

BUSINESS RESILIENCE BAROMETER

Stepping Up to the New Normal

*A survey analysis of Financial Services
Organizations*

Table of Contents

02	Overview
03	Survey Demography
04	Executive Summary
05	Overall Perspective
06	Revenue
10	Cost
12	People
14	Technology
15	Conclusion
16	About Protiviti

Overview

The outbreak of the Novel Coronavirus (COVID-19), declared as a 'Pandemic' by the World Health Organization (WHO), has completely changed the world as we know it. Not only has this impacted the health and wellbeing of our people, businesses have also been severely impacted. Organizations are facing multiple challenges across revenue and demand, supply chain, working capital and liquidity and operational disruptions, to name a few. Sectors such as hospitality, travel and tourism, automotive, aviation, including consumer retail and technology are seeing major impacts whilst others have a moderate downturn. Organizations across industries are going back to the drawing board to review and realign their business strategies. Most of the organizations *are* working on new collaborative business models with active participation of their ecosystem partners and ancillary suppliers to mitigate such unforeseen disruptions in the future.

The current impact of the COVID-19 has already been seen by the global banks in their loss provisions for the Q1 2020. The provisions on an average have increased multifold. Even the Indian Banks and NBFCs have experienced similar impact, though at this stage it is not fully clear as to the scale of the impact. As an early measure, RBI has allowed moratorium (grace) period to all the borrowers of the Banks and NBFCs, without classifying loans.

RBI has also taken several measures to enable banks to have more liquidity in the market and help improve the banking sector as well as overall

economy. Similarly, insurance companies have seen a reduction in their premium income.

The premium income of life and general insurance companies have reduced by 32% and 11% in March 2020 as compared to March 2019 respectively. Though, capital markets have seen increased activity as the big institutional players are either trying to withdraw their money or hedge their existing position and on the other hand retail investors are looking at investing in the opportunities created in the stock market. Hence, despite the fall in the market, the turnover of transaction at NSE has increased by over 20% from February 2020 to March 2020.

In order to better understand how organizations in the Financial Services sector are focusing on their critical businesses in the rapidly changing scenario, perceiving risks emanating out of this pandemic together with the safeguards/alternate measures that they are adopting to bring their operations back to normal, we conducted a Business Resilience Barometer Survey. In this report, we present a synopsis of the responses received from the participants and it's analysis.

We would like to thank all the respondents who have supported us by participating in this survey.

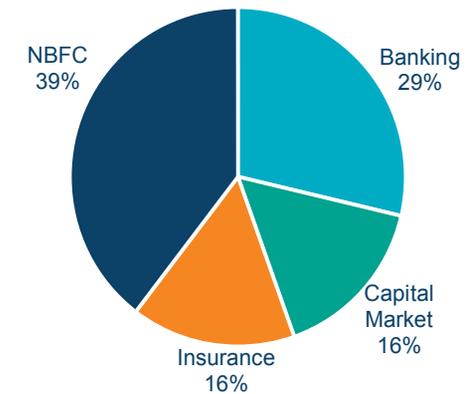
Survey Demography

Our diverse respondents comprise of industry leaders, board members, C-suite executives and personnel representing key functions from all regions of India and Global organization with Indian footprint.

Our survey is designed on two pillars, one focusing on the impact of disruption on the business and the second on road-map and strategy that organisations are looking to adopt to minimise this impact. The analysis features responses from over 100 participants from the Financial Services Industry.

Demography classifications:

Industry wise respondents



- 01

1. How will the disruption impact the business?

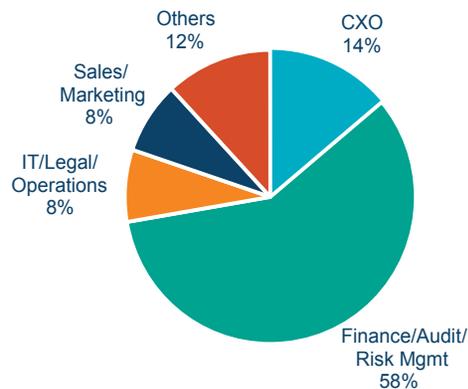
 - a. How long will the impact sustain?
 - b. What would be the impact on revenue and profitability?
 - c. What is the significance of the impact across various business lines?

02

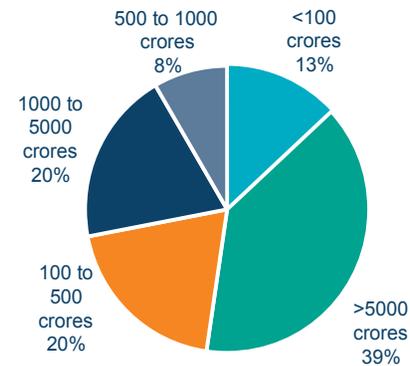
2. What is the future road-map or strategy that might be adopted to minimize the impact?

 - a. What are the areas where cost reduction is considered?
 - b. How is the digitization across various functions in an organization prioritized?
 - c. What strategy organizations are adopting on their Human Capital?
 - d. Where the IT spends will be channelized?

Function wise respondents



Organization size by revenue (INR)



Executive Summary

Coronavirus has led to an unprecedented global impact on the way organizations operate and its workforce with respect to safety, mobility, productivity, engagement and more. With the COVID-19 crisis, it is seen that pandemics are unique disruption events with an uncertain duration and continuously changing parameters that are posing new challenges for the organizations on an everyday basis.

As the wave of COVID-19 spreads across the world, business resilience has emerged as a strategic avenue that organisations cannot brush aside. They must sustain secure operations, adapt communications and maintain workforce productivity while readying themselves to quickly recover post-crisis in addition to building enterprise resilience to successfully prepare for future disruption. Businesses will be judged in real-time on how they manage the challenge, their behaviour and strategic choices. An informed response could build trust and brand affinity whereas poor decisions will pose a reputational risk and may also challenge their existence.

Organizations are forced to evaluate their strategies across multiple dimensions, revenue growth by expanding in new markets, building new products/solutions, etc.; cost optimization measures across human capital, distributions, infrastructure cost; reprioritizing their digital journey in sales and distribution, IT infrastructure, operations, etc.; working on challenges faced while executing work from home strategies and effective channelization of IT spends.

It is time for organizations to revisit their enterprise wide risk management framework, factoring disruptions that are no longer limited to specific geographies and markets. Board members and executives are now required to take a holistic view of the challenges faced by them and by their extended eco-system.

They will have to work on new collaborative business models with active participation of their partners and vendors to mitigate such unforeseen disruptions in the future.

Key Findings

Large sized organization will face more business disruption — 80% of the organisations with revenues more than 1000 crores are expecting the duration of the disruption to their business to be more than 3 months.

Significant impact on revenue — Substantial impact on revenue in excess of negative 10% was reported by 57% of the respondents. 25% of the total respondents have even indicated an impact on revenue by more than negative 25%.

Retail business will face more impact — 81% of the respondent suggest moderate to significant impact on their corporate business as compared to 90% on their retail business.

Building new solution and increasing market efforts are the way forward — 80% of the respondents expecting more than 10% impact on their revenue, indicated the need for building new solutions or products and increase in marketing and sales efforts as two key steps to minimize the impact.

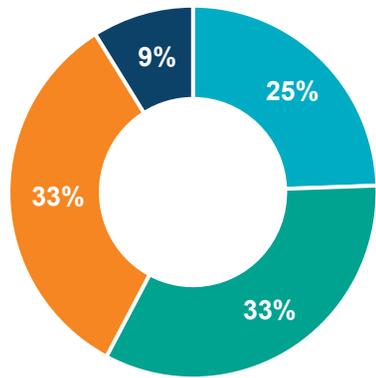
Infrastructure and rental cost is the focus for cost reduction — 68% of the respondents have suggested reduction in the infrastructure and rental cost.

Minimal layoffs expected — 90% of the respondent expect either no lay-offs or max up to 10% in their industry. 65% of the respondent expect the hiring cycle to revive after 60 days.

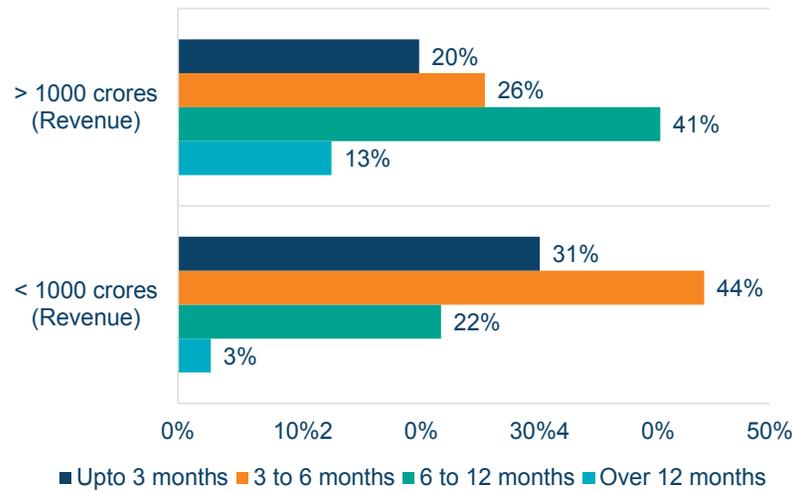
Re-prioritising IT infrastructure — 70% respondents indicated the need for re-prioritizing the IT infrastructure.

Overall Perspective

Duration of disruption expected in Financial Services



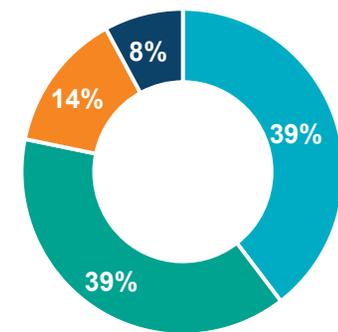
■ Upto 3 months ■ 3 to 6 months
■ 6 to 12 months ■ Over 12 months



Anticipation of disruption across the sub-sectors

Industry	Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months
Banking	32%	32%	32%	5%
Capital Market	43%	29%	7%	21%
Insurance	25%	31%	44%	0%
NBFC	13%	37%	39%	11%

Has your organization created a comprehensive risk assessment for presentation to the board?



■ Detailed assessment
■ Limited assessment
■ Not aware
■ Yet to initiate an assessment



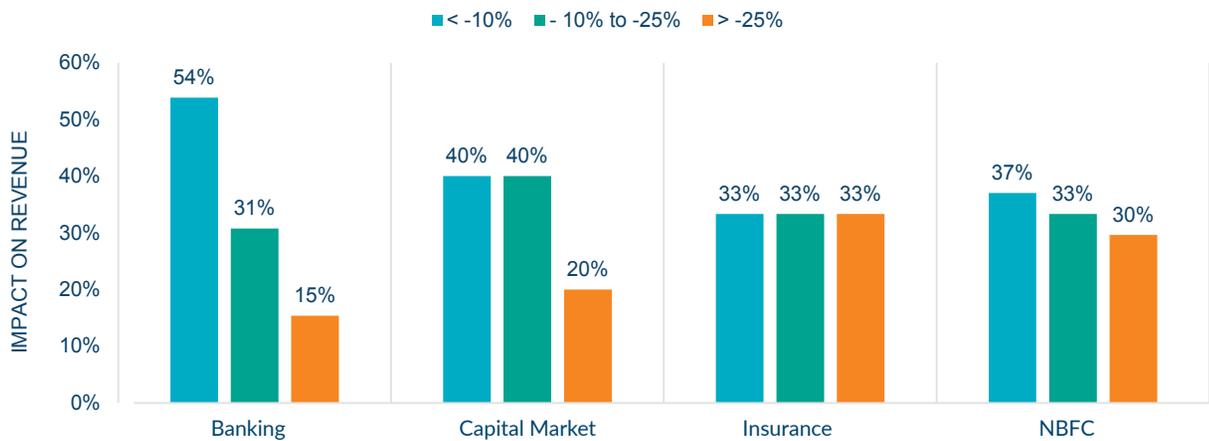
Of the respondents from more than 1000 crore revenue organizations, indicated that they are yet to initiate assessment

Revenue

- • • Impact on revenue in Financial Services due to disruption



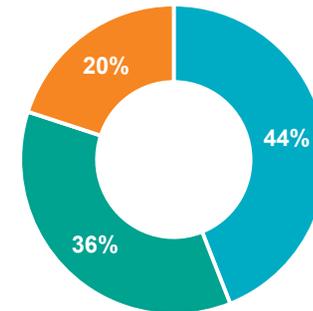
- • • Anticipation of impact on revenue across sub-sectors



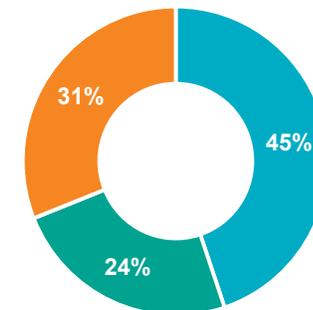
Revenue impact basis the organization size ...



< INR 1000 crores (Revenue)



> INR 1000 crores (Revenue)



■ < -10% ■ -10% to -25% ■ > -25%

- • • % of respondents expecting moderate and significant impact in Retail and Corporate business



Retail

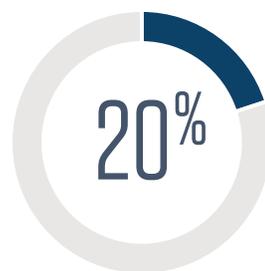


Corporate

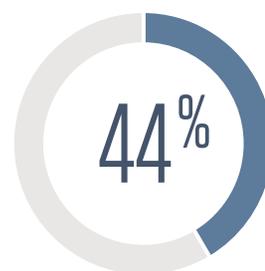
- • • % of respondents expecting significant impact in rural, semi-urban and urban business



Rural



Semi urban



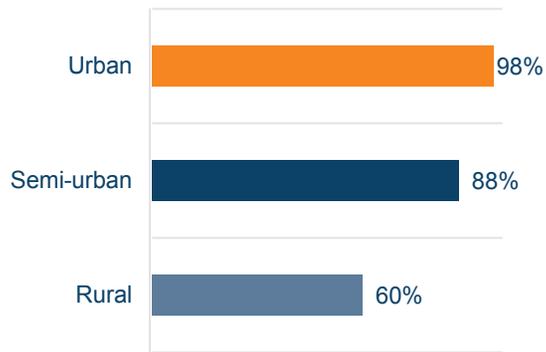
Urban

81% of respondents suggest moderate to significant impact on corporate business as compared to 90% on retail business.

44% of respondents suggested significant impact on Urban business as compared to 20% and 22% by Rural and Semi-Urban business respectively. This is due to majority of Rural and Semi-Urban areas being categorized in other than red zone.

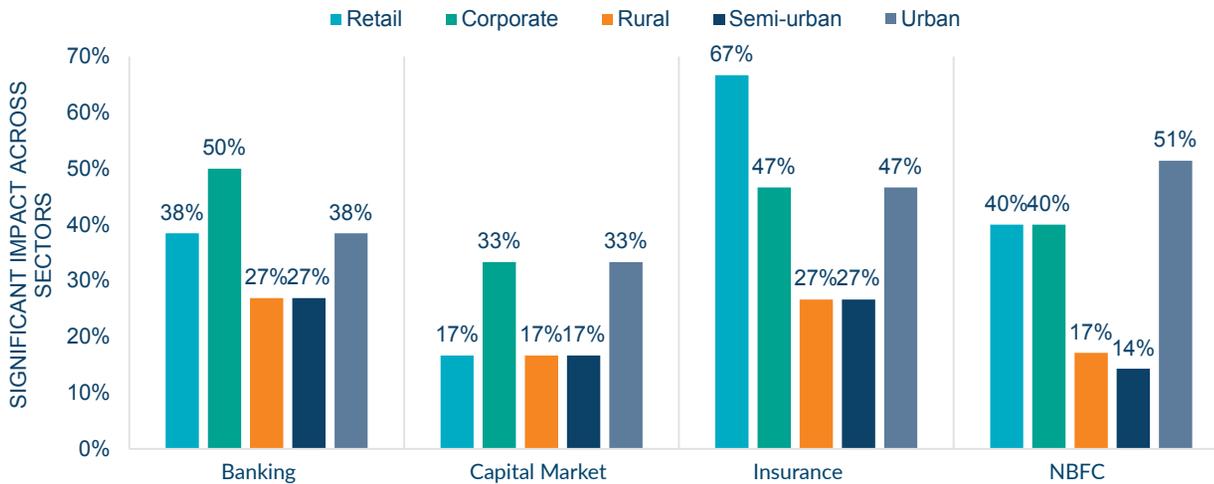


- • • Segment wise analysis of moderate to significant impact expected on domestic business

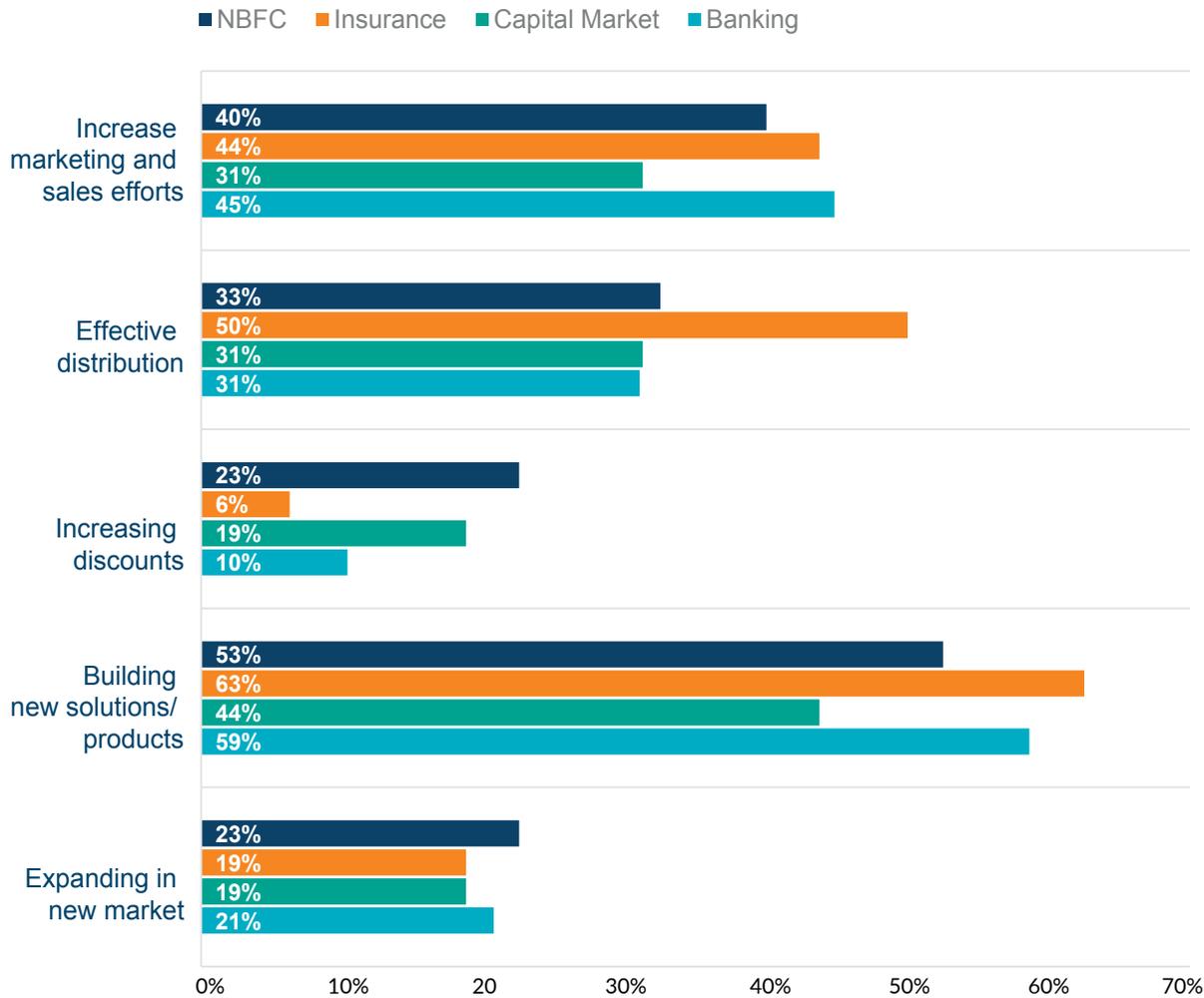


Analysis of impact on domestic business revealed that 98% of the respondents are expecting moderate to significant impact in Urban business as against only 60% expecting impact in Rural business.

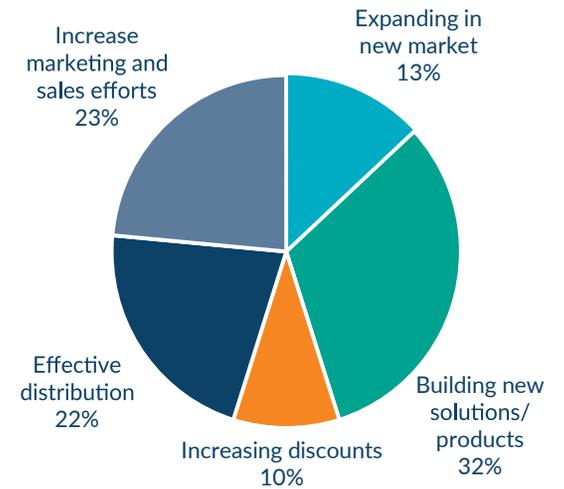
- • • Significant impact on business lines across sub-sectors



- • • Steps you will be taking to minimize the impact



Steps taken by organizations across all sectors expecting moderate to significant impact on their retail business . . .

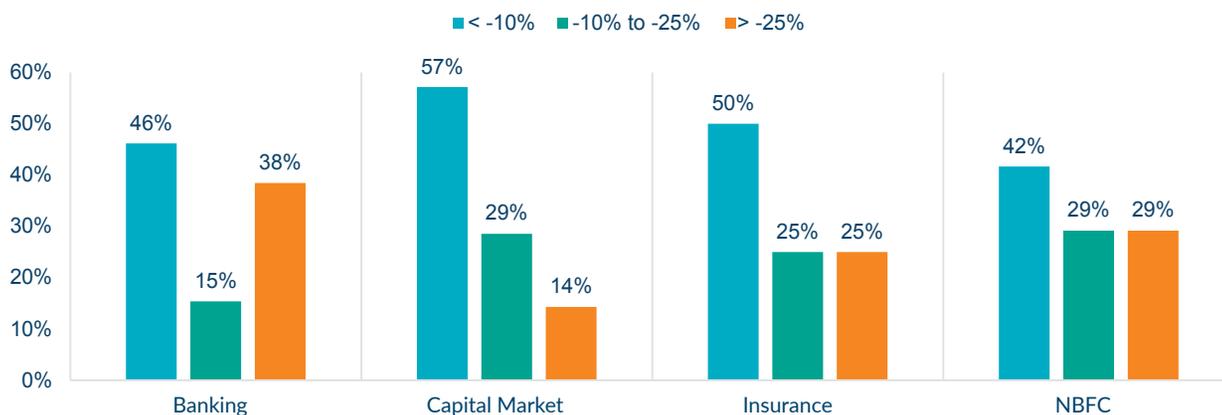


50% of the respondent from insurance sector indicated that having an effective distribution channel will help them in overcoming this disruption. Insurance sector gets their majority of the business from distribution channels such as Agency, Bancassurance, Online, etc.

55% of the respondents from the NBFCs and Banks suggest building new solutions / products would help them minimize the impact

Cost

- • • *Impact on profitability in your industry*



- • • *Areas under which cost reduction will be considered*

Sectors	Human Capital	Information Technology	Distribution Costs	Support functions	Interest costs	Infrastructure & rental costs
Banking	52%	25%	35%	50%	38%	68%
Capital Market	55%	20%	38%	30%	43%	50%
Insurance	50%	20%	60%	50%	50%	75%
NBFC	42%	32%	59%	44%	75%	72%

26%

of respondents across all sectors suggest the need for cost reduction in IT. In circumstances such as this, IT play a major role in ensuring business resilience.

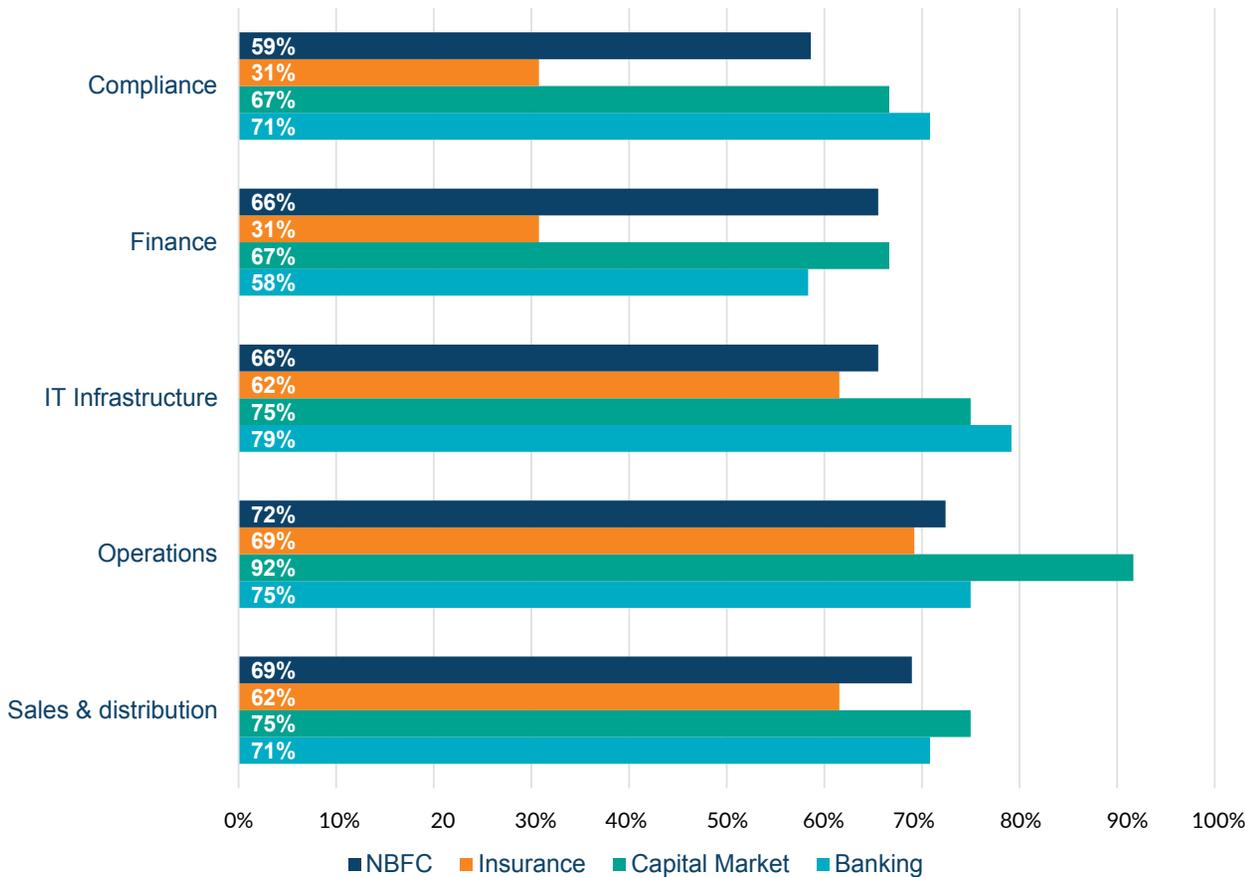
68%

of the respondents across all sectors feel the potential for reduction in Infrastructure and rental cost, as the work from home is becoming a new normal

NBFCs, have a high leverage ratio thereby tend to bear a higher interest cost. Due to reduction in business, 75% of the respondents feel the need for reduction in interest cost.

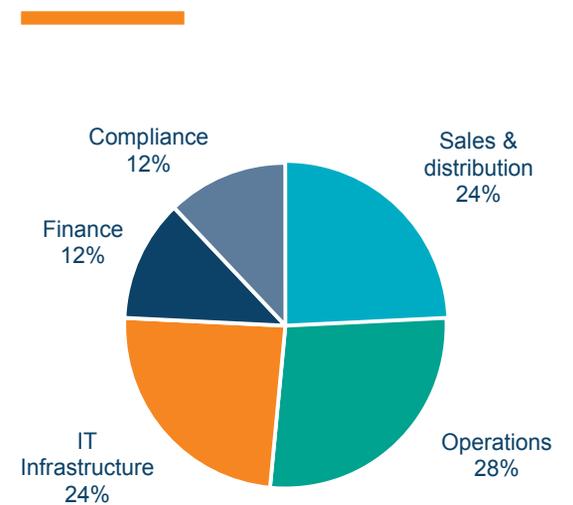
For Insurance companies, out of the controllable cost component, incentives and payroll contributes the most. Hence, 60% and 50% of the respondent suggest reduction in distribution, and human capital cost respectively.

- • • *Prioritizing digital journey in any of these areas*



Capital markets are on a constant endeavour to optimise their operational efficiency as 92% of the respondent suggest need of re-prioritization of their digital journey in operations.

All sub-sectors plan to re-prioritize their digital journey across all the areas with similar focus, except Insurance companies whose focus is on operations, sales & distribution and IT ...

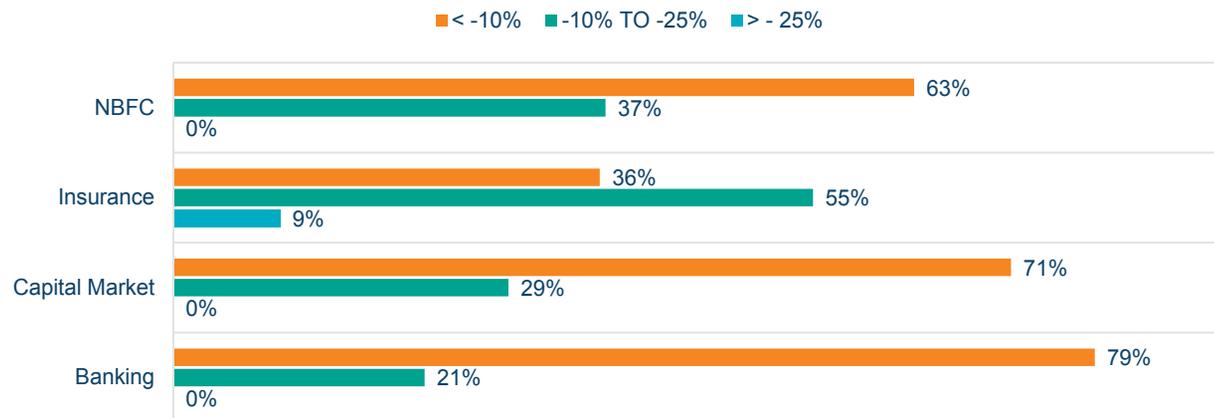


People

- Percentage of lay off expected in your industry

Sectors	No Layoffs	0% to 10%	10% to 25%
Banking	33%	53%	13%
Capital Market	25%	63%	13%
Insurance	43%	29%	29%
NBFC	27%	55%	18%
Total	31%	52%	17%

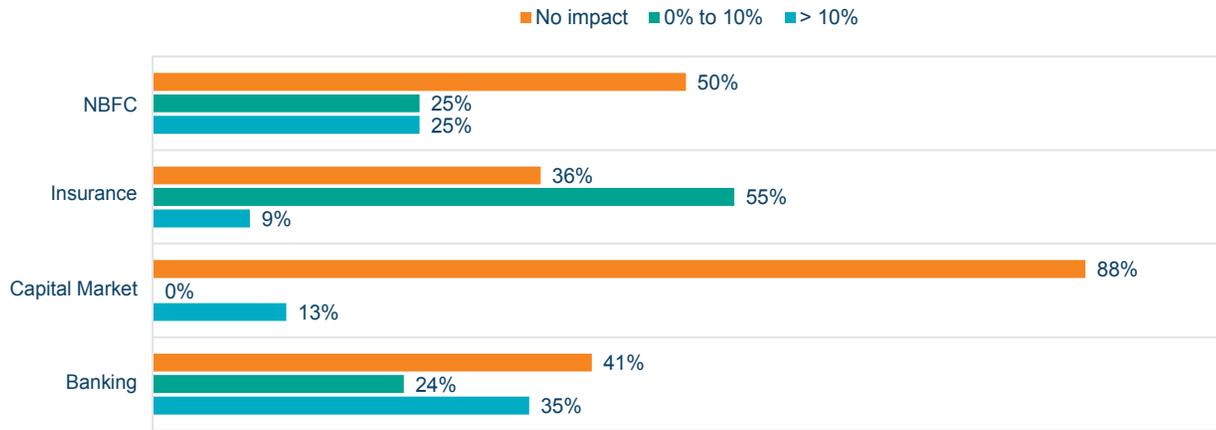
- Impact on compensation expected in Financial Services



43% of the respondents from Insurance companies expect no lay offs, as against average of 31% across all industries.

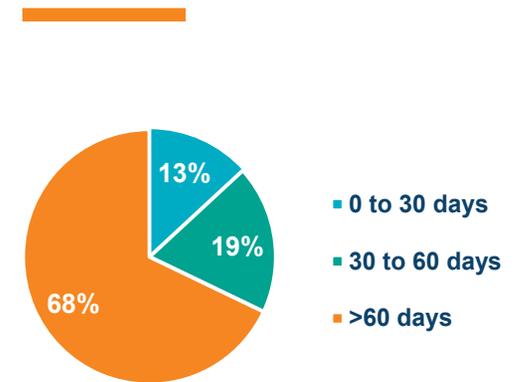
On overall basis only 37% of the respondent suggest an impact of more than 10% in their compensation. However, 64% of the respondents in the Insurance sector indicated an impact of more than 10% on their compensation.

- • • Shortage of human capital expected as your business start to recover



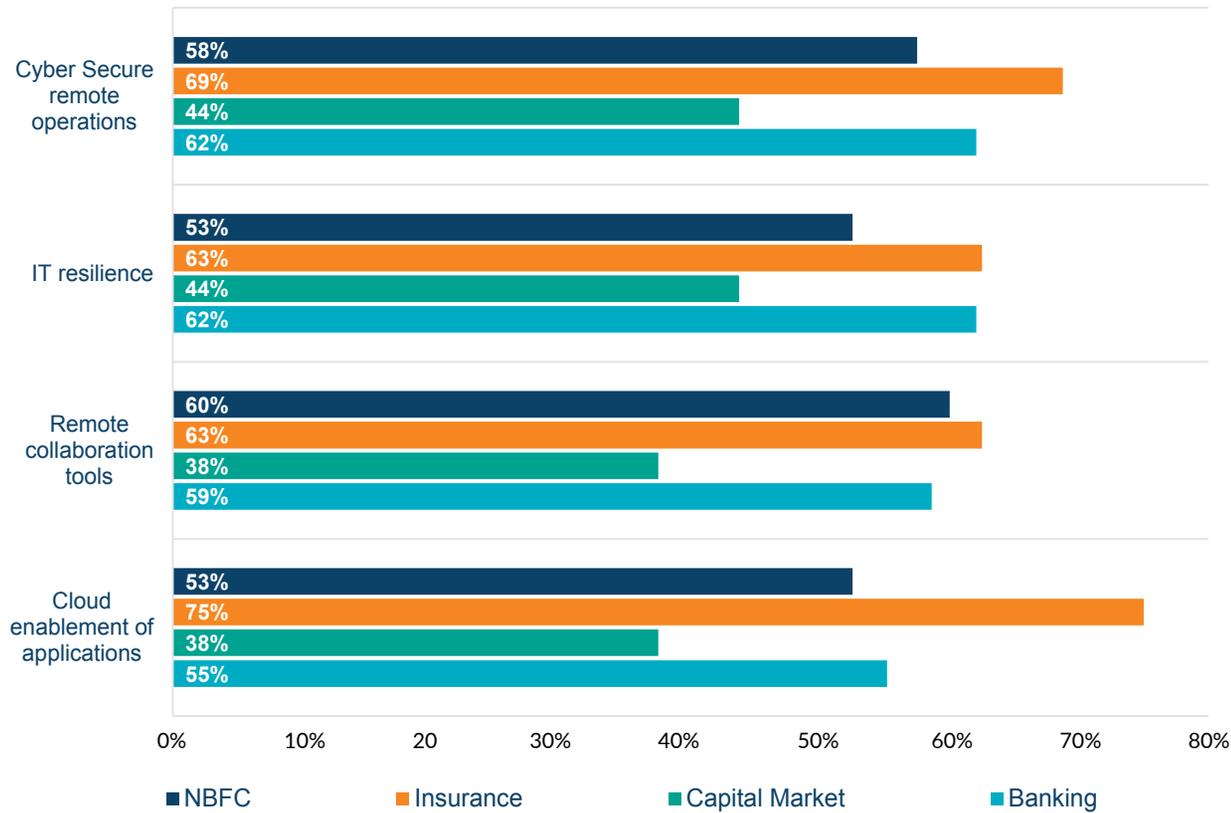
Also on overall basis only 23% of the respondent suggest shortage of human capital of more than 10% once the business starts recovering.

When is the hiring cycle expected to revive?

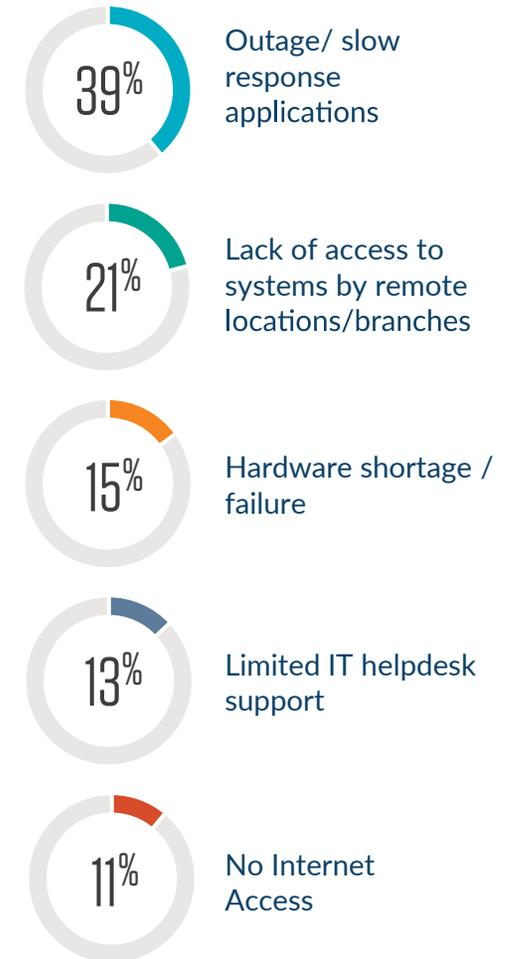


Technology

- • • Areas where IT spends will be channelized



What challenges are encountered while executing the work from home strategy ...



Conclusion

An imminent disaster, COVID-19, has caused disruption in businesses across all sectors in the FS domain and will be uncertainly prolonged. It is evident from the survey that revenues will decline, and may extend beyond negative 25%. In order to minimize the impact, organizations are revisiting their products, distribution strategies to ensure customer can access and buy the products and services. According to the survey, the digital journey of critical business area including sales and distribution, operations, etc will get re-prioritized. Also, one big take away from the survey is that the companies are looking to curtail costs across all possible dimensions and the infrastructure and rental costs attracting the most attention. In order to support, digitization and other cost reduction programs, organizations are investing on their existing IT infrastructure to build remote collaboration tools, cloud application, cyber security, etc. As such, organizations do not expect major layoffs, however, reduction in compensation is a certainty.

The business is required to be resilient, focusing not only on how to revive business when the disruption peaks but also on positioning themselves to protect their brand equity, their resources, and their staff from all risk that may be encountered in the future.

In order to achieve this, Board and Senior Management of every organization should consider evaluating following questions:

01

Are we prepared to respond?

The current situation demands comprehensive assessment of the risks in order to ensure sustainability and survival of the business. This would not only include the evaluation of all plausible scenarios along with clear understanding of priority, sensitivity, severity, etc. of each scenario but also assessment of existing & potential resources.

02

Are we relevant to the customer needs?

Organization will see demographic changes in their customer profile (needs, priority, life style, etc.). This would not only mean designing the solution catering the customer needs but also going extra mile to enrich customer experience.

03

Are we agile in our approach?

There might be many different approaches to deal with the impact, as nobody is certain that devised strategy will meet its required objective. This would mean organizations to imbibe the agile workflows, clearly define accountability, prompt communication, etc. to enable them to adapt to the ever-changing trends and stay ahead of the curve.

04

Is our IT environment resilient and sustainable?

The emphasis on adoption of cloud applications, remote collaboration tools, etc. will certainly pose risks in the current IT infrastructure, which not only include cyber security related risk but may also increase down time. This would require revisiting the existing IT infrastructure and taking prompt actions.

We believe that the following measures would help organizations to minimize the overall impact -

- Conduct comprehensive assessment to understand risk landscape
- Ensure short term and long-term business plans reflect the current reality
- Align the existing strategy in terms of products, marketing, etc. in line with customer needs
- Explore the possibility of cost reduction across all dimensions
- Evaluate, invest on the digitalization opportunities across business operations
- Reassess all business and risk models
- Imbibe agile workflows, simplify overall process and look out for opportunities to automate

For a detailed analysis using graphs and multiple metrics, you may access the below link:



[Read Detailed Analysis](#)

ABOUT PROTIVITI

Protiviti (www.protiviti.in) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Through its network of more than 85 offices in over 25 countries, Protiviti and its independently owned Member Firms provide clients with consulting solutions in finance, technology, operations, data analytics, governance, risk and internal audit.

Named to the 2019 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60 percent of Fortune 1000® and 35 percent of Fortune Global 500® companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. In India, Protiviti's member firm (Protiviti India Member Pvt. Ltd.) is a leading provider of business consulting, internal audit, risk management, technology, forensic and fraud investigation, data analytics, digital transformation, and transaction services. Protiviti member firms are separate and independent legal entities, are not agents of other firms in the Protiviti network, and have no authority to obligate or bind other firms in the Protiviti network.

Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

OUR INDIA OFFICES

Bengaluru

77° Town Centre, Ground Floor
(East wing), Building 3, BlockB
Divyasree Technopolis, Yemalur
Bengaluru – 560 037
Karnataka, India
Phone: +91.80.6780.9300

Chennai

4th Floor, A Wing, Alexander
Square, No 2, Sardar Patel Road
Little Mount Guindy
Chennai - 600 032
Tamil Nadu, India
Phone: +91.44.6131.5151

Delhi NCR

15th Floor, Tower A, DLF
Building No. 5, DLF Phase III
DLF Cyber City
Gurgaon – 122 002
Haryana, India
Phone: +91.124.661.8600

Hyderabad

Q City, 5th Floor, Block A,
Survey No. 109, 110 & 111/2
Nanakramguda Village Serilingampally
Mandal, R.R. District
Hyderabad – 500 032
Telangana, India
Phone: +91.40.6658.8700

Kolkata

PS Srijan Corporate Park, 1001B
10th floor, Tower -2, Plot No.2
Block - EP & GP, Sector-V
Salt Lake City, Kolkata –700 091
West Bengal, India
Phone: +91.33.6813.3500

Mumbai

1st Floor, Godrej Coliseum
Unit No 101, B Wing
Somaiya Hospital Road, Sion
(East), Mumbai – 400 022
Maharashtra, India
Phone: +91.22.6626.3333

This publication has been carefully prepared, but should be seen as general guidance only. You should not act or refrain from acting, based upon the information contained in this presentation, without obtaining specific professional advice. Please contact the person listed in the publication to discuss these matters in the context of your particular circumstances. Neither Protiviti India Member Private Limited, nor the shareholders, partners, directors, managers, employees or agents of any of them make any representation or warranty, expressed or implied, as to the accuracy, reasonableness or completeness of the information contained in the publication. All such parties and entities expressly disclaim any and all liability for or based on or relating to any information contained herein, or error, or omissions from this publication or any loss incurred as a result of acting on information in this presentation, or for any decision based on it.