



MYANMAR INSTITUTE OF DIRECTORS

## **HOW COMPANIES CAN PREPARE FOR CRISES TIMES: *The Way Ahead***



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Myanmar is a country that is going through a significant economic, political, and social transformation, and especially exposed to systematic risk related to political instability and natural disasters. Many multi-national corporations are investing and setting up their operations to explore a potential last frontier market for expanding their businesses. Similarly, Micro, Small & Medium Enterprise (MSME) are also booming upstage and gearing up to embrace the unprecedented opportunities and introducing strategic initiatives for growth. While companies and MSME operating here are already operating under demanding conditions, thinking in risk-related extreme scenarios can also reveal not thought-of business opportunities and spur innovation. However, challenges remain in the areas of Risk Management, Crisis Management, and Corporate Governance.

## ENCOURAGE A RISK-THINKING CULTURE

Whether you have to concentrate on recent and current events, you become aware that a crisis can strike any kind of business at any time, without giving time and notice for thinking what happen to you and your business. No one knows when or if events like the Nargis Cyclone Strike, Giri Cyclone Strike, and current COVID-19 Pandemic occur.

The COVID-19 pandemic revealed something crucial: a company is only as stable as the ongoing operations it has. While top management and boards carry the responsibility for the entire organization and investments made, it is the operations team that is working daily on the ground and has fist-hand experiences about operations and what could disrupt those.

Empowering employees is the process of instilling motivation and self-efficacy in employees to eliminate employee helplessness, and therefore a strong tool to mitigate risk. Empowered employees feel a higher responsibility towards their work and have a higher awareness of potential risks outside of crisis times. This mind-set not only prevents risks from happening, but also

increases product and service quality, and therewith market competitiveness.

A famous example is the engagement system from Toyota, called “Total Participation & Employee Engagement System” that builds around the concept of conscientious manufacturing. Starting in 1951, Toyota started to award independent thinking of workers on lower hierarchical levels that come up with improvement ideas and encourage creative participation, as well as lower fear of communicating new ideas or inefficiencies.

In an externally inflicted crisis, such as the COVID-19 pandemic, a risk-thinking culture has the benefit that employees are already sensitized about efficiency and know latent risks inheriting their department, warehouse, or production line. They can notify their supervisors more reliably and quickly about which impact a disruption will have on their work field. In times of under-digitalization of companies in Myanmar, risk-aware employees proved to be more efficient and faster responders than data analysts which fight with delayed and incomplete data sets.



## CONSTANTLY CONSIDERING ALTERNATIVES

Intel's co-founder Andrew Grove once said, "Only the paranoid survives." The meaning behind this message is that business leaders should have a sense about abrupt change and think about alternative business scenarios, especially worst-cases. "What if we suddenly lose our biggest customer?", "What if my operating license is revoked?", or "What if my staff can't come to work anymore."

To mitigate such risks, companies are well-advised to keep a close connection to alternative suppliers and have a supplier-tier-structure. Tier-1 suppliers provide most of the supplies, but Tier-2 and Tier-3 suppliers are also integrated into the procurement process. This allows the companies to have a constant overview of market prices and market participants, and decreases switching-processes in case a supplier breaks off.

On the demand-side, companies should identify what their core competency is, and how they could apply their knowledge, human resources, and assets in different industries. 30.8% of Myanmar exports are garment products that were produced locally. With the current machines and experienced workforce in place, producing companies had the opportunity to adjust their production line to face masks and respond to the global face mask shortage at the beginning of COVID-19.

In a similar fashion LVMH, the parent company of Luis Vuitton and Christian Dior, changed their production from luxurious baby clothes to non-surgical face masks and other protective gear.

This kind of flexibility does require a stable infrastructure, especially on the ICT side, and trained personal that understands how to use the infrastructure in different scenarios. Production metrics can then be re-calculated timely, and an adoption of a new business model can satisfy a market-demand utilising existing assets and human resources which would stand still otherwise.



## THE ROLE OF THE BOARD SECRETARY

Per definition, the board of directors is responsible to keep a bird's eye view over the company, while the management and operations team works on the ground focusing on day-to-day operations. Board members have a key role in identifying systematic risk-potentials and come up with innovative solutions to avoid risk or mitigate its impact. This includes suggesting employee-empowering policies and effective monitoring systems.

A key role in this context plays the board secretary. A secretary's duty is to prepare and deliver essential information so that the board can make educated decisions. The secretary needs to understand how the company operates on different hierarchical levels, and how strategic advises by the board are translated into managerial actions that fit the organisation. It is a position that links between the strategic-thinking board, and the operational-thinking management team.

Specifically in a crisis time, the board secretary is a crucial element connecting all units with the capacity to interpret current reports and data, and communicate to which degree the numbers represent the current situation of the company and the mood on the ground.

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