

How do you reframe for growth in a volatile environment? (2)



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(CONTINUED FROM PREVIOUS EDITION)

Chapter 2

How will the next business cycle - the beyond - differ from previous growth cycles?

Success in the next growth cycle will be defined by leaders' approach to health, connectivity, relationships, ingenuity and accountability.

We don't yet know exactly what the next business cycle will look like, but we do know that there is no reverse gear taking us back to the economy of pre-COVID-19. The pandemic has changed people's priorities, experiences and expectations. Changes that were already in play before the pandemic have accelerated and deepened. The EY Megatrends report analyses a number of these changes in depth and highlights how longer-term trends around how we live, work and consume have become increasingly relevant to how businesses operate today. In an instant, many of us have been compelled to adopt remote work, virtual learning and online shopping - a consumer habit that may have been truly born in January 2020. E-commerce was clearly a major discipline and growing trend long before the pandemic, but it's rocketed with COVID-19, and companies that were not equipped to utilize omnichannel routes to market have not survived.

In the first six months of 2020, consumers spent US\$347.26b online with U.S. retailers, up 30.1% from US\$266.84b for the same period in 2019, according to the latest Digital Commerce 360 analysis of U.S. Department of Commerce data.⁵ Comparatively, ecommerce sales during the first half of 2019 grew just 12.7% year-on-year.

In a number of spheres - the environment, public health and the digital world - we expect there to be lasting change. As executives form strategies for future growth, they need to think through which elements of their business model are still relevant for this new future and which need to transform. To help focus on these possible areas of change, EY teams have developed a five-dimension lens - the EY Lens for Better - through which organizations can see ahead and plan for what might lie beyond the pandemic's immediate impact.

The Lens for Better

Across all sectors, the EY Lens for Better helps executives to consider:

1. **Better health:** the need for a heightened focus on public health, sustainability and environmental solutions.

2. **Better connectivity:** the need to accelerate digital and technological transformation - spanning everything from virtual connectivity to automation and an AI-enabled workforce.
3. **Better relationships:** the need to re-imagine relationships at both a global and hyper-local level.
4. **Better ingenuity:** the need to foster further innovation and create even more sustainable, flexible and profitable business solutions.
5. **Better accountability:** the need to find the correct balance between financial, operational and commercial decision-making with a purpose-driven strategic focus on creating long-term value for all stakeholder groups.

Chapter 3

What can leaders do now to be ready for growth?

Five immediate actions can help boost resiliency and agility so that businesses are ready for transformation and growth.

In addition to prioritizing future investment through the EY Lens for Better, companies need to be fit and ready right now in order to ride the upcoming recovery wave. They need to be financially agile with a low and flexible cost base, able to withstand sudden shifts in demand as the saw-tooth shaped recovery continues. Leaders need to think carefully about what talent they need for the new challenges ahead. They need to ensure every member of the workforce is equipped to understand and implement rapid digitalization.

Amid the uncertainty, here are five safe steps that companies should take and that are unlikely to move down the decision maker's agenda any time soon.

1. Prioritize resiliency and achieve a genuinely lower, more agile cost base, a more flexible workforce and a lighter, re-prioritized portfolio focusing in on key functions, while smartly outsourcing others.
2. Launch a second wave of digitalization, from automating administrative processes to enhancing the digital customer experience to create the full digital enterprise. In Financial Services, 28% of consumers globally say they will no longer visit physical bank branches and over half (56%) plan to make greater use of mobile and internet banking after COVID-19.
3. Enhance cyber security measures. According to a study by cloud computing firm, Iomart, the first quarter of 2020 saw a 273% increase in data breaches compared to the same time last year. Increases in online banking, ecommerce and remote working have all resulted in soaring cybercrime.

First quarter of 2020

273%

increase in data breaches compared to the same time last year.

4. Re-consider the supply chain in terms of risk, social and environmental impact; balancing efficiency with responsibility and moving from linear supply chains to integrated ecosystems and networks. Consumers are accelerating this drive toward greater transparency with 90% globally agreeing that guarantee of origin is an important criterion in making a purchase decision.
5. Re-imagine work, while ensuring employee connectivity in an increasingly digital, virtual, gig-based context. In a recent EY Parthenon survey, 48% of people globally say they will increase the amount of time they work from home.

Transforming for long-term value

There will, however, also be the need to re-assess the very foundations of the organization, due to behavioural changes and trends:

- ▶ Is the company's purpose still relevant and credible?
- ▶ Is the strategy fit for that purpose?
- ▶ Does the operating model support the strategy? Does the company have the right asset footprint and portfolio prioritization?

In the new post-pandemic environment, the world is entering a period in which long-held assumptions and benchmarks may become redundant. New thinking will be required.

While the need to transform requires an ability to focus on short, mid and long-term drivers of change, the ultimate lens of executives must be focused on creating sustainable, long-term value. The long era of focusing exclusively on efficiency must now to be complemented by stronger responsibility considerations, emphasizing long-term value over short-term wins.

"Success continues to be defined more widely. Companies are driving broad-based prosperity by creating value for shareholders, customers, employees and society alike."

Andrea Guerzoni
EY Global Vice Chair, Strategy and Transactions

In the phase beyond COVID-19, capital and talent are likely to shift from companies that only create quarterly profits for their shareholders to those that create value in the long-term, across a broader group of stakeholders, including employees, consumers, and society at large, as well as shareholders.

Executives that authentically anchor their approach in long-term value terms with meaningful purpose are best positioned to benefit from, demonstrate, and measure the value they create.

Code red: this isn't a fire drill

For executives facing these shifts and dislocations, this is not a practice run. Decisions on transformation can no longer be delayed or deferred, as they may have been in the pre-COVID-19 era. Executives planning their recovery must push further than just mere tinkering with issues thrown up by COVID-19 if they are to remain relevant.

But it's not all doom and gloom. This is an opportunity to reset, reimagine and reinvent that leaders should embrace with total commitment. The stakes and the rewards are high for those who win the battle for the beyond.

Summary

To reposition themselves for growth in the upcoming recovery, business must evaluate which currently disruptive changes are temporary and which will be permanent, and then transform to thrive in the altered environment of the post-pandemic world. To do that they should use the EY Lens for Better to prioritize their immediate transformation focus, while keeping in mind that businesses which demonstrate a commitment to realizing long-term value for all stakeholders will still be best placed for future success. ■

Leading through the pandemic

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