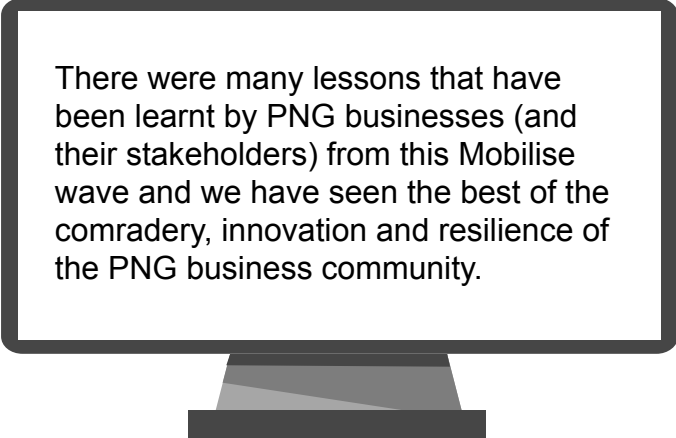


Let's chat

The way forward for SMEs in PNG: Stabilise and strategise



There were many lessons that have been learnt by PNG businesses (and their stakeholders) from this Mobilise wave and we have seen the best of the comradery, innovation and resilience of the PNG business community.

Following a nationwide State of Emergency (SOE) earlier this year, we've recently seen Port Moresby placed under a two-week lockdown to prevent the spread of COVID-19. This lockdown came at a time for PNG's businesses where we have seen them shifting from the Mobilise wave to the Stabilise wave of crisis response (and in some cases they are already starting to think about entering the Strategise wave) as a consequence of the restrictions related to COVID-19.


The Mobilise wave has seen PNG businesses secure the safety of their workforce and establish a response structure to the pandemic. For all PNG businesses, this wave has seen a number of challenges being met and overcome. From our discussions with many business owners this phase resulted in employees being asked to stay home, work less hours, and agree to a reduction in remuneration for those lesser hours worked. There have also been many negotiations with suppliers, customers and bankers around securing the business' supply chain and financing, usually with compromises being made on deferring payments for products, rental payments and/or loan repayments.

There were many lessons that have been learnt by PNG businesses (and their stakeholders) from this Mobilise wave and we have seen the best of the comradery, innovation and resilience of the PNG business community. However, a point we raise with our clients is, having negotiated the SOE, now that we are facing prolonged uncertainty and an extension of further restrictions, how well placed is your business now to respond? Many employees may have already exhausted their leave entitlements and you can only continue not to receive cash or not pay your bills (or the bank) for so long? This provides the owner an opportunity to understand whether the business can put itself into a better position in the future.

The Stabilise wave requires business owners to develop tactical responses to the challenges of navigating the "new normal". This is arguably where most businesses find themselves now. The Strategise wave allows businesses to design a strategy for emerging stronger in the post pandemic PNG economy. So what should SMEs be doing to make their way forward?

In the current environment we suggest SMEs to focus on these four areas:

1. Create or review their strategic plan and communicate this with their team.
2. Exceed customer expectations.
3. Create a culture that encourages high performance and high value.
4. Review the structure of their businesses so it's easy to work in.



The Stabilise wave requires business owners to develop tactical responses to the challenges of navigating the "new normal".



Firstly, strategic planning is a process that helps an SME set the medium and longer term ambitions and goals for their business and determine the actions required to best achieve them.

In a PNG context, we know from our PwC PNG Family Business Survey for 2019 that only 22% of respondents had a costed, formalised and documented strategic plan. These businesses are mainly well established and at their growth or maturity stages of their lifecycle. If we were to survey SMEs in PNG we would expect this number to be much lower.

We suggest that the creation of the strategic plan is done in a brainstorming session involving both the owners and other senior management. The output does not need to be more than a page or two. We typically use a “strategy on a page” template, which sets out:

- The mission - Defining the business’ purpose
- The vision - Describing what the business wants to achieve
- The plan - Outlining the actions the business needs to take to achieve its ultimate goals.

Secondly, exceeding customer’s expectations

The first step in determining how to exceed a customer’s expectations is to ask the following questions:

Why should people buy my product or service? Who are my customers? What are my customers like? What makes my product or service stand out from my competitors?

Once this exercise is completed, a business should have a strong understanding of its products and market and can move onto the next step of creating an experience for its customers that meets or exceeds their expectations.

Understanding how to create a customer experience that meets or exceeds your customers’ expectations is important. According to a recent PwC report, Experience is everything: Here’s how to get it right - the key takeaways were:

- The price premium is real - and it’s big
 - The payoff for valued, great experiences are tangible: up to 16% on price plus increased loyalty. With 63% saying that they would share more information with a company that offers a great experience - and we all know the importance of information.
- Bad experience is driving customers away - fast
 - One in 3 consumers in the US would walk away from a brand they love after one bad experience. How high would it be in PNG?
- Companies need to get the must-do’s right
 - Speed, convenience, helpful employees and friendly service matter most, each hitting over 70% in importance to customers.
- The employee experience is the cornerstone, with up to 82% of respondents saying they want more human interaction. Perhaps this is a reaction against the increased use of online sales platforms!
- Give up generational fixation.
 - This means that while it has been difficult in categorising a Gen Z customer, as opposed to Gen X or Gen Y, what we do know is that speed and knowledge may be different as the expectation is “instant”. Convenience is also different, with it now being a seamless transition from tablet to smartphone to desktop to human being a baseline expectation.
- Experience is the strategy.
 - According to the survey, 54% of US consumers said customer experience at most companies needs improvement. Think about your last experience as a customer and reflect on whether or not that experience needed improvement. Is it an opportunity for you to try somewhere new for your next purchase? Now, how was your last customer’s interaction with your business? Do you even try and get any feedback?



Thirdly, create a culture that encourages high performance and high value

Creating a culture which encourages employees to perform at their best is a huge asset for a business. We recommend that you focus on finding, retaining and rewarding your people so that you create the right team to execute on your business' strategy and customer experience.

Here's how you can find, retain and reward your people:

1. Job description - help attract the right people for your business with a properly set out job description containing needed skills and experience.
2. Employee contract - make sure you've set out the clear terms of employment so that you will get the most from your employee.
3. Employee handbook - make sure your employees are clear on your culture, policies and expectations with a well defined handbook.
4. Employee statement - get started on the right foot with a clear employee statement on what you expect from your new hire.
5. Ongoing performance appraisal and development - recognise your most talented performers as well as identify areas where training or support could boost performance of all employees through regular performance appraisals and development planning.

Fourthly, structure your business so that it's easy to work in

Take a look at how your business operations are currently structured and determine whether it is "fit for purpose" for the next three, six or 12 months.

In determining whether it is fit for purpose we suggest you should:

1. Identify roles - Early on many SME owners wear many different hats - partly to reduce costs but also just to get the work done. Don't forget to review your own skillset to see if you need to bring someone in to fill any skills gap. If you forget to "fill the gap" you may have a hole which impacts your sales growth, capital raising or any other key component of your business.

2. Determining the hierarchy - Once you have identified the leaders in your organisation you will need to determine how you structure your teams and how you want them to interact. You can have large teams or small teams, but remember the link between your team, your organisational culture and your strategy.
3. Build your team - Remembering that you can't do everything yourself, you will need to hire at some point, and at some point you may need an internal Human Capital resource for your business or you can outsource this function. Our employees are key to driving customer experiences and organisational performance so doing this right is essential.
4. Establish a board and communicate with it - A board of directors or an advisory board can be one of your greatest assets, but communication is key - to start with this can be casual but frequent and should move to being more formal as the business develops. It is important that you choose a board that has experience to back up their advice and insights which can be helpful as well as provide you with a level of comfort.

Finally, don't forget the talent that professionals can bring.

Early on legal advisers are typically used for setting up and IP protection; however, don't forget other business advisers and bankers. An important aspect for engaging a professional is that they can build trust with you and aren't afraid of challenging your positions from time to time (unless you really do like being told that you are right all the time).

If you need further information, contact:

Jonathan Seeto
Managing Partner
jonathan.seeto@pwc.com

Stephen Beach
Entrepreneurial and Private Business Principal
stephen.beach@pwc.com

Michael Collins
Entrepreneurial and Private Business Director
michael.j.collins@pwc.com

