



IMPACT OF UKRAINE INVASION ON OUR OPERATIONS CLIENTS

VIDEO TRANSCRIPT

Hello. I'm, Eloi Decottignies Accenture Operations European Lead. We are a global community. We stand with the people of Ukraine. We have taken action to support the Ukrainian people, and we have also taken action to support our clients. We have a dedicated team of researchers, economists, strategists, data scientists and many more who are monitoring and recommending how we can help our clients.

The Russian Federation's invasion of Ukraine presents a serious threat to businesses and economies around the world—disrupting global supply chains, causing oil price shocks, inflation and potentially slowing global growth. Furthermore, the complexity of the sanctions imposed on the Russian Federation by different regulators around the globe present additional challenges for business leaders.

Many global firms' business continuity plans are being tested and critical operations have been challenged. Business operations—how organizations transform their operating models to find new value and growth—are being severely disrupted in Finance, Supply Chain, Procurement, Compliance to industry-specific services such as Banking. Complex and business-critical services that are handled by global operations must be reassessed and restructured to respond to new uncertainties.

Rising inflation, higher input and freight cost for key commodities will test growth and profitability

for some time to come. Cost competitiveness will be a critical element and companies may drive selective innovation initiatives and Capex investments.

These changes are affecting clients in Europe and elsewhere around the world and can be broadly organized into three categories to watch: Business Continuity, People and Talent Impacts and Price Inflation.

Eastern Europe is the third-largest global shared services destination after India and the Philippines. Centers in Ukraine and nearby countries employ more than 25,000 business process services professionals.

The shared services centers in Ukraine are at risk of the most severe impacts. Businesses with exposure to Eastern Europe might need to rethink their business continuity strategies including delivery locations.

In the current macro-economic situation, companies are facing challenges in managing their critical business operations because of changes to business processes to comply with new regulations and sanctions, a possible surge in certain activities (for example, loans and customer inquiries) due to increasing customer demands.

Given the current environment, the labor and talent situation continue to be volatile.



Workforce pressures in regions near Ukraine and other Eastern Europe markets are a further knock-on impact of the conflict. Already 'burned out' by the impacts of COVID-19, employees must now contend with a new wave of challenges and uncertainty that could compound the stress from the past two years. Workforces are facing historic shortages, and current events may drive higher attrition or increased people shortages.

The talent shortage and increasing cost of operations could lead to changes in operating models for many global companies that are dealing with business continuity and inflationary pressures.

Disruption in the supply of key commodities will naturally lead to accelerated inflation in those categories. Food and Energy are poised to see the greatest impacts, thanks to the role that the Russian Federation and Ukraine play in those industries. However, the region's role in supplying smaller, but critical, products to industries like High Tech and Automotive may provide further disruption to supply chains that still have not recovered from the impacts of COVID-19. Any reduction or delay in supply could quickly cause further price increases.

Rapid inflation in the price of oil and natural gas will create cost pressures for virtually every industry, in addition to recent wage increases.

With increasing Cost of Goods Sold, companies will want to review Selling, General & Administrative levers to optimize their cost structures. There will be further pressure on companies to operate efficiently to remain competitive.

To minimize the impact of these disruptions and remain resilient, companies must make rapid and informed decisions to drive continuity in their operations and pivot from reactionary ways to driving response and recovery. We recommend two actions:

First, assess operations needed to drive business continuity to minimize the impact of sanctions, current macro-economic parameters and most importantly, the impacts on people and talent. It is also important to reassess and restructure complex and business-critical services that are handled by global operations.

Second, consider cost transformation strategies and future-ready operations to drive medium- to long-term transformation: In the face of the growing nature of uncertainties and the impact of COVID-19, companies must think and plan to devise a response that is future-ready. They need to de-risk their operations to continue to grow profitably, keeping in mind overall customer experience and cost structures to remain competitive.

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