



Moving the business goal posts: Adapt, react, respond

Roundtable series report | June 2022

ReedSmith

Driving progress
through partnership

Contents

How are businesses adapting their strategies to address the constantly moving goalposts of 2022?

 **01** Introduction
Clients' takes on market disruptions

 **04** Cybersecurity: What to be aware of and how clients are defending their businesses

 **07** Artificial Intelligence: How further advances in AI technologies are affecting clients' business

 **09** ESG: Why it's more important now than ever for your business

*Please note: Throughout this report, quotes in *colored italics* are direct quotes from the session.

Introduction



Businesses face many challenges today, and encouraging interaction of this nature gives us insight into alternative approaches and solutions our key clients are considering.

The objective of our thought leadership roundtable program is to bring together a diverse group of clients and provide them with a forum in which to discuss thorny and challenging business issues that they are facing in the current business environment. Key clients from various industry sectors have provided insight on a range of topics relating to current events impacting our perceptions of what is “normal” in today’s world.”



James Wilkinson
Partner, London



A really enjoyable afternoon exchanging views and perspectives with clients across different sectors.

You really couldn’t pick a more diverse cross-section – from life sciences, to financial services, insurance and manufacturing – yet what struck me the most was the similarities in the challenges faced across the respective industries, as opposed to the differences (which were far less pronounced). I look forward to more roundtables to come.”



Milan Thakker
Partner, London

Market volatility: How to adapt your business for competitive advantage



In line with previous roundtables, clients expressed concerns that disruptions in the global market seem likely to change the direction in which industries progress, beyond the immediate crisis. The conversation touched on several immediate and growing concerns, with the potential to impact not only their own businesses, but their customers' businesses as well, including:

-  Sanctions against Russia
-  Supply chain issues
-  Inflation
-  Salary increases and retaining talent

We observed a noticeable overlap in micro-concerns faced by our panelists from different industries – in this instance the insurance and manufacturing sectors. Both reported to have had their clients' eyes opened to the weaknesses in their portfolios – either directly or indirectly. The objectives they are now considering are designed to help identify these weaknesses and redefine clients' business goals so that a plan is in place for future challenges.

As we progress into 2022, and our clients continue to deal with increased demand, inflation pressures, and economic restrictions related to the sanctions on Russia, the focus remains on how businesses identify where the challenges lay. *"If you think about it, there hasn't been a period in history like this before. But with that, why didn't we foresee [these issues] a year ago?"*

What we need to recognize: Businesses don't necessarily have the experience to deal with the current situation and must remain on alert.

Recommendations from our clients:



One recommendation was to recruit market data analysts to focus on continually navigating parallels between the volume of disruptions, as this is key to helping manage clients. They said scrutinizing the data allows businesses *"to look at the structuring of some of these companies and the need for liquidity to survive"*.

Further reading:



Our clients' biggest question was, *"How do you prepare for the next crisis?"*

An adaptive business strategy is key to a speedy response to market challenges.

An article from Gartner highlights **4 core practices** in building your business plan to adapt to volatility:

- Start execution as early as possible.
- Embrace and explore uncertainty.
- Respond to changes as they happen.
- Involve everyone in strategy.



Clients' perspective on market disruptions



Sanctions and regulatory compliance issues



Clients said *“drop of the hat”* sanctions on the market have put certain companies in a difficult spot when it comes to providing value for their customers. For example, an insurance brokerage client stated that with sanctions changing almost daily, it has become difficult to offer consistent advice across the business, and to provide expert insights to their customers.

Some clients discussed observing the rise of steering committees that meet regularly, ready to swing into action and review recent sanctions to provide direction for the business.

Supply chain



It is no surprise that the situation in Ukraine has also impacted the product supply chain, increasing prices of certain commodities and goods that were already in high demand due to shortages stemming from the restrictions imposed during COVID. Within the manufacturing sphere, there is a particular vulnerability as a whole manufacturing line for a widget could be stalled due to *“one piece [of equipment] at the end of the line that they can't get.”* As a temporary remedy, line operators can complete the necessary step manually, but due to labor shortages, they have been challenged and have struggled with finding people to help with the manufacturing side. This fragile supply chain, and increase in transportation costs, has led many organizations to consider *“reverse outsourcing,”* or *“on-shoring,”* bringing resources and labor closer to the headquarters in order to speed up the time it takes to receive products.

Spiralling inflation



With high product demand and inadequate supply, consumer-driven inflation is providing additional pressure across industries.

Clients reported that they found listening to and understanding more about their customer's challenges, in relation to the increased inflationary pressures, had helped them to formulate solutions on a case-by-case basis.

Salary increases & attracting and retaining talent



As inflation is rising, the demand for labor and for salary increases has become a challenge for businesses to attract and retain talent. With such high demand in the market for jobs, we are seeing *“the rising cost of turnover”* and our clients are having to hire at an increasing rate. One of our clients commented that they had lost *“three employees [from a team], while also hiring three employees for another team in a span of a few weeks”* This has become a new challenge for businesses, which are now reviewing workers' pay rates and benefits more often to help compete for and recruit talented employees in an already deprived skilled labor market.





We live in an era in which tools and techniques used by hackers are quickly evolving and corporations share a business and ethical responsibility to customers to implement safeguarding systems for additional security. During uncertain times, it is essential, and commercially necessary, for businesses to be seen as trustworthy.

Our roundtable discussed the increased focus their individual companies are placing on cybersecurity, with increased and more robust policies, focused training, and other resilience measures, as well as learning from insights relating to cyber attacks some other panel members organisations had experienced. For many companies, while there is an understandable focus on engineering robust systems and developing firewalls, in reality, *“the path of least resistance is through phishing, accounting for 90% of successful breaches.”*

Across industries, C-suite members have been pegged as the main targets for various types of malware attacks, as the influx of emails they receive on a daily basis makes them more likely to lose focus and click on a corrupted link. Building increased awareness within a company’s culture and its individual employees is what offers security at *“the open front door.”*



It’s a lot easier to trick a human than it is to breach a security system”

[Embroker.com](#), Top10 cybersecurity threats 2022



Following the 80/20 rule, businesses are customizing training for C-suite executives to remain vigilant against potential cyber threats.

Top 10 cyber risks for businesses



1. Social engineering



2. Third-Party exposure



3. Configuration mistakes



4. Poor cyber hygiene



5. Cloud vulnerabilities



6. Mobile device vulnerabilities



7. Internet of things



8. Ransomware



9. Poor data management



10. Inadequate post-attack procedures

Source: [Embroker.com](#), Top10 cybersecurity threats 2022





“ Cryptocurrency-related attacks rose nearly 200% between October 2020 and April 2021.”

[Embroker.com](https://www.embroker.com), Top 10 cybersecurity threats 2022





Hackers operate like highly organised legitimate businesses. They work Monday to Friday and take the weekends off.”

Caleb Barlow, IBM



For those who are not well versed in the world of cybercrime, some of the information on how these virtual criminals operate is fascinating and confounding. Cyberhacking has become a sophisticated, systematic and profitable business.

Experts suggest that a more collaborative approach from big businesses is needed to help defeat global cybercrime. Corporations have an advantage (over governments, for example) in that they can act more quickly, efficiently and effectively across borders, particularly when implementing additional safeguards or responding in the event a system is compromised. Against this background, however, where companies have been victims to cybersecurity breaches, many are unlikely to share the details publicly due to concerns about reputational risk, potential litigation from those impacted directly, or even out of fear of the impact on the profitability and market sentiment.

‘Sophisticated attack’ is often quoted as the cause when breaches make the press, but apparently this often indicates an unwillingness to admit to lax security protocols and practices.



This TED talk by a security expert at IBM is an interesting watch, detailing who is leading these attacks, how they operate, and how a collaborative approach could be the best method to tackle them.

Different industries face different threats

A ‘one-size-fits-all’ approach cannot be applied across all types of businesses. Differing industries face varied types of cyber threats, and each sector should plan their defenses accordingly. ‘Organizations should be addressing and mitigating the threats most pertinent to them.’

- **Financial and insurance** – Credential and ransomware attacks – misdelivery represented 55%.
- **Public administration** – Phishing emails are successfully capturing credentials data at an alarming rate in this sector.
- **Healthcare** – Misdelivery of electronic & paper documents (basic human error) accounts for 36%.
- **Retail trade** – Financially motivated criminals frequently deploy mediums like pre-texting and phishing, with the former commonly resulting in fraudulent money transfers.

Source: Alex Pinto, DBIR. Verizon breach investigations report 2021

Further reading:



- [Biggest data breaches 2004-2021](#). Including visualization of breaches split by sector.
- [Risks different across different industries & different regions](#). Organizations should be addressing most robustly the risks which are specific to their industry and business, not applying a ‘one size fits all’ method.
- [How smaller business should best arm themselves against cyber attacks](#).



Artificial intelligence technologies



Over the course of the roundtable, our clients spoke of how advancements in technology are changing their operations, including their underlying systems, how their products connect to the internet, and how they get them to market.

Financial services companies, for example, are moving onto platforms that enable end-to-end automation. Even businesses such as manufacturing, which involve more physical machinery, are seeing daily working methods change frequently.

Our group discussed how clients' businesses are relying more on the use of bots in customer-facing roles. Some clients confessed to having been comparatively *"behind the curve,"* but in recognition of this, have now made efforts to catch up with a movement towards automated call centers and customer services, wherever deemed profitable and appropriate.

Clients also voiced that some portions of their businesses remain intentionally manual, for now. There is an understanding that for some consumer interactions the *"hands-on service"* of a human touch is still a necessary part of their offering.



AI's impact on the global economy will be three times higher in 2030 than it is today.*

McKinsey & Company, Notes from the AI frontier, Modeling the impact of AI on the world economy



[This report](#) from McKinsey offers some interesting insight into how AI techniques are differently applied across industries.

How AI is helping companies expand globally – 5 key factors



1. Supply chain management



4. Automating routine tasks



2. Translation services



5. Increase accuracy & efficiency



3. Improving trade negotiations

Source: [Globalisation partners](#), *The Impact of AI on Global Expansion*

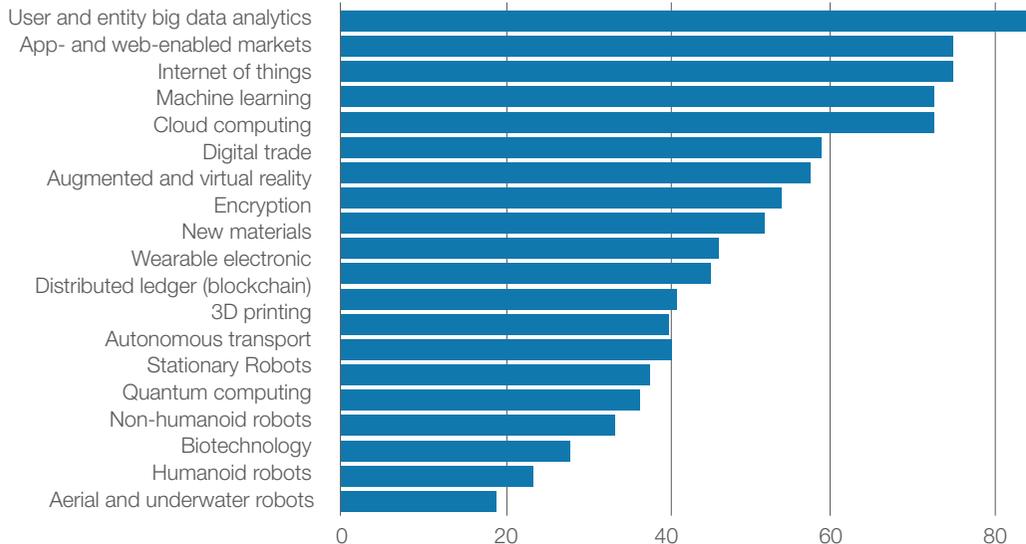


How AI is affecting different industries



Businesses are adopting new technologies in very varied ways, depending on the sector in which they operate. While those with more digital elements to their business operations are more rapidly and dramatically affected than those with more traditional physical infrastructure, even traditional companies are adopting technological advancements at a surprising rate.

Technologies likely to be adopted Percentage of companies adopting ...



Source: Future of Jobs Survey 2018, World Economic Forum



How is your sector affected?

This report goes into detail about how AI is influencing each industry, including adoption rates across healthcare, finance, entertainment, energy & transport.



North America and China stand to see the biggest economic (AI) gains.”

PwC Global Artificial Intelligence Study

Further reading:



- [AI in business](#) – a useful AI For Dummies read from *Business News Daily*.
- [PWC](#): Which regions stand to gain the most from AI.
- [McKinsey's analysis of 400 cases across 19 industries](#).
- [Increase of AI over past 4 years](#) - IT Chronicle's take on how AI has affected businesses according to task type.



ESG: Why it's more important now than ever for your business



In addition to managing legal and financial risks, organizations are increasingly recognizing the importance of strong environmental, social and governance propositions. Investors, consumers and other stakeholders are more frequently asking, and often demanding, that company leaders adopt business models that address climate change, sustainability, diversity and inclusion, among other social concerns. When asked if these considerations are driving their businesses, our clients' unanimously responded that ESG is a top strategic priority for their organizations. *"It's non-negotiable at this point."*

Prospective employees are increasingly asking, and sometimes challenging, interviewers about their company's green strategy, and are more knowledgeable about plans for sustainability and achieving net-zero carbon emissions. Having been in charge of the company's credit analyst program, one of our clients has observed the contrast between generations. *"[It is] amazing to see how eager the younger employees are to work for a socially responsible company right out of college."*

In the current tight labor market, workers are not just looking to advance their careers, but are actively seeking out companies that are *'doing the right thing.'*



ESG goals – Net zero emissions targets

With companies pledging to reach net zero emissions by 2050, will the talent marketplace demand this be accelerated over the next couple years?

Tips for setting ESG goals:

- Work with external consultants to establish your ESG goals properly, setting targets that are realistic and practical.
- Do not be too ambitious when setting targets early on – it could potentially hurt the business in the long run. Participants made an important point that businesses need to *'practice what they preach'*.
- Understanding which measurements are verifiable will help in avoiding risk and also in discussing and reporting efforts to your clients.



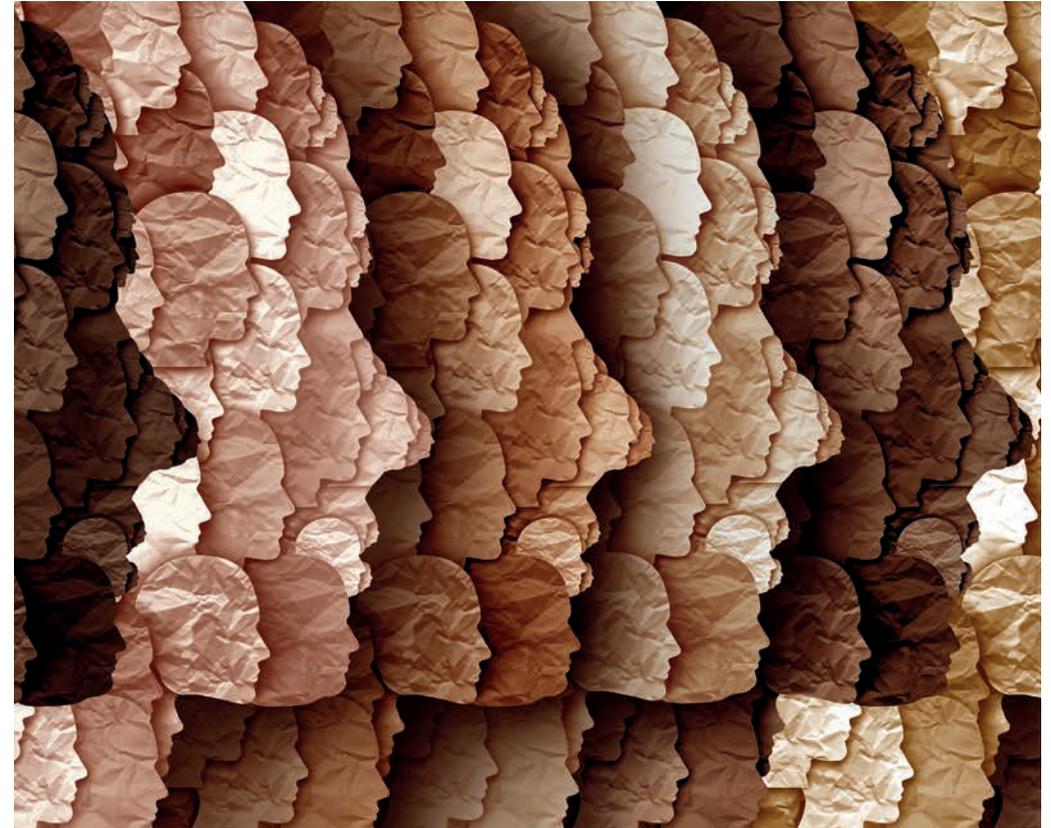
Social responsibility in ESG



The roundtable participants shared advice to companies setting out their DEI goals - to make these part of the social element of their ESG policies. Each participant discussed how their businesses had set ESG targets with a view to recruit a workforce with a diverse pool of employees that includes a balanced mix of race, social class, and sexuality.

A key message which came out of the roundtable discussion was that in order for businesses to attain their performance measures, they should set robust and reasonable diversity targets. It was considered that setting and communicating diversity targets helps to provide employees with the motivation to think about diversity on almost a regular basis.

For chairpersons, partners, C-level executives and committees, social responsibility is seen as a driving factor for a company's core values, and often taking center stage in company decisions. *“Our chairwoman is inspiring, and I think [the ESG focus] attracts a lot of diverse talent to the organization, especially with our social and environmental work.”*



ESG has become a driving force for attracting talent

Mercer conducted an [“ESG as a Workforce Strategy”](#) survey , which found **“that top employers by employee satisfaction and attractiveness to talent have significantly higher ESG scores than their peers.”**





Follow the Golden Rule
“treat others as you would want to be treated.”



What do changing market conditions mean for **your business**?



Be ready to respond in order to avoid future challenges.

Business leaders are facing a number of concerns in the global marketplace, which are forcing them to address and consider how companies will adapt, plan and respond. As a result of identifying current market volatility, cybersecurity challenges, developments in artificial intelligence, and the increased awareness of ESG, clients were able to compare similarities and contrasts between their industries and discuss potential solutions.

In order to safeguard against potential risks, businesses should stay abreast of outside developments and informed about market conditions. They should aim to be prepared, and capable of, responding quickly to change plans where necessary.

As important as it is to identify the current challenges businesses face, it is even more crucial to determine the response. By gathering clients from various industries, we were able to gain a more comprehensive understanding of how certain sectors are coping with current challenges and acquire new perspectives that companies could implement to improve their efficiency.

We look forward to continuing the conversation with our clients, understand their concerns, and to provide the appropriate advice or support for their bespoke situation.



Reed Smith Client Relations Team



James Wilkinson
Partner
London
jwilkinson@reedsmith.com



Milan Thakker
Partner
London
mthakker@reedsmith.com



Deven Vyas
Client Relations Director
London
dvyas@reedsmith.com



Sam Rizzo
Client Relations Manager
New York
srizzo@reedsmith.com



MacKenzie Beckel
Senior Client Relations Coordinator
New York
mbeckel@reedsmith.com



Rebecca Sheppard
Client Relations Senior Executive
New York
rsheppard@reedsmith.com



Reed Smith LLP is associated with Reed Smith LLP of Delaware, USA and the offices listed below are offices of either Reed Smith LLP or Reed Smith LLP of Delaware, USA, with exception of Hong Kong, which trades as Reed Smith Richards Butler.

All rights reserved.

Phone: +44 (0)20 3116 3000

Fax: +44 (0)20 3116 3999

DX 1066 City/DX18 London

reedsmith.com

ABU DHABI ATHENS BEIJING BRUSSELS CENTURY CITY CHICAGO DUBAI FRANKFURT HONG KONG HOUSTON
KAZAKHSTAN LONDON LOS ANGELES MIAMI MUNICH NEW YORK PARIS PHILADELPHIA PITTSBURGH PRINCETON
RICHMOND SAN FRANCISCO SHANGHAI SILICON VALLEY SINGAPORE TYSONS WASHINGTON, D.C. WILMINGTON