



# Culture and people

## New working reality: challenges and opportunities

**The pandemic posed a significant test of financial resilience, as well as banks' operational, organizational, reputational, and business-model pliability. Embracing the new working reality has truly brought opportunities for not only withstand threat or change but transform for the better.**

When Saudi Arabian authorities began restricting bank branch operations in March 2020, Saudi banks relatively seamlessly embrace the new working reality. Based on discussions with some senior banking executives, the transition was accomplished with minimal disruption due to cross-functional agility and durability demonstrated during the early days of lockdowns and movement restrictions.

While Saudi banks have successfully managed the transition in the short term, the key challenge now is to balance workable, short-term solutions with an eye toward creating a permanent strategy for digital operations.

### **Challenges facing banks while handling the new working reality**

Resilient institutions not only withstand threats but transform for the better. The Covid-19 crisis posed a significant test of financial resilience, as well as banks' operational, organizational, reputational, and business-model resilience.

*Operational resilience* during Covid-19 required control testing and monitoring enhancements, and bank's reinforced their capabilities to respond to future unforeseen events. Remote

working has given hackers and state actors more "attack surface," increasing cyber risk. There has been a resulting increase in cyberattacks, both locally and globally, partly due to vulnerabilities of the systems exposed by widespread adoption of remote work. With cyber risk on the rise, banks had to beef up their cybersecurity defenses through training and hiring of skilled employees and upgrade of systems, as required.

*Organizational resilience* requires talent development, new measures in people management, and robust succession planning. Building reskilling capabilities to promote greater agility and scalability helps banks build the organizational capacity to cope with rapid changes. Development and succession planning for executive management is equally central for resilience. Remote working has blurred the boundary between work and private life. Actively investing in employees' well-being is for remote working to be sustained going forward.

*Reputational resilience* will confront significant tests in the face of Covid-19. Banks are not only the beneficiaries of government support but also major vectors for delivering

government aid. As they do so, they must take care to funnel funds appropriately, which can be a challenge under extreme pressures of time and throughput. At the same time, as loan delinquencies and defaults rise, so too will the reputational stakes. Adhering to bank rules and regulations on how to treat delinquent loans and ensuring that those who can pay do pay while also reckoning with new social movements, such as #NoRent, will be a reputational quagmire for which banks must prepare.

Finally, *business-model resilience* requires banks to adapt to potentially significant shifts in customer demand, competitive landscape, and regulatory terrain. In the banking sector, the market shift is clear and already here. Banks need to build and adhere to their digital agendas in order to remain resilient in an increasingly competitive space.

### **Considerations for banks while transitioning into the new working reality**

Reflecting on the above-mentioned challenges, three primary characteristics will emerge among successful banks. They will digitize customer interactions to address prolonged public-health risks and changing consumer demands.



Remote work is likely to become the norm, especially in the banking sector, which is particularly well-suited for the transition of certain middle and back-office roles.

They will restructure their workforces and operations to become more agile and productive. And they will increase their pace of innovation to deliver those changes while evolving their value propositions to respond to rapidly changing customer needs.

Remote working is an opportunity for banks to transform their operations. While cost savings is an obvious and compelling reason for banks to support remote working, there are other unexpected benefits of this new working reality. In a survey conducted as part of KPMG's CEO Outlook, 73% of CEOs believe remote working has widened their available talent pool. That means in practice not only that organizations can attract talent from around the world, but also may prove an effective way to recruit local staff from around the Kingdom, despite mobility restrictions or remote living conditions.

Investing in remote working and adopting the right digital strategy and flexible operating model is likely to have far-reaching consequences for the banks and hence, banks need to carefully focus on:

1. Adjusting their operational model to provide higher flexibility and more agile and remote ways of working
2. Developing a corporate culture that is more connected internally and externally and where an analysis of collaboration can provide valuable data
3. Having an alignment of business goals to the new cultural standard and employee expectations
4. Using data-driven methods of analysis to gain deeper insights into new learning patterns and employee sentiment

To emerge stronger when the virus recedes, banks must step up their digital thinking and execution to enable employees to operate from wherever they need to be. Remote working is here to stay and will more than ever become an integral part of the way we work. Now is the time for banks to prepare for the 'new working reality'.



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