



## Driving Strategic Value

China Shared Services and Outsourcing in the Extended Global Enterprise



## Mobilizing Innovation

The changing landscape of disruptive technologies



## Going Social

How businesses are making the most of social media

# C.O.O. Agenda

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## KPMG's COO Roundtable

KPMG's COO Roundtables are a forum for likeminded individuals to discuss ideas,

share concerns and debate solutions for the problems they face.

**We are seeing some COOs prepare for smoother waters to come.**

The economic downturn has made it difficult for COOs to develop effective business strategies and the

upcoming quarter is proving especially challenging with the ongoing threat of risks. While, unsurprisingly, the current focus is on navigating through these difficulties, opportunities have not been forgotten and we are seeing some COOs prepare for smoother waters to come.

## The 'Typhoon'

Hong Kong and China have encountered several economic downturns over the last two decades - the Asian financial crisis of 1997, the Severe Acute Respiratory Syndrome (SARS) in 2003 and the 2008 Lehman Brothers collapse. Despite the economic pressure on both economies, China and Hong Kong survived. Now the instability of the European market is affecting the global economy and it is becoming increasingly difficult to predict what will happen next.

**While the extent of the damage is still immeasurable, repairs may need to be done in order to survive.**

COOs have seen the warning signs and are trying to take precautions and make plans to outlive the storm. As with any typhoon, there is anxiety in the unpredictability of its nature - the only certainty is that it will eventually pass. The question, however, is when? While the extent of the damage is still immeasurable, repairs may need to be done in order to survive the ambiguity of the current market.

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# Are you ready for 'Generation Z'?

Social media is booming - Facebook, Twitter, Weibo and LinkedIn are all household names - but it's no longer just 'social'. While it is still being used for entertainment purposes, social media is fast becoming ingrained in consumers' lifestyles and purchasing habits.

The new generation, 'Generation Z', is switched on and logged in. Thanks to the

mobile technology of iPads, smartphones and laptops, answers are literally at their fingertips. Traditional means of communication are becoming less important as Gen Z find faster, easier and more mobile ways of accessing information and interacting. This new breed of consumers can readily compare the price and quality of goods and services from different locations and suppliers. This rapid exchange of information has the power to give companies both incredible opportunities and potential problems. But are companies prepared to deal with the implications?

## The new world is virtual

Information sharing is now only a click away, thanks to the evolution of fast speed internet and social media. This one click has the potential to share information to thousands, millions, or even billions of people. Reactions and responses are instantaneous in this new virtual world, neither bounded by distance, or time zones. Even working hours are becoming blurred. COOs find it hard to monitor and maintain accurate information because it requires constant oversight.

The Ministry of Commerce People's Republic of China (MOFCOM) estimates that China will become the largest online retail market in 2013. According to MOFCOM's study, there are almost 200 million online retail service users in China. COOs are trying to find the right way to manage this new consumer behaviour - they

see opportunities, but they also see tremendous risk. So what is the best way to use social media to promote products or services? Proper use of social media can bring benefits to a company, build a good reputation, save costs and increase revenue. However, one single message has the potential to catapult a company into an

unimaginable nightmare. So should COOs utilise social media? How should they utilise it? Do they have the capability to monitor the information that is shared in this virtual world? Even if they do not use it, does this mean they do not have to monitor it?

COOs are in the midst of searching for the answers; as yet, there are no 'one-size-fits-all' solutions. Recent research released by Strategy Analytics shows that China has overtaken the U.S. as the largest smartphone market in terms of volume. With the extensive growth of the smartphone market and the growing number of mobile applications, how can COOs effectively promote their products on screens that measure only 4.3 to 4.8 inches? To make a big impact on small screens, companies need to revise their marketing strategies and pinpoint people with the right skill sets.

## The change of mentality

COOs are currently finding it difficult to acquire the right talent. As the economic environment has changed, so too has the younger generation's mentality. In previous generations, the economic environment was still developing, so opportunities were available to those who worked hard. However, these days, the younger generation is presented with a developed work environment and different challenges. They are being more selective when choosing their careers and want more than 'just a job' - in addition to a competitive salary and reduced workload, they also want work to be 'an experience'. Instead of worrying about what they can offer a company, this new generation is interested in what a company can offer them. This change in mentality, along with the inflation in China, means that it is now more costly to hire a talented employee than before.

## Finding another way

COOs are finding putting too much pressure on the suppliers in order to negotiate a better price can sour a relationship and compromise the quality of goods and services. Ultimately, even in this current environment, there needs to be a win win.

Inflation in China has made the crucial task of managing costs an even higher priority. Shared Services and Outsourcing (SSO) is becoming an increasingly attractive option for COOs to address cost management. Government support of the flourishing SSO centres in China has lowered prices. Coupled with greater tax incentives and encouraging regulations this is giving COOs alternative means to reduce their overall costs without compromising their supplier relationships.

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