

Statement
ATTY. MIGUEL B. VARELA
Chairman
Philippine Chamber of Commerce and Industry (PCCI)
and Employers Confederation of the Philippines (ECOP)
Challenge for Business in Times of Uncertainty
40th ANNIVERSARY and 21ST CACCI CONFERENCE
Grand Regent, Taipei, Taiwan

Good morning, it is an honor for me to be here.

The topic in today's plenary discussion is definitely very relevant in our present time. Some regions in the Philippines are still under storm signal number 4 as I speak to you today. Just recently, we also experienced the biggest devastation brought about by the strongest typhoon to hit the Philippines in decades. The destruction that swept the country crippled many businesses and industries with the resulting absence of electricity. Some airports, hospitals, schools and other important public institutions were left literally groping in the dark as they strived to keep their heads above water. Other than these, we, as members of the international community, we also had to deal with the Avian Flu, the SARS, and the continuing threat to peace and stability brought by terrorism as well as political uncertainties. The list seems to go on and on.

However, if we look back, we would see that uncertainties like these has happen to many other countries and have actually been relevant parts of most of one's country's history. They have become integral

parts of our heritage. They are intertwined in our past, and have helped define our people and our country. How we coped with tragedies and emergencies like these brought about the best in each of us. We have learned that we must embrace pain, but thereafter burn that pain as fuel for our journey to success. Adversity is like a strong wind. It tears away from us all those that are unnecessary, and leaves those that cannot be torn, so that we see ourselves as we really are. Adversity strengthens our mettle and hardens our resolve.

Today we live in an interconnected world. This development confirms Marshall McLuhan's noted concept of the global village which he articulated in the 1960's well ahead of the widespread use of the Internet and wireless cellular phones.

Such interconnectivity has created a borderless global economic regime that covers all societies, big and small. No economic disturbance anywhere is so remote that it does not send waves everywhere.

The information explosion brought about by computers whose power keeps on expanding with continuous improvements in the microchip production technology has given birth to a knowledge society that goes beyond country barriers. It has also empowered countries which only a decade ago were considered, the Third World by the standard of the traditional advanced economies.

The knowledge revolution through Information Technology has also triggered a shift in the focus of economic power, to Asia. It has likewise blurred the demarcation line between politics and economics. Oil, terrorism and global warming are not purely political issues. They have serious economic implications as well.

Today's world of business is also marked by dwindling exhaustible resources. Concern for the quality of the environment, decent work for all, and integrity and transparency in corporation behavior is now part of the global action agenda.

Truly, the familiar way of doing business and of getting things done has changed too. There is a new dynamics as compelled by new demands, pressures and expectations.

It is therefore important for businesses to think proactively. Every businessman who wants to succeed in today's dynamic and ever changing global market needs more than strategies for competitiveness. For every business plan, there should be a contingency plan, a plan B in case plan A fails. Indeed, there is no substitute for preparedness. It would be folly to plan a business without a backup plan to cope with any untoward emergency.

This is especially true for businesses which have gone global. International business, as compared with domestic business, is usually characterized by increased uncertainty. While there is a need

to develop short term plans to solve immediate problems, there is an equally important and urgent need to build long-term plans.

We need to create realizable, long-term plans to ensure our sustainability and survival. During calamities, electricity-intensive businesses need generators in case of brownouts. In days of economic slumps where retrenchment is a necessity, one employee may be required to perform the work of five people.

Faced with uncertainties, several businesses have to shape up and attain unparalleled efficiency to keep them above water. Many companies had to deal with the increased cost of doing business brought by uncertainties and calamities. Some had to lay-off workers, cut down on expenses, and tighten their belts to weather the storm. Government and business have to deal with finding more reliable sources of energy, unstable exchange rates, worker attitudes and changing consumer lifestyles.

In PCCI, we hold an annual event called the Philippine Business Conference where representatives from both business and government exchange views on the economy and formulate economic policy recommendations. Among the outputs of the 32nd PBC held last October were various resolutions gathered from consultations with members of PCCI and other business organizations, from the Area Business Conferences, and the National Competitiveness Summit, where PCCI outlined recommendations for

government to help solve specific problems faced by different important sectors in the country.

We narrowed down these resolutions to key areas, which we believe are vital in making the Philippines an important investment hub and a competitive player in the global arena. They include Agriculture, Taxation, Energy, Education, Infrastructure, SME Development, Tourism, Transportation, Customs and Governance, and International Negotiations.

In the area of Energy for instance, we highlighted the need for the national government to provide the enabling environment to make energy costs more competitive, the reason for which is we have learned key lessons from our uncertain past on having to face a 20-hour per day blackouts.

Truly, businesses need to focus on their strengths in order to survive. A stable business environment can be realized if we are able to further develop key sunrise industries to provide jobs, fuel the growth of SMEs and help government in strengthening overall economic performance.

While the emergence of a global marketplace is welcome to those with international operations, yet this phenomenon also poses a serious challenge. Market standards which are also global have been rising. Buyers anywhere want value for their money. They go for quality and price. Competition is the name of the game. The

seller that can offer the best price possible with a quality that is not far behind when compared to similar products from other suppliers has a very good chance of winning.

It is in this context that some Asian business groups enjoy a comparative advantage in relation to their counterparts in North America and Europe. Asian business enterprises operating in a lower wage regime have a built-in competitive edge over American and European companies with much higher labor costs. Moreover, to claim that products made in either the United States or any of the more technologically advanced countries in Europe is superior in quality to those made in Asia I think is a gratuitous assumption. Asian PC's, third-generation hand held wireless phones, digital cameras, plasma TV's video recorders, DVD players, cars, etc. are world class.

And yet this present market advantage does not have an irreversible momentum. The success that is presently enjoyed by the market leaders from Asia does not necessarily replicate itself in the future. What works very well today may not do as well a few years from now. Bigness alone in terms of capital and production facility does not insure success. Customer preference is never constant. To aim for customer loyalty with a long timeline is to misread the signs of the times.

Where then do we go from here? What can the members of the Confederation of ASEAN Chambers of Commerce and Industry

CACCI) do either singly or collectively? What are the things we can and must do within the range of our competencies?

The standard response, given an overview of the state of the business environment, is to plan ahead. This will require revisiting our respective vision and mission statements so that we can check our bearings. With all the threats and opportunities ahead, we need a new roadmap.

Before changing course, it is necessary to take of organizational strengths in order to maximize them. How flexible is the structure? Is it too hierarchical such that the vertical flow of communications passes through too many layers and filters at the expense of the proper reception of the message? Does the corporate culture encourage innovation? Is there a deep sense of belonging to the organization to a point when the values of the organization are shared by all? Does a climate of thrust exist along both vertical and horizontal lines? Is there a shared passion for excellence and global standards of quality?

I raise these questions on purpose because they go to the very heart of the ability of a business enterprise to survive and succeed in a highly competitive global marketplace. They may sound to the writers and teachers of the discipline of management as too basic. But sometimes, what is essential is often overlooked or taken for granted in the avalanche of day-to-day information coming from all corners.

If I focus on such intangibles as the corporate vision and mission, the culture of trust and innovation, the quality of communication, the sharing of values and passion for high standards as defined by the global market, it is only because winning is an act of the will that goes beyond quantification and mathematical precision.

To have a fighting and a winning chance in the field of competition, it is necessary to develop a kind of “hunger” for market information, to be keenly sensitive to market preferences and to make the R & D efforts market-oriented and market-driven.

In addition, there is a need to redefine the meaning of service from the standpoint of those to whom it is intended to be delivered. This will remove blinders because the feedback mechanism provided a reality check. Let the market be the judge of the quality of the service. In short, take the claim of advertising and PR agencies with a grain of salt.

Finally, it will greatly help to have a transformative leadership in place with the foresight, the perspective and the determination to win through the active involvement of a highly inspired team, skillfully steering the enterprise through the waters of competition and the same time harmonizing the needs and concerns of all stakeholders. Further develop key sunrise industries to provide jobs, fuel the growth of SMEs and help government in strengthening overall economic performance.

In conclusion, let us not forget what JFK said about facing tough times. He said that “When written in Chinese, the word “crisis” is composed of two characters – one represents “danger” and the other represents “opportunity”. Uncertainties provide us with opportunities for growth; it challenges us to use our creativity and resiliency, to step into uncharted waters and conquer adversity.

Indeed, we are facing an exciting period in our history. One thing remains certain though amidst the uncertainties we experience in this world – as human being we find a thread that binds our common share in making this world a better place to live in for our generations.

And so, Ladies and Gentlemen, let us continue to look forward to the challenges because we will be facing these together.

Thank you and Mabuhay!