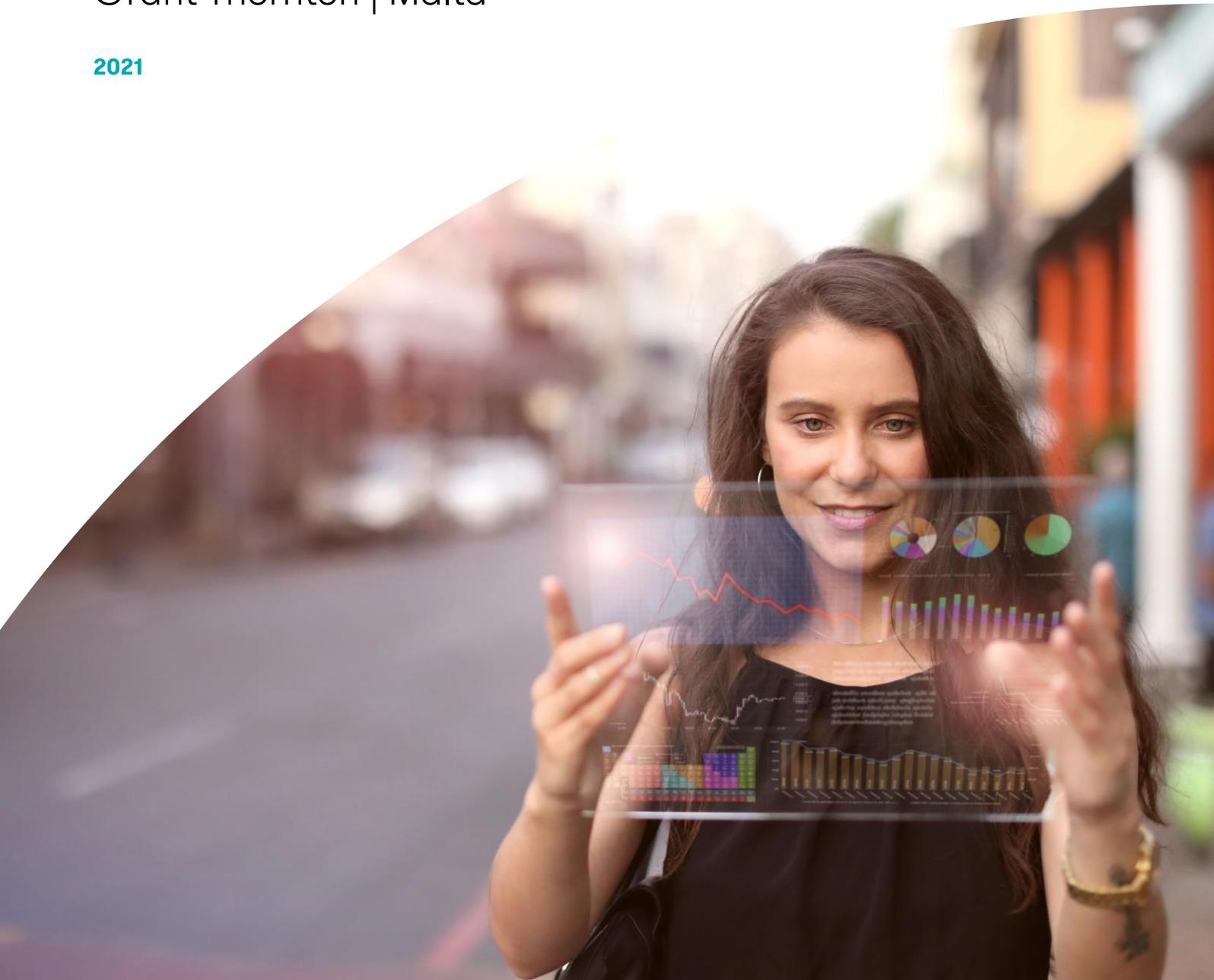


# Shaping Malta's Future 2021

## Embracing the digital revolution

Grant Thornton | Malta

2021



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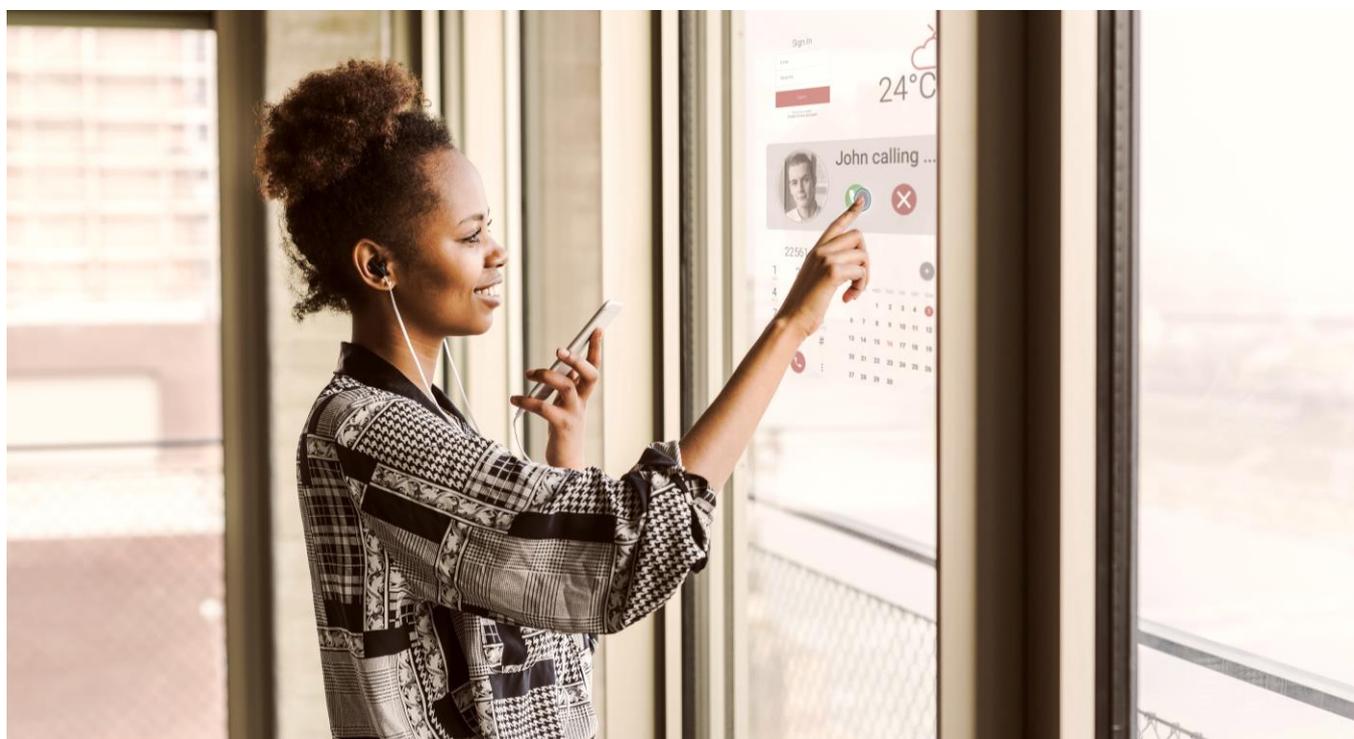


# Embracing the digital revolution

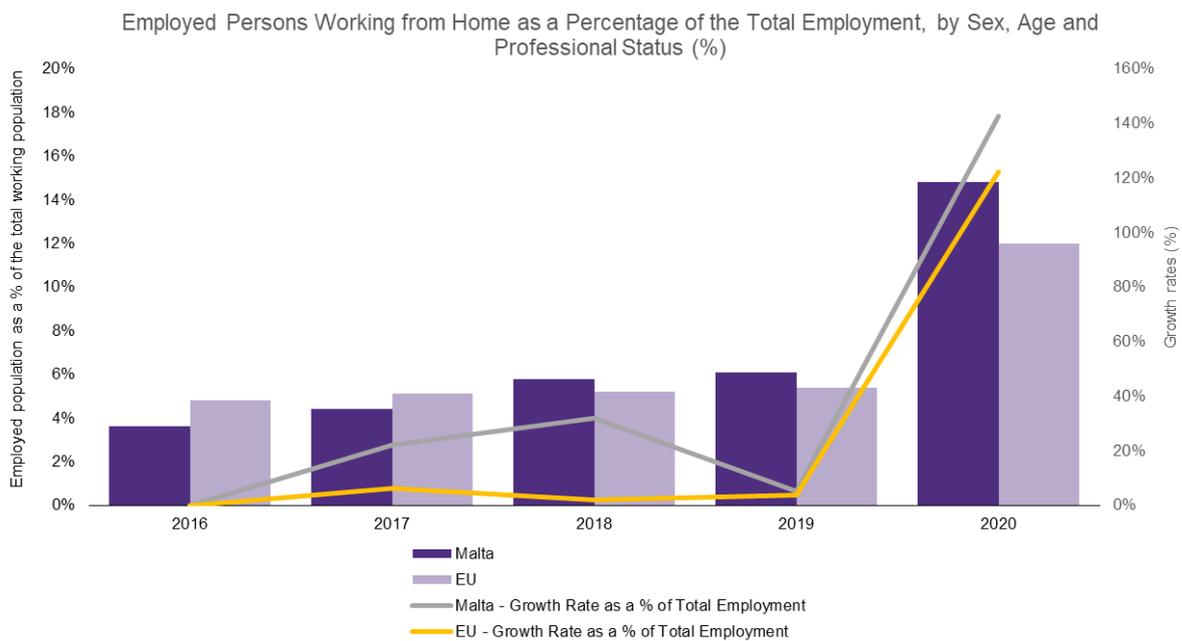
Technology is the primary force behind the shift of businesses to digital transformation. Since most people are using social networks and digital interactive tools to carry out most of their tasks, it is no less than a great opportunity for businesses to venture into the path of digital transformation.

This shift to a new world, also known as Industry 4.0, has led organisations to seek new ways on how they can improve their operations. Technology has without a doubt championed in this revolution. Technology has been introduced in all departments, ranging from human resources to logistics and from operations to sales.

Focusing on the local scenario, the ICT industry on the island has achieved substantial growth in the past decade. The ICT industry accounted for more than 5% of the nation's GDP in 2014 and this is excluding the contribution given by the iGaming industry. Now, the total GDP attributable to the ICT industry amounted to €1,106,794 in 2020, a 15% increase over the previous year (2019 ICT contribution: €960,006) which represents 9% of the nation's GDP (excluding the iGaming industry). Besides being a sector, the ICT industry has a ripple effect on other sectors, making this dynamic easier for other sectors to flourish. The Digital Malta Strategy has been designed to foster a strong, competitive, ICT-enabled, and export-oriented industry, which will be able to compete in international markets. The Strategy will also propel ICT further in sustaining business and innovation, contributing to economic growth and sustainable development.



The ICT Industry has been crucial to the success of certain businesses during the COVID-19 pandemic, such as the finance and insurance sector, the public administration sector and the retail industry. Teleworking enabled the ICT industry to be a major influence on organisations, especially during times of mandatory quarantine and other lockdown restrictions. Businesses had to be readily equipped with the necessary technology to mitigate these protocols. The advancement of technology allowed for the running of businesses amidst the pandemic. The chart below illustrates the number of people working from home, as a percentage of the total employment.



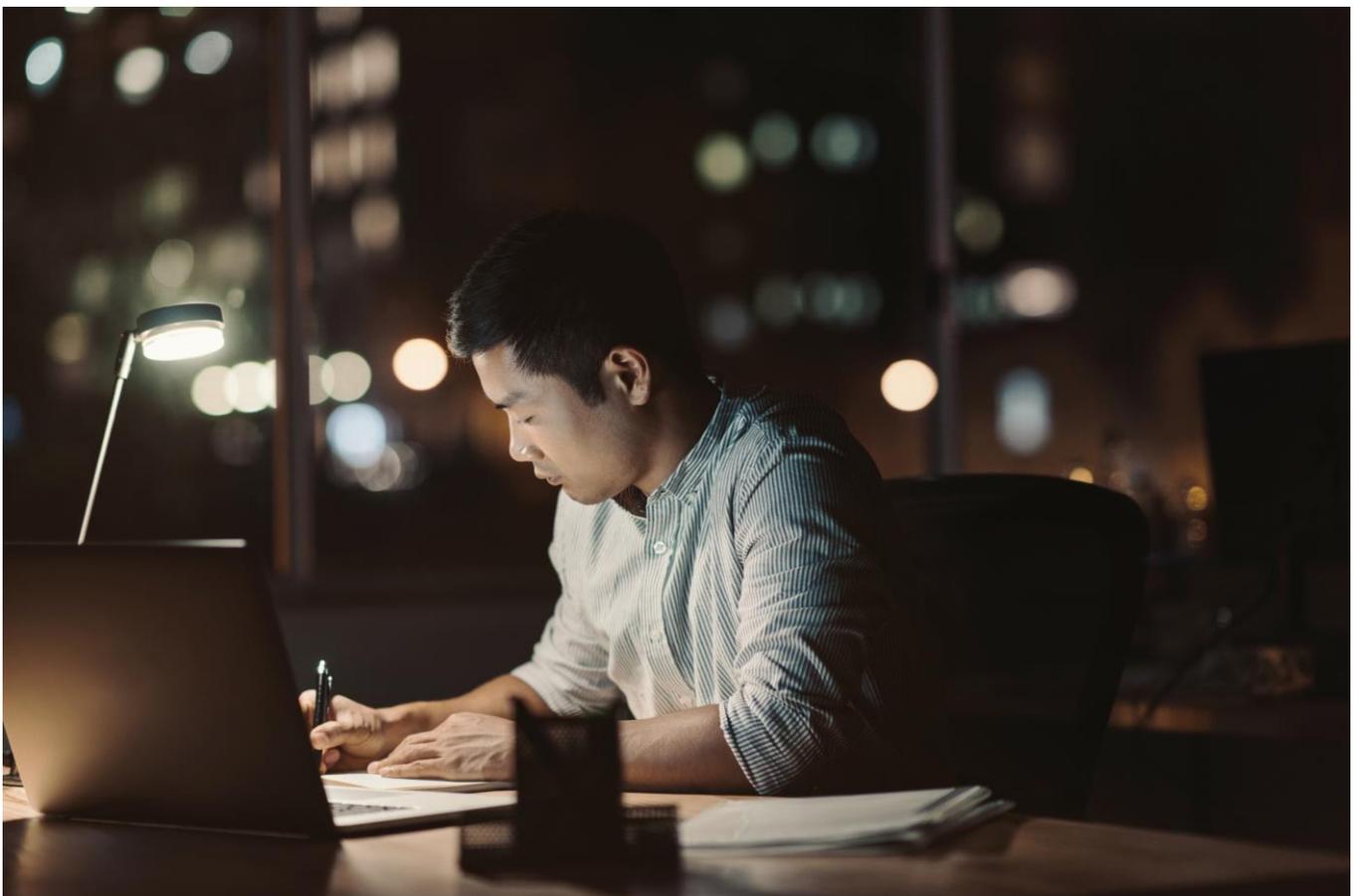
As illustrated in the chart above, the number of employees working from home in Malta has increased considerably over the past year and is still growing. Between 2019 and 2020, there was a 143% growth rate in employees working from home. This new form of working from home has resulted in employees becoming more flexible in their time management, allowing them to perform other tasks whilst working. At the same time, businesses have saved on running costs and other general expenses due to the drop in number of employees at the workplace.

However, having business' employees solely work from home may create some problems with regarding to efficiency, productivity, and mental health.

Technology has had an immeasurable impact on the business world, from improving productivity, to opening new markets around the world for even the smallest of businesses, to creating entirely new business models like Airbnb and Uber. But advanced technology has its negatives as well. Whilst its negative aspects probably should not stop an organisation from taking advantage of technology, one should certainly be aware of the potential downsides so he/she can take steps to minimise them. Here are some problems to remote working and possible solutions to mitigate them.

Firstly, remote teams lack community and have several culture barriers to overcome. This means that although employees will be working with the company, they will not feel valued and not feel as though they are part of a team, leading to thoughts that their contribution towards the company is not important in comparison to that of their superiors. As a result, the firm can try to host annual meetups to make sure that everyone understands the company's values and open about their personal work experiences.

Another problem with working remotely is that it may be quite difficult to keep organised payroll records since a lot of information is being transferred through email or other virtual chat methods rather than word of mouth. However, a solution could be to use a tax filing service or software whereby payments are sent virtually, and automatic records are documented. Moreover, employees should be instructed to keep their own personal records deducing the hours and jobs they have worked on during a particular period of time.



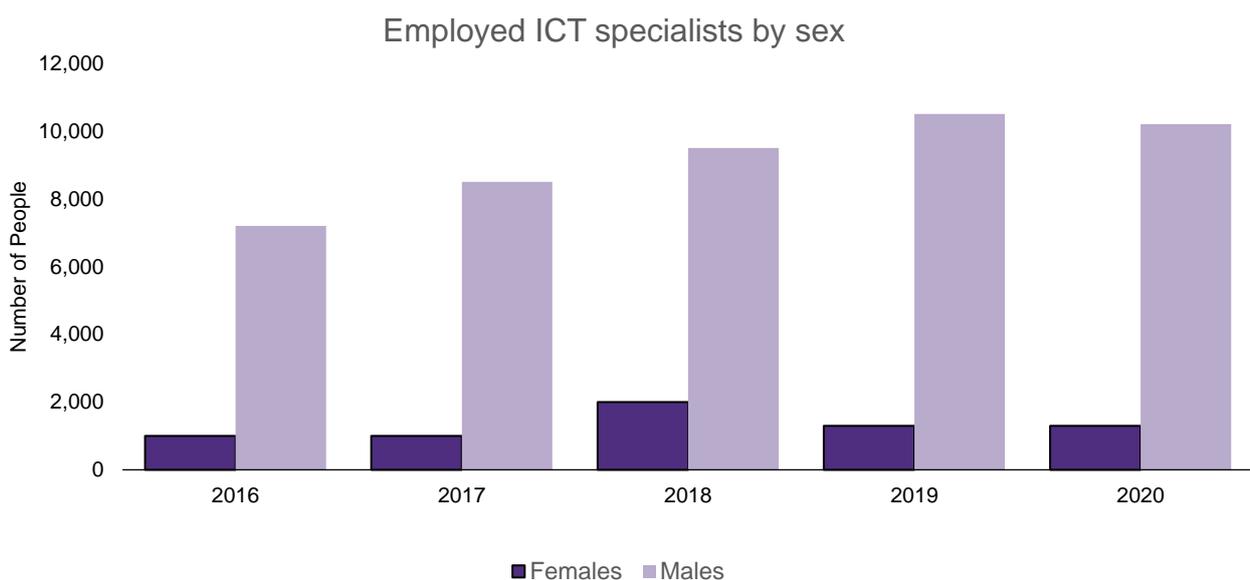
Although it is becoming more common to work remotely, not everyone can work in such an environment. Assigning the wrong remote teams can result in low retention and inefficient output. Changing the hiring process and looking at remote working as a skill may help in assigning the right teams for the tasks at hand. Moreover, a company should invest its resources in good training so that it will be easy to onboard new members working remotely.

Further to the previous issue, remote workers can be difficult to manage and keep accountable. Some workers may end up wasting time rather than working since they are not being supervised and can be easily distracted. However, using a time tracking/monitoring tool downloaded on company equipment provided to employees can mitigate this problem.

Unfortunately, working remotely could cause employees to suffer from a lack of social skills. This is because employees can avoid the necessary action of speaking to different people at the workplace. Furthermore, not leaving the house for long periods of time could result in long term mental deficiencies such as fatigue, laziness and even depression. As a result, organising frequent team building activities can help in improving the social aspect of remote working.



The ICT Industry is both the enabler of savings and the engine of growth, and people with skills and experience in ICT are more likely to have a competitive advantage over other people with different skill sets. ICT is integral to every business process, and teams within organisations interact with others to enable sustainable development, transformation, and improvement of the company. However, it seems that for the general female population, the ICT industry is not regarded as a great place to be sparking debate about. This is an area of concern for Malta as over the past 5 years the number of females employed within the ICT Sector has been decreasing. Between 2018 and 2019, the rate dropped by 35% and as of 2020, the rate has remained the same with no increase in females in the sector. However, with the recent boom in ICT and the increase in demand in ICT-related jobs, more opportunities are likely to be created for the female population. The chart below deduces the discrepancy between the number of females and males currently being specialised in ICT in Malta.



In conclusion, digital transformation has become a priority for all organisations. Embracing the digital revolution is not an option but an absolute necessity for survival in a fast-moving world. The opportunities that new technology presents are of unprecedented scales and complexities. No matter the industry, geography, or size of the business, impacts of new technology are seen everywhere, touching customers' lives in ways previously not imagined. According to a study conducted by Spiceworks Ziff Davis in 2020, in response to the effect of the pandemic, businesses around the world are changing their business plans: 44% are increasing the pace of their digital transformation, 33% are tightening their security and risk and governance management, 30% are developing additional training resources for remote workers and 36% are working on improving their IT operations and systems performance.

Inevitably, firms will need to start thinking about how technological innovations can be used in their specific business context to drive value. They will also need to identify measures on how digital technology can help in maximising their output without increasing costs and making more efficient use of resources.

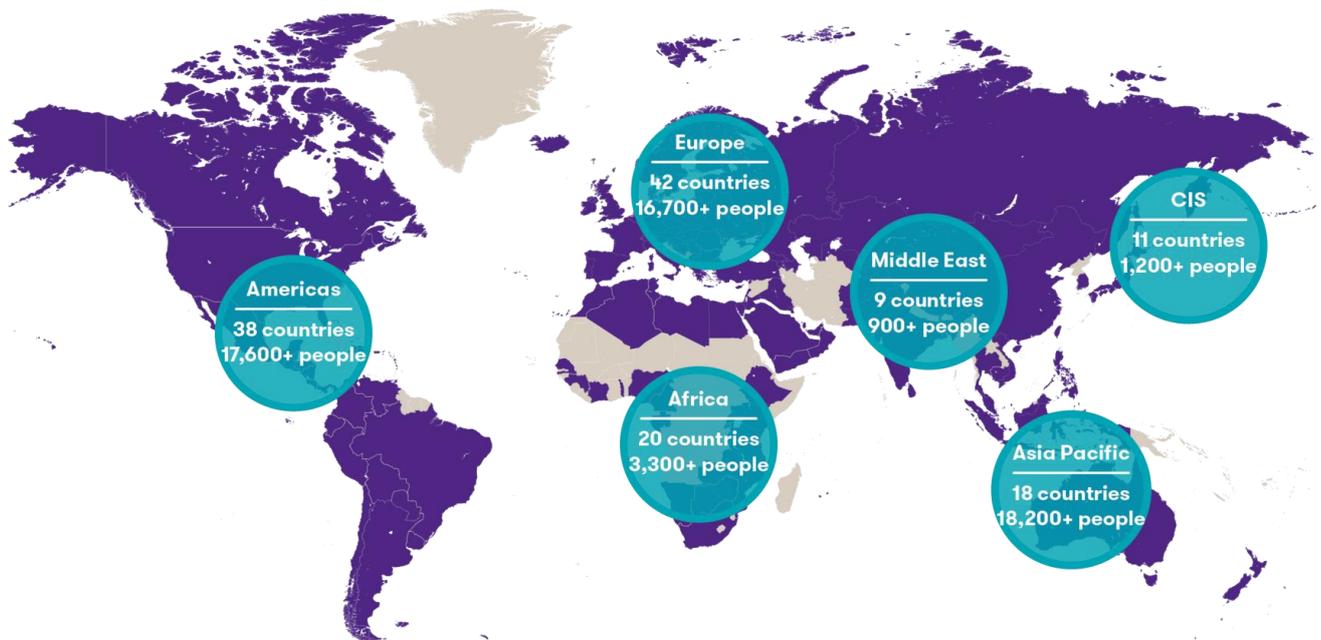
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Our distinctive client experience sets us apart



USD5.76bn  
(2020 revenue)



58,000+  
people



750+  
offices



138  
countries

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- financial statement audits
- financial statement reviews
- financial statement compilations
- reporting on controls at a service organisation
- IFRS
- audit quality monitoring
- global audit technology
- systems and risk assurance

## Business risk services

- special attestation services
- internal audit
- risk management and internal controls consulting
- governance and risk management
- regulatory services
- risk modelling services
- forensic and investigation

## Business consulting services

- general business consulting
- business planning and performance improvement
- change and program management
- business intelligence and analytics
- business valuation and litigation support
- business process outsourcing and consulting

## Transaction services

- mergers and acquisitions
- capital markets, including Prospects and WSM
- project financing
- due diligence
- valuations
- foreign direct investment

## Recovery and reorganisation

- operational and financial restructuring and reorganisation
- recovery

## IT and Technology

- IT business consultancy
- technology implementation
- blockchain technology
- fintech consultancy
- cyber security consultancy

## Tax and regulatory

- direct international tax
- global mobility services
- indirect tax advisory
- transfer pricing
- estate planning
- wealth advisory
- FATCA/CRS advisory and compliance
- IRS qualified intermediary advisory and compliance
- regulatory and legal
- corporate services
- ship and aircraft registration
- company formation
- financial regulatory services
- trust and fiduciary services

## Outsourcing

- bookkeeping and financial accounting
- payroll and personnel administration
- direct and indirect tax compliance
- human resources
- compilation of financial statements
- business process outsourcing including back office and secretarial
- consulting and processing engagements
- family business consulting

## Economic advisory services

- economic impact assessments
- cost-benefit analyses
- cost effectiveness analyses
- value for money analyses
- public private partnership advisory
- public procurement advisory
- advocacy reporting
- evaluations of projects, policies and programmes
- strategy development
- product development costing and determination of pricing strategies
- market research
- survey design, collection and analyses
- ad-hoc engagements

## Quantitative risk advisory

- ICAAP & ILAAP
- capital requirements
- ALM & Actuarial ALM
- stress testing (BASEL III / SOLVENCY II)
- independence reviews
- credit risk
- interest rate risk
- price risk (hedging)
- foreign exchange risk
- data mining
- data science
- Tableau dashboard
- data management
- statistics and data analytics
- remediation and anti-money laundering
- tool kit using research techniques

## Other services

- assistance with EU and local funding
- marketing and communications consultancy
- brand development
- human resource consultancy

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