

MANAGING THROUGH COVID-19

A CASE STUDY

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Wayne Treeby, who oversees finance and strategy in Maxis, has built a recovery plan based on the expectation that the nation will undergo a deep “U-shaped” recovery from the current economic decline and that it will be a couple of years before the economy gets back to what it was. Experience from economic recessions in the ‘80s and the Asian financial crisis in 1997 has taught Wayne that liquidity is paramount, it is “too risky to not take a fairly conservative approach and build a plan for the worse” and that focusing on the recovery phase is just as important as navigating the business through the crisis. As a provider of converged solutions, Maxis is focused on developing and delivering the best solutions to its Enterprise and broadband customers during the Covid-19 crisis and is accelerating its digital transformation to position itself as a leading digital organisation and role model for all its business customers in the post Covid-19 world.

PLANNING & STRATEGY IN A COVID-19 ENVIRONMENT

Maxis conducted multiple scenario analysis based on economic forecasts built on information and insights from the Malaysian Government, Malaysian Central Bank, respected economists and discussions with local and global peers. They built their response plan to focus on “Managing through the Crisis” and “Planning for the Recovery”, in parallel.

The business adopted an approach which would allow management to be flexible, reserve cash and continue to execute their convergence vision and growth strategy. The focused plan involved:

1. Ensuring people safety first

Within a week, Maxis managed to smoothly transition all its staff to a “working from home” arrangement. Maxis’ digital work arrangement is powered by Microsoft Teams which allows employees to stay connected and maintain efficiency. The field maintenance and sales employees are supplied with appropriate protective equipment and training to stay protected while at the front line of the business. The Employee Engagement team focuses on improving employees’ well-being and boosting their morale through an array of webinars, virtual competitions and e-learning modules.

2. Stabilising business and protecting the core

It was important to Maxis to maintain their network and technology leadership to deliver on their promise of an “unmatched personalised experience” to existing customers and ensure customers’ network experience is uncompromised. Thus, Maxis brought forward capacity and accelerated network spend to maintain network leadership and also worked closely with its peers in the industry to support the nation.

The implementation of the Movement Control Order (MCO) in mid-March 2020 resulted in increased demand for data and home connectivity. Maxis had to reprioritise within its network management as demand had shifted to residential areas from business areas.

During the MCO, Maxis' retail stores had to be closed. Thus, it became harder for Maxis to reach customers that preferred physical payment methods and "in person" consultation. As a result, Maxis increased its digitalisation initiatives to make available its services and products through Maxis mobile apps, eCommerce sites and virtual retail stores.

3. Managing liquidity

The closure of retail stores during MCO meant a slowdown in payments and collections from one segment of customers. There was also an increase in business customers applying for payment deferrals. Pre-COVID-19, Wayne had focused initiatives on enhancing working capital and liquidity. He had established a dedicated cash and working capital program which served him well in current times. He had also set up a collections committee which monitored cash more closely following the COVID-19 outbreak, using big data analytics to monitor and identify trends early enough to inform action. Deferrals were granted to business customers on a case by case basis, understanding the difficult position certain businesses are enduring. Wayne exercised prudence in managing the financial health of the business and placed importance on the preservation of cash as Maxis sought to understand the lasting impact the pandemic has on their business.

4. Planning for risk and opportunities

Wayne and his team performed multiple scenario planning and stress testing, working closely with business line owners to understand the impact of changes to business performance. Maxis used its Enterprise Risk Management framework to test the scenarios and got an independent review of its assessment to ensure it had covered all necessary aspects of the risk review. Virtual workshops were also held to assess cyber security risks. With the move to "working from home", cyber security needs changed. Regarding supply chain risk, Maxis had a Chinese-centric supply chain and so specific COVID-19 risk assessment was performed for all strategic vendors and partners, and closely monitored.

Maxis is accelerating its focus on digital experience for its customers as it expects to see a shift in demand for online service and self-help arising from the MCO implemented by the Government. All product offerings for the year were also restructured to ensure the business is well-positioned to support consumers' increased demand for data and partner with local businesses to accelerate the digitalisation of its businesses. According to Wayne, the business is continuously scanning for growth opportunities, including assessing new technology such as 5G and optical fibre, in line with its convergence strategy.

Also, enterprises are increasingly open to cloud services and thus digitalisation of business is the next step, especially for Micro/SMEs. In April 2020, Maxis acquired a local cloud services company (Infrastructure Consulting & Managed Services (ICMS)), to support its Enterprise strategy.

5. Rigorous review of all lines of business

"Bottom up" and "top down" reviews were conducted to identify where problems are likely to arise for each business line. These assessments alongside the economic assumptions around a deep "U-shaped" recovery for the economy was used to rebuild business plans and models. Every marketing and investment plan were reviewed, and decisions made to prioritise certain investments, halt some and accelerate others.

6. Keeping up engagement with stakeholders

Wayne noted the importance of communicating with customers and Maxis had increased discussions around SME and corporate needs. The business continued to keep an open communication and continuous engagement with its investors and lenders on its crisis management plans. Wayne found that

the stakeholders remained supportive of Maxis' growth strategy and the actions they were taking to reduce the impact of COVID-19 on the business.

SUPPORTING THE WIDER COMMUNITY

Maxis, like its industry peers, are supporting Malaysians during the crisis through the grant of additional complimentary data for all its post-paid and prepaid customers as well as free access to critical government and institutional websites.

The business is also supporting the Ministry of Health through increased coverage and connectivity through devices for hospitals in the Kuala Lumpur area. Additional data is also provided to the Malaysian Police forces during the MCO period.

Maxis has enabled free access to their flagship education portal ("eKelas") for students to continue learning during the MCO. For its Enterprise customers, Maxis has provided free six-month trial on Maxis Managed unified communication phone system and free two-month on Voice Connect app.

ADVICE AND LEARNINGS FROM THIS CRISIS

One thing to take away from Maxis' efforts in manging through the crisis is its "two-pillar" approach – looking at protecting and running the business today as well as positioning the business for the future.

Under the first pillar, Maxis put its people first. It ensured constant engagement with employees to keep morale up as well as continuous communication with its stakeholders i.e. customers, investors and the community, to provide the best solutions for them, continuing to meet their growing demands. People are most important, and businesses need to ensure safety and security of their people for business sustainability.

Under the second pillar, Maxis focused on protecting its core business while taking advantage of new opportunities anticipated in the post Covid-19 environment. This includes seeing the potential in merger and acquisition (M&A) opportunities as it did with the acquisition of ICMS to build critical capabilities. Based on experience from past economic crises, Wayne iterates that both pillars need to run simultaneously, a business that does not consider what its recovery phase will look like may potentially lose out on good opportunities.

Wayne also advises businesses to conduct a risk assessment based on the COVID-19 crisis and closely monitor the high risk and critical areas. It is good governance practice to look back and continuously adjust the enterprise's risk framework and review operational capability from lessons learned.

What cannot be stressed enough is the importance of being prudent with business spending and managing cash position wisely. He warns against just focusing on profit and loss and balance sheet items and advises business leaders to ensure they have credit lines in place. It is also important to prioritise on investment and pivot resources to activities that create the most value, rather than do everything in this time. Wayne recommends more stress testing and top down/bottom up reviews of business lines especially using assumptions for the worst possible outcome.

The experience to date shows that businesses cannot be complacent. It is crucial to recognise that businesses are now part of a broader world ecosystem and to focus on building resilience while enhancing agility and alertness. Collaboration is key – the community, government and businesses have to work in tandem to ensure response plans are built to protect communities and have minimal impact on the economy. Wayne points out that the opportunity to support businesses and the wider community with digital solutions in a time that has necessitated speedy digital adoption despite limited cash resource also presents an opportunity for Maxis to convert the users into longer term customers.

Wayne opines the world would be more "digital" when it emerges from the crisis. This offers very good opportunities for those who prepare for this future. In Maxis' case, Wayne sees the opportunities around increasing demand for broadband products, eCommerce, managed services, and cloud services.