

Malaysia Institute for Supply Chain Innovation

Whitepaper Executive Summary

Survey of Long-term Outlook and Strategies for the Post-COVID-19 World

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Executive Summary: Long-term Outlook and Strategies for the Post-COVID-19 World

Malaysia Institute for Supply Chain Innovation (MISI) conducted a survey of business and supply chain professionals between April 22 and May 16, 2020 to understand their opinions of how their companies should plan for the long-term, after responding to the immediate challenges, in the aftermath of the COVID-19 pandemic. The survey noted that the timeline for “long-term” was next one-to-five years. This whitepaper reports and discusses the results of this survey.

A note of caution: The findings reported below are based on complete responses of more than 100 survey respondents. This is still a rather small sample for the results to achieve the desired *statistical significance*. Therefore, we caution the reader to *take these findings are provisional results*. The findings relevant to an organization should be explored further in a larger, more focused study.

Why should one care about “long-term” strategies right now?

The COVID-19 pandemic has disrupted businesses all over the world. Governments, business firms, and citizens are consumed (and often overwhelmed!) by addressing the immediate impacts of the pandemic and national lockdowns on public health and economic activity. Those not directly involved in providing healthcare, producing life-saving goods and the items required for making them, or shaping public policy—such as consulting firms, think-tanks, universities—are seeking to contribute by publishing guidelines to address the immediate challenges of the pandemic for those concerned. Many such publications provide useful advice for addressing this difficult challenge.

These *immediate* actions are rightfully consuming attention of those concerned.

These advices and reports of the evolving situation are accompanied by frequent assertion that the pandemic is going to *force* most individuals, companies, and governments to adopt a “new normal.” However, this “new normal” is often left tacit; agreements about the nature of “new normal” are even more rare. The pandemic also presents an opportunity for companies to rethink their business *voluntarily*. Thus, whether forced by the situation or performed voluntarily, the COVID-19 pandemic is likely to change the nature of business and supply chains in a substantial way.

Our survey aimed to explore such long-term change. We believe it is important for companies to start thinking about the medium-to-long range plans for their organizations in the post-COVID-19 world once they get a handle on the urgent challenge. This can give *companies more leverage and time in shaping and adapting to the “new normal” instead of having it be defined for them by someone else*.

Who are the survey respondents?

The survey was completed by 130 supply chain professionals and business leaders in MISI’s database. A few respondents did not answer all the questions related to future outlook and strategic choices. Excluding such partially-completed surveys from our analysis left us with 105 complete responses. A majority (63-percent) of the respondents reported working in middle-management

roles (as manager or director), primarily in a supply chain function. About one in five (18-percent) of the respondents are either business or functional leaders (owner, CEO, other C-level role) in their organizations. The survey respondents work in companies from different sectors of the economy: manufacturing, logistics, oil & gas and mining, healthcare, professional services, retail and wholesale, utilities, real estate, and hotels & restaurants. Their companies vary in size, with annual revenues ranging from less than US\$100,000 to greater than US\$10 billion per year. A majority of the respondents (61-percent) work in companies with at least US\$100 million in annual revenue.

Key findings and their implications

We highlight six key findings of this survey and note their implications for business in the post-COVID-19 world. These findings are based on survey respondents' perceptions of the business environment and the value of different strategic choices in the next one-to-five years.

Moderate optimism with motivation to avoid threats and pursue opportunities: The survey respondents are moderately optimistic about the future of their company in the post-COVID-19 world. They believe their companies should make strategic choices to avoid losses and threats in the future, and place an even higher importance on their companies being able to pursue new opportunities in the aftermath of the COVID-19 pandemic. If companies act according to this sentiment, we would find them *actively trying to manage different environmental contingencies perceived as both opportunities and threats*, as opposed to waiting for the contingencies to be resolved on their own or focusing only on threats or opportunities.

Higher optimism and prevention focus among larger companies: The respondents from large companies (i.e., those reporting annual company revenue of US\$1B or higher) were more optimistic and placed a stronger emphasis on avoiding threats than those from smaller companies. The importance given to pursuing opportunities was nearly identical among the two groups. This suggests that *larger companies would more actively seek to manage their environmental contingencies and be more attuned to avoiding losses and threats* than smaller companies.

Top choices - 'offensive with internal focus' and 'defensive with external focus': We asked survey participants to rate 12 generic strategic choices of four types for their company to succeed in the long-term in the aftermath of the COVID-19 pandemic. The most preferred types of choices were 'internally-focused of offensive intent' (such as, funding R&D of new products, training employees to support pursuit of new revenue sources) and 'externally-focused of defensive intent' (such as, emphasizing to the current customers the value of company's products and services to protect the existing business, engaging suppliers to launch initiatives to improve resilience of the company's current supply chain). If this intent is enacted, we would see *companies pursue a variety of strategic choices: of defensive and offensive intent, and focused inside and outside the company*. The choices were consistent among large and small companies with the exception that respondents from companies with over US\$1 billion revenue advocated a much weaker preference for strategies that were 'externally-focused with offensive intent' (see Figure 1).

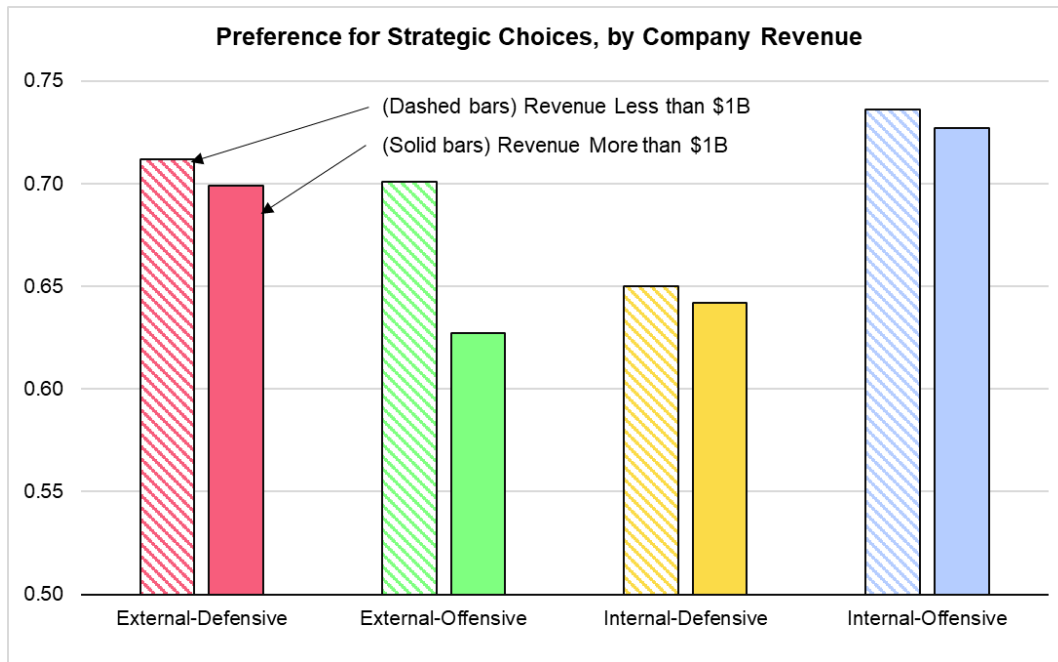


Figure 1: Preferences for strategic choices, by company revenue

Strongest preference for demand-facing strategic choices: Each one of the 12 generic strategic choices pertained to either demand-, operations-, or supply-side of the business. The survey respondents expressed much stronger preference for the demand-facing choices. This result was the same for respondents from small (revenue less than \$1B) and large (more than \$1B) companies. The relative importance of choices targeting the three areas was also nearly identical among the two groups. This suggests that the survey respondents expect the *demand for their company’s products and services to be the area of greatest concern*, either as a threat of loss or an opportunity for growth.

Most and least preferred strategic choices similar among small and large companies; more emphasis on improving supply resilience in small companies: The top choice for respondents from both small and large firms was ‘emphasizing to the current customers the value provided by the company and encouraging continuation of the relationship.’ The three least favored choices were also identical among the two groups. Respondents from small companies rated ‘taking initiatives with suppliers to improve resilience to future disruptions’ as the second most important choice, while this was ranked sixth (of 12) for respondents from large companies. Thus, *respondents in small and large companies alike are most concerned with continuation of the existing business, whereas those in large companies are relatively less worried about future supply disruptions than their counterparts in small companies.*

Strategic choices correspond with respondents’ future outlook: On an individual level, preferences for different strategic choices correlate with individual respondents’ perceptions of the post-pandemic world. For instance, externally-focused offensive choices are more likely to be preferred by individuals with high promotion-focus, whereas externally-focused defensive choices are more likely to be the top choices of individuals with high prevention-focus (see Figure 2). Thus, the type of strategic choices taken by of a company would vary according to the future outlooks of

the managers and leaders involved in deciding the company’s future. Therefore, *companies should involve employees with diverse future outlooks to get a broad perspective when ideating different strategies* for the company to pursue in the post-COVID-19 world.

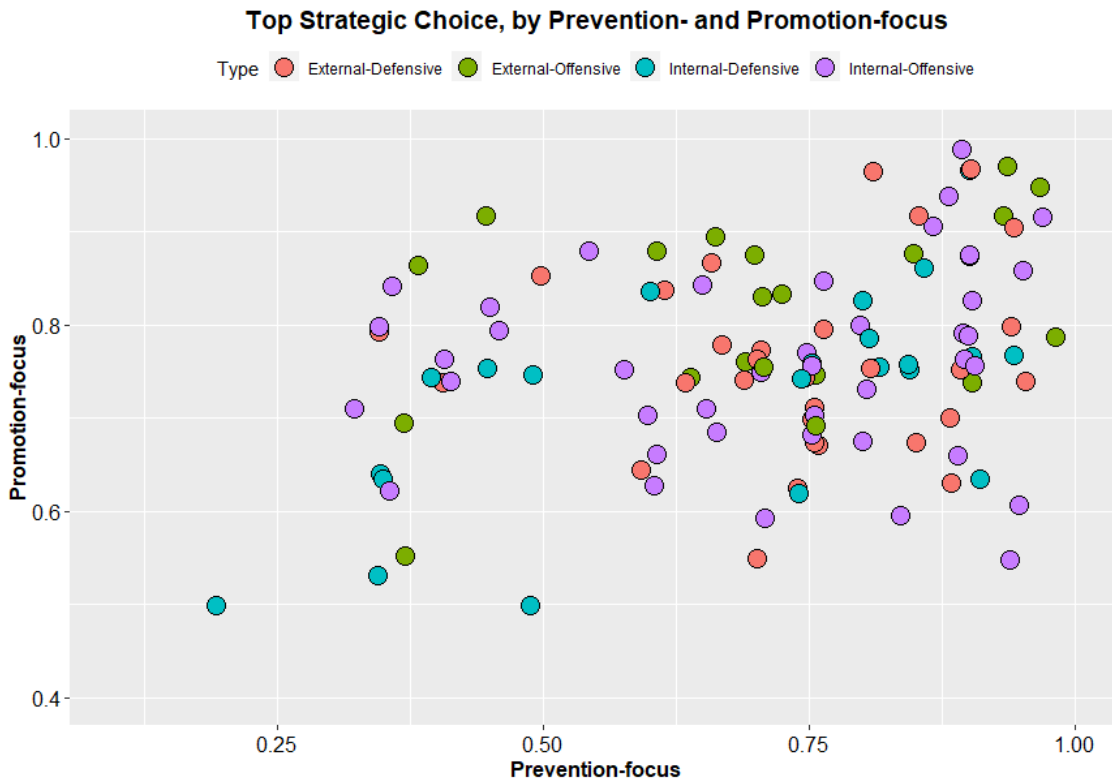


Figure 2: Survey respondents’ future focus and top strategic choices

Caveat and conclusion

Although the above results are based on the input from more than 100 survey respondents with a wide range of experience in companies of varying sizes in various industries, the survey sample has an inherent bias: the survey was administered to industry executives in MISI’s database. These individuals may have greater appreciation for thinking about end-to-end supply chains—as opposed to isolated factories, stores, or service centers—vis-à-vis a typical industry executive or policy maker in Malaysia or Southeast Asia. Thus, the survey’s results are not guaranteed to be representative of the businesses in the region. Furthermore, our sample size is too small to reach statistical significance for many results. Therefore, these results should be considered provisional and those of particular interest to a company should be explored further in a larger study.

In conclusion, we hope that these results provide some ideas for conducting more in-depth and focused studies to understand how the COVID-19 pandemic may shape different companies and industries in the long-term. *By thinking strategically for the long-term now, companies may be able to define the “new normal” in more favorable terms to them, instead of leaving it for someone else to dictate it to them.* ■

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