

The CEO Imperative: Through relentless disruption, how can you stay the course? (PART 5)



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

(CONTINUED FROM PREVIOUS EDITION)

Not all companies have ignored these increasing threats: according to Gartner, worldwide security and risk management spending in 2021 exceeded \$150b, 12.4% more than the previous year. As Internet of Things (IoT) devices scale and more and more business operations are fully digitalized, global spending on cybersecurity products and services are forecast to reach \$1.75t cumulatively in the five-year period to 2025.

Last-minute fixes will not protect the critical infrastructure of companies or nations. A sustained, long-term strategic investment plan is needed, which can include:

- ▶ Embedding zero-trust architecture into digital systems
- ▶ Instigating good security hygiene protocols
- ▶ Ensuring that geopolitical risk assessments, physical security and cybersecurity work together
- ▶ Building relationship networks proactively to strengthen cyber defenses

Chapter 5

Doing business in an era of disruption

Strategic priorities need to shift from profit-focused efficiency to values-driven, sustainable performance and resilience.

The disruptive events of the past often have had short-term business impacts as leaders seek to return to a state of normalcy. However, we are now in an era of cumulative and extreme disruption that should more sustainably change future decision-making. For example, some immediate consequences of the war in Ukraine could be medium- to long-term – sanctions and counter-sanctions, commodity shortages, supply chain disruption – so companies need to factor them in as part of their agenda.

Long-term trends already in play before both COVID-19 and the war in Ukraine are accelerating: digitalization, changing consumer and employee expectations, and a pendulum swing back toward regionalization from globalization as we've known it. Leaders need to plan accordingly without getting stuck in the minutiae of the current moment.

The likely general redesign of business priorities from extreme efficiency and short-term profit to sustainable performance, resilience and values affects strategic priorities. It may become more important to build a sustainable, flexible but strong business model that is fit to contribute to the solution of big societal and environmental challenges as well as to sustain shocks and disruptions than to maximize short-term gains. Business leaders should focus on three key areas: operational concerns, resilience and leadership.

Operational concerns

1. Monitor the situation and plan in scenarios

Conditions remain extremely volatile, so planning in scenarios is crucial to be prepared for possible outcomes. Depending on the length of the war in Ukraine, how and when COVID-19 transitions from pandemic to endemic, and other geopolitical factors, the outlook can change drastically.

2. Reset the supply chain

Given the multitude of disruptive influences, the shape of globalization will change. Markets, production locations and supply chains have been affected, as well as networks and relationships to stakeholders. Sanctions and countersanctions; corporate policies; regulatory influences; ESG considerations; and the sentiments of consumers, investors and financiers have to be factored into a new globalized model. Supply chain footprints will have to be adapted, and primary and alternative sourcing will have to respect financial, commercial, ESG and geopolitical considerations.

3. Elevate ESG to the level of financial goals and end the era of compliance

Sustainability is no longer a burden – it's a differentiator that is highly relevant for employees, investors, clients, consumers and many more stakeholders.

Businesses cannot pursue profit with just compliance in mind. Leaders need to place commercial, social and ecological targets on the same level and work toward them in parallel. Companies with a strong sense of responsibility for all stakeholders need three things to come together: corporate policy with sustainable objectives, regulatory incentives and sanctions, and personal motivation.

Resilience

1. Make your company fully digital and cyber safe

Businesses that had widely implemented digital solutions on the production floors, in the back office and in relation to their clients have proved to be more resilient than others. Connectivity and transparency are often more easily achieved in periods of extreme disruption, so now is the time to act. The foreseeable transformation that companies will have to undertake, and the transparency needed in that context, make this even more important.

2. Manage performance and build resilience

Companies can only contribute to solving big social and environmental challenges while pursuing their long-term strategy if they continue to generate results. This will be challenging in a period of extreme disruption and the resulting transformation. Success will need to be redefined as social and environmental values find their way onto the scorecard – and not only as compliance aspects.

Leadership

1. Listen and make yourself heard

This is a time for an intense dialogue with clients, consumers, existing and future employees, investors, industry colleagues and other stakeholders. They all have to navigate in the dark, and we can get smarter together. It is also a time for an intense exchange with politicians, as they will have to provide the regulatory environment for necessary changes and depend on your input.

2. Pivot from management to leadership

Crisis management is as necessary as it is reactive. A proactive approach is needed to shape the company's future and its contribution to society. While optimizing the allocation of resources works best under stable circumstances, disruption makes that impossible. It's time to move away from task-based management and focus leadership on an overarching agenda. However, as important as it is to develop a more sustainable strategy, it remains important to show solidarity, have an opinion and voice it in a period of incredible hardship and suffering for many.

Summary

Disruptions are no longer discrete events – crises to be managed and moved past. They have become so frequent that their business impact is now cumulative, with effects felt throughout the global economy and society as a whole. In this era of disruption, leadership requires a proactive focus on values and sustainability that can better weather the shocks of geopolitical tension, climate change, supply chain disruption and cyber threats.

LEADING THROUGH DISRUPTIONS

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