The CEO Imperative: Through relentless disruption, how can you stay the course? (PART 1)

ISAAC SARPONG: Isaac is the Partner in charge of Tax Services. He has over 26 years' experience in the provision of multi-faceted advice to both local and international clients in taxation, accountancy, audit & assurance, and corporate law, among others. Isaac is a Chartered Accountant, a Chartered Tax Practitioner and a Lawyer.

Ever more frequent shocks are reshaping the globe and our economy. Companies must plan for a more local, sustainable and digital world.

In brief

- Recurring disruption requires increased resiliency, with business decisions based on commercial and financial criteria, environmental values, and geopolitics.
- The global economic recovery is facing setbacks as energy costs rise, supply chains are reconfigured, cyber threats grow and sustainability efforts slow.
- As long-term trends accelerate, companies need flexible business models that can help solve societal challenges while weathering economic shocks.

The war in Ukraine marks a devastating shift across the worlds of society, geopolitics and business - they will not be the same for a long time. Yet the war is only the latest in an increasing number of unexpected disruptions impacting the global economy, and it won't be the last.

Over the past 15 years, successive economic and geopolitical crises have quickly sent shockwaves throughout the world, affecting every country, economy, trading relationship and business operation. Amid continuing uncertainty around how the war in Ukraine may end – or escalate – business leaders are faced with the challenges of navigating in the dark, accelerating already urgent transformation plans, and building resilience for impacts that may yet strike.

Many of the challenges businesses are facing now echo what has transpired throughout the COVID-19 pandemic, from the initial uncertainty and initiatives to keep employees safe, to new ways of working and navigating broken supply chains.

With the war in Ukraine, much of the focus naturally has been on managing the immediate impact: making sure that people and operations are as safe as possible; resetting, exiting or idling operations in Russia and Ukraine; navigating sanctions; securing immediate resources; circumventing breaks in the supply chains; and supporting refugees and others immediately impacted by the war. And while solidarity and crisis management will continue to be urgent necessities for however long the war lasts, leaders must start to develop strategies for the midterm – and they must act fast.

The COVID-19 pandemic fast-tracked many transformations already in play. The need for resilience and agility, digitalization, hybrid working, supply chain diversification and sustainability were all in company plans before March 2020, but the pandemic served as a catalyst for business agendas.

The war in Ukraine has further compounded impacts still playing out from the pandemic, and the transformation timescale continues to compress. What would have happened in 7 to 10 years, under a "business as usual" trajectory, is now happening in 7 to 10 months. The pressure on leaders to act has never been so great or urgent, just as the data informing those decisions are increasingly volatile.

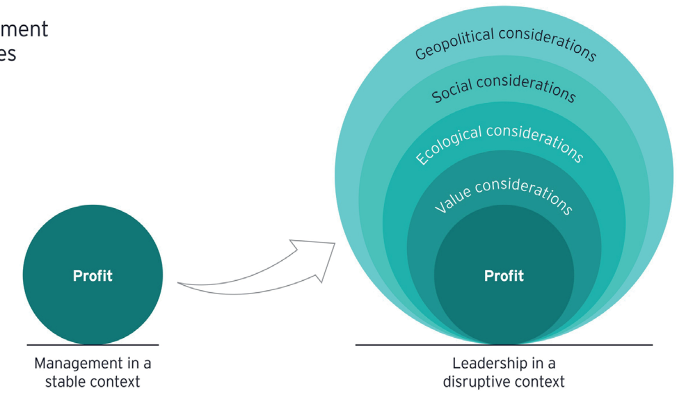
To help predict how the war in Ukraine will impact the future, geostrategic modelling has focused on different scenarios, from the optimistic near-term negotiated ending to a hot war with NATO. While we all hope for an end to the war, no one knows which possibility will play out, and few of us have the power to influence the outcome.

Instead, we can assume disruption is here to stay, and some form of protracted "cold war" that may reshape the geopolitical landscape is probable. Some consequences of the war – sanctions and counter-sanctions, commodity and energy shortages and price increases, inflation, supply chain fractures, changes in investor and consumer sentiment – will not disappear quickly.

As part of the CEO Imperative Series, which addresses critical issues and actions to help CEOs reframe the future of their organizations, this article explores the compound effects of cumulative, or snowballing, disruptions by outlining key macroeconomic shifts and their impact on supply chains, sustainability, and digitalization and cybersecurity.

From management to leadership

In times of disruption, management alone will not suffice: executives need to provide leadership.



Chapter 1

Will the global economic recovery be derailed?

Rising inflation, higher energy prices and volatile financial markets – aggravated by war – are responsible for regional setbacks

While it seems probable that some economies will be very severely affected by the war in Ukraine, the short-term global drag on post-pandemic recovery is expected to level out at around 0.4 percentage points, pushing GDP growth toward 3.5% in 2022. Should the war intensify and spread, then impacts would be on a much greater scale, presenting a real risk of global recession.

Key headwinds that flow directly from the war include:

- Higher commodity prices, especially energy, metals, and some food and agricultural products
- Tightening fiscal conditions and intermediation stress, including capital outflows
- Increasing trade and supply chain disruptions
- Lower private sector confidence

These disruptions are intensified because they have emerged against a particularly sensitive backdrop featuring the highest inflation levels experienced in over two decades, elevated energy prices, strained supply chains and volatile financial markets. Central banks were already on a steep trajectory of setting higher interest rates before the war in Ukraine, but these rates are now expected to reach even higher levels as efforts to curb inflation increase.■

(CONTINUED IN NEXT EDITION)

LEADING THROUGH DISRUPTIONS

Our purpose is building a better working world. It starts with better questions. The better the question. The better the answer. The better the world works. The EY Lens for Better cuts through complexities to reframe business and drive durable change for better. For access, please send an email to **isaac.sarpong@gh.ey.com** and copy in **kofi.akuoko@gh.ey.com**

Frequent global shocks signal the beginning of an era of disruptions

Large-scale disruptions to the global economy are occurring much more often.