

## Chinese lessons in view of "Phase 3"

*For the management consulting group Porsche Consulting, China, already on the road to recovery, offers interesting ideas on how to deal with the new post-coronavirus scenarios*

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"It's an ill wind that blows nobody any good": the Coronavirus pandemic is without doubt a dramatic event that has impacted the global economy and a great many enterprises. However, it must be said that precisely because enterprises are finding themselves facing new situations in a difficult, altered context, we are seeing a speeding up of trends that would in any case without doubt have gained standing in the future, albeit perhaps somewhat more gradually: in particular, the tendency to digitise through the whole range of business processes (from design to manufacture, the supply chain and all aspects regarding relations with the end consumer) and the revelation of the true potential of e-commerce, not only for B2C but also B2B (business-to-business).

The message comes from the strategic consultancy firm, Porsche Consulting, whose global vision is influenced by what is taking place in China (where, amongst others, it has just opened a branch in Beijing). From the regional headquarters of Shanghai, **Jiawei Zhao, CEO of Porsche Consulting in China** reports that what is happening in the country offers interesting points for consideration by western enterprises: almost a window to the future. "The first to be struck by the Coronavirus, China is two months ahead of the other countries in the effort to achieve an economic (and generalised) recovery in reaction to the new situation that has arisen" - the CEO declares. "The impact of the virus has been a major one, as shown by the 6.8% decline in GDP for the first quarter of 2020. It is difficult to imagine a V-shaped recovery with the rest of the world struggling with a major crisis and dwindling export demand, at least for a certain period of time. If some segments are now ready to drive the recovery, heading back up to pre-crisis levels or even exceeding them, others - and everything connected with tourism and entertainment first and foremost - are still a far cry from any attempt at a return to normalisation". **Jiawei Zhao** draws conclusions not so much from macroeconomic analyses but rather from his observations of corporate dynamics, in China where signs of recovery are starting to clarify and can help Italian enterprises see how best to act in the post-crisis phase. In Mr. Zhao's opinion, talks of "post-crisis", as in sudden de-activation of the virus and return to normality, can be misleading in China as it is in Italy. "I believe that the impact of the Coronavirus in China, including that in Italy, will be substantial overall but with very different implications for industry" - the Chinese top manager declares. "Many are today seeking to weather out the storm and I would humbly suggest that they immediately start working on a re-launch plan with an organization suited to the worst case scenario. For others, it is more a question of making the most of new opportunities and defining new business models. Indeed, for some enterprises, this crisis merely fast-forwarded what we had previously imagined would happen in the future. It would be in their best interests" - he continues - "for Italian enterprises operating in the value chain and are recovering slightly more quickly, to promptly draw up a strategic development plan focus on the Chinese market": he believes that the opportunities offered up by this market remain extremely interesting, including the Green economy segment.

If it is true that at the start, the crisis re-triggered, with geopolitical connotations, a reduction in the dependency of western enterprises on Chinese supply chains, "there is no significant evidence of any exodus from this market and any potential reduction in exposure would be a lengthy process. Were this not the case, the situation would be a lose-lose for everyone concerned". In the meantime, "starting 22

May, which is the date to which the opening of the annual key parliamentary session has been deferred, this year's growth targets will be revisited and new measures offering support to the Chinese economy will be launched: with a prudent approach and specific support packages to speed up the recovery". The whole of the construction and major works chain could be the first to benefit from the announced package of industry incentives: the local Chinese enterprises will likely, at this time, gain a competitive advantage as many international competitors have been forced to slow down. Xuzhou Construction Machinery Group and Sany Group are just two examples of this.

The situation differs between those that have suffered an unanticipated, slow-down that cannot, at least in the short-term, be remedied, such as automotive, and those that have sought out new opportunities amidst the crisis in China. This is the case, for example, of Missfresh", an e-commerce company that operates in the fresh food segment, which quadrupled its turnover during the Chinese New Year, proving that it is not only the giants of the new internet- and telecommunications-based economy but has also successfully introduced innovations. Another example comes from the logistics-deliveries segment, again struck hard but which has been proven to be dynamic in various sub-segments: we need merely consider the growth seen in turnover by the express courier "SF-Express". It would appear likely that the success of these enterprises will continue and that in the long-term, the conduct of Chinese consumers may be affected.

**Josef Nierling, CEO of Porsche Consulting in Italy** notes that it is possible to imagine a similar future for Italian businesses, like the start-up Cortilia, or large retail chains that are better organised: even today, very different impacts are reported among large retailers in Italy: some have lost up to 40% of turnover, whilst others have seen growth in sales. Mr. Nierling reveals that the company has just completed a strategic consultancy project for the full development of a new building using virtual reality: "We need to be thinking of Phase 3 now, consolidating now the new technologies that will benefit us in the future, like the as-yet under-developed area of e-commerce in business-to-business". The fight against the Coronavirus has driven China to speed up advanced technologies, for example becoming world leaders in solar energy, and teaches us a lesson about across-the-board technological innovation, as a strategic need for businesses seeking to look optimistically towards the post-Coronavirus scenario.