



Andrew McBean

Partner

T +66 859 111 222

E andrew.mcbean@th.gt.com



The New Normal

26th January, 2012

Our Journey...



Grant Thornton International. All rights reserved.

AFTER THE DISASTER COMES A 'NEW NORMAL'

Now that the floods have receded, businesses need to start adapting their operations in order to pull through

Since the worst of the floods has receded, it has been replaced by a sense of foreboding about the long-term consequences on this nation.

It is human nature when disaster occurs, be it man-made or otherwise, to yearn for a return to normalcy – the secure cocoon of our daily routines. But, very occasionally, something so dramatic occurs that one implicitly knows it will have such a severe effect that it cannot be undone or reversed – in essence it creates a “new normal”. Fortunately, there are not many of these events, but when they happen, it is important to know that they have occurred and to adapt to them.

As the floods started receding, Grant Thornton gave post-disaster Business Stabilisation Workshops to more than 50 companies that had been directly affected. These workshops were interactive, giving companies a chance to speak about their experiences and to air their questions about the future.

There were a few common themes that came up in every session.

The most notable was the profound degree to which businesses and people had been traumatised both physically and psychologically. Post-disaster studies from around the world support the fact that not only does it take a considerable time for people and businesses to recover, but also that pre-

HI MANAGERS



ANDREW MCBEAN

An important reason is that all businesses are essentially connected to each other. Just because one business is okay, it does not mean to say that their suppliers and customers are, and so on. Big businesses, which may be okay, are connected to small companies, which may not be. Over time this creates changes to the ecosystem as companies come and go almost like an aftershock of the previous disaster.

In 2005, Louisiana contributed just 1.2 per cent of the gross domestic product of the US. Bangkok, however, contributes 40 per cent of the GDP of Thailand. Given its dominant contribution to GDP, it is likely there will be less population shrinkage and great determination to fix it. However, for the participants of our workshop, it was clear that they foresaw significant long-term implications for their businesses. Importantly, this was also associated with the fact that it was impossible to say that it could not happen again, with the resultant impact on confidence and rebuilding – both business and personal.

The timing was also undeniably bad. Given a high likelihood of global recession fuelled by European debt, with the US in only a very fragile recovery, and China and India's growth slowing, large companies are reviewing their investments for the next five to 10 years. The Bt300 minimum daily wage taken in isolation is a good thing, as I have writ-

“ In every workshop, one of the most-asked questions was how to lay off workers after the flood. There is no question that the

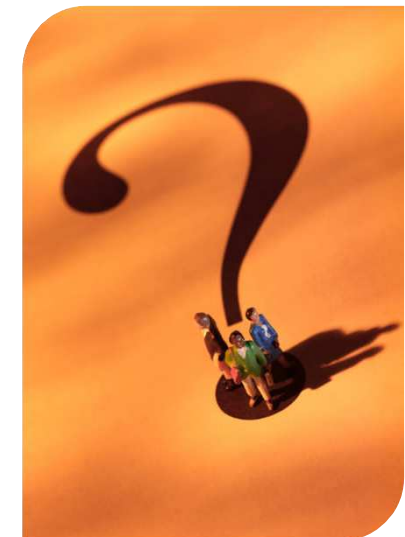
The Great Flood

- World Bank: Worlds 4th costliest disaster
- 5.3m in 1.8m households
- Up to 10,000 small and large factories
- 557,000 S&ME's
- Almost every business affected
- 1.5m farmers affected
- 1.2m people fell sick
- Est. cost at 1.3 tn THB [20,000/person]
- Insurance "stopped" 24th Oct 2011



Water Management Plan?

- 29 agencies across 9 Ministries
- "Role of Government before has been to 'keep' water" (Dr Virabongsa Ramangkura)
- 4/1/2012 Bangkok Post: "A central bank survey of 230 flood-ravaged firms in the Ban Wah, Bangpa-in and Nava Nakorn industrial estates found the government's water management plans will be the most important factor in restoring investor confidence..."
- "...some manufacturers have delayed resuming operations over uncertainty regarding water management, as they are concerned they could be affected by impaired logistics, although the industrial estates could escape flooding in 2012."



How high is the bounce?

- 11th Dec: "They [TCC] said the Thai economy will not be on a rosy path as expected and recovery will take a long time for both the public and private sectors, in particular manufacturing and SME's..."
- Roubini Jan 2012 : "Sequential growth will rebound sharply in H1 2012 as flood-related production disruptions clear..."
- ...Nonetheless, a hostile global environment will restrain the rebound heading into H2.... The proposed FY2012 budget allocates a growing share of total spending to public investment, though revenue and GDP growth will likely undershoot the government's estimates."



A perfect storm



Conference:

Economic Rehabilitation and Direction in 2012

20th December, 2011

"The government must take a leading role in mobilising the economy as the floods had weakened the private sector..."

He said "two negative factors that could derail economic recovery are global economic recession and the impacts of the great flood."

Khun Kosit Panpiemras, Executive Chairman of Bangkok Bank

"..political uncertainty is a major risk factor for the Thai economy in 2012 because no one knows what would happen after the floodwater has receded."

Khun Methee Supapong, Senior Director of Domestic Economic Department at the BOT

Recognise these places?



A tale of two flooded cities

- In December 2010 and January 2011 in Queensland, Australia
- Total economic cost: 900bn THB
- Included Capital city of Brisbane
- Worst flood in last 50 years
- 51 areas declared a disaster zone
 - 2.1 million people
- 20,000 homes and businesses



Businesses surveyed 1 month later

- 20% had to completely shut-down at some point due to the effects of the flooding.
- 85% of all businesses reported that their “business viability” had been impacted
- 22% suffered a “major or critical impact”.
- Of the 22 requests for assistance 18 of them were for short-term help



Businesses surveyed 1 month later

- 20% had to completely shut-down at some point due to the effects of the flooding.
- 85% of all businesses reported that their “business viability” had been impacted
- 22% suffered a “near-critical impact”.
- Of the 22 requests for assistance 18 of them were for short-term help

Most importantly:
Entire ecosystem has to recover together



A tale of more cities...

New Orleans, Louisiana

- Happened in...?
- Recovered...?
- GDP% of US...?



A tale of more cities...

New Orleans, Louisiana

- Happened in...23rd August 2005
- Recovered...Population 343,839. 455,000 pre-Katrina
- GDP% of US...Louisiana was 1.2% of GDP in 2005



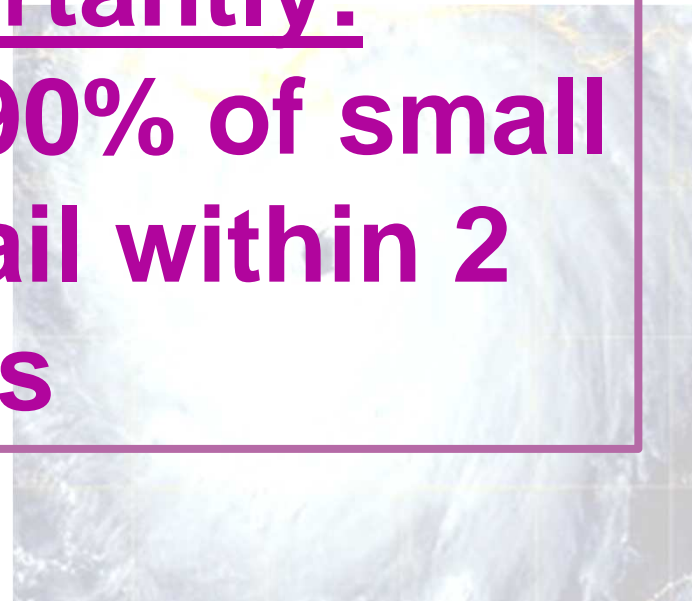
A tale of more cities...

Aftershocks from the initial disaster

- Happened in...23rd August 2005
- Recovered...Population 343,839. 455,000 pre-Katrina
- GDP% of US...Louisiana was 1.2% of GDP in 2005

Most importantly:

After disaster, 90% of small businesses fail within 2 years



Life after our heart-attack

A New Normal

The New Normal defined...

Looking for new opportunities and getting more from less



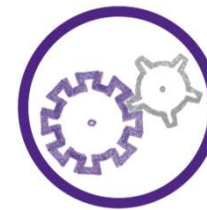
Sales



Costs



People



Operations

Sales

Looking for new opportunities and getting more from less

- New opportunities created by floods
- Opportunities to take customers
- Limited investment
- Need to understand our customers
- Need to ensure supply
- Harder to incubate new products



New
opportunities,
less money
for sales

Costs

Looking for new opportunities and getting more from less

- Remove unprofitable products
- Relentless focus on costs in business
- Consider technology investments
- Consider refinancing and loans



Cut waste
and cost

People

Looking for new opportunities and getting more from less

- Increase productivity
 - Less staff, KPI's, Rewards, Roles
- Change key people to new key tasks
- Retain key people
- Key people easier to find?
- Review benefits

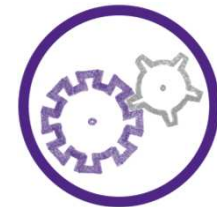


Less staff,
more
work

Operations

Looking for new opportunities and getting more from less

- Evaluate back office functions
- Review key business processes
- Consider use of existing investments
 - Ex. Excel where you have ERP
- Look policies and procedures
- Business Recovery Plans



Drive efficient
operations

Andrew McBean
Partner
+66 859 111 222
andrew.mcbean@th.gt.com

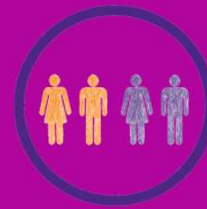
Thank you!



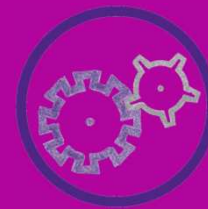
Improve sales
and service



Cut waste
and cost



Build
staff
capability



Drive efficient
operations