

# Ten steps to Building Business Resilience



# Introduction

As with most other sectors, the payments industry has been buffeted by a global pandemic, challenging economic conditions, workforce shortages and skyrocketing costs.

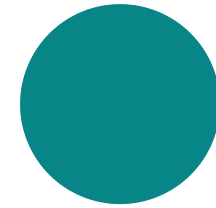
We cannot predict what will happen next, but we can think about how our businesses could be impacted by unplanned, unforeseen events. How do we respond? How can we put our businesses in the best possible position to weather an economic storm? Should we batten down the hatches in the hope we can ride out the turbulence? Or change tack and make it an opportunity to head in a new direction?

It's almost impossible to know what course of action to take until the time comes. But none of that matters if, as a business, we haven't thought about its operations, its structure, who we serve and on whose services the business depends. It might seem obvious, but being proactive in identifying the potential risks to the business is vital in helping us to stay afloat in uncertain times.

Any business worth its salt will have done this analysis. So much thought needs to go into these matters, and necessarily so. Whether that's to get the business up and running, to harness investment or because the law (and our supervisory authorities) requires a business to do so.

But how often do we review and actively check in on these different aspects and actively manage them? Have the dynamics changed? Are there new or heightened risks to the business?





# Ten steps you can take to prepare for economic headwinds and rising costs



# 1

## Know your key service providers and understand the risks

**Who are your key service providers and what are the fundamental services each provides? How is their performance monitored and managed? What happens if a provider stops its services unexpectedly, or has a change of heart?**

Outsourcing elements of business operations to a third party with the experience, resource, and infrastructure to provide the service is common practice and a familiar model for the payments industry. The (often) critical services provided by service providers have not been missed by regulators. For example, the European Banking Authority's (EBA) guidelines on outsourcing arrangements require firms to have effective day to day management of outsourcing arrangements overseen by the firm's management. In practice, this means that your outsourcing processes must be enshrined in a sound policy, with all risks associated with the outsourcing, particularly critical/important functions, identified, assessed, monitored, managed, reported and, as appropriate, mitigated. And when you enter into an outsourced service arrangement, you must draw up appropriate exit plans, for example, to migrate to another provider, or bringing the services in-house.

It can feel pessimistic to be thinking about exit plans when you are raring to get started, but there is good sense in doing so. Each party will have spent significant amounts of time understanding how each will interact with the other to provide a seamless service and the relationship is likely to be 'on a high'. Capitalise on the insights you gain during these discussions and the goodwill generated in the collaboration.



## Safeguard your business know-how

**There is no better source of knowledge for your business than the people who make it happen.** How do you capture the valuable nuggets of 'know-how' they hold and the reasoning behind the decisions they make?

It is always good practice to make and maintain records of staff roles and the functions they perform within the business. Document the decisions your staff make, with the reasons or assumptions behind them.

It is often only when a person has gone, that we realise what knowledge and insights have gone too.



# 3

## Know your operational risks

**It may seem obvious, but the senior management of every business should know how their business is run.**

This is because operations don't always stay the same. As your business evolves, it's likely your providers of outsourced services will as well. It's essential that you maintain a record of the growth, diversification, new systems or services in your business as well as those of your partners. The impact of these changes must also be considered by the firm's management.

As with the EBA Guidelines on outsourcing, the UK's Financial Conduct Authority (FCA) also requires firms to identify its important business services on a regular basis, set impact tolerances for the maximum tolerable disruption, and to have carried out mapping and testing of its services as necessary to effectively monitor operations and identify its vulnerabilities.

Operational Resilience | FCA

# 4

## Safeguard your cash position

No one can survive on air alone.

**Businesses have mouths to feed.** Keeping an eye on cash flow is key to its continued health. Every late payment made to a service provider has an impact on that provider's available funds. As does any late payment for the services your business provides. If your business isn't being paid on time, is it for good reason? Is it an indicator of the service your business provides or the ability of the beneficiary business to pay? Has this happened before? If so, do the reasons stack up?

It literally pays to scrutinise why payments are not being received and devise a strategy to limit the impact on your business, whether this involves suspending provision of services to the beneficiary and/or taking further steps to recover money you are owed. These are precarious economic times and no business wants to spend more time and potentially money, chasing payments.

# 5

## Prioritise your people

**Your employees are critical to your business; they make the cogs turn, create the magic and are a reflection of the business that employs them.**

There are a broad range of businesses contributing valuable services to the world of payments. The sector has evolved significantly over the last 15 years as has the regulatory and security framework governing the sector. Does your business have sufficient resource and skill sets to keep itself on top of operations and up to date with developments? It's not an easy task in the competitive payments market and finding suitably qualified and experienced staff in the right country has been hampered further by Brexit and subsequently COVID-19.

Retaining the people already in the business should be a high priority; listen to them, they are the eyes and ears of the business. Support them so they are able to perform their roles properly, with training on the standards set internally through business policy, and externally by the regulators and industry.

In tough times, the need to cut costs is very real for many businesses, but we also know that losing employees hurts your bottom line. Value your people so they remain motivated and drive growth for your business.



# 6

## Focus on your customers

**Your customers are the heart of your business.** They shape the products you drive, the direction of travel you take, and the products and services the business provides. Who are they? How do they interact with your business? Can you provide the best service to them?

Whether you provide intermediary (B2B) services or direct to the market services, it's for you to understand who your customers are, and the value you provide in the course of you delivering services to them.

The FCA also believes that financial services should always work well for customers. The recently introduced Consumer Duty sets higher and clearer standards of consumer protection across financial services, and requires firms to act to deliver good outcomes for their customers:

Consumer Duty | FCA



## Know where your business is heading for future growth

You have a great business, and feedback from your customers proves there is value in the service it provides. Everything is traveling in the right direction. You, your colleagues, your customers and it seems everyone else will have plenty of ideas as to what to do next to capitalise on the momentum; whether that's a new product or service innovation or expansion into another region.

**Now is the time to take a deep breath, sit back and consider what that means to your business.**

Can the service be provided in the same way in another country? Will it require a separate operating permission? What is the regulatory framework governing the service and will it impact the features of the service or the commercial experience in purchasing and using the service? How will the new country venture be resourced and funded?

And when it comes to rolling out a new product, is there a demand, or need for it? Who is your target market?

There is no substitute to carrying out research before leaping to your next venture.



# 8

## Define success for your business

### How do you define success?

Is it the number of customers you have, or how your business compares to your competitors? Success can be measured in many different ways. Whatever trackers you use, they should demonstrate profitability in the short, medium, and longer term as well as market presence.

# 9

## Stay on top of compliance

Financial services are increasingly delivered digitally where geographical borders are not so obvious. It may be less obvious to the payment service provider (and user) which country's laws apply and what customer protections are available.

**Know the world you operate in.** Good ideas are only good if they meet the standards required to bring them into being. Regulatory compliance is not optional or discretionary. It's essential for businesses to understand how its operating model and the market it serves is regulated. An appropriate framework should be put in place to ensure compliance is achieved on an ongoing basis.

Regulatory reviews should be carried out regularly, so the business can keep track of legal developments and ensure the review remains relevant to your products and service(s) as they evolve. If you are an FCA supervised business, you can track progress of FCA activities, its regulatory initiatives and reviews as they develop.

The FCA's Regulatory Initiatives Grid is a useful tool for businesses to consider how it will be impacted once the various rules and regulations come into force.

Regulatory Initiatives Grid | FCA



# 10

## Know what investors are looking for

**At some point, you may wish to seek investment to enable your business to move to the next stage.**

Fintechs remain exciting opportunities for investors. But now, more than ever, investors are looking for innovative businesses who can demonstrate market demand and, crucially, a clear path to profitability. Think carefully about how much investment you are seeking, the costs it would cover and how long for.

Our recommended ten steps to building business resilience should be considered in your investment plans.



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