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Uncovering Business Trends 2024

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Trends 2024: Uncovered

Executive Summary

Businesses face a new frontier where adaptation and strategic foresight are key to succeeding in this age of constant change and uncertainty.

In this 2024 edition of our consulting playbook, we embark on a compelling narrative journey through five domains currently dominating the changing business landscape. These domains, namely green energy transition, the transformation across capital projects and asset and wealth management (AWM) sectors, the resilience of corporate restructuring and the criticality of cybersecurity weave together a story of adaptability and innovation, providing organisations a strategic compass to navigate the intricate business environment.

While global energy demand rises amid price volatility, supply shortages and energy security challenges, a global trend towards sustainable energy sources is transforming sectors and promoting environmental responsibility. As companies embrace renewable technologies and governments adopt sustainability policies, this domain is fostering innovation, dynamic new ecosystems and economic growth in capital-intensive sectors such as infrastructure and capital projects. Business advisory and strategy consulting firms would be indispensable to the energy-transition process as a whole because of the breadth and depth of their knowledge and resources.

An increased push towards sustainable or greener practices is also steering the capital projects sector, which is at the cusp of a major overhaul.

We will likely continue to witness infrastructure projects of unprecedented size and complexity across clean-energy sectors including renewable energy and green hydrogen. While the capital projects sector is slated to experience significant transformation and technological innovation, it is imperative that participants address the legacy challenges of cost and schedule overruns and improve organisational and project efficiency. In today's rapidly evolving environment, a trusted consultant or advisor who understands the risks and opportunities associated with capital projects could enhance the value of a business.

Technology adoption is not restricted to capital-intensive sectors such as energy and capital projects; it is also redefining financial landscapes including AWM. Digital technology is helping investors access alternative investment and private-market products. Additionally, as ESG considerations gain prominence, asset managers are integrating sustainability into their investment strategies. However, unforeseen market volatility and rising competition compel AWM enterprises to establish new growth strategies, making business transformation challenging. Consulting firms that support transformation efforts across the AWM value chain can help firms expand into new markets, transform their technology infrastructure, improve cybersecurity frameworks, reduce costs, and create new business models.

While asset, wealth and private equity investors eye opportunities across distressed assets, debt restructuring and refinancing strategies become crucial to weathering financial challenges. Success in corporate restructuring is not merely an operational necessity; it represents a thoughtful journey where businesses recalibrate their strategies, streamline operations and design adaptable, agile structures. Consulting firms, with their expertise in the various aspects of business continuity, business improvement, capital advisory, restructuring or divestment, assume a pivotal role here as strategic partners, helping firms assess risk and vulnerabilities from a holistic standpoint.

Transformation across the energy landscape, capital projects, AWM and corporate structures hinges on cybersecurity, which has emerged as a strategic differentiator in a digital world. Due to increased cyberthreats and vulnerabilities, protecting digital assets is crucial. A paradigm shift in cybersecurity that transcends IT departments and pervades every aspect of an organisation is needed to navigate this complex terrain. This holistic approach elevates cybersecurity to a critical top-down, business priority that requires strategic alignment and proactive participation. Organisations cannot do it alone and would need to partner with cybersecurity consulting professionals who can assist with comprehensive assessment of the organisation's digital ecosystem, identifying vulnerabilities and establishing resilient defence mechanisms.

01

The rise of clean and green energy

Consulting support critical for powering a greener future

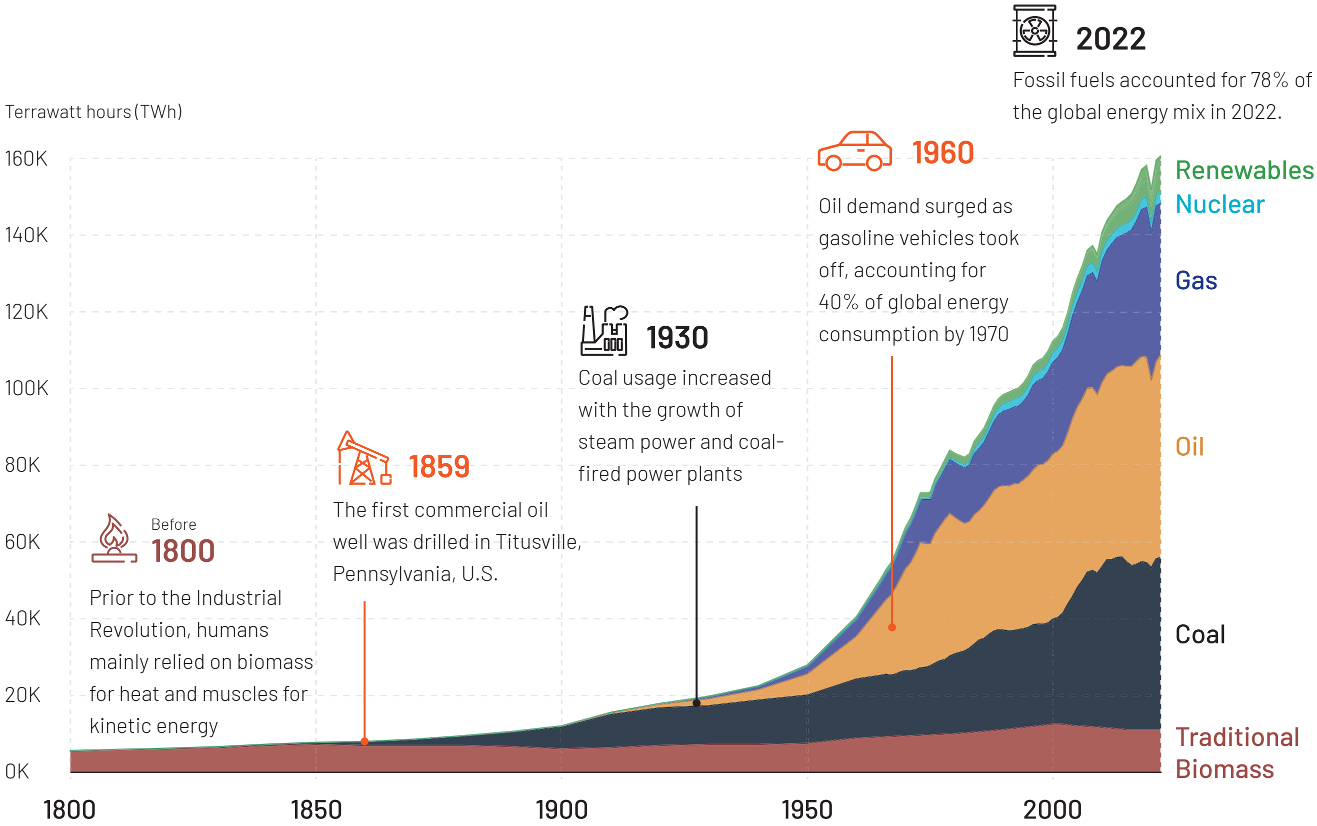
Economic growth is undoubtably the backbone of an economy, and energy one of its primary drivers. There has been a dramatic shift in both energy production and consumption habits over the course of human history. The conventional energy sources, including coal and, later, oil and gas, were the mainstays before the advent of the modern industrial age, when their use skyrocketed.

The continued use of these fossil fuels has caused serious damage to the environment and accelerated global warming. Our ability to continue to exist on Earth and look forward to a civilised future is contingent on the "fuels" that we pick to fuel our economies. In recent years, both the corporate and public sectors have been acutely aware of the looming threat generated by climate change, shifting their attention to cleaner and greener forms of energy.

"To truly transform our economy, protect our security and save our planet from the ravages of climate change, we need to ultimately make clean, renewable energy the profitable kind of energy."
– Barack Obama

Global primary energy consumption by source

The economic and technological advances over the last 200 years have transformed how we produce and consume energy



Source: WeForum.org, International Energy Agency (IEA)

Energy efficiency and renewable energy sources are at the centre of the recent disruptions in the energy sector. The quest to decarbonise energy sources has been propelled by a confluence of factors, including significant technology developments, rising responsible consumption and increased awareness of sustainability.

Increased demand for cleaner alternatives is compelling businesses, investors and governments around the world to prioritise sustainable energy sources.

The Paris Agreement laid the groundwork for a zero-emission world to limit global warming and climate change. To achieve the targets through decarbonising the entire value chain, nations and organisations are being pushed to make bold commitments and implement specific actions. The next few years will be crucial as organisations release their own energy-transition blueprints, focusing on both medium- and long-term sustainability goals.

The Paris Agreement's long-term goals:

» By the end of the 21st century, reduce greenhouse gas (GHG) emissions to limit the global temperature increase to 2°C; limit the increase even further to 1.5°

» Review countries' commitments every five years and provide financing to developing countries to help mitigate climate change

On the path to energy transition, organisations are developing and adopting cutting-edge technology to make renewable energy more accessible, reliable and affordable. Switching to renewable energy sources including wind, solar, hydro, tidal, biofuels, biomass and battery technologies can help achieve net zero ambitions. Green hydrogen as a possible energy carrier makes the clean-energy future look very promising.

Renewable energy production has more than doubled in the past decade, according to the Statistical Review of World Energy 2023 report published by the Energy Institute in June 2023. Its share of total primary energy consumption grew to 14% in 2022 from 9% in 2011.

Despite all the excitement and momentum surrounding clean energy, businesses and organisations are still falling behind in their efforts to shift to a more sustainable energy source. Success would depend mostly on how quickly and effectively businesses in energy-intensive sectors such as oil and gas, metals and mining, construction, building materials, power and transport accomplish the energy shift.

While it is abundantly evident that an energy transition is necessary, enterprises require additional strategic support in order to successfully navigate the shift. Business advisory and strategy consulting firms with the required domain expertise hold the key to a successful transition. They can support companies and public bodies, helping them scientifically evaluate energy demand, quantify emissions (scope 1, 2 and 3) and energy sources, set the transition blueprint and make clear plans and map the investment and technologies required, all while ensuring operational efficiency.

Why the present drives the future

Global energy demand continues to soar due to rapid urbanisation and rising consumerism, coupled with the geopolitical events impacting the global energy markets. This has led to price volatility, supply shortages, security issues and economic uncertainty.

The implications for energy security are even more crucial for countries with an energy resource deficit because the availability of affordable energy is a major driver of industrial and economic expansion.

The ongoing evolution of energy systems has been facilitated to a large extent by technological advancements. Modernisation of energy infrastructure and technological advancements including advancements in renewable power generation and storage have led to widespread adoption of renewable energy systems in many parts of the world.

Renewable electricity is the cheapest in most places, according to the World Energy Transition Outlook 2023 published by the International Renewable Energy Agency (IRENA). The global weighted-average levelised cost of energy from newly commissioned utility-scale solar photovoltaic (PV) plants declined by 88%, concentrated solar power by 67%, onshore wind by 68% and offshore wind by 50% from 2010 to 2021.

Regardless of an energy surplus or deficit, traditional energy trade routes are changing, requiring new energy policies to prioritise long-term energy security while meeting existing energy demand. Energy security strategies depend on a strong and diverse energy mix, and the crisis may speed up the transition to cleaner fuels. Governments worldwide are offering incentives to generate and use renewable energy, which they see as essential for long-term energy security.

Global renewable electricity capacity is forecast to rise more than 75% from 2022 levels by 2027, according to an International Energy Agency (IEA) December 2022 report on renewables.

The private sector has become more climate-conscious in recent years. Corporates recognise their shared interest in renewable energy and have a strong ESG culture. Millennials and Generation Z also make more informed purchases and form the bulk of customer and employee bases. Therefore, businesses are aware of the positive impact pro-sustainability strategies can have on customer/employee acquisition and retention.

73% of firms rank energy transition among their top three priorities, according to HFS Research and Infosys' February 2023 Energy Transition Study. Enterprises believe the energy transition will have a positive business effect

Businesses and enterprises recognise their status as major electricity consumers. Not only the sectors with the highest emissions, but also service-sector technology companies that use disproportionately large amounts of electricity fall into this category. More private entities have made contributions and commitments to the renewable energy sector as a result of the growing emphasis on environmental sustainability.

Data centres housing the servers used by major digital companies such as Google, Microsoft and Facebook consume countless terawatt hours of electricity per year. AI, machine learning and high-end computing require increased processing power, which increases energy demand significantly

Furthermore, switching to clean energy sources not only strengthens the company internally, but also grows its standing with shareholders, especially institutional shareholders that are increasingly concerned about corporate financial and regulatory exposure to current and future climate change policies.

The energy sector is at the centre of a seismic shift – an energy transition marked by the dissolution of traditional barriers between sectors and the emergence of dynamic new ecosystems and players. The energy transition, however, is incredibly intricate and requires collaborative partners willing to take a leap of faith and make use of both conventional wisdom and cutting-edge ideas. It entails reengineering processes, adopting novel technologies, reorganising for creativity and agility, and rethinking roles and goals. Furthermore, realising the full potential of the renewable-energy transition would require both policymakers and the private sector to create a favourable ecosystem to accelerate the drive towards the energy transition.

Energy experts and climate change advisors can support stakeholders in formulating a well-crafted transition strategy and develop innovative solutions by integrating financial, technological, economic and societal considerations to gain a competitive advantage and create a sustainable energy system accessible to all.

If businesses can stay one step ahead of the current wave of change in the energy and resources sector by relying on energy consultants and experts for real-time insights on global trends in energy transition, they stand to gain more than they lose.

What are the challenges?

As firms pursue aggressive net zero ambitions, clean and green energy is well poised to power the world in the near future. The major energy and utility firms are shifting their business models from fossil fuels to renewables as a vital part of their growth strategies. Leaders who embark on energy transition must find common ground on a wide range of contentious issues, including the loss of jobs, rising energy costs, the accessibility of funding and the distribution of green energy.

Reliability and stability of renewable energy as a source

Green-energy instability is a serious issue. Infinite green energy would almost lead to innovative, cost-effective energy use and storage, but producing a large surplus of power is difficult. Renewable energy sources use intermittent resources and require additional technologies to balance supply and demand.

Technology and project costs

Renewable energy sources such as wind and solar electricity are still more expensive than fossil fuels, despite falling prices. This could deter uptake, especially in countries where conventional energy is subsidised. Several firms find it challenging to switch to renewable energy since clean-energy initiatives need large initial expenditure.

Land acquisition and biodiversity concerns

The use of renewable energy sources is not always environmentally friendly. Compared to the acreage needed to produce fossil fuels, renewable-energy development often threatens more of the native flora and fauna in a particular area. Wind turbines kill millions of migratory birds every year, hydroelectric dams prevent fish from spawning and migrating, and concentrating solar plants, sometimes known as "power towers", are so powerful that they could burn insects and birds.

Energy storage challenges

Producing capacity is simply one aspect of electricity generation. To handle growing production and deliver it to end consumers, power plants must be grid-connected. Renewables require energy storage devices to store excess energy during peak production and release it during periods of low production.

There are a number of long-duration energy storage (LDES) technologies currently, but these are at different levels of maturity, with some having been deployed commercially and others still in the pilot phase, according to a November 2022 article by Wood Mackenzie

Lack of a holistic energy-transition strategy

Most companies, especially small and medium-size enterprises, know they need to decarbonise, but they have no plan to establish a renewable-energy mix and rely on the government to enforce it. They also lack the resources to scientifically evaluate scope 1, 2 and 3 emissions.

56% of the firms are road-mapping or rethinking their business models for energy transition, while 44% are waiting for other organisations to lead or for regulations to force them, according to HFS Research and Infosys' February 2023 Energy Transition Survey

Current economic realities and regional imbalances

Climate change measures, emissions (total and per capita), responsibility allocation and financing are all areas where developed and developing countries disagree. While emission reduction remains a priority for most developing countries, they must also balance their budgets to address other pressing issues such as health, poverty alleviation, employment and economic development.

Increasing competition in the renewable-energy space

Renewable energy is booming. The market's upside potential attracts many renewable-energy firms, startups and traditional energy companies transitioning from fossil-based processes. A number of institutional investors with significant budgets are actively financing firms, making the ecosystem competitive.

Lack of government support

Governments play a crucial role in setting policies and regulations that support the development and adoption of clean and green energy technologies. The lack of favourable policies around subsidies, budget stimulus, incentives, political lobbying and regulations impede wider clean-energy adoption and investment.

Stakeholders in the consulting sector play a crucial role in supporting businesses and governments in overcoming the obstacles they face along the energy transition. Due to the extremely high level of complexity and the rapid pace of change in the sector, it has become imperative to leverage professional support to understand and effectively navigate the evolving energy landscape.

What does the future holds?

Viewed through the lens of sustainability, the future must be one that is environmentally friendly and clean. A rapid transition towards renewable energy sources across the world's energy balance is anticipated, which would provide a myriad of benefits to the economy, the environment and human wellbeing. The energy infrastructure of the future will be resistant to the negative effects of climate change. It would be of great assistance in halting the degradation of the environment and even make it possible for nature to recover, all while spawning new industries and providing employment possibilities.

Every dollar invested in renewables creates three times more jobs than a dollar invested in fossil fuels. Sustainable energy, efficiency and low- emission technologies could provide more than 30 million jobs by 2030, according to the United Nations

Thus far, governments have taken the lead in the clean-energy revolution, while consumers have played a very minor role. As customers learn more about how their energy use affects the environment, their role is beginning to increase.

Homeowners are transitioning to become producer-consumers, in addition to looking for cleaner and more sustainable energy sources. They are generating electricity with renewable sources such as solar panels, using some of it and feeding the excess power to the grid in order to ensure a dependable power supply.

According to Statkraft's June 2022 survey,

- 75% of the 18,000+ respondents said they want more renewable power to help address their pressing concerns around climate change, and 69% think renewable-power development should be prioritised further
- 23% said their perception of renewable energy had become more positive in the last six months
- Overall, 80% and 87% acceptance rates for onshore wind and solar power development, respectively

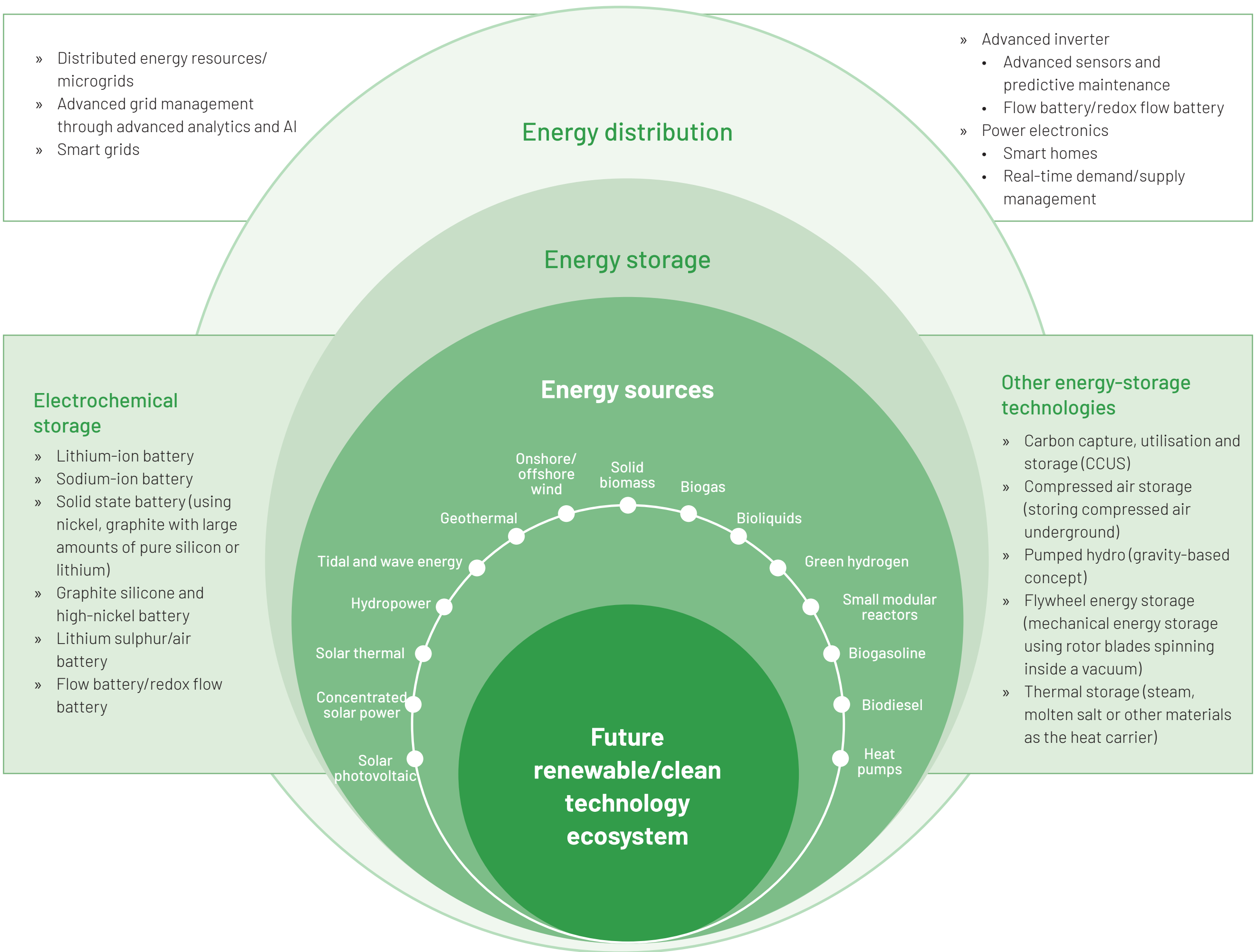
Technological advances in the energy sector that diversify the energy mix are one of the biggest trends in clean energy. Improved technologies and reduced costs would make renewable energy attractive. Most futuristic technology will improve safety and waste management, helping decarbonise in the future. Solar, wind and other sustainable energy sources – particularly hydrogen – could increase rapidly.

Solar, wind, nuclear, hydrogen and CCUS will increase renewable power generation to over 91% in 2050 from 28% in 2020, according to the IRENA's Energy Transition Outlook 2023

Given its vast range of applications in the metals and mining, industrial and transport sectors, hydrogen production and demand are predicted to expand exponentially. Although it will likely take years to build the infrastructure necessary for a hydrogen economy, once it is in place, it would result in a large reduction in the cost of production.

Hydrogen demand is expected to expand fivefold, with its supply shifting to 95% of clean production by 2050 as costs drop and regulators boost hydrogen technology adoption, according to McKinsey's Global Energy Perspective Report published in April 2022

Future renewable/clean technology ecosystem



Source: GreenTech, S&P Global , Alterstore, WeForum.org

Policymaking will remain critical to the future of clean energy. The shift to clean energy is likely to be aided by policies such as carbon pricing, renewable-energy regulations, electric mobility, promoting clean-energy adoption and incentives for energy efficiency.

The US's Inflation Reduction Act of 2022 extends 30% tax credits for wind, solar and other renewable energy sources and offers incentives for carbon capture and tax credits of up to USD7,500

To achieve net zero energy goals by 2050, the world would need to be powered primarily by clean and green energy. We would need to cut as much carbon emission as we produce, and our traditional reliance on fossil fuels must give way to reliance on renewables.

Organisations would need to take bold actions to ensure a net zero future. Consulting companies can play a pivotal role as advisors and influence partners on topics such as sustainability, climate, energy transition and environmental, social and governance (ESG) factors. Given the complexities and multiple procedures involved in the green energy transition, we recommend obtaining professional and strategic support from advisory and consulting organisations with expertise in ESG and sustainability to ensure a smooth transition.

How to unbox the trend

What governments and businesses should do to drive the energy transition?

In the pursuit of carbon neutrality, governments and businesses can drive clean-energy growth by adopting sustainable practices, promoting energy efficiency, partnering with clean-energy providers, working on new decarbonisation technologies, focusing on renewables through policies and investing, and encouraging end consumers to use more clean and green energy.

A. Action plan for companies

Action plan for companies

- **Set science-based and net zero targets:** Emission control and energy transition plans need scientific appraisal. This would enable businesses evaluate their carbon impact and commit to renewables to meet net zero emission targets
- **Accelerate technological development:** Technology is essential to energy transition. To fulfil carbon-neutrality goals and rapidly alter energy systems, companies must expedite clean and green energy technology innovation and modernise their infrastructure
- **Aim for scalability to achieve success:** Scalability is essential for renewable-energy companies. Energy firms, especially new entrants, must focus on the technologies and markets across the renewable value chain in which they want to compete rather than trying to be everywhere
- **Evaluate the financial impact:** Since energy transition is capital-intensive and requires significant investment, organisations should carefully consider the financial implications of their decisions
- **Focus on capacity building:** All sectors must reduce scope 1 and 2 emissions by adopting green and energy-efficient buildings, smart and efficient electrical and HVAC systems, localised power-generating systems such as solar panels on rooftops or facades, and promoting electric vehicles (EVs)
- **Location assessment and supply-chain management:** Clean and green energy systems require access to a suitable location and power generation, storage and distribution assets and components, including raw materials for certain energy sources, along with a highly skilled labour force
- **Mitigate risk and market volatility:** Businesses should be resilient and adaptable to manage risks and survive market volatility, including supply-chain disruption, political considerations, geopolitical tensions and regulatory changes
- **Strategic partnerships and M&A:** Strategic collaborations that bring renewable capabilities together are essential for energy transition. The right synergies can create considerable value for niche enterprises with unique and specialised capabilities across the energy value chain. For fossil-based energy corporations trying to move to sustainable energy without starting from scratch, this is even more important

Source: Press articles, Acuity Knowledge Partners

B. Action plan for governments and public bodies

Action plan for governments and public bodies

Sound energy-transition strategy: Governments play an important role in accelerating the energy transition through policy measures such as the following:

» Shifting subsidies from fossil fuels to renewables
» Removing trade barriers
» Increasing awareness and promoting energy-efficient products
» incentivising investment in renewables
» Promoting innovation through outcome-based schemes

Securing and facilitating land acquisition

» Land acquisition is a complicated and lengthy process in most countries. To encourage investment and preserve local communities, governments must streamline the land-acquisition process

Transition to electric mobility

» Transitioning to electric mobility can help reduce emissions. Governments have initiated initiatives to promote EV use and production, and to foster market expansion. Investments in the sector would yield high returns as a result of infrastructure upgrades

Promote brownfields over greenfields

» Brownfield assets, such as mines and industrial sites, are appropriate for renewable-energy projects because they often have transmission infrastructure and local support for growth and jobs, benefiting local communities and the environment

Identify areas where renewable-energy buildout can be accelerated

» Renewable energy could be harnessed productively if the required projects are installed in areas most favourable to the selected energy system
» It is crucial to zone areas according to their energy and environmental potential
» Zoning must be based on scientific examination of weather, climate, local flora and fauna, and access to raw materials and necessary physical infrastructure

Create a market mechanism

» Governments must create an efficient renewable-energy market mechanism to ensure clean, reliable and affordable energy
» If the private sector lacks renewable-energy capability, governments must finance and operate such projects. To adapt to future energy systems, governments must update energy laws and standards

Source: WeForum.org, Acuity Knowledge Partners, Press articles

Collaboration between governments and businesses could achieve a fair and equitable energy transition due to substantial interdependencies. Adapting to such a massive shift would necessitate cooperation between the business ecosystem's financial institutions, technologies, cultures and economies. Long-term value creation – not only for shareholders, but also for customers and employees – would be key for businesses.

For businesses to remain relevant in the years to come, they would need to take advantage of the opportunities already available to them to pursue energy-transition goals aggressively; this would entail transforming the energy systems and processes they use. Strategic consulting firms would be indispensable to the energy-transition process as a whole because of the breadth and depth of their knowledge and resources. Organisations and governments would benefit significantly from professional and strategic support on energy-related business and policy decisions to help meet critical objectives related to energy transition.

02

Reimagining capital-project delivery: a new perspective

Consultants to play a prominent role across the capital-project value chain

Capital projects are the lifeblood of an economy and are sometimes equated with economic growth. Commercial and public structures, as well as industrial and transport hubs such as highways, railways, airports and seaports, are all visible indicators of a country's economic might. Most of these capital assets are substantial in size and cost, necessitating significant planning, preparation and investment over a long period of time.

Large capital projects had hitherto been confined to specific regions, primarily in wealthier OECD countries. The exceptions were the mining and oil and gas projects developed in resource-rich areas. China's heavy spending on infrastructure projects in the 21st century has been followed by similar spending by India, Brazil and other developing nations.

With ever-increasing populations and their requirements, the quest for new resources would continue to drive capital projects. Companies would continue to build additional capacity through greenfield and brownfield projects to meet demand, upgrade their facilities and plants to increase efficiencies and productivity, use new technologies to comply with new environment-related norms and innovate to stay cost-competitive.

Global construction work is expected to grow by USD4.2tn over the next 15 years, to USD13.9tn in 2037 from USD9.7tn in 2022, according to the March 2023 Global Construction Futures report by Oxford Economics.

Capital projects are believed to be highly complex and fragmented in nature; this is why they have not faced significant disruption in the past. There are stages during the lifecycle of a capital project – such as surveying, designing, engineering and procurement – where software and digital tools have proliferated, but the construction phase is where most of the challenges are encountered.

Companies have now started to leverage technology to make the construction process more efficient. They must, however, adapt and go beyond technology and material science to include redesigning their business models and strategies related to capital projects/construction.

As it becomes increasingly important for businesses to innovate in order to stay ahead of the competition, the use of digital technology is expected to become the most prominent trend for capital projects. The main factors driving innovation in capital projects are sustainability, consumers who are more aware, stringent environmental norms, limited and depleting resources, cost competitiveness and the labour shortage.

Overall, the capital-project sector is at the cusp of a major overhaul. It is critical for businesses to explore potential solutions to the sector's perennial problems such as project delays and cost overruns. Construction companies must take a holistic approach to delivering successful capital projects to their clients. Companies able to do so would gain a competitive edge and be awarded more large-scale and complex contracts.

Consulting firms with expertise in capital-project advisory could help organisations overcome the obstacles and capitalise on the opportunities that arise when planning and executing major capital/infrastructure projects. Partnering with a consulting firm that has expertise in handling all stages of the project development lifecycle could add value to an organisation and its stakeholders.

Why the present drives the future

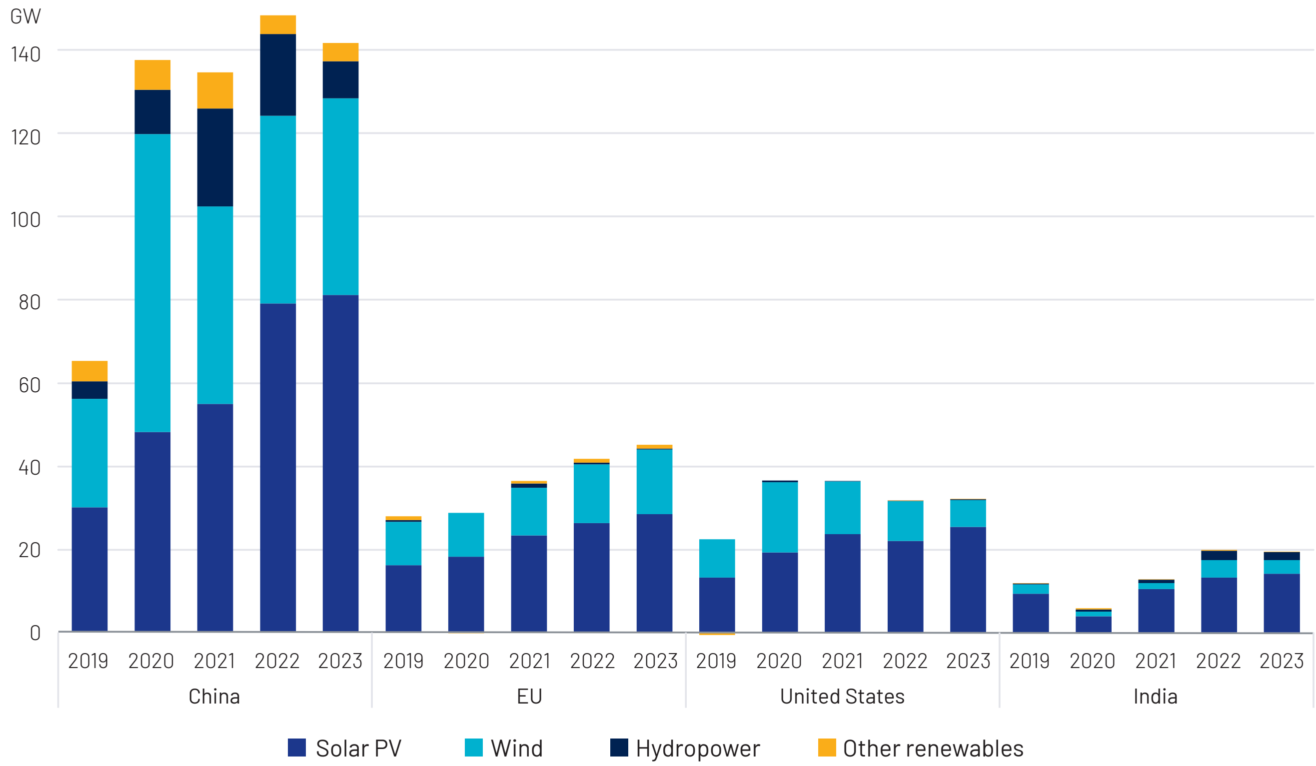
Th past few years were quite disruptive for the capital-project sector. The pandemic necessitated innovation across capital projects that used to depend mainly on onsite construction. It presented an opportunity for modular offsite construction. Engineering, procurement and construction (EPC) firms are now considering how they can make even greater use of modular construction to standardise the process, reduce construction time and cut costs.

Large projects were previously concentrated on the oil and gas, power and infrastructure sectors. This pattern is beginning to shift, and we see major initiatives of similar scale in sectors other than the traditional ones. There is now a significant number of semiconductor, renewable energy, green hydrogen and electric-vehicle (EV) projects among the world's top capital projects.

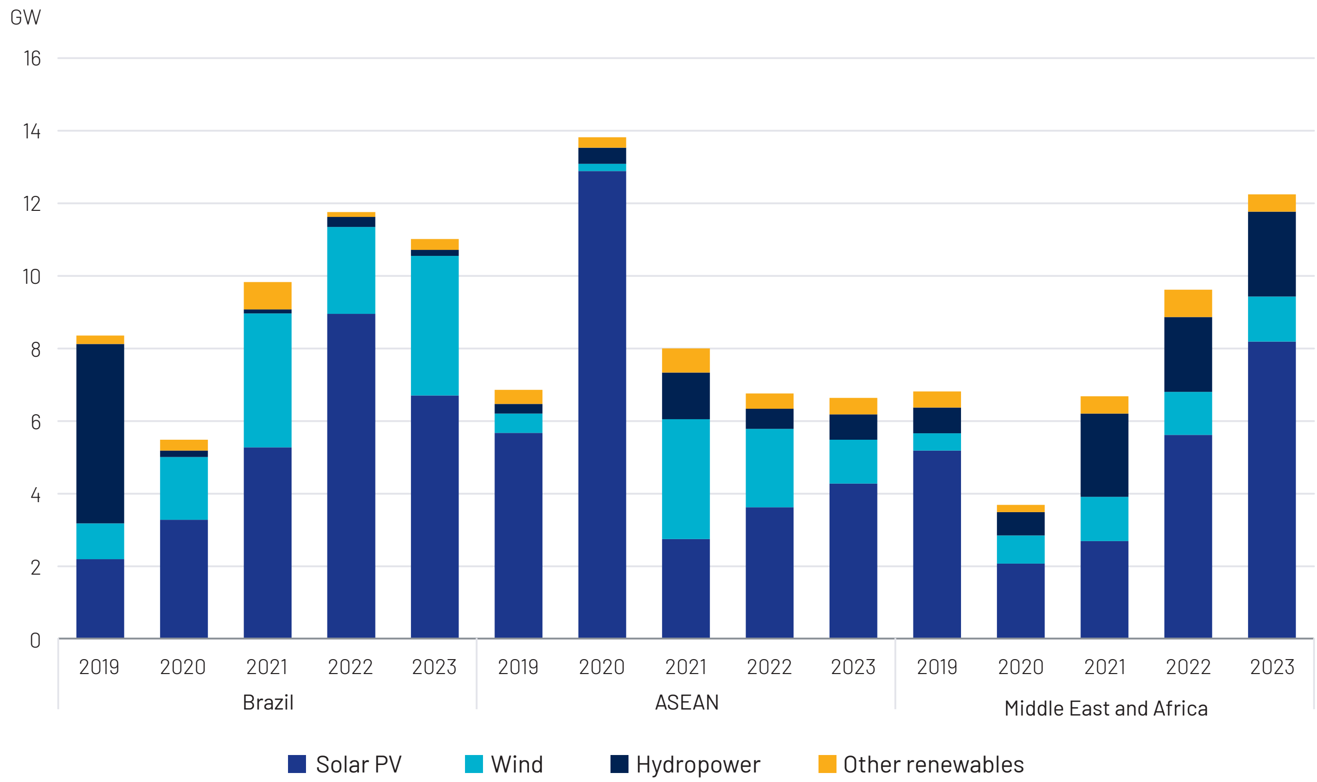
- Companies such as Intel, Samsung, Micron and TSMC are investing in multiple semiconductor projects, with investments in the double-digit billion-dollar range
- Multiple green hydrogen projects have been announced recently
  - In June 2022, the Adani Group partnered with TotalEnergies – this will see investment of USD50bn in green hydrogen over the next decade
  - BP PLC acquired a 40.5% stake in Asian Renewable Energy Hub (AREH), a USD30bn project in Australia, in June 2022. AREH, developed by Intercontinental Energy, CWP Global and Macquarie will have a wind and solar power capacity of 26 gigawatts (GW), producing 1.6m tonnes of green hydrogen
- In the US, companies announced more than USD73bn in EV battery projects, according to the US Department of the Treasury. This is almost three times the figure in 2021 (USD24.3bn)

We are likely to see significant investments in smaller nations in addition to those in large projects by the US, China, Europe, the Middle East and India, driven by opportunities across renewable energy (solar and wind) for energy security. A large number of renewable projects have been developed across different geographies over the past five years.

Renewable capacity additions in China, the EU, the US and India, 2019-23



Renewable capacity additions in Brazil, ASEAN, the Middle East and Africa, 2019-23



Source: International Energy Agency (IEA)

The number of capital projects globally is increasing, but there is also growing awareness to make them more sustainable. In addition to utility, design and cost, the success of a project would also be determined by how it affects the environment. With ESG at the heart of every corporate strategy and government policy, the capital-project sector would need to decarbonise the built environment and supply chain.

The entire construction value chain – from tendering to designing to building and maintenance – is undergoing rapid change. New products and technologies are transforming the sector and related subsectors. To reinvent their business models, companies across the value chain would need to harness the various approaches to technological innovation.

Green cement, green concrete and green steel are just a few examples of how the construction sector is embracing eco-friendly practices across the board and in its supply chain. Other innovative materials such as carbon-fibre-reinforced concrete, super-strong plastic and 3D-printed mycelium are slowly gaining popularity.

While conventional building materials such as steel, cement, sand and concrete would remain the backbone of any structure, we expect to see an uptick in the development and use of more innovative materials in the coming years.

» In January 2023, ACC Limited, an India-based cement and building materials company and part of Indian conglomerate Adani Group, launched ACC ECOMaxX, a range of green concrete solutions developed using a unique green ready-mix technology
  - ECOMaxX offers 30-100% lower embodied carbon content compared to reference concrete made with OPC and can reduce CO2 emissions by up to 100%

» In April 2022, CEMEX invested in carbon-upcycling technologies, enabling the reduction of carbon emissions in cement and concrete production by up to 30% through clinker substitutes

» In September 2021, Hoffmann Green Cement Technologies launched H-IONA carbon-free cement, the first low-carbon cement to be granted CE marking. H-IONA was created as an immediate solution to pressing environmental problems; it helps conserve natural resources and significantly reduces construction-related CO_2 emissions

Each capital project has unique challenges and significant value, cost, time and public scrutiny pressures. Performance and profitability are frequently impacted negatively by even the smallest of delays or price hikes. Fast, data-driven capital investment decisions are possible when businesses use proper decision frameworks and capital-project delivery methods. Consulting firms can help capital-project organisations understand and mitigate the risks of executing and managing capital projects and provide best practices to make large capital decisions with confidence.

What are the challenges?

Capital programme and construction project environments are characterised by uncertainty, macroeconomic restrictions and dynamic risks. Cost and schedule overruns, labour shortages and a lack of organisational development and operational restructuring are just some of the problems that continue to hamper capital projects. Navigating these challenges to effectively plan, complete and transition projects has become increasingly complex for all parties involved.

Cost overruns and delays

Despite significant advances in budgeting and construction management, maintaining cost control remains the most significant obstacle for any major construction project. There are a number of internal and external factors at play in the capital-project sector that could derail a project. Capital projects can be affected by cash flow challenges, legal issues, supply-chain and procurement interruptions, hyper-inflation, design defects, inadequate planning and budgeting, among others.

» The share of projects contractors completed on or ahead of time has dropped to 44% in 2023 from 51% in 2021, according to InEight's report, Global Capital Projects Outlook 2023. The share of projects completed in line with or below their allotted budgets reduced to 40% from 51% over the period

» Accenture estimates that 95% of USD1bn+ projects are late or over budget

Rising environmental concerns

Concerns about costs have grown on increasing environmental awareness and as businesses need to invest more in producing green materials. Companies are under significant pressure to reconcile costs and sustainability as environmental and sustainable practices become increasingly important.

Shortage of skilled labour

Skilled workers are crucial to the capital-project sector's success. However, shortages of skilled labour and rising wages remain major challenges. Sustained capability building and a redesigned talent pipeline are essential for reshaping the way large capital projects are developed. Since most capital projects and construction companies recruit workers on an as-needed basis, they rarely have significant incentives to improve the long-term competencies of their workforces. They usually train new recruits by pairing them with more experienced ones.

Many businesses in the sector claim they would like to provide regular, in-depth training for their employees, but they either lack the resources to do so or believe the challenge is too daunting. Due to the project-based and decentralised structure of the sector, subcontracted workers switch companies and sectors. This results in acute labour shortages, making skill building challenging.

Lack of collaboration and integration
There are a number of contractors and subcontractors working on projects at a typical construction site. Project teams operate in silos with little to no integration at any part of the project lifecycle. This leads to a lack of data integration and coordination among project teams.

Lack of organisational preparedness
Despite innovation along the construction value chain, uptake is minimal. Many organisations still rely on legacy environments, making transition challenging. Most have obsolete business models, inadequately trained employees, a lack of resources, a lack of innovation and inflexible organisational structures.

Land acquisition and rehabilitation challenges
Capital projects usually require acres of land for development, making land acquisition and community rehabilitation a major problem. Land allocation, purchase and clearance take time and effort, discouraging enterprises that do not want to be involved in prolonged processes that cost money and social capital.

Unlocking optimum project performance and profitability
The cost of a capital project could be staggering. Margins could be thin because of the high level of competition in the sector and the practice of awarding contracts to the lowest bidder. In addition, many construction firms find it difficult to meet demands of project performance due to the complexity of designs and the sheer scale of projects, in addition to a lack of adequate planning, execution and control.

More than 40% of project investments fail to produce the desired results, 60% of projects are distressed or fail and more than 70% of businesses struggle to realign budgets with business goals, according to global consulting and business advisory firm BDO Global

In an era of constantly changing construction and capital needs and planned investment in infrastructure projects, businesses must be proactive in addressing the underlying problems affecting the sector at large. In today's rapidly evolving environment, a trusted consultant or advisor who understands the risks and opportunities associated with capital expenditure could enhance the value of a business.

Specialised asset-based consulting firms can help companies address structural and external challenges, making capital projects and initiatives more timely and cost-effective. They can help companies reduce costs and improve profitability margins, avoid cost and schedule overruns, achieve the desired value from the capital projects and improve organisational and project efficiency.

What does the future hold?

Disruptive new entrants, evolving technologies and a shifting business climate are expected to shape the dynamics of capital projects. Organisations are looking to lower their carbon footprints and move towards net-zero emissions. Demand for green construction technologies and advanced building systems is likely to gain traction, leading to unprecedented investment in capital projects in the coming years.

"A transformation is underway: not only are large-scale capital projects and infrastructure programmes increasingly complex, but owners, investors, shareholders, taxpayers and regulators are all looking for more efficient, faster and higher-value project delivery"
*– **Peter Raymond,** PwC Capital Projects and Infrastructure Global Leader*

Major sectors likely to see accelerated growth in capital projects include EVs, EV batteries, semiconductors, renewable power and public infrastructure. Despite growing concern relating to the environment and scarcity of resources, businesses are likely to continue funding greenfield and brownfield expansion projects, ensuring they can meet the needs of an expanding customer base.

Capital investment of USD130tn on physical assets is expected from 2022 and 2027, most of which would be allocated to decarbonisation projects and upgrading critical infrastructure, according to an April 2022 article by McKinsey

Even if sustainability is a major consideration when making choices, the pace of change is only going to get faster. Physical risks of climate change are growing and need a timely response, regardless of the ongoing carbon-abatement discussions. Businesses will have to think about the environmental impact of their choices of materials, using more sustainable methods of production and streamlining supply networks for sustainability and resilience.

As businesses across sectors adopt greener energy practices, there will likely be a flurry of investment in infrastructure projects to create EV assembly lines, factories and distribution hubs.

» Mauritania is building the world's largest renewable energy project, named "Aman", with a capacity of 30GW and investment of USD40bn. The project includes wind and solar capacity, and will produce green hydrogen and green ammonia

» Orsted, the Danish renewable energy company, is developing a USD11bn offshore wind farm in Vietnam with a capacity of 3,900GW. Commercial operations are expected to commence in 2029

Capital projects will continue to be promoted by the government or public sector, especially in emerging countries. Most government institutions lack project financing, access to innovation and technology and operational expertise; public-private partnerships are, therefore, likely to thrive in this space. This requires governments to explore a variety of partnership-based models with private-sector participants, including foreign firms, to bring the planned project to completion.

We expect offsite prefabricated modular building to gain in popularity as a method of construction in the near future. This would entail designing and manufacturing building components offsite, subsequently brought onsite and assembled. Offsite construction is faster and more accurate than onsite construction. It is also more cost-effective because manufacturing units can be set up in remote areas with less expensive access to raw materials.

Through technical advancements, construction companies would strive for game-changing outcomes across capital projects. They would continue to shift towards more tech-based options across the entire value chain. Businesses today are more open to adopting innovative technologies such as building information modelling (BIM), artificial intelligence (AI), big data and augmented reality (AR), all of which can help businesses improve their project management, vendor integration, decision making, quality control and change management.

A digital capital project can enable significant cost saving across the project lifecycle, according to Deloitte's Capital Project Insights 2021 publication:

» 10-30% reduction in engineering hours

» 5-10% reduction in building costs

» 10-20% reduction in operating costs

» 5-10% reduction in decommissioning hours

Key emerging technologies transforming capital projects

Technology	Key applications	Benefits
Drones	» Site surveying » Creation of 3D topographical maps » Project monitoring including construction status and tracking movement of labour and raw materials	» Reduces project delivery time » Minimises human error » Improves energy efficiency
Autonomous vehicles	» Raw material transport and waste disposal » Accessing high-risk areas	
Artificial intelligence	» Feasibility studies/site analysis » Project planning » Construction process improvement » Procurement estimation and analysis	» Enhances decision-making process » Optimises project process » Facilitates real-time progress tracking and quality » Enhances site safety
Robotic process automation	» Used in construction sites and warehouses to complete repetitive tasks » Automation of heavy equipment and processes	» Reduces labour costs » Reduces human error » Increases project productivity » Helps overcome labour shortages
Building information modelling (BIM)	» Project designing » Automatic clash detection » Analysis of asset data	» Enables fast testing in stimulated environment » Improves onsite collaboration and communication
Additive manufacturing (3D printing)	» Modular construction and manufacturing	» Produces high-quality prefabrication material for use immediately » Reduces wastage and storage costs » Reduces construction delays
Augmented reality	» Project designing and layout analysis » 3D modelling » Real-time training on equipment » Design visualisation through virtual overlay of data in real onsite environment	» Helps track and document project progress » Enhances collaboration in remote environments » Monitoring of real-time project data
Innovative building materials	» Self-healing concrete/geopolymer concrete for healing open cracks » Thermochromic materials for roof coating » Fibre cement as cladding material for buildings » Ultra-weight carbon compounds for construction across delicate soil structures » Concrete canvas for wide range of erosion control and weed suppression	» Durable, energy efficient and corrosion resistant » Requires less maintenance and repair

Source: Acuity Knowledge Partners, Press articles

We are likely to continue to witness infrastructure projects of unprecedented size and complexities; this would require adaptive business models with flexible operational structures, significantly enhancing the performance of capital projects, unlocking value through improved transparency, mobilising resources, reducing wastage and leakage, and streamlining cashflow.

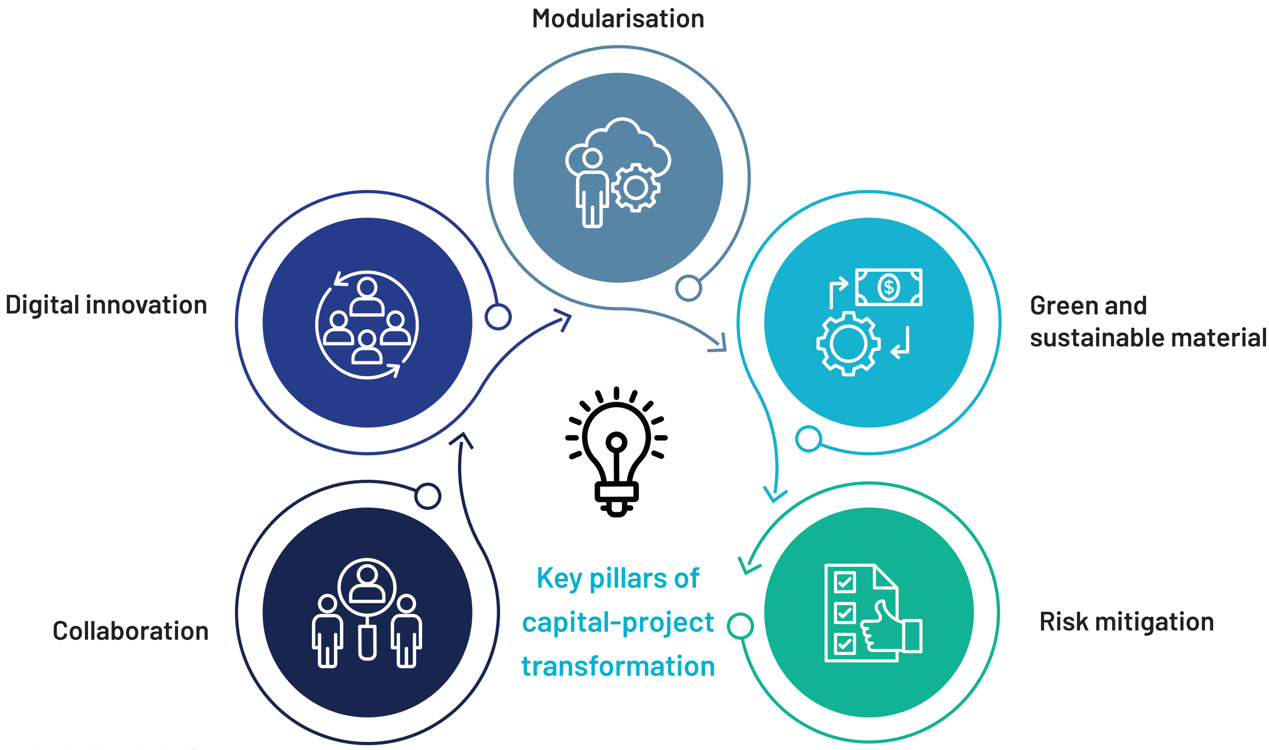
While the capital-project sector is slated to experience significant transformation, it is imperative that participants ensure they have the right organisational structures and processes not only to adapt to the change, but also to lead it. Professional advisory firms offering expertise across the capital-project and Infrastructure sectors can provide roadmaps to transformation across the capital-project lifecycle.

How to unbox the trend

The capital-project sector has witnessed a seismic shift in recent years, with rapid advancements in technology, sustainability and project management practices. These dynamic changes have presented unprecedented opportunities for capital-project and construction businesses to thrive in this evolving landscape.

Capital-project organisations must embrace emerging trends and technologies to stay competitive and meet the demands of a rapidly changing world. They need to focus more on strategic alignment, stakeholder collaboration, transparency on project progress and value creation. Companies in the capital-project ecosystem would have to reimagine traditional techniques and integrate or adopt modern approaches to make the value chain simple, safer, affordable, useful, quick and transparent.

Key pillars of capital-project transformation



Source: Acuity Knowledge Partners

Reimagining modularisation

The advent of modular and prefabricated construction techniques has significantly expedited project timelines. Capital-project companies can deliver projects faster while maintaining quality standards, leading to reduced costs and enhanced customer satisfaction. Construction companies specialising in modular construction can efficiently manage labour and materials, improving profitability and scalability. Although modular and offsite construction has been in use for a long time, the pandemic removed barriers to adoption.

Modularisation can have a multi-dimensional impact on projects

1 Saves project costs

- Modular construction can cut product time by 20-50% and construction costs by 20%, according to McKinsey estimates

2 Sustainable

- Modular construction is more sustainable and safer than onsite construction
- Standardised process reduces wastage and provides a safer environment for workers

3 Eliminates labour shortages

- Helps organisations deal with workforce shortages on project sites

4 Mitigates risk

- Helps mitigate risks particularly in harsh environments and remote project locations

Source: Press articles, Acuity Knowledge Partners

Adoption of sustainable construction practices

As sustainability becomes a global priority, capital projects are under increasing scrutiny to minimise their environmental impact. Construction companies must adopt green building practices, use renewable materials and implement energy-efficient technologies.

Prioritising sustainability not only helps achieve environmental targets, but also appeals to businesses' clientele and investors who share those values. One aspect where sustainability will have the most impact is innovation in construction material.

Construction businesses must now find alternatives that are environmentally friendly, durable, cost- effective and abundant enough to meet demand for at least the next few decades. Sustainability is crucial, but strength, durability and cost should not be compromised. Recycling is another sustainable and cost-effective approach; thus, recycled and waste materials should be used more in construction.

Embracing digital transformation

Companies can improve capital-project efficiency in today's digital age by using cutting-edge technologies and automation solutions. Project management software helps track progress, streamline communication and manage resources. BIM can also provide 3D visualisation of a project, helping stakeholders identify and resolve problems before they cause costly delays. Digital technologies make it possible to integrate and analyse all data. Common data environment (CDE) tools have helped contractors and companies store and access construction project data, enhancing collaboration.

Automation, the internet of things (IoT), AI, machine learning (ML) and data analytics are now being used in capital projects for risk assessment and resource optimisation.

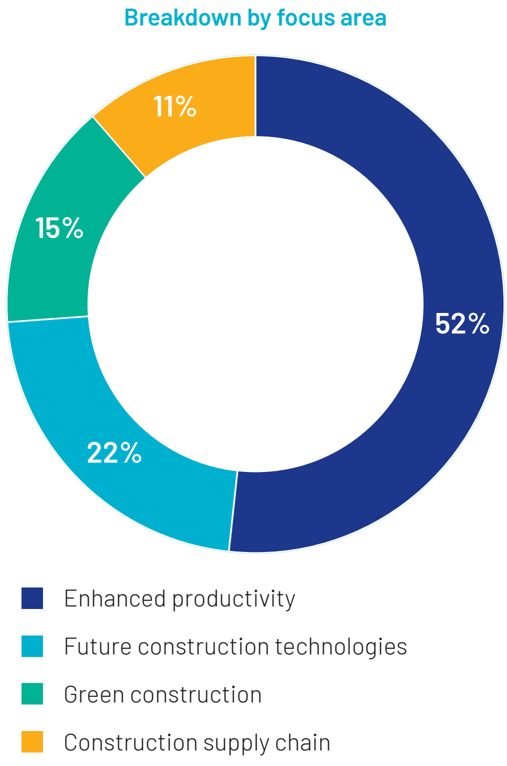
IoT sensors and project management software have made it possible for construction firms to collect, analyse and make sense of large volumes of data. Predictive analytics, risk identification and resource allocation are possible with this data-driven approach. Drones and other autonomous equipment powered by AI also help improve safety and efficiency on building sites.

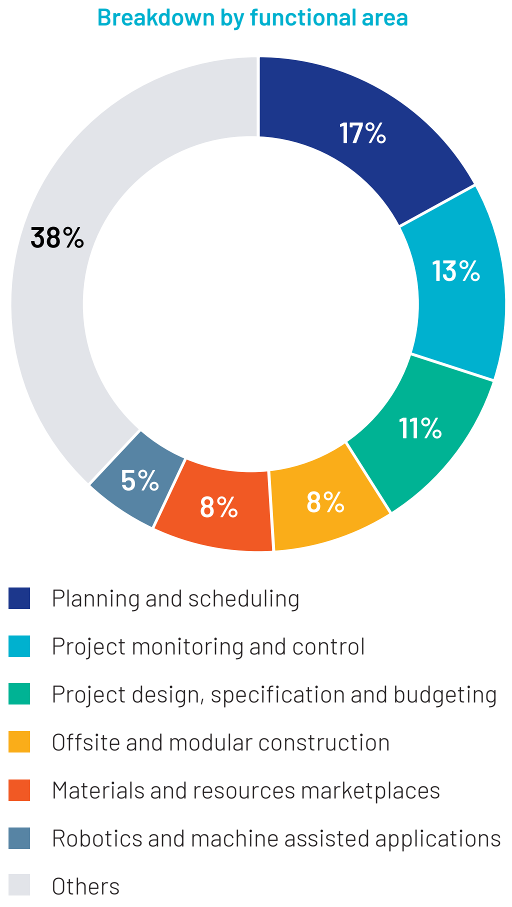
Samsung Engineering has developed the AHEAD execution model based on the engineering data platform (EDP); it automates and intelligently controls all areas of EPC. It comprises three modules:

- Design AHEAD: Enables pre-emptive schedule management
- Build AHEAD: Maximises offsite construction
- Integrate AHEAD: Boosts site efficiency and quality

Investment in innovation would come not only from new companies, but also from incumbents that are equally focused on digital innovation and technology to gain a competitive advantage.

Investment in construction technology in 2022





Focus area	Key trends in construction technology	Key drivers	What should capital-project organisations do?
Enhanced productivity	» Enhanced productivity, with 52% share in contech investment in 2022, is expected to remain a popular area for investment	» Growing demand for digital solutions	» Adopt productivity-enhancement solutions for key operational aspects of capital-project management including • Project planning and scheduling • Project monitoring and control • Project design, specification and budgeting
Future construction technologies	» Future construction technologies such as advanced building materials, industrialised construction methodologies and robotics and machine-assisted applications (e.g., 3D printing robots) are expected to see unprecedented growth from 2024	» Global labour shortages » Lack of a skilled workforce » Project delays and cost overruns » Sustainability targets	» Invest in advanced construction technologies
Green construction	» As governments enforce stricter environmental regulations worldwide and corporations set ambitious environmental targets, demand for new processes, products and services that reduce the construction sector's environmental impact will increase	» Increased regulatory pressure to meet climate targets	» Focus on decarbonisation/ sustainable technologies and strategies
Construction supply chain	» Despite its favorable outlook, investment in construction supply chain solutions is predicted to rise slowly.	» Growing need to build an efficient procurement system	» Optimise resource sourcing, material and fleet tracking, and inventory management

Source: Cemex Ventures, Acuity Knowledge Partners

Recognising the value of collaboration: forging partnerships

The complex nature of capital projects demands seamless collaboration among stakeholders. Companies that prioritise strong partnerships and open communication are able to foster client trust, streamline processes, reduce delays and keep projects within budget.

- » In May 2023, Holcim collaborated with Iberdrola, one of the world's largest renewable energy companies, to develop sustainability-linked projects
- » Also in May 2023, Air Liquide and Holcim signed a memorandum of understanding (MoU) to pursue a project to decarbonise Holcim's new cement production plant under development in Belgium using Air Liquide's proprietary Cryocap carbon-capture innovative technology

Focus on resilience and risk management

In an increasingly unpredictable world, construction companies must prioritise resilience and risk management. This involves assessing and mitigating potential risks – from natural disasters to supply-chain disruptions. Implementing resilient design principles and using robust risk management strategies could safeguard projects and improve their long-term viability.

Large investments in capital projects are becoming increasingly difficult to manage. Redefining the intrinsic models of capital projects and encouraging seamless collaboration among the functional areas are just two examples of the kind of intervention that would be needed to effect a true transformation of capital projects.

Consulting firms can help organisations unlock value and improve capital-project performance by providing strategic support throughout the capital-project development process, including project planning, digital strategy, contract strategy and contracting, capital expenditure optimisation, procurement, stakeholder management and project compliance.

03

Asset and wealth management 4.0

Consultants pivotal to redefining the future transformation

The origins of asset management can be traced back to ancient civilisations when individuals entrusted their wealth to reliable advisors or priests who managed assets on their behalf. The modern concept of asset management emerged in the 17th century with the establishment of the world's first investment trust, the Dutch East India Company. This marked the birth of the collective investment vehicle.

Historical evolution of asset and wealth management (AWM)

1 Early 20th century

- Expansion of asset management with the advent of mutual funds in the early 1920s, enabling small investors to pool their resources and access professionally managed portfolios
- Rise of pension funds and institutional investors, fueling growth of asset management

2 Mid-20th century

- The AWM sector began to grow rapidly, driven mainly by an increasing middle class and growing demand for personalised financial advice
- New investment products, such as index funds and exchange-traded funds, were developed

3 Late 20th century

- Significant technological advancements that fundamentally transformed the AWM sector
- The advent of the internet and online trading platforms democratised access to financial markets, revolutionising how individuals manage their assets

4 21st century to date

- Rapid technological advances, shifting investor demographics and increasing emphasis on sustainable and responsible investing
- The global financial crisis of 2008 had a significant impact on the sector; it has since become larger and more sophisticated than ever, managing assets worth trillions of dollars

Source: Press articles

Asset and wealth management are more dynamic and diversified than ever now. Traditional firms offer a wide range of investment products, while fintech startups continue to disrupt the sector with innovative digital solutions. Sustainable and ESG investing has gained traction, reflecting changing investor preferences. AWM firms are embracing digital technologies such as artificial intelligence (AI), machine learning (ML), robo-advisors, big data, cloud computing and blockchain to improve the client experience, increase efficiency and reduce costs.

As large AWM firms grow, niche managers are buildingtheir expertise and client bases to offer concentrated and differentiated value offerings. Midsize companies are likely to struggle if they do not differentiate their offerings. They would need to work more effectively and differentiate themselves by identifying which abilities to strengthen and which to outsource.

AWM transformation is all about using technology to redefine business models to offer unique, highly personalised and customised investment management and advisory support to clients. Clarity and conviction in vision are critical for formulating a winning strategy. We believe the sector should leverage strategic support of advisory and consulting firms that could help AWM firms reframe their strategic vision and strengthen their operations and performance.

Why the present drives the future

In an era marked by unprecedented technological advancements, shifting market dynamics and evolving investor preferences, the asset and wealth management (AWM) sector finds itself at a critical juncture. Traditional models and strategies that served as pillars of this sector for decades are now being challenged, if not entirely disrupted, by the winds of change.

The AWM landscape has historically been characterised by a delicate balance between tradition and innovation. Over the years, wealth managers have meticulously honed their skills in investment strategy, risk management and client relations, cultivating trust and reliability. However, the status quo is no longer sustainable. Technological innovations such as AI, blockchain and big data analytics have unleashed a wave of disruption, completely reshaping the sector.

The rise of digital technology, the changing demographics of investors and the increasing complexity of the financial markets are driving the revolution, and AWM firms are under pressure to adapt business models and offerings.

Key themes transforming the AWM sector

1. Access to investment products through digital channels
2. Rising affluence of retail investors
3. Growing popularity of passive investing
4. Product realignment due to shifting demographic preferences
5. More gig workers with less retirement benefits from employers
6. Increasing complexity of the financial markets

Source: Acuity Knowledge Partners, press articles

Technology powered by AI is automating repetitive operations, improving trading methods and risk management, and gathering insights from massive datasets that were previously unknown. Markets are now more efficient, sophisticated and competitive as a result of the shift in the way businesses approach strategy and decision-making.

One of the most transformative trends of recent years is the democratisation of financial services. This refers to the growing accessibility of investment opportunities and financial services to a broader range of individuals. Investors now demand transparency, product diversification, personalised services and cost-efficiency. Wealth management clients demand democratised products and services such as IPOs, tax-exempt investments, commodities and derivatives, REITs and structured products.

According to a November 2021 global survey of 2,325 investors and a cross-regional survey of 500 AWM firms conducted by Deloitte and ESI ThoughtLab,

» Four of 10 firms are democratising their advice, products, services and asset classes
» To meet growing digital demand, 40% are automating their financial planning and developing hybrid human-digital advice solutions
» 40% of the advisors are focusing on getting to know their clients better and developing stronger relationships to offer holistic advice

Alternative investments are also becoming more popular, and firms are redefining their business models and strategies to target new investor categories including high-net-worth individuals (HNWIs) with a variety of new private-market products. Digital technology has made alternative investments accessible to a larger pool of investors.

AWM firms, big and small, are re-evaluating their long-term strategic direction and strongly considering consolidation to penetrate the HNWI market more deeply. It would still be strategically important to scale up products, services, distribution, systems and operating models to gain a competitive advantage from 2024.

Many AWM organisations are exploring outsourcing mid-office and back-office operations as a growth strategy.

According to a 2021 survey of 200 asset managers conducted by BNY Mellon on trends and concerns in the asset management space,

- 67% of the respondents said they plan to increase their reliance on service providers in order to meet their digital challenges
- Data management, back-office capabilities and data operations are the largest areas that most asset managers plan to explore or expand outsourcing
- 61% of the survey respondents are considering outsourcing some aspects of middle-office functions, while 41% are keen to explore outsourcing engagements for front-office functions

Social impact investing is another key driver shaping the future of the AWM sector. As ESG considerations gain prominence, asset managers are integrating sustainability into their investment strategies to meet evolving client values and regulatory requirements. Investor demand for sustainable and ethical investing solutions has been increasing.

Fee pressure and changing client preferences have led AWM firms to increase their product offerings, enter new asset classes and client categories, or establish new channels to capture a larger share of the investor wallet. In the coming few years, business leaders in the asset management sector would need to transition, reshaping their organisations' future. The most successful businesses would be those that break out of silos and take the initiative to improve their operations.

Consulting firms offering specialist advisory and research support to the AWM sector can provide the necessary insight on critical sector levers and drivers. They could support AWM firms in strategy, digital transformation, operations, M&A, private equity and due diligence, enabling them to respond nimbly and effectively to the many structural forces currently reshaping the investment landscape.

What are the challenges?

The asset and wealth management (AWM) sector is changing rapidly due to the turbulent investment ecology. AWM firms globally are facing multiple challenges such as fee pressure, increased expenses, demographic shifts, changing client preferences and an uncertain global macroeconomic and geopolitical environment.

It is more important than ever for asset managers to examine the status quo and assess the situation before increasing products and changing the cost structure, talent/people strategy and growth plans in a market where product innovation and investor expectations and preferences are evolving so fast.

Declining margins

Intense competition, strict regulations and technological advancement have put pressure on the AWM sector for years, squeezing margins; this is increasing the need to innovate and meet clients' changing expectations.

Organisations are trying to improve their bottom lines amid tough market conditions by cutting costs wherever possible and streamlining their operations, according to Linedata's 2023 Global Asset Management Survey

Advisory fee pressure

AWM firms are under the most pricing pressure from regulators as they adopt fiduciary standards requiring fee transparency and monitoring. They also face margin pressure as a result of account aggregation – which refers to clients paying a lower charge on their whole asset base than on each account. The sector is seeing more fee competition as passive investment grows, minimum fee levels fall and trading fees disappear. The asset management sector as a whole is facing price pressure, but institutional investors, private banks and retail investors are feeling it the most.

Changing client demographics

As the baby-boomer generation retires and millennials take the lead in creating new wealth, management of the AWM sector is evolving in terms of demographics. Asset and wealth managers face new challenges due to the need to adapt their offerings to satisfy demands of these new clients.

Regulatory changes

The AWM sector's regulatory environment is becoming increasingly complex. Measures to protect new investors are being implemented by governments around the world, and taxes are being raised in certain regions. This is increasing the cost of doing business and making it more challenging for asset and wealth managers to adhere to all relevant requirements.

Technology disruption

The AWM sector is experiencing massive disruption as a result of technological developments. The delivery of financial services is being transformed by the advent of cutting-edge technologies such as AI, ML and big data. AWM firms need to invest in new technology to be competitive, and to use these technologies effectively, they need to develop new skills and experience.

Increasingly complex financial markets

Oversaturation of investment options has increased market complexity. Asset managers face challenges in making educated investment decisions due to the prevalence of misleading information in the public domain. This is where specialised advisory and consulting organisations can help asset and wealth managers.

Competition from new entrants

Investment advisory services have seen competition increase from new entrants including online brokers, robo-advisors and fintech businesses that use technology to provide low-cost investment advice to a wider range of clients. Traditional asset and wealth managers are under pressure to remain competitive.

Rising cost of risk

A number of factors such as the increasing volatility of financial markets, the proliferation of cybercrime and the increasing number of lawsuits against asset and wealth managers are driving up the cost of risk for AWM firms.

Business transformation is challenging because of the diverse issues AWM firms face. They are under increased pressure to create new growth strategies due to the unexpected market volatility and increased competition.

To thrive in this competitive market, AWM firms need to focus on expansion, reevaluate their business models to differentiate their services and be flexible enough to rapidly adjust their operations. Increasing regulation, new business models and continued competition from non-traditional firms would lead to even more disruption in the sector. AWM firms would benefit by partnering with asset management consulting firms that support transformation efforts across the AWM value chain, helping AWM firms expand, gain a competitive edge and improve their bottom lines.

What does the future hold?

Rapid changes in the macroeconomic and corporate environments are calling for an overhaul of the asset and wealth management (AWM) sector. Focusing on the client experience, AWM firms need to adapt to changing client demographics and expectations. The shift to digital-first is a major transition. In the near future, AWM firms are likely to use online platforms to enable clients to manage their own investments, mobile apps to provide real-time market and portfolio updates and social media to connect with clients and share investment insights.

> More than 90% of the asset managers surveyed by PwC in July 2023 use disruptive technologies such as AI, big data and blockchain

Major digital themes across the AWM sector

Robo-advisors

- Software-based investment advisors that use algorithms to provide investment advice to clients
- These are a low-cost alternative to traditional investment advisors and are becoming increasingly popular

Digital platforms

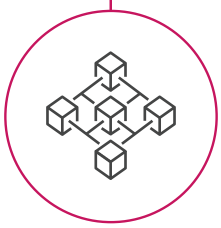
- Digital platforms enable AWM clients to access accounts, investment research and other services
- This simplifies investment management and access to information

Cloud computing

- Using cloud computing services for data storage and application deployment
- This method of data management and storage is more practical and economical

Blockchain

- A decentralised ledger system that can securely and transparently record transactions
- AWM organisations are investigating blockchain technology in an effort to boost efficiency and security

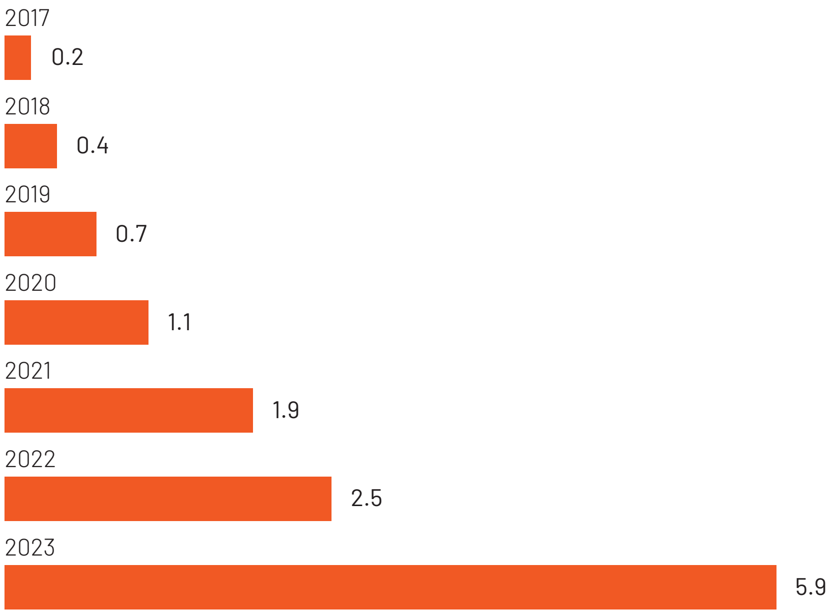


Source: Press articles

Applications such as robo-advice are gaining popularity, and several market leaders have already begun using generative AI to innovate in their middle and back offices. PwC estimates that assets managed by robo-advisors will reach USD5.9tn by 2027, more than double the USD2.5tn in 2022.

Robo-advice is gaining momentum

AuM of robo-advisors (in USDtn)



Source: PwC

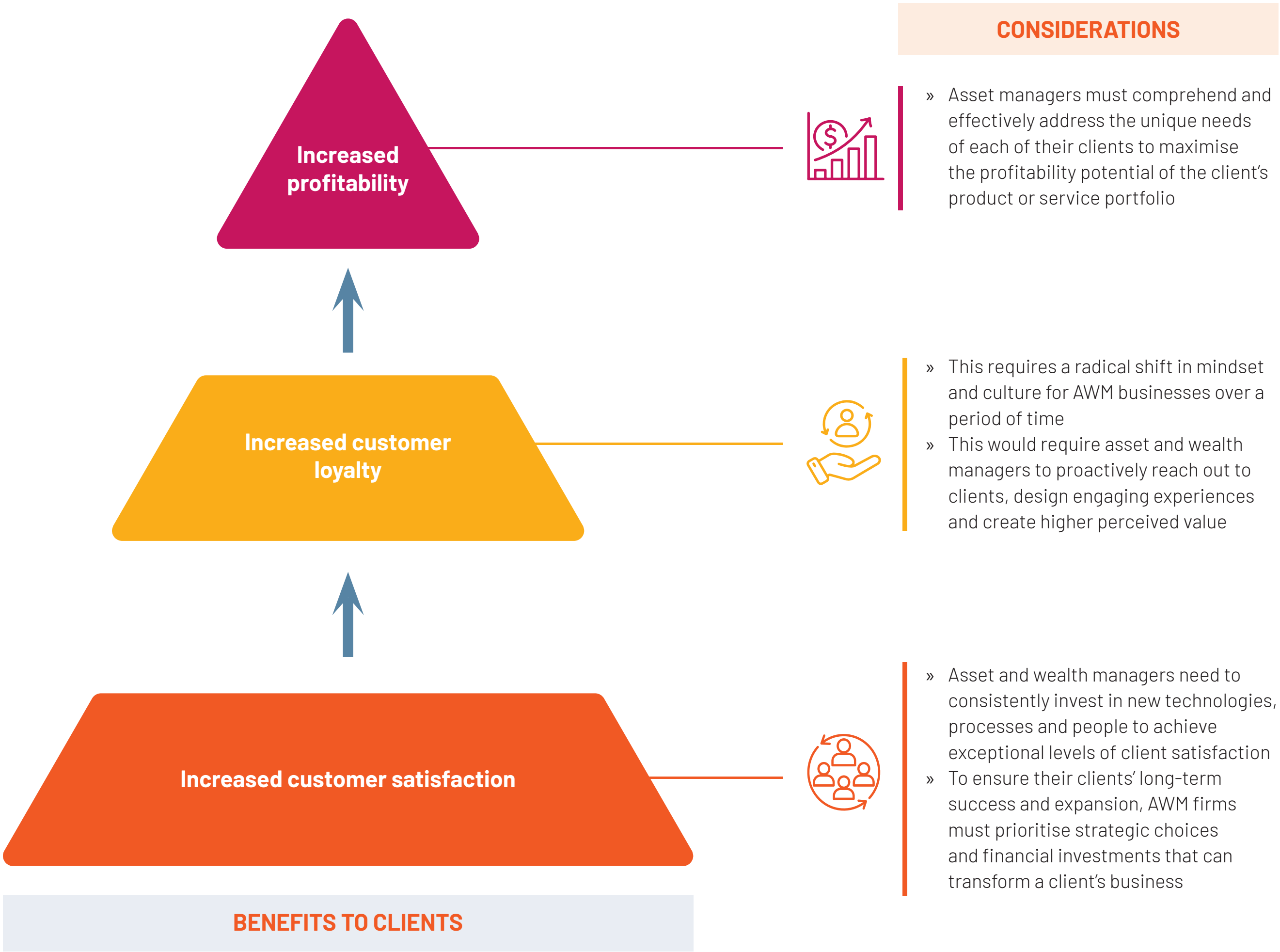
Nearly 90% of the institutional investors surveyed believe the use of disruptive technologies (including big data, AI and blockchain) will lead to better outcomes and portfolio returns, according to a 2023 survey of 250 asset managers and 250 institutional investors conducted by PwC

AWM firms are certain that digital engagement will continue. As new technologies emerge, they would need to adapt their strategies to stay ahead of the curve. Data could be used in a meaningful way to personalise the experience by delivering tailored content, recommendations and insights.

71% of the participants surveyed identified the overall client experience as a top priority, with heightened focus on digital client experience, according to a 2023 survey on the wealth management sector by Citigroup's Business Advisory Services practice

With a focus on personalisation, asset managers' investment strategies would concentrate on individual risk tolerance, investment goals and time horizons. As opposed to the traditional model, where asset managers would choose investments for their clients, the sector would need to embrace open architecture, giving clients more freedom to choose their own investments.

Client-centric approach to investment management



Source: Acuity Knowledge Partners, press articles

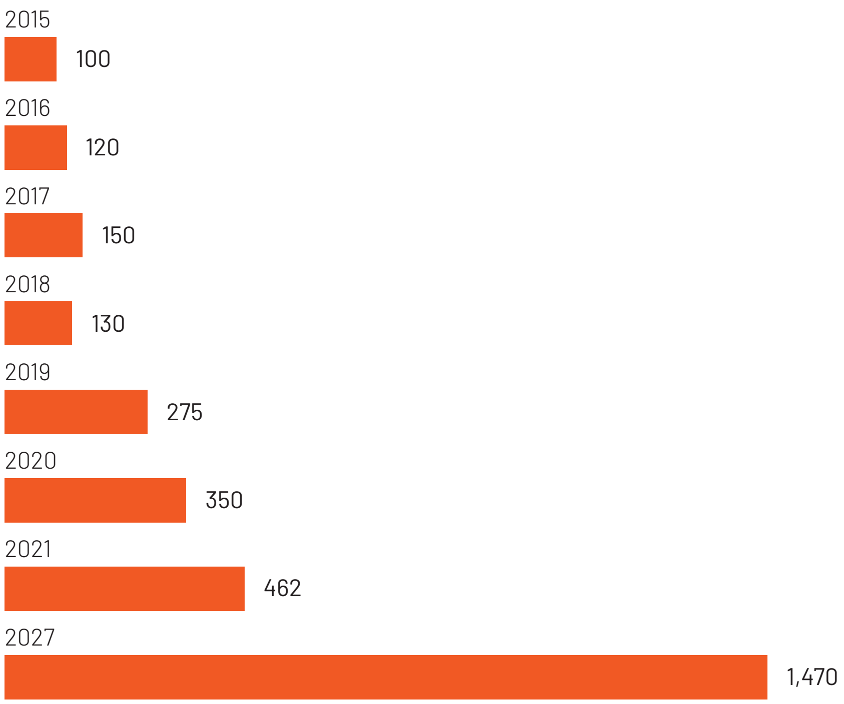
The increase in passive investment, popularity of ETFs and client transparency is driving open architecture. Given the rise in popularity of different investment channels, asset and wealth managers should focus on diversifying products and services to enable investors to access these investments.

Private markets are likely to gain significant traction within the alternative investing arena, creating opportunities for wealth management businesses. Given the uncertainty of the public markets, private-market managers could meet the needs of affluent investors by focusing on well-curated funds and services, including thematic and ESG-focused funds.

HNW and mass affluent investors are likely to seek more differentiated offerings in the near future. Large players will scale up and add ESG offerings and distribution and technology capabilities, perhaps through M&A. The landscape would be reshaped by rising popularity of individualised indexing, particularly among investors interested in tax optimisation, ESG, factor investing and algorithmic portfolio design.

Direct indexing AuM is expected to more than triple by 2027

Direct indexing AuM (in USDbn)



Source: PwC

Investors would continue to prioritise ESG to create value by investing in sustainable, ethical and socially responsible companies. With newer approaches and dimensions being added to ESG, AWM firms' portfolios must be strategically aligned with the growing ESG dimension.

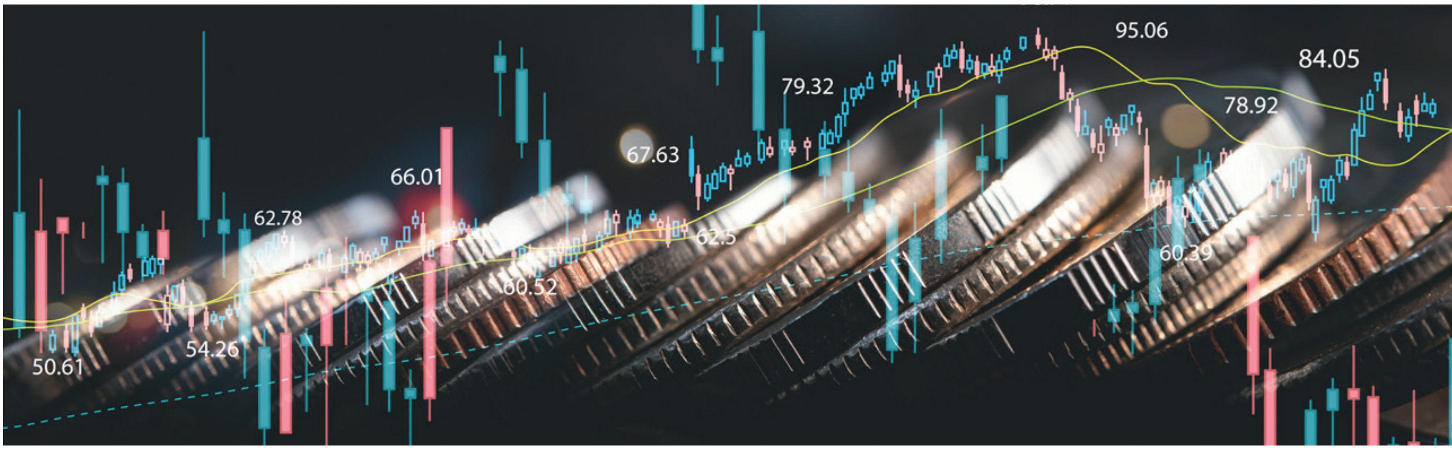
Asset managers globally are expected to increase their ESG-related AuM to USD33.9tn by 2026, an 84% increase from USD18.4tn in 2021, according to PwC's Asset and Wealth Management Revolution report published in October 2022

The AWM sector is also evolving its service delivery models. Asset managers have historically distributed their offerings through a network of financial advisors. However, there is a growing trend towards direct-to-consumer (D2C) offerings, limiting the need for a financial advisor. The move to D2C is being driven by a number of factors, including the rise of the internet, the increasing cost of financial advisors and increasing client demand for convenience.

The AWM landscape is on the verge of change. Technological innovation, increasing client expectations and stricter government regulations have combined to effect the recent major changes in the sector. AWM firms could thrive amid this dynamic environment, proactively responding to these shifts and adopting new strategic methods.

As we approach 2024, AWM firms that keep abreast of the trends and capitalise on the opportunities they present, would be at the forefront in redefining how wealth is created and managed. Consulting firms could help them expand into new markets, transform their technology infrastructure, reduce costs, devise new business and operating models, seize new sourcing opportunities and develop the right strategies.

How to unbox the trend



How can asset and wealth managers thrive in today's data-driven world?

The asset and wealth management (AWM) space is changing rapidly as a result of increasing regulation, intense competition to adopt automation and an uncertain economic climate. AWM firms must reinvent themselves if they are to be relevant and capitalise on opportunities. They would need to revamp their business models and drive structural reform, or risk falling behind. Growing with a fast-changing business environment demands a holistic approach that affects a number of aspects of an organisation. Investment managers must scale up, be resilient and meet transparency and oversight standards while combining data with complicated operating platforms.

Adopt technological innovation

Technology is revolutionising the AWM sector, and adopting technology-driven solutions is, therefore, crucial for staying competitive. Asset managers should invest in AI, cloud, ML, cybersecurity, data analytics and other digital technologies to improve investment decisions, provide personalised offerings, streamline operations and optimise strategies.

A recent Accenture survey of 250 North American asset management professionals found that 95% of the respondents believe technology, analytics and digital competencies would be key differentiators for asset managers in 2025

Transforming business models and upgrading products and services could be accelerated by investing in data and technology and adopting a digital operating strategy; this would boost a firm's value offering, expand its reach and enhance the investor experience. Companies with segregated teams, limited automated advisory capabilities and a lack of awareness of the increasing significance of technology are likely to fall behind as distinctions between business operations blur.

65% of the AWM leaders surveyed believe AI is significantly changing the way they work, and 39% are at the advanced stage of implementing next-generation technologies such as AI, according to Broadridge's 2023 survey of C-suite executives from 115 wealth management firms and digital brokers across North America, EMEA and APAC

AWM leaders are increasing investment across technologies

Percentage point increases in investment planned over the next two years

Source: Broadridge

Establish a well-defined talent and culture strategy

AWM executives face mounting pressure to hasten the pace of technological and organisational transformation in their organisations. In addition to increasing access to informal learning opportunities, whether through mobile technology or sharing existing resources and expertise, AWM businesses are establishing and implementing a change in culture.

They also need to embed a change mindset into every part of their culture, including technology and operations, and continue to assess their talent strategies, build flexibility into workforce policies and invest in talent. Asset managers must design systems that integrate their employees' abilities with automation, specifically AI, and create disruptive business strategies to help them handle workplace complexity and improve the client and employee experience.

Focus on relationship management

McKinsey estimates that AWM relationship managers typically spend 60-70% of their time on non-revenue-generating activities, amid rising regulatory and compliance obligations. As clients demand more engagement and remote channel options, AWM firms must provide relationship managers with the digital tools needed to serve clients more efficiently and effectively.

Asset and wealth managers must reconsider their client relationship strategies and prioritise relationship building and client engagement. Understanding clients' goals, risk tolerance and preferences through regular communication and need assessment through enhanced client analytics is essential for providing personalised investment advice and tailored solutions.

Embrace data-driven personalisation

To meet client requirements, businesses have begun to implement mass personalisation. The "one-size-fits-all" service paradigm is no longer acceptable to today's clients, forcing asset and wealth managers to think about switching to needs-based personalisation. Asset managers should leverage data analytics to customise investment strategies and create distinctive portfolios that are aligned with clients' financial goals and risk tolerance. To offer hyper-personalised recommendations, organisations can assess risk profiles, investing preferences and financial goals using AI-powered algorithms.

Invest in cybersecurity and compliance frameworks

AWM firms must invest in AI governance and compliance solutions to comply with industry standards and complex regulatory requirements. They would need to improve cybersecurity to protect digital infrastructure and sensitive client data. By using strong encryption, multi-factor authentication and constant monitoring, AWM organisations can mitigate data security-related concerns.

Establish strategic partnerships

Strategic alliances with fintechs and other asset and wealth managers may help AWM firms broaden their product portfolios, improve the client experience, acquire critical technologies and develop employee skills. M&A could be key to unlocking distribution capabilities and vertical integration, opening the door to cross-selling and direct client relationships. Acquisitions could secure the capabilities needed to deliver the optimal experience and product mix as investor expectations change.

73% of asset managers are considering strategic consolidations to gain access to new segments, build market share and mitigate risk, according to PwC's 2023 Global Asset and Wealth Management Survey

We expect the AWM sector to adapt to changing investor needs and market conditions and shift towards more customised, digital-first solutions. Businesses that have a firm grasp of technology, make substantial strides with both existing and potential customers, and consistently deliver exceptional service, stand a decent chance of thriving in today's competitive market. Those unable to introduce innovative models run the risk of being surpassed by more rapidly expanding competitors that blend the human element with technological advancement.

Key challenges for AWM firms	Key areas where consulting firms can support AWMs
Reducing costs » Streamlining operations » Improving efficiency » Reducing headcount	**Process improvement, cost-cutting strategies and workforce planning** ***BCG*** *helped State Street reduce costs through process improvement and automation*
Devising new business and operating models » Redesigning product delivery models » Enhancing communication and client relationships » Managing routine operations and strategic initiatives	**Business strategy, organisational design and change management** ***Oliver Wyman*** *helped UBS develop new business models and identify new ways to generate revenue, such as through fee-based services and sale of data and analytics*
Seizing new sourcing opportunities » Outsourcing non-core functions » Offshoring operations » Using shared services	**Global sourcing, procurement and supply-chain management** ***PwC*** *supported Goldman Sachs in sourcing new products and services, identifying potential suppliers, negotiating contracts and managing relationships with suppliers.*
Developing a 'winning' strategy » Focusing on specific market segments » Developing new products and services » Differentiating from the competition	**Market research, competitive analysis and strategic planning** ***Deloitte*** *enabled Morgan Stanley to identify its competitive advantages, define its target markets and develop plans for growth*
Transforming technology infrastructures » Adopting new technologies, such as AI, ML and big data analytics	**Assessment of current technology needs, selection of appropriate technology and implementation** ***Bain & Company*** *assisted State Street Global Advisors in developing the 'Insights' platform, a data analytics platform that helps asset managers identify investment opportunities*
Expanding into new markets » Evaluating available alternatives for market entry, i.e., M&A, joint ventures and strategic partnerships	**Market research, target screening, due diligence, regulatory compliance and cultural integration** ***McKinsey*** *helped Fidelity Investments expand into China by conducting extensive market research, identifying potential opportunities and developing a market-entry strategy*

Source: Acuity Knowledge Partners, press articles

Consulting firms specialising in the financial services ecosystem are well positioned to help AWM firms identify and implement solutions to a wide array of challenges including developing and implementing business strategies, digital transformation, expanding market operations, improving performance and compliance, enhancing financial performance and building and maintaining strong client relationships.

04

Navigating the evolving landscape of corporate restructuring

Consulting firms redefine corporate resilience through tailored solutions

Corporate restructuring is, at its core, a multidimensional endeavour. It encompasses a spectrum of activities, from reorganising corporate hierarchies and revising financial structures to redefining business models and enhancing operational efficiencies. More than a response to challenges, restructuring embodies a strategic vision – one that is both prescient and adaptive. Successful corporate restructuring is a symphony of change, where every note represents an opportunity to harmonise efficiency, innovation, and resilience.

There are multiple ways to approach corporate restructuring, and an organisation's restructuring strategy would depend on its specific needs and goals.

Source: Press articles

Global financial conditions are currently tight, reflecting broader economic issues, and are expected to stay that way until there is a sustainable recovery in global economic growth. Nominal interest rates are anticipated to stay high in the near future due to the continued high levels of inflation. Low market liquidity and higher borrowing costs may make managing financial flows extremely difficult. The liquidity squeeze from debt markets, fiscal package restrictions, tight monetary policy and economic downturn are adding to liquidity constraints.

As a result of such economic headwinds, many companies have adopted restructuring to free up capital and operate more efficiently. Since a corporation's teams and departments will likely be affected by current and future changes in different ways, each operation would need to be separately reorganised, making corporate restructuring an essential value-creation opportunity.

As we navigate this evolving landscape and embrace the unwritten narratives of the future, there is an increasing need to redesign and depart from conventional organisational structures in favour of more adaptable, agile structures that can withstand change in customer behaviour, regulatory requirements and the overall business environment. Businesses that invest in streamlining their processes, reassessing their products and services and establishing internal innovation engines to produce new ideas would be the most successful in leveraging future opportunities.

Achieving successful corporate restructuring is not merely an operational necessity; it represents a thoughtful journey where businesses recalibrate their strategies, streamline operations and adapt to new realities. As the landscape of corporate restructuring continues to evolve, consulting firms assume a pivotal role as strategic partners, offering tailored solutions that empower businesses to not only navigate the complexities but also emerge stronger and more agile. Whether it involves navigating complex regulatory frameworks, streamlining operational processes or crafting forward-thinking strategies, consulting firms could provide indispensable guidance.

Specialised restructuring consultants can help an organisation to stabilise the business and enhance profitability through process and operational improvements, supply-chain efficiencies, making better use of available capital, developing new marketing efforts, reorganising borrowings, making changes in capital structure and building a platform for sustainable growth.

Why the present drives the future

The current state of corporate restructuring reflects the ever-evolving business landscape, marked by a confluence of forces reshaping the way organisations operate. Businesses in today's fast-paced world face an intricate web of threats and possibilities, necessitating a radical rethinking of their organisational frameworks, operational processes and main objectives.

As the world recovers from the disruptions caused by the pandemic, companies are undertaking restructuring efforts to fortify their operations against future uncertainties. Building resilience has taken centre stage, with supply chains, workforce models and contingency plans undergoing substantial revision.

According to a survey conducted by PwC in March 2021 of 250 executives from large global corporations in a number of sectors,

- Most companies see a significant increase in the importance of transformation; 80% expect to transform what they do or how they operate until 2024
- The primary focus is on building new business models and adapting the operating model to compete with new digitally enabled capabilities

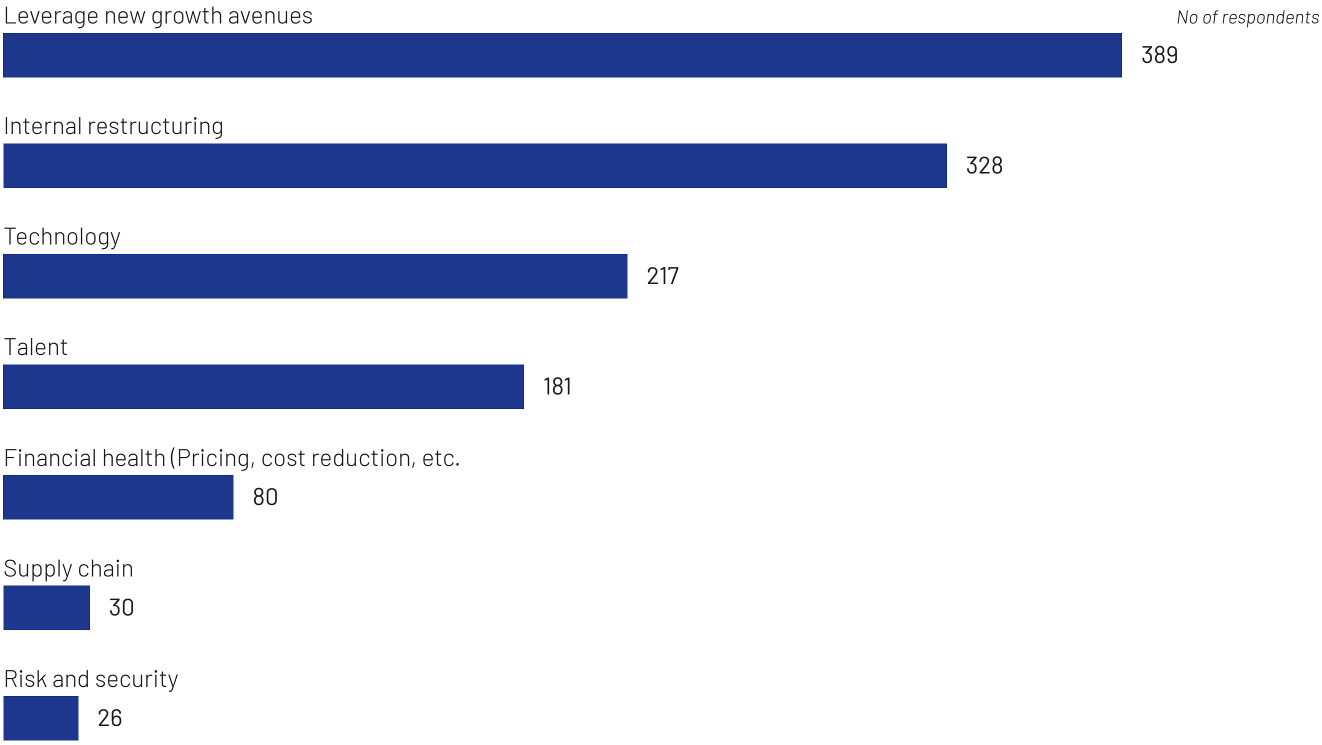
The digital revolution continues to gather momentum, compelling businesses to embark on comprehensive digital transformation journeys. Integrating cutting-edge technologies, such as artificial intelligence, automation and data analytics, is not merely an option but a strategic imperative.

In today's dynamic landscape, mergers, acquisitions and strategic partnerships are playing a crucial role in creating new market leaders, while regulatory changes are demanding compliance and responsible business conduct. Innovation, financial prudence and customer-centricity are at the core of corporate restructuring efforts, positioning organisations to excel in a future where adaptability and agility would be paramount.

What we are seeing now is an unprecedented wave of corporate reorganisation and structural transformation. No longer can a business hope to thrive by only monitoring its financial KPIs and waiting for the economy to recover. Reconfiguring the business model as part of a larger restructuring exercise has gained prominence in recent years.

Levers for effective restructuring – Deloitte's 2020 M&A Trends Survey Findings

New growth opportunities, internal restructuring and technology transformation are the three most important levers that survey respondents identified for an effective restructuring, according to Deloitte's 2023 M&A Trends Survey of 1,400 corporate and private equity executives.



Source: Deloitte

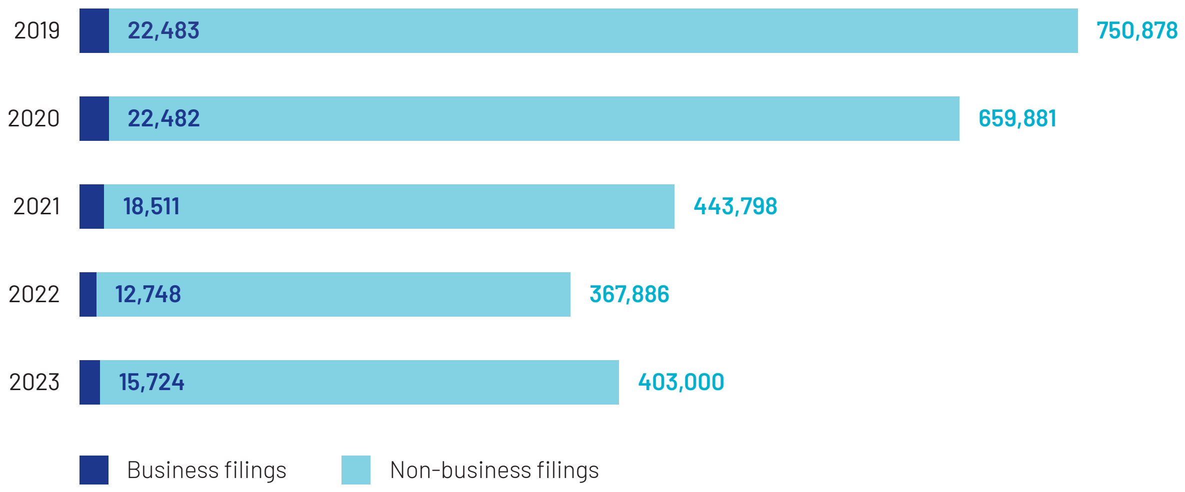
Innovative businesses are reorganising their supply networks and bringing production closer to the point of demand. This could involve applying route-optimisation algorithms to shorten delivery distances, avoid traffic and boost on-time drop rates, or implementing micro-fulfilment centres to speed up delivery and service more consumers from a smaller area.

The withdrawal of pandemic-related government/regulatory support, tight monetary policy across economies amid inflationary pressures and stricter credit environments, and higher costs of living and operating expenses are causing businesses more problems in 2023. Business bankruptcy rates are rising worldwide, reaching levels not seen before the 2008 financial crisis. A wave of business defaults is probably just beginning. Weaker borrowers will likely struggle with declining demand, rising inflation, over-indebted balance sheets and higher borrowing costs.

Global bankruptcies rose 10.8% in 2022 compared to 0.6% in 2021, according to Dun & Bradstreet's July 2023 Global Bankruptcy Report. The number of US bankruptcies during the first half of 2023 was at its highest level since 2010.

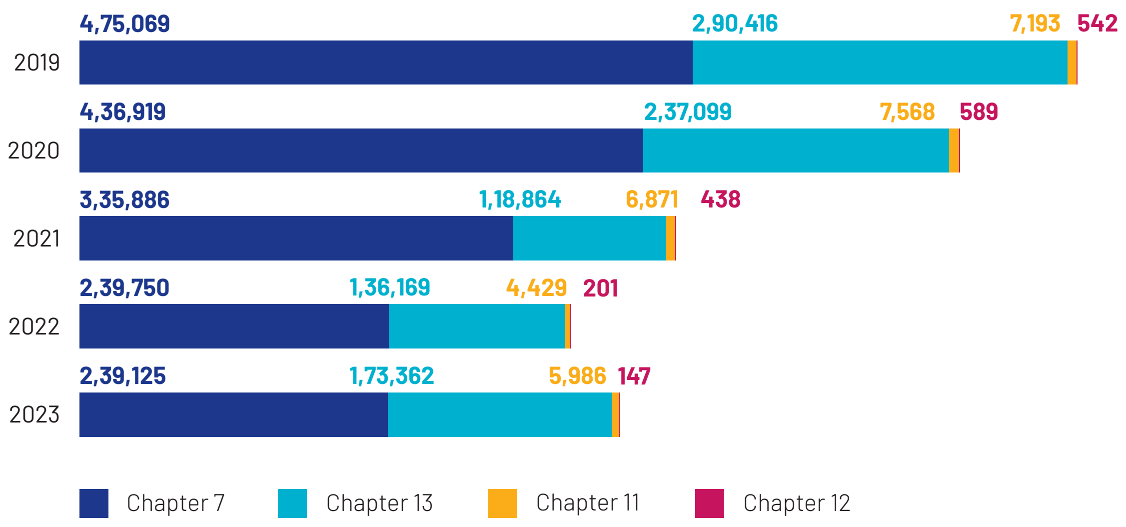
We expect a significant uptick in the bankruptcy rate in 2024, when governments' pandemic-related relief efforts would have waned completely. This, along with increasing costs of inflation, interest and energy, could lead many businesses to the brink of insolvency.

Spike in US bankruptcies – number of bankruptcy filings



Source: US Courts (uscourts.gov)

US bankruptcy filings by chapter



Source: US Courts (uscourts.gov)

Amid the current economic uncertainty, businesses must be flexible and open to new ideas. When the corporate climate, consumer behaviour, regulatory landscape and financial markets have all changed suddenly and unexpectedly, staying still is not an option. The need for change may be glaringly clear for some companies, in which case conventional approaches to corporate restructuring may need to be considered. Companies that experienced less of an impact from the pandemic may also benefit from considering the option of restructuring.

Most organisations see the need to transform substantially and have started to reconfigure their businesses, while a few are still in an early stage of considering how they can navigate the considerable transformation required. Most that recognise the need for restructuring need to take measures to boost revenue, with the main priorities being developing new business models and revisiting company strategy.

With deteriorating markets, the role and level of engagement of specialised consulting firms are increasing and becoming more prominent. Consulting and advisory firms, with their expertise in the varied aspects of business continuity, business improvement, simplification, capital advisory, restructuring or divestment can help firms assess risk and vulnerabilities from a holistic standpoint – operational, financial, technical and legal. They can formulate and implement tailored restructuring solutions for business revival and sustainable performance improvement.

What are the challenges?

Businesses need to act quickly to ensure continuity and protect growth prospects in this dynamic and unpredictably changing business climate. For firms wanting to adapt, endure and succeed, corporate restructuring and turnaround initiatives are crucial strategies, although organisations would face a number of internal and external obstacles.

Complexities involved in restructuring

- Liquidity and capital management
- Accurately diagnosing the problem and assessing business risks
- Re-evaluating strategy and business models
- Taking informed business decisions - when to take action and where to turn for assistance
- Fundraising and negotiation efforts - creditors and investors
- Effective customer, vendor and supply-chain management
- Over-burdened or non-performing leadership
- Lack of experienced manpower to deal with the crisis
- Special-situation M&A advisory needs
- Resource mobilisation and developing new capabilities
- Managing implementation and measuring strategic decisions
- Legal complexities

Financial uncertainty

This is a major obstacle for companies undergoing a reorganisation. Many businesses face the triple whammy of rising debt, falling revenue and cash flow problems. Recession fears and supply-chain concerns have subsided, but given the turbulence in the US and European banking sectors, enterprises are still under profitability pressure due to tighter financial conditions.

Securing the necessary funding to stabilise an organisation's financial health can be a daunting task. To address this challenge, organisations must conduct a comprehensive financial analysis, explore various financing options and develop a robust financial restructuring plan that aligns with their long-term goals.

69% of the lenders surveyed say that the requirements they need to meet when providing capital to companies with poor financials have increased, according to Oliver Wyman's Restructuring Survey 2023.

Legal and regulatory hurdles

These hurdles include labour laws, antitrust rules, shareholder approval and cross-border intricacies. Navigating these challenges requires carefully handling employees, antitrust scrutiny and time-consuming shareholder consent processes. Cross-border operations introduce further complexities while financial institutions adhere to financial regulations. Compliance with environmental, safety and data privacy rules is crucial, as is meticulous management of tax implications. Publicly traded companies must meet strict disclosure and reporting requirements; navigating these multifaceted regulatory challenges requires expert guidance.

Resistance to change

Dealing with change reluctance on the part of staff, management, customers or suppliers is one of the most frequent restructuring issues. There may be a fear of losing one's relationships, status, job or skills. Change agents must effectively and regularly convey the purposes, advantages and goals of the reorganisation in order to overcome this challenge.

Market volatility

External factors, such as economic downturns or industry-specific changes, can disrupt even the best restructuring plans. Adapting to market volatility and making timely adjustments are crucial for success. Businesses need to monitor market trends closely, remain agile and be prepared to adjust the restructuring strategy as needed to align with changing market conditions.

Cultural integration

Integrating organisational cultures can be extremely difficult amid mergers and acquisitions. An organisation's culture and identity may be damaged or disrupted, or there may be gaps or conflicts in this regard between the organisations concerned as a result of restructuring. This could affect productivity and staff morale. A restructured company must establish and express its desired culture and identity, and nurture and reward supporting behaviours and attitudes.

Balancing stakeholder expectations

Balancing the often-conflicting expectations of shareholders, creditors and customers is tricky. Managing these expectations while pursuing an organisation's best interests is challenging. Organisations undergoing restructuring should establish clear communication channels with stakeholders, set realistic expectations and negotiate win-win solutions wherever possible. Keeping stakeholders informed throughout the process is crucial.

Coordination and alignment

One of the most difficult components of restructuring is getting all the company's moving parts to work together and in accordance with the new goals and principles. The current organisational structure, job descriptions, roles and responsibilities and incentives may need to be revised. There may also be a need to synchronise or standardise procedures and standards across departments, divisions or regions. Organisations can overcome this difficulty by establishing transparent and consistent structures for decision-making and reporting, monitoring and evaluating the restructuring's progress and making course corrections if necessary.

Corporate restructuring and turnaround efforts are complex undertakings, but with careful planning, effective communication and strategic decision-making, organisations can overcome these challenges. As corporate restructuring trends evolve, consulting firms assume a pivotal role as strategic partners, offering tailored solutions that empower businesses to not only navigate the complexities, but also emerge stronger and more agile in an ever- changing business landscape. Restructuring and business turnaround consultants, with their extensive knowledge and experience, enable companies to overcome regulatory hurdles, streamline operations and craft innovative strategies.

Wht does the future hold?

The corporate landscape, having weathered the shocks of the pandemic, is on the verge of a radical transformation. Corporate restructuring and turnaround, once reserved for moments of crisis, are poised to be central strategies in navigating the uncharted waters of the post-pandemic era.

Corporate restructuring operations would continue to be influenced by economic fluctuations and access to capital. While a large number of distressed firms explore debt restructuring and refinancing as strategies to weather financial challenges, financially robust organisations view the post-pandemic era as an opportunity for strategic growth.

The increased restructuring activity seen in the first half of 2023 is expected to continue in the second half as financing concerns, such as the rising cost of debt, restrictive credit and difficulties acquiring capital, become insurmountable.

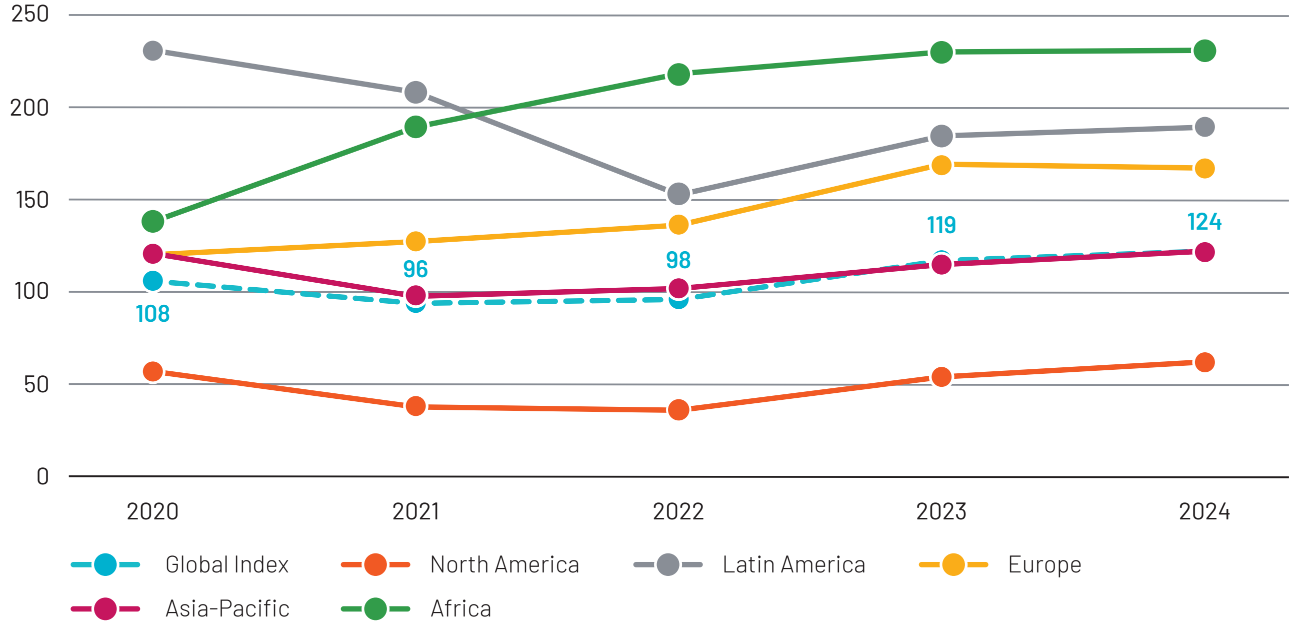
As these macroeconomic conditions persist, we expect a sizeable increase in restructuring activity in 2024 that could lead to a rise in distressed M&A. We also expect a sharp acceleration in business insolvencies/bankruptcies globally in the remainder of 2023 and in 2024 due to sluggish economic growth prospects. This escalation would push the number of insolvencies reported by 50% of the countries to above their pre-pandemic numbers.

According to PwC's Global CEO Survey 2023 of around 4,410 CEOs from 105 countries and territories,

» CEOs are extremely pessimistic about global economic growth in 2023

» 73% of the company managers surveyed expect global economic growth to decline, while only 18% feel that economic growth will improve in 2023

Global and regional insolvency indices*



Note: *Covering 44 countries that accounted for 85% of global GDP in 2022; **Index 100: 2000
Source: Allianz Research

According to Allianz Research's April 2023 Insolvency Report,

» Three of five countries will exceed their number of pre-pandemic bankruptcies in 2024
» The Global Insolvency Index is set to jump by 21% y/y in 2023 and 4% y/y in 2024
» In the US, business bankruptcies are expected to increase by 49% in 2023 as a result of tighter credit conditions and the sharp slowdown
» Europe is also expected to witness a more-than-24% y/y increase in bankruptcies in 2023

As organisations combat weak top-line growth and margin pressures in the aftermath of inflationary impacts and supply-chain disruptions amid a low-growth economic environment, they are more likely to prioritise capital allocation to ensure they have the financial resources necessary to invest in technology, sustainability and growth initiatives to fortify their operations against uncertainty.

Corporate restructuring will likely be inseparable from digital transformation in the future. The digital juggernaut, set in motion long before the pandemic, has accelerated exponentially. Now, digital transformation is not a choice; it is imperative.

Businesses would need to channel more investment to automation, artificial intelligence (AI), data analytics and cloud computing, redefining operational paradigms, enhancing customer experiences and adapting to swiftly shifting market dynamics.

Supply-chain resilience would take centre stage. Companies would diversify supplier networks, leverage predictive analytics to anticipate disruptions and craft robust contingency plans to navigate future crises adeptly. Crisis management strategies would evolve to ensure agile responses to unforeseen challenges. Risk mitigation would span cybersecurity, financial stability and adherence to regulation.

With environmental, social and governance (ESG) considerations redefining the corporate landscape, future restructuring initiatives will likely encompass sustainable supply-chain practices, reductions in carbon footprints and the transition to renewable energy sources.

Ethical labour practices, diversity and inclusion initiatives and community engagement would be at the heart of restructuring strategies. ESG metrics would be integral to corporate reporting, signalling a commitment to sustainability and ethical conduct. Investors and consumers will likely gravitate towards businesses embracing ESG values, rendering them a pivotal factor in restructuring decisions.

Ever-evolving regulations and compliance standards would continue to influence corporate restructuring. Organisations must adeptly navigate this intricate legal landscape to ensure adherence and mitigate potential legal risks. Data privacy regulations such as GDPR and CCPA would shape how businesses manage customer data. Antitrust and competition laws would play a pivotal role in mergers and acquisitions.

Organisational insight, foresight on the evolving business ecosystem and awareness of the types of structural changes we may expect to see in the future would be crucial in determining an organisation's course of action and strategy. A traditional long-term strategy that focuses solely on cost, innovation or quality control is not likely to bode well for an organisation's growth strategy. Organisations of the future would need to adopt a hybrid strategy that allows for greater agility, responsiveness and flexibility.

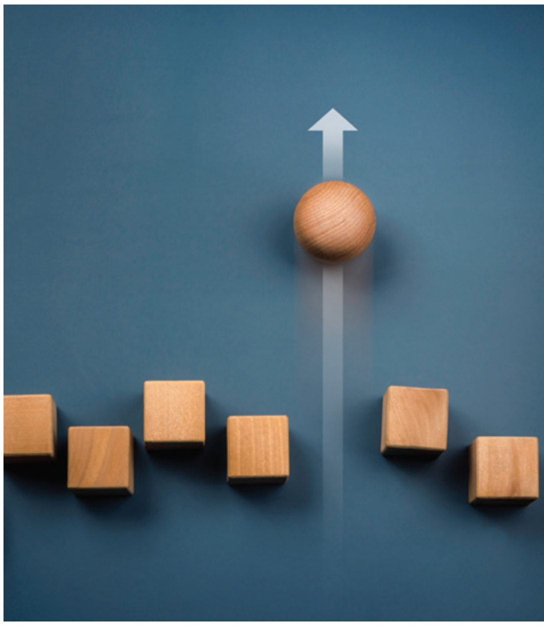
As businesses embark on their post-pandemic journeys, corporate restructuring and turnaround are not just responses to crises but strategic imperatives. Embracing digital transformation, adapting to workforce changes, building resilience and prioritising sustainability and regulatory compliance would be the cornerstones of success. By strategically weaving these factors into their restructuring tapestry, specialised consulting firms with experience in corporate restructuring and turnaround can help businesses not only survive but thrive in an enigmatic and ever-evolving future.

How to unbox the trend

Reforming an organisation involves meticulous strategy and execution. Whether driven by economic challenges, market shifts or the need to adapt to new technologies, organisations embarking on restructuring journeys should consider several key strategies for success.

Business leaders and executives must revamp their enterprise's strategy, competencies and culture. As present and future changes influence different teams and divisions of a corporation, each facet of operation may require distinct reorganisation.

Achieving successful corporate restructuring hinges on a multifaceted approach that begins with a clear vision and plan. To help businesses improve their profitability and competitive edge, a comprehensive restructuring strategy utilises levers and methods that have proven successful in a variety of scenarios.



Achieving successful restructuring: key considerations

1

Revisit Strategic priorities and focus on value creation

- Rethink future business's strategy and model
- Identify the business's core activities
- Find the correct balance between cost-cutting and sustained, profitable expansion
- Restructure the business portfolio, freeing up finance and focusing on core competencies

2

Invest in digitisation and ESG

- Capitalise on digitisation and ESG investments
- Strategically use advanced technologies and capabilities
- Develop new business models in line with the revised strategy

3

Manage uncertainty and resistance

- Regularly communicate with employees and stakeholders to manage uncertainty and resistance
- Define roles, activities, and tasks early
- Involve the workforce in transitions and new methods of operation

Source: Acuity Knowledge Partners, press articles

Organisations should prioritise transparent communication, ensuring that all stakeholders are well informed throughout the process, so as to build trust and minimise uncertainty. Streamlining operations, fostering innovation and demonstrating financial prudence are core strategies to enhance efficiency and agility.

Firms considering or undergoing restructuring must also ensure compliance with regulatory changes and robust risk management practices to mitigate potential legal and operational risks. Additionally, maintaining a customer-centric focus is crucial, aligning restructuring efforts with evolving customer needs and preserving or elevating the quality of products and services.

As the focus shifts to building organisational structures that promote meritocracy and transparency, and proper strategic alignment, and promote autonomy and interdependence, executives need to make major transformations to the culture, competencies and direction of their organisation.

Companies are progressively acknowledging the importance of strategy consultants in developing and steering restructuring and turnaround strategy, while adding credibility to the overall process. Many strategy consulting firms have special units dedicated to supporting companies experiencing severe dislocation and distress. These firms provide an array of services tailor-made for their clients.

Restructuring and turnaround consulting support areas

Stabilising operations
- Managing short-term liquidity and working capital concerns

Diagnosing the problem
- Identifying drivers, stage and severity of the crisis

Cost efficiency and austerity strategies
- Evaluating business needs for cost-cutting measures; designing and implementing austerity plans

Organisational effectiveness
- Streamlining resources; revamping processes and business segments; interim C-level deployment

Business model innovation
- Rethinking operating and core business models, value creation and enhancement

Change management
- Developing tools for change; implementation and measurement

Divesture strategies
- Offloading non-performing business units, distressed segments, portfolios, etc.

Legal advisory support
- For insolvency-related matters and formal restructuring of obligations

Source: Acuity Knowledge Partners, press articles

Continuous monitoring, adaptation and engaging professional consulting expertise increase the likelihood of a successful outcome. With the help of specialised consulting partners, an organisation is better equipped to embrace innovative strategies and navigate restructuring with resilience, emerging stronger and better positioned for the dynamic business landscape of the future

05

Cybersecurity as a key differentiator in a world of uncertainty

Unlocking the path to cybersecurity and driving business resilience through consulting expertise

In today's rapidly evolving digital landscape, the paradigm of cybersecurity has shifted from being a mere technical concern to a strategic imperative for businesses of all sizes. As organisations rely increasingly on digital platforms, cloud services and interconnected systems to drive efficiency and growth, they are equally exposed to a growing array of cyberthreats and vulnerabilities. In this context, the traditional approach to cybersecurity falls short in addressing the intricate and multifaceted challenges that modern businesses encounter.

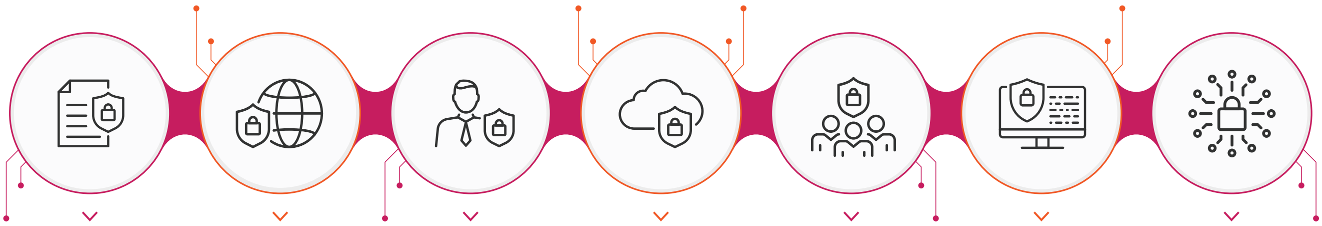
What is cybersecurity?

Cybersecurity is the practice of deploying people, policies, processes and technologies to protect organisations, their critical systems and sensitive information from digital attacks

Why is cybersecurity crucial?

- Protects valuable information
- Mitigates risk
- Prevents loss of crucial data
- Ensures privacy of customers and employees

Key elements of cybersecurity



Application security | Network security | End-user education | Cloud security | Operational security | Disaster recovery planning | Information security

Source: Press articles

Cyberthreats are continually changing, getting more advanced and pervasive every day. As threat actors increasingly perceive individuals to be the most exploitable target, the number of cyber and social-engineering assaults against individuals is rising.

To target weaknesses in computer systems, networks and applications, cybercriminals employ a variety of approaches, including malware, ransomware, phishing assaults, supply-chain attacks, social engineering and insider threats.

"It takes 20 years to build a reputation and few minutes of cyber-incident to ruin it. Even the bravest cyber defence will experience defeat when weaknesses are neglected"

*- **Stephane Nappo***
Vice President and Global Chief Information Security Officer, Groupe SEB

Types of threats related to cybersecurity

Cybercrime

- Any kind of malicious activity that attempts to collect, disrupt, deny, degrade or destroy information system resources or the information itself
- Includes credit card fraud, identity theft and email spoofing

Cyberterrorism

- Any premeditated, politically motivated attack against information systems, programs and data that threatens violence or results in violence

Cyberattack

- Attempts to steal, expose, alter, disable or destroy another's assets through unauthorised access to computer systems
- Malware, password attacks, DDOS, etc.

Malware

- Malicious software to crash a system for monetary profit or politically motivated reasons
- Examples: Ransomware, viruses, Trojans, worms, spyware, adware and botnets
- Can enter through an email attachment or legitimate-looking download

Denial of service

- Prevents a computer system/ network or server from performing necessary tasks by flooding it with traffic
- Makes a service unavailable for authorised users to conduct vital operations

Man in the middle

- An attacker intercepts a two-party transaction to steal data and use it maliciously
- It mainly targets unsecured public Wi-Fi connections

SQL injection

- Entering a malicious SQL statement to get crucial information from an SQL database

Phishing

- Tricks users through emails that pretend to be legitimate, asking them for sensitive information such as credit card details or other personal information

Source: Press articles

As security breaches become increasingly frequent and sophisticated, governments are establishing new regulations to protect consumers, and businesses are prioritising security in all their operations. They continue to invest in technology to run their operations. To support remote working, improve the customer experience and generate revenue, they are adding more technologies to their IT networks, which could lead to new vulnerabilities.

To navigate this complex terrain, a paradigm shift is required – a reimagining of cybersecurity that transcends the conventional boundaries of IT departments and permeates every facet of an organisation. This holistic approach elevates cybersecurity as a critical, fundamental, strategic business priority that demands strategic alignment and proactive engagement from top to bottom.

Reimagining cybersecurity involves integrating it into the very fabric of an organisation's culture and operations. It means fostering a cybersecurity-conscious workforce that recognises the significance of their actions in safeguarding critical assets. It entails reshaping policies and procedures to promote a proactive stance against cyberthreats, rather than a reactive one. Organisations cannot do it alone in the complex and evolving cybersecurity ecosystem and would need to partner with cybersecurity consulting professionals who can assist with comprehensive assessment of the organisation's digital ecosystem, identifying vulnerabilities and establishing resilient defence mechanisms.

Why the present drives the future

In an era marked by unprecedented technological advancement and digital transformation, cybersecurity is becoming more crucial than ever. As businesses continue to embrace digital operations, the threat landscape evolves in tandem, demanding adaptive strategies to protect sensitive data and ensure operational continuity. The present state of cybersecurity serves as a foundation for building robust security practices and defences that can withstand future threats. Businesses are also trying to stay attuned to the emerging trends in order to fortify their defences and stay ahead in this dynamic environment.

Emerging trends redefining the future of cybersecurity

1

Zero trust architecture

- » With data and information platforms available at the click of a button, businesses are under increasing pressure to develop "zero trust" capabilities
- » Zero trust works on the "never trust, always verify" principle where users are continually verified, re-evaluated and re-authorised in a zero-trust environment utilising a variety of authentication techniques

2

Increasing and evolving cyberthreats

- » Cyberattackers are continuously developing new techniques and tools, as evidenced by
  - 350% increase in ransomware attacks over the past five years
  - Over 50% of all cyberattacks launched on SMBs
- » Organisations are increasingly investing in robust backup solutions, incident response planning and employee training to mitigate the impact of ransomware attacks

3

Rapidly evolving technology landscape

- » Advancements in cloud computing, artificial intelligence (AI), IoT and 5G networks are impacting the present and future of cybersecurity
  - AI and machine learning are becoming increasingly integral to cybersecurity, enabling proactive threat detection and behaviour analysis
  - With data dispersed across various cloud platforms, organisations are focusing on cloud security posture management, ensuring encryption, access control and compliance across multiple environments

4

Remote workforce security

- » The hybrid work model has necessitated a reimagined approach to security
- » Businesses are enhancing virtual private networks (VPNs), multifactor authentication and secure communication tools to ensure remote workers can operate securely from any location

5

Investor focus

- » As cybersecurity becomes increasingly integrated into the public's perception of an organisation in the same way that ESG programmes have, investors are paying closer attention to a company's cybersecurity programme before deciding whether to commit their assets
- » In the near future, investors are more likely to invest in organisations that properly address cyber-risks

6

Regulatory compliance and data privacy

- » Governments worldwide are enacting laws to protect data, regulate technology and hold companies liable for cybersecurity breaches
- » Compliance efforts are evolving to encompass emerging technologies and stricter enforcement, with a spotlight on robust data-handling practices
- » Leaders in security and risk management must navigate a patchwork of regulations, each of which calls for a unique approach to localisation

Source: PurpleSec, Cybersecurity Ventures, press articles

Gartner estimates that by the end of 2024, 75% of the world's population will have their private information protected by modern privacy regulations

By 2023, five billion people or more than 70% of global GDP will be covered by laws mandating businesses to honor individuals' right to privacy, according to a June 2022 article by Gartner

The integration of cutting-edge technologies, adherence to compliance standards and the cultivation of a cybersecurity-conscious culture all play pivotal roles in establishing a robust defence posture. New cybersecurity tactics and workplace practices are being implemented due to rising concerns about cybercrime and a continuing lack of qualified cybersecurity professionals.

As the digital landscape continues to evolve, embracing these trends is essential for businesses to navigate the complexities of cybersecurity with resilience and confidence. Specialised consulting firms are well positioned to offer cybersecurity strategy and digital risk consulting to organisations, helping them not only implement security strategies and establish digital resilience, but also build long-term cyber capabilities and establish crisis response plans.

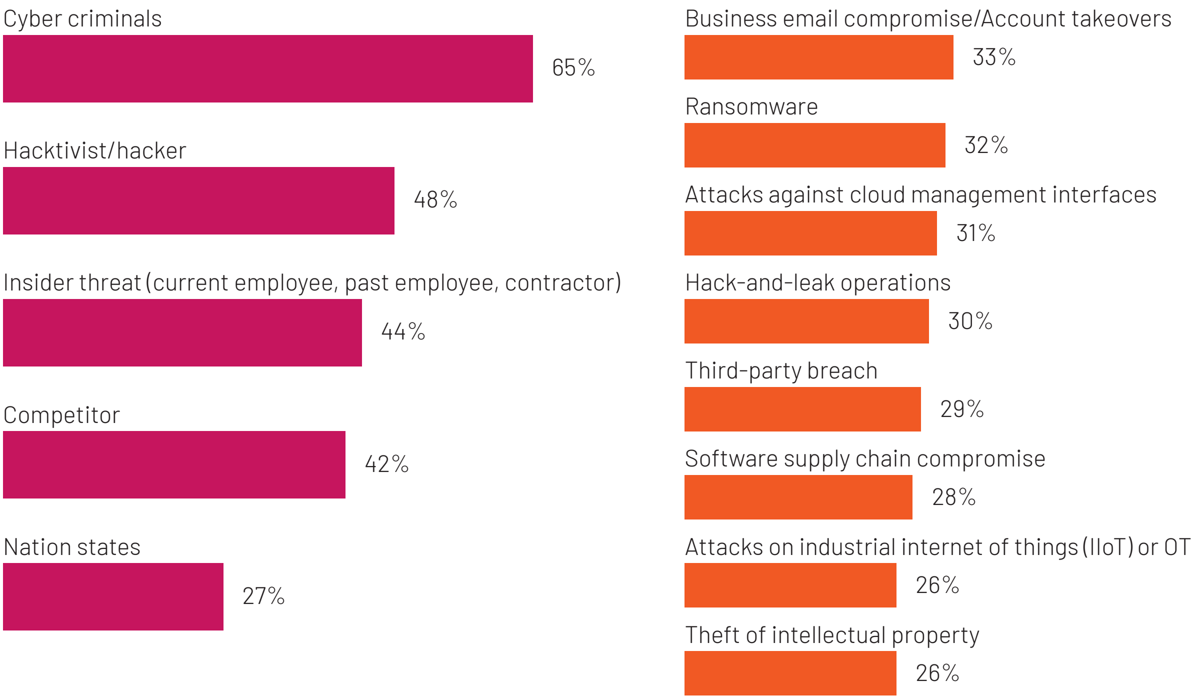
What are the challenges?

In this digital age, cybersecurity is a major concern for individuals, organisations and governments. The cybersecurity environment in 2024 presents a number of new issues due to the rapid pace of technology development. Growing reliance on digital technologies and the ever-changing threat landscape make it difficult for enterprises to protect sensitive data and maintain consumer trust. The growth of connected devices and the internet of things (IoT) only adds to these concerns, as does a lack of qualified experts and the need for strong data protection and regulatory compliance.

A survey of 3,500+ business and tech executives conducted by PwC in 2023 found that

- Two-thirds of the executives surveyed consider cybercriminals to be the most significant threat to their organisations in 2024
- More than one-third expect cyberattacks, including compromise of email/accounts, ransomware, cloud attacks and hack-and-leak operations, to increase versus 2022

Current threats to organisations versus last year



Source: PwC, press articles

Low awareness of cybersecurity

Awareness among internal staff is the first line of protection against cyber-risks. However, few companies invest in cybersecurity awareness training. The lack of such training is a significant obstacle for executive teams. Common challenges businesses experience include not being able to agree on the type of training that needs to be conducted, not knowing who needs to be trained and a lack of employee involvement.

95% of cybersecurity breaches are caused by human error, according to the IBM Cyber Security Intelligence Index Report, published in June 2022

Evolving cybercrime

The growing complexity of cyberattacks is a significant obstacle for the cybersecurity sector. Despite their comprehensive security precautions, businesses are facing an increasing array of cyberthreats such as sophisticated advanced persistent threats (APTs), insider threats, targeted phishing and ransomware attacks and mobile malware. Cybercriminals adjust to customer preferences and new vulnerabilities, capitalising on customer shifts and newly uncovered flaws.

Organisations lose billions of dollars a year to constantly changing ransomware and phishing attacks. Hackers use machine learning (ML) to quickly create and distribute convincing fake messages, hoping recipients would unwittingly compromise their organisation's networks and systems. Hackers steal user logins, credit card information and private databases through such assaults. The widespread use of cryptocurrencies such as bitcoin is often blamed for encouraging ransomware attacks by making it easier for victims to pay the attackers' demands anonymously. Additionally, as organisations strengthen their ransomware defences, some experts fear hackers will increasingly target high-net-worth individuals.

Risks to remote and hybrid workers

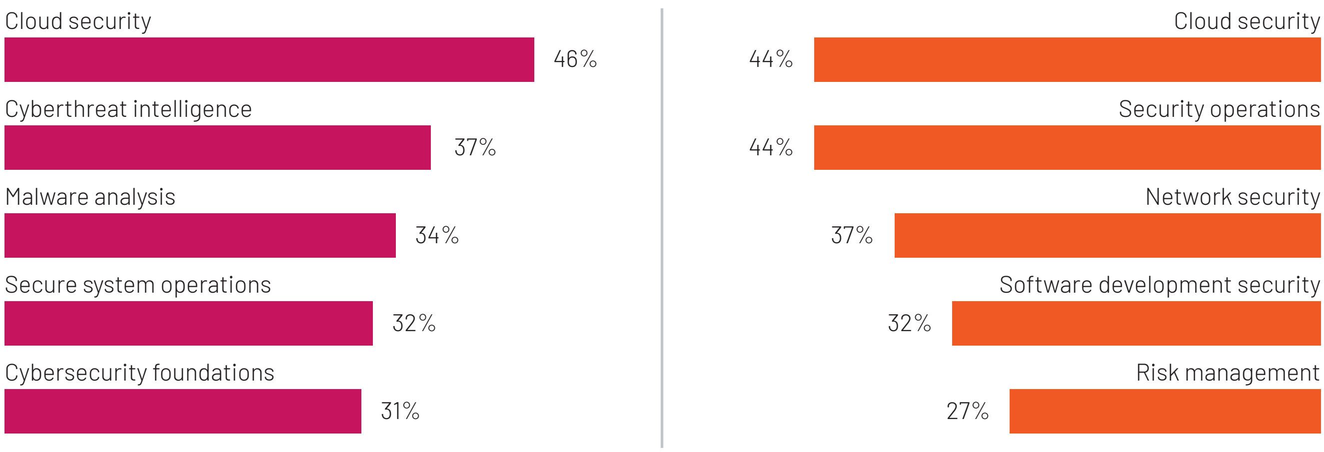
Hybrid and remote work settings have many benefits for organisations and employees, but they also pose risks. Remote workers put information security at risk by using personal devices, unsecured Wi-Fi networks, weak passwords and unencrypted file sharing.

Businesses must establish strong cybersecurity safeguards to protect their systems, data and employees in remote and hybrid working environments. They must also guarantee that employees accessing the company's systems remotely have the proper training and resources to avoid well-planned cyberattacks.

Lack of skilled talent

Following the threefold increase in cyberattacks after the pandemic, businesses have a greater need for cybersecurity professionals to protect sensitive information. There is a growing risk of security breaches due to a lack of qualified cybersecurity personnel to meet the growing demand.

Cybersecurity skills the most in demand and roles the most difficult to fill



Source: Fortinet

A lack of comprehensive cybersecurity education and training programmes contributes to the demand-supply imbalance in the cybersecurity sector. The shortage of qualified cybersecurity workers could be remedied only via concerted effort on the part of businesses, universities and governments.

68% of the organisations surveyed indicate they face additional risks because of cybersecurity skills shortages, according to the 2023 Cybersecurity Skills Gap Report published by US-based cybersecurity company Fortinet

Over 54% of the respondents indicated that their organisations struggle to retain cybersecurity talent

According to a February 2023 article by Gartner, by 2025,

- Nearly half of the cybersecurity leaders will change jobs; 25% will move to different roles, entirely due to multiple work-related stressors
- Over 50% of significant cyber-incidents will be due to talent shortages or human error

IoT vulnerabilities and security concerns

Cybersecurity concerns have been exacerbated by the rapid growth of connected devices and IoT. IoT devices are vulnerable to cyberattacks because of security flaws such as the use of weak or default passwords and the failure to update software on a regular basis. The exponential proliferation of IoT devices necessitates strong security mechanisms and ongoing monitoring and patching of vulnerabilities.

Increased risk of loss

Cybersecurity breaches could result in monetary loss, reputational harm, loss of customers and disruption of operations. It may have far-reaching effects on a company's bottom line. To manage and limit the potential overall loss arising from cybersecurity events, organisations need to list cybersecurity as a strategic business priority.

The global average cost of a data breach in 2023 was USD4.45m, a 15% increase over three years, according to findings of a survey published by IBM in March 2023. The survey featured 553 organisations in 16 countries and 17 sectors impacted by data breaches

Rise in cybersecurity risks in cloud computing

The adoption of cloud computing has transformed the way businesses operate, providing flexibility, scalability and cost-effectiveness. However, there are additional security concerns associated with using cloud services, such as data loss, breaches and unauthorised access. Cloud service providers must implement robust security measures such as encryption, firewalls and intrusion detection systems. Strong access controls and monitoring for suspicious activities must also be implemented to protect data.

Cybersecurity is a strategic issue that affects product viability, company performance and consumer connections; it is not just a means of mitigating risk. Organisational cybersecurity has never been more challenging, due to the exponential growth of cyberthreats around the world. Many organisations struggle to transform and integrate security measures in their products and operations.

Consulting companies with expertise in cybersecurity are well positioned to help corporations transform their cybersecurity capabilities by adopting a proactive, strategic approach that clearly outlines business priorities, assesses current maturity levels and implements a comprehensive and effective risk-mitigation strategy.

What does the future hold?

Are organisations ready for the threats of tomorrow?

Technology is advancing rapidly, making cybersecurity's future complex and ever-changing. There will likely be significant opportunities to safeguard digital assets and reduce the impact of cyberthreats in the coming years, as well as new hurdles to overcome. New security challenges would emerge as IoT devices and systems become more integrated. The growing number of connected devices raises the risk of cyberattacks and system vulnerabilities that could compromise key systems and data. To protect the confidentiality and availability of sensitive information in the future of cybersecurity, businesses would need to adopt stringent security protocols.

Outlook for the cybersecurity market

USD1.75tn

Cumulative cyber-spending by **2025**[1]

45%

Share of global organisations forecast to face cyberattacks by **2025**[2]

3.5m

Cybersecurity jobs expected to remain unfilled by **2025**[3]

USD10.5tn

Global annual cost of cybercrime in **2025**[4]

15%

Annual increase in costs related to cybercrime over the **next five years**[5]

24%

Expected growth in identity, network and end-point security by **2026**[6]

Source: Cybersecurity Ventures (1, 3, 4, 5); Gartner (2); CloudTweak (6)

Cyberattackers will likely create increasingly sophisticated methods, tools and strategies to exploit vulnerabilities and breach systems, networks and application defences. Hackers may leverage quantum computing and artificial intelligence (AI) to launch more sophisticated and targeted attacks. Future spoofing attempts would employ AI to replicate human activities or optimise social-engineering tactics. Supply-chain threats would increase, forcing governments to impose strict rules to secure networks. Cyberattacks on small vendors and suppliers, third parties and firms that do not invest in risk pillars would rise.

According to the 2023 Cyber Threat Report by cybersecurity firm SonicWall,

- The number of ransomware attacks rose to 493.3 million in 2022, representing a 169% increase since 2017
- IoT malware attempts reached a record high of 112.3 million, up 87% y/y, as the number of connected devices continued to grow
- There were 5.5 billion malware attacks in 2022, a y/y increase of 2%
- SonicWall researchers recorded 139.3 million cryptojacking attempts, a 43% y/y increase

The future of cybersecurity will require organisations to stay ahead of these evolving threats by investing in advanced threat intelligence, threat hunting and proactive security measures.

Global cybersecurity spending will reach c.USD174bn in 2024, with security services being the largest and fastest-growing market category, according to global market intelligence firm International Data Corporation (IDC)

More stringent data privacy and security requirements are likely to be imposed, altering the regulatory landscape. Laws such as the EU's General Data Protection Regulation (GDPR), Canada's Personal Information Protection and Electronic Documents Act (PIPEDA) and California's Consumer Privacy Act (CCPA) reflect growing global awareness of the need to safeguard individuals' private information.

The future of cybersecurity would see organisations facing increased regulatory compliance requirements, with potential fines and penalties for non-compliance. To comply with new regulations, businesses must invest heavily in data privacy and security measures, including encryption and data breach processes.

We predict that in 2024, organisations will face more scrutiny than ever over the measures they take to combat cyber-risk. As privacy regulatory efforts spread to dozens of jurisdictions, many businesses will likely realise they must initiate privacy programmes immediately. Gartner expects large organisations' privacy budgets to reach USD2.5m by 2024.

Additionally, the cybersecurity workforce will likely continue to lack competent specialists. The cybersecurity skills gap could leave firms vulnerable to cyberattacks as demand rises. Organisations must spend on training and development so as to have a skilled cybersecurity talent pool. Partnerships with schools, providing internships and launching training and retraining programmes may all play a role in closing the skills gap.

Increased emphasis will likely be placedon cybersecurity measures that are user-centric. Social-engineering assaults, such as phishing and ransomware, continue to target individuals, but the main factor in cyber-mishaps is still human error. User education and cybersecurity methods including multi-factor authentication, password-less login and biometric authentication would be prioritised to engage users in the security solution.

The ever-evolving nature of threats, along with the fluidity of data, makes the future of cybersecurity extremely uncertain. The convergence of physical and digital security, new and complex threats, the continued interconnectedness of devices, shifting regulations and the urgent need to fill the resulting talent gap are all factors forecast to have a significant impact on the future of cybersecurity. As technology becomes more pervasive, IoT and critical infrastructure systems will present new attack vectors, leading to potential disruptions and vulnerabilities.

Businesses and organisations need to be proactive and adaptive in their cybersecurity strategies, comply with the evolving regulations and focus on employee development and user awareness. This is where a specialised consulting firm could prove to be a real saviour, helping organisations stay ahead of evolving cyber-threats, maintain well-managed and cost-controlled cybersecurity operations and achieve operational effectiveness.

How to unbox the trend

In today's digital landscape, cybersecurity is a critical aspect of business operations. With increasing frequency and sophistication of cyberthreats, organisations must prioritise cybersecurity to protect their digital assets, customer data and brand reputation. Achieving and driving growth in cybersecurity requires a proactive and holistic approach that encompasses people, processes and technology.

Companies that apply strong cybersecurity operational practices and incorporate key cybersecurity actions into their digital transformation initiatives are nearly six times more likely to have successful digital transformations than companies that do not

Invest in technology

Businesses should invest in cutting-edge technologies to boost cybersecurity. Firewalls, antivirus software and intrusion detection, encryption and security information and event management (SIEM) solutions can protect against cyberthreats. These technologies help organisations prevent cyberattacks, discover weaknesses and secure critical data. Businesses must continue to examine and update their cybersecurity systems and use the latest and most effective solutions.

To improve cybersecurity, organisations should integrate AI, ML and blockchain. AI and ML can analyse large volumes of data and uncover patterns that humans may fail to detect and respond to cyberthreats in real time. Blockchain can safely and transparently store, authenticate and share data to prevent data tampering and unauthorised access.

Develop a comprehensive cybersecurity strategy

Effective cybersecurity is built on a clearly defined strategy. It should be consistent with the organisation's overall business objectives and risk appetite. Organisations that closely align their cybersecurity programmes to business objectives are more likely to increase their ability to drive revenue growth, increase market share and improve customer satisfaction, trust and employee productivity.

Every facet of cybersecurity, including risk assessment, threat intelligence, incident response and security governance, should be addressed in the plan, which is why it is important to have well-defined objectives, roles and responsibilities. A comprehensive strategy provides a roadmap for the organisation to follow to ensure cybersecurity is integrated into all aspects of the business.

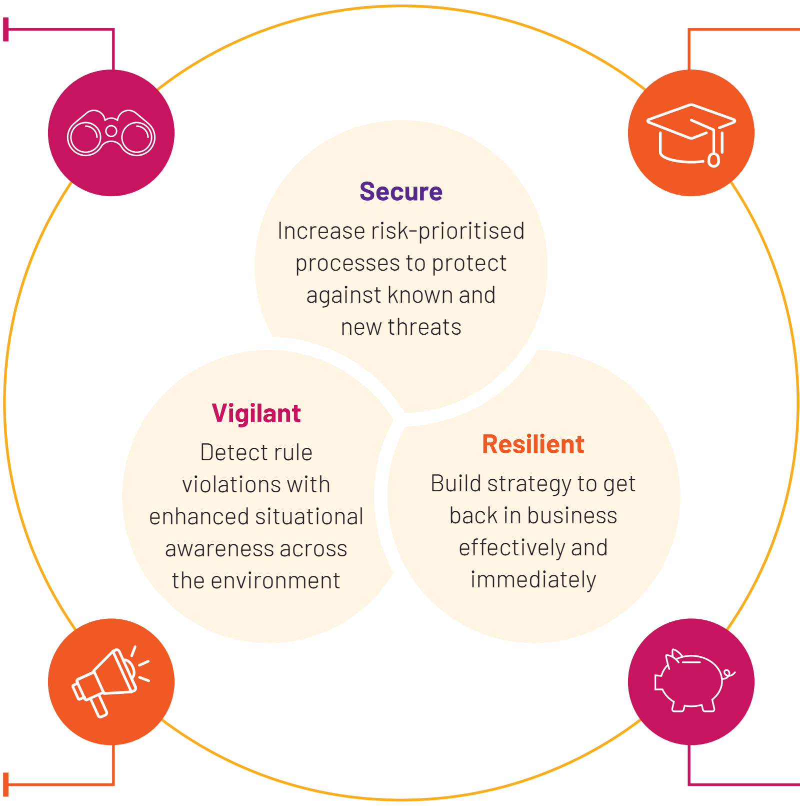
Strategies to manage cyber-risks

Prioritise cyber-risk as a strategic issue

Define responsibilities for cyber-risk management and prepare the best model for monitoring under management's supervision

Build policies and structures

Understand current practices and strategies, conduct gap analysis and build new policies and update strategies



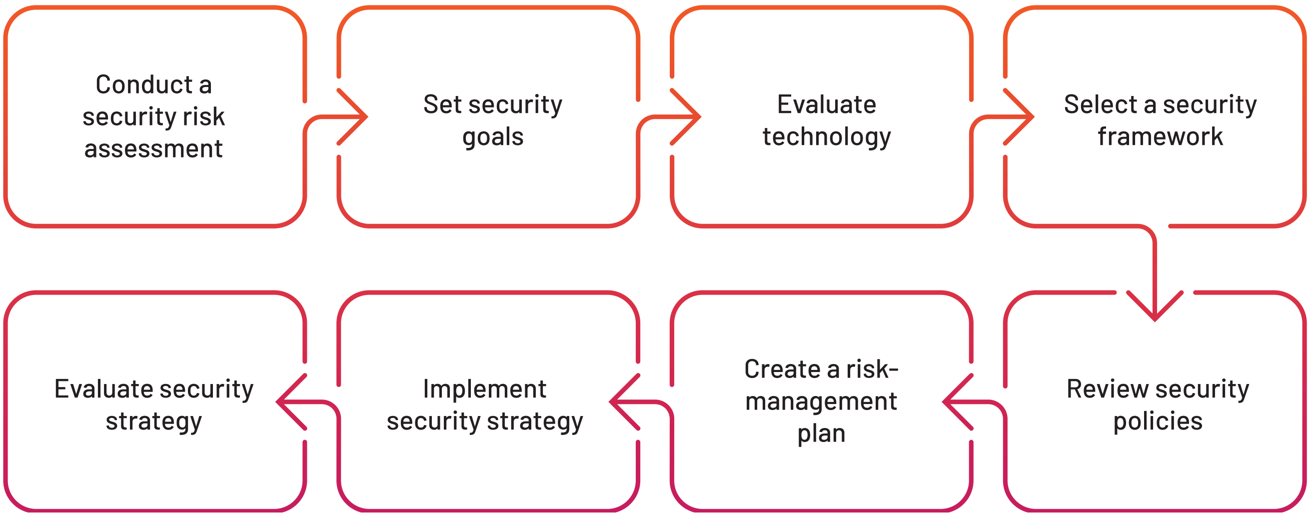
Conduct awareness sessions

Conduct training sessions periodically to increase employee awareness of the need for cybersecurity

Invest In cybersecurity implementation

Create a plan to invest in assets based on priority

Key steps to developing an effective cybersecurity strategic plan



Source: Press articles, Acuity Knowledge Partners

Establish a cybersecurity culture
A security-conscious culture is essential for increasing cybersecurity. All employees in an organisation should be trained in cybersecurity best practices and made to understand their role in protecting its assets. This involves consistent security awareness training, phishing simulations and security policies that are widely disseminated and enforced across the organisation. Employees should be encouraged to report security incidents and suspicious activity promptly. They must not only know how to identify phishing, but also follow the principle of verifying requests before trusting them. By fostering a security culture, businesses can create a workforce that is vigilant and proactive in defending against cyberthreats.

Build a cybersecurity talent base to address skills shortages
A recent study by Cybersecurity Ventures forecasts 3.5 million cybersecurity jobs by 2025. Leaders in the security sector would need to tackle talent shortages and evolving risks by actively seeking out a diverse talent pool, building recruitment strategies and measuring progress towards diversity goals. Without addressing talent shortages and diversity gaps, organisations risk inadequate security and risk outcomes.

Upskilling and reskilling programmes, and mentorship programmes, are essential for bridging the sector's current skills gap. Outsourcing cybersecurity needs is another strategy businesses could deploy to deal with the talent gap. Organisations may also overcome cybersecurity talent shortages with automation, AI and consolidating security tools. This could reduce the workload of existing employees while increasing productivity through streamlined management and reporting.

Implement a multi-layered defence system
Organisations should adopt a multi-layered defence approach to protect against the different types of cyberthreats, including a combination of technologies such as firewalls, antivirus software and intrusion detection and prevention systems. These technologies should be regularly updated and patched to ensure effectiveness against the latest threats. Businesses should also consider implementing advanced security technologies such as behavioural analytics, ML and AI to detect and respond to emerging threats in real time.

Regular monitoring and responding to threats
Incident response plans should be in place, outlining the steps to be taken in the event of a security breach, and these should be regularly tested and updated. Timely response to security incidents can prevent or minimise the impact of a cyberattack.

Proactively monitoring IT systems and networks is crucial for identifying and responding to cyberthreats in a timely manner. Organisations should implement robust security-monitoring tools and techniques, such as SIEM systems, threat intelligence feeds and security analytics, to detect and investigate potential security incidents. Plans for responding to incidents that result in security breaches should be in place, tested frequently and updated. Cyberattacks can be prevented or their effects mitigated by prompt action taken in response to security events.

If an organisation does not have the expertise to make good use of its technology, no amount of technology would keep it safe. The right measures to safeguard and restore critical information should be implemented with the help of a cybersecurity consulting company.

Cybersecurity consultants are now a vital resource for businesses in all sectors as technology develops and transforms at an astounding rate. Cybersecurity consulting companies can assess an organisation's critical assets, identify threats and vulnerabilities, and create a multi-stage plan that takes into account both immediate needs and the organisation's long-term vision for security, compliance and ongoing governance. The organisation could also embrace a security-first culture by working with cybersecurity professionals to train employees to safeguard their work systems, machines and other assets.

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Acuity was established as a separate business from Moody's Corporation in 2019, following its acquisition by Equistone Partners Europe (Equistone). In January 2023, funds advised by global private equity firm Permira acquired a majority stake in the business from Equistone, which remains invested as a minority shareholder.

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