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Responsible management of post Covid-19 choices

Expert's opinion

The new challenges for the world of work

Paolo Vecchiotti

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Overview

Modernization and digital progress

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Experts in the field – among others – are more and more often referring to Covid as a cut-off line dividing the "old" way of doing business from the "new" one.

In my opinion, this concept is true only if we consider it just from a time perspective, and no cause-effect relationship is attributed to it. In fact, the pandemic did not cause the substantial way of doing business, nor a review of priorities and the subsequent strategic and planning decisions. Covid-19 has only speeded up a process that – though the related slowdowns and resistance - had been ongoing for a long time (even if with a different pace at a global level).

Most industrialized countries in the world, in fact, started moving towards the fourth industrial revolution a long time ago, according to common directives and, since 2013 to date, Industry 4.0 has been included in the agenda of all main governments, with the aim of making economy increasingly more agile and efficient, thanks to digital, automated and interconnected processes. Therefore, the modernization and, particularly, the digital progress, determined – and will determine – significant changes, not only in trends and needs of businesses, but also in the strategies of the main stakeholders.

Limiting the scope of the analysis to Italy, we can see that, already at the end of 2019, according to the first permanent census of enterprises carried out by ISTAT (National statistics institution), approximately ¾ of companies having more than ten employees were involved in digital investment. Only 3.8% of them, however, were already in their digital maturity phase, while most of them were still "testing" new technological and organizational solutions. Other countries in Europe, America, and Asia were considerably ahead of Italy.

The considerations following the abovementioned analysis are quite simple: since March 2020, the global economy has been disruptively changing its logics and, therefore, its operators, both buyers (B2B and B2C) and sellers, were inevitably involved.

This has implied a substantial change in many aspects, such as the economic and financial, as well as lifestyle-related needs, the way these needs are met (which is increasingly more dematerialized), the importance of the time factor (both for the delivery and for the utilization of goods or services), the relevance of the risk factor (not only the risk related to the counterparty but also that being implicit in the organization).





Starting from this fundamental consideration, companies and advisors are called to identify and deal with the main innovations they will be concerned by, considered that the longed-for end of the pandemic will imply the end of the effects of the provisions that have mitigated the impact related to disruption.

The end of the pandemic, in fact, will not imply a return to the status quo, but rather the continuation of the trend towards change, without any (regulatory and statutory) facilitating element.

Therefore, according to this vision, some aspects such as remote working, the cyber phenomenon, the review of organizational processes, the adjustment of compliance due to the changes in the management of commercial relationships, the review of intercompany agreements within cross-country transactions, etc., will need to be preventively analysed in order to plan the proper actions to take.

Some questions will also need to be answered:

- How will remote working once it is fully operational – impact in organizational, regulatory, and financial terms?
- What processes will have to be implemented and/or changed in the light of a more massive use of digitalization?
- How will commercial relationships (even intercompany ones) change in accordance to modern business models oriented to the disintermediation and dematerialization of transactions?
- What are the risks, which companies should prevent and, most of all, how can they do it?
- How could companies leverage the motivation of the most important factor of production, i.e. human resources?

Such questions, as other ones, require a preventive analysis, since their resolution will impact on medium- and long-term strategies, on cash flows, on already assumed commitments, and on traditional evaluation parameters used so far. Those who will be able to adopt this approach will take a certain, durable, and sustainable advantage, while those who will not operate according to this approach (maybe remaining in their comfort zone) will risk to suffer significant consequences that will impact the sustainability of their business in the mediumlong term.





Expert's opnion

The new challenges for the world of work

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One year has passed since the outbreak of the Covid-19 pandemic. In this timespan, the Government introduced a series of economic measures to help the business industries most severely affected by the halt to activities. It is necessary to become aware of the new situation and try to consolidate the novelties and issues which had to be faced in this period. Among the areas most affected by the pandemic is, first of all, the healthcare sector, followed by the economic sector and the world of work.

Remote working (commonly called "smart working" in Italy) was the main tool used to contain the spread of the pandemic. On the one hand, it allowed to keep on with the work for all those activities to which it is applicable, but on the other hand, given its forced application, its aim to guarantee employees a better worklife balance has been distorted. This led, in the medium period, to a detrimental mixture of these two factors, resulting in additional stress for employees and in a reduction in the quality of their work.

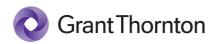
From an analysis of the experience of these months, it can be affirmed that the use of remote working has often been distorted. The working activity has been carried out mostly from home, often using inadequate devices and sharing working spaces with relatives working or studying from home as well.



A further aspect on which an organisational intervention is needed is the fact that remote working has led to a significant reduction in sharing working issues and in interaction with colleagues.

It also increased cyber security risks. Many companies have actually been forced to grant access to corporate servers to workers connected via unsecured networks or, in any case, not compliant with their security protocols.

Greater attention should also be paid to corporate welfare in order to keep into account the need to offer services, e.g. healthcare packages to employees and their family members, besides free time. Corporate welfare could play a great integration role with a significant impact in terms of advantages on labour costs, quality of work and employee engagement.

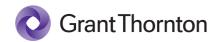


Companies which will succeed in anticipating change will surely have a vantage point in facing future challenges, since they will have turned issues into opportunities with a proactive approach, having promptly implemented choices and strategies which, if it weren't for the pandemic, would not have been made. Many opportunities will arise, it will only be a matter of being able to seize them.

As Albert Einstein said:

"Let's not pretend that things will change if we keep on doing the same things. A crisis can be a real blessing to any person, to any nation. For all crises bring progress. Creativity is born from anguish, just like the day is born form the dark night. It's in crisis that inventiveness is born, as well as discoveries and big strategies. He who overcomes crisis, overcomes himself, without getting overcome. There's no challenge without a crisis. Without challenges, life becomes a routine, a slow agony. There's no merit without crisis. It's in the crisis where we can show the very best in us. Without a crisis, any wind becomes a tender touch. To speak about a crisis is to promote it. Not to speak about it is to exalt conformism. Let's work hard instead. Let's stop, once and for all, with the only menacing crisis, that is the tragedy of not being willing to fight for it".







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New ways of doing business

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When a pandemic spreads, it challenges key social infrastructures such as healthcare systems, economic life, socio-economic structures, key institutional agreements, communities and day-to-day family life.

This is what happened with the spreading of the Covid-19 pandemic, which forced people and companies alike to adapt to new ways of living and new ways of doing businesses, by adopting methods which were not the outcome of aware strategic resolutions, but of a necessary choice.

Now, after a year from the beginning of the emergency, after getting used to do our best during the pandemic and, moreover, now that we start seeing a way out, we tried to think back and identify the lessons learned to provide a range of topics which the emergency forced us to consider and act upon and which will become the new normal in the post-Covid era.

Smart working

All organisations had to adopt remote working due to the spreading of Coronavirus and the subsequent lockdown imposed by the Authorities.

Remote working, resulting from an obligation, lead many companies not yet ready to work with this new method, to quickly implement technical and organisational solutions which could guarantee business continuity.

The latest report by the Smart Working Observatory of the Milan Politecnico shows the scope of this change: 97% of big companies implemented remote working during the most difficult phase of the emergency, against 94% of Public Administrations and 58% of SMEs, for a total amount of approx. 6.5 million workers, i.e. one third of Italian employees. A surprising number, more so if compared with the 570,000 smart workers identified in 2019.

After this experience, remote working will become a more common praxis, with a greater balance between days working in the office and days working remotely, though it is not yet clear whether agile work will be introduced, which implies an actual revolution in the way of working from a regulatory, organisational and managerial point of view, or simply remote working.

Actually, smart working does not mean doing remotely the same things in the same way as when working in the office; when people are always online, with different rhythms and often in an asynchronous way compared to colleagues, it is necessary to develop working schemes, daily routines, communication and interaction methods, as well as planning models, much different from those used in a traditional working environment. In particular, a smart working strategy needs to be defined, clearly setting out, sharing and communicating each person's tasks and based on transparent information, with planned interactions supported by adequate tools, also as concerns quantitative and qualitative performance results.





In order to collect such results, moreover, a review of organisational processes is needed, as well as their understanding and acceptance by the employees (particularly for the changes that they may imply).

Smart working necessarily tends to isolate people, therefore internal communication and transparency are key factors to turn it into a successful tool; this should be facilitated by the attention that managers have shown to their collaborators and the latter's ability to react promptly to the changes imposed by the external context.

Despite the physical distance, a shared intent among operational teams and management has been created towards a common target, i.e. the survival and sustainability of the Company.

Cybersecurity

The informed resolution to apply smart working in the future necessarily implies an analysis of all issues emerged during the pandemic; our houses and our apartments have become smart offices and families and home assets are now an integral part of companies.

For this reason, remote working amplifies a series of risks, among which the cybersecurity risk, which need to be known in order to be faced, managed and mitigated.

As always when speaking of cybersecurity, the topic needs to be faced both from an organisational and a technical point of view.

As mentioned above, the pandemic further favoured the use of personal IT devices also for "professional" reasons (Bring Your Own Device – BYOD), not just mobile devices, but also personal computers.

This gave rise to new vulnerabilities (e.g. how are these PCs protected from virus, malware, etc.?, how is the communication with the corporate network safeguarded?), thus increasing the risk of compromising the corporate network through the home infrastructure, but, once more, it clearly showed that besides technological risks are organisational risks and risks relevant to people, employees and collaborators, who were forced to isolation by the pandemic, with a lack of sharing and exchange of information with colleagues, leading to a further spread of phishing and social engineering attacks.

These risks need to be managed and mitigated, both from a technical and organisational point of view. It is thus advisable for companies to perform assessments to evaluate the strength of their infrastructure and of their applications, to implement prevention and protection of key information both transmitted and filed and stored on devices.

From an organisational point of view, it easy to imagine that the areas of intervention are many, starting from training and raising people awareness on cyber risks, indicating how to identify and manage possible phishing or social engineering attacks and, last but not least, devising policies and procedures aimed at guaranteeing that people work according to clear and well-defined rules and procedures; nothing has to be left to chance and to improvisation, also in terms of roles and responsibilities.





Data protection

Another topic that has been brought to the fore further to the healthcare emergency is data protection, which once more turned out to be an issue which needs to be carefully considered not only by experts, but in the next future by all companies, also by those that so far have not treated it as a priority.

Data privacy is actually being discussed since more than one year by the Government and local entities, as well as by private companies, as concerns its correct application. The Italian Data Protection Authority regularly intervened in this last year inviting data controllers and data processors to strictly comply with the indications provided by the Ministry of Health and by the competent institutions, and not to implement autonomous initiatives such as the collection of data on the health of people and workers not regulatorily provided by the competent authorities. Examples are the "Shared protocol regulating the measures to control and contain the spread of Covid-19 in working environments" adopted by the social parties, or the main measures adopted reference to the Covid-19 pandemic emergency. Such regulatory framework not only provides useful indications on the correct data processing by public administrations and private companies, but also guarantees compliance with the data protection regulation, for example in cases of: i) measurement of body temperature; ii) serological tests on employees; iii) collection of employees' data on the possible exposure to Covid-19 as a condition to access the workplace; iv) processing of data relevant to vaccinations of employees on the workplace, not to forget the role of the competent doctor in the collection of such data, in his role as connection between the healthcare system and the working environment.

Digital transformation

Since the end of the Covid-19 period is at least in sight now, many businesses are thinking about the possible actions to take to restore their full activity and to be more competitive in the new context in which they will operate.

We already referred to remote working and to how it will continue being applied by 54% of companies, even after Covid. But can't remote working be already considered as the starting of the Digital Transformation process?

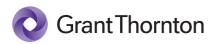


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We believe so. Technologies used for remote working allowed holding virtual meetings, facilitating collaboration and knowledge management and often increasing efficiency of processes, as regards both internal business operations and operations between companies.

Extending the scope of our analysis and considering the Digital Transformation as the utilization process of digital technologies to create or improve customer experience, reengineer business processes and adapt the way companies work, there are many areas which business investments will focus on over the next months.

By way of example, an area which can take a significant advantage – particularly in terms of cost saving – from digital transformation quickly and with limited investment is the automation of internal repetitive processes, strongly depending on the human factor. Within the administration area, the bak-office function, as well as within specific segments in the financial intermediation sector – such as anti-money laundering or client onboarding –, Robotic Process Automation (RPA) solutions, through the development of BOT software, are becoming more and more common in all industries and for companies of all sizes.

These solutions have become more useful
– or even necessary – when the availability
of people became a critical factor, as the
Covid period could demonstrate. They also
allow reducing considerably the number of
errors, speeding up processes, tracking and
subsequently auditing processes, as well as
being integrated without any impact on existing
information systems.

Lastly, a real drive to digital transformation could also come from the initiatives that will be introduced soon in Europe through the Recovery Plan, which will implement the Next Generation EU programme and which will allocate a relevant portion of total 200 billions available to the mission "Digitalization, innovation, competitiveness, and culture" which aims, among others, to "support the digital transformation and the innovation of the production system through incentives to invest in state-of-the-art and 4.0 technologies, research, development, innovation, and cybersecurity". But this will be more thoroughly discussed in following editions of TopHic, once there will be a complete overview on the situation

The administrative liability of corporations (Legislative Decree 231/01)

With reference to the so-called "231" liability of companies, it must be specified that Covid-19 determines or increases some potential risk profile that can be divided into two categories: indirect risks and direct risks.

Indirect risks consist in a further possibility to commit some offences already included within the list provided by the 231 regulation but which, if considered by themselves, are not strictly related to the management of the Covid-19 risk within businesses. Those companies who adopt a 231 Model should have already considered such risks as relevant within the risk assessment activities during the Model implementation process and already taken all proper actions and adopted all proper procedures to prevent their occurrence.



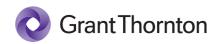


It is possible, on a case-by-case basis, to evaluate the chance to strengthen such procedures, adjusting their application, if needed, to align them to the different organizational context arisen during Covid-19. Besides indirect risks, the pandemic determined the rise of a risk that we could define as direct for companies, i.e. the risk related to the Covid-19 infection. Therefore, 231 Models should specify the set of protections implemented to ensure a valid and effective management system, which includes all specific measures to fulfil the legal obligations to safeguard employees' safety and health. In fact, the Public authorities identified (and will continue identifying) a set of measures to contain infection in different sources, i.e. law decrees and Presidential Decrees issued over the last months, as well as in the shared Protocol regulating the measures to fight and limit the spread of Covid-19 virus in the workplace, subscribed by the Italian Government and social partners on 14 March 2020 and further integrated and annexed to Presidential Decree dated 26 April 2020 (and, lastly, in Presidential Decree dated 17 May 2020). In brief, a business protocol will have to be prepared, clearly stating the measures introduced to implement the instructions included in the Protocol, as well as all actions taken and decisions made by the employer to apply such measures (e.g. minutes and registers), information reports to employees, as well as the reports prepared by the bodies in charge of supervising the compliance with the new procedures.

This protocol will be included, in fact, within the set of protection measures implemented by the employer in the organization, in order to prevent committing offences as provided in 231 regulation.

In this emergency phase, a determining role is played by the Supervisory Board, which is in charge of assessing the suitability of organizational models, supervising the observance of the same, and ensuring their update so to also limit the risks deriving from Coronavirus.

As it happened during the health emergency, when a complete and effective business compliance was important to properly safeguard employees' health and exclude any liability for the company, companies will need to adjust their organizational models, 231 Models and the relevant supporting documents in the future as well, based on all updates and evolutions that they are going to face, as the internal and external labour landscape will not be the same as it was at the beginning of 2020.



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Business models

In this historical moment, that is still characterized by uncertainties, it is difficult to make forecast on how business models of companies will evolve over the next months and years, but we could identify some trends that are becoming more common among companies, as well as some aspects that we deem should be analysed.

As concerns M&A, we are assisting, in our quality as M&A advisors, to an increasing request by companies for financial support, mainly through equity, as well as for support with the sale of their shareholding by entrepreneurs. However, unfortunately, due to the widespread worsening of financial statements data, the difficulty to carry out engagements and, subsequently, to achieve a positive outcome of the operation, increases. Lastly, this leads to a higher selectivity by possible acquirers, due to the higher systemic risk perceived.

With reference to investment areas, besides the mentioned considerations on remote working, cybersecurity and digital transformation, we also noticed the will of groups to concentrate their internal resources on core business functions, so outsourcing more non-core processes, particularly in the administration area, granting a higher flexibility and, at certain conditions, a higher efficiency and cost saving. It is easy to imagine that in such a context, the appetite for automation, even if it is not the priority for all CFOs or entrepreneurs, will also have a crucial role, to increase the efficiency of both in-house and outsourced processes.

We therefore expect these to be the most important development instructions over the next months, especially when the current aids and safeguards to employees will stop being effective, leaving space for restructuring more as a need, rather than as an opportunity.

The quality of outsourcers will become a determining factor and small and local outsourcers will be certainly replaced by larger ones and, most of all, international ones, which are more efficient, more technological and more able to assist companies with their internationalization process, which is crucial in a world that demonstrated how territorial diversification can allow limiting the difficulties related to local restrictions.

Internationalization is a matter that also concerned many resources personally, who, due to the pandemic, came back to their country of origin, even in the long run, when foreign employers granted the possibility to work remotely also outside the national boundaries. This gave rise to many questions about permanent establishments and subsequent tax impacts for the employer, which are usually underestimated. Moreover, many expats had to (unexpectedly) move temporarily (e.g. came back home for some months), with a subsequent complication in the definition of their residence, also from a tax perspective.





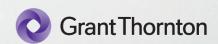
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