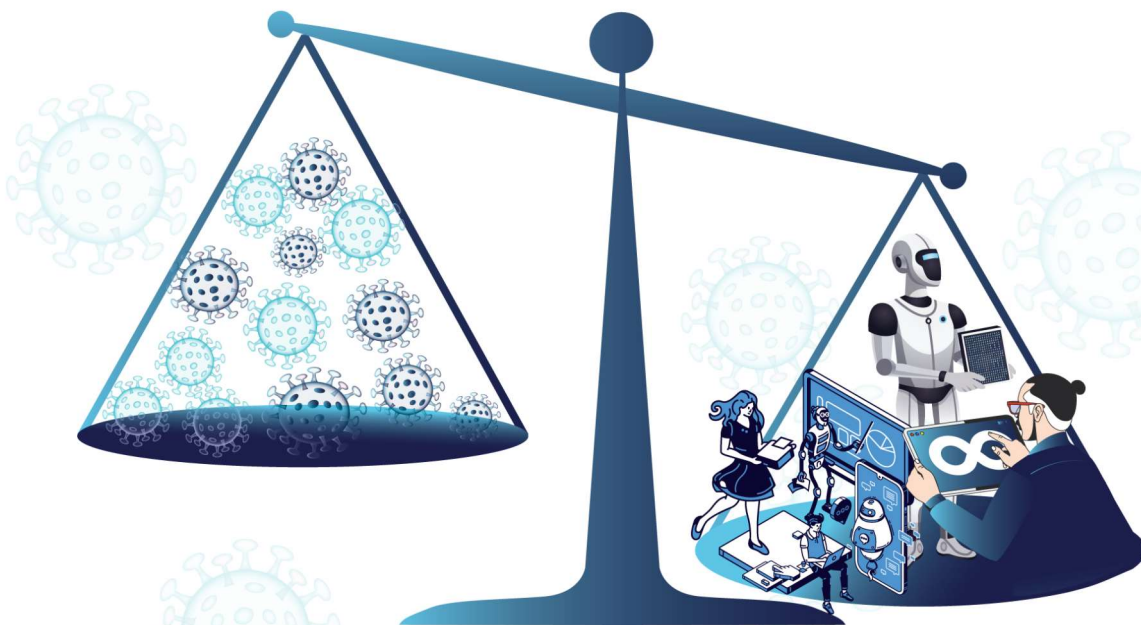




# GLOBSYN MANAGEMENT JOURNAL

## Strategic Resilience and Agility: Key to Business Sustainability in Post COVID-19 Era



### **The opportunities and problems of Small Engineering Consultancy Businesses in Australia in post-COVID-19**

Since the beginning of 2020, industrial outlooks were not great. But the COVID-19 pandemic exacerbated already negative trends. The Australian economy shrank by 0.3 per cent in the March '20 quarter.

### **A jerky ride without destination: Case study of Tourism Industry**

Tourism industry has contributed a lot to the economic, social, cultural and mental well-being of the society at large. But at the same time, this industry has got severe threats from pandemics in the past.

### **The Landscape and role of HR in creating resilience and agility in Post-COVID-19 era for business sustainability**

In the post-COVID-19 environment, where employees have had to adjust how they work, all the HR should shift towards a more human-focused approach.

### **COVID Impact on Transfer Pricing Concepts**

Transfer pricing as a regulation in the income tax laws of various countries gained importance as the globalization concept took over the business world.

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## The Opportunities and Problems of Small Engineering Consultancy Businesses in Australia in Post-COVID-19

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### **A small engineering consultancy business**

Running a small business is always challenging. To put things in perspective, a small business used to be defined as one with a turnover of under \$2M per year. This is roughly up to 8-10 full time employees, working 18,000 hours. Establishing and sustaining a small engineering consultancy business (SECB) with such limited resources is a challenge by itself. More so, if you are in the middle of a pandemic. This article outlines the opportunities, risks and the way forward for Small Medium Enterprises (SMEs) in general and SECBs in particular, beyond the shadow of the coronavirus.

### **COVID-19 Wreaking Havoc**

Since the beginning of 2020, industrial outlooks were not great. But the COVID-19 pandemic exacerbated already negative trends. It catalysed huge changes: oil prices went down, global supply chains faced unprecedented disruption, domestic and international travel effectively stopped. Chaos reigned supreme. The Australian

economy shrank by 0.3 per cent in the March '20 quarter. So did other major economies around the world.

Australia's economy may be one of the worst-hit economies in the Asian region, predicted to shrink by 6.7% this year.<sup>1</sup> Since the pandemic began, Australia has been pushed into a sudden and serious recession. In one estimate, the GDP could be down by 8.5 per cent in the June quarter.<sup>2</sup> These figures are unlikely to return to 2019 levels until mid-2022.<sup>3</sup> This is despite Australia's strong and by far successful health response to the COVID-19 threat.

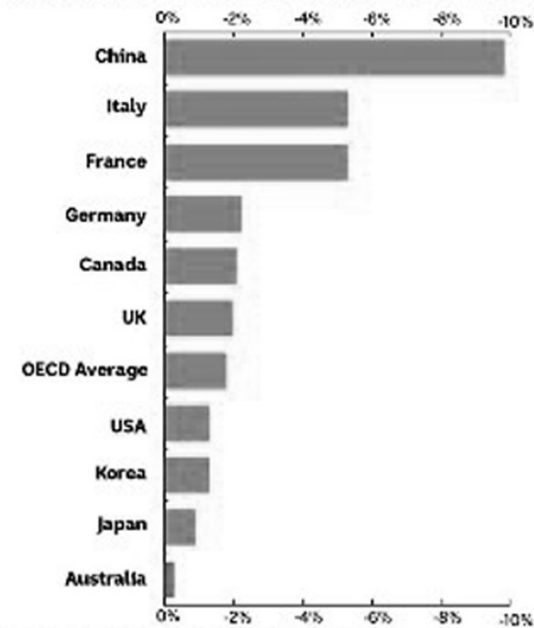
In Australia, government response has and will continue to be crucial to the survival of businesses. Our geographical isolation coupled with a strong public health response have kept most of the country safe. Measures such as tax relief and salary support have provided a welcome lifeline. In Western Australia, our large resources industry has managed to keep functioning, continuing to export minerals to China.

<sup>1</sup> Nassim Khadem, 'Australians are hurting from the coronavirus-led recession, but we are far better than most countries', ABC News, 5 June 2020, <https://www.abc.net.au/news/2020-06-05/australia-coronavirus-recession-compares-international-countries/12322260> (accessed 12 August 2020).

<sup>2</sup> Nassim Khadem, 'Australians are hurting from the coronavirus-led recession, but we are far better than most countries', ABC News, 5 June 2020, <https://www.abc.net.au/news/2020-06-05/australia-coronavirus-recession-compares-international-countries/12322260> (accessed 12 August 2020).

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International real GDP growth comparisons (March quarter)



Source: National Statistical Agencies and Refinitiv

Sourced from: ABC News

## Opportunities

The Coronavirus pandemic has exposed systemic gaps in the way we do things in industries across the world. This is visible in the fields of risk and hazard analysis, prioritising and decision making, budgeting, process and equipment assessment, skilled resource development, goal setting, communication to name a few. This has opened up opportunities for innovation in building better systems.

A change to the status quo opens up opportunities for small players. For SECBs, these opportunities lie with small projects under \$20M. So SECBs must look for niches, where large capital and mammoth sizes are not the driving force. Niches can be many, such as: independent engineer role, debottlenecking, safety integrity review, brownfield modification or tailormade skids. Niches can be anything that needs quick turnaround and depth of knowledge.

SECBs can also take this opportunity to enter into long-term engagements with big owner operator companies, aided by our low overheads. We can also use this time to recruit talent from all around the virtual world on a part-time basis, intended for long-term engagement.

And as everything is virtual now, it is much easier to make your presence felt at a much cheaper cost than 10,000 sq.m. office spaces in the CBD. While a face-to-face meeting with clients is irreplaceable, there is some compensation in that virtual meetings take up a much shorter amount of time.

The local manufacturing sector has revived to some extent because of the physical restrictions of trade. This may generate enough momentum and capital for Small and Medium Enterprises (SMEs) and spate of innovations in special niches of advanced manufacturing and make some of them succeed in the longer term. This will generate work for SECBs.

In addition to this, local sourcing will favour the SECB advantage of cultural understanding. Local presence of SECBs will also be needed to maximise the asset life of running plants.

As innovation in the field of digital and information technology expands across the globe, Australia is seeing rapid adoption of mining automation. This is further accelerated due to social distancing and travel restrictions. The law is yet to confront automation fully. When it does, SECBs will be called on to conduct engineering reviews.

Other large-scale changes can translate to direct impact on SECBs. An increasingly decentralised economy will give rise to modular technology in the energy industry. Renewables and sustainability projects will increase. Climate change will require new or modification designs



of buildings to accommodate changed conditions such as frequent high intensity flood and wind. Assessing recycled equipment of other process plants may increase due to the congestion of logistics and the subsequent delivery lag. As the focus on self-reliance grows, onshore recycling will very likely increase. In Australia, rare earth mining will accelerate due to increasing demand from the growing global renewables industry. Each of these changes represent a new frontier for SECBs.

### 3 problems

The first problem for SECBs, caused by the coronavirus is the lack of cash flow. This translates to making very hard decisions of letting people go. This is both an emotional decision as well as a significant loss of trained talent.

The second problem is the inadequate internet infrastructure. With employees working from home, the outdated internet infrastructure and

the suburban bandwidth of internet, productivity went down drastically. In addition to this, cyber security remained the vulnerability point left to the mercy of hackers.

The third problem is the burden of a myriad additional expenses. For example, loans with higher interest rates than the big businesses, running cost of companies, prepayment of notional taxes, rents and insurance bills, lack of government support for casual employees, cost of compliance to standards and laws equivalent to big businesses.

These factors are a significant hurdle for the recovery of SMEs, to the significant detriment of the wider society, as SMEs are key employment generators and essential for healthy competition in an economy. However, the response to the last crisis, the Global Financial Crisis (GFC), has not been encouraging for small businesses. Economic conditions have been noticeably weaker for small businesses post-GFC than for larger businesses.<sup>4</sup>

Table 1: Businesses in Australia, by Size – 2013

	Number of employees	Number of businesses		Employment <sup>(a)</sup>	Value added <sup>(a)</sup>
		'000	Per cent of total businesses	Per cent of total employment	Per cent of total industry value added
Small	0–19	2,025	97	43	33
<i>Of which:</i>	0	1,264	61		
	1–4	563	27		
	5–19	197	10		
Medium	20–199	51	2	25	23
Large	200+	4	0.2	32	44

Note: (a) Private non-financial sector

Source: ABS

Sourced from: Reserve Bank of Australia

<sup>4</sup>Sam Nicholls and David Orsmond, 'The Economic Trends, Challenges and Behaviour of Small Businesses in Australia', Conference – 2015, Reserve Bank of Australia, 2015, <https://www.rba.gov.au/publications/confs/2015/nicholls-orsmond.html> (accessed on 12 August 2020).

### **Planning to thrive in a post-pandemic economy**

The primary goal of SECBs is to survive the COVID-19 crisis. Hard economic times are bad for all, including SECBs. But SECBs can position themselves on a stronger ground for future recovery by focusing on investment and emerging opportunities – this can involve investing in plant and equipment, or technology and talent. This is the time to reflect on and form strategies on where you want to take your business in the future. Ask questions – What have we done so far? What did we do right? What went wrong? What brought us respect? What gave us prosperity? What did we contribute? What is unique to us? Which path should we follow? What should the business culture be?

We need to think further than the short-term, maintaining a keen awareness of our current operating environment. For example, I recently heard that KBR is moving out of its oil & gas EPC business. My analysis is that this is an indicator of the future, where with heavy investments renewables are taking the place of oil and fuelling economic recovery. The space that the likes of KBRs will leave can be served by SECBs in the transition. It also points the direction in which SECBs can position themselves in a renewables future.

Innovation and resilience are what keeps SMEs alive and kicking, as there is a sense of ownership in it. There will be cash flow challenges that will deter investment and expansion in the shorter term. It will take time for customer confidence to return at normal levels and the crisis may result in permanent changes to their behaviour. But SECBs will adjust to the new normal, because it's their survival and creation that is at stake. SMEs are the building blocks of a strong economic system. They innovate, prosper and create wealth. SMEs can bounce back more

quickly in places like Australia, with the right business atmosphere, generally well-defined system for doing business, established Rule of Law, clearly defined Tax regime.

### **Conclusion**

COVID-19 has exacerbated many problems for SECBs and SMEs in general. But a shakeup of the status quo brings opportunities as well. From modular technology in the energy industry to local manufacturing and rare earth mining, there is a world of opportunity emerging for the taking. The only requirement is innovation and resilience. Of course, a bit of fairness from all quarters will definitely help along the way. ■



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