

Director Briefing



“Facing uncertainty with confidence Staying competitive amid disruption”

Are you under pressure?

Are you well prepared for an ongoing economic downturn?

With rapid changes in both global and local levels in various fronts, companies are faced with difficult challenges that could create both promising opportunities and threats. Such challenges include emerging technologies, expansion to new businesses and geographies, new regulatory requirements, and work force capabilities.

To help directors navigate the Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) of such landscape, the IOD organized the first Director Briefing this year “Facing uncertainty with confidence: Staying competitive amid disruption” on 20 February 2020 at the IOD Member Space. Two renowned experts from Deloitte, Dr. Janson Yap, Executive Director, and Mr. Phansak Sethasthira, Partner, shared their insights on the matters with 36 Thai directors attending the special event.

Highlights of the briefing can be summarized as follow:

While disruption can pose risks in the short run, it can also provide good opportunities in the edium to long term for those who have insights, ability to understand the connections among relevant factors, and possess the capability to disrupt.

To prepare for the disruptive future, it is crucial to understand three megatrends and innovations.

- 1.Physical** - auto vehicles, 3D printing, robotics, AI new materials
- 2.Digital** - IoT,remote monitoring, Bitcoin, blockchain, technology-enabled platforms
- 3.Biologics** - innovation genetics, synthetic biology

Ongoing COVID -19 pandemic clearly demonstrates how disruption can come from unexpected basis and in VUCA world, strategic risks can derive from both external as well as internal and, in many cases, beyond control.

Prior to December last year, not many people would have thought that global supply chain will be disrupted early this year from deadly virus outbreak in China, initiated in Wuhan.

“We think at this point in time the crisis is not at the peak, there is still sometime to go. So from a supply chain perspective, I’ll try to think harder of what need to be in place, in contingency, in business continuity,” said Dr. Yap.

Consequently, the outbreak has created some serious implications on various industries all over the world. For examples;

- Big companies, including Apple and Tesla, are looking to alternative suppliers because operation suspension in China.
- Hotels waived fees, Theme parks closed.
- Retail stores such as IKEA, Swatch, Uniqlo closed stores
- In Thailand, monthly Chinese tourists plunged 90% from nearly a million to less than a hundred thousand in February 2020.

In order to cope with economic downturn and gain competitive edge, it is crucial that directors ask themselves questions such as:

- 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?
- 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?

To help private companies stay competitive in the disruption era and face uncertainties with confidence, Deloitte laid out six recommendations as follow:

1. 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.

2. 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.

3. 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 operating model configuration, SG&A cost reduction, delivery services optimization, automation opportunities assessment, and vendor / contract review.

4. Optimize assets, liabilities and liquidity - Curate the portfolio of assets; strengthen the balance sheet; manage for cash

Performing options analysis can help to decide on the optimal strategy (fix, sell or close). 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.

5. 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. Such changes could lead to lower costs, improving organizational agility, attracting new customers.

6. Manage expectations - Align and fulfill stakeholder expectations, and proactively address risks created by volatile condition

Economic volatility will lead boards to request new and enhanced reporting on the Company's position and outlook. 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.