

The Way Forward: Building ASEAN companies – From Profitability to Corporate Social Responsibility

Rangsan Thammanee Wong, President, Prudent Advisory Company

Introduction:

In my experience there are only two kinds of decisions that most of us have to make in lives as we go along either in our personal lives or in the corporate world. It either has to do with “Allocation of resources” or “finding direction”. These decisions in our personal lives involve where to live, where to work, and who to get married to concern allocation of resources and finding your direction. Take the distance you travel from your home to your work place for example. Resource here is the time you spend on your journey through and from the work place to your home. How much of your fortune you would want to spend on the property is the decision on resource allocation. Decisions in choosing a career may involve decisions not only the resources or income that you make but may involve factors that improve your skills or things that you enjoy to do or want to do in the future with your lives.

In the corporate world, allocation of resources would be how much budget you give to any business units; and, what product lines and divisions you want to increase or decrease your budgets. Decisions on that would involve the direction you are heading or what kind of corporation the company would want to be in the future. Basically allocation of resources involve things like corporate finance and deciding your strategy is shaping your company future direction. So Of course the best strategy should be the allocation of resources to the “Right” direction of your company.

What factors involve the “Right Direction” then?

During my years of consulting, I found that successful companies allocate their resource to shape their direction or mission. This involves three factors. If you do well in these factors you would have a very viable business.

- a. **Inspiring direction:** Missions of their companies and the Passions of the founders in their own businesses. What they set out to achieve. Something they are eager to do. For Pharmaceutical companies could be to alleviate the suffering of mankind. So they have endless things to do in research to find new and better ways of making drugs to help people. With this inspiring mission, vision and direction, the company getting stronger in what they do because of the continued learning in their own fields. They cannot wait to get up the next morning and do not get tired in what they do. Imagine if Picasso would be this famous if every time before he paints he would like to know how his painting can sell. I imaging that he loves to paint regardless of how much money he would make for that piece.
- b. **DNA:** Successful companies allocate their resources and expanding their business directions according to their corporate DNA that is your company core expertise. This is something you do well. It is not the ordinary things like managing your account

receivables well, delivering your goods on time. These things are given in any good company. I am talking about something that you do well even your competitor salutes you for. Look for common traits in: clients, products. What traits that your clients all or the majority of them share. What characteristics that all and the majority of your products share. Think of the apple. Common characteristics of Apple products are probably the user friendly feature and the cool look since the McIntosh to iPhone.

Take Honda a name we all know, common characteristics of all Honda products could be anything involve with Engine. That's why you can see Honda engine in motorcycles, cars, scooter, and airplane engines. We could say that Honda's strategic DNA is to make great engine. So they use their strategic DNA to serve in several segments like: motorcycle, cars, scooters and airplanes. For FMCG, take P&G, P&G, their core strength in their research and understanding the needs of 'mother and child'.

- c. **Economic Engine** You can love and have inspiring mission and you may have a certain strategic DNA in what you do. But if it does not provide you any cash, it is going to be difficult to have an ongoing concern. How strong your economic engine depends on the reception of your products or services in the market that generate cash flow and income to drive business forward today and in the future. This translates to margin, operating Cash flow, ROI and the growth of your business.

You have to keep your economic engine rolling. If you have a business that provides cash, you want to protect this cash cow while not forgetting to breed new one. You might have a product line that is a cash cow today but in the future is being copied and sold by your competitor at a fraction of the cost. A case in point that is "Polaroid", they bank on their "Instant Imaging Technology", they even hold several patents and keep Kodak out of the market. Bu where are they today?

We can spend a whole day on the subject above but we have only 15 minutes. If you spend times on shaping your future direction, strengthen your DNA, and improving your economic engines, I think you are on the right path.

Why are we not seeing Prominent Asean Brands?

We see several Japanese Brands, two Korean brands in the last decade. Being multinational is to be prominent outside your home territory or to operate in more than one country.

Offerings products in another country can be seen as to take products and services to a new group of customers or market segments that are receptive to our products.

In Asia and in Thailand business depends on what the Chinese call "Guan Xi" or "Relationship". This makes all the difference in ensuring that business will be successful or for any expansion, concession. This is the KNOW WHO part we talk earlier. So if you are businessman in Thailand and want to expand your business empire, you can bank on your relationship to get concessions. For example, you can be in

agricultural business but decided that one day you want to be in telecom you just can do so by getting the right connection. But if this would be a profitable venture and something you are good at is another story.

You might not have any KNOW HOW in that area; you can already enter the business by finding foreign partner with the technology or acquiring the people and the equipments. Basically, they are comfortable in their home country since several businesses expand through their KNOW WHO network.

Going overseas, it is usually THE KNOW HOW (DNA) first before KNOW WHO. We need to have a strong products or services, if you don't; it is going to be tough fight. You have to compete on the strength of your products and services with not only the locals but also other international competitors. So you have to capitalize on your DNA . This may involve adjacency or non-adjacency expansion. Adjacency means selling highly related things to the same group of customers. You go to a store, you buy a shirt you were asked if you want socks. Multinationals capitalize and expand through their core strengths or DNA: it could be technologies, or core process of delivering products. In the case of American Express cards, more financial services to the cardholders

The tip here is to attack your competitor at their weak points or neutralize your competitors' strengths and make them irrelevant to you in the competition. Imagine if you want to go into the bookstore business, questions regarding WHERE are the stores; HOW MANY titles you carry How many stores you should have?; And think of Amazon.Com. Do you think the above factors are relevant to them?

In the airline business, the normal rules of play here are 1) you need several convenient ticketing offices, 2) great canteen to make good food for the flights. How much more capital investments would we need to have to pay for good locations and start a good canteen these days as compared to a few decades ago when your competitors started off? At the flight destinations overseas, you have to pay for hotels and lodgings of your staff. Several flights are more than half empty. Goods seats at windows and aisles are taken but not in the middle? Your costs are high and your revenue is low.

What do you think when Air Asia comes in to compete with Thai Airways and Singapore Airlines in this region. Does convenient ticketing offices, good food, window and aisle seats matter in the booking? And where would air hostesses' feel like home other than their own, because they are all short flights and most end up going home to sleep at the end of the day.

You also have to locate your distribution channel and have financial strength for the successful launch including advertising so on and so forth.

To be a successful venture overseas, businesses would have to possess:

Technical Expertise (DNA)-This is the **KNOW HOW** in what you do. This could be a technology in making power plants if you are in the business of generating power. it could be a technology in

adhesive like 3M put in several of their products: sandpaper, duct-tape, and scotch tape, post it notes now. It could be a process or ways you deliver your products or services like FedEx.

Local Expertise-KNOW WHO when you have good products and services. You need to know how the local market structure operates. This could be dealing with local regulations, demographics, values and cultures.

Financial Strength/Expertise-And finally, financial expertise is required to see a successful venture since many resources may be required in the early years of the venture.

This could be the reason why we are not seeing several strong ASEAN brands, since many do not require spending and research on their DNAs since they are comfortable expanding through KNOW WHO.

Again, financial strength could be another factor since several Asean countries have currency that are not so strong. These KNOW-HOWs could get sold overseas at an early stage for good prices since these inventors or companies don't have the funds to make the technology or the Know-How work or to develop it further.

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Basically, the right direction also has to be a direction that would be not only for the greater good of your corporation but also for the society we serve in order to achieve a sustainable society. Since corporations are driven by people and society is also a group of people. Basically if we are not concerned about the society we serve or care about future generations for our own children, I think this world would be a scary place to live.

I have three simple rules in corporate ethics. I think it also helps me in making several personal decisions as well.

- If my children are watching what I am doing right now and I am comfortable. Or if you have no children, consider Newspapers are writing about it tomorrow and you are still okay with it.
- Someone else is doing the same thing to you and you are okay with it. This could involve taking someone's technology and patents for your own use.
- I sleep well at night over the issue.

Good luck.