Global organizations are operating in a world of immense unpredictability. Even before the Coronavirus pandemic caused turmoil, companies across sectors already faced uncertainty from a wide range of sources that were threatening to slow economic growth.

For companies to respond to these challenges while still striving for growth, they need both the capital and capabilities to adapt quickly. Operational efficiency, financial prudence, and market agility are key to building your organization’s economic resilience.
Through our work guiding transformation journeys for Fortune 500 companies, we’ve identified five key traits shared by economically resilient organizations. If your company can weave these traits into the fabric of your organization, it will be better placed to survive uncertain times and thrive in the future with a more sustainable, competitive business.

Uncertainty across industries

Today’s health crisis is having an unprecedented impact on markets, economies, and supply chains. But that’s not all that companies have faced in recent years. With ongoing political instability, demands for action against climate change, incessant regulatory changes, international trade tensions, and advances in technology, organizations are now exposed to new levels and forms of risk.

Companies from different industries experience the impact from these shifting sands in different ways. For example:

- **Manufacturing companies** - such as aerospace, automotive, and high-tech electronics firms - were the first to be affected by US-China trade disputes and the COVID-19 pandemic because of their reliance on multi-tier global supply chains. New consumer demands, ongoing trade issues, and fluctuating oil prices and manufacturing costs also have major effects on these sectors.

- **Life sciences and healthcare companies** are less affected by irregular economic cycles than other sectors, such as retail, but the industry’s response to Coronavirus is testing the strength of their supply chains. With firms under pressure to accelerate the development of vaccines and treatments, they are collaborating more intensely with their supply chain partners and ecosystems as a whole – including traditional competitors.

- **Banking and financial services** firms typically see greater defaults in adverse economic environments, creating heightened attention on underwriting risk and new approaches to collections. And thanks to evolving digital technologies and changing customer expectations, banks need to keep the user experience top of mind as they stay ahead of their competitors.

- **Retail and consumer goods** companies have immense logistics and supply chain footprints that are highly sensitive to volatility in particular, from changing global trading relationships, customer demand, and, of course, public-health issues. All of which impact consumer spending, and labor or manufacturing costs. Such uncertainty and rapid change can also create new challenges for companies when it comes to supply planning and demand forecasting that helps them meet consumers’ changing buying behavior.

Volatility that challenges growth

With governments and companies reacting swiftly to global health concerns, economic swings and uncertainty are set to become commonplace. A record 10-year period of expansion is coming to an end with predictions of a global recession difficult to dispute. This downturn will temper the optimism of respondents to McKinsey’s Economic Conditions Snapshot from December 2019, where a growing number of executives were hopeful about the six months ahead.¹

Though many businesses survive environments of uncertainty, only a fraction also thrive during a downturn. According to Boston Consulting Group, an average of just 14% of companies increased both revenue and margins during the four economic downturns we have witnessed since 1985.² These companies were prepared for rapid change, which allowed them to outlast the turmoil. And after the downturn, this group of top performers also reported higher growth than all other companies.

Through our work transforming global organizations into next-generation businesses, we’ve accumulated valuable insight into how companies can build their economic resilience today and use it to prosper in the future.

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¹ McKinsey, Economic Conditions Snapshot (December 2019)
A framework for resilience

The experts in our think tank - the Economic Resilience Nerve Centre - have identified five characteristics commonly shared by companies that compete and thrive in challenging times, with examples of how they achieve such success (figure 1).

1. Effective working capital management

When there are high levels of uncertainty, cash flow and working-capital management are critical levers to deliver economic resilience. In a slow-growth environment, improving working capital can have a significant positive impact on shareholder returns. And though capital expenditure across industries has declined since 2017, higher working-capital efficiency allows companies to withstand economic shocks and provides the option to invest for the long term.

Finance and accounting teams can take the lead to improve working capital by automating invoicing and collections processes to minimize disputes and reduce days’ sales outstanding (DSO).

And with order to cash, teams that analyze internal and external data with advanced technologies, such as AI, can reduce lost revenue and improve working capital by prioritizing customers that pay on time.

Supply chain functions can lower days’ inventory outstanding and improve on-time, in-full metrics through, for example, more thorough sales planning, advanced demand-forecasting techniques, and order-backlog analysis. This accelerates cash conversion or inflow for companies, strengthening working capital.

And for companies that are in a position to put their working capital to use, supply chain financing or invoice discounting can offer valuable opportunities by giving suppliers the choice to take early payment in exchange for a discount. This helps vendors’ cash flow and can generate a healthy return for otherwise static funds.

Financial resilience

- Supply chain optimization
- SG&A specific cost take-out actions
- Procurement rationalization

Operational resilience

- End-to-end functional optimization
- Targeted automation, digital interventions
- Lower cost-to-serve

Market-leading operational efficiency

Effective working capital management

Flexible operating costs

Financial resilience

- Strengthening working capital across the supply chain, order to cash, and procure to pay processes

Market resilience

- Enhanced customer experiences
- Customer segmentation
- Revenue assurance and trade promotions

Proactive risk management

Greater market agility

Operational resilience

- Third-party risk, including supplier risk management
- Assess credit policies and risk, reduce revenue leakage

Figure 1: The five traits of economic resilience
2. Market-leading operational efficiency

Companies need to maintain a low cost-to-serve operating model in times of increasing business pressures while keeping high-value talent and resources focused on strategic activities. By streamlining processes and using digital technologies to eliminate friction, businesses can drive down costs, free up resources, and focus on what matters.

For example, managing processes such as order to cash and procure to pay, from end to end and ideally with a global process owner, removes the need for manual handoffs, reduces errors, and cuts the cost of the function.

CASE STUDY
A global apparel manufacturer redesigned its end-to-end collections and deductions processes to significantly reduce DSO from 79 to 48 days, which led to $124 million in cash-flow impact and $7.4 million in interest savings.

4. Flexible operating costs

When a company’s revenue and top-line performance are less predictable than usual, organizations need enough flexibility to manage their costs in line with market demands to maintain consistent margins and earnings.

For example, using data and insights, procurement teams can increase spend visibility to enhance sourcing, resource allocation, and spend management, including discretionary spending policies and tail spend.

In supply chains, analytics helps businesses improve transportation costs in areas such as fuel and truckload optimization to make sure vehicles go out full and take the most effective routes.

CASE STUDY
A connectivity solutions provider generated savings of $40 million over five years by consolidating its tail-spend suppliers and introducing e-sourcing, in-depth analytics, and centrally led execution.

3. Proactive risk management

Economic uncertainty increases the need for greater risk awareness and assessments, and stronger mitigation capabilities. Sound credit-risk management, for example, can help limit revenue leaks, which has a positive impact on income/P&L and cash flow.

Risk management must also extend along the supply chain to reduce exposure from third parties in diverse geographies and spend categories. This demands a robust and rigorous risk management approach that includes improving vendor diversification and business continuity plans.

CASE STUDY
A leading hygiene solutions provider reduced the cost-to-serve of its finance function from 2.3% of revenue to 1.1%. It did this by redesigning its target operating model, adopting focused automation technologies, and driving standardization across more than 100 global processes.

5. Market agility around customer needs

Regardless of whether you’re in a slowdown or a period of growth, being attuned to customer needs, predicting what they will want, and delivering superior experiences are key to long-term success.

CASE STUDY
A global beverage manufacturer enhanced its supplier risk coverage and improved onboarding process compliance from 71% to 95% by adopting comprehensive risk assessments across its supplier base of more than 50,000 vendors.
Resilient companies have easy access to internal and external data and analytics that generate insights into customers’ preferences that they can act on quickly. This attracts and nurtures a new and loyal customer base, which is even more essential during times of crisis.

In specific business-to-business situations, there are huge opportunities to increase market agility through revenue recovery by validating promotional claims or deductions and chargebacks using digital and AI to analyze vast volumes of data.

To introduce all five economic-resilience characteristics into your business, we’ve created an illustrative high-level roadmap of potential steps. It includes short-term actions and longer-term initiatives that – when combined – will create a more robust, sustainable organization (figure 2).

**CASE STUDY**
A major pharma distributor avoided revenue leakage of $344 million by using an AI-powered digital solution to reduce chargeback denials by 50%.

Surviving today to thrive in future

During times of economic stress and heightened uncertainty, companies face challenges from many external factors. Though it may not seem immediately feasible, it is possible for your business to establish and strengthen these five traits in rapid, agile cycles.

Leading companies have already swung into action, following their own tailored roadmaps to meet today’s immediate needs while also delivering value, building greater economic resilience, and achieving success in the long term.
About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes primarily for Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. Combining our expertise in end-to-end operations and our AI-based platform, Genpact Cora, we focus on the details - all 90,000+ of us. From New York to New Delhi and more than 30 countries in between, we connect every dot, reimagine every process, and reinvent companies’ ways of working. We know that reimagining each step from start to finish creates better business outcomes. Whatever it is, we’ll be there with you - accelerating digital transformation to create bold, lasting results - because transformation happens here, at Genpact.com.

For additional information visit, https://www.genpact.com/building-resilience

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