

# BUSINESS RESILIENCE BAROMETER

*Stepping Up to the New Normal*

*A survey analysis of Non-Financial  
Services Organizations*

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# 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 impact 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 macro-economic trends post the COVID-19 suggest a stress in the economy whose lasting effect is a matter of debate. The biggest impact

is on the unemployment rate in India which has shot up from 8.3% in March to 23% in April. The consumer price index has declined from 6.58% in March to 5.91% in April, the straight forward inference being that the people are only buying essential services like groceries, the demand and supply of other goods is at a halt.

In order to better understand how organizations in the Non 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 participants in this survey.

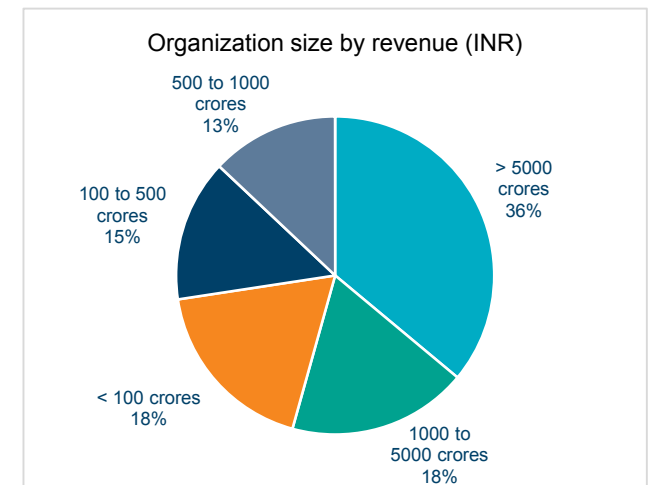
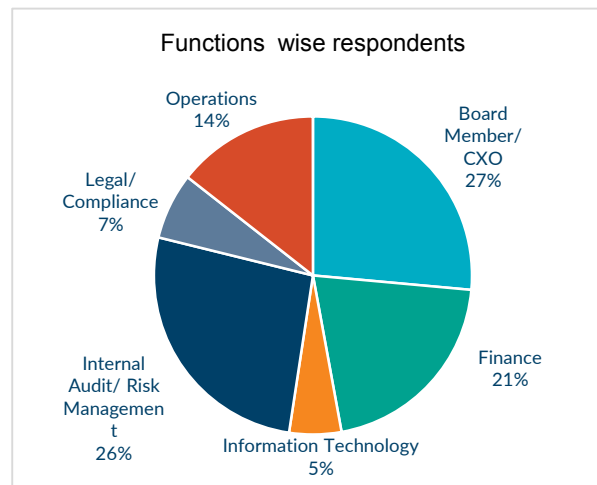
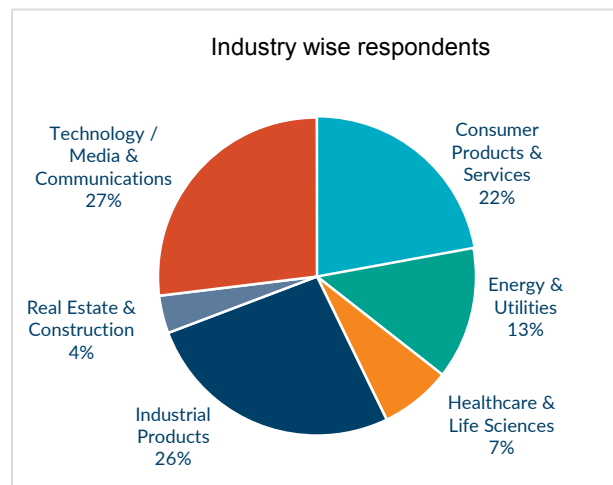
# Survey Demography

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 organizations are looking to adopt to minimize this impact. The analysis features responses from over 200 participants from the Non Financial Services Industry.

01	<p><b>How will the disruption impact the business?</b></p> <ol style="list-style-type: none"> <li>How long will the impact sustain?</li> <li>What would be the impact on revenue and profitability?</li> <li>What is the significance of the impact across various business lines?</li> </ol>
02	<p><b>What is the future road-map or strategies that might be adopted to minimize the impact?</b></p> <ol style="list-style-type: none"> <li>What are the areas where cost reduction is considered?</li> <li>How is the digitization across various functions in an organization prioritized?</li> <li>What strategy organizations are adopting on their Human Capital?</li> <li>Where the IT spends will be channelized?</li> </ol>

## Demography classifications:



# 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 organizations 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 behavior 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 & vendors to mitigate such unforeseen disruptions in the future.

## Key Findings

**Human Capital, Support functions and Infrastructure costs to foresee major cost reduction** – Majority of organizations foresee major reduction in Human capital, Support functions and Infrastructure & Rental costs.

**Working capital management will be an area of concern in next 6 to 12 months** – Majority of respondents across industries cited management of working capital as their major concern in next 6 to 12 months.

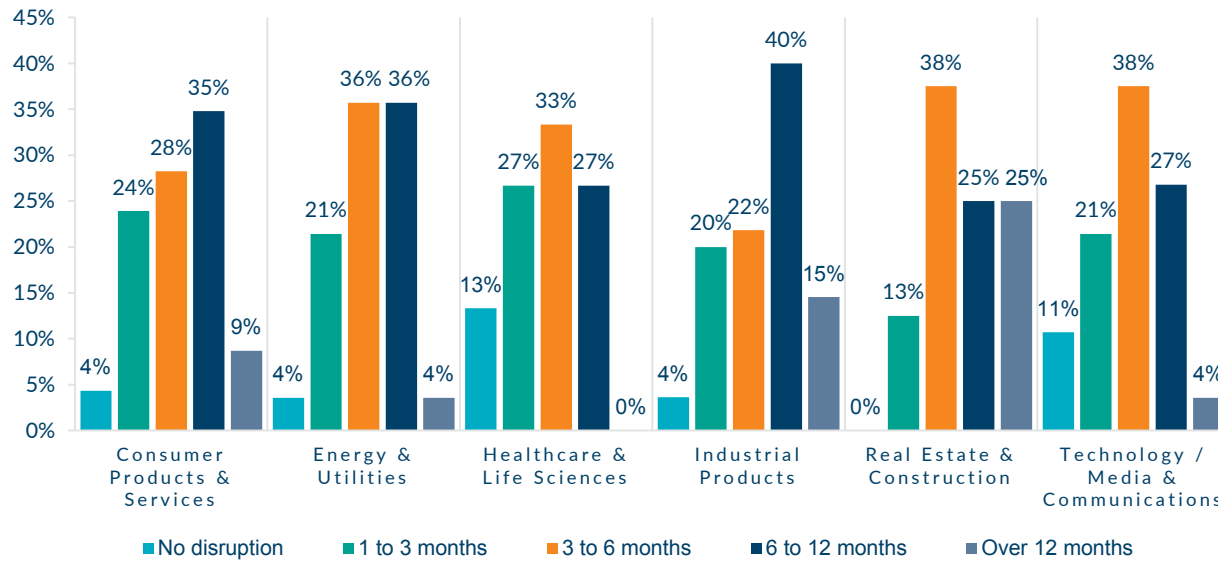
**Lay offs expected and delay in revival of hiring cycle** – 55% of the organizations expect lay offs after the lockdown ends and do not expect hiring to revive before at least 60 days. Real estate and construction industry is expected to see the most lay offs.

**Moderate dependence on MSME suppliers** – Majority of respondents expressed moderate dependency on MSME suppliers. India's latest economic stimulus package for MSME provided benefits such as collateral free loans, equity infusion through Fund of Funds (FoFs), subordinate debts, global tender disallowance, EPF support etc. which shall aid in return to normalcy.

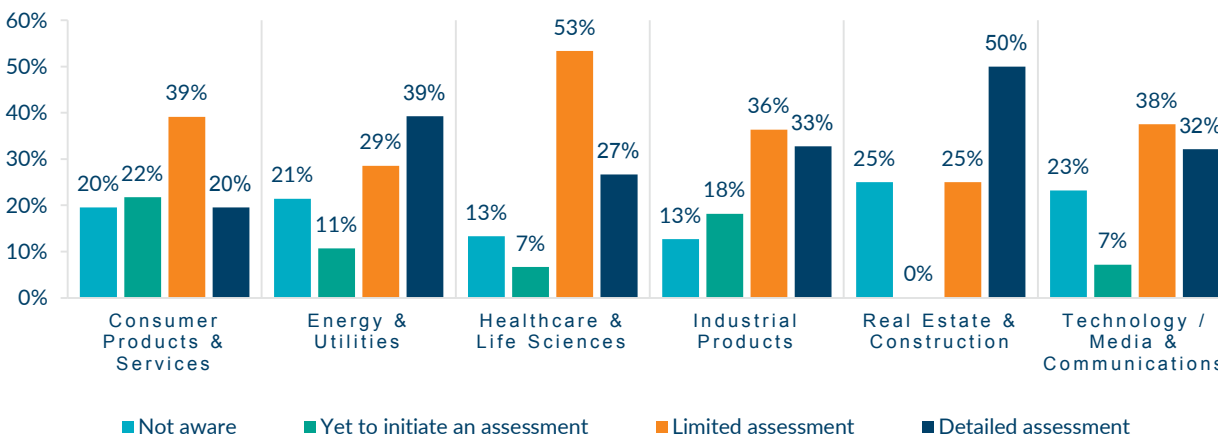
Industry	Disruption to last for > 6 months	Negative impact of > 25 %		Significant impact on Supply chain
		Revenue	Profitability	
Industrial Products	55%	42%	38%	74%
Real Estate & Construction	50%	57%	43%	57%
Consumer Products & Services	43%	30%	24%	61%
Energy & Utilities	39%	23%	17%	41%
Healthcare & Life Sciences	27%	33%	36%	33%
Technology, Media & Communications	30%	19%	19%	31%

# Overall Perspective

## Disruption anticipated to last in industry

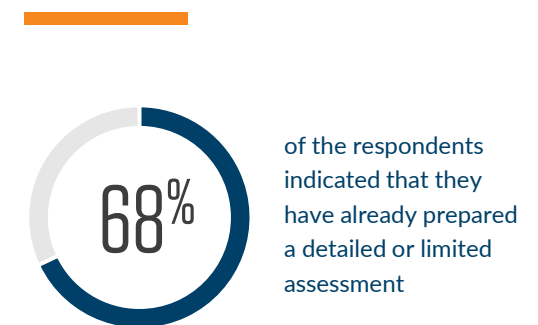


## Status of comprehensive risk assessment



Industrial Products and Real Estate and Constructions industries feel the most impacted with 55% and 50% of their respondents anticipating disruption of 6 months or more.

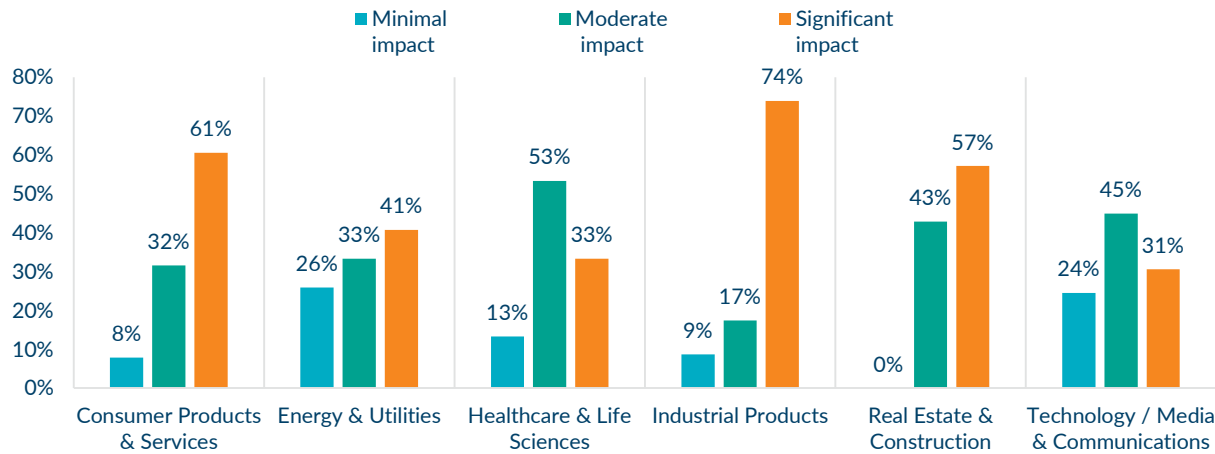
40% of the Healthcare and Life Sciences industry and 33% of Technology, Media and Communications industry respondents either foresee no disruption or anticipate disruptions between 1 to 3 months ...



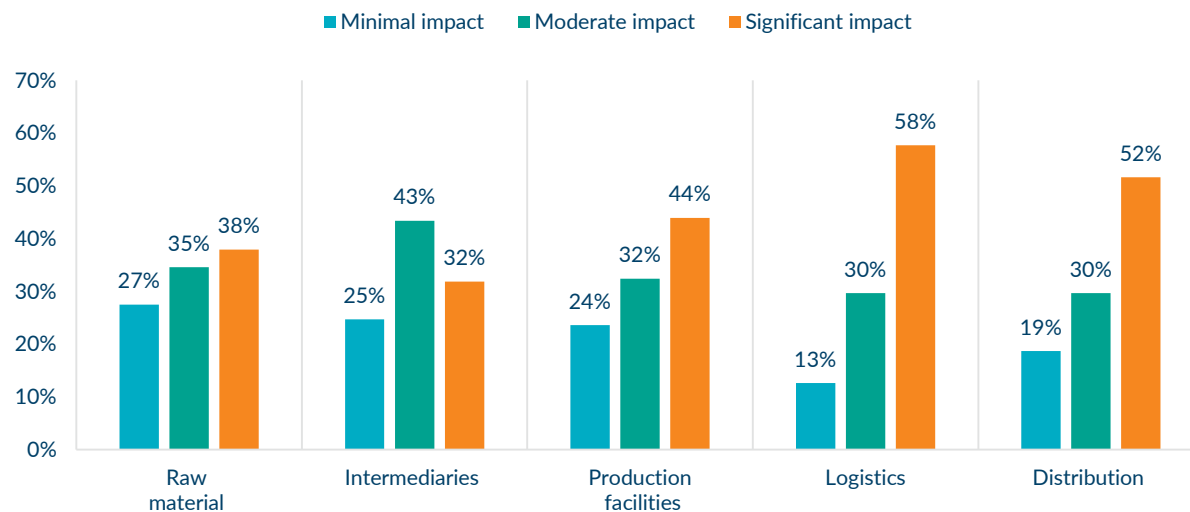


# Supply Chain

## • • • Impact of disruption on supply chain



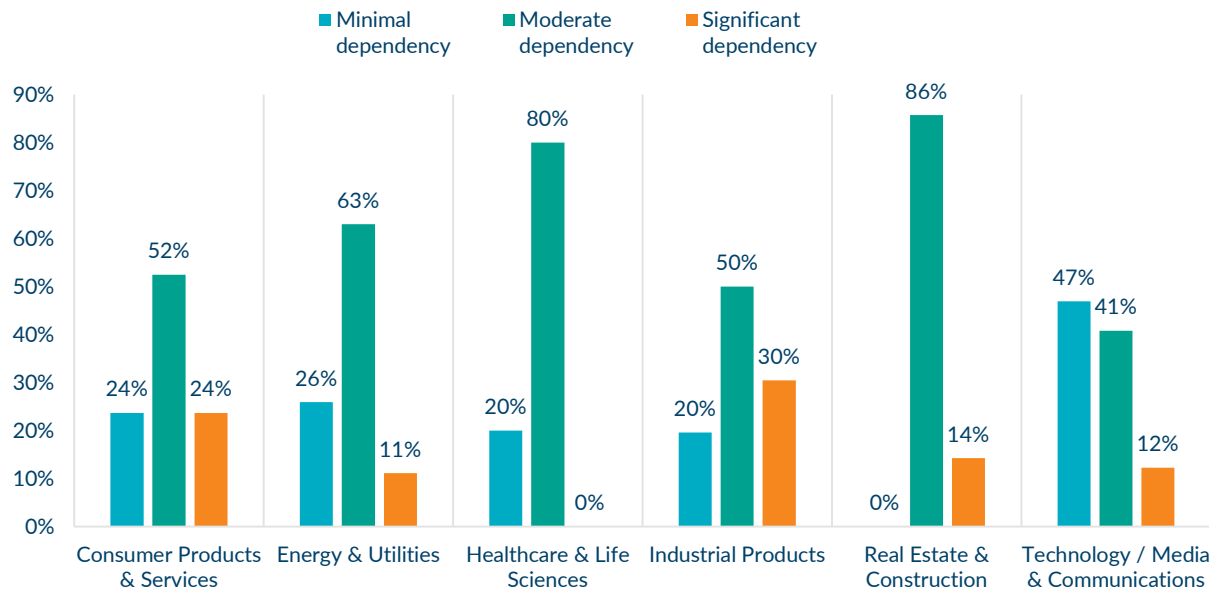
## • • • Impact of disruption on key components of supply chain



91% of respondents from Industrial Products, 93% from Consumer Products and 100% from Real Estate Industry foresee moderate to significant impact on supply chain.

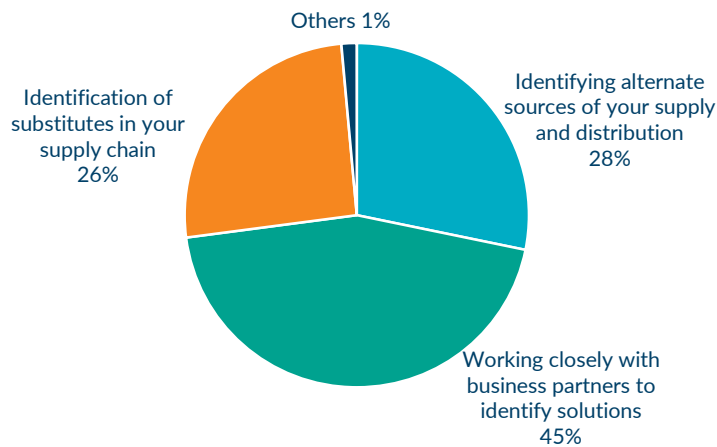
Logistics and distribution stands the most impacted component of supply chain with 58% and 52% of the respondents respectively facing significant impact.

• • • *Dependency on MSME suppliers*



86% of respondents from Real Estate and Construction industry and 80% of respondents from Healthcare and Life Sciences industry highlighted moderate dependency on MSME suppliers. Recent relief package announced by the Government may help minimize losses and restore normalcy.

• • • *Methods to manage supply chain disruptions*



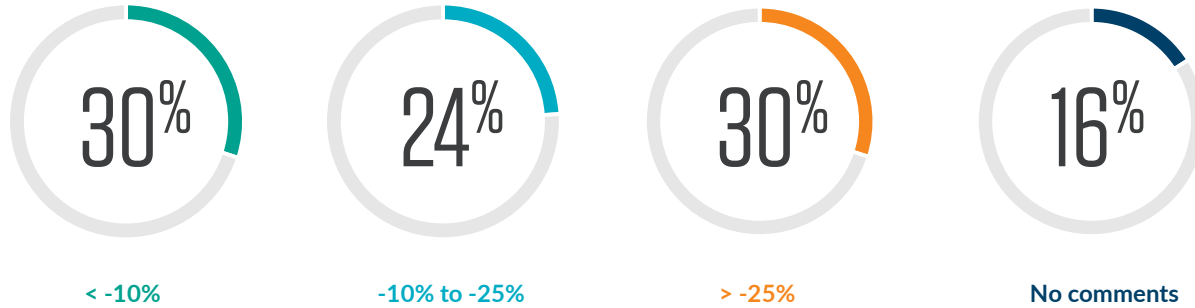
45% of respondents voted the option of 'Working closely with business partners to identify solutions' as the most sought after disruption management technique.



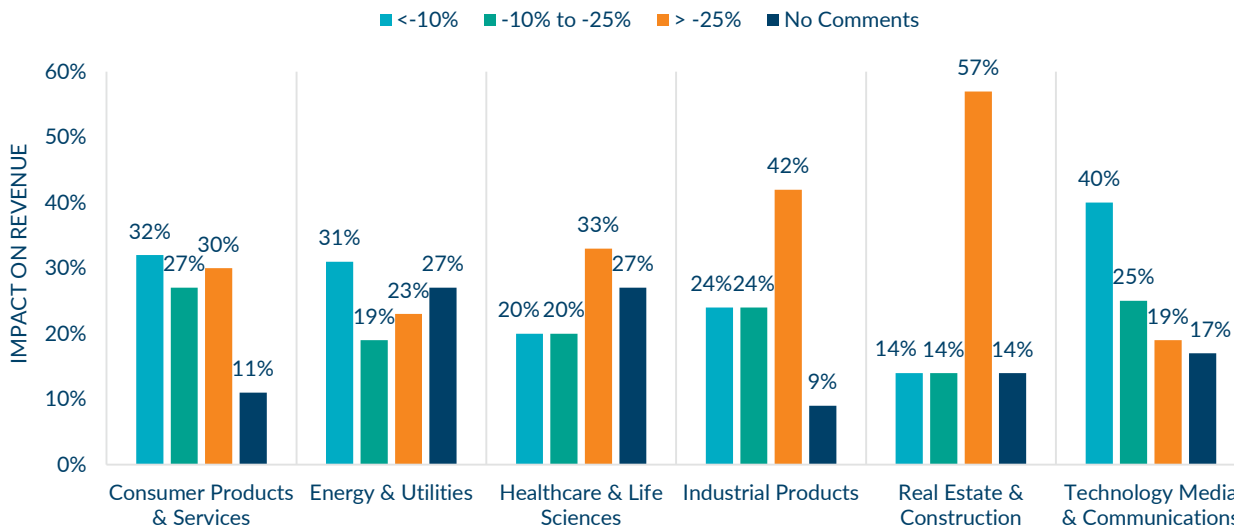


# Revenue

## • • • Impact on revenue due to disruption



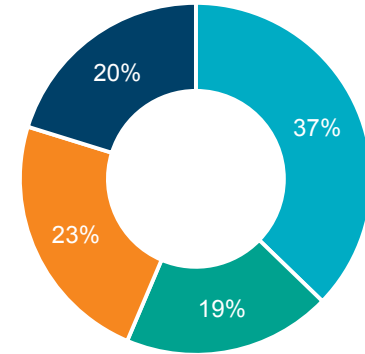
## • • • Impact on revenue across industries



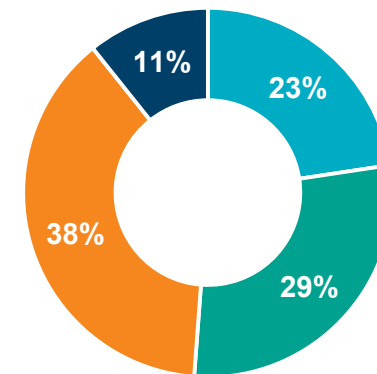
## Revenue impact basis the organization size ...



< INR 1000 crores (Revenue)

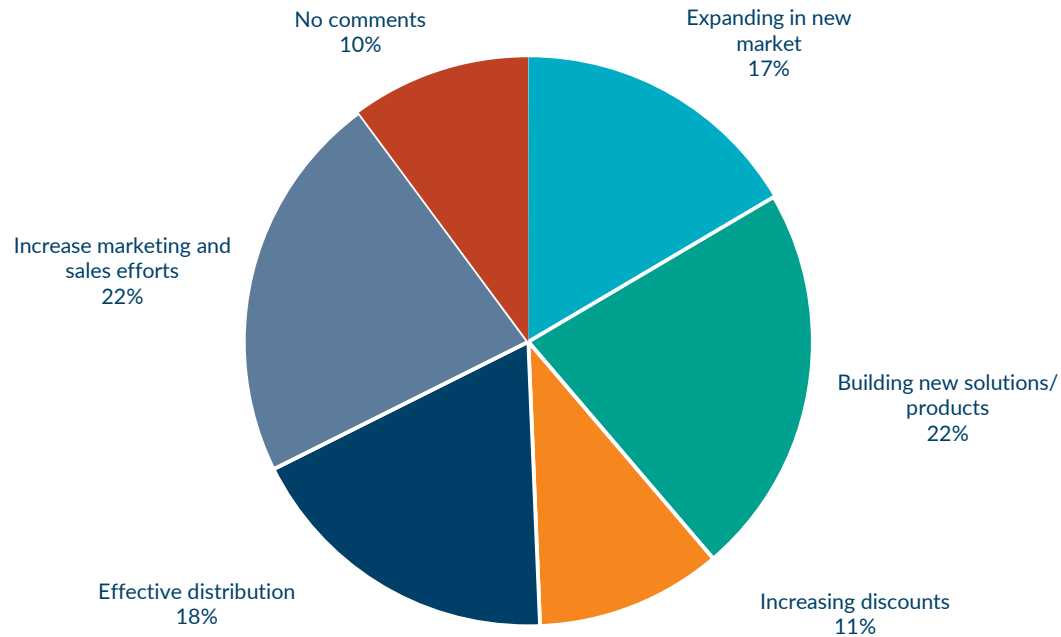


> INR 1000 crores (Revenue)



■ < -10%      ■ -10% to -25%  
■ > -25%      ■ No Comments

• • • Steps to minimize revenue impact

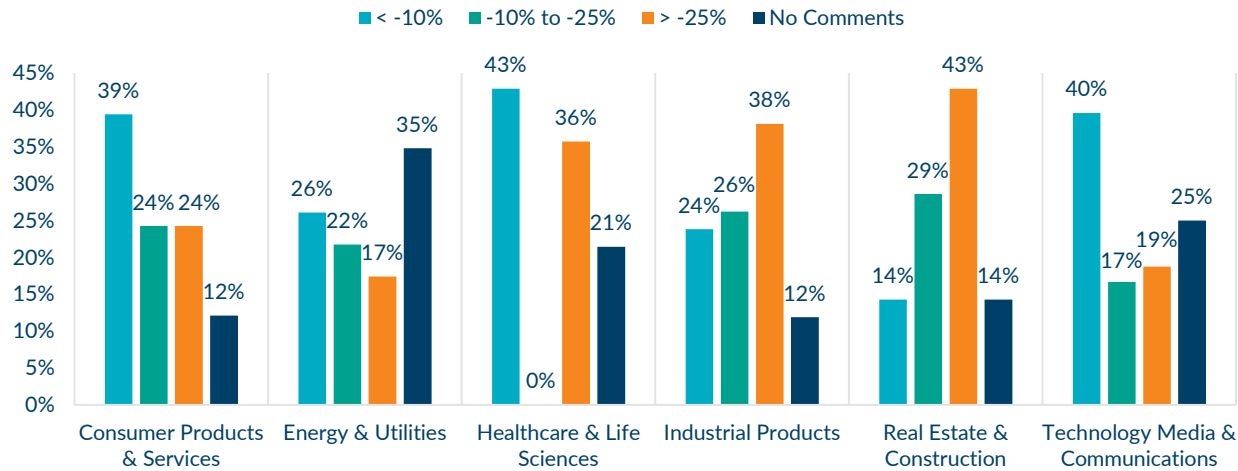


44% of respondents consider 'Building new solutions/products and increase in marketing and sales efforts' as key steps to minimize the revenue impact.



# Cost

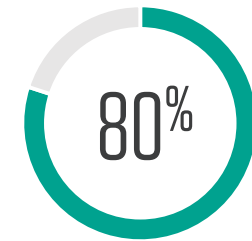
## • • • Impact on profitability due to disruption



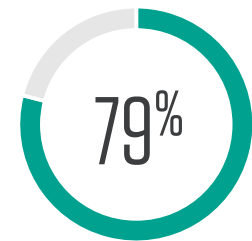
## • • • Areas under which cost reduction will be considered

Sectors	Material Costs	Finance Costs	Human Capital	Information Technology	Distribution Costs	Support Function	Infrastructure & rental costs
Consumer Products & Services	79%	76%	82%	79%	73%	85%	85%
Energy & Utilities	65%	70%	78%	61%	57%	70%	70%
Healthcare & Life Sciences	57%	64%	86%	64%	64%	71%	71%
Industrial Products	76%	81%	79%	81%	81%	81%	79%
Real Estate & Construction	71%	71%	71%	71%	71%	71%	71%
Technology Media & Communication	46%	67%	77%	79%	67%	83%	88%

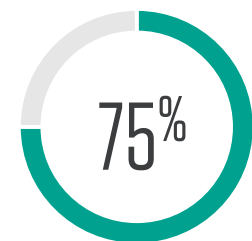
## Respondents foresee major cost reduction in following areas ...



of the respondents foresee reduction in Support Function and Infrastructure & Rental costs

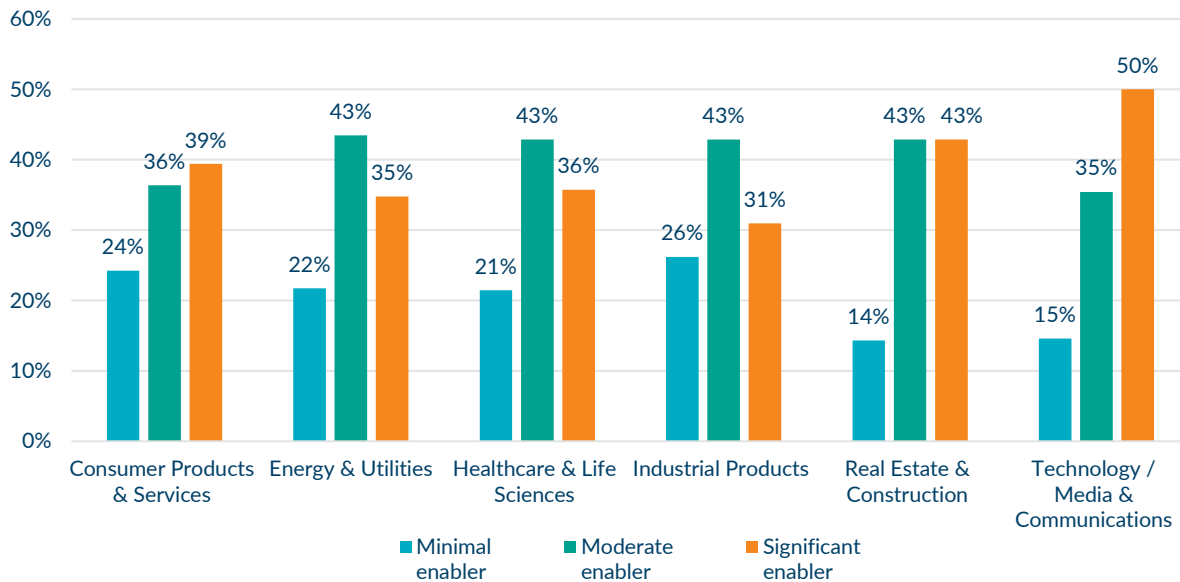
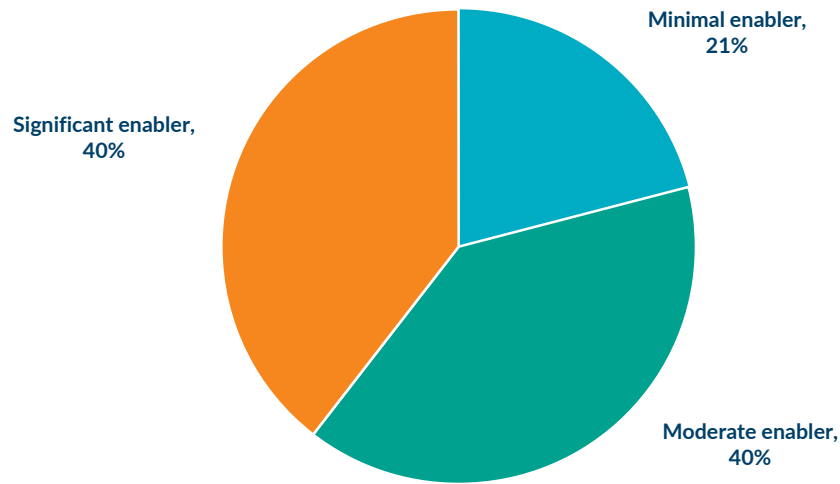


of the respondents foresee reduction in Human Capital costs



of the respondents foresee reduction in Information Technology costs

• • • Automation as an enabler to reduce cost



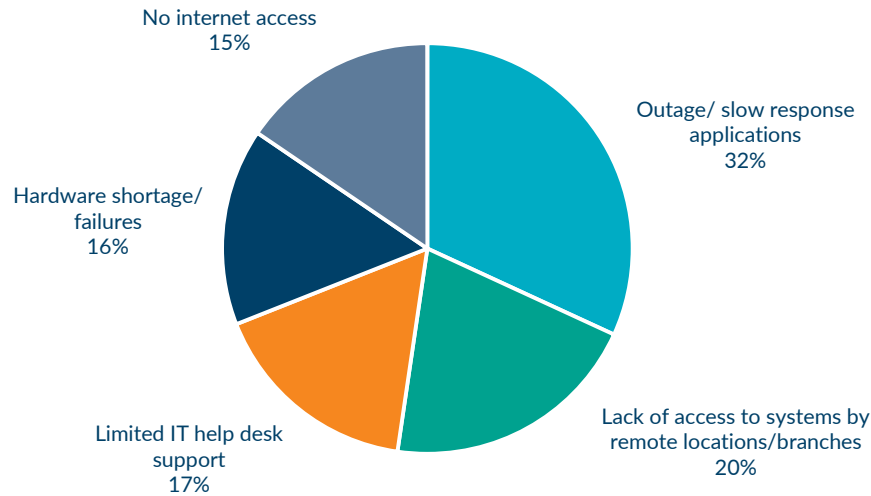
80% of respondents see automation as an enabler – moderate or significant.

85% of respondents in Technology/Media and Communications and 86% of respondents from Real Estate and Construction industry identified automation as an enabler to reduce cost.

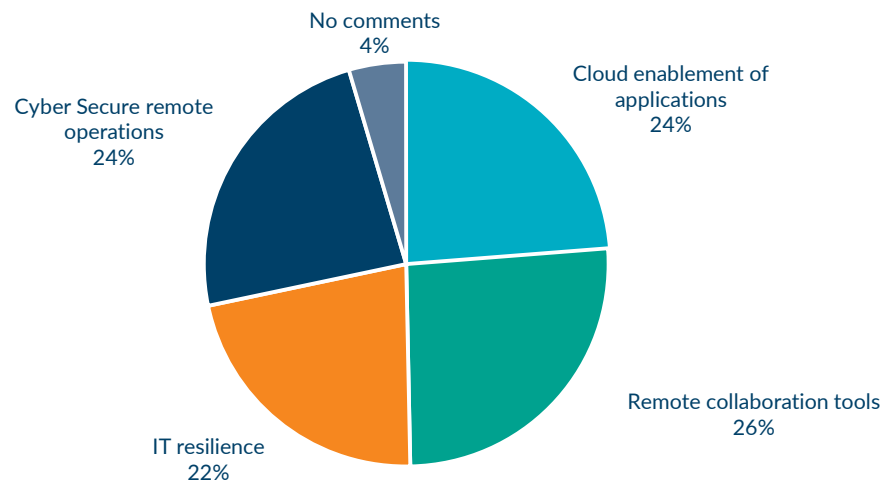


# Technology

- • • Challenges in Work from Home (WFH)



- • • Areas where IT spends will be channelized



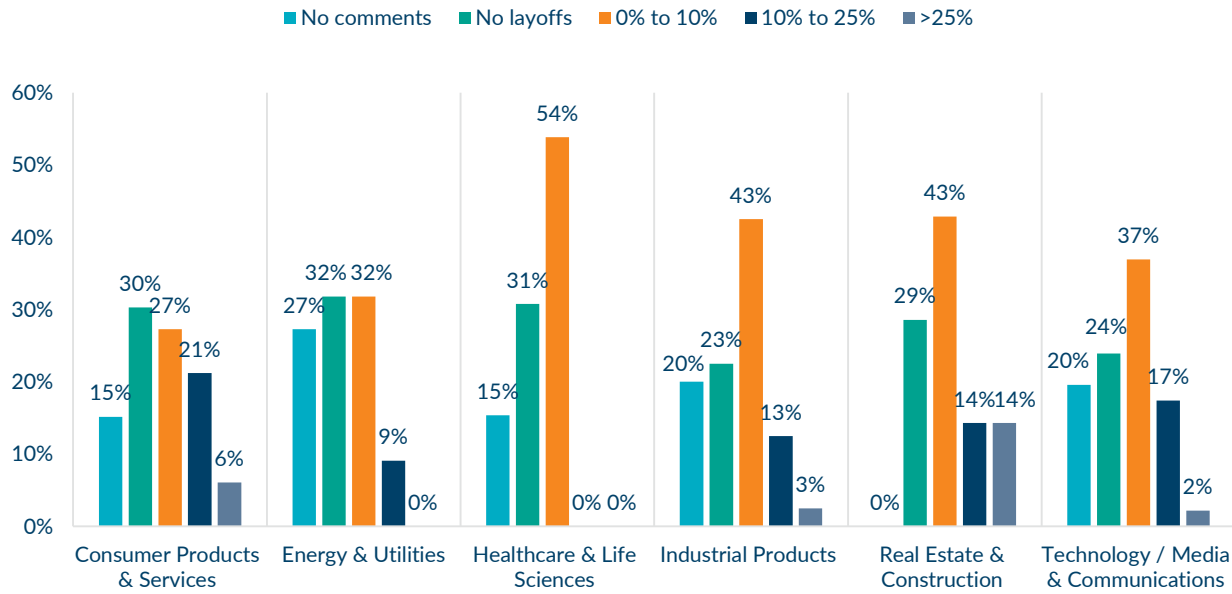
52% of the respondents faced challenges pertaining to outage/slow response applications and lack of access to system by remote locations.

26% of respondents have identified 'Remote Collaboration Tools' such as video calling platforms, cloud storage, messaging/chat platforms etc. for channelizing their IT spends post disruption.

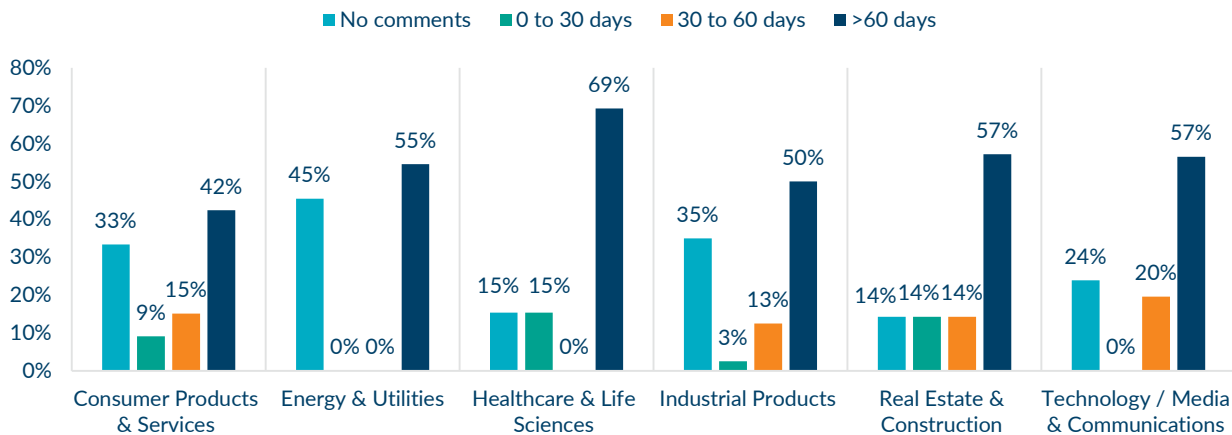


# People

## Percentage of lay off expected in your industry

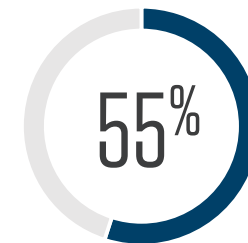


## Hiring cycle expected to revive



28% of respondents from Real Estate and Construction industry anticipate layoffs of more than 10%.

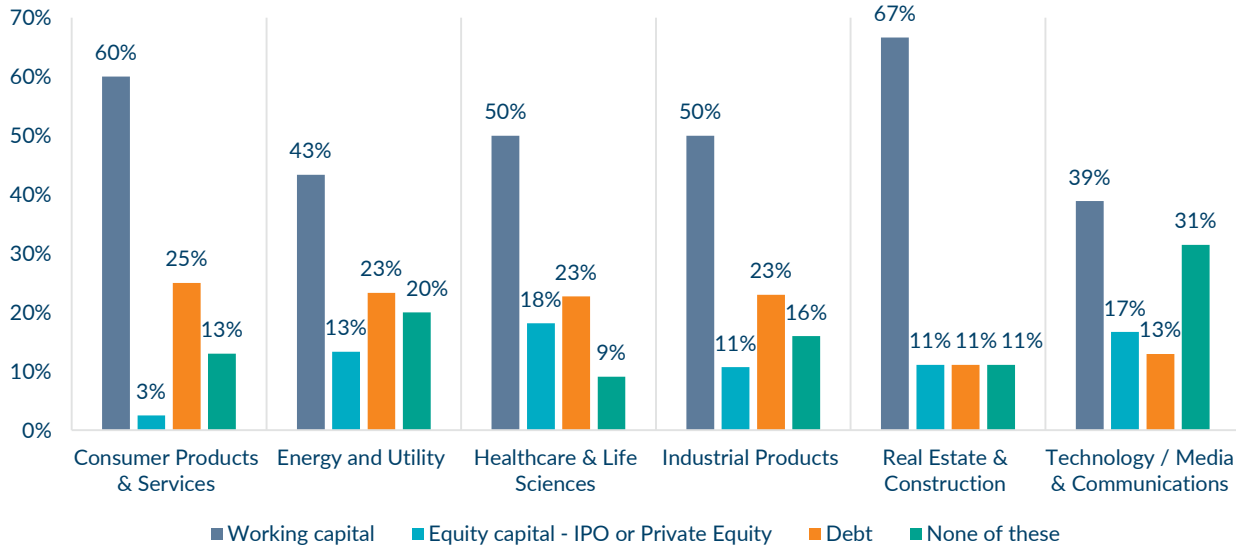
69% of respondents from Healthcare and Life Sciences industry and 57% of respondents from Real Estate and Construction, and Technology/Media and Communications industries expect hiring to revive after 60 days ...



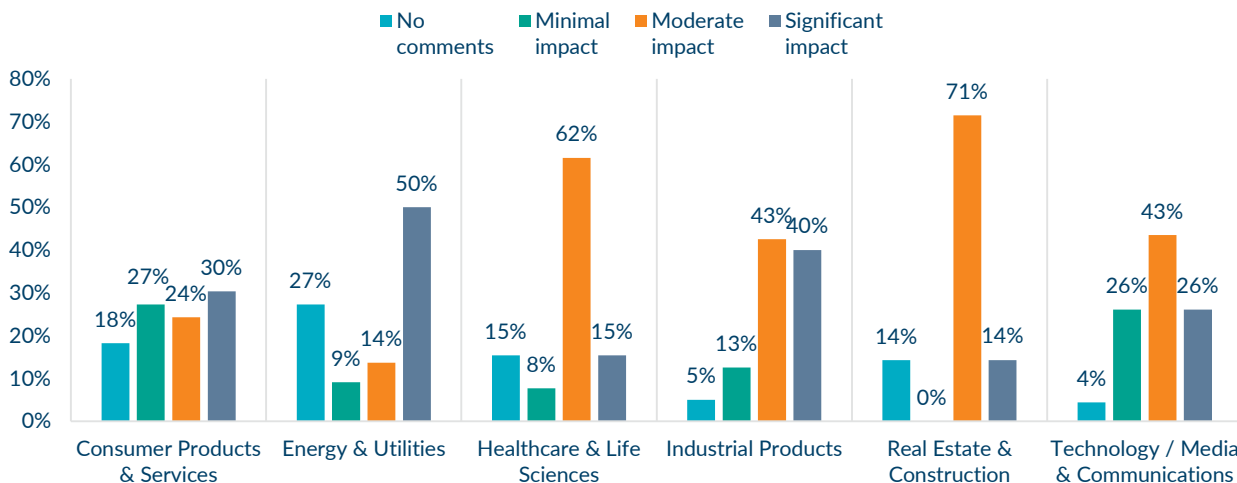
of the respondents foresee job losses in their respective industries after the lockdown ends

# Finance and Accounting

## • • • Challenges with financing activities in next 6 to 12 months



## • • • Impact on foreign currency, interest rates or other market risks



67% of respondents from Real Estate and Construction and 60% of respondents from Consumer Products and Services industry identified working capital as major financial constraint in next 6-12 months.

To protect financial stability and arrest economic meltdown, RBI announced measures - loan freeze, regulatory deferrals, special windows, higher provisions, injecting of additional liquidity, limit borrowing etc. that will help recovery ...





# Conclusion

An imminent disaster, COVID-19, has caused disruption in businesses across all sectors and may 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 organizations 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 risks 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 and potential resources.

02

### Are we relevant to the customer needs?

Organizations 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 includes 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
- Enhance the IT infrastructure to be resilient & secure
- 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](#)

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## OUR INDIA OFFICES

### Bengaluru

77° Town Centre, Ground Floor  
(East wing), Building 3, Block B  
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

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