

Ask Mr Sid

Dear Mr Sid

Re: Under Siege in Covid-19

I'm a non-executive director of a listed retailer. I was brought onto the board several years ago because of my experience in retailing, gained in a more leisurely age when people visited brick-and-mortar stores and enjoyed the physical experience of comparing, considering and consuming.

We have taken the traditional approach to the business. Until the beginning of 2020, it had worked well over the years. The vast majority of sales had been person-to-person in our 20 stores island-wide. Occasionally, the directors had discussed online options, but without any great enthusiasm. I, for one, was comfortable being able to add value to improving sales and operations with our tried and tested models.

And then the pandemic struck, and our sales plummeted. Even now, after the lockdown, we're still struggling to find our feet.

My chairman had asked the directors for ideas on how to respond to the crisis that Covid-19 has precipitated. Personally, I'm convinced life will return to normal after the pandemic. The economy and our sales will bounce back as soon as a vaccine is available. And I've said as much in our

board meetings: that this is a short-term blip, and we should not get too emotional. It's just another crisis, and we should respond as we would with any crisis: form a task force at management and board level, and keep the rest of the board informed. It's the standard operating procedure for a mid-level crisis.

I plan to ask my chairman not to put me on the task force. I confess that I'm a dinosaur when it comes to technology. I feel out of my depth when the discussion turns to online retailing. Our virtual board meetings have become a personal nightmare partly because I get mixed up between Zoom, Webex, Skype, Teams and Google Hangout. So, let me hangout somewhere else as the task force does its work.

I'd be happy to lend my full weight to the board discussions as soon as things get back to normal. I'm hoping this will all make sense to my chairman. Mr Sid, do you think I am fair to the chairman?

Yours sincerely,

Bricks-and-Mortar-Man

Dear Bricks-and-Mortar-Man

It's not a question of whether or not you are fair to the chairman.

Quite frankly, if the whole company takes the path you intend to take, I am not sure if there will be a company for you to come back to.

Retail sales

To put in perspective the current retail situation in Singapore: while total retail sales have declined as a result of Covid-19, the fall has not been very major – about 11 per cent, year-on-year as of September 2020, according to data from the Department of Statistics.

What's significant, though, is the change in buying behaviour and channels – primarily from in-store to online purchases. Each month, during the pandemic, analysts report e-commerce going through the roof, usually by over 100 per cent from the previous year.

As noted in a Singapore Tourism Board (STB) and Visa study in September 2020, the hardest hit have been the local retailers – like your company – which lack or have a limited online presence. These retailers sell less than 2 per cent online, whereas the Singapore retail average was 25 per cent.

Most importantly, these online habits are fuelling a shift towards online platforms that will be part of the “new normal”, post-pandemic. The same STB-Visa study found that 85 per cent of consumers in Singapore and the Asia Pacific intend to continue or make more purchases online, and less than 40 per cent intend to revert to pre-pandemic patterns of purchasing in-store.

As it is, there are already reports of many casualties in the sector. According to ACRA figures, closures in the retail trade sector hit a 10-month high of 457 in September 2020. Prominent among the liquidations are Robinsons and Sportslink. Other companies like Topshop and Esprit have closed their stores and gone entirely online.

In short, you ignore e-commerce at your own peril.

Beyond e-commerce

But it's not just online sales that you should be concerned about. While the pandemic has primed the exponential growth of e-commerce, it's also accelerating the take-up of technologies and new business models in so many other ways.

Certainly, digitisation is the big trend across the board. Even digitally-resistant customers

have moved online during the lockdown. Work From Home has become the new workplace. Meetings, AGMs and events have gone virtual.

The Covid-19 restrictions have disrupted supply chains. Companies have had to look for alternate sources of supply and reconfigure their supply chains for greater flexibility and redundancy.

To survive during the pandemic, some companies pivoted. Fashion houses scrambled to convert production lines to make surgical masks; automotive companies to produce ventilators; and perfume companies to make hand sanitisers. But that's only for the short-term. Even if they return fully to their old businesses post-pandemic, there will be inevitable changes to their operating models.

Covid-19 has also raised awareness of climate change. The pandemic brought home the need for societies to prepare for risks that may not be immediately salient or foreseeable. Consumer and employee preferences will also change with a heightened consciousness of health, and environmental, social and governance (ESG) issues.

The bottom line is that there is no returning to the old normal. Not for retail sales. Not for your procurements. Not for working in the office. Not for how your employees, customers and suppliers will now behave.

Role of the board

Your role and the board's role are, therefore, more important now than ever. Yes, it's a crisis. But this is likely the mother of all crises for your company, as well as many others.

So, you can have a crisis task force, especially at the management level. But the whole board must be fully engaged to deal with the crisis, which will not be over as soon as an effective vaccine is found. Experts are estimating that it will take a year or more to roll out a vaccine to sufficient numbers of the population.

The board should, first, provide the support management needs to deal effectively with the crisis. This means ensuring that management adopts a crisis operating model that is flexible and scaleable as issues escalate and scenarios change. Aspects of this model include health and safety, sales and marketing, supply chain and procurement, finances, internal controls, and human resources. The board should be especially concerned with leadership capacity and succession, as pay cuts, business needs and job changes affect the managers personally.

Next, the board should lead the company into the post-pandemic phase. Here, it can push management for scenarios and robust plans to be prepared for recovery and reconstruction. As employees come back to work, it should confirm that health and safety protocols are in place. It should catalyse a robust and comprehensive strategic review to canvas various scenarios and alternatives to its business and operating model.

The board needs to do all this while not encroaching on management's operating role and effectiveness.

Virtual board meetings

Indeed, the rapid shift to videoconferencing, virtual communications and virtual approvals have been unsettling for many directors. There have been logistical challenges. The myriad of

platforms, each with different user interfaces, have not made them easy to use. And some meetings, especially those related to strategy and decision-making, may be best conducted face-to-face.

But equally, there have been significant benefits to these virtual technologies, such as substantial savings in time and cost, including commuting. The shorter and more frequent board meetings have allowed for more action, clarity of focus and effectiveness.

In your company's case, it may be a question of balance. My advice is to expect that in the new normal, your board may settle on a hybrid of virtual and physical meetings.

New normal

In summary, the world has changed. Many of the changes – such as digitisation and revised business models – will be permanent.

As a board member, you have a responsibility to help the company through these challenging times and changes. Understandably, you won't know everything or have all the answers.

But a willingness to learn and adapt is expected. Sitting out this crisis is not an option. Doing so will be an abdication of your role as a board member.

Yours in pandemic



Mr Sid ■

Who is Mr Sid?



Mr Sid is a meek, mild-mannered geek who resides in the deep recesses of the reference archives of the Singapore Institute of Directors.

Burrowed among his favourite *Corporate Governance Guides for Boards in Singapore*, he relishes answering members' questions on corporate governance and directorship matters. But when the questions are too difficult, he transforms into Super SID, and flies out to his super network of boardroom *kakis* to find the answers.

Mr Sid's References (for this question)

Board Guide

Section 4.2: Value Creation

Section 4.8: Crisis Management

Section 4.10: Corporate Social Responsibility and Sustainability

Boardroom Matters

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Jun 2020: "Balancing Now, and Beyond Covid-19" by Max Loh

Jul 2020: "Crisis Management in the Boardroom" by Eugene Kang

SID Directors Bulletin

2020 Q3: "Sustainability Leadership in Pandemic Times" by Jeffrey Tan

2020 Q3: "The Crisis for Directors" by Joanne Donne

2020 Q3: "Re-setting the Organisation for the Post-Covid Future" by Elisa Mallis, and William Passmore

2020 Q3: "Opportunities in the Covid-19 Crisis" by Willie Cheng and Lau Yin Cheng