Retain and rebuild to brave the storm

Raj Kumar Paramanathan, Managing Partner, IRC Malaysia & Thailand | May 7, 2020

If there’s anything we’ve learned from crises since the Great Depression, it’s that companies that choose to transform and innovate are those that will continue to thrive and grow. A study by the Boston Consulting Group (BCG) showed that companies that invested significantly in innovation delivered 4% higher shareholder value when the economy recovered from 2007 – 2012.

While the natural response of every leader is to take rapid action that’s crucial for survival as well as defend the financial position of the business, each crisis is also an opportunity to occupy new positions and build new advantages. This transformative approach requires leaders to conduct a strategic review of competitors, customers and regulatory issues, reorient investments towards newly identified opportunities and build resilience through the reinvention of the operating model.

Such a transformative approach with a focus on agility and innovation will deliver growth, which in turn will increase value for shareholders, employees and society in the long term. When a leader confronts a crisis with drastic action, cost-cutting and a cautious mindset, the mindset and behaviour will become inherent in the culture of the company, resulting in the stifling of a growth and innovation mindset.
Whatever may unfold, leaders have to find a balance between rebuilding and retaining the critical current workforce and skillfully reducing reliance on large resources that place a strain on company finances.

**Hiring is still a business priority**

While employee layoffs and recruitment freezes are unavoidable, boards will reexamine their C-suite executives’ capabilities to manage existential threats. IRC Global Executive Search Partners (IRC) offices worldwide reported continued hiring activities in the private and public sectors as well as non-government organisations from February to April 2020. The hiring requirements are focused on continuing pre-pandemic digital innovation, business transformation, scalability of business and sustainability. While hiring remains a business priority, Malcolm Duncan of IRC Australia (The Insight Group) shared that the interview and selection process has shifted to virtual platforms. IRC Australia has added additional assessments and tests to increase the rigour of the selection process. They are now preparing to facilitate the onboarding process with clients on suitable virtual platforms.

**Accelerating remote working concepts**

The global lockdown that forced employees to work from home was a real test for business vulnerability and readiness for future shocks.

Vishnu Nair of IRC New Zealand (Ichor Leadership Search) reflects that “we could potentially see IT firms undertake a rapid expansion of their resources as they are
increasingly called upon by clients to support virtual working environments across multiple sectors”.

Tracy Dawson of IRC South Africa (Jack Hammer) agrees with this and notes that there is a rising demand for roles in the IT Infrastructure, Security and Transformation areas. According to Tracy, preparing for a remote workforce has accelerated many businesses’ change imperatives. “Working-from-home requires robust information security and infrastructure availability and places additional demands on workplace behaviour, challenging traditional mindsets and ways of working”.

Innovation in production and manufacturing

Plummeting oil prices, supply chain bottlenecks caused by lockdowns and closing of borders, and the slowdown in spending pose a significant threat to the global manufacturing sector. Companies that have begun investments in automation technologies will re-evaluate and accelerate the pace of progress across selected plants worldwide. According to Mathias Friedrichs, Managing Partner at IRC Germany (Friedrichs & Partner) clients in the packaging, cleaning and hygiene, and paper manufacturing sectors continue to hire for development roles that are critical to drive and accelerate plant automation and manufacturing innovation. Rita Kaufmann-Linke, Managing Partner at IRC Austria (Kaufmann-Linke HR Solutions), shared with us that critical system sectors such as food, packaging and pharmaceuticals are continuing with the hiring of C-suite and key roles in Sales, Operations, Health and Safety and Supply Chain.
Monicca Yan, Managing Partner at IRC China and Singapore (HR Partners), said that companies are regaining their confidence in China, the first country hit by the pandemic and also the first to overcome it. Our clients in the factory automation space have seen a sharp increase in demand in March 2020. Leaders have been put to the test, in times such as these – supply chain disruption due to lockdowns in certain countries (or cities) affected many industries, including critical medical equipment and agriculture production. This has caused companies to re-examine their whole supply chain and assess the durability of their back-up or contingency plans.

**Business and financial strategy**

As the dawn breaks after the crisis, companies that have grasped a good sense of the competitor, customer and regulatory landscape will continue to stay ahead of the competition. This is also an opportunity to take new positions as new demands emerge due to changing consumer behaviours and preferences and as weaker players leave the market. Raj Kumar Paramanathan from IRC Malaysia & Thailand (CnetG Asia) said companies with healthy cash positions will restructure and accelerate investments into key pockets of businesses that will yield long-term profit and value.

The role of the CFO will continue to evolve and become more cross-functional as they play a proactive role in driving transformation and influence change in the company. Besides steering the company’s financials into a safe position, the CFO will need to build scenario planning that includes the different eventualities as a result of the pandemic, take into consideration evolving global or regional trade regulations, tariff cost strategy, impact on supply chain and other new denominators.
Anders Jorgensen, Managing Partner of IRC Denmark (People Executive), is currently advising a client who is looking for a CFO and CSO to build scalability for the business. Anders shared with us that there is also continuous focus on beefing up operational effectiveness and business sustainability, and his team is working on roles that oversee the strengthening of the client’s business operations. Richard Boot, Chairman of IRC UK, reported that they have seen a rise in risk and compliance roles in regulated industries.

**Another look at the global supply chain**

In the last decade, growing globalisation and optimisation of the supply chain delivered higher profit margins, better asset utilisation and lower costs through an interconnected world. Today, one broken link in a multi-stage global supply chain could cause an immediate ripple effect across all links, threatening the very concept of globalisation. Just months before the pandemic, the global supply chain was navigating the effects of the US-China trade war, geopolitical changes and dampening economic environment.

C-suite executives with vast experience in managing past crises, a good understanding of global supply and distribution networks and regulatory challenges will be in demand. Astute CEOs and Supply Chain experts could tap significant gains by focusing on alternative global supply chain strategies to increase its resilience and long-term sustainability.
Audit, risk and compliance

The pandemic that raged through every nook and cranny of the world challenged the adaptability and resilience of each business. It was a rare and unexpected opportunity for a dry run of their sustainable agenda.

As businesses show vulnerability during major shocks, be it the oil and gas crisis, economic, financial crisis or COVID-19, boards will be paying more attention to risk management, governance and controls with a heightened focus on sustainability and business continuity.

In the last three recessions, we experienced demand for internal audit experts with an emphasis on leadership skills and executive presence. In order for internal auditors to be effective, they need to be assertive and possess composure, courage and confidence. The key priority traits include someone who has broad business knowledge, bold perspectives, the courage to engage in difficult conversations and the ability to accurately inform, educate, influence and earn the trust of stakeholders.

PWC’s 2019 Global Risk, Internal Audit and Compliance Survey Auditors investigated digital strategies and business risks that internal auditors need to embrace. The report highlighted the need for companies to hire talents with a combination of strong business acumen to earn the credibility to earn a seat at the table and with data capabilities to look into digital and data governance as an extension of the function.
According to Ayman Emam, Partner at IRC Egypt (Aspire HR Consultants) who is currently leading the restructuring of a Fintech business owned by the Central Bank of Egypt and four of Egypt's largest banks, “there is a greater appreciation of risk and governance in the business, particularly to look at technology and commercial. Ayman has recently assisted that company in placing the C-suite executives in risk and compliance, information security and internal audit.”

Public sector and non-governmental organisations

IRC consultants in New Zealand, Australian and South Africa are reportedly working on the search for C-suite executives for several government agencies, a philanthropy foundation and a non-governmental organisation for global public infrastructure projects. Most of these searches are for a succession of long-serving chief executives as it is necessary to have continuous engagement with key policymakers and private sector leaders. Also, fundraising will be an even more urgent theme for NGOs during these challenging times. “Finding leaders and experts who can drive this process will be essential”, Malcolm Duncan (IRC Australia), the IRC Global Practice Leader for NGO & NFP sector says.

e-commerce and e-logistics continue to thrive

The COVID-19 is a shot in the arm for the e-commerce and e-logistics sector. As brick-and-mortar businesses brought down the shutters due to the worldwide lockdown, consumers both young and old have shifted to online e-commerce sites to buy essential
items and food. E.marketer.com reported retail e-commerce sales stood at USD 3.53 trillion dollars in 2019. The burgeoning e-commerce sector will certainly give rise to a demand for technology leaders across digital platforms, infrastructure, cybersecurity, risk and governance. Ron Magen, Managing Partner of IRC Israel (Hunter Executive Placements) shared that while clients have frozen some projects, others are continuing the hiring in communication infrastructure, cybersecurity and e-logistics. Serpil Erol of IRC Turkey (HumanGroup) added that roles in digitalisation, technology and supply chain are still in demand today.

Raj Kumar Paramanathan is the Co-Founder and Managing Partner of IRC Malaysia & Thailand (CnetG Asia) and has over 19 years of experience in Executive Search and Selection in the energy and infrastructure, industrial, manufacturing and MRO sector for C-suite and board positions. In addition to executive search, he leads the consulting team offering clients interim management, leadership assessment and coaching and diversity consulting. His team also offers discrete services such as market and talent mapping, salary benchmarking and reference checking based on a proprietary tool.