



Corporate Services Survey Costa Rica

June, 2020

KPMG Costa Rica

Chamber of High Technology
Corporate Services (CamSCAT)

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Foreword

Resilience, transformation and sustainable structures in a country of opportunities

As part of a joint effort between the Chamber of High Technology Corporate Services (CamSCAT) and KPMG aimed to generate data and intellectual property to describe the Costa Rican Corporate Services Sector, last December 2019 we presented the results of a survey regarding challenges and trends gathered from the sector's decision makers.

Since early 2020, Costa Rica, like the rest of the world, is struggling with uncertainty: How will the economic and social dynamics be like in the new normal? Are business organizations prepared to face the changes that this unexpected situation demands? There are multiple questions that we must face regarding the COVID-19 pandemic that require that each of our steps are aligned with our organizational strategy.

Despite the multiple challenges, the ability of Costa Ricans to quickly adapt to change surprised the world and, even more so, the corporate services sector in the country. The preventive actions taken by the government, working from home practices, robust telecom connectivity, as well as technological infrastructure and human talent are some of the variables that allowed the increase of operations in this industry, even absorbing activities from other sites worldwide, which were not able to cope and keep their operations running due to safety measures and lockdowns.

Organizations and their collaborators today face the challenge of taking the country to the new normal through sustainable structures. Exploring the unknown and working on the continuous organizational construction represent the opportunity to demonstrate resilience and aptitude for transformation, while at the same time managing to maintain confidence in the business environment.

This updated report aims to provide a conjunctural analysis that complements the results of the local survey aforementioned, with the international industry trends gathered by KPMG in different geographies and considering the impact and resilience demonstrated in the Costa Rican sector. Hopefully the results will be valuable and serve as a baseline to keep measuring trends continuously as we all figure out what the New Normal will look like.



Luis Rivera
Partner
KPMG Costa Rica

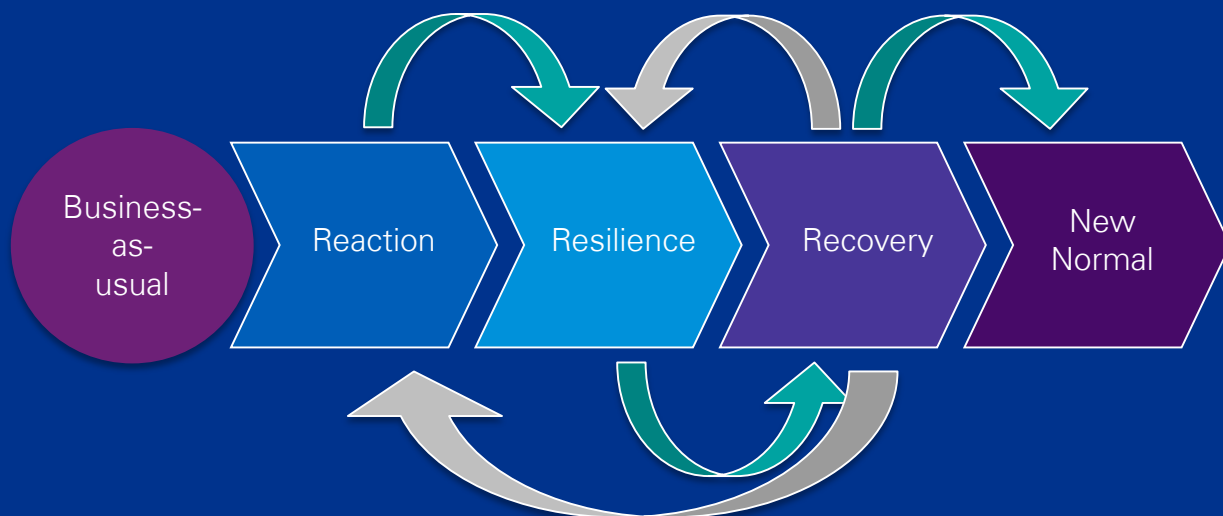
Setting the framework towards the New Normal

During the last months of the year 2019, CamSCAT and KPMG Costa Rica ran a survey in order to get the pulse of the corporate services sector in the country. More than 40 companies gave their answers to different questions regarding demographics, characteristics of the local market, challenges and priorities of their operations, as well as the latest trends in areas such as sustainability, disruptive technologies and digital strategies.

Although the answers were given in a completely different context, they elucidate the outlining aspects of this valuable sector for the country's economy and sort out additional concerns on how the companies will overcome the challenges in the *New Normal* that is being imposed by a global health emergency.

The COVID-19 pandemic has redefined business-as-usual for nearly all companies, regardless of industry, size, or geography. All organizations are dealing with some level of disruption and will continue to grapple with the business implications of managing remote workforces, accelerating digital transformations, building more resilient supply chains and strengthening connections with customers in the weeks and months to come.

Given the level of disruption, most organizations at the corporate level are largely still on the *Reaction* phase or moving into *Resilience*, then *Recovery* and eventually to a *New Normal*, which no one can predict with any certainty yet, but in which we can expect some current trends and behaviors to be sustained and some other new that were never thought of.



Nothing could have prepared companies for this situation, and that is the reason why uncertainty has taken a leading role in the decisions made up until now. While the best scenario would be to have a linear path throughout the four phases, some of the organizations may go back to *Resilience* when they had already reached some *Recovery*, and in the less ideal setting some may have to retake reactionary measures towards the changing circumstances.

This report intends to provide insights on the business climate observed by the corporate services sector before the pandemic crisis and how they can be aligned with the transition from business-as-usual to the *New Normal* through the implementation of new and reinvented operational business practices.

Key takeaways

Business Continuity

was the least mentioned topic and only 5% of surveyed companies perceived it as an **internal challenge**. The pandemic made clear how relevant it was for keeping operations going.



Workforce transformation

as sourcing, hiring, training and retaining talent becomes a bigger challenge now that all aspects of HR management should be **digitalized**.



RPA & AI implementation

was mentioned as the top short-term priority by 71% of companies, being reaffirmed now as **disruptive technologies** are becoming even more relevant to tackle COVID-19 effects in business.



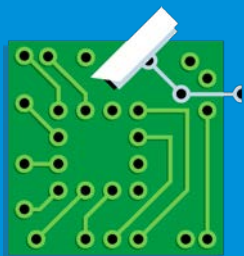
Decrease of F&A processes

was planned for 2020 by most of the surveyed companies, aligned with their redirected **focus on emerging technologies** and more sophisticated functions.



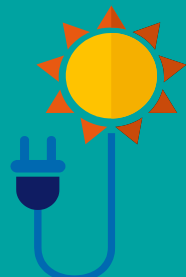
Cybersecurity

was the top technology in which 82% of companies were planning to invest in 2020. Now they have the challenge to **secure new remote working practices** while ensuring critical business functions are operating.



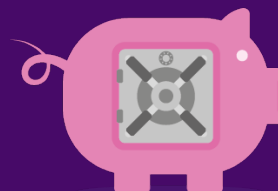
Sustainability

programs were managed by 59% of polled companies which will be vital during the *New Normal* to rebuild and retain their **stakeholders' trust**.



Cost Reduction

was the third topic considered as a challenge within 52% of companies. This might have changed for most of the organizations, which already have implemented **reactionary measures** to reduce costs and are even considering new ones.



Digital transformation

was among the top **critical success factors** for value generation for 66% of companies. Companies betting on digital transformation may emerge more competitive from this pandemic.

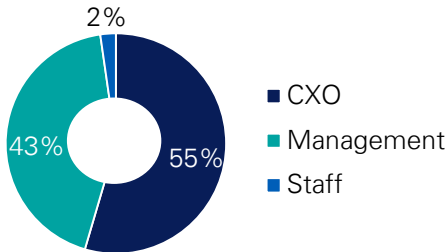


Demographics



Demographics

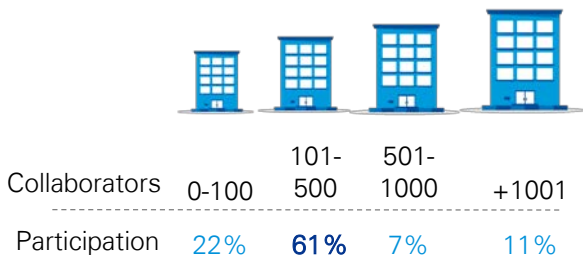
Respondents



A total of 44 companies from the corporate services sector participated in the survey run by KPMG along with CamSCAT.

98% of the responses were submitted by chief executives and people in management roles.

Size of companies



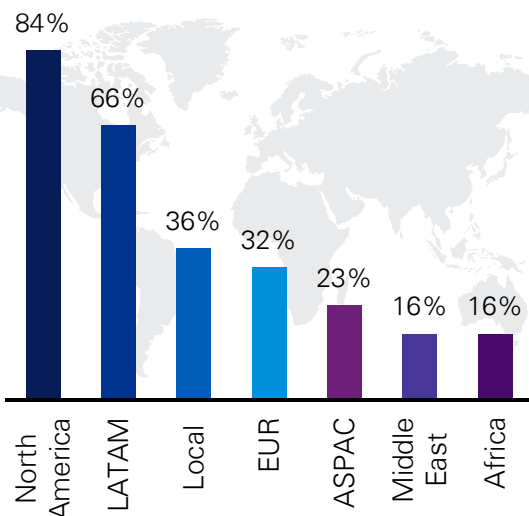
6 out of 10 polled companies have between 100 and 500 collaborators.

30% of these companies started operations less than 5 years ago.

34% of the polled companies have over 10 years operating in the country, which reflects on the maturity level of the corporate services sector.

These companies have contributed with at least 9.400 jobs in areas such as Finance & Accounting, HR Management, Customer Care, Information Technology (IT) support, among others.

Supported Languages and Regions



Although Costa Rica's main language is Spanish and the majority of services are provided in that language, 93.2% of the services delivered by the surveyed companies are provided in English, followed by Portuguese with a 61.4% and French with 31.8% due to companies covering the Americas, including the Brazilian market and the Canadian provinces that speak French.

While the local market is only covered by 36% of the companies, 8 out of 10 companies provide services to North America and over 60% of them service the Latin American market. Along with its multilingual capabilities, this dynamic has positioned Costa Rica as a key hub to service the American continent.

The other markets mentioned by the surveyed companies were Europe and Asia Pacific, and with a lower coverage the Middle East and Africa. Some centers provide global support, while many perform global functions.

Demographics

Business Model

We asked companies to identify their operations with the business models that would better represent them. Many of the polled companies chose more than one business model.

Over 85% of the polled companies identify their business model as a Shared Services center or a Back Office operation, demonstrating the underlying importance and relevance these particular model has acquired during the last years.

Contact Center operations represent the second business model chosen by 25% of the surveyed companies, considering that customer care is still a key process area implemented by the organizations.

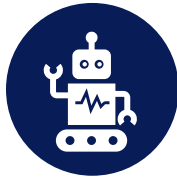


ITO: Information Technology Outsourcing
BPO: Business Process Outsourcing

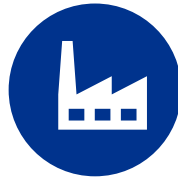
Demographics

Industries supported

Demand for services is distributed across a variety of industries, being the main ones **High Tech Goods and Services** and **Manufacturing**, The classification of **“Others”** includes the industries of Marketing, Mining, Chemicals, Aerospace and Non-Profit organizations. The three least supported industries by the polled companies were Consulting, Tourism and Education. **12 out of 44** surveyed companies indicated to **support two or more industries** from their business centers.



High Tech Goods & Services
25%



Manufacturing
20%



Other
20%



Food & Beverages
16%



Finance & Insurances
16%



Energy
16%



Pharma/Biotech
16%



Health
14%



Automotive
11%



Mass Consumer Goods
11%



Telecommunications
11%



Retail
9%



Construction & Engineering
9%



Transport & Logistics
7%



Consulting Services
5%



Tourism
5%



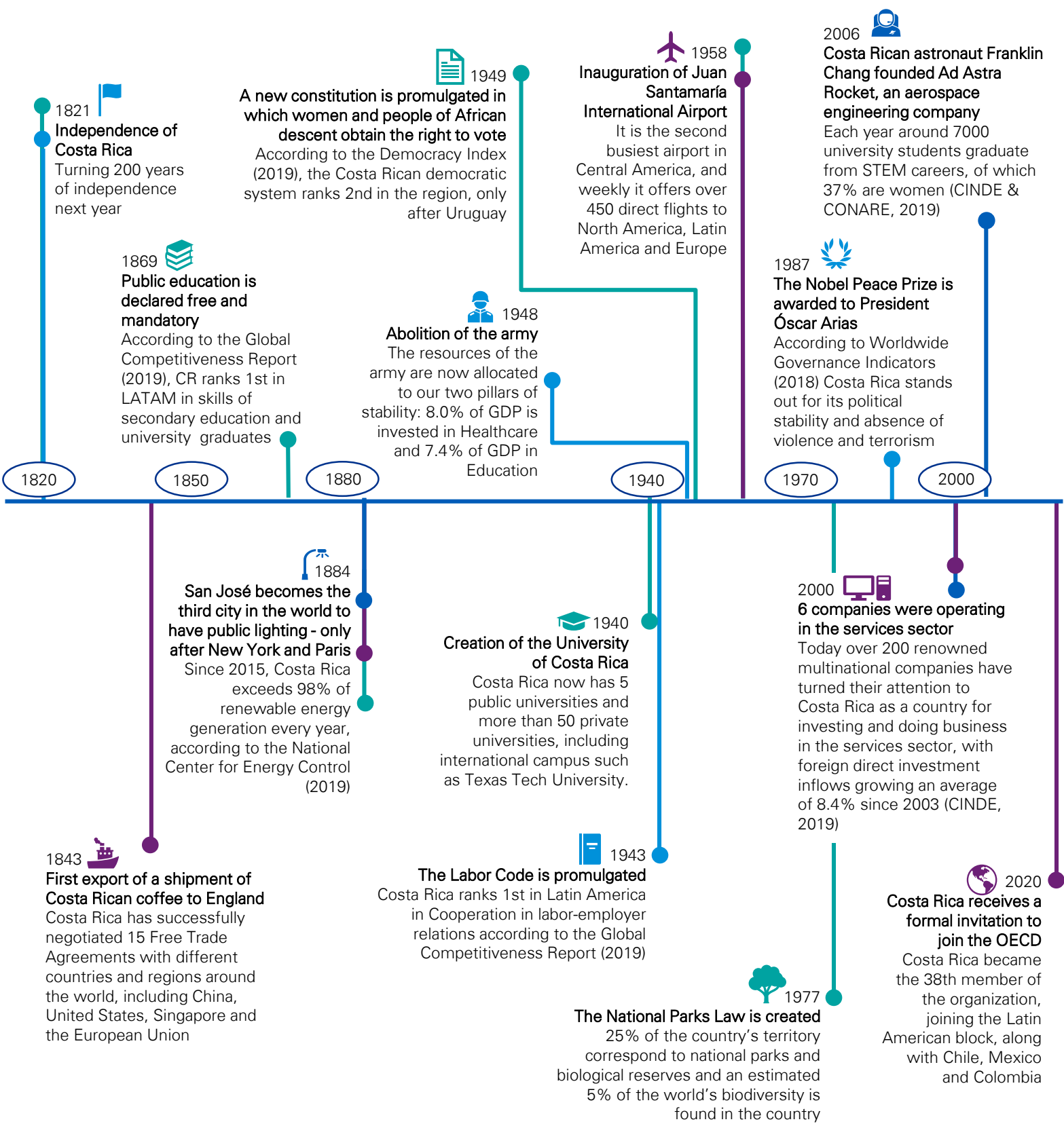
Education
2%

Local market for Corporate Services



- Political
- Economic
- Social
- Technological

Country foundations for today's business climate



“

The Costa Rican high-tech corporate services sector continues to drive the generation of high-quality employment, as well as the growth and evolution of productive activities based on innovation and knowledge. The integration of processes of greater added value and sophistication and the talent we have, confirms the position of the country as a preferred competitive destination for high-value and outsourcing processes.

”

– Roy Mena
President, CAMSCAT

Local Market for Corporate Services

Advantages of the Costa Rican market

Companies were asked to select the advantages of establishing their business in Costa Rica. The main advantage perceived by **98%** of polled companies is **talent**. It is well known that corporate services organizations have thrived because of the educated and well-trained talent they have found in the country, which have let them expand and diversify their operations.

Geographic location and **political stability** also represent advantages of having their business centers in Costa Rica for **over 70%** of the companies, becoming a great incentive for those which have invested more heavily in expanding and diversifying their business centers.

39% of companies considered **government support & incentives** such as the Free Trade Zone Regime as advantages of doing business in Costa Rica. Considering the COVID-19 crisis, one *Recovery* measure to be potentially implemented is to readjust the

Free Trade Zone regime in terms of its requirements, to better readapt to the *New Normal* and enhance the governmental support provided to companies. This topic is further developed in the last section of this report *Going through Reaction, Resilience & Recovery*.

Moreover, **IT infrastructure** was seen as an advantage by only **16%** of the surveyed companies, although the IT infrastructure and connectivity in which companies set up their servers and continuity plans played a vital role during the beginning of the pandemic crisis for the implementation of remote work and also the absorption of other region's workloads.

Citizen security was perceived as an advantage by **14%** of the surveyed companies, being a clear area of improvement as it is pointed out in the next section of challenges of operating in Costa Rica.

Local Market for Corporate Services

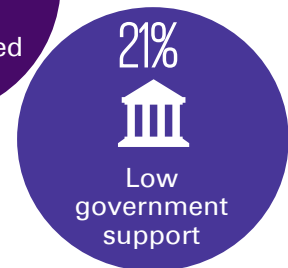
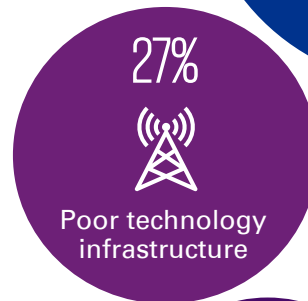
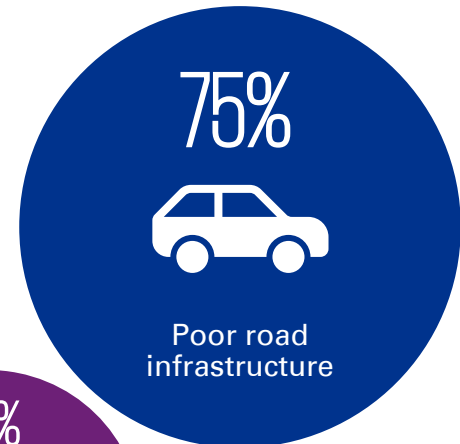
Challenges of the Costa Rican market

Companies were also asked to point out the most important challenges they face having their business in Costa Rica. **75%** of the companies identified **poor road infrastructure** as a liability for their operations, becoming the main area of improvement according to this survey.

Good road infrastructure is vital to promote economic development and urban mobility in the Great Metropolitan Area, in which most of workplaces are located. Before the pandemic crisis, there was a daily displacement of 1.5 million people, and even though most of the people are working from home now, taking actions on the improvement of road infrastructure will always benefit the national investment climate.

Although 16% of companies mentioned **IT infrastructure** as an advantage in the last section, **27%** of them perceived it as a challenge. The overall position regarding this topic have changed as the IT infrastructure has generally been a great ally for business continuity during the pandemic, as previously stated, and a more specialized focus towards its enhancement must be taken.

As the *New Normal* emerges, companies will need to continue to build a digital backbone using cloud-native solutions, anywhere connectivity, and an automated and secure delivery chain with the speed and flexibility to meet rapidly evolving business needs and continue to keep the business up and running.



Citizen insecurity was also recognized as a constraint by **one-quarter** of polled companies, threatening the investment climate and thus hindering the country's economic development .

Finally, the **lack of qualified talent** was considered a challenge for **23%** of the companies, most probably referring to job profiles in the technology area.

Local Market for Corporate Services

Maturity of services & processes

In a matter of four decades, Costa Rica went from having a solely agricultural export structure to a diversified and service-oriented transformation; and at the same time, integrated into global value chains. According to Mr. Jorge Sequeira, CINDE’s Management Director, Costa Rica has transformed itself and continues to promote its economy and human talent, whose work stands out: 46% of the country's total exports belong to the services sector, which almost double the 27% average of services exports of the other member countries of the OECD. Mr. Sequeira also indicates that exports of IT and services enabled by information and communication technologies (ICT) reached US\$ 4,681 million in 2019.

A significant part of the sector’s maturity has been focused on **Finance & Accounting** activities. In fact, according to the survey, processes such as **Record-to-Report, Purchase-to-Pay and Order-to-Cash** are the most common among companies, reflecting on how the expertise has been directed to develop in this particular area by many of the services center. In addition, **Customer Care** has been key since the very beginning of the sector more than two decades ago.

Although there has been a clear specialization in Finance & Accounting functions, **Supply Chain** and processes with more value-added and complexity, such as those related to **Innovation** and **Automation** show an initial quote of participation and expansion within the market.



30-55%

- Record-to-Report
- Purchase-to-Pay
- Order-to-Cash
- Customer Care



10-30%

- Projects
- Financial Planning
- Hire to Retire
- IT



1-10%

- Innovation
- Robotic Process Automatization (RPA)
- Supply Chain

“ Thanks to the performance of tasks with higher added value and an increase in productivity, this sector has expanded in areas such as artificial intelligence, data analysis, and cybersecurity, among others. Costa Rica offers a versatile platform of digitized people that has allowed the transformation of business in the fourth industrial revolution and that is ready to face the challenges of the post-COVID-19 economy.



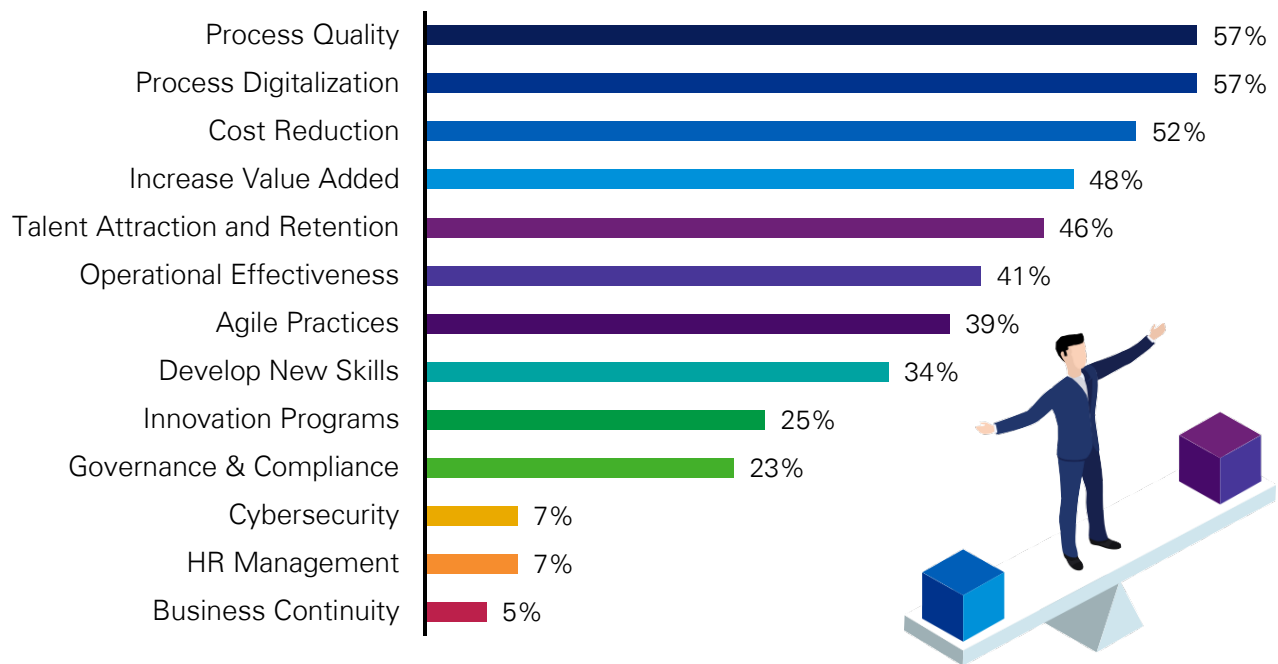
– Jorge Sequeira
Managing Director, CINDE

Operational insights



Operational insights

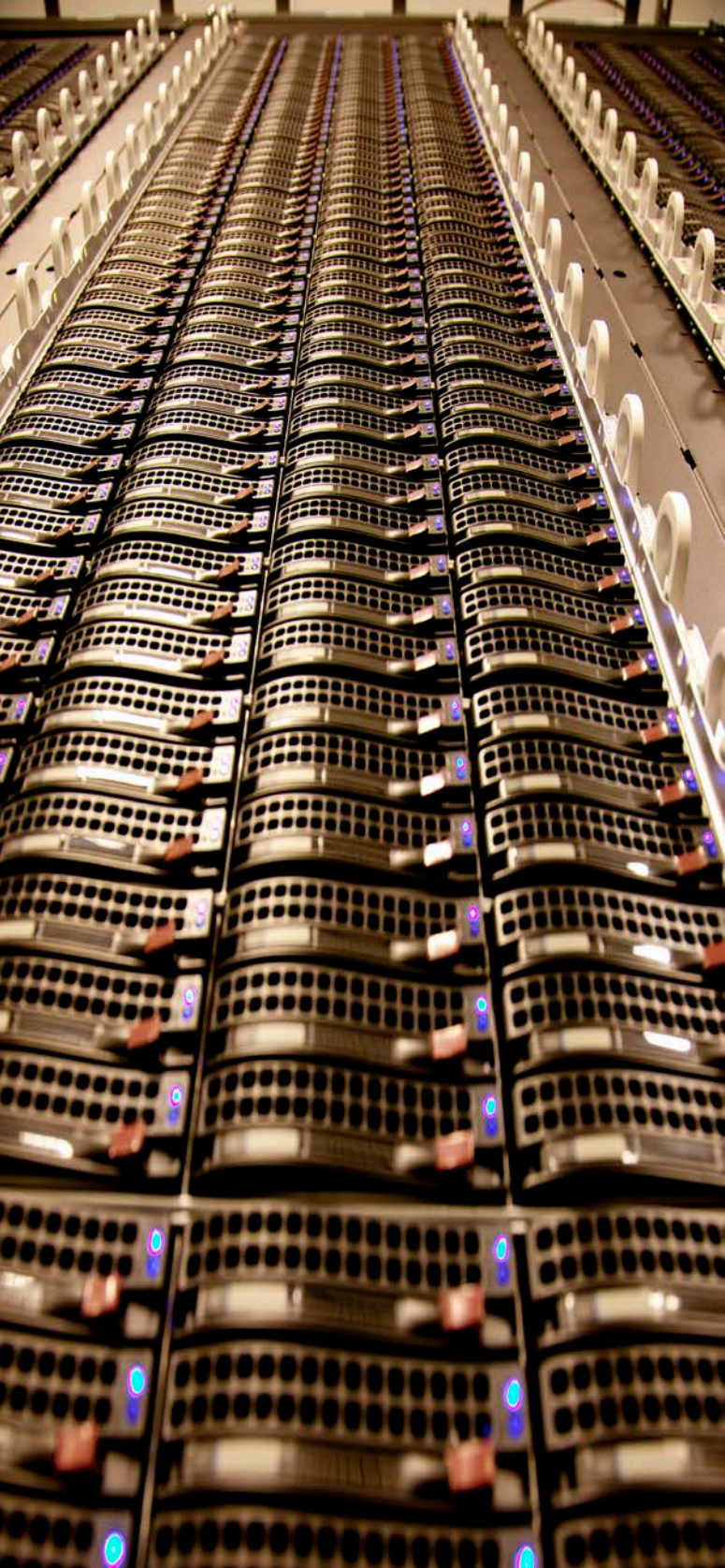
Challenges within the organizations



57% of companies pointed out **Process Quality and Process Digitalization** as the main challenges to overcome within their organizations. **Cost Reduction** was also important –as indicated by **52%** of the companies. Right now, as we are still in the midst of an unprecedented global health emergency, it could be safe to affirm that reducing costs is the greatest challenge companies have.

The pandemic crisis has forced companies to look for cost reductions on a scale nobody could have imagined, in the middle of an economic disruption that is playing out faster, and on a broader front than in previous experienced recessions. Furthermore, it is filled with uncertainty, evolving on a day-to-day basis with no clear consensus yet on how long or how deep the economic downturn will be.

Most organizations have already undertaken reactionary measures such as sending their collaborators to Work from Home (WfH), furloughing collaborators without workload, and postponing or canceling nonessential activities. Now it may be the time for a further considered analysis and prioritization of additional cost-reduction opportunities. According to the KPMG article *COVID-19 and the CFO* (May, 2020), to take these sort of decisions, it will be critical to formulate plans based on hard internal data and data analytics. Organizations with strong data analytics will be best positioned to make cost-reduction decisions with more confidence.



Increasing the Value-Added of the services offered was marked as a challenge by almost **half of the companies**. The major focus and rapid implementation of disruptive technologies brought by COVID-19 may support the sophistication of operations and help companies stand out from their competition.

Talent Attraction and Retention was identified as a challenge by **46%** of companies. Talent attraction initiatives and its alignment with the pandemic emergency is approached on a separate section, as it has been a topic completely challenged. The tangibility of any company's culture has been particularly tested, since the workplace is the most visible artifact of culture and used to be one of the most valuable elements for talent attraction and retention. Organizations not only had to readapt and reinvent their recruitment and retention processes and programs, but also their compensation and benefits programs, learning and development programs, as well as their promotion and communications processes.

Business Continuity was the least mentioned topic perceived as a challenge, which was visible during the *Reaction* phase towards COVID-19. IT infrastructure in Costa Rica has played an important part in business continuity throughout the emergency. According to CINDE (2020), 98% of the multinational companies were able to send over 70.000 collaborators to work from home while competitively remaining open for business and retaining customers' trust. In fact, building trust with technology as foundation –what KPMG calls “technical trust”-is now a strategic imperative for companies. Technical trust enables companies to serve and protect customers, excellently and consistently, in the digital age (*Building Technical Trust*. March, 2019).



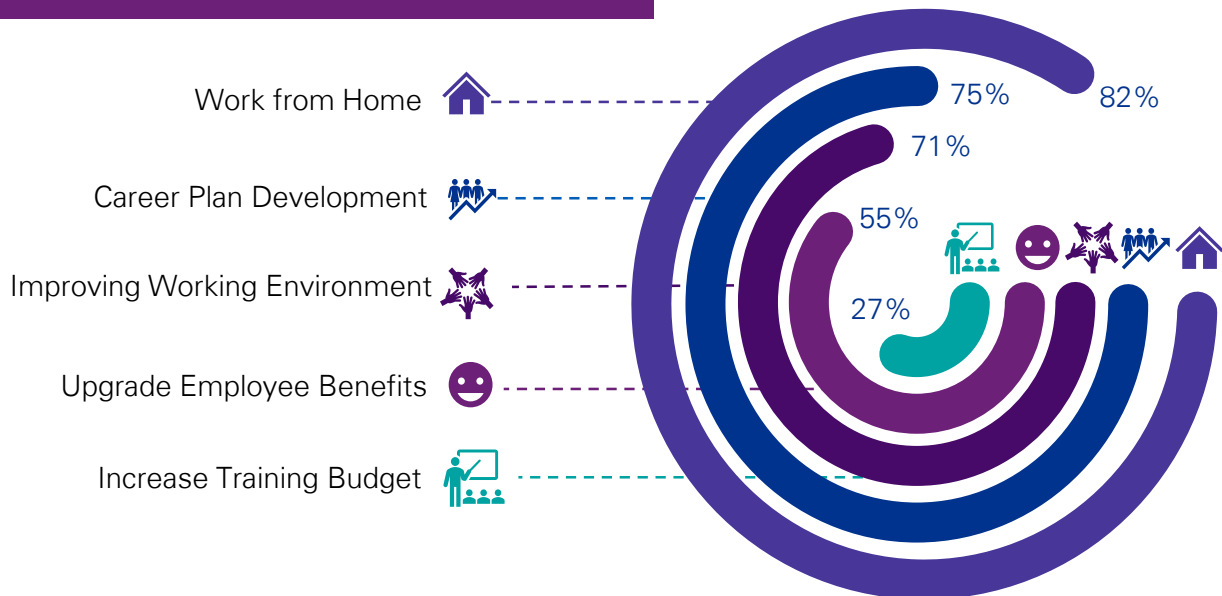
In many cases, organizations have not taken a hard look at their strategies required for success. Where do we need it? How do we get the capabilities? What ultimately are we trying to do? Rather than leading with technology, organizations need to first define the end state they are trying to achieve.



– Julie Sullivan
KPMG Canada Partner

Operational insights

Human talent attraction initiatives



COVID -19 pandemic has caught organizations unprepared and has hit businesses in different ways, with recruitment and talent acquisition strategies being no exception to this. Workforce planning and recruitment will be largely affected by how the organizations will be reshaped in the mid and long-term, as well as by the changing job roles and the recruitment marketplace.

When the survey was applied prior to the pandemic crisis, the most popular initiative among **82%** of polled companies for talent attraction was **Working from Home**. As a *Reaction* measure taken during the first weeks of the COVID-19 crisis, 98% of ITC companies implemented 100% WFH operations (CINDE, 2020); companies stopped considering it a benefit and it is now implemented as the new way of working.

As a result, there is an increasing need to extend additional support to the collaborators in order to ensure the continuity of the business as well as their welfare. While implementing working from home until further notice, companies need effective planning to guarantee productivity and utilization of workforce, scaled up IT support and frequent check-ins with colleagues to stay connected with each other. Three practices that can be adopted by companies for this matter are the following:

- **Technical support:** Provision of hotlines for the technical support related to working from home.
- **Communication:** Clear communication of Do's and Don'ts of remote working are needed for effective time management, with most collaborators also managing their household priorities.
- **Flexible working:** Consideration of alternate shifts, change in schedule and reduction of workload.

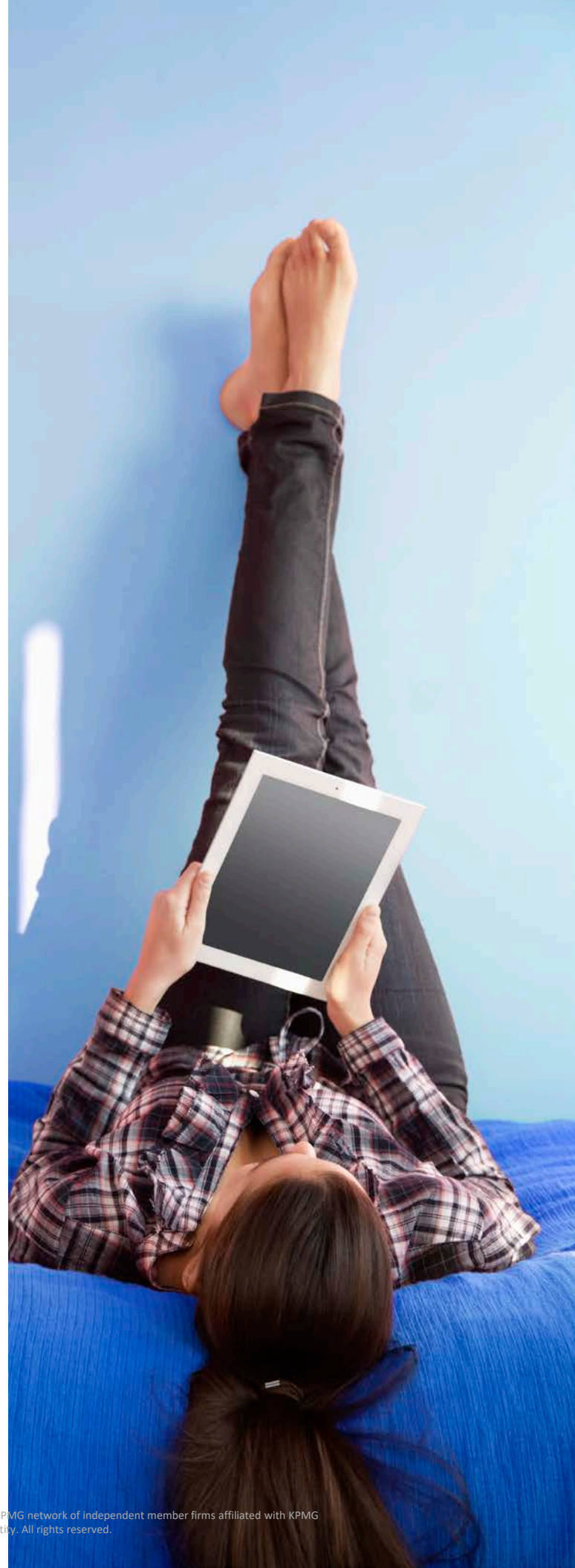
Improving the Working Environment –

mentioned by **7 out of 10** companies- may also have a completely different meaning now, since collaborators don't have to go to the office as often as they did before the COVID-19 emergency. Companies now need to focus on their collaborators' wellness working from home by redefining their wellbeing policy, which should include meaningful communication to ensure real time updates and guidelines, habilitation of channels for sending feedback and counselling helplines. An integral approach that includes attention to their physical, mental and economic health will also be necessary.

In the same line, new engagement measures such as virtual team meetings, leadership briefings and frequent one-on-one virtual meetings will be needed to keep the workforce motivated and with a sense of belonging, making sure they also remain productive.

The initiative related to **Increasing Training Budget** –pointed out by **27%** of companies might receive more attention, considering that most of the onboarding and training activities will be done remotely. To ensure smart hiring and improve efficacy, companies might have to digitalize all aspects of recruitment –from sourcing to engagement.

At last, companies intending to **Upgrade the Benefits for their Collaborators (55%)** should now focus on innovative and cost-effective solutions. The adoption of new reward systems and also the creation of a new employee value proposition will be essential for organizations to sustain their business models. According to KPMG's report *The Future of HR 2020*, companies that invest in employee experience have more than 4 times the average profit, more than twice the average revenue, and higher engagement levels.



Operational insights

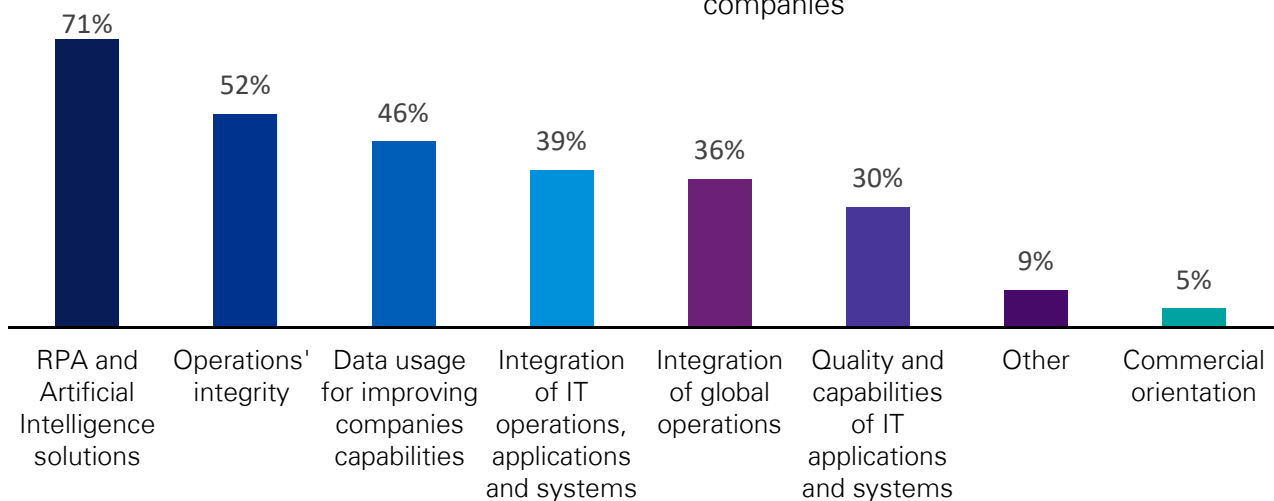
Short term priorities

Months before the pandemic crisis started, surveyed companies pointed out their short-term priorities. **Over 70%** stated that the first one was **Design and Implementation of RPA and Artificial Intelligence (AI) Solutions**.

Prior to COVID-19, according to KPMG's article *Applying automation to IT to help call centers in the wake of COVID-19* (May 2020), over 40% of companies worldwide were actively investigating automation, self-service, machine learning and AI. Since February, early indications show that number has increased to over 55%, which

may indicate that these subject matters will become even more relevant for business centers in Costa Rica as well.

Moreover, **Improving the Integration of Global Operations** was mentioned as a priority by **36%** of the companies at the end of last year. As the pandemic developed into a global crisis, many of the corporate services companies in Costa Rica managed to absorb workloads from delivery centers in other countries that were not able to cope with the enforced security measures. Integrating global operations is thus a new short-term priority for most of the companies

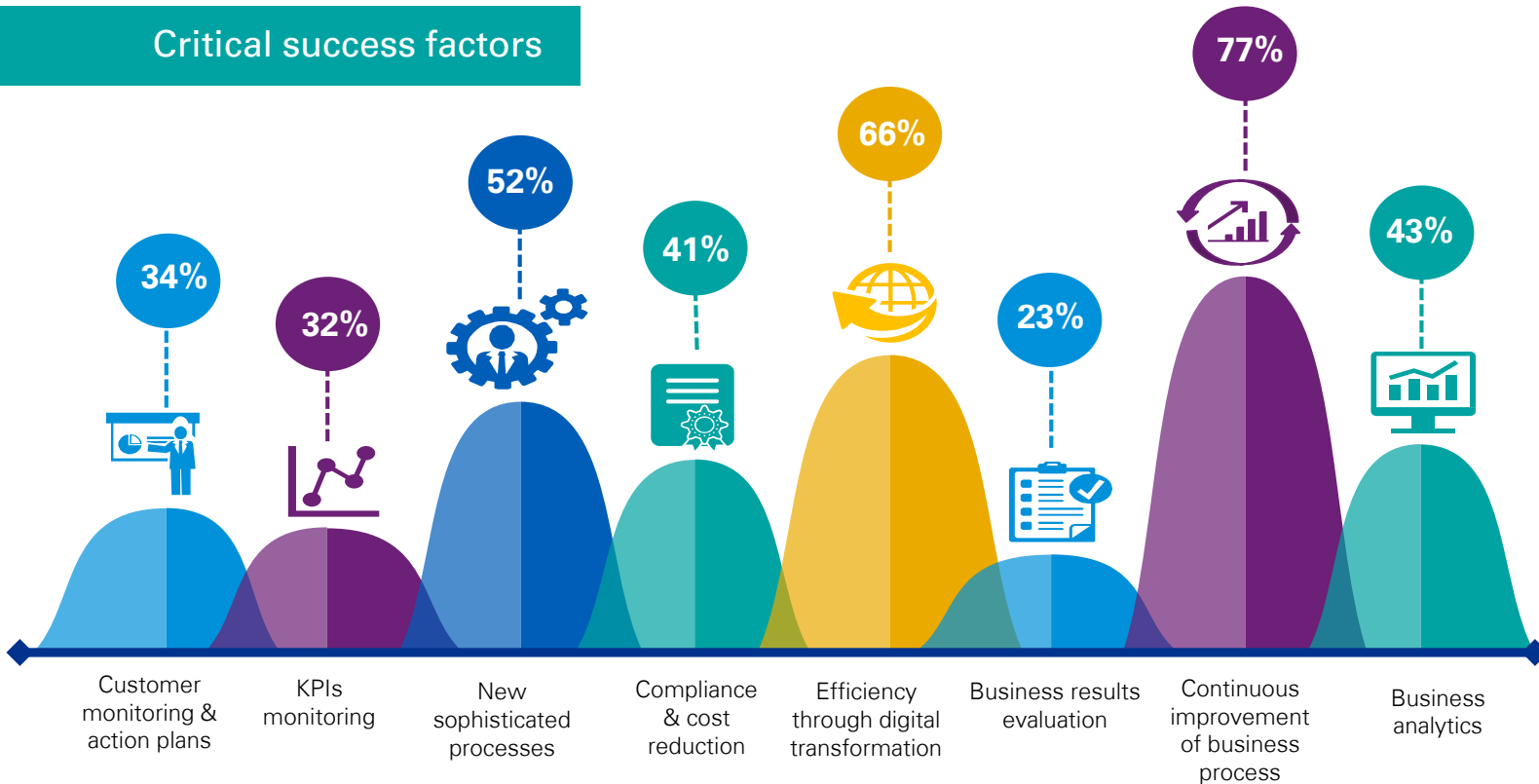


“ RPA and AI business cases are proven and the results are there. The difference we see in organizations that have moved beyond a few successful pilots is that leadership at the highest level is embracing it and making it a part of their overall strategy. ”

– Melissa Edwards,
KPMG Managing Director

Operational insights

Critical success factors



77% of polled companies affirmed that **Continuous Improvement of Business Processes** was a critical success factor for value generation; while in second place, **66%** indicated the same about better **Efficiency through Digital Transformation**.

Following the KPMG article *Positioning your digital strategy for the new reality* (May, 2020), companies that continue to invest in their digital strategy while balancing short-term efforts with long-term measures will emerge more competitive from this pandemic.

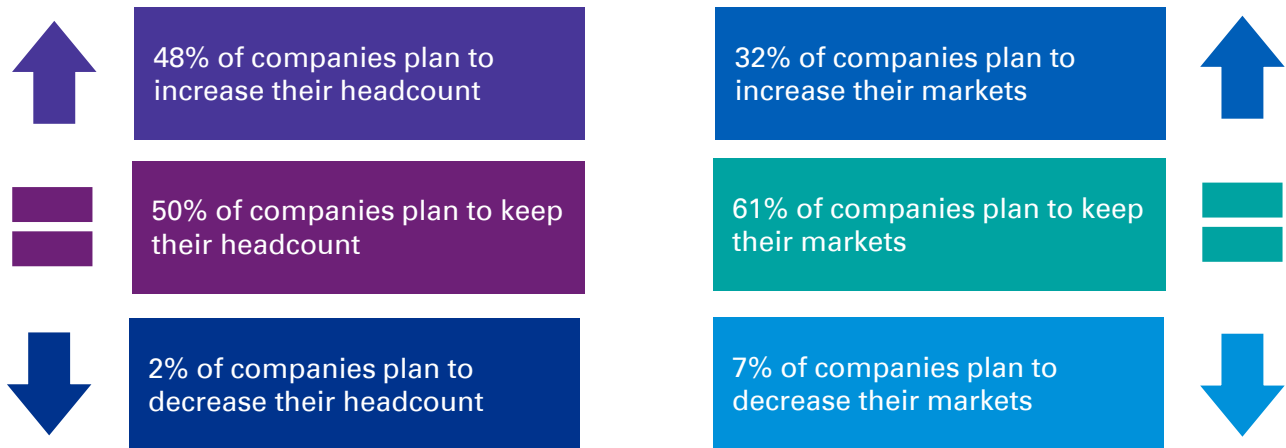
Companies should continue transforming their operating models and investing in key enablers, such as integrated cloud, automation, and analytics, following the path towards the implementation of **New Sophisticated Processes** pointed out by **52%** of surveyed companies.

Trends



Trends on: Market Growth Plans

Headcount and new markets



1 out of 2 companies surveyed in November and December of 2019 planned to **keep their headcount** by 2020, while **48%** forecasted to **increase the number of collaborators**.

Moreover, **61%** planned to **continue working with their assigned geographies** and **32%** planned to **increase their markets**.



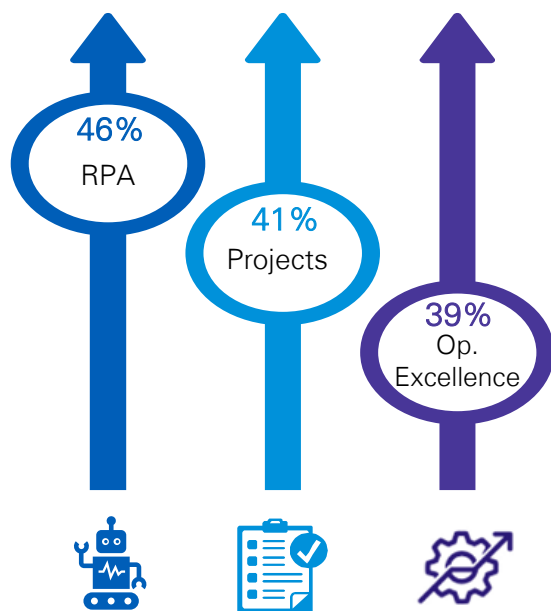
According to a recent survey conducted by SSON¹, 29% of companies with delivery centers in Asia Pacific or Central and Eastern Europe determined their connectivity and security infrastructure as not sufficient for remote work during the first months of the pandemic crisis. This situation created an opportunity for business centers in Costa Rica to show their efficient continuity plans and the maturity of the services sector by absorbing the workload of these regions and keep the business going.

Based on the good management of the crisis companies might want to revalidate these answers. The sector has proven to be able to manage more markets, which could mean the creation of new job opportunities and hence the expansion of operations. This scenario would definitely benefit the country's economy.

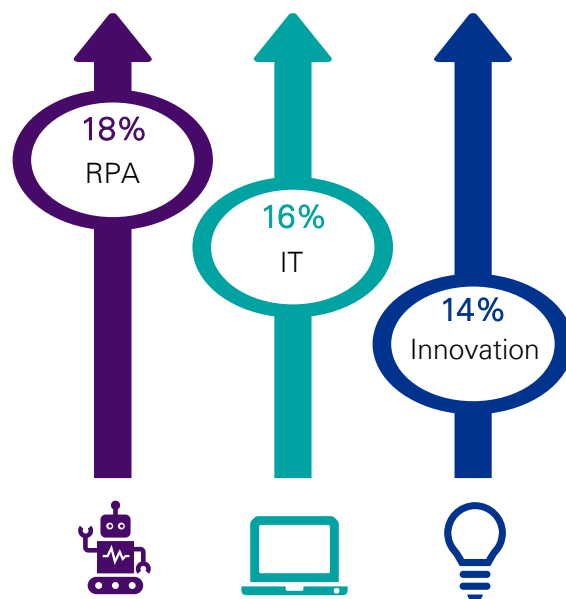
¹ SSON COVID-19 Survey Results. April 4, 2020: "COVID-19: Tip of the Iceberg for Tectonic Shifts in Shared Services Delivery?"

Services and processes

Top 3 processes and services companies planned to increase in 2020



Top 3 processes and services companies planned to increase in the next 3 years



46% of companies stated they would focus during 2020 on the increase of RPA as a process within the organization. Project Management is also an area in which 41% of companies planned to direct their growth strategy, while Operational Excellence is the third most chosen process in this line with 39%.

For the next three years, RPA appears again as the process companies plan to focus on increasing, followed by processes related to Information & Technology and Innovation.

“

Finance can not keep up with market changes through traditional annual planning processes. To create competitive advantage, organizations are moving toward dynamic, predictive planning with agile analytics.

”

– Sanjay Sehgal
KPMG Principal, Advisory

Processes and services companies planned to decrease in 2020



According to the survey's results, the processes that companies are planning to decrease within their operations correspond to quite mature functions in the Finance & Accounting area such as Record-to-Report, Purchase-to-Pay and Order-to-Cash. These plans go hand in hand with the desire of companies of moving throughout the value chain and increasing their focus on automation indicated in the previous section, since RPA, machine learning, natural language processing and other new technologies are nowadays transforming finance functions.

Finance transformation is aimed at creating a finance function that is able to influence business leaders to make better business decisions. Decreasing the operability of these processes through the use of technology will help companies to clarify the role of finance in driving strategic business imperatives, and will focus these finance function on being more effective in driving business value and more efficient in the way that they currently operate within the organization.

“

Transformation is a journey. And while every company's journey will be different, the goal is the same: to prioritize investments to achieve highest impact - on both efficiency and strategic value / in both the short and the long term.

”

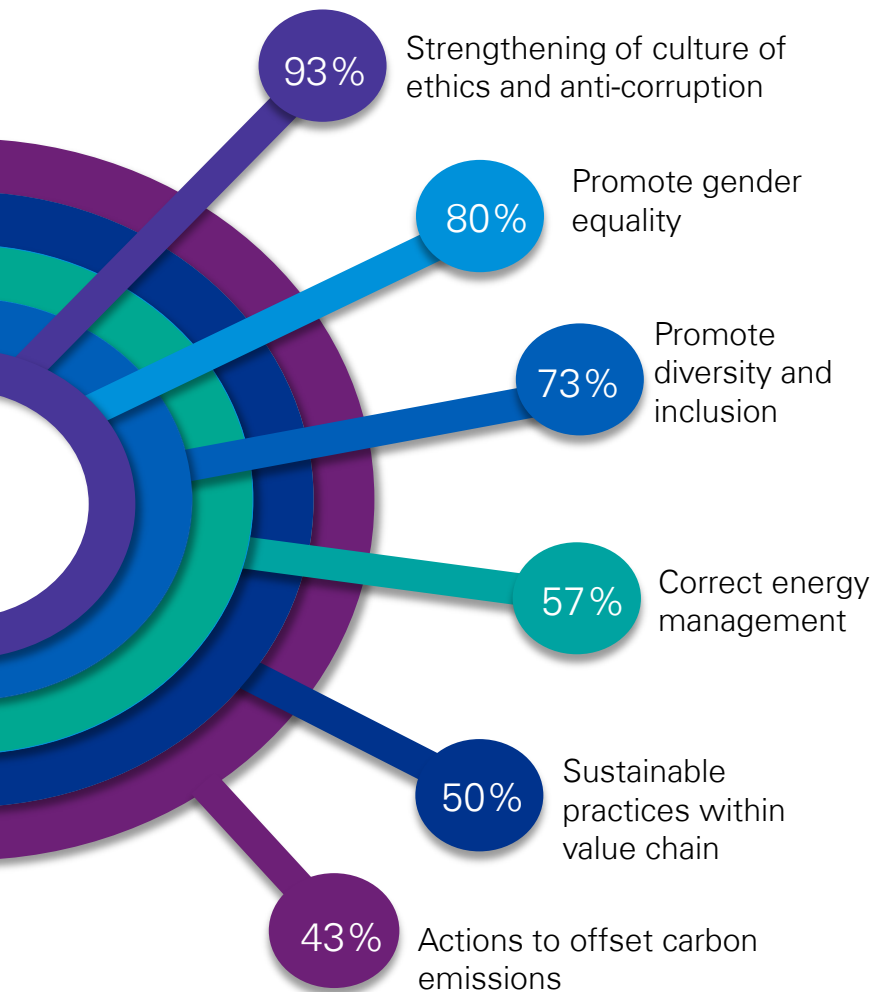
– Lance G. Morton
KPMG Principal, Advisory

Trends on: Sustainability



Sustainability programs

59% of companies
have sustainability programs



Companies have the resources to accomplish exponentially more than individuals, and as a result bear the responsibility to be **good corporate citizens**. This is widely recognized by investors, customers, regulators, employees, and corporate leaders.

Among the different sustainability programs managed by the surveyed companies, social initiatives were pointed as the most common ones: **Strengthening of a culture of ethics and anticorruption** was chosen by **9 out of 10** companies, followed by **Actions to promote gender equality (80%)** and **Actions to promote diversity and inclusion (73%)**.

Organizations that possess adaptive capacity in response to environmental and social risks and that embrace longer-term sustainable, robust practices will be better positioned to compete and thrive beyond COVID-19 than peers that do not.



People are more reliant on technology now than ever. With technology becoming very much intertwined with our daily lives, tech companies have the social responsibility to think carefully about how their business practices are affecting society positively or negatively.



– Pat Woo
KPMG China, Head of Sustainable Finance

Stakeholders engagement during COVID-19

Based on KPMG's article *Sustainability Reporting during COVID-19 Pandemic* (May, 2020), corporate communications during a crisis must be timely and efficient.

Sustainability reporting will be more vital than ever to bolster trust among all stakeholders. Messages to key stakeholders should convey reliability, humanity and integrity to ensure confidence and understanding regarding the organizations' actions and responses.

Sustainability plans need to be supported by clear and comprehensive communications and a core element of these plans is that both, the communications and the strategy, are presented from a people-first and empathetic perspective.

As this health emergency situation evolves, the stakeholder areas of interest are bound to shift. Companies that keep pace with this shift are likely to succeed in rebuilding and retaining the trust of key stakeholders.

Proactively keeping stakeholders engaged and aware of a changing situation will assist an organization to effectively navigate new and developing challenges.

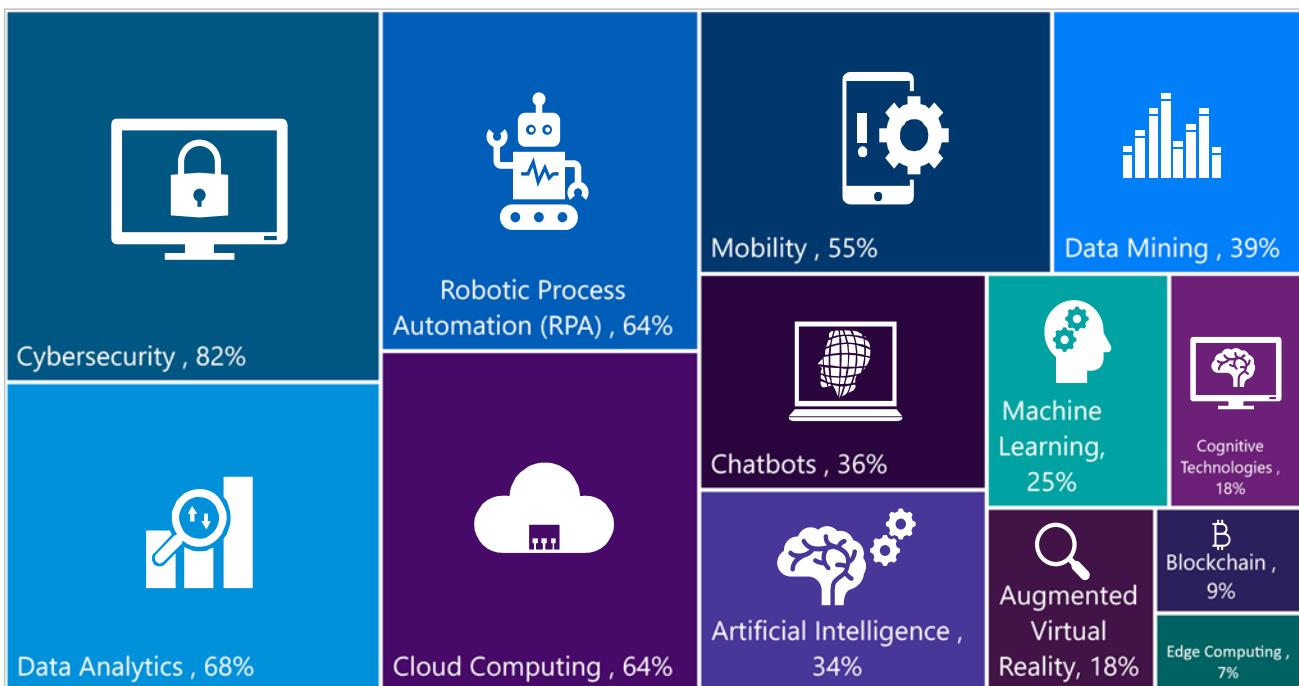
Trends on: Digital Strategies

Current investment

Investment in technology is constantly growing. According to the KPMG CIO Survey of 2019, over the past year (2018), more technology leaders reported budget increases than at any time in the last 15 years. The array of new technologies and digital services that organizations have access to changes rapidly. Over time we can expect these technologies to grow and we expect much of this to continue being driven by business-led investment.

Companies were asked to select the different technologies in which they were planning to invest as part of their digital strategy for 2020 and **Cybersecurity** was chosen by **82%** of the polled companies. During the pandemic, as organizations have shifted to remote working to protect their workers while continuing to service their customers, they have moved the majority of their activity to the digital world, increasing the risk of cyberattacks. It has posed the challenge of how to secure new remote working practices while ensuring critical business functions are operating without interruption and costumers' needs are being securely covered.

7 out of 10 companies are directing their digital strategy investment towards **Data Analytics** and after COVID-19 it is very likely that it will continue this way. Now more than ever the use of data presents an opportunity to be one step ahead by proactively understanding, investigating and managing risks, especially those related to fraud. Data analytics provides a means for tracing through investigations, emerging issues, remediation challenges and recovery pathways – to provide more weight and credibility to findings, quickly identifying and mitigating the risk of fraud.



Current investment (cont.)

RPA has become a relevant digital strategy adopted by **64%** of the companies. This report offers a specialized section dedicated to RPA regarding the level companies have reached using this technology, as well as its implementation advantages and inhibitors.



In addition, **Cloud Computing** also accounted for **64%** of the surveyed companies as a digital strategy they were investing in. Organizations are prioritizing this technology by developing a hybrid, multicloud strategy, including cloud native capabilities, starting with vision, guiding principles, and architecture design principles.

Companies are also targeting their investment efforts towards **Mobility (55%), Data Mining (39%)** and **Chatbots (36%)**. With regards to chatbots, it is important to consider that as companies emerge into a *New Normal*, both customers and employees will expect more out of their digital experiences. Based on KPMG's report *Applying automation to IT to help call centers in the wake of COVID-19* (May, 2020), companies that employ self-service and scaled automation capabilities such as chatbots to improve customer and employee experiences will better adapt to market conditions and outpace their competition.

Artificial Intelligence was identified by **34%** of polled companies as one of these services, but just as with RPA, there is a separate section on the following pages about the different aspects that define this technology within the corporate services market in Costa Rica.

Just **one-quarter** of surveyed companies are investing in **Machine Learning**, while in a much smaller scale, some companies are beginning to explore technologies such as **Augmented Virtual Reality** and **Cognitive Technologies (18%), Blockchain (9%)** and **Edge Computing (7%)**.

“

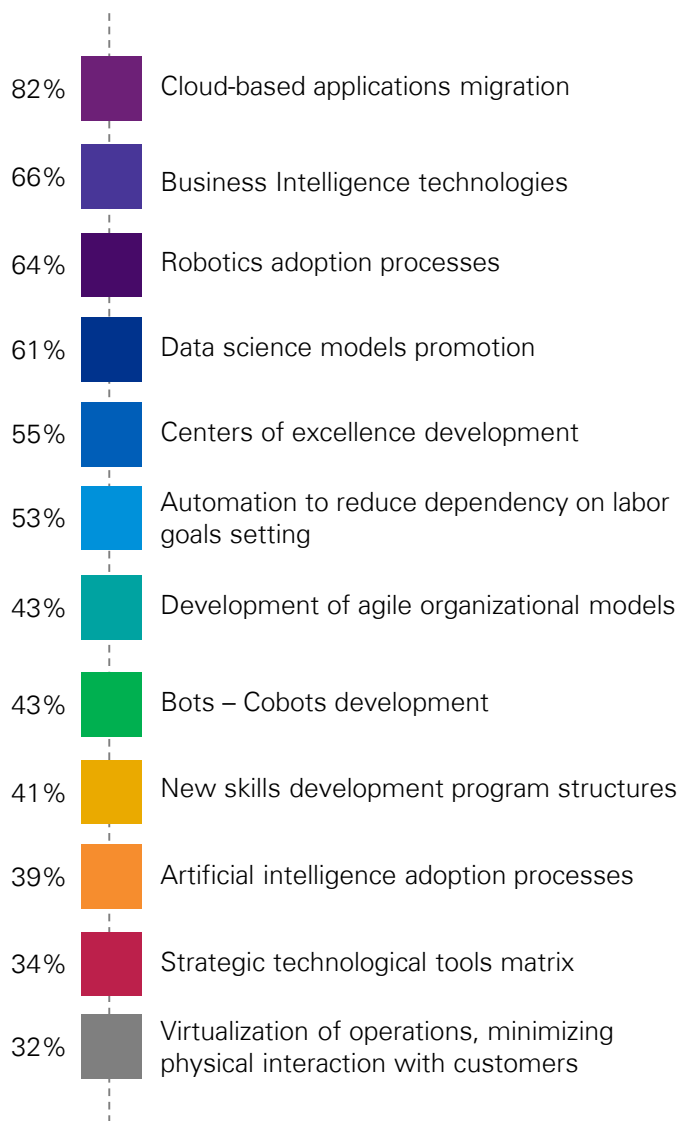
Today's business services leaders are focused on building agile capabilities that not only support the overall enterprise, but also advance its business outcomes.

”

– Robert Cecil
KPMG Principal Advisory

Trends on: Digital Strategies

Digital Strategy initiatives implemented



Among the digital strategies initiatives implemented by companies, **Cloud-based applications migration** was indicated by **82%** of companies, which highlights the relevance for organizations to have a reliable, secure and flexible cloud ecosystem to accelerate successful business outcomes.

66% of the companies stated to implement **Business Intelligence technologies**, ensuring that the data of the business is leveraged to establish a well-informed basis for decision-making.

Robotics adoption processes were selected by **64%** of companies, while **6 out of 10** organizations affirm to promote **data science models** within their operations.

The third less implemented initiative correspond to **AI adoption processes (39%)**, drawing the attention to its low level of application within the Costa Rican corporate services market.

Furthermore, **34%** noted to implement a **matrix of technological tools** to develop its digital strategy, while only **one-third** of the companies are **virtualizing their operations** to the point of having minimum interaction with customers.

Trends on: Digital Strategies

RPA level

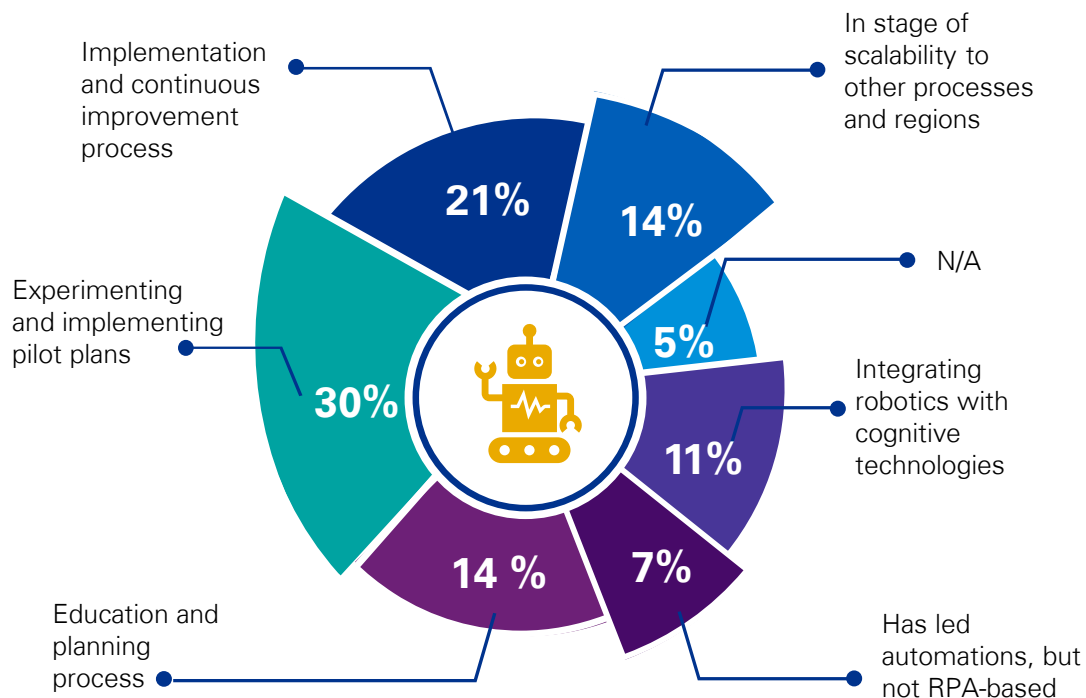
In the last 5 years, corporate services companies based in Costa Rica have started to explore and experience the adoption and implementation of different RPA processes, following global trends. RPA is a particular type of digitization and its implementation is absolutely essential to raising a company's added value in the future. It has the potential to positively change the way processes and business are done.

According to the survey, by November and December of 2019, **30%** of the companies were **experimenting and implementing RPA pilot plans**. These proof-of-concept programs help business leaders set a foundation for their understanding of RPA, while at the same time introducing new ideas for how automation can help scale operations or define new business strategies.

21% of the companies were already going through the **implementation and continuous improvement** of RPA processes within the organization. Moreover, **14%** of companies had already reached the **stage of scalability to other processes and regions** and **11%** of the companies are even **integrating robotics with other cognitive technologies**.

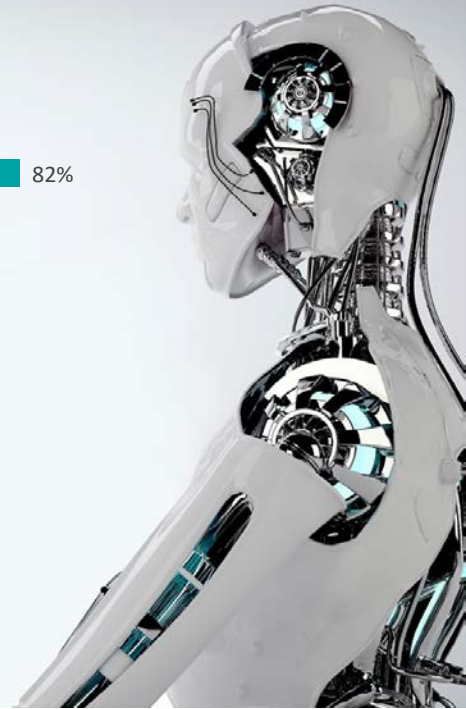
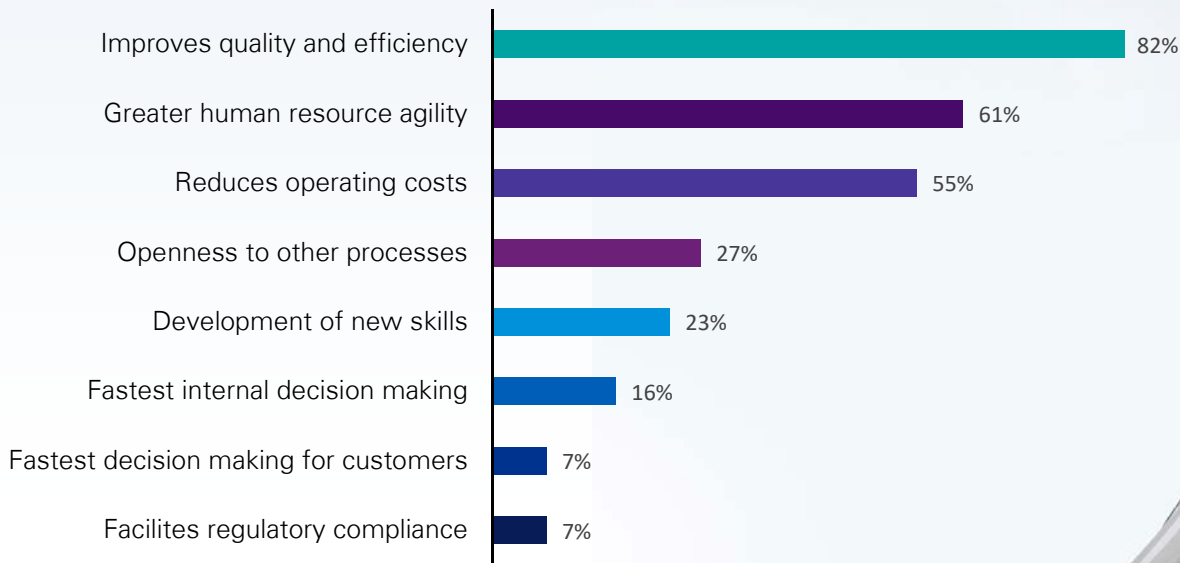
Finally, only **3 out of the 44** respondent companies **had led automation processes, but not based on RPA**.

In conclusion, the corporate services sector is distributed in different levels according to their experience with RPA, and most of them have overcome the education and planning process.



Trends on: Digital Strategies

RPA advantages



We asked companies to choose the advantages of using RPA within their organizations. **82%** of them indicated the **improvement of the quality and efficiency of their operations** as the first advantage which is very much aligned with the second most chosen advantage, which is **greater agility of the human workforce (61%)**. According to KPMG's article *Manage the effects of Robotic Process Automation to enable a future-proof workforce* (January, 2019), RPA implementations are expected to enlarge the job design of the human workforce. This is often a result of reassignment of remaining tasks after the implementation. Since RPA takes over some tasks, the implementation drives an opportunity to reassign the remaining tasks to collaborators. The

matching of skills is required, and this can result in reskilling or upskilling of the collaborators to ensure the alignment.

55% of companies also pointed out the **reduction of operating costs** as a plus of RPA implementation, while the **openness to attract more sophisticated processes** was considered by the **27%**. RPA can generate significant year-over-year savings in labor costs. Bots and smart automation offer significant benefits in terms of speed, accuracy, productivity and the opportunity to implement more complex functions that continue to incorporate a hybrid workforce – human and electronic- also known as the *workforce of the future*.

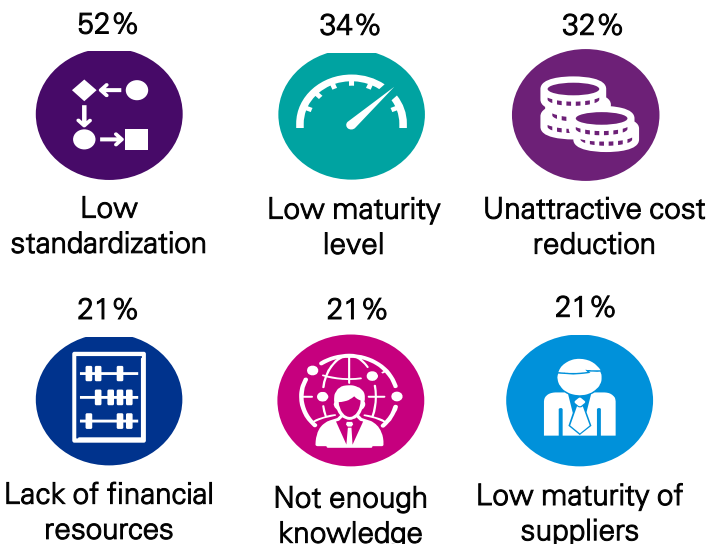
Trends on: Digital Strategies

RPA inhibitors

Although surveyed companies recognized a diversity of advantages of using RPA within their business operations, they also identified different inhibitors that prevent them from succeeding in their implementation of this technology.

More than half of the companies (52%) mentioned **low standardization of processes** as the main constraint. The **low maturity level** to implement automation process and **finding the immediate cost reduction unattractive** were considered by 34% and 32% of the companies respectively.

2 out of 10 companies also indicated the **lack of financial resources, not having enough knowledge** and **local suppliers with a low maturity level** as obstacles for implementing RPA.



Rethinking five common automation myths

- 1 **“Implementing a bot will significantly improve productivity.”** Yes, but boosting productivity is often more complex than expected. For example, implementing a new process and managing change simultaneously can dilute savings.
- 2 **“We need to transform our processes before adding RPA.”** Ideally yes, but you can incorporate process transformation into your RPA journey, either before or after automation. RPA is another lever that can be combined with more traditional transformation tools.
- 3 **“We can deploy our first bot quickly.”** The pilot can take longer than expected. This is because you need to build the right infrastructure, capabilities and sponsorship.
- 4 **“We need to build lots of bots.”** Don’t get mesmerized by volume. Utilization per bot is a better measure for understanding automation effectiveness and efficiency.
- 5 **“We can move straight to cognitive solutions.”** Evaluate your needs and capabilities. While some organizations begin with small cognitive pilots, RPA can also be a stepping stone in your automation journey.

KPMG. *Accelerating Automation*. March, 2019.

Trends on Digital Strategies

AI level

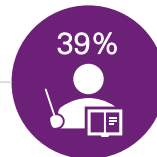
Although one-quarter of the surveyed companies do not have any experience with AI, most of the companies which have started using this technology are in the first phases for its implementation. **39%** of companies were in the **education and planning process**, whereas **36%** were first **experimenting and executing pilot plans**.

The remaining 24% already had a formal experience with this emerging technology: **15%** had **implemented AI and were running continuous improvement process**; **6%** were in a **stage of scalability** to other processes and regions; and only **one company** –representing **3%**- was **integrating AI with cognitive applications**.



75%
companies have started to implement Artificial Intelligence within their organizations

25%
companies **have not** started to implement Artificial Intelligence within their organizations



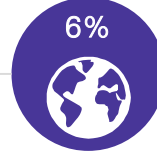
Education and planning process



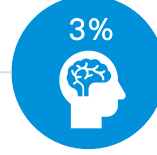
Experimenting and implementing pilot plans



Implementation and continuous improvement process



In stage of scalability to other processes and regions



Integrating AI with cognitive applications



8 key AI adoption trends

1

Rapid shift from experimental to applied technology

2

Automation, AI, analytics and low-code platforms are converging

3

Enterprise demand is growing

4

New organizational capabilities are critical

5

Internal governance emerging as key area

6

The need to control AI

7

Rise of AI-as-a-Service

8

AI could shift the competitive landscape

KPMG. *AI Transforming the Enterprise*. August, 2019.

Trends on: Disruptive Technologies

Disruptive tech initiatives

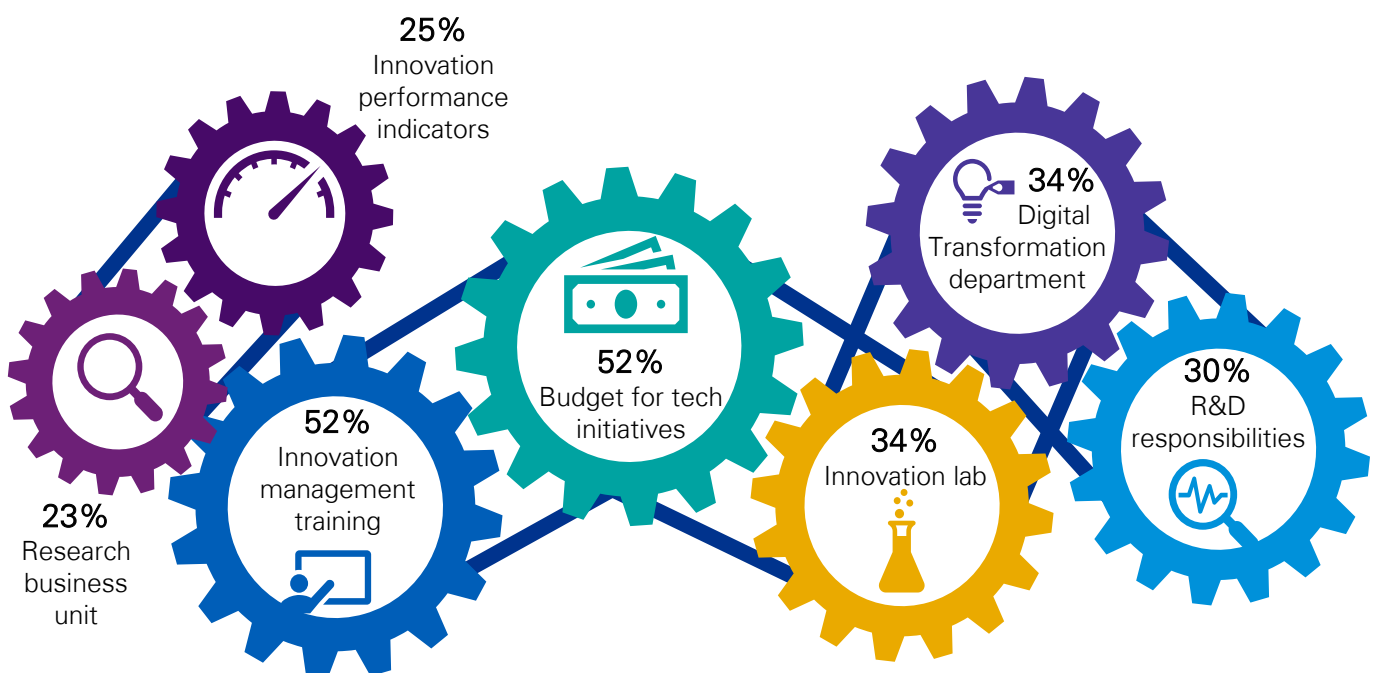
Disruption acts as a driver of change across many business disciplines. Its effects are persistent, requiring companies to invest differently and adapt their corporate cultures. From the trends seen at a global level, it's evident that companies need to not only embrace disruptive technologies, but examine their own technology investments and determine if they are leveraging them effectively.

When asked for their initiatives in terms of disruptive technologies, **52%** of surveyed companies mentioned having a **budget to implement technology programs**, as well as providing **training in innovation management to their collaborators**.

Furthermore, **34%** of companies have an **innovation laboratory**, while the same percentage has a **department for Digital Transformation** and **23%** has a **research business unit**.

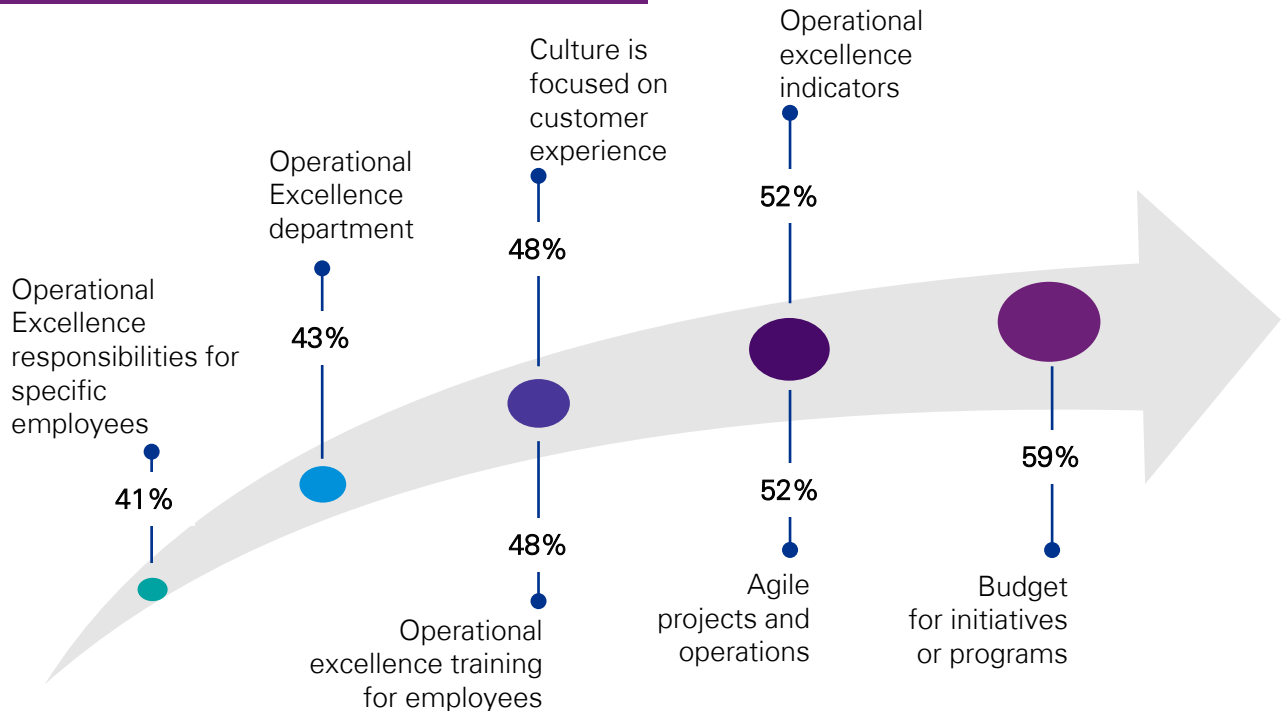
3 out of 10 companies indicated the **delegation of research and development responsibilities** to specific collaborators, and **one-quarter** of the companies have defined **performance indicators focused on innovation**.

Some organizations are striving to be leaders in adopting disruptive tech initiatives, while others may be playing a game of 'fast-follower'. At this time of uncertainty companies cannot ignore disruption and should take advantage of it to leverage their business' success.



Trends on: Disruptive Technologies

Operational excellence initiatives



While operational processes will continue to evolve, striving to achieve operational excellence remains a steadfast goal for polled organizations. According to the survey, **59%** of companies indicated having a **budget to implement initiatives or programs** based on operational excellence. Additionally, **52%** of them affirm to **develop projects and operation models based on Agile methodologies**, and the same percentage mentioned the **definition of indicators** as an initiative to improve their operational excellence.

Building a culture focused on customer experience was chosen by **48%** of respondent organizations, as well as the provision of **training in excellence management to their collaborators**. Only **43%** of the companies mentioned to **have an Operational Excellence department**, while **41%** **have delegated operational excellence responsibilities** to specific collaborators.

Faced with a growing number of industry challenges and global uncertainty regarding the pandemic crisis, companies need to focus on transforming their business operating models to remain competitive. At the same time, they need to incorporate appropriate risk management capabilities across their operating environment.

Building a culture focused on customer experience

Across the world, COVID-19 is affecting different people in different ways. Organizations in all sectors are innovating at pace to respond to the changing needs of their customers.

Many companies around the world right now have been listening to the changing needs of their customers and responding with solutions to make people's lives easier during this troubling time.

With around one in five people around the world under orders to stay at home to protect people's health, businesses are needing to find new ways to connect with their customers. This unprecedented situation calls for organizations to understand evolving consumer and community needs, and react to them – fast.

According to the KPMG 2019 Report on Customer Approach for building a culture focused on customer experience during unprecedented times, successful organizations must:



Have future-sight: adapt rapidly to changes



Be everyone-centric: be prepared to be flexible to the different need that might show up



Be human: provide clear and ongoing communications



Listen and respond: monitor both the situation and the response of customers



“With the COVID-19 situation changing daily, businesses must act with Integrity and empathy to navigate the current challenges and retain their customers when the crisis ends.”

”

– Julio Hernández
KPMG Global Lead
Customer Center of Excellence

Going through
Reaction,
Resilience &
Recovery



Going through Reaction, Resilience & Recovery

As global attention was increasingly turned to the pandemic crisis and it became an actual public health emergency at the national level, most of the advantages of having a corporate services operation in Costa Rica that were pointed out by companies in this report, came out stronger.

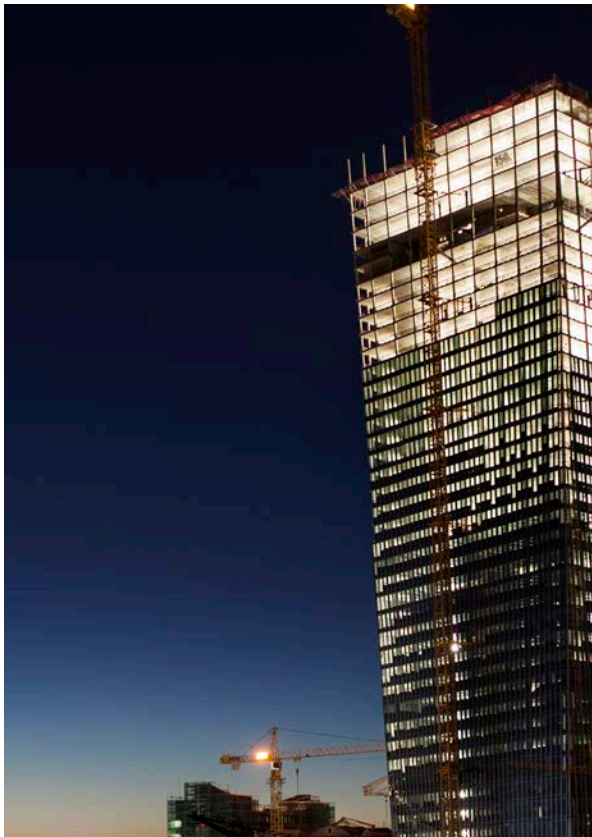
The country will certainly be a different place as it emerges from the COVID-19 crisis, with a series of implications and changes for the corporate services operations as we had known it for several years.

Free Trade Zone implications

At the beginning of the pandemic crisis –and to make working from home easier- national authorities allowed the transfer of fixed assets such as computer equipment out of the companies' facilities, to enable the performance of activities from the collaborators' houses. It was stated that the assets must return to the companies' facilities at the end of the emergency period; however, this time is overall uncertain and considering the amount of collaborators working from home now and that may continue to do so, the Free Trade Zone (FTZ) regime might even entail a reform if the *New Normal* still requires this type of working dynamic.

Real Estate outlook

In the same line of the consequences that working from home has brought along as a measure to ensure business continuity, the physical space of companies has been questioned lately, to the point in which **organizations need to redefine the purpose of office spaces**, measuring how critical the physical workplace is to individuals', teams' and organizations' productivity, mental health and humanity.



The economic impact of the COVID-19 will likely force many companies to cut costs, and having their collaborators working from home while reducing rent obligations is an easy choice. Consequently, the idea of expanding operations might quit considering Real Estate options as part of the strategy, bringing down the demand for office space.

Currently, the investment in fixed assets required to be under the FTZ regime varies if the company is established within or outside the Great Metropolitan Area (GMA). In case companies continue working remotely and consider the possibility of operating *officeless*, expanding to new regions outside of the GMA may also stop being an obstacle to bringing high-quality job opportunities to these cities, as collaborators will have the chance to be hired by companies based anywhere in the country and work from their homes. In this sense, the FTZ regime might also be readapted to better promote foreign direct investment into the country by embracing this *New Normal*.

Workforce reshape

As noted throughout this report, working from home is no longer considered a benefit but a new working dynamic that also helps companies reduce costs. Work is now being regarded as a thing one does, rather than a place one goes. Measurement of “work” will increasingly become about outcomes rather than inputs, regardless of when and where it is done, which will require new management skills and changes to performance measurement and reward programs.

In addition, companies are also analyzing the fact that talent availability will no longer depend on the country they are based on, since a large number of positions are being adjusted to work remotely and collaborators are able to perform their job functions from anywhere in the world. The borderless teams approach has long-since been the case for various high-tech companies, and it will become even more common as this new trend takes over more industries and sectors.

As teams become more globally distributed and socially distant, time for collaboration will demand more effective use of time together, hence company culture will also require to be re-examined, keeping in mind that work is fundamentally social and collaborators’ needs of social interaction will have to be fulfilled somehow. New positions might appear or reinvent themselves –either temporarily or permanent, such as the Chief Culture Officer, or even a *Chief Covid Officer* to make sure that health and safety measures to prioritize collaborators’ wellbeing are being complied with, both at home and at the office when their physical presence is needed.

Working from home may help companies reduce costs, but it also obliges them to revamp their benefit structure and think of new benefits and incentives to offer current and potential collaborators, such as equipment –including ergonomic furniture- or one-time-payments to set up their home office; reimbursements for enablers like broadband connections; and online medical counselling, with occupational health and safety extending into the home office.

Greater focus on STEM talent

Technology is not only critical to operate during these times, but it requires significant focus and attention if organizations are to remain competitive and resilient in the *New Normal*. Technological changes needed to endure these uncertain times are strategic and will have long lasting impacts. Focusing on the development of talent and soft skills capable of leading these ever-growing disruptive technologies that will come along with new technology-centered job titles will be key for the services sector.

Besides the development of STEM capabilities in the younger population, strategies focused on reskilling and upskilling of the current workforce are also useful to face the rapid acceleration of disruptive technologies. Joint efforts and initiatives between the private and the public sector, along with academia, will be necessary to bring the services sector to the next level.

Reaching the *New Normal*

At this very moment, while several companies are turning their thoughts to how to start recovering, most of the organizations are still in the *Reaction* and *Resilience* phases of dealing with COVID-19. This journey from *Reaction* to *Resilience* has defined business endeavors for the past three months.

Even though the survey was applied months before the emergency was declared, the main takeaway is that digital transformation is now a reality for all organizations. Every polled company is on a journey to create additional business value from data and technology and create agility in their business's core operations. They are constantly integrating data and technology to create new sources of value and the process of transformation is now continuous, which have helped them to stay resilient to endure this hardship.

The corporate services companies in the country are being flexible and adaptable to the new circumstances and a potential return to the office by stages is under consideration,



marking the road towards the still unknown *New Normal*. The *Recovery* phase will expose certain permanencies of this pandemic, and will require companies to follow extraordinary measures that only then will be ordinary, such as the ones pointed out in this section.

Despite some adverse effects in the socioeconomic realms around the world, this crisis has presented itself as an opportunity given that services companies in Costa Rica were forced to restructure their processes, including the development of safer, more modern and agile systems to continue providing services of all sorts of complexity to different markets and even absorbing the ones that could not be handled by other locations. This situation has reinforced their clients' trust in their centers and also in the country's talent, IT infrastructure and business climate as a whole. Companies need to continue being persistent: it is in their hands to redefine their strategic plans in order to make the most out of the ensuing *New Normal*.

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