

Planning ahead matters, but so does agility: CFOs

In a volatile and fast-changing business climate, small and medium sized enterprises (SMEs) need to tread a fine line between agility and planning ahead.

Contrary to popular opinion, the two factors are not mutually exclusive. In an increasingly uncertain climate, businesses need both elements to compete.

When firms have a strategy mapped out, they can better pre-empt changes before they take place instead of constantly reacting. But having a long-term game plan for the future does not mean that it is set in stone. Geoff Begg, Senior Vice President, Global Commercial Payments APAC, American Express explained that the strategic plan must evolve together with the business and according to the changing business environment.

He said: "With an external environment that changes quickly and is difficult to predict, striking a balance between preparedness and adaptability is essential. Being agile and flexible enables business leaders to adapt their course early either to address challenges or tap into opportunities."

"SMEs are sometimes more nimble and adaptable than their larger counterparts and should take advantage of their agility to quickly leverage new e-commerce; technology and innovation opportunities," Mr Begg said.

With changes in technology and disruptions taking place all the time, a long-term plan has to be constantly revised to ensure it stays relevant.

Looking forward

For a start, companies need a game plan to aspire to.

Two Singapore companies on track to reach their goals are Millice, a Singapore distributor of semiconductor equipment and electronics, as well as foodcourt operator, Koufu.

Millice's executive managing director Joseph Dominick Ranieri Jr said the company is on its way to meet its annual goal of 15-20 per cent growth year-on-year.

"We take the operating view that Millice has to achieve a 10 per cent profit and 10-15 per cent EBITDA (earnings before interest, tax, depreciation and amortization) to maintain a future that is bright for our employees."

To do this, the company maintains an 18-month opportunity pipeline and sales forecast system, and conducts a weekly review of closing activities, to ensure they are always focused on the customers' needs, said Mr Ranieri. "By taking a longer-term view, the com-

pany sees a calmer sales organisation that can close business deals better instead of merely reacting to changes that happen."

As for Koufu, while it did not set an aggressive goal due to the soft economy, its chief financial officer (CFO) Chua Sher Lin said that the company is right on target. Koufu has continued to expand its market share this year, with plans to open up to five new outlets by year-end.

She added: "Having a game plan helps us think about growth areas. We are also taking this opportunity to transform to stay relevant and innovate by trying out new business models and technologies."

For example, it is one of the two companies

that was part of a pilot tender system to innovate and transform the traditional coffee shop.

Its new productive coffee shop in Tampines that opened in May this year comes with cutting edge technologies that enable digital ordering and cashless payment options. These features have reduced the need for manpower by up to 50 per cent.

Being nimble

In business, not everything can be smooth sailing. Even though companies may have a game plan in mind, challenges are bound to crop up along the way. The ability to be agile and adapt their plan accordingly is crucial.

"Businesses that thrive are the ones who constantly tune in to the changes around them, quickly decode what these changes mean for them and act decisively to refine or even reinvent their game plans. One advantage that SMEs have is their smaller size, which enables them to often adapt quickly with flexibility to capitalise on change and ride on short-term market opportunities," said Mr Begg.

According to the 2016 American Express CFO Future-Proofing Survey, one in two CFOs surveyed are focusing on agility and their ability to adapt quickly in order to sustain a competitive edge.

"Plans may be disrupted by a lot of factors

including new entrants to the industry and we need to stay agile and be sensitive to such disruptions forthcoming. Agility is a crucial ability to ensure long term sustainability of the company," said Ms Chua.

For Millice, the economic uncertainty brought about by events such as Brexit and the results of the US presidential elections has resulted in many projects being re-evaluated by customers. But thanks to their forecasting processes, it has not derailed their plans.

One strategy it employs to navigate uncertainty or potential road bumps is to involve the entire team in the process of planning ahead.

Mr Ranieri said: "By having many eyes on the prize, we have a greater comfort that we can react sufficiently fast to make it an opportunity rather than a problem."

The road ahead

For many SMEs, they are stuck in a difficult predicament.

Two in three (62%) of SME CFOs do not have a long-term game plan for their business, according to American Express's 2016 CFO Future-Proofing Survey. Businesses know the importance of a long term strategy, but it often falls to the wayside when it comes to the pressing, day-to-day challenges that they tend to face. Almost 9 in 10 (87%) SMEs say their immediate priorities are more important than mapping out a long-term strategy.

This lack of planning among SMEs comes down to several reasons, according to Professor Annie Koh, Vice President of the Office of Business Development, Singapore Management University. "For a long time, they never had to plan as Singapore was on a growth trajectory and a rising tide means that everyone gets to benefit.

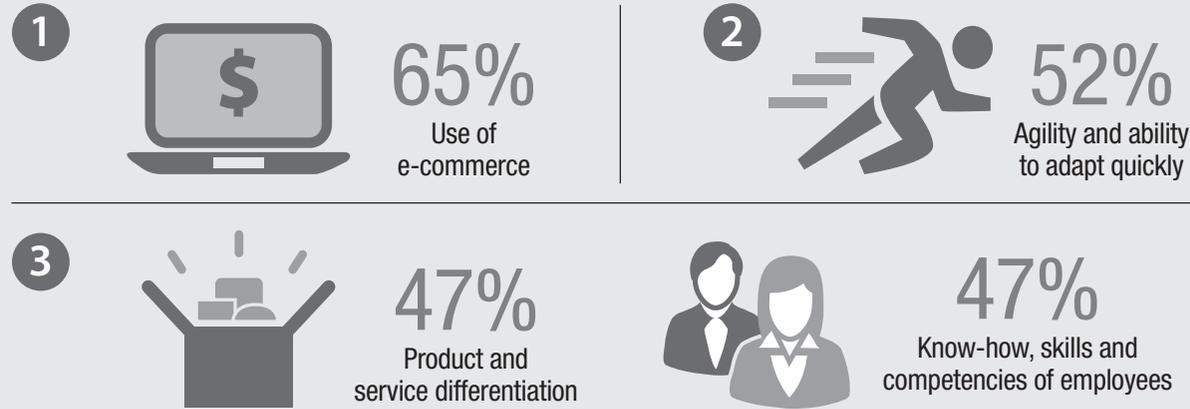
However, with rapid changes especially from digitalisation and the increase in anti-globalisation sentiments, SMEs can no longer just cruise along."

Professor Koh concluded that enterprises need not be big to succeed in today's economy. They just need to be smart about the way they do business.

Disrupters are now using smart digital tools and not depending on traditional business models of low-cost production or relationships.

To stay ahead of the pack, it is imperative that companies consider their long-term game plan as well as be nimble enough to change course if needed.

FOCUS AREAS TO SUSTAIN COMPETITIVE EDGE (% OF SMES)



Source: 2016 American Express CFO Future-Proofing Survey



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