



# MANAGING COVID AND COMPLEXITIES IN MYANMAR

Serge Pun, Executive Chairman, Yoma Strategic Holdings and First Myanmar Investment, talks with Tan Chin Tiong about the opportunities and challenges of doing business in Myanmar.

## Given the recent news on Myanmar, which aspects of the country, particularly its business sectors, do you feel need more attention?

We have faced a double whammy—first, we had Covid and then we had political uncertainties. A few months ago, in February 2021, the change in government was the main issue. However, from July onwards, Covid-19 took over and the situation has been dire. This third wave of the pandemic is unprecedented. Many employees, friends, and their families have passed away.

The hospitals are bursting at the seams. We have all kinds of crises, including a shortage of oxygen and medical staff to fight this battle as they themselves get hit by the disease. We are facing very tough times, and expect the situation to worsen. We have taken a number of impromptu, urgent measures, such as converting part of the school we run into an isolation and treatment centre.

We had anticipated tough times since last year because we did not think that the pandemic was going to be resolved in the short term, regardless of what everybody was hoping for. Then when the change in government took place, we were sure that the crisis would be prolonged way beyond what one would expect. In April, we decided to change our approach in facing these challenges, with the end-goal that we must remain standing strong and intact after a year. That meant relooking at all the entities and the group as a whole. The message was very clear—each entity must be able to stand on its own feet. We were not looking at expansion but survival.

The first step we took was to remain financially solvent, which required some painful cost-cutting, including retrenchments. By June, we had a much leaner organisation. Many employees had been put on furlough, with a sizeable number taking up to 80-percent pay cut as they wait for recovery. Many volunteered to be at our service without pay—simply because there also weren't any other opportunities for them. So we were able to slash our expenses dramatically.

On the other hand, we tried our best to increase and augment every possible income stream. Our business is a mixed bag. Some sectors are doing better than before the crisis. For example, our hospital operations, which runs in partnership with OUE Lippo Healthcare Ltd, has never done better business than now. There is not one vacant bed. Even though we have kept our prices low and affordable—in many cases, we do not charge if the patient cannot afford it—the overall revenue has improved dramatically because of the turnover.

In other sectors like financial services, Yoma Bank and Wave Money, for instance, have not done as well as during the pre-crisis period. However, Wave has gained a great deal of traction in market leadership, as it has been the only viable means of transactions for many people who do not have a bank account and have limited or no access to banks. Meanwhile, as expected, our tourism business is negatively affected and is facing severe challenges.

It is very difficult to give an answer on when the situation will improve. For a country to move forward, an effective government and a supportive population are critical. Fortunately or unfortunately, business will go on, as it is a function of market demand. When there is market demand, there will be business. But the type and ownership of businesses would differ, as these are dictated by the political climate, the circumstances of each country, and the systems that it operates.

## How should organisations like the Yoma Group collaborate with other overseas firms in developing Myanmar?

We are very proud that we are probably the only group that has been able to attract over 15 international top-tier groups to come into Myanmar as joint venture partners. From Asia, we have Mitsubishi Corporation, Mitsubishi Estate, the Ayala Group, Tokyo Century, Mitsubishi Motors, OUE Health Group, the Lippo Group, SF Express, and Jebsen & Jessen. From Europe, we have JCDecaux. We also have ongoing projects with the Asian Development Bank and the International Finance Corporation (IFC) as equity partners. At Yoma Bank, we have IFC, GIC, and Norfund as equity shareholders. The list goes on, and I am very proud of that.

None of these partners have exited the country, and that is extremely significant. There have been many who have packed up and left, but our partners are all in for the long haul. They recognise the difficulties that we will face in the coming two to three years, hopefully not longer, and they stand firmly committed to our partnership and the businesses that they have invested in.

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**One area that family firms in Asia are trying to strengthen their performance in is leadership succession. How is leadership succession being planned and implemented across the various companies under your charge?**

We started thinking about succession 10 years ago when I said I should be retiring in a decade. I do not think any group can or should rely on one person. It would also not be good if the group collapses should a key person be suddenly incapacitated. So we have always been very conscious about building a team.

During the past year, I have adopted a slightly different, somewhat revolutionary, approach in managing our entities. It is based on the principles from Daniel Coyle's book, *The Culture Code*, and is about managing an entity with a team, tackling the hierarchy, and having a flat top leadership.

That has really taken root. We have seen some early successes in our real estate division, where there is no one person who is the 'mastermind'. It is a collective group that is responsible for all the successes as well as failures of that entity, and no one can push away their responsibility. Everybody on that team is responsible. And that has actually started a movement, a culture where you see great potential being developed and the sense of ownership in a substantial and significant way.

What we did was to take away the silos, in terms of authority and operations. We opened up and made it a flat structure, so that while each member of the leadership team is responsible for a specific area, all members are responsible for the end-result. It is like playing football. There are forwards, defenders, a goalkeeper, but if you lose, the whole team loses. If you win, the whole team wins. This is the way we want to run our entities. It has worked well with the real estate division, and we are trying to expand that to other entities. I believe this thinking will form a very big part of our succession philosophy.

In the conventional way, succession is thought of as 'who's going to be my successor'. However, I think succession should go deeper than that. It should not be about an individual being succeeded by another individual, but about how this organisation will be sustainable going forward.

There are different styles of working between generations. I always feel that I am of the 'old school' and my children are of the 'new school'. 'Old school' does not mean bad practices—it is just the way we do business where 80 percent is about judging character and shaking hands, and 20 percent is

about economics and business rationale. For the 'new school', it is the reverse.

I am more likely to make some bets based on personalities, on people whom I think will deliver. While I may be wrong sometimes, I feel that the 'new school' formula may not always work either. You may have all the facts, but still, your partner may dishonour your agreements. In fact, I feel that the 'old school' approach would have more yardage because circumstances can change after you've negotiated something. When that happens, all you have left is character. So I depend on the person because I believe that whatever we anticipate is not always going to be the same as the reality. But this may not go down very well with the more educated, more objective sort of thinking of the youngsters.

**In many Southeast Asian countries, there is a tendency to rely on the expertise of expatriates, as there may not be sufficient talent at the outset. Is that the case in Myanmar?**

I think the idea of recruiting experienced expatriates (expats) to run an organisation in Myanmar started taking hold in 2012, when the country opened up, not only in terms of politics, but also business. That was when we decided that we were going to invest heavily in human resources to attain the depth and breadth of management brainpower. So in a short span of two years, from 2012 to about 2014, we spent a considerable amount in that area.

We had more than 100 expats and over 150 repatriates working in the group then. There were about 250 people in managerial positions during that period. That was a heavy burden in terms of expenses, but we considered it necessary. By 2018, we started to wind down on that because our key performance indicator (KPI) for the expats when we employed them was that they had to get themselves out of the job in five years! While it may appear to be a disincentive, the truth is that it was not. Expats generally fall into two categories. The first are those who only think of going to work for a fixed period to accomplish something—a contract, a job, or a mandate. They are always thinking of going home one day.

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This KPI poses no contradiction to them. The second category of expats are those who want a long-term career with you. They are not attached to their home country and have typically been overseas for most of their lives. To them too, this KPI is not a deterrent—I tell them that if you want a promotion, you have to find somebody to replace you or you will be stuck in this job forever.

So by 2018, we started winding down on hiring expats and turning to local expertise. I would not say we have had 100 percent success. Many of our expats failed to groom a successor, and it was not necessarily their fault. However, with the pandemic, and many people having left or wanting to leave because of safety reasons, the transition from expats to local managers was inevitable and we have seen a lot of local talent emerge.

For me, necessity is not only the mother of invention, but also discovery. When you are required to manage an entity with no other choice, potential talent emerges. And some of them have really become the new, bright, promising stars of the future. With the sudden change in government, this shift to local talent has further accelerated, and now we have local leadership in many entities.

**This group of up-and-coming young entrepreneurs and business people will be very important for Myanmar in the future. What is your advice for these aspiring entrepreneurs?**

I feel that the future of Myanmar lies with the new generation. During my early days of mentoring young entrepreneurs in family businesses, the question that repeatedly came up was, "Uncle, how do I deal with my father who doesn't seem to agree to anything I try and does not give me the authority?" My answer was, "You have no choice but to be patient. Your turn will come. And I just hope that by the time your turn comes, you will not have changed to be exactly what you are opposing today. But you cannot blame your father, as he built the company and is entitled to his ways. For you to think that you have the right to change and overrule the way he wants to do things is wrong. You do not have that right. You're coming into his company, so you just have to be patient."

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I think the pandemic and the sudden change in government have made it even more difficult for these aspiring entrepreneurs. Many of them have lost heart and wish to leave to start something anew, and so they need a lot of mentoring and motivation going forward. They are going to face more challenges than they expect because of the way the system is evolving. On the other hand, a minority of them will actually come out very successful because now is also the time when opportunities abound. However, it takes a special type of person to see and discern the opportunities, and have the courage and drive to take them on. And such people are always in the minority. When times are good, everyone wants to be an entrepreneur. But when times are bad, you really require steel to be in the game.

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