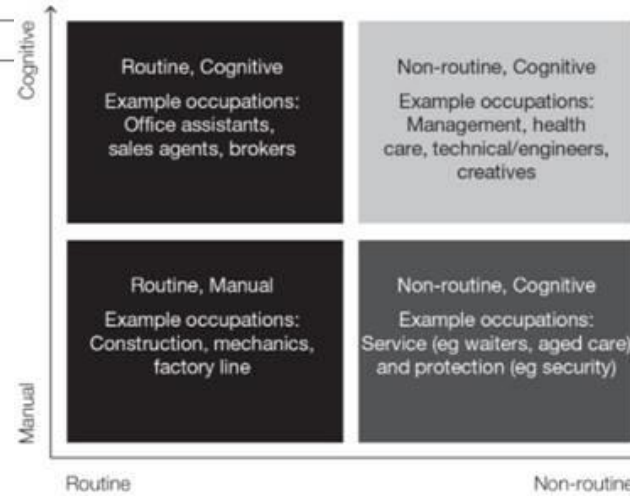
# Connecting the dots



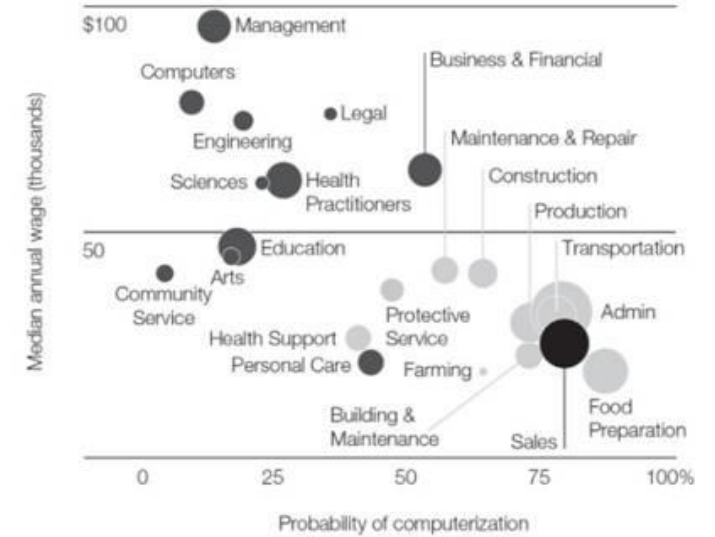
Source: Shaping the future of the 4IR, Schwab, K.

Time for Technologies and Applications to Be Taken Up to 100 Million Users

## Exposure to Automation of Job Characteristics, Illustrated for Selected Industries



- Highly exposed to automation
- Increasingly exposed to automation
- Less exposed to automation



- Job Type
- Cognitive Non-Repetitive
  - Manual Non-Repetitive
  - Cognitive Repetitive
  - Manual Repetitive
- Total Employment
- 1 min
  - 5 min
  - 20 min



# Views on technologies and value

## Misleading views – not helpful in organisational strategic response

1. Technology determines the future
  - Out of control
2. Technologies are value neutral
  - Mere tools

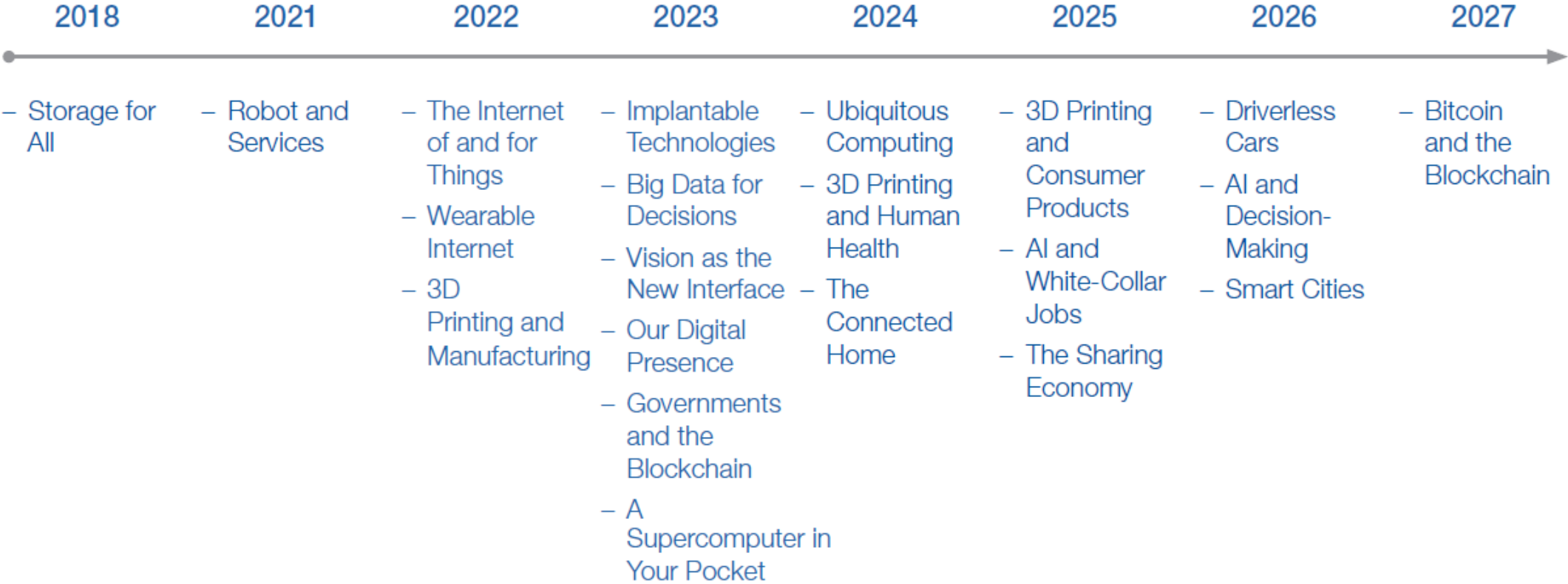
## Constructive views – human centred approach

1. Technologies are political
  - Embodiment of social desires and compromises
2. Technologies and societies shape are value neutral
  - Reflexive approach
  - Close loop

# Technology Megatrends

	Category	Technologies	Outcome economy - Characteristics
1	<b>Extending Digital Technologies</b>	New Computing technologies	Moore's Law, Super-platform,
2		Blockchain and distributed ledgers technologies	Technology for trust
3		IoT	Potential economic impact of USD4T to USD11T per year by 2025. Top 4 – factories, Cities and Human and Retail
4	<b>Reforming the physical world</b>	Artificial Intelligence and Robotics	Integrating AI into the human world. AI and governance require
5		Advanced Materials	Advances in material science upgrading technology capability
6		Additive Manufacturing and Multidimensional Printing	3D to 4D. Reshoring of manufacturing
7	<b>Altering the human being</b>	Biotechnologies	More emotive response
8		Neurotechnologies	Powerful insights into the workings of the human brain.
9		Virtual and Augmented Realities	Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR)
10	<b>Integrating the environment</b>	Energy capture, Storage and Transmission	Clean energy, efficient distribution and storage at scale
11		Geoengineering	Large scale intervention of earth's natural systems. Climate change and zero emission
12		Space Technologies	Spaced based and space related technologies

# 23 Deep Shifts and “mass” adoption



# ASEAN Connecting the world, the region and the country

## Smart cities and digital economy

*"In its role as the current Chair of ASEAN in 2018, Singapore has encouraged emphasis on the issue of resilience and innovation for region. The two main priorities - smart cities and the digital economy - clearly underline ASEAN's need to drive itself forward into a digitally connected region". Thailand ahead of the game*

ASEAN's Digital Economy - USD 2,000 billion by 2025

Main drivers being online travel, e-commerce, and online media. In addition to its fast-growing adoption of all things digital, the region also offers huge economic potential from its large consumer base of 640 million people (40% of which is below the age of 30 and digitally literate).



# Thailand Digital Economy

## BOI NET APPLICATION

January - June 2018



**Total Investment**  
681 Projects  
8,143.11 Million



**Total Foreign Investment**  
433 Projects  
2,076.07 Million

## FOREIGN INVESTMENT BY TARGET SECTORS



**Digital**  
68 Projects 201.13 M



**Medical**  
5 Projects 49.85 M



**Petrochemicals and Chemicals**  
23 Projects 155.25 M



**Automotive**  
35 Projects 363.96 M



**Agriculture and Biotechnology**  
15 Projects 64.80 M



**Electronics**  
26 Projects 128.16 M



**Automation and Robotics**  
1 Project 0.27 M



**Tourism**  
4 Projects 61.52 M

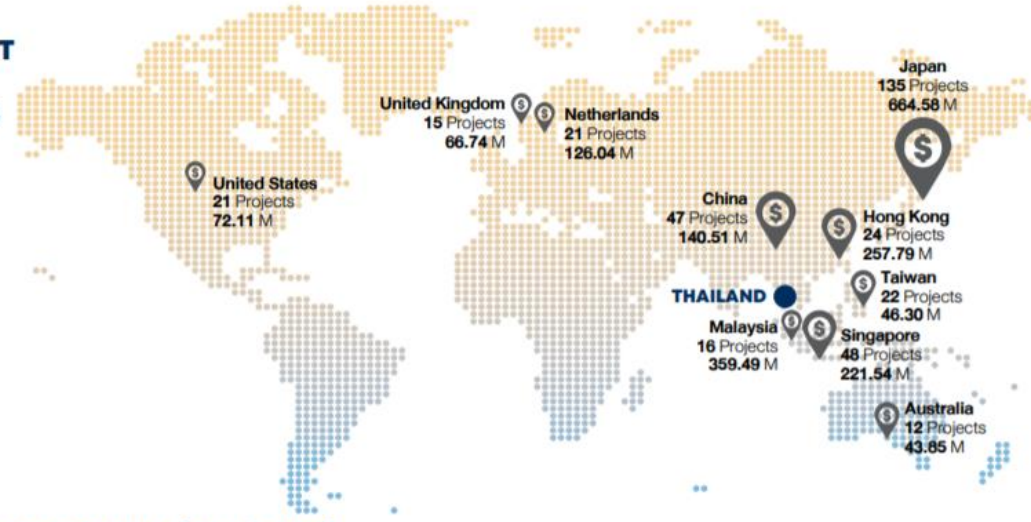


**Food Processing**  
15 Projects 100.27 M



**Aerospace**  
1 Project 0.66 M

## FOREIGN INVESTMENT BY MAJOR ECONOMIES



Unit: US\$ (US\$ = 33.52 THB as of 23 July 2018)

Source: Thailand Investment Review, Sept 2018

# Thailand Digital ready

## Thailand 4.0

### Thailand Digital Ready

- High internet penetration. 66% of 68 million people have access to the web  
Internet users in Thailand are also highly engaged
- Internet behaviour - robust digital connectivity
- Global recognition
  - 2018 IMD World Digital Competitiveness
  - Ranking in the top three of ASEAN and 39th globally – knowledge and technology, talent training and education and in the development of its regulatory and technological frameworks

### Thailand 4.0

- Soft infrastructure
- Digital infrastructure
- Human capital

## Thailand Digital economy in transition

- 2017 – 17%, 2018 – 19%, 2027 – 25% of GDP
- Favorable digital landscape – 70% own smartphone
- 6 hours internet usage per person per day
- Government infrastructure
- Cashless society
- BOI support for digital industry

## Thailand digital big-bang

- Digital infrastructure
- Digital manpower
- Digital technology development
- Cyber security
- Digital government

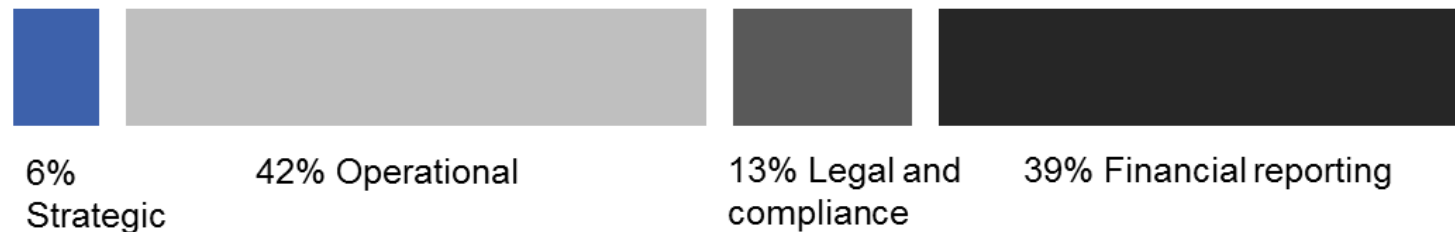


# Various organizations have not traditionally focused on the right things

## The proportion of significant losses in market value caused by each type of risk over the past decade<sup>1</sup>



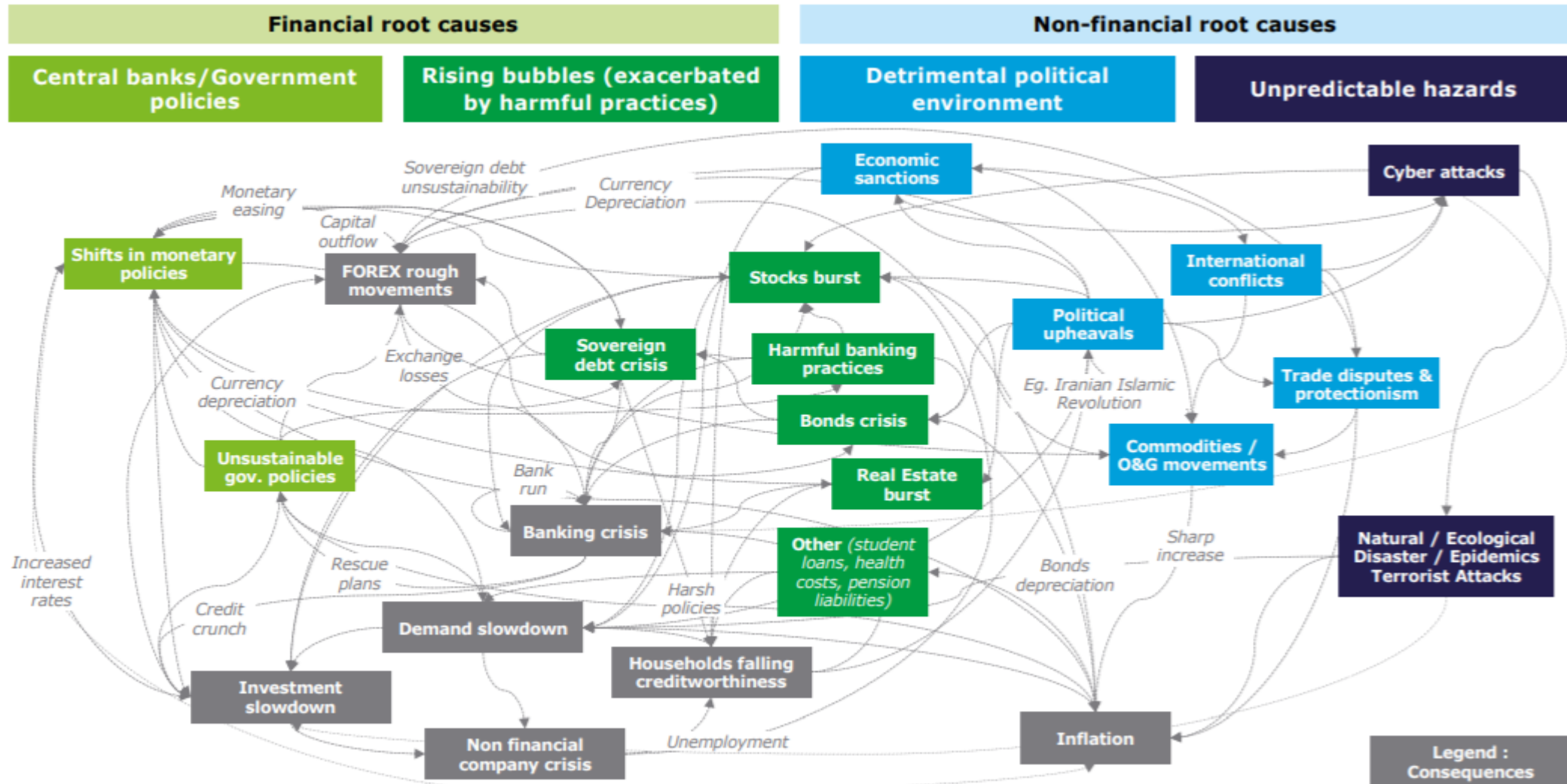
## The proportion of time companies traditionally spend on each type of risk



### Many factors contribute to a company's failure, but three stand out:

- Failure to explicitly account for risk when formulating strategies
- Failure to monitor and manage whether they are on track
- Failure to re-evaluate strategies in light of external change

The strong interconnections between the different causes explain most systemic crises  
 Several potential fires are ready to ignite at the same time



Sources: Monitor Deloitte analysis



# How can you cope with such situation?

## The outbreak has spread globally, but still mainly within China

**Dec 31, 2019** - First cases detected Wuhan, Hubei China

**Jan 7, 2020** - Virus identified as coronavirus 2019n-CoV, new virus that causes respiratory illness, and spread via human-to-human transmission

**Jan 9** - Virus genome sequence shared to help other countries diagnose the virus

**Jan 11** - First coronavirus death reported in China

**Jan 13** - First confirmed coronavirus case outside China, and since spread to 23 countries globally (see table 1)

**Jan 23** - China implements travel bans; other countries follow suit with similar restrictions

**Jan 26** - WHO risk assessment declares 'very high in China, high at regional level and high at global level'

**Jan 31** - WHO declares "Public Health Emergency of International Concern (PHEIC)"

**Feb 2** - First coronavirus death confirmed outside China

Source: World Health Organization, CDC

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**Table 1:** Confirmed 2019n-CoV Cases (as of Feb 3, 2020)

Country	# Confirmed	# Deaths
China*	17,238	361
Hubei Province	11,177	350
Japan	20	-
Thailand	19	-
Singapore	18	-
Korea	15	-
Australia	12	-
US	11	-
Germany	10	-
All Other Countries (n=16)	48	1
<b>Total</b>	<b>17,391</b>	<b>362</b>

\*Includes Hong Kong SAR, Macau SAR, and Taipei

**Note:** The above figures are based on WHO situation report 14, this is the most recent currently available and includes consolidated global data through Feb 3. The China National Health Commission report for 4 Feb is 20,473 and 425 deaths.



### Some implications to businesses

- **Big companies**, including Apple and Tesla, are looking to alternative suppliers because operation suspension in China.
- **Airlines** taking unprecedented action.
- **Hotels** waive fees, Theme parks close.
- **Retail** stores, such as IKEA, Swatch, Uniqlo close stores.
- >70,000 Chinese students may not continue their **studying** in Australia on-time.
- In Thailand, **Chinese tourists** in February 2020 has **90% dropped** from nearly a million to less than a hundred thousand.

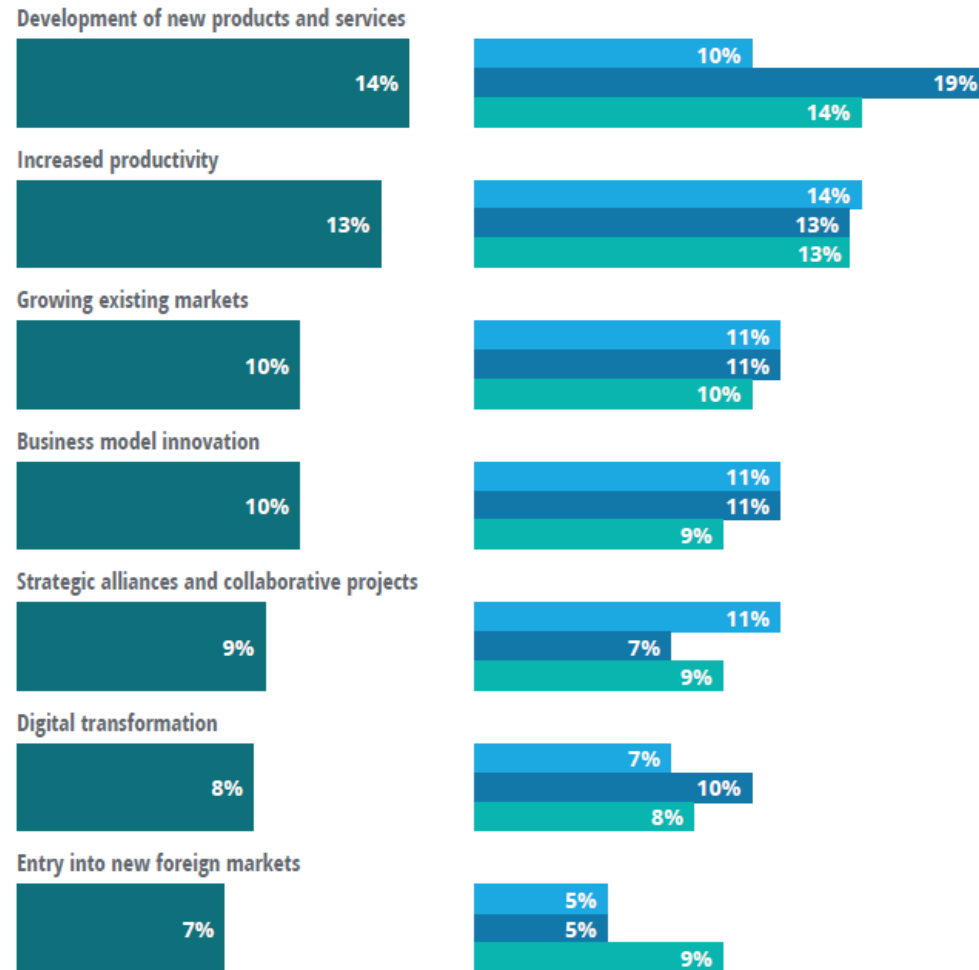
**"There is very less chance for Thailand to have a better economic growth rate than that of in 2019. Growth rate is expected to be less than 2% this year."**

Don Nakornthab  
Senior Director, Economic and Policy  
Department, Bank of Thailand  
(Bangkokbiznews on 17 February 2020)

# Trends to cope with economic downturn

## Private companies are looking to gain a competitive edge

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

### Global private company owners and Boards are asking themselves various questions

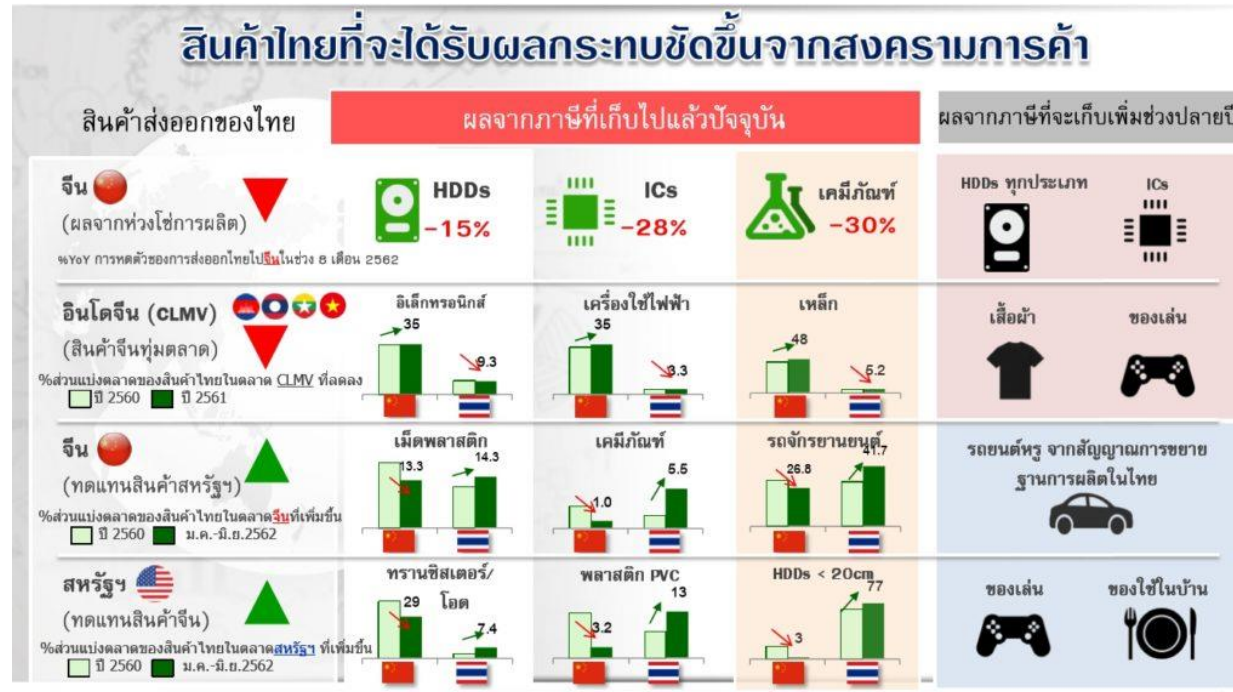
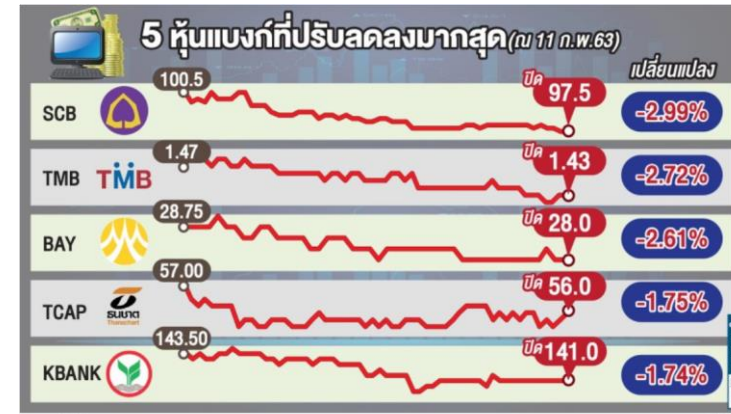
- What changes to our business models should we consider in response to competitive disruption?
- Are we doing an effective job of communicating our strategy and values through all levels of organization?
- What capabilities are we investing in to tap new markets?
- What processes do we have in place to prioritize spending and measure success or potential opportunity?
- Are we doing enough as an organization to develop future leaders and attract needed talent?
- What role is technology playing in our innovation processes and are there other opportunities that we need to pursue?
- What values define us a corporate citizen, and are they well-understood inside and outside the organization?

# Thailand growth momentum is also slowdown

Including trade war, impact of LTV, Thai Baht appreciation, and Government's stability



สิ่งที่เราเคยคิดว่ามีความสัมพันธ์กับสิ่งที่เราเชื่อก็ไม่เป็นไปตามนั้น สถานการณ์ที่เกิดขึ้นในช่วงหนึ่งเดือนที่ผ่านมา เรียกว่าเป็นโลกของ VUCA plus ก็ได้ ไม่ใช่ VUCA ธรรมดา



**ประเมินผลกระทบคำสั่งซื้อลดต่ำสุดรอบ 10 ปี**

**สาเหตุ**

- สงครามการค้า
- เศรษฐกิจโลกชะลอ
- ความต้องการรถยนต์ลดลง

**การรับมือของผู้ประกอบการ**

- ใช้เครื่องจักรอัตโนมัติหุ่นยนต์แทนคนงานมากขึ้น
- ลดการพึ่งพาแรงงาน
- การลดกำลังการผลิตอาจกระทบแรงงาน

**ข้อเสนอต่อภาครัฐ**

- รัฐบาลกระตุ้นเศรษฐกิจสร้างคำสั่งซื้อในประเทศ
- สนับสนุนยกระดับทักษะฝีมือแรงงานเพื่อรองรับเทคโนโลยีใหม่

# Top of minds for Board members

## Every challenges demand attention or action

Boards must be careful to go beyond and describe the true experience of stakeholders

Boards will need to try harder to gain action required to deliver significant movement on board diversity

Boards must justify their approach in companies rewarding system as theirs pay ratio is being spotted






Boards must have clear approach to risks especially now that risk landscape evolves to disrupt strategies, business models, markets, and customer behavior

Board will need to be mindful of enraging regulatory development and work with related stakeholder in framing company's business practices



# Deloitte recommendations to manage during economic downturn

## Our solution navigators



 <b>Set the Foundation</b>	<i>Create a resilient and agile organization that is prepared for volatile times</i>
 <b>Defend and Drive Revenue</b>	<i>Identify opportunities to improve top line growth</i>
 <b>Reduce and Manage Costs</b>	<i>Increase margin and operating profit to counteract impacts to revenue</i>
 <b>Optimize Assets, Liabilities, and Liquidity</b>	<i>Curate the portfolio of assets; strengthen the balance sheet; manage for cash</i>
 <b>Accelerate Digital</b>	<i>Use technology and data to enable growth, decrease costs, and evolve as an insights-driven organization</i>
 <b>Manage Expectations</b>	<i>Align and fulfill stakeholder expectations, and proactively address risks created by volatile conditions</i>

# Set the foundation

## Create a resilient and agile organization that is prepared for volatile times

While we cannot know for sure that an economic downturn will occur, management should [proactively assess their risks and opportunities](#) to ensure that their organizations can react quickly and effectively.

Below are some sample techniques for consideration:

Tool	Tool Description
 <b>Trend Analysis</b>	A process for identifying how external trends may impact the enterprise strategy or specific strategic initiatives.
 <b>Scenario Planning</b>	A structured approach for exploring multiple plausible scenarios/futures for an organization's business environment; how existing strategies may fare in alternative futures; where strategic risks may exist given existing strategies; and whether strategies should be adapted.

This can include [stress-testing](#) the organization's existing strategy and / or identifying and evaluating options for growth within and across the different futures that might emerge as a result of economic volatility.

Key outcomes can include:

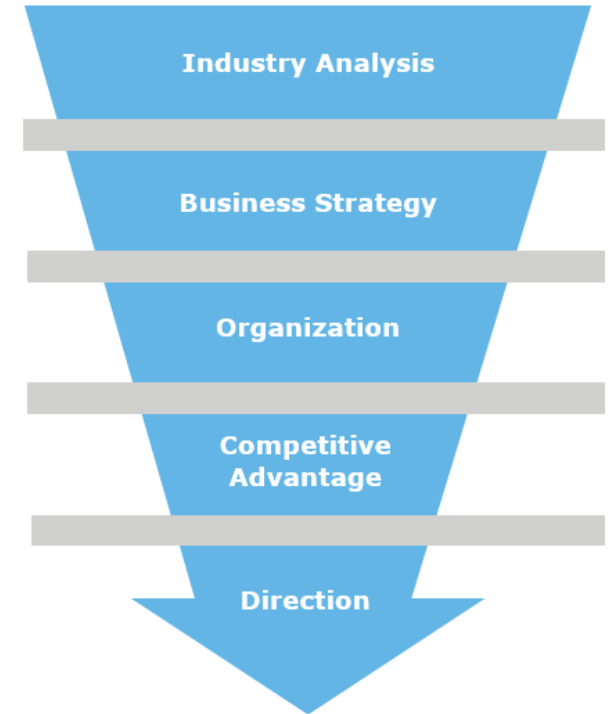
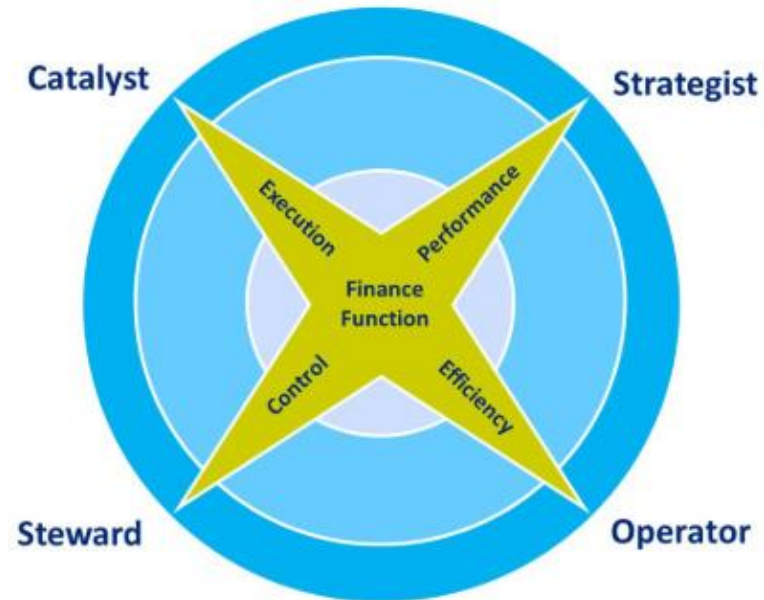
- Plans to activate if a downturn occurs;
- Weak and strong signals for tracking in anticipating a downturn; and/or
- Leadership group becomes more cohesive as a team (this is the often overlooked intangible benefit).

# Defend and drive revenue

## Identify opportunities to improve top line growth

In periods of volatility, businesses can struggle to achieve their strategic aspirations due to a mismatch between the stated strategy, the changing market, and their capabilities.

- **Strategist:** Participating in setting the strategic direction of the company and aligning risk management strategies accordingly.
- **Catalyst:** Engaging leadership across the organization in defining and executing strategic objectives in line with risk appetite.
- **Steward:** Protecting and challenging the organization through effective risk management; ensuring appropriate oversight and governance of risk-taking activities.
- **Operator:** Balancing structure, capabilities, talent, and technology within the risk management organization.



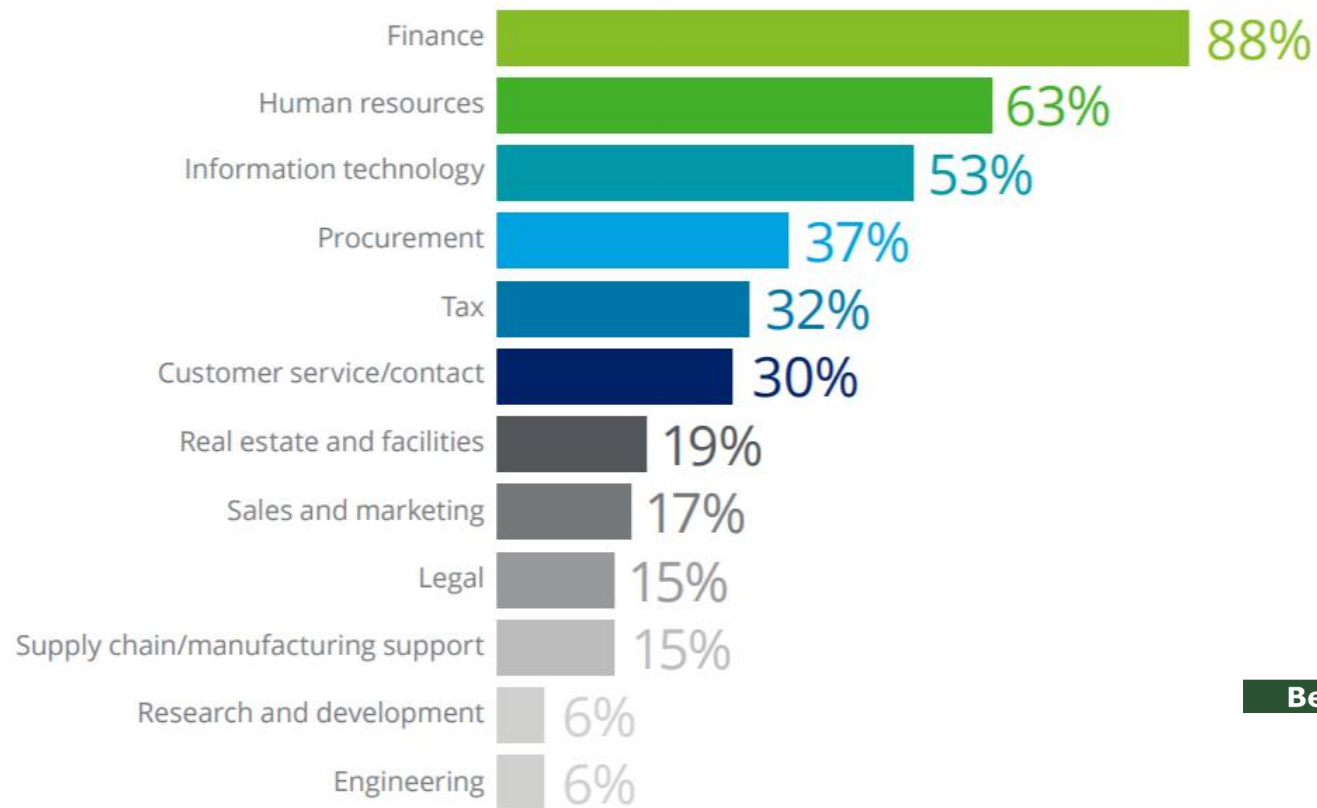
### Strategy Development

A good strategy articulates a set of interrelated choices, is clear about what your organization should and shouldn't do, and serves as a guide for organizational decision making.

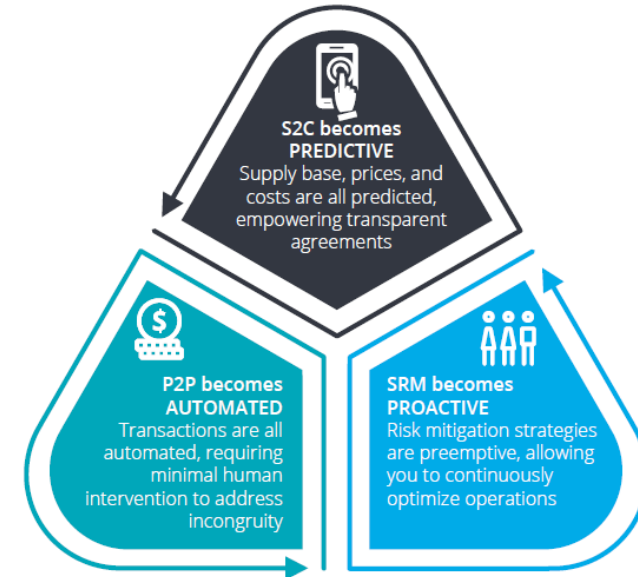
# Reduce and manage costs

## Increase margin and operating profit to counteract impacts to revenue

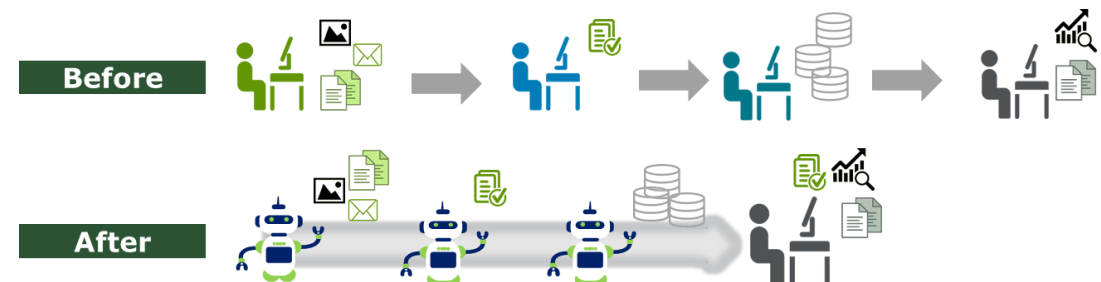
In the event of potential revenue impacts, it is important to manage a tight cost structure to prepare for volatile times. Strategic cost transformation includes (but is not limited to) operating model configuration, SG&A cost reduction, delivery services optimization (e.g., [shared services](#)), [automation](#) opportunities assessment, and [vendor / contract reviews](#).



**Functions that performed SSCs  
from Deloitte Global Shared Service 2017 survey report**



**Procurement process improvement**



**Robotic Process Automation**



# Optimize assets, liabilities and liquidity

## Curate the portfolio of assets; strengthen the balance sheet; manage for cash

Performing options analysis across a client portfolio can help to decide on the [optimal strategy \(fix, sell or close\)](#), with PMO in place to maximize value through speed of execution.

Volatility creates unique opportunities to accelerate [inorganic growth](#) by identifying and activating opportunities created by market shifts (e.g., discounted assets). Organizations should review their financial risk management policies, pricing and valuation of financial instruments, and treasury board reporting.

[Risk management policies](#) should always be retested in view of potential financial market volatilities.

Achieving cash savings through [tax strategies](#) can be applied such as conserve cash, tax refund, reduce or defer income tax payments, transfer pricing.

Acquisitions



Investments



Debt



Real estate and infrastructure



Divestitures



Working capital



# Accelerate digital

## Use technology and data to enable growth, decrease costs, and become an insights driven organization



A potential downturn could create the burning platform to jumpstart **digital transformation** (with benefits including but not limited to decreasing costs, improving organizational agility, attracting and / or retaining Customers, etc.)



While leveraging data and insights to achieve business outcomes is always important, it is especially critical in times of economic volatility to become '**insights driven**', meaning that leaders have real-time access to the data, information, and insights they need to confidently make decisions in uncertain conditions.

Becoming insights-driven can help organizations identify and pursue growth opportunities, improve margin, and effectively manage volatility.

### The audit committee's potential role in cybersecurity

It is highly challenging for even the most tech-savvy leaders in organizations to keep up with the scope and pace of developments related to big data, social media, cloud computing, IT implementations, cybersecurity, and other technology issues. Such developments carry with them a complex set of risks, the most serious of which can compromise sensitive information and significantly disrupt business processes. Cybersecurity is often at the top of agendas for both management and boards at companies of all sizes and industries, since the pervasiveness of cyber issues increasingly affects financial information concerns and internal controls. Oversight of a successful program of cybersecurity requires proactive engagement and is most frequently the responsibility of the full board of directors. In some organizations, some level of oversight may have been delegated to a specific risk committee or to the audit committee.

In companies where some level of responsibility for cybersecurity has been delegated to the audit committee, the committee should first obtain a clear understanding of the specific oversight for which it has responsibility. In those organizations, the audit committee, in its capacity of overseeing financial risk management activities and monitoring management's policies and procedures, may have the expertise and be asked to play a significant strategic role in monitoring management's preparation for and response to cyber threats, coordinating cyber risk initiatives and policies, and confirming their efficacy. As such, those audit committees may take the lead with regard to awareness of cybersecurity trends, regulatory developments, and major threats to the company. Other responsibilities may include setting expectations and accountability for management, as well as assessing the adequacy of resources, funding, and focus for cybersecurity activities.

Additionally, for those audit committees charged with this oversight, engaging in regular dialogue with the CIO and other technology-focused organizational leaders can help the committee better understand where attention should be devoted. The audit committee chairman can be a particularly effective liaison with other groups in enforcing and communicating expectations regarding security and financial risk mitigation. While cybersecurity topics are frequently on full board agendas, the audit committee may also receive a briefing on related topics if the potential financial risk is significant and/or material.

### Hackers Offering \$23,000 for Internal Access

"You'd be surprised how many people get on to us, just random Apple employees," the anonymous employee **said**. "You get emails offering you thousands [of euros] to get a password to get access to Apple" stated.

"I could sell my Apple ID login information online for €20,000 (\$23,000) tomorrow. That's how much people are trying" another employee quoted.

Source: <http://thehackernews.com/2016/02/hacking-apple-id.html>

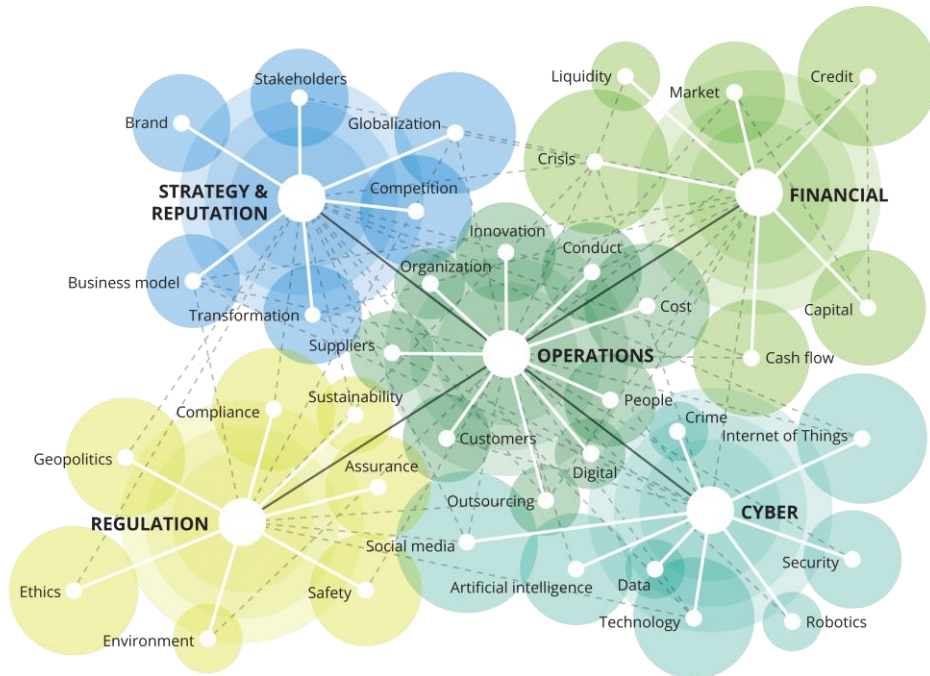
# Manage expectations

Align and fulfill stakeholder expectations, and proactively address risks created by volatile conditions

Economic volatility will lead many of organizations' boards to request new and / or enhanced reporting on the Company's position and outlook.

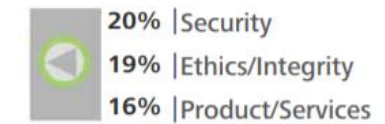
In addition, CXOs should conduct a review of organizational risks and risk management processes to ensure an up to date understanding of the company's potential exposure.

Organizations can experience brand and reputational damage as a result of the difficult decisions, 'crisis' events, financial impacts, etc. that occur during an economic downturn.



## Top three drivers of reputation risk: past, present and future<sup>†</sup>

### Yesterday



### Today









### Tomorrow

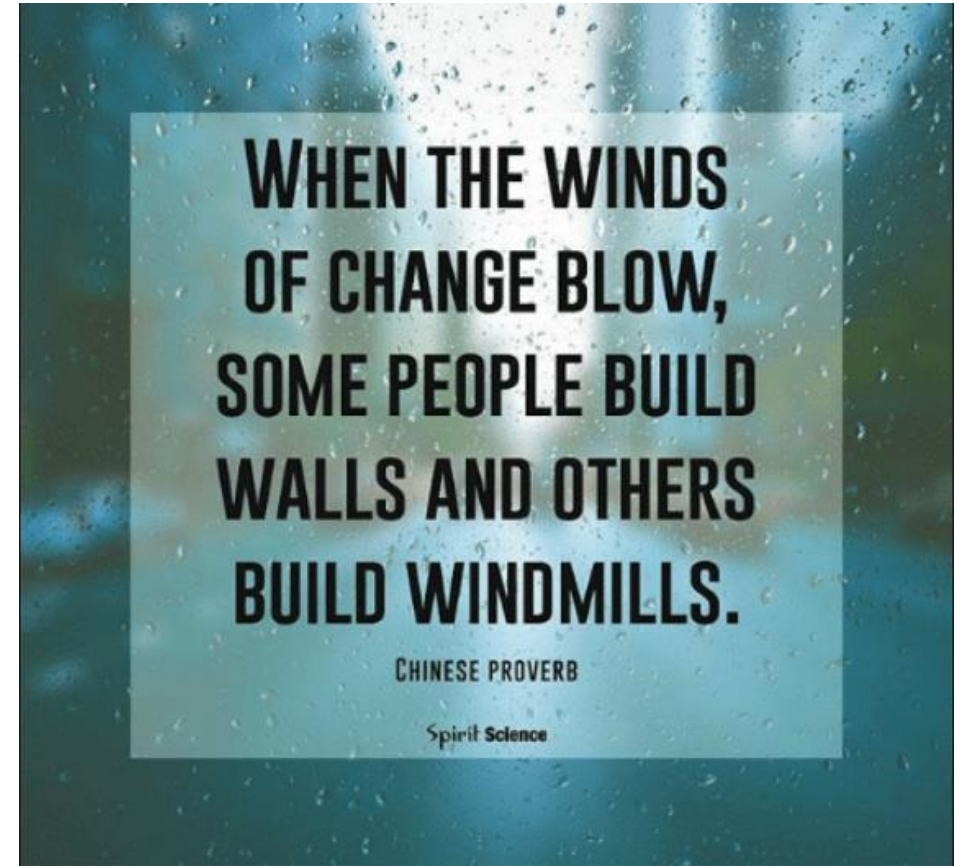


<sup>†</sup> Respondents could choose more than one answer; the top three are shown above.

# Key takeaways

## Our recommendations to manage during economic downturn

 <b>Set the Foundation</b>	<i>Create a resilient and agile organization that is prepared for volatile times</i>
 <b>Defend and Drive Revenue</b>	<i>Identify opportunities to improve top line growth</i>
 <b>Reduce and Manage Costs</b>	<i>Increase margin and operating profit to counteract impacts to revenue</i>
 <b>Optimize Assets, Liabilities, and Liquidity</b>	<i>Curate the portfolio of assets; strengthen the balance sheet; manage for cash</i>
 <b>Accelerate Digital</b>	<i>Use technology and data to enable growth, decrease costs, and evolve as an insights-driven organization</i>
 <b>Manage Expectations</b>	<i>Align and fulfill stakeholder expectations, and proactively address risks created by volatile conditions</i>





**Are you ready to thrive?**



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