

Hong Kong Institute of CPAs



The COVID-19 impact *A survey of PAIBs*



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

The Hong Kong Institute of Certified Public Accountants is the only body authorized by law to register certified public accountants and grant practising certificates in Hong Kong. The Institute has more than 46,000 members and around 16,000 students. Members of the Institute are entitled to the description "certified public accountant" and to the designation CPA.

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Message from the President

Dear readers

COVID-19 has quickly affected us all in many ways. Social distancing measures, restrictions on travel and group gatherings are but a few of the ways we have all been affected. But the world is adapting to these challenges, and businesses are adjusting their operations to the situation.

Ahead of the PAIB Virtual Conference 2020 the Institute carried out a survey of our professional accountants in business (PAIB) members in August 2020, to find out how the pandemic was affecting their organizations and operations. Over 1,300 PAIBs completed the survey, and the results were discussed at the conference in September.

The survey results show that while the pandemic has negatively affected organizations in the short term across a wide range of areas, COVID-19 has also transformed businesses. For example, many respondents reported that their organizations had developed policies as a consequence of the pandemic to enable working from home (54%), flexible working hours (45%) and adopting working from home technologies (31%), and others reported that their organizations were developing policies or implementing new technologies.

Technology is changing how business is done. Meetings with clients and colleagues are increasingly held virtually, and online collaborative tools allow colleagues to work remotely, yet still together on the same projects. Technology is also transforming the finance function, through the use of cloud accounting, big data and machine learning. Members should ensure that they have the skills and training needed to utilize technologies available to them.

Another consequence of the pandemic has been for organizations to review and improve their business plans. While many respondents, particularly at listed companies reported their organizations had enterprise risk management frameworks, crisis management and business continuity plans before the pandemic, others said these were developed after the pandemic or were being developed. The pandemic has therefore been an opportunity for businesses to formalize their ad-hoc plans.

For the Institute, planning how we will support our members in their careers is one of our key tasks. Even before COVID-19, the profession faced a number of challenges, including around technology adoption, and changes in demographics and the regulatory landscape. This year, we set out how we would help the profession respond to the challenges in our Strategic Plan 2020-2022. Through a range of strategic objectives and initiatives we will work to make sure that the profession not just meets the challenges ahead – but thrives.

While it is impossible to know what the future will hold, the disruption we have experienced this year will transform the operations of businesses. Hong Kong's PAIBs should guarantee that they are ready for the future by upskilling, staying aware of market developments, and introducing new technologies to their organizations.

Johnson Kong
President
Hong Kong Institute of Certified Public Accountants

Message from the PAIB Committee Chairman

Dear readers

As Chairman of the Professional Accountants in Business Committee (PAIBC) I would like to thank fellow professional accountants in business (PAIBs) for their time in completing this survey on the impact of the COVID-19 pandemic. Respondents showed that while their organizations were facing challenges, and in many cases having to reforecast their financial forecasts, they were also preparing for the future.

This was a topic discussed at the PAIB Virtual Conference 2020, co-hosted by the PAIBC and Bloomberg in September. As a consequence of our collective and individual experiences during the pandemic, the economy and business landscape are changing, and businesses must adapt to survive and thrive.

In order to change, we must continue to learn new skills and improve our existing ones. Last year, we released the “*Professional Development Framework for PAIBs*” to provide a useful and accessible guide to the competencies – such as prerequisite knowledge, skills, attitude, practices and standards of behaviour – necessary for PAIBs to perform both current and desired roles. The framework can help PAIBs to shape their careers, realize their objectives, and take control of their learning to achieve their goals. I urge PAIBs to read the framework and consider how they can apply it to their careers and organizations.

As the responses to the survey show, the pandemic has had a wide range of significant impacts. PAIBs should ask the following questions to see if their operations are capable of responding to the challenges, and grasping the opportunities, ahead:

1. Are our internal and external communication channels effective?
2. Are our financial forecasts still relevant?
3. Do our business policies protect our operations?
4. Are our employees able to work effectively from home? If not, how can we enable this?
5. Are our employees suitably trained?
6. Are our digital capabilities appropriate? What technology should we be investing in?
7. Are we protected against cybersecurity threats? Is our data secure?

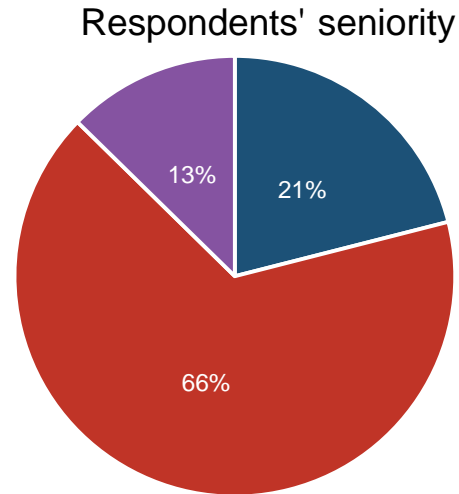
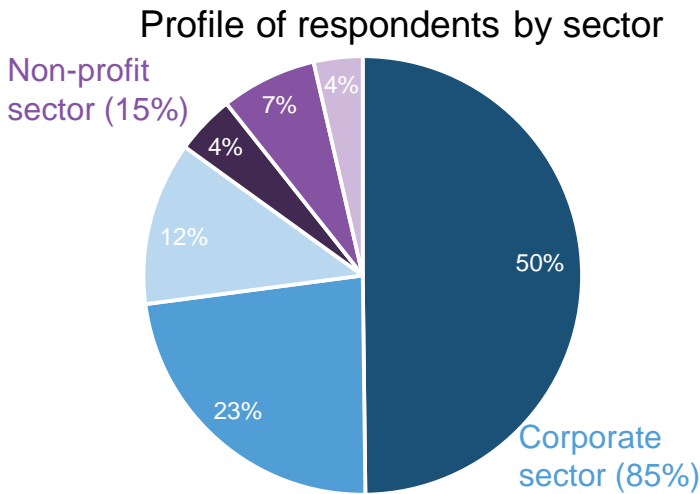
The PAIBC will continue to arrange events and training to support our members in their careers.

Jennifer Cheung
Chairman
Professional Accountants in Business Committee

Respondents' background

Half of respondents work for non-listed or privately held companies, with 23% working for companies listed in Hong Kong and 12% for companies listed outside Hong Kong/multinational corporations. In all, 85% of respondents were from the corporate sector, the remaining 15% worked in the non-profit sector for organizations including not-for profit organizations, government, regulators and academia.

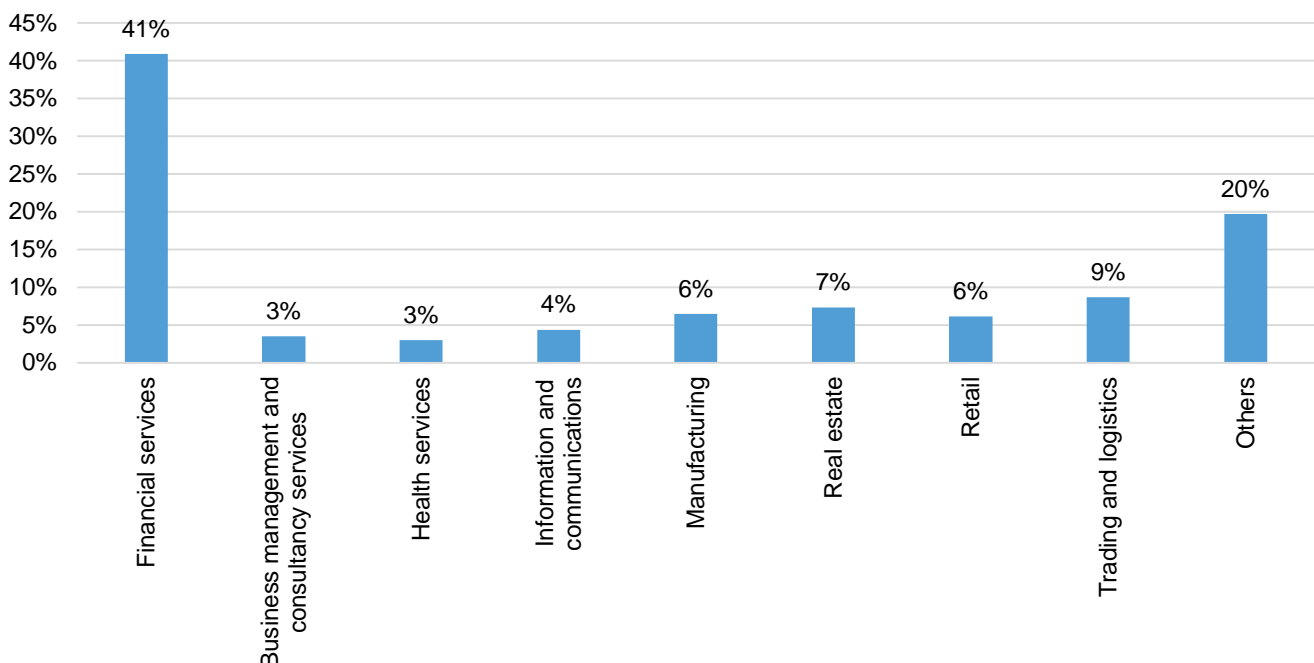
66% of respondents are senior to middle management, with 21% executive-level and 13% junior.



- Non-listed or Privately-held company
- Company listed in Hong Kong
- Company listed outside HK/ multinational corporation
- Not-for-profit, Charity, Trade association
- Government/ semi government/ regulator/ statutory body
- Academia
- Executive
- Senior to middle management
- Junior staff

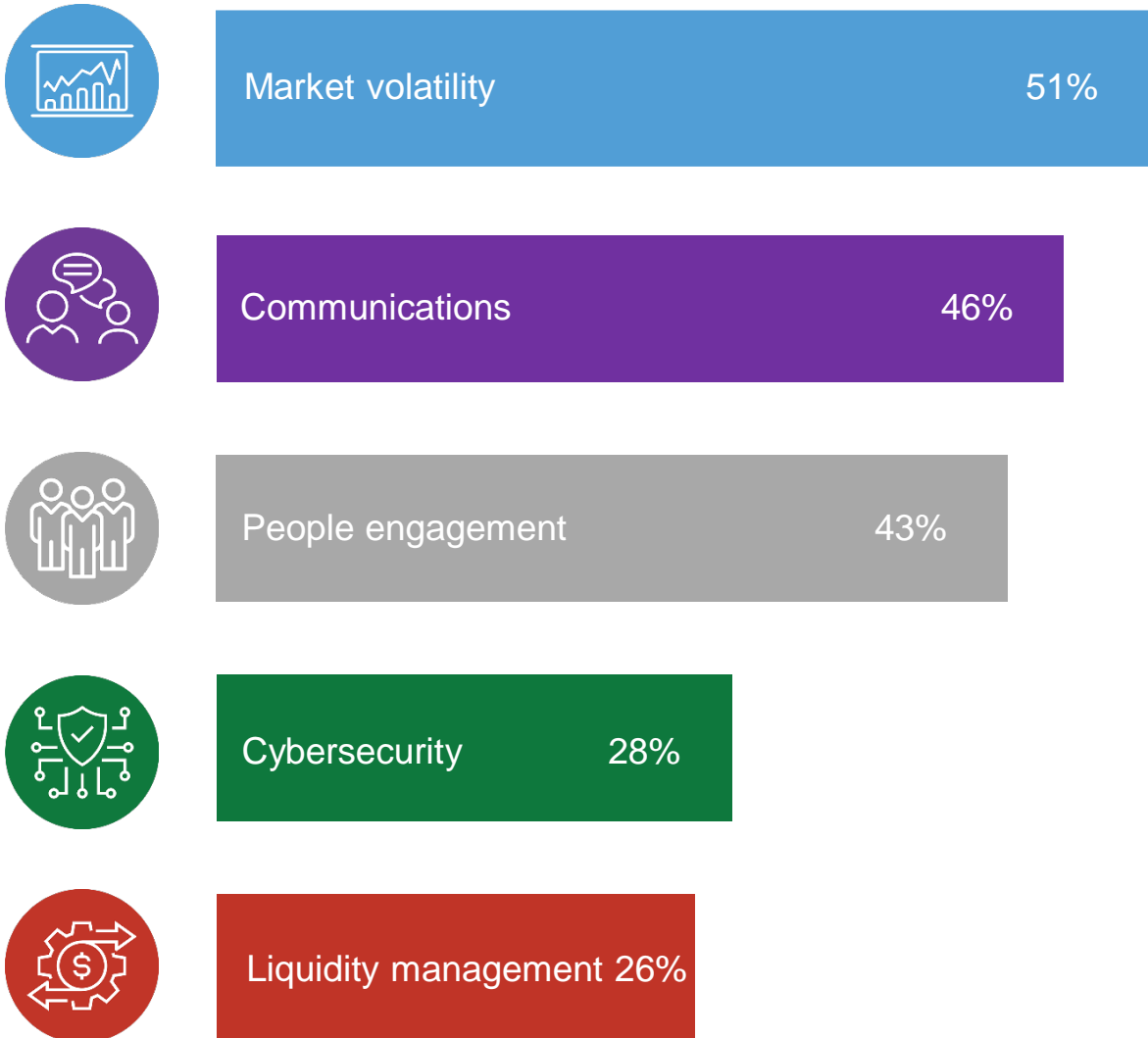
Around 41% of respondents worked in the financial services sector.

Respondents' business sector



Difficulties faced by organizations during the COVID-19 pandemic

COVID-19 has seen lockdowns, mandatory closures of businesses, and volatility in financial markets. Slightly over half of respondents indicated that their organizations had faced difficulties due to this market volatility. Respondents also reported difficulties in their communications and people engagement, with over 4 in 10 respondents reporting challenges.

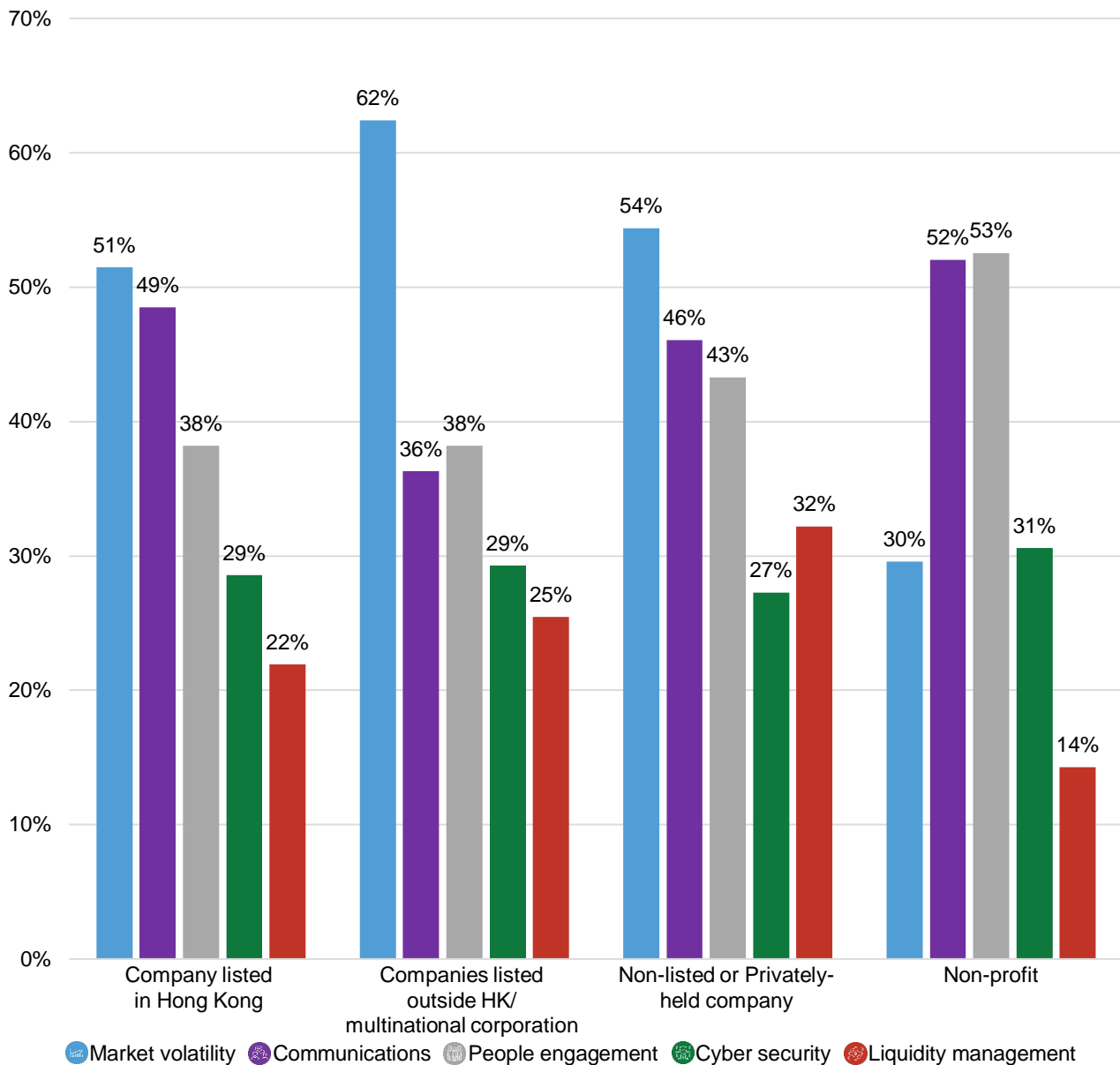


Difficulties faced by organizations during the COVID-19 pandemic

Across sectors, market volatility affected the corporate sector more than the non-profit sector. Respondents from companies listed outside Hong Kong / multinationals reported the most difficulty with this indicator.

Liquidity management was more of a concern for respondents from non-listed or privately held companies than for respondents from other organizations.

Areas of difficulties encountered during the pandemic
(by sector)

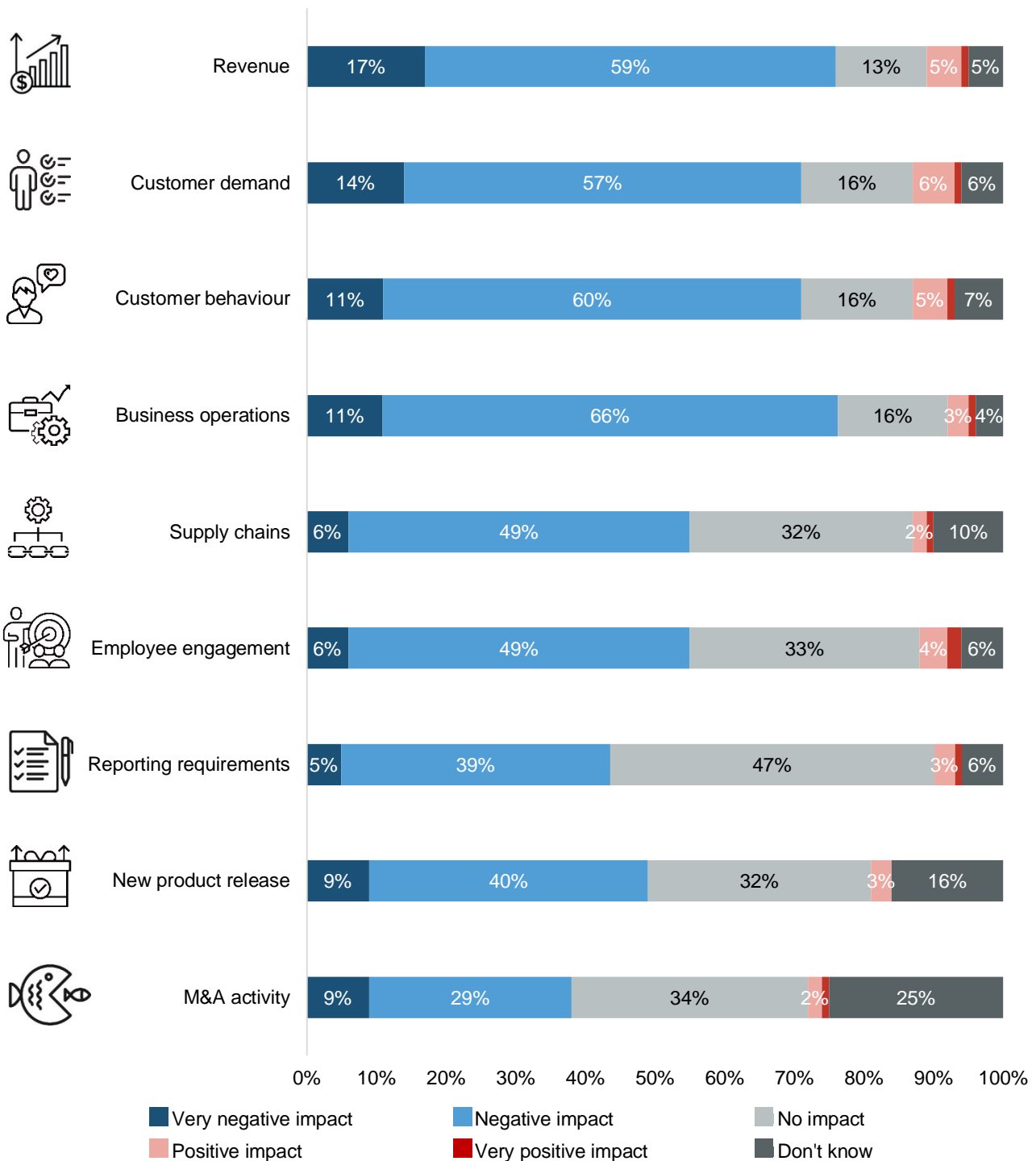


Impact of COVID-19 pandemic on business

The COVID-19 pandemic has had negative impacts on the day-to-day operations of businesses. Over half of respondents reported very negative or negative impacts on revenue, customer demand, customer behaviour, business operations, supply chains, and employee engagement. However, fewer respondents reported an impact on their reporting and business development activities, such as new product releases and M&A activity.

Responses were fairly consistent across sectors.

Impact of the pandemic on business

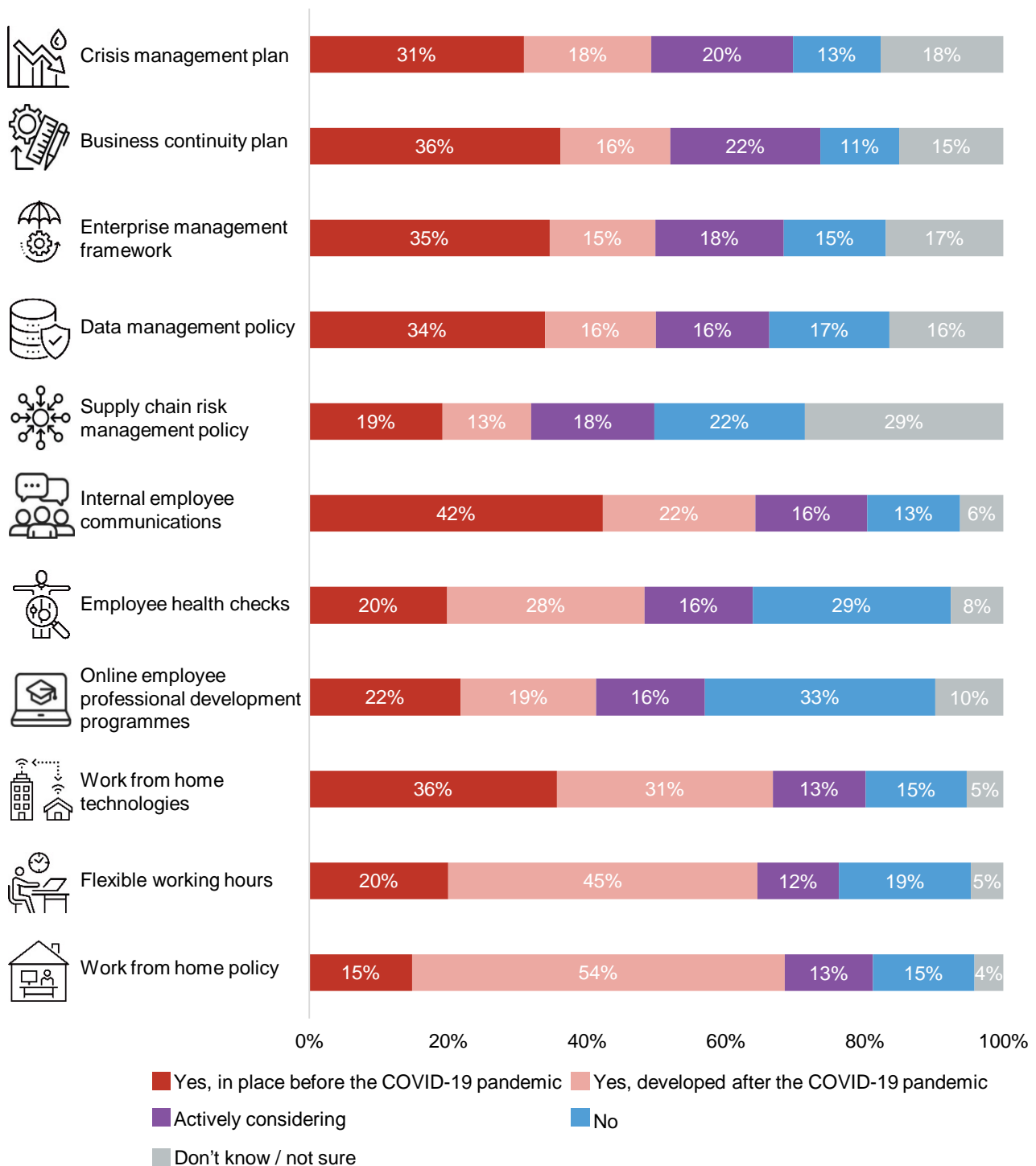


Impact of COVID-19 pandemic: Business and employee support policies

Across many areas, respondents reported that their organizations had developed or were considering developing new policies to cope with the disruption – particularly around policies to support flexible working, including working from home. Work from home policies were developed by 54% of respondents' organizations, while 45% of respondents said their organizations had developed flexible working hours policies and 20% had them prior to the pandemic.

These responses are broken down by sectors in the next section.

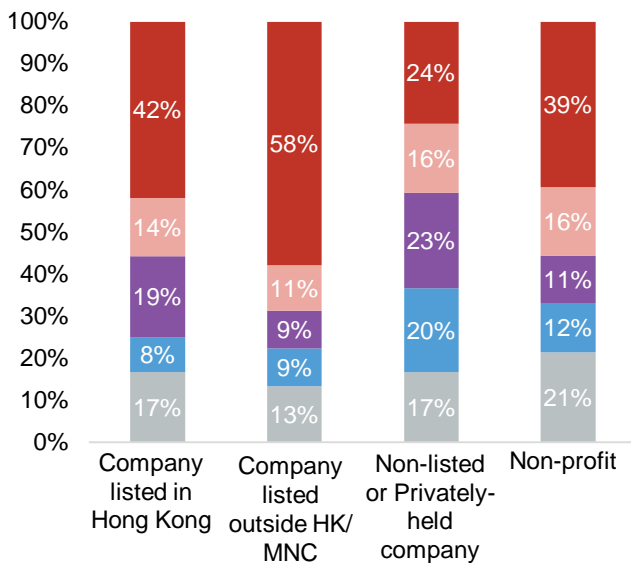
Impact on business and employee support policies



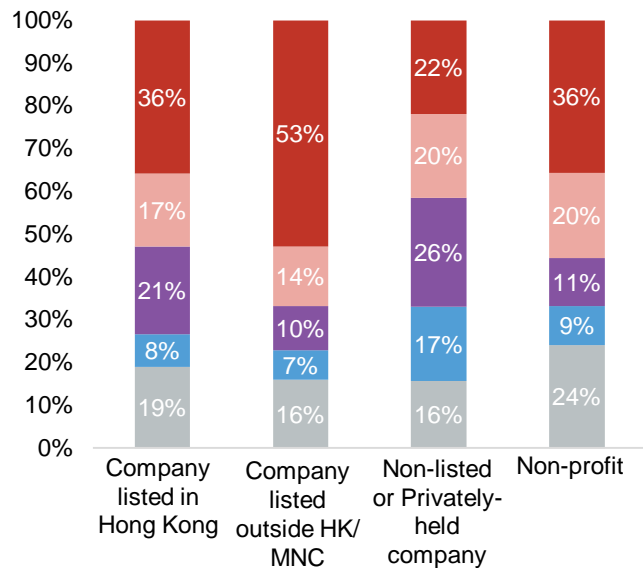
Impact of COVID-19 pandemic: Business policies

The right policies can help business respond to unexpected situations, such as COVID-19. While many respondents from larger listed companies reported that their organizations had business policies to handle a crisis in place, respondents from non-listed or privately held companies said their organizations had developed or were developing plans after the pandemic hit. Respondents at non-listed or privately held companies also indicated at double the rate of other respondents that they did not have any such policies to cope with the pandemic.

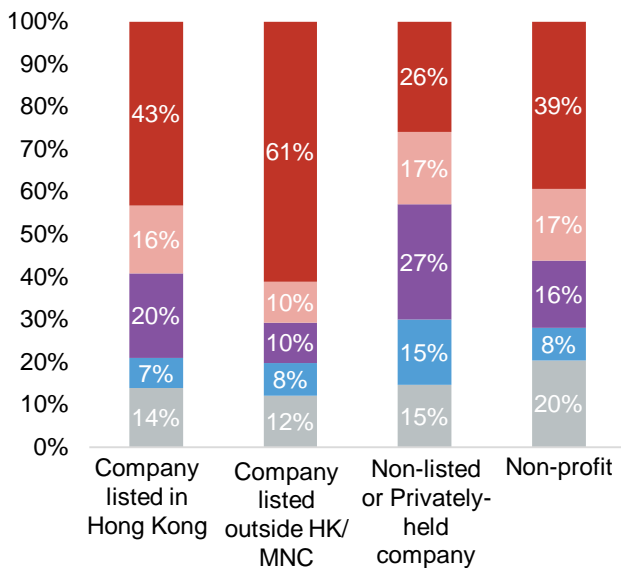
Enterprise risk management framework



Crisis management plan



Business continuity plan

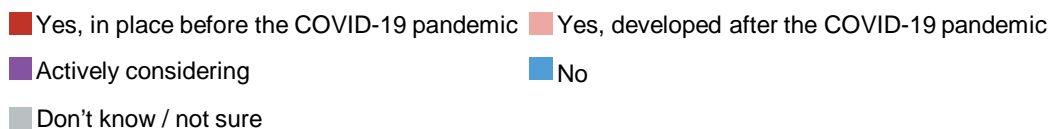


Plans matter

“Whether it’s a global event or a more isolated one, like a cyber-attack or social media attack, the risk is there and how a business is able to deal with and emerge from a crisis is directly related to how well it’s prepared,” says John Donker, Partner, Forensic Services at PWC.



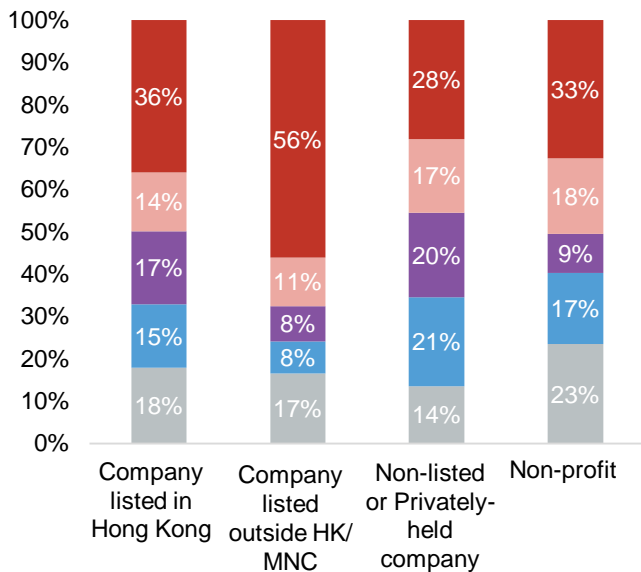
See A Plus quotes on page 16 for article links



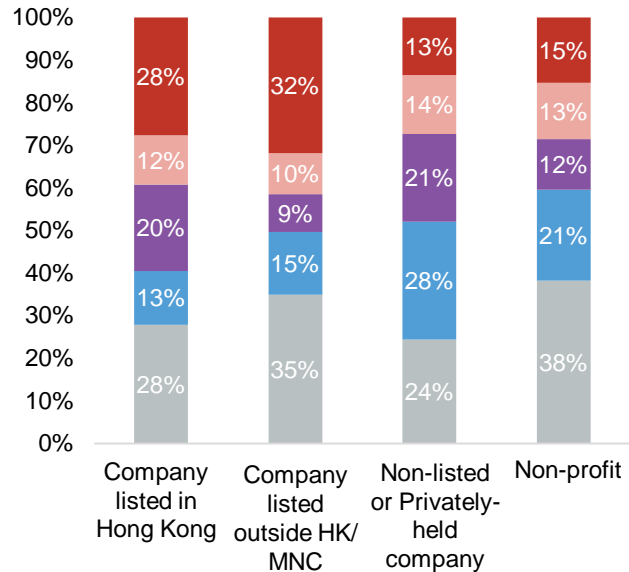
Impact of COVID-19 pandemic: Business policies

In the technology-enabled world, data security is a vital consideration for organizations. With the Internet enabling remote working and the use of cloud technologies to outsource data management, ensuring the security of data is of the utmost importance. Respondents indicated that data management policies were increasing as a consequence of the pandemic. Many respondents were less certain as to whether their organizations had a supply chain risk management plan, which may not be within their remit.

Data management policy



Supply chain risk management plan



Implementing cloud offices

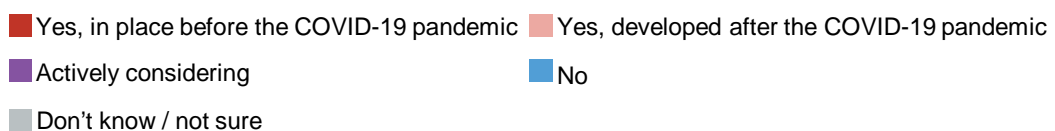
Cloud-based solutions are an important consideration for businesses according to Rani Kamaruddin, Partner, AML and Sanctions Regulatory Compliance KPMG China. "Establishing cloud offices enables more effective cooperation and remote desktop access could be a solution to enable the continuation of working from home" she says.



Three steps to reframing and transforming supply chains

Nelson Chow, Supply Chain and Operations Consulting Partner at EY Advisory Services offers three steps to deliver long-term value:

1. Use data analytics to increase end-to-end supply chain transparency
2. Optimize the supply chain operating model
3. Incorporate digital innovation to achieve operational excellence

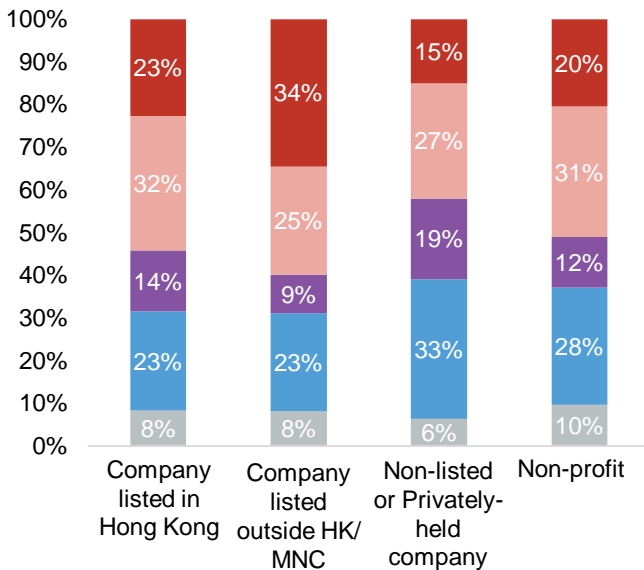


Impact of COVID-19 pandemic: Employee support policies

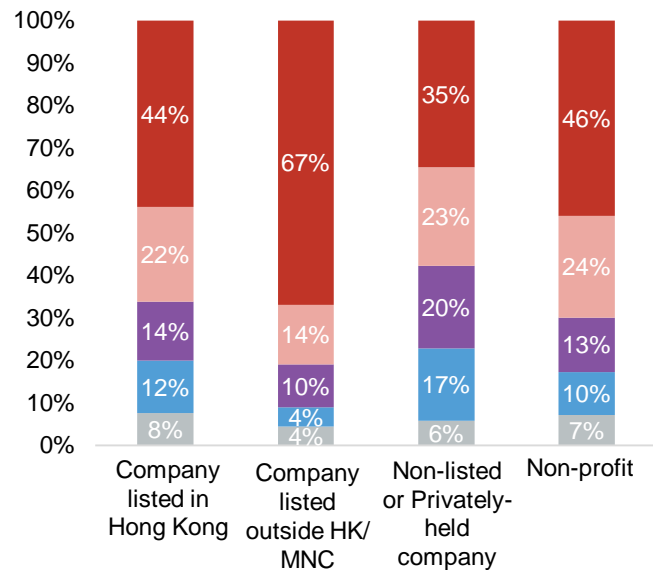
Internal employee communication has become more important for all organizations due to the pandemic. Many respondents reported that employee health checks had also increased at their organizations.

With the difficulties of accessing face-to-face training, many organizations were increasing the use of online employee professional development programmes.

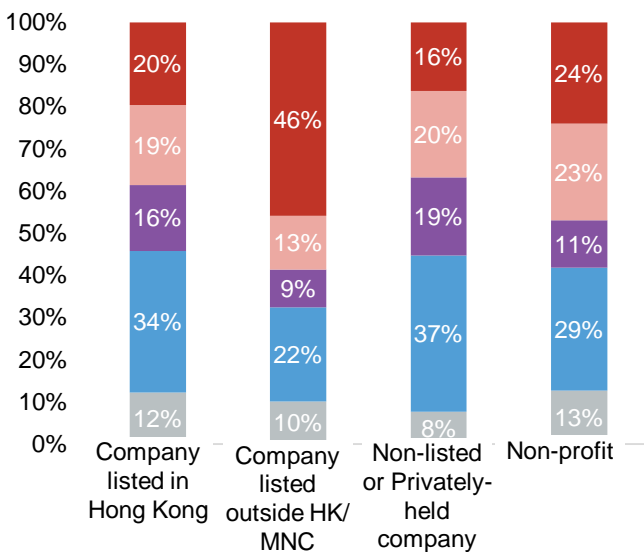
Employee health checks



Internal employee communication

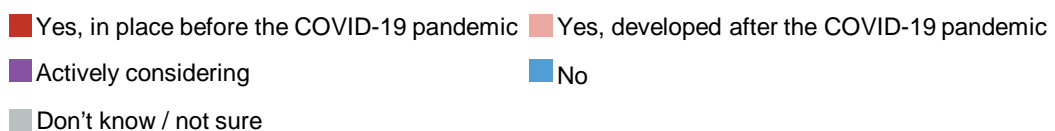


Online employee professional development programmes



Fourth generation training

Peter Nixon, Founder, Potential Dialogue Institute, says that "fourth generation training" through interactive virtual training can provide personalized feedback, and allow companies to access training from the relevant providers around the world.

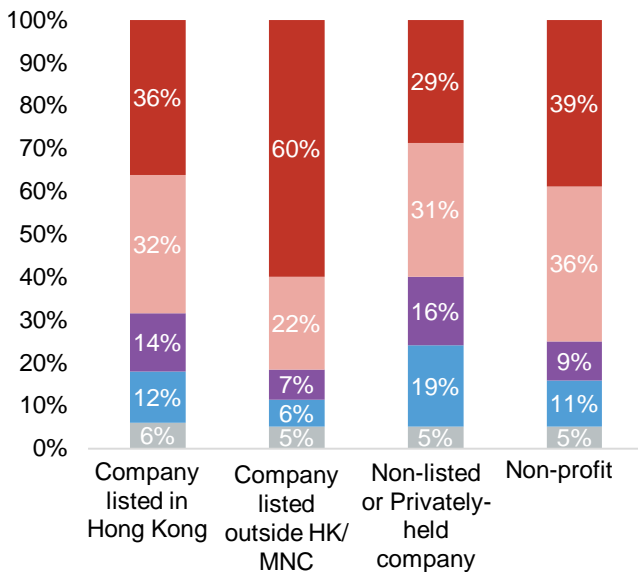


Impact of COVID-19 pandemic: Employee support policies

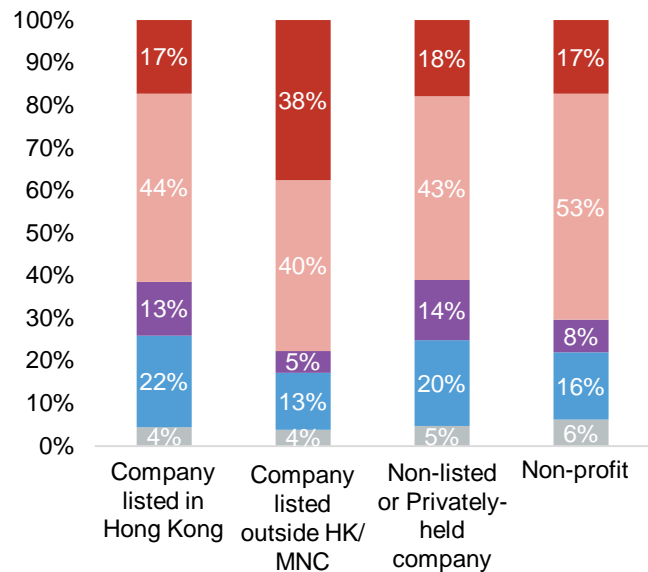
Across all categories of respondents, the largest impact reported was on employee support policies enabling more flexible working and working from home and the technology needed to enable this.

A minority of respondents reported their organizations did not now have, or was developing, a work from home policy, showing how the pandemic has quickly changed the world of work for professional accountants.

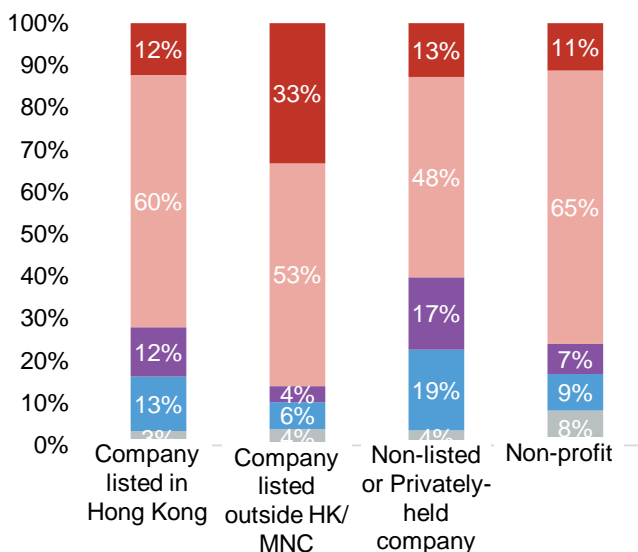
Work from home technologies



Flexible working hours



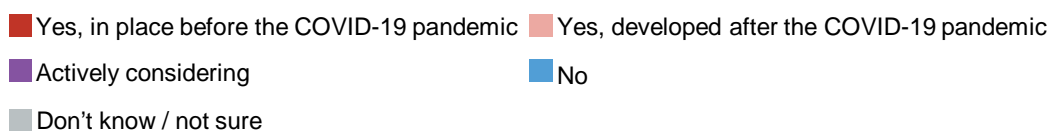
Work from home policy



How to work from home healthily

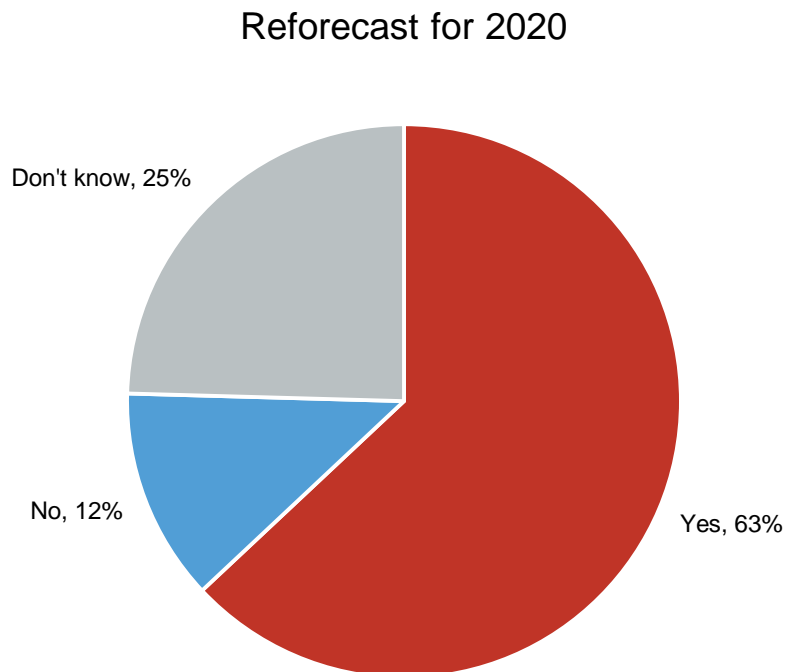
Dr Scarlett Mattoli, Clinical Psychologist, Psynamo Group gives six tips to staying mentally healthy while working from home:

1. Set a routine and stick to it
2. Live day-by-day, but keep an eye on the future
3. Be a good researcher and inform yourself with reputable sources
4. Stay connected
5. Keep a responsible diet
6. Have some fun and some green in your life



Impact of COVID-19 pandemic: Organizations' financial forecasts for 2020

The majority of respondents (63%) reported that their organizations had already reforecasted their financial forecasts for 2020. Just 12% of respondents said that their organization had not reforecast.



The importance of forecasting

Since January the level of uncertainty has been increasing worldwide owing to the pandemic. Due to different lockdowns in different places, companies have lost their sales/revenue within days. This is not something they have planned, encountered or imagined before. Worst of all, after 9 months, nobody can tell when they will see light at the other end of tunnel. What they can do is to struggle for survival based on what they have on hand and some short term relief support from governments.

Under such an environment, budgeting and forecasting has to be more dynamic than before. In the past, enterprises and organizations do their annual budget/forecast once a year. Rolling 12 month forecasts used to be seen as a luxury undertaken by a limited number of companies. But, it may become necessity to many organizations. In view of the ups and downs of the pandemic and corresponding lockdown measures, CPAs have to support their companies with a robust forecasting process, which allows their management to see how things will be going in next few months or weeks, and returns predictions within days if not hours – particularly on cash flow. Management has to rely on that to make spontaneous decision so that the organization can get through this prolonged storm. By doing so, CPA can show their value as a navigator in the team during this difficult time.

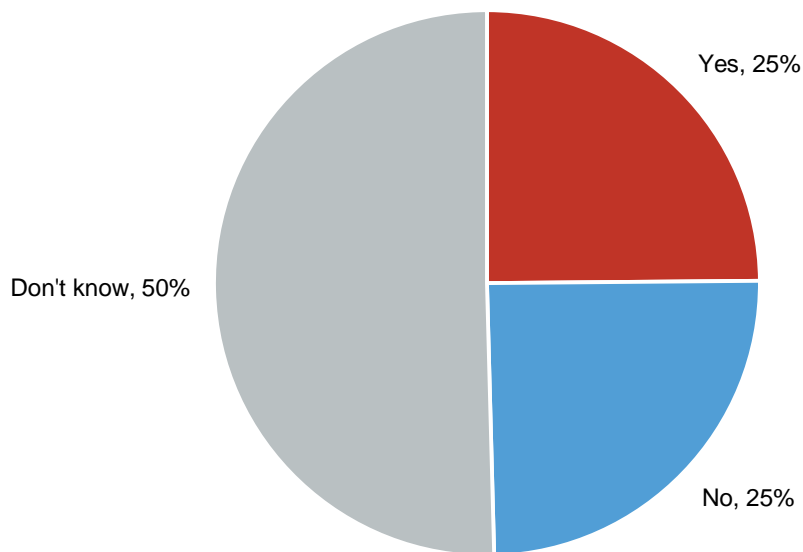
KM Wong
Chief Financial Officer, Hong Kong Electric Investment

Impact of COVID-19 pandemic: Organizations' strategy

Overall, it appears that the pandemic has not yet caused major changes to organizations' strategies. Half of the respondents were uncertain as to whether their strategy had changed.

As the pandemic continues, more organizations may need to consider how to adjust their strategy.

Change strategy



For the respondents who reported that their strategy had changed, the top three reported changes were:



Business plan /
opportunity



Company policy /
work from home

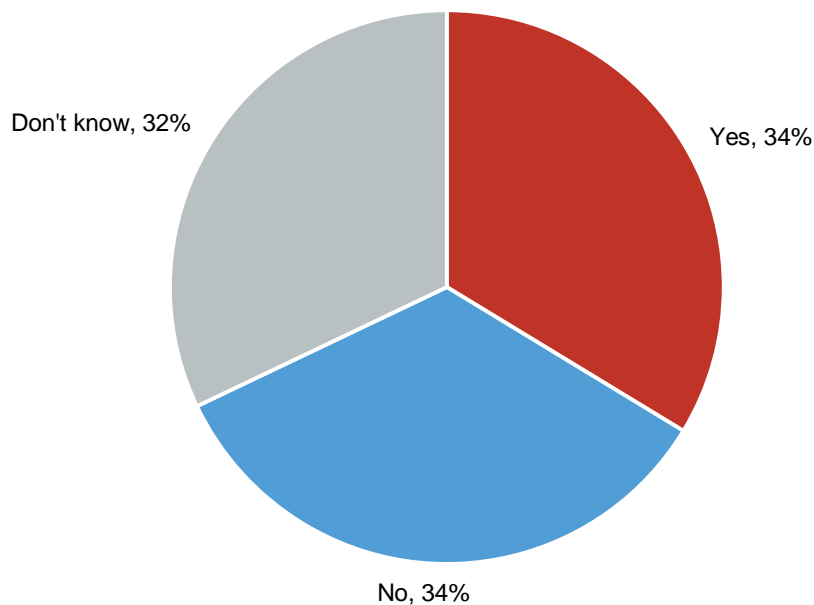


Use of digital /
e-commerce

Impact of COVID-19 pandemic: Organizations' product or service offering

Respondents were almost evenly divided on the question of whether their organizations' product or service offering had changed. PAIBs should consider whether their organizations are prepared for the future and offering their clients what they need.

Change product or service offering



Analysing your organization's data

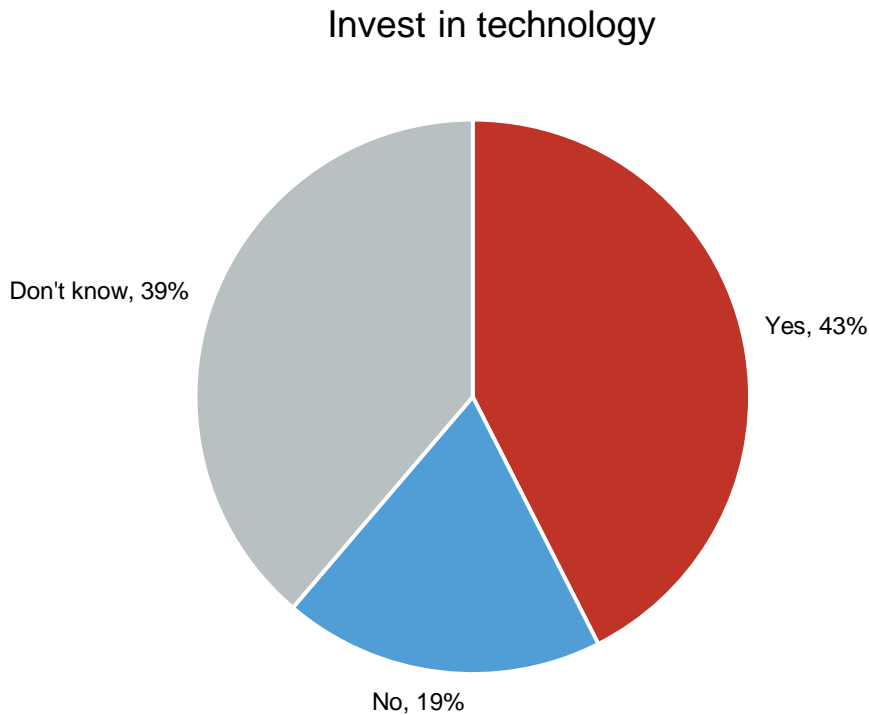
With the lockdowns, operators of physical retail outlets are among the hardest hit, as human footfall has grinded to the lowest levels. In some locations there has been close to zero on-site patronage at times. Traditional forecasting tools are not working during this hopefully once in a life-time event. No one knows what may come the next day, next week, next month, not to mention next year. The only prediction retail operators can make is their burning rate and thus determine if there are enough resources to live through to the next 12 to 18 months. PAIBs, with their forecasting skillset, are well-placed to provide these services.

People and organizations are in survival mode at the moment. PAIBs can help their organizations to survive, not just by acting as gatekeepers for resources, but also by analysing the different operating and financial datasets they have access to in their organizations and offering insights from the data. Looking into farthest corners in the darkest days of the pandemic can support organizations by providing a beacon to the future, and suggesting changes to the offering to navigate through the rough waters and enable the organization to survive together with its valuable resources – people.

Horace Ma
Chief Financial Officer, S. Culture Holdings (BVI) Limited

Impact of COVID-19 pandemic: Investment in technology

43% of the respondents indicated that their organization would invest more in technology to prepare for the future. Harnessing the right technology is vital for organizations. Tools such as cloud computer can help PAIBs to discover trends in their data and make actionable recommendations based on up-to-date information.



Harnessing digital tools

COVID-19 has accelerated digital transformations across industries. Digital technologies provide new channels for businesses to connect with customers, which help increase sales and lay the foundations for exploring new business opportunities. New digital tools also enable companies to improve efficiency and productivity.

Like many other business functions, the pandemic has presented huge challenges to routine finance activities. Due to the implementation of social distancing measures, finance team needs to explore new ways to exchange information with third parties. Basic questions including how to sign agreements, approve transactions, issue and receive invoices need to be addressed innovatively. Finance team are also required to support their companies with more accurate and frequent forecasts so as to allow executives to make well-informed decisions.

Digital technologies such as reconciliation and automation solutions, spending management platforms, electronic signature systems, artificial intelligence technologies and predictive analytics software could address some of the above challenges. These digital tools allow finance team to ensure the accuracy of financial data, improve their projections, enhance procurement, expense management, and contract and invoice processing. Embracing innovative digital technologies is vital for future success. If your team fails to embrace technologies, your company will definitely fall behind competitors who choose to do so.

Michael Chan,
Chief Operating Officer, Inchcape Greater China

Support from the Institute

Through the [COVID-19 – CPA Information Centre](#) webpage, the Institute provides members with the information they need to tackle the challenges of the pandemic, and keep track of local and international developments.

The webpage contains guidance from the Institute and other bodies, information about the government's Anti-epidemic Fund schemes designed to support the economy, and updates from regulators.

The Institute has also increasingly held webinars, some for free, instead of face-to-face events for members to enable them to keep learning during the pandemic. Many of these were recorded and are available as [e-Seminars](#) for members to access anytime. The full range of courses can be found on the website or through the [HKICPA Events](#) app.

A Plus article quotes

This report features quotes from *A Plus*, the Institute's monthly magazine. These quotes come from the following articles.

- P8, Plans matter, Time for Plan B, April 2020, <https://bit.ly/3lXoNDr>
- P9, Implementing cloud offices, Time for Plan B, April 2020, <https://bit.ly/3lXoNDr>
- P9, Three steps to reframing and transforming supply chains, How to deliver long-term value by reframing and transforming your supply chain, July 2020, <https://bit.ly/3nW3h3K>
- P10, Fourth generation training, What's the best way to manage training needs?, May 2020 <https://bit.ly/352vkFV>
- P11, How to work from home healthily, How to stay mentally healthy while working from home, April 2020, <https://bit.ly/3761V0e>

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