

Business after Brexit

Five opportunities to
win in the age of
trade restrictions



In the integrated world of commerce, the results of the 2016 UK Brexit referendum have triggered a global avalanche of speculations and scenario-planning to prepare for various outcomes of the United Kingdom's exit from the European Union.

Fuelled by scenarios of job losses, product shortages, and economic slow-downs, businesses are considering relocating their operations, transportation, and logistics to prepare for arguably the biggest impact on international trade since the end of the Cold War.

As we enter a new age of dynamic uncertainty, a fragmented, disrupted, and volatile view of the world of commerce is replacing a more stable, integrated view, resulting in a number of shifts in macroeconomic focus. Below, we detail these shifts using Francis Aguilar's 1960s six-dimensional PESTEL framework¹, a tool used to assess macro-environmental factors.

Brexit sheds a glaring light on these shifts, in particular on the political, economic, and legal dimensions. But is all this change for the worse, or are there emerging opportunities for new digital business capabilities that can withstand volatility?

We believe there are. As potential trade barriers from Brexit and between major markets such as the US and China increasingly become part of everyday life, digital-age capabilities – coupled with enterprise agility – will become more and more critical to international operations. Here we consider five capabilities that businesses should consider prioritising to not only sustain existing operations but also expand their digital capabilities and turn current uncertainties into value-generating opportunities.

Dimension	Historic macroeconomic focus	Current macroeconomic outlook
P – Political	Creating holistic trade zones and economic areas such as EU and NAFTA	Navigating fragmentation of national interests and rapidly changing rules (and rulers)
E – Economic	Stabilising currencies and established global business principles. Right-shoring of activities in global context	Hedging against increased market volatility and shifts in buying power
S – Social	Defining practices in corporate social responsibility	Managing increase in social undercurrents that influence politics and rules of commerce
T – Technological	Continuously increasing maturity across all aspects of international commerce	Staying competitive in the age of disruptive technology leaps
E – Environmental	Gradually increased focus but rarely top priority	Increasingly at top of corporate decision-making considerations
L – Legal	Alignment to enable commerce between major hubs	Use of tariffs and legal context to either attract investments or protect commerce

Figure 1: PESTEL framework comparison of historic and current macroeconomic outlooks

Five opportunities for agile enterprises



Value chain risk and resilience management

Business impact: In the current operating environment, the main challenge is increased macroeconomic volatility. Value chain disruptions caused by natural disasters, supplier problems, or isolated industrial actions were historically managed through a business continuity framework. Today, the ability of a business to accurately simulate and respond to disruptions in an integrated value chain is becoming a key differentiator.

Opportunity: Whether deployed to seamlessly re-route shipments, change schedules for manufacturing operations, launch a new e-commerce portal at speed, or rapidly establish new legal and trading entities to respond to changes in the macroeconomic environment, the ability to manage value-chain risks and maintain operational resilience are becoming corporate priorities. This know-how is key to protecting both revenue and the ability to explore new market opportunities.

The way forward: Establish practices to regularly and proactively measure and stress-test operational resilience and address the greatest risk vs impact combination. As well as, establish dynamic business rules and autonomous cells for critical operations.



Tariff and trade optimisation

Business impact: While most major trading channels for physical and financial flows have long been established and optimised, there are continuous changes in most major markets that require consistent monitoring and optimisation.

Opportunity: Consider maritime logistics, where recent developments have created new opportunities in customs clearance and value-added taxation. Smart ports, which allow

seamless API-based integration across all physical and information transactions (and recently the legal acceptance of electronic bills of lading in most geographies), are enabling fully digital information flows and much faster transaction processing.

The way forward: Baseline and monitor tariffs as part of regular cost-to-serve analysis and explore-optimisation simulations. Consider segmenting major business channels to optimally manage tariff vs the volume of goods shipped.



Information brokering

Business impact: The age of outsourcing operations and greater use of fungible assets is putting significant emphasis on the core competency of brokering information across a changing array of parties. In most scenarios, these exchanges follow established routes of trading partners and trading lanes.

Opportunity: In times of trade restrictions, businesses can leverage information-brokering capabilities to manage and optimise higher complexity information flows and new legal barriers more quickly than the competition.

The way forward: Elevate information brokering from its traditional place in the data and information-technology world to the position of a strategic enabler. Consider information-collaboration platform architectures that will allow seamless integration with third-party providers, as well as deep analytics to improve speed and processing volume.



Business model redesign

Business impact: The new normal is operational agility. Businesses need to rapidly react to the new rules, which will likely continue to evolve. Organisational rigidity, on the other hand, can cause businesses to lose pace with marketplace dynamics and fall behind.

Opportunity: Businesses can differentiate themselves by developing a business service architecture for a modular supply chain, for instance, using fungible assets or micro-services to bridge a changing landscape. Businesses should also continuously redesign legacy operations to remain competitive.

The way forward: Regularly review business models (market-to-order and order-to-cash) in order to optimise speed, profitability, and customer-centricity. Enable portfolio segmentation and rapid responses to shifts in portfolio priorities.



Actively create new revenue streams

Business impact: Trade restrictions are as old as commerce itself and clearly still very much alive in today’s world. Trade restrictions in the digital

age are the ultimate test of enterprise agility, but business model redesign might not be sufficient to create sustainable future growth. In a rapidly changing world, exploring new ways of monetising information, assets, and volatility will become an important business capability.

Opportunity: Digital businesses have embraced the notion of orchestrating anything and everything to satisfy market demand rapidly and economically. Combining established operations or underlying assets such as distribution networks or manufacturing capacity, customer service centres or billing operations in conjunction with a highly developed ability to broker information allows rapid creation of a differentiated orchestrated market offering. Here are a few examples:

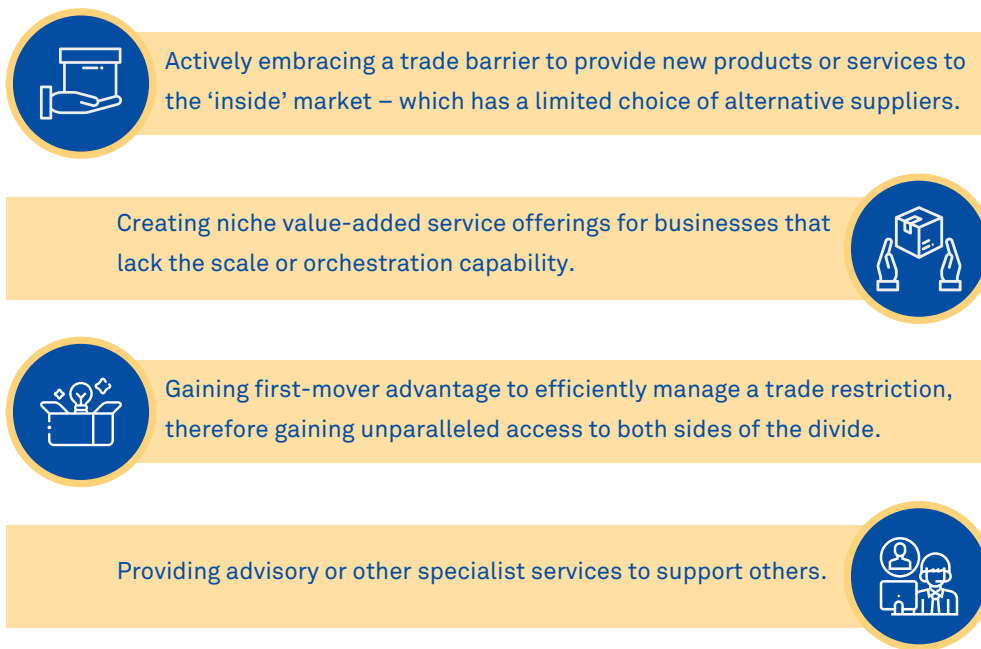


Figure 2: Illustrative list of differentiated orchestrated market offerings

The way forward: Reconsider the revenue-generation potential of your organisation’s established assets, information, and business-partner landscape through the lens of digital business enablement to identify revenue streams in new value constellations.

The impact of trade restrictions on the global economy will likely result in short term challenges for business. However, this is also an opportunity for enterprises to become more agile and adaptive for future volatilities in global trade. Enterprises that can build agility into their DNA will lead from the front in the future.

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