

Let's chat

Reset your costs and reshape your family business for growth after the COVID-19 crisis



As PNG adjusts to a new normal that accepts COVID-19 infection as an ongoing health risk until such time as a vaccine is developed, attention is becoming more focused on the devastating economic impacts and how the PNG economy as a whole, and individual businesses, can best recover. Most family business owners have already reacted to the initial impacts of reduced demand for their products and services, disruption of operations and supply chain, a tightening of cash flows and foreign currency and an uncertain and anxious workforce where key employees may be absent or working remotely. Astute business owners would have acted quickly to conserve cash and reduce costs.

PwC's May 2020 global survey of 871 CFOs underscores that sentiment: 81% are planning cost-containment measures in response to the COVID-19 crisis. However past recessions have shown us that it is not usually those who have cut the fastest and deepest who emerge the strongest. To emerge stronger, business leaders need to revisit their strategic priorities, focus on how they can add the most value and motivate their people to come along with them into a new way of operating.



So whilst cost cutting is important, it is not enough on its own, and if poorly focused could be detrimental to your longer term business survival and growth. Business leaders should therefore focus more on redirecting costs towards those areas of the business that have the greatest potential for adding value to your business and making you stand out from your competitors - whether it be new or enhanced products or services, new ways of delivering those goods and services or from more efficient and effective operations. The traditional operating model is likely to change - for example, remote and flexible working will become an ongoing part of worklife, we will see increased use of technology for automation and collaboration and management structures are likely to become leaner.

Let's take a closer look at the three key action points.

Revisit strategic priorities

The market you operate in, and customer preferences, are always changing, but this effect is accelerated by a crisis, such as the COVID-19 pandemic. The short and medium term economic horizon is potentially volatile and ambiguous. This means that your existing strategies and priorities may no longer be appropriate and what differentiated you before the pandemic may no longer be sufficient.





You need to consider the impact of changes in customer preferences, expectations on face to face contact and increased digital interaction on what you do and how you do it. The new workforce will need to be more flexible, autonomous and adaptable, which may require significant investment in training your people or bringing in new skills. The new Coral Sea Cable and Kumul Submarine cable will make e-commerce and cloud based applications faster and cheaper and facilitate more remote and flexible working.

So family business leaders in PNG should be asking themselves the following questions:

1. What changes are happening in the PNG market and our specific industry sector and how will these trends and disruptors be accelerated by the COVID-19 crisis and increased technological change?
2. What value propositions are now looking more attractive in a post-COVID world?
3. Where can we develop a competitive advantage so that we can deliver on these value propositions better than our competitors or potential new entrants?
4. How can we better invest our funds or redirect costs to these value-creating strategies?

Look for what's different across the value chain to reset your cost structure

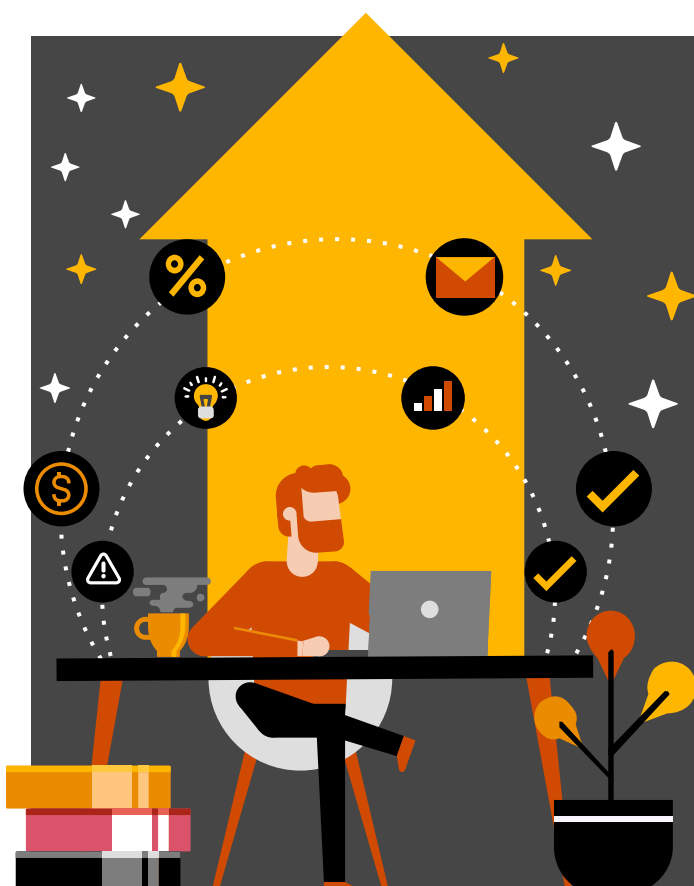
The PNG economy has generally been stagnant for a number of years since the end of the construction phase of the PNG LNG project and many businesses have already been through a number of cost reviews and restructures. So, whilst the initial reaction to the COVID-19 downturn and disruption may have been to try and cut costs across the board, many businesses have already been running "lean and mean", with limited options for further cost savings that do not damage the ability of the business to recover.

So now is the time for business to keep in mind what has changed for good and where it may now be opportune to invest for future growth across the value chain. Some decisions may be no-regrets moves that would have eventually become necessary anyway and have just been accelerated, whilst others may be big-bet decisions that can provide high returns under your forecast scenario.

Here are just a few examples:

No-regrets moves

- Analyse your customer base, product/SKU range and service lines and prune those that are showing uncommercial returns for the time and investment required.
- Accelerate the automation of service operations and manual processes.
- Build in more resilience and diversity in supply chains to reduce risk from key suppliers.
- Upgrade your operational, financial and IT infrastructure systems to take advantage of new digital technologies and capabilities and facilitate collaborative remote working.
- Upskill your employees to work in new ways and with new technologies and redeploy under-utilised staff to new high-demand or high value adding areas.
- Review your workforce arrangements to determine the most appropriate mix of full-time, part time and contract workers, and the related reward and benefit structure, to meet the needs of the new business model.



Strategic bets

- Divest products, services and delivery mechanisms that no longer fit your strategic business model of the future and invest in the new technologies, innovation and skills that will be necessary to meet the expected new demand patterns.
- Reset your sales force and customer engagement capabilities.
- Develop flexible supply, production and logistics networks.
- Invest in the digitalisation of customer service.
- Reassess your requirements for real estate occupancy.
- Invest in end to end process improvement and digitalisation.
- Update your talent management and leadership development to build the workforce of tomorrow.

Motivate your people into the new way of working

Disruption accelerates change and forces people to become more adaptable. Whilst the initial periods of remote working or reduced hours caused increased anxiety and fear about the future, more recent surveys are telling us that people have actually now adapted well to working from home and are embracing the new technologies that have facilitated it. More time spent with families, taking the children to school and less time wasted on commuting to work are now seen as significant benefits to employee wellbeing and productivity. So in many cities it is actually likely to be a challenge to get everyone willingly back into the office. This may be less of an issue for PNG; however no one should assume that the workplace will go back to exactly how it was before (especially with a large number of managers in PNG businesses not being physically present during this time).

The workforce challenges have also seen some teams at their best - connecting with stakeholders more frequently, sharing information more readily, making timely decisions and getting things done despite the obstacles.

We have noted changed behaviours in a number of areas:

- teams being given more autonomy to solve problems
- greater collaboration across normal hierarchies and functions
- showing more empathy, expressing gratitude and caring for others
- placing greater value on new learning
- being more accountable for actions
- increased tolerance of imperfection.

It is therefore important for family business owners and managers to acknowledge that there's no going back to what was. How things will work out in the future remains unknown and fluid and your people will need help to adapt quickly and become used to frequent transitions. You can help by providing them more opportunities to learn new skills, solve new problems and become more resilient to future change. Taking these steps now offers an opportunity for you to lead your business forward toward a future where your company stays fit for growth.

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