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## **Businesses plan major operational changes as they prioritise resilience: HSBC Navigator**

Companies around the world are making significant operational changes to become more resilient after many found their contingency plans weren't robust enough to cope with the COVID-19 pandemic.

HSBC Commercial Banking's new [Navigator](#) report, *Building Back Better*, draws from a survey of over 2,600 companies in 14 countries and territories. It shows that many firms neglected contingency planning in key operational areas such as technology, finance and sustainability prior to the crisis, with nearly half (47%) saying they could have done more to prepare for the challenges of recent months.

For some, the shift to remote working exposed weaknesses in their continuity preparations, with fewer than three in five (57%) saying they prioritised investment in technology to improve operational resilience over the last two years. Maintaining cash flow was also a challenge, with only 44% having prioritised steps to strengthen their financial position.

The crisis has forced many businesses to adapt, and almost two thirds (63%) have modified their operations already. Nearly half (44%) will change their products and services further, either by diversifying (33%) or by reducing their offering to become more specialised (17%).

Over the longer term, business plans now call for more agile staffing and office arrangements together with a greater focus on technology and sustainability. Key findings include:

- Diminishing real estate occupation: 38% are rethinking their physical footprint of office and production locations, with 29% expecting to reduce their office space.
- More flexible working arrangements: Over two thirds (69%) believe flexible working will become standard practice, as a third (34%) expect to cut their air travel.
- Technology will be critical: Six in 10 (61%) think virtual collaboration will become standard practice over the next two years, with 57% saying that virtual meetings – internal and external – are here to stay even after lockdown measures are cancelled.
- Sustainability to power the recovery: More than nine in 10 (91%) aim to 'build back better' by re-engineering their businesses to be more sustainable, while nearly a third (27%) intend to make their supply chains more environmentally sustainable over the next two years.

COVID-19 pandemic has also introduced shifts in the working arrangements of companies in Armenia, making most of them switch to online mode. Before that, the use of Internet tools by Armenian SMEs was relatively low: a survey conducted by the World Bank in Armenia in late 2019, featuring 400 SMEs across the country, found that roughly 58 % of small businesses did not use digital technologies in their business operations claiming that IT was not relevant. Although 43 % used IT in sales, and a third - in Customer relationship management (CRM), only a fifth made payments to suppliers digitally, and just a third paid their taxes online. Less than one-third of SMEs had heard of Enterprise resource planning (ERP), CRM, or electronic invoicing systems.

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In addition, limited Internet use for economic activities in Armenia also impacted the tech use by SMEs: despite the growing e-commerce, only 13% of the population bought goods and services online.

"The Navigator report has reaffirmed the importance of having resilient contingency plans in place to withstand the challenges of COVID-19 and other potential crises. It also highlighted that the pandemic was a catalyst for accelerating transformation plans for many businesses to make them more agile", mentions Irina Seylanyan, CEO of HSBC Bank Armenia CJSC.

The HSBC report points to the importance of collaboration between businesses during the crisis, which has been key to survival for many:

- Over the last six months, almost all (93%) firms have supported the businesses they work with, with larger businesses in particular supporting smaller partners.
- Almost six in ten (58%) have shared information (25%), expertise (24%) or premises (13%) and around a quarter (26%) have offered advice.
- 40% have collaborated with other businesses to get their products and services to customers.

However, while collaboration has helped sustain commerce during the crisis, businesses see a number of challenges ahead as they seek to build resilience over the next six months. Weaknesses in financial and workforce structures were the top barriers to change identified by two thirds of businesses (both by 62%), with just under a third (31%) struggling to maintain sufficient cash flow. Additionally, a third of businesses (33%) see poor employee morale as a barrier to building resilience over the near term.

The report also identifies a series of changes businesses expect to make to their supply chains in the coming two years in a bid to increase transparency and security.

- Three in ten (29%) want to diversify their supply chain and to work with more partners, with a quarter (26%) wanting to work with businesses in markets that are more stable.
- Conversely, a third plan to restrict or shorten their supply chains to reduce risk.
- Over two-thirds (67%) plan to increase their supply chain security by identifying and securing critical suppliers, and three in ten (31%) plan to review their suppliers' ability to withstand future shocks.

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### HSBC Navigator

The Navigator survey is conducted on behalf of HSBC by Kantar. It is compiled from responses by decision-makers at 2,604 businesses, ranging from small and mid-market firms to large corporations, across a broad range of sectors. The respondents hold influence over their company's strategic direction and represent a broad range of roles: including c-suite, finance, procurement, supply chain, sales and marketing. A total of 14 markets were surveyed between 28 April and 12 May 2020.

- Americas: Canada, Mexico, USA
- Asia Pacific: Australia, Hong Kong, India, Indonesia, Mainland China, Malaysia, Singapore
- Europe: France, Germany, UK
- MENA: UAE

Results have been weighted to be representative of each market's international trade volume (World Trade Organization data for 2017-2018).

### HSBC Holdings plc

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HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,918bn at 31 March 2020, HSBC is one of the world's largest banking and financial services organisations.

### HSBC in Armenia

HSBC Bank Armenia cjsc was established in 1996. The bank is a joint venture between the HSBC Group, which has 70 per cent ownership, and a member of overseas Armenian business with 30 per cent ownership. HSBC Armenia serves around 30 000 customers through eight offices located in Yerevan and around 362 employees. As of 31 March 2020, the Bank has assets of AMD298 billion including the ones, allocated with the mediation of the HSBC Holdings plc.

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