Key challenges in the post-Covid era

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The last couple of years have been extremely tough for businesses and people. Even as businesses somehow tactfully navigated through the Covid-19 pandemic, more recently, another key challenge has come up in the form of the Russia-Ukraine war. As if these were not enough, there is also an active talk of a recession looming in the horizon. The mounting risks from these key adversities continue to add to the list of ever-evolving challenges in the new order, both at a macro as well as micro level – to economies, businesses, and just about any individual.

Businesses of today face a barrage of strong headwinds in the form of post Covid-19 syndrome across different regions including continuing ongoing vaccination to protect the population against new variants, a global recession, a potentially prolonged war in the winter of 2022, higher-than-expected inflation, and elongated commodity cycles. We can therefore expect to see a lot of work towards building strategic resilience to steer through sharp volatilities and future shocks, shadowing almost all functions of businesses.

The Covid-19 pandemic has had a profound impact on the behavior of businesses as well as individuals. For instance, companies have had to adapt to new marketing channels such as web-based platforms, digital service delivery etc. India has seen, for instance, unprecedented volumes in digital transactions which is great in many ways. Some of the key challenges that businesses face today, in an ever-changing operating environment, are as follows:

1. People retention

According to a survey conducted, nearly 78%[1] of organizations have been confronted with the challenge of attracting and retaining talents, as their 'biggest hurdle' this year, since the outbreak of the Covid-19 pandemic. The Great Resignation has become a matter of concern for organizations cutting across all shapes and sizes – be it startups or mid-sized businesses or large conglomerates. A recent study suggests that *86%[2] of employees in India would resign in the following 6 months.* Technology & Telecom, among other major industries, is the sector which will supposedly see the highest attrition rate.

Unlike the generation before, flexible working models, hybrid work arrangements, short-term gigs and freelancing are popular choices that are gaining traction. Among the millennials and Gen Z, who constitute about 23% of the global population, there is a prevalent inclination towards non-monetary motivators such as a good work-life balance, overall well-being, and happiness, over monetarily rewarding jobs. These preferences / choices are of a generation that is considerably more informed about their stream of education, aspirations, career goals, expectations from employers, and largely, their purpose of life.

Replacement of skilled resources has thus become one of the biggest challenges to organizations, given that the resigning populace has gotten progressively cognizant of purposeful working, a supportive leadership, and holistic living. With the pandemic forcing a home and an office into the same physical space, organizations have been compelled to persistently create a nurturing employee experience – especially in a hybrid work environment.

2. Dynamic regulatory environment

The regulatory environment in most countries, including India, is constantly evolving to deal with the new digital world and hence we see many new guidelines being issued from time to time. While these changes are positively aimed at achieving smooth process flow, structured functioning and resilient systems, organizations are experiencing skill-vacuums in their workforce. An evolving regulatory framework requires constant upskilling; however, in times where resource retention has posed as a challenge, organizations requiring subsequent resource acquisition and reskilling, has emerged as a growing challenge in some industries, particularly IT and Finance. A study showed that one of the top concerns in the year 2022 was hiring the right talent, at the right price, and at the right time. The dynamic, today, is all about developing a workforce, be it through reskilling or upskilling, that can efficiently deliver regulatory expectations and adapt to changes in the face of multiple cross-functional challenges.

Industries like Banking and Financial Services operate in a highly regulated environment. Regulations are continuously amended to safeguard the financial systems and adopt global best practices. To aid this regulatory and compliance landscape which includes reporting, monitoring etc., companies are making investments into Regulatory Technology i.e., innovative digital technology solutions that can help companies to make compliance, regulatory reporting and monitoring efficient. Reg Tech involves capital-intensive investments in APIs, Big Data Analytics, Artificial Intelligence (AI) and Machine Learning (ML), in return for solutions such as data compilation, and comprehensive report creation using multiple data points. Companies need to find a balance between solutions offered by Reg Tech, which saves ample time and effort of the workforce, and the costs involved in creating, maintaining, and upgrading Reg Tech platforms.

3. Embracing new technology

While the onset of '4IR' or 'Industry 4.0' or the *Fourth Industrial Revolution* of the 21st century holds much promise, it can at the same time potentially disrupt almost every business sector radically. This profound era of smart machines, driven by technology, is being steered by revolutionary innovations such as AI, augmented reality (AR), robotics, the Internet of Things (IoT), and 3-D printing, among others. These developments are rapidly changing the way humans create, exchange, and distribute value.

The pace at which technological transformation is progressing is faster than ever before. With the boom in digital innovation, the requirement for digital competencies has been becoming increasingly important. The labour market, however, has been adversely affected by this stentorian development. The workforce now demands high-level, and more sophisticated analytical and technical skills, as an important pre-requisite, besides management and soft skills, resulting in the accelerated redundancy of many existing jobs.

Undoubtedly, businesses have reaped plenty of advantages like cost reduction and increased productivity from automation, however, there is a widespread fear about the eventual onset of a 'robocalypse', i.e., the loss of jobs to robots or automation. As in the case of any transformation, this too, has inevitably created winners and losers. It is essential that economies and organizations work in tandem to put in place, regulatory responses, and inclusive, smart policies, to make the adaption of digital technologies a welcome change. With the pandemic hastening the pace at which systems and processes are being digitized, organizations will play a significant role in embracing technology and instilling a positive outlook among all stakeholders.

4. Disruption of the Supply Chain Ecosystem

The Covid-19 pandemic affected activities worldwide, among which, supply chain disruptions are significant. According to a study conducted, *94%[3] of Fortune 1000 companies are seeing supply chain disruptions from Covid-19*. To add to the troubled supply-chain ecosystem, the challenges posed by the Russia-Ukraine military conflict, although different in nature, have further exacerbated the situation, from a global viewpoint. Diversion of aircraft, sea containers / vessels, and other cargo-carriers, imposition of restrictions and / or sanctions on shipping of consignments, are some of the logistics challenges faced that have forcibly inhibited the smooth functioning of the supply-chain system. In some ways, many countries can be seen moving away from globalization towards self-resilience, to safeguard their interests going forward.

The pandemic brought to the forefront, the severity of supply chain disruptions, while putting to test, the ingenuity, resilience, and flexibility of exposing undiscovered vulnerabilities of the supply chain ecosystem, for instance, in many countries including India. The need to function as a thinner system had seemingly led to smaller innovative developments, taking the entire ecosystem into a whirlwind of problems.

For example, shipping containers, a critical component of the supply-chain cycle, move millions of tons of goods, like food, appliances, textiles, spare parts, etc. In the pre-Covid scenario, the containers would be continually loaded, shipped, unloaded and loaded again. This cycle, however, has broken due to lockdowns, zero covid policy and border closures in various in countries, resulting in massive trade disruptions. This has further resulted in longer lead times increasing the cost factor for corporates. Sectors like automobile and consumer electronics have specially taken hard hit.

Uncertainties in demand, drastic changes in supply quantities, rising commodity prices, an alarming increase in weather-related disruptions, unanticipated restrictions on movement, and increased competition for raw materials are among the other factors that have made supply chain planning more challenging than ever.

While historically Indian firms have focused on an intricately interconnected and lean supply chain systems, it has today become distinctly clear that there exists very little research on the issue of an adversity-resistant system, requiring the development of a robust transport and advanced logistics system (ALS) for speedier recovery of supply chains. A thorough review of extant systems must be prioritized, particularly by firms heavily reliant on the smooth functioning of procurement-supply, while exploring diversification and effective optimization of transportation and logistics resources. To ensure greater resilience in the long term, organizations must explore the prospects of leveraging opportunities arising from dynamic customer demands and product/service portfolio diversification.

5. Sustainable ESG oriented remodeling

The creation of a sustainable business is the process of exercising resources in a manner that integrates the conscious fulfilment of short-term needs of an organization, while ensuring its long-term viability. Such an integration requires that business decisions are sentient and strategically planned, while continuously monitoring the impacts of extant business operations – to ensure that short-term profits don't turn into long-term liabilities. The process takes into consideration, a multitude of factors – broadly falling under environmental, economic, and social factors. Environmental, Social and Governance, or ESG, today used interchangeably with sustainability, has been gaining substantial traction in the corporate corridor. ESG in simple terms refers to the measurement of sustainability based on quantitative or semi-quantitative data.

In India, SEBI has introduced reporting requirements on ESG parameters based on quantitative and standardized disclosures called the Business Responsibility and Sustainability Report (BRSR). From FY 2022-23, the top 1,000 listed companies are required to comply with these disclosure requirements. This transition comes with its own set of challenges. While corporations must seek to integrate sustainability practices into their core business models, the process of identification of unsustainable shortcomings, determination of accomplishment metrics, implementation of practices, and fair assessment of results, can pose as a rather tedious undertaking. The process also requires continuous re-evaluation of the effectivity of the adoption, given the constant changes in a company's goals, evolving as it grows.

While the adoption of ESG strategies have substantially drawn the attention of internal and external stakeholders, with high-ESG rated companies fostering significant public support, there has been a rampant increase in greenwashing which is creating a false impression of sustainability. Ensuring credible and ethical reporting of the adoption and effectiveness of an organization's environmental, social and sustainability initiatives (such as steps taken towards reducing a company's carbon footprint, optimized water usage, safe wastewater disposal, community development efforts, board diversity, etc.), is extremely important. Greenwashing can adversely impact an entity not only through regulatory censure and potential reputational damage but also in terms of investment risk over labor practices, civil rights, market manipulation, data privacy or environmental degradation. Investments in socially ethical practices may come at a high initial cost, but typically lead to enhanced recruitment, branding and public relations, which all tend to lead to augmented profitability as well as overall valuation.

In conclusion, sound strategy as well as efficient execution are the need of the hour for businesses in the next few years. Those that are nimble footed and ethical during this phase are clearly going to be the long term winners in the post Covid era.

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1 https://www.business-standard.com/article/companies/attracting-retaining-talent-biggest-challenge-for-india-inc-in-22-survey-122070501101_1.html

2 Report released by Michael Page

3 Research conducted by Accenture