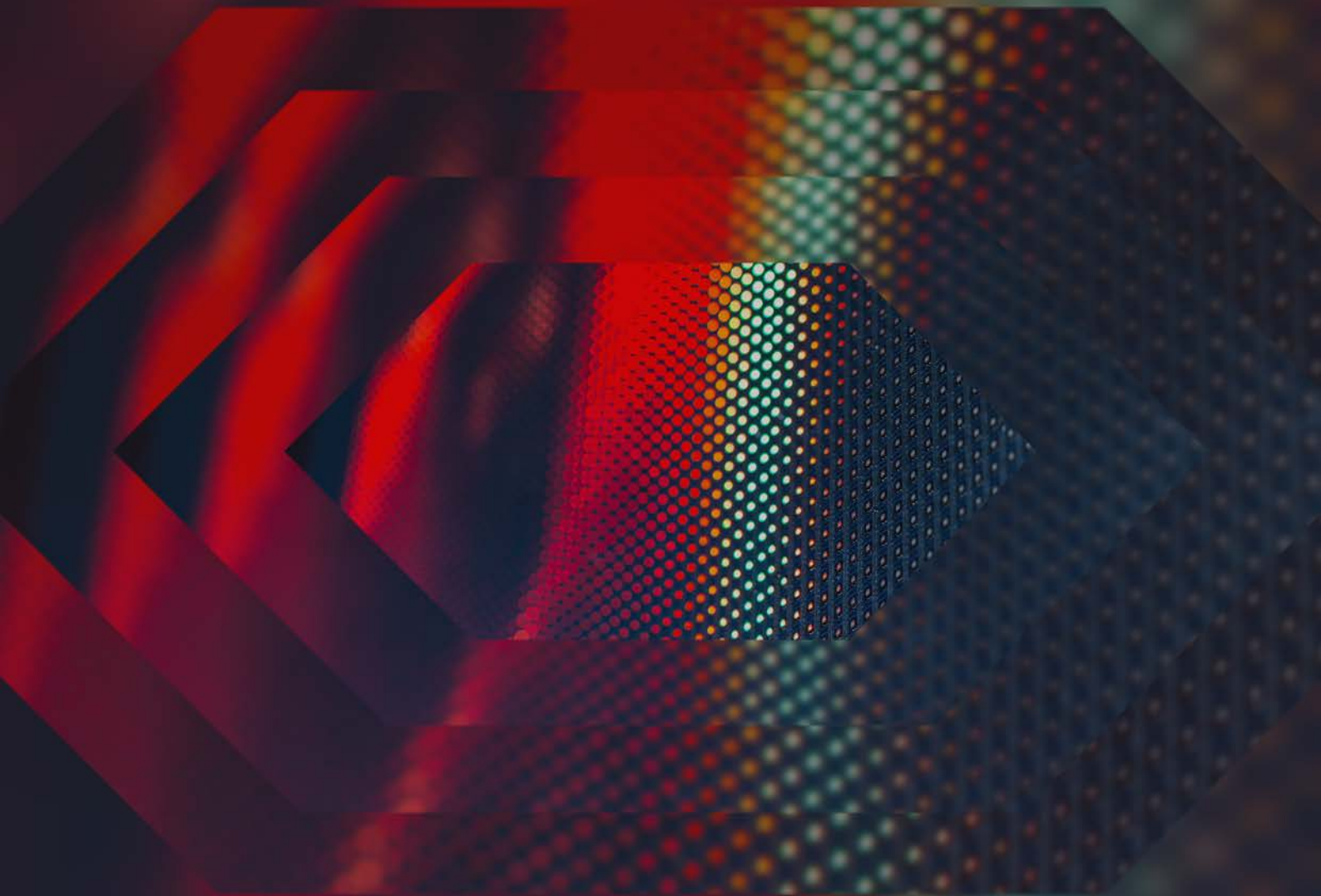


Digital Horizons

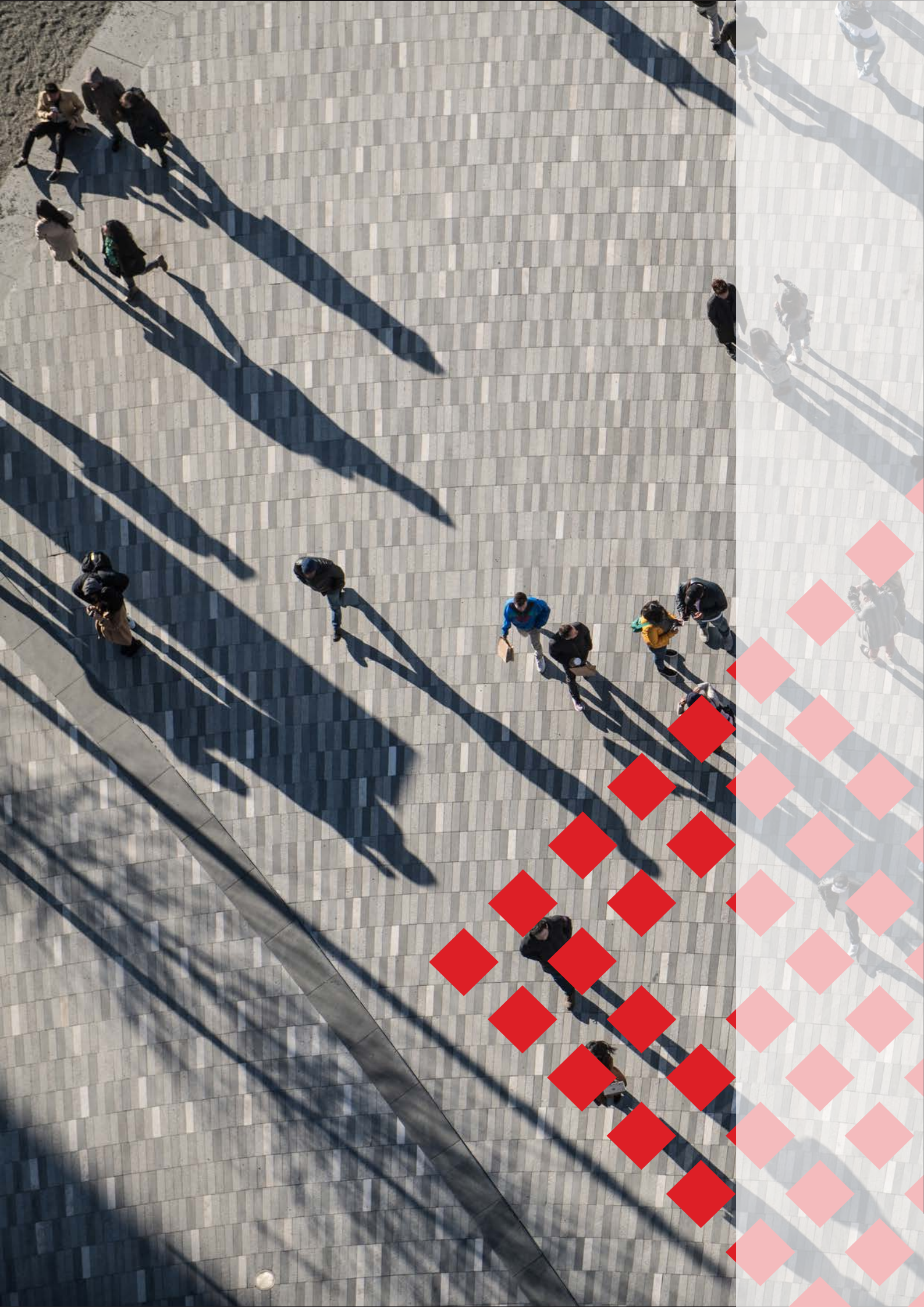
How emerging tech will shape tomorrow's business

January 2024



HSBC

Opening up a world of opportunity



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Maintaining an edge in a digital future

After the explosive launch of OpenAI's ChatGPT app at the end of 2022, there can be no doubt that the world of business is hurtling ever-faster towards a digital future.

Over the next decade, advances in artificial intelligence (AI), automation, robotics, quantum computing and other emerging technologies will allow dramatic gains in productivity as machines take on more complex tasks.

This acceleration of digital technology, however, has profound implications. Governments are already racing to draw up new regulatory frameworks that aim to mitigate the risks of AI, wary of the safety and social threats of unchecked development.

Companies will need to respond to shifting expectations from consumers and business partners, and ensure their workforce is ready to excel in this fast-paced future.

In the coming years, technology is likely to transform the way companies manage everything from their finances to their operations. We're likely to see start-ups reach hyperscale status quicker than ever before. We are already seeing finance teams adopt new tools to streamline payments and automate treasury operations, often across complex international networks. Banks, too, will need to adapt to keep up with new demands from their customers.

Looking ahead to 2030

To understand more about this digital future, we worked with forecasters at The Future Laboratory to imagine what business success will look like by 2030. Our aim is to identify the themes that will shape workforce planning and financial management over the long term, and present

a roadmap for companies looking to future-proof their business and position themselves for continued growth.

The findings in this report strengthen our conviction that digital technology will empower individuals, rather than replace them. In an increasingly connected, tech-enabled future, businesses will look to human workers for the ideas, innovations and inspirations that will sharpen their competitive edge.

As this report makes clear, empowering innovation will be essential at every stage of the business lifecycle.


Successful companies will work with their employees to develop new ideas, nurture collaboration and build the skills needed to stand out from the crowd of generic, AI-enabled competitors. Business leaders must also be alert to the dangers of cybersecurity, fraud and other risks that come with advances in technology.

How HSBC is responding

These messages are also shaping our own investments in digital capabilities.

We already know that technology brings down barriers and makes it easier for businesses to expand across borders. We have rolled out digital offerings to support international e-commerce, and we are digitising our trade finance platforms to help supply chains operate more quickly and efficiently.

We are also investing in tools and platforms that allow our customers to embed financial services in their own workflows, facilitating payments and lending at the point of sale.



We are deploying the latest digital payments technologies to support real-time transfers across borders and across currencies. And we are providing customers with the tools, insights and advice they need to unlock working capital and improve the visibility of their financial operations.

There is much more going on behind the scenes, including exciting work to explore how we integrate quantum computing with our cybersecurity technology to ensure our customers are protected from increasing security risks. AI technology is already being introduced to improve our handling of customer interactions, and our understanding of customer needs.

All of these innovations aim to free up time and resources to help our customers focus on growing their business. While technology will create new opportunities for efficiency and challenge established business models, its most important contribution will be to unlock the potential of human imagination.

We hope the themes contained in this report present a pathway for companies looking to position themselves for future success. As the relationship between businesses and banks evolves in this new, digitally enabled future, we are committed to working with our customers to face the future together.

2 Expert Panel



Nick Levy
Consulting Partner, IBM UK



Tim Perkins
CEO and Founder, nudge,
Global Financial Wellbeing platform



Melanie Cook
Creativity and AI expert, computer
scientist and former Managing Director,
APAC, Hyper Island, Singapore



Frances Yong
Founder, WhiteByte.org, expert in cyber
integrity and digital inclusion, Singapore



Deana Burke
Co-Founder of Boys Club Community,
US



Tilly Zhang
China Technology Analyst, Gavekal
Dragonomics, Beijing



Professor M. Manivannan
Indian Institute of Technology, Madras.
Head of the Touchlab at IIT Madras and
Coordinator of the Consortium for VR/
AR/MR Engineering Mission in India
(CAVE), India



Professor Félix Cárdenas
Department of Entrepreneurship and
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Global Economist, HSBC Global
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Paul Mackel
Global Head of FX Research, HSBC
Global Research



Dr. Philip Intallura
Global Head of Quantum Technologies,
HSBC



Kailesh Mistry
Global Head, Insurance & Digital
Finance Research, HSBC Global
Research



Margaret Heffernan
Entrepreneur, writer and keynote
speaker. Professor of Practice at
the University of Bath School of
Management, UK. Author of seven
books including *Uncharted: How to Map
the Future Together* (Simon & Schuster,
2020).

From Tech-centric to Human-centric

Advances in technology will transform business operations over the coming decade as new tools and higher degrees of automation find their way into the workplace. To stay ahead of the competition, successful businesses won't just be those that implement the latest technologies; they will be the ones that can motivate, empower and inspire 'team human' to perform at its best.

The human capacity for creativity and critical thinking will be an essential attribute. Communication, collaboration and the exchange of ideas will be key to tackling the global problems in an interconnected world, in particular the transition to net zero.

Drawing on expert interviews and quantitative research, this report details the four characteristics for business success in the next decade. It's a guide to help CEOs, CFOs and senior leaders take steps today to align their priorities with the demands in the run up to 2030.

The task for business leaders will be to apply empathy and agility to motivate diverse, collaborative teams as they navigate the environmental, geopolitical, economic and socio-cultural challenges this decade will present.



“The future is going to be more and more human-centric, and we will look back on the past era as being tech-centric”

Professor M. Manivannan, Indian Institute of Technology, Madras

4 Global Drivers

1. An Era of Accelerated Change

Technological advances and demographic change will turbocharge the adoption of new technologies over the next decade and the pressure will be on for businesses to keep up. A cocktail of new technologies, including generative AI, quantum computing, 3D printing and Internet of Things (IoT) is capturing the collective imagination. Today's new tools are already reaching mass adoption far faster: ChatGPT, OpenAI's chatbot, reached 100 million users in just two months of its launch. This acceleration shows how quickly industries can be disrupted and potentially gives younger, digital-native business owners a natural advantage.

As James Pomeroy, Global Economist at HSBC explains: "We have a generation that has grown up around these new technologies. Today's 15 - 25-year-olds are more likely to want to use virtual reality or get into an autonomous vehicle than older cohorts. This massive tilt in the structure of the population will take automation trends with it."

The next generation of entrepreneurs will approach business with a digital-first mindset. This will accelerate the adoption of new technology, especially in developing economies. India for example, has more than 50% of its population below the age of 25 and more than 65% below the age of 35. In China, more than 5 million college students and new graduates have registered new businesses since 2014.¹

Meanwhile, ageing populations in developed economies and the subsequent labour shortages on the horizon will accelerate automation.

Businesses will need to be open to the introduction of these new technologies and keep up with the pace of innovation and the changing regulatory environment. This is particularly relevant for the finance function.

According to HSBC's recent Digital Horizons study conducted by research agency Toluna, 88% of business decision-makers expect the digital transformation of the finance function will be important to success over the next 10 years. However, only 60% believe their company is well prepared for the emergence of new technologies.

The pace of adoption will also challenge business leaders to maintain leadership through the transformation. This doesn't mean CFOs will need to learn to code but they will need to be familiar with the technology and have the confidence to promote experimentation within their function to come up with the best use cases.

Digital transformation of the finance function will be important to company success in 10 years from now:

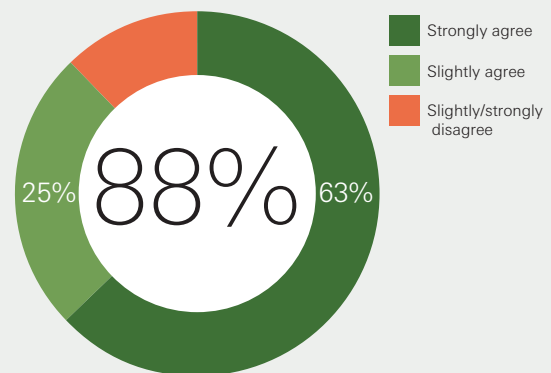


Figure 1

2. Rewriting the Social Contract

The rapid adoption of new technology will also force companies to consider the implications for their employees, and for society as a whole.

Workers in the post-pandemic era have become more attuned to the impact of their work and are increasingly looking for employers who respect their ethical values. Businesses that breach this social contract may find they quickly lose the licence to operate – either from employees or regulators.

The rapid growth of AI, for instance, has led governments in the US and European Union to introduce binding regulation to protect their citizens. In November 2023, the UK hosted the first annual AI Safety Summit, bringing together 30 governments including the US and China, along with the EU. In December 2023, the EU reached a political agreement on key and complex AI issues with an impact assessment for fundamental rights and measures to support innovation within the 27 Member States.

According to a 2023 KPMG survey, 84% of businesses believe that an independent audit of their AI models will be a requirement within the next one to four years. However, 53% cite a lack of appropriately skilled resources as the leading factor limiting their ability to review AI-related risks.²

The importance of government involvement here is paramount, as Paul Mackel, Global Head of FX Research at HSBC, explains: “A lot of businesses who want to heavily automate find it’s a hard selling point. We need more oversight because this will have a potentially huge impact and it can’t be left to the free market. There will have to be rules and boundaries to protect those at risk.”

Conversely, a company that is responding to these new concerns will see benefits in a more fulfilled workforce, with employees at their most engaged.

3. Trust and Transparency

The increased role of technology will amplify security risks, and employees will expect their places of work to have this covered.

Trust will become an increasingly valuable – and fragile – commodity. The rapid spread of rumours and negative headlines on social media will only increase in a hyperconnected world. This puts data security and privacy top of the list of concerns for business leaders.

In the HSBC Digital Horizons study, data security ranked alongside the cost of new systems as the top challenge from new technologies, with one third of respondents selecting these in their top three worries. Looking specifically at the adoption of generative AI, McKinsey in 2023 found that 53% of organisations identified cybersecurity as a risk.³

Successful businesses will need to think of new ways to stay ahead of threats as the pace of technology evolution accelerates. Doing so will be crucial to establishing and maintaining trust with employees, suppliers, customers and collaborators in an increasingly sceptical era.

Now more than ever, the how, where, and who data is shared with is of even greater importance. Not only in terms of value creation and reducing friction, but also how it will be ingested, used, or misused, by a range of AI/GenAI models” says EJ Achtner, Head of Office of Applied Artificial Intelligence, HSBC.

“In an era where deep fakes and the potential for fraud are much more common, the ability to identify and work trusted data and relationships will be more necessary than ever for retail, corporate and institutional clients.”

“Banks in the future will be the guardians of more than just money,” according to Achtner. “If you think about what’s most important, it’s not just about being a steward of our customers’ money, it’s much bigger, it’s about trust. In a digital future, businesses will look not only look to their banks to provide a secure environment for them to transact and grow, but likely help manage their digital identity to facilitate frictionless commerce across an ecosystem with trusted partners.”

The top 5 challenges of adopting new technology and digital solutions for the finance function:

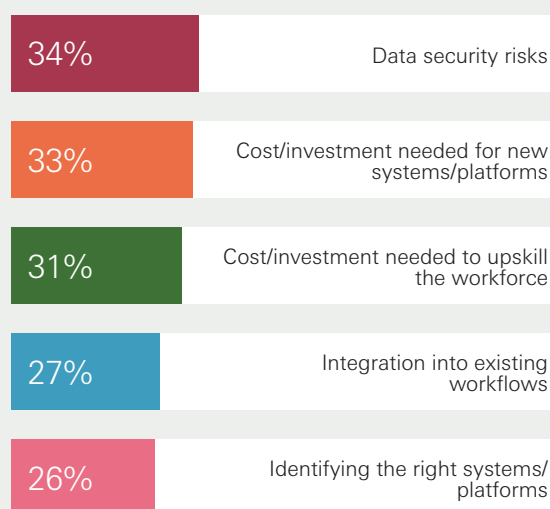


Figure 2

Future Business Characteristics

1 Borderless Business

Introduction

The Covid-19 pandemic exposed the fragility of global supply chains and has given rise to a new way of thinking about globalisation. Yet businesses overwhelmingly believe that expansion means internationalisation. According to the December 2023 HSBC survey, 83% of business decision-makers see international networks as important for their growth.

The story of borderless business will be one of resilient, diversified supply chains, which are not overly reliant on one factory or one country.

This realignment of global trade will challenge companies to manage their finances and inventories across borders in a way that does not stifle growth.

Over the next decade, technology will facilitate the transformation of global supply chains. Digitisation and blockchain technology combined

with tokenisation of trade assets will allow companies to reduce frictions in global trade and payments and will enable the distribution and finance of trade assets for a broader investor base.

Companies will also use technology to improve transparency and bolster ESG credentials, which will be increasingly important to doing business. Decarbonisation, in particular, will become mission critical for international supply chains.

Business leaders will also want to establish global networks to attract the best talent. According to Spotify, 42% of Generation Z and Millennials identify more as global citizens than citizens of their own country. Meanwhile, over half of Gen Z and Millennials in Europe aspire to live in multiple cities throughout the year.⁴ These professional nomads, or 'Promads'⁵ will accelerate the move to an anywhere-and-everywhere future work model.

HSBC Insight | Banking Beyond Borders

Businesses in the future will need banking services that can keep up with their international, tech-enabled operations. This will drive banks to offer digital solutions to speed up and simplify cross-border transactions.

HSBC is digitising a range of products and capabilities to support growing, international companies.

In 2023, HSBC was one of the first banks to launch a digital, streamlined and globally consistent international onboarding solution, which allows business and corporate customers to open accounts for multiple business entities in multiple markets through a single portal. The service is accessed online by customers and makes cross-border account opening and product set-up quicker, simpler and easier for customers and colleagues.

The bank is also developing global trade solutions which help clients trade with confidence across the world. Launched in 2023, HSBC TradePay is an innovative digital solution that enables companies to seamlessly drawdown trade loans and pay suppliers, improving their working capital while building stronger relationships with their trading partners.

The bank also launched a 'fast-track' digital trade finance demand guarantee that will help customers trade internationally in a more seamless, secure and efficient way. Available via HSBC Trade Solutions, the bank's trade finance platform, it allows eligible customers to issue digitally processed demand guarantees to a beneficiary in as little as minutes, compared with up to four days previously.

Also in 2023, HSBC enrolled all eligible clients on to Track Swift Payments on HSBCnet, allowing clients to easily follow the status of their cross-border payments covering 167 currencies in real time submitted through any HSBC digital channel such as HSBC Connect or API. The self-service solution helps businesses optimise their cash flow by reducing manual processes and helping them to pro-actively manage delayed payments.

"We can already see that technology is bringing down barriers and helping more companies expand internationally," says Vivek Ramachandran, Head of Global Trade and Receivables Finance, HSBC. "In a digital future, banks will need to work with their customers to remove the frictions that go with traditional cross-border finance. The ability to access capital, manage payments and open accounts across borders are the lifeblood of a growing company."



1 Future Business Characteristics

Borderless Business

Micro Trend - Immersive Collaboration

The rise of immersive technologies, such as real-time translation, augmented reality and virtual reality, will usher in a step change in global communication that will bridge culture and language divides.

Google Meet Duet AI for example already offers instant translation for 28 languages. In gaming, Roblox Connect leverages facial motion tracking to improve virtual interactions between avatars. This will create new opportunities in e-commerce: 67% of B2B buyers said they would like to conduct their future online purchases using an avatar.⁶

“In the metaverse, other than the regular B2B and B2C, many different models of engagement will also emerge such as D2C (Direct to Consumer), bypassing retail channels and building direct relationships, Consumer to Consumer (C2C) and Consumer to Business (C2B),” says Professor M. Manivannan from IIT Madras.

Businesses that stay competitive in the future will be the ones who familiarise themselves with these new tools and successfully embed them in their day-to-day operations.

Micro Trend - Peer-to-Peer Rising

In a digitally interconnected world, peer-to-peer networks will drive a new generation of Web 3.0 platforms based on global collaboration and alternative business models.

The art market has already witnessed this kind of disruption from new businesses offering fractional ownership to thousands of individual investors. Online platform Masterworks, for example, has purchased artworks by significant artists including Jean-Michel Basquiat, Andy Warhol and Yayoi Kusama, before dividing them into shares to sell on to its users. Masterworks now claims to be the world’s biggest art buyer, with total spending of over US\$1 billion.⁷

While some of these new business models will inevitably falter, technology is allowing entrepreneurs to think beyond traditional borders

and break up existing limitations. Blockchain technologies will extend this approach to other industries through the tokenisation of trade or financial assets or the creation of distributed autonomous organisations (DAOs) that allow a collective approach to decision-making.

As P2P networks, blockchain and DAOs open new opportunities for re-globalised businesses, they will also introduce new risks – as illustrated in the boom-bust frenzy around cryptocurrencies and decentralised finance. Business owners will be keen to experiment with these technologies and alternative business models to promote innovation, and senior leaders will play a crucial role in enabling these initiatives while also mitigating the financial risks of backing unproven business models.



Micro Trend - Active Relationships

Relationships will be key to success in a more collaborative working environment that stretches across complex supply chains and global ecosystems, fuelled by the new values of borderless business and reciprocity.

Businesses are already implementing creative reskilling courses where employees receive a mixture of shadowing assignments and simulation style training for future roles that are heavily reliant on interpersonal skills. VR headsets can also be used to simulate customer interactions and encourage active open listening to diffuse customer complaints or negotiate a sale. Leaders will need to consider new training initiatives to develop these crucial softer skills, and will be expected to track the commercial success of these relationships.



“Building relationships to make sure your particular company is successful in gaining its fair share of value in these value chains and ecosystems will be essential to remain competitive.”

Nick Levy, Consulting Partner, IBM

Action Areas for Business Leaders

- ▶ Set up simple processes to ensure payment processes are equipped for cross-border business.
- ▶ Leverage digital ledger technology and blockchain to improve traceability and transparency in supply chains and assist with ESG reporting.
- ▶ Invest in partnerships and platforms to facilitate global collaboration across real and virtual environments.
- ▶ Decision makers will have to assess and ultimately accept new technologies risk embedded in Distributed Ledger Technology (DLT)/blockchain and tokenisation offerings.

Future Business Characteristics

2 Rise of the FLIT Organisations

- ▶ Flexible workforce
- ▶ Lean processes
- ▶ Innovative business models
- ▶ Tech-driven operations

Introduction

The combination of accelerated tech advancement and increased uncertainty in the marketplace will favour more agile business models. To compete in this era, businesses will streamline processes and utilise automation to maximise their adaptability.

In this agile market, creator economy workers will flock to FLIT organisations, characterised by their: Flexible workforce; Lean processes; Innovative business models; and Tech-driven operations.

“FLIT organisations run akin to a Hollywood movie. You bring all your people together to work on it and when the film is finished each goes off to do something else. This flexibility allows the business to adapt and once the job is done there’s no need to keep that team together,” says

Martin Raymond, Author and Founder, The Future Laboratory.

Simplified processes will increasingly become part of the future firm’s competitive edge. Onboarding new employees or customers and managing payments will need to be streamlined to days not weeks. And, crucially, generosity and respect must be built into these processes to avoid a zero-hours, race-to-the-bottom mindset.

“Leadership teams need to know how to leverage diversity in order to deal with the complexity that we are now facing,” says Melanie Cook, AI and creativity expert and computer scientist. The benefits, though, will be improved innovation – as Cook puts it: “many brains, many imaginations”.

HSBC Insight | Embedded Digital Connectivity

Digitalisation allows businesses to dramatically simplify systems and streamline processes and move towards a flexible, lean and innovative business model.

HSBC is supporting customers on this transition with solutions that facilitate real-time payments and ease the burden of working with customers and partners across multiple markets.

The HSBC Wholesale API channel enables products across cash management, credit, foreign exchange and trade to be embedded directly within customers eco-systems, enabling HSBC to provide banking-as-a-service (BaaS) solutions at the point of sale and make available Open Banking API’s to Third Party Providers in relevant markets.

Customers are able to access plug-ins via HSBC’s Developer Portal as the bank’s ‘One Stop Shop’ for API integration. Here businesses can leverage insights to understand how HSBC is helping other organisations. Through a quick registration process, businesses can start browsing plug-ins or get straight to work with tools that can help them integrate with HSBC’s digital systems and fully test connections via HSBC’s secure Sandbox before launch.

“For businesses that are undergoing digital transformation in their operations management, it could create hiccups if these workflows are disconnected with the bank. At HSBC, we are taking our Business Go platform into new markets, giving more API capabilities for integration and automation and facilitate a seamless experience when expanding internationally,” says Temi Ofong, Global Head of Customer Channels, Commercial Banking, HSBC.

In 2023, HSBC launched its first ever eCommerce proposition offering hand-picked product suites to connect opportunities with key ecosystem partners together with data-led engagement and service, all specifically for eCommerce customers. HSBC Merchant Box, the flagship capability of our eCommerce proposition, enables customers⁹ to collect payments globally with transparent fees, reduced FX risks and manage e-Commerce operations with ease. This complements the bank’s award-winning¹⁰ HSBC Global Wallet, which allows businesses to hold, receive and manage payments in a range of currencies.

The bank also works with Oracle and Mastercard to streamline and automate B2B transactions using virtual card payments.

2 Future Business Characteristics Rise of the FLIT Organisations

Micro Trend - Low-Risk Business Models

How will FLIT businesses stay in tune with the fast moving, less predictable markets of tomorrow? This will lead to new business models that move with market fluctuations, where business initiatives and supplier relationships might come and go in a matter of months.

“There’s a higher degree of ambiguity, uncertainty and disruption in the world than there was 10 years ago and likely to be more in 10 years’ time,” says Nick Levy, IBM consulting partner. “People are less likely to want to spend three years on a business plan.”

FLIT organisations will take a different approach to growth, acting more like angel investors. Professor Félix Cárdenas at EGADE Business School, Mexico, says this is already happening within many family-run businesses, where the younger generation is pursuing venture capital investments to embrace open innovation and hedge the risks of a more volatile marketplace.

This approach will increase complexity for finance teams and test risk management. Finance leaders will want to build trust and a vetting process that can keep up with these more fleeting contracts, and ensure they are able to connect activity with outcome and monitor return on investment.



“You can see the influence of the new generations in their early 30s; they’re pushing an agenda that focuses on technology, innovation and diversification. They know that by putting your fingers into what is happening in the start-up world, you can identify the trends that can kill you,”

Professor Félix Cárdenas, Department of Entrepreneurship and Technological Innovation at EGADE Business School, Mexico

Micro Trend - Powered by AI

While the skills of old-style business intelligence gathering will still have a place, FLIT organisations will stay ahead of their competitors through co-bot teams. These will combine human relationships and data-crunching prowess of advanced AI models to anticipate future customer needs or gaps in the market.

As we approach 2030 it will be generative AI tools that free up capacity so analysts will have more time to spot new opportunities.

BloombergGPT, for example, launched in 2023 with the promise of bringing the full potential of AI to the financial domain via the creation of a domain specific Large Language Model (LLM) to help analysts work with vast quantities of financial data.

The key for business leaders will be to monitor and maintain the integrity of the data that drives decision-making – whether it’s an invoice, payment, blockchain transaction or other form of digital currency.

Micro Trend - Instant payments, everywhere

The rise of real-time payment platforms such as India's Unified Payments Interface (UPI) will be a powerful enabler for FLIT organisations. Just over 30% of all transactions in India are now made via UPI and its mobile-friendly QR codes. By 2030, Professor M. Manivannan of IIT Madras predicts this percentage will more than double.

Another significant success is Brazil's instant payments platform, Pix which enables its users - people, companies and governments entities - to send or receive payment transfers in few seconds at a time, including non-business days. Instead of asking for information regarding the beneficiary's account and/or personal data, the payer just asks for the Pix alias or scans a QR code (static dynamic) in order to start a Pix funds transfer. Only three years after its launch, Pix accounted for more transactions than credit and debit cards combined.

"These instant payments networks remove frictions for small businesses, lowering barriers to entry and help these businesses build better digital solutions leveraging the immediacy and

rich data flow intrinsic to instant payments" says Manish Kohli, Head of Global Payments Solutions at HSBC.

The next frontier will be atomic settlement, which uses blockchain technology to facilitate instant transfers of funds or digital assets, further removing intermediary fees and risks in the process.

FLIT organisations will have new expectations around the speed of payment and processing that will change the pace of business globally.

Emerging economies will lead the charge as digital penetration deepens and the emerging middle classes come online. One billion new internet users are expected across the globe during the next five years, led by Asia and Africa.¹¹

Businesses will need to find new ways to serve these new users, who will come with their own set of expectations, preferred platforms and payments technologies.

Action Areas for Business Leaders

- ▶ Set up simple processes for onboarding employees, partners and customers remotely
- ▶ Get up to speed with AI tools that provide data mining and sentiment analysis to anticipate customer needs.
- ▶ Digitise any remaining paper-based processes and review legacy systems to avoid sunk costs
- ▶ Ensure finance and HR systems can handle the speed and flexibility needed in a staff-on-demand business model.
- ▶ Be prepared to compete for top talent.

Future Business Characteristics

3 Inclusive Automation

Introduction

By 2030 a company's reputation and subsequent ability to attract the best clients and talent will also come to be judged by equity in its implementation of AI and automation.

Companies that only pay lip service to this will be rooted out, posing huge reputational risks. Melanie Cook, AI and creativity expert, explains that in 2030 this will dominate the headlines much in the way greenwashing has done over the last decade.

"If the implementation of AI is only humane at surface level companies will get found out. My advice is to start now, design the company's relationship with AI from the outset with kindness.

Newer generations entering the workforce by 2030 will be aware of their rights, and of the capabilities of advanced technology. They will expect access to a suite of AI tools that alleviate mundane tasks, enable workflow management, provide helpful nudges that minimise burnout and support better financial planning."

This potential of AI has already captured the imagination of businesses. In the December 2023 HSBC survey, 86% of decision-makers said they expect generative AI to create opportunities for their business. More than three quarters of respondents also see opportunities in automation software, quantum computing, AR/VR, blockchain and machine learning.

Companies will need to think carefully about how they integrate these new technologies. AI tools today attract as much fear as they do excitement, and even creative and skilled workers worry that the technology will quickly replace them.

According to the HSBC survey, 84% believe their finance departments will need to hire or train different skillsets to cope with new technologies.

Technologies that decision-makers expect to create opportunities:

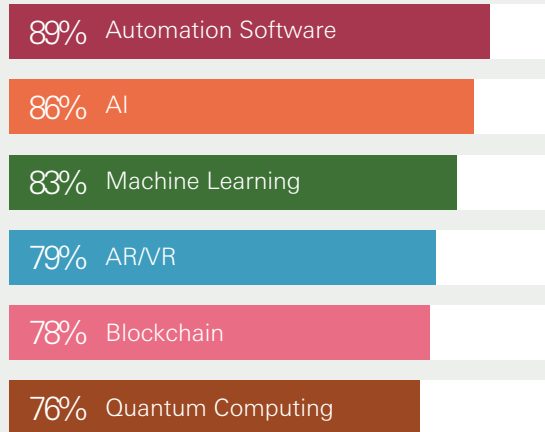


Figure 3

Leaders will need to place employee wellbeing front and centre in this transition, particularly with older generations who may find the change more threatening.

Tim Perkins, founder of global financial wellness platform nudge, argues that companies are in a uniquely powerful position to provide guidance and support for their workforce through a period of disruption.

Employers who deliver on this and play that trusted role in the future will be rewarded with improved productivity and employee retention.

Business leaders must also prepare for the cybersecurity challenges that will inevitably accompany a deeper reliance on technology.

Attackers can efficiently analyse files containing customer data and activate fraudulent transactions using robot voice impersonators.¹² These deceptive tactics are becoming more effective and are difficult to detect.

Managing these risks will be key to maintaining the trust of employees, clients and customers.

Action Areas for Business Leaders

- ▶ Review technology policies to allow employees to make use of new tools that enhance the experience for their customers.
- ▶ Invest in cybersecurity to manage risks associated with new technologies and retain trust in the marketplace.
- ▶ Measure and monitor employee engagement as a key performance metric, in addition to productivity.

3 Future Business Characteristics

Inclusive Automation

HSBC Insight | Powering Smarter Systems

Advances in technology provide an opportunity for banks to improve the user experience by empowering employees, strengthening security and enhancing connectivity.

Human interaction, however, will remain essential. In a December 2023 HSBC survey of business decision-makers, 89% of all respondents said human interaction would remain important as corporate banking becomes more digital. Well over half (58%) said it would be very important.

“Transformative technologies, such as responsible and ethical AI products that enable automation are exciting and within reach. It will take work, but it will help us become more efficient and better serve our customers” says EJ Achtner, Head of Office of Applied Artificial Intelligence, HSBC.

HSBC is already using AI to streamline its customer services functions. The bank recently introduced software using natural language processing to help call centre operators navigate internal systems, so they can deal with consumer enquiries more effectively.

It is also developing tools that can quickly search HSBC content and external data to help employees find answers and insights for their clients. This includes an easy reference tool for credit and lending policies in Hong Kong and an internal system that helps read, translate and analyse documents based on specific needs.

The bank is also deploying blockchain technology to improve compliance processes and recently became the first bank to pilot quantum cryptography to safeguard sensitive trading data in the foreign exchange market.¹³

“Large-scale quantum computers have the potential to crack asymmetric encryption, which is the bedrock of modern communication,” says Phil Intallura, Head of Quantum Technologies at HSBC.

“However, these new technologies also unlock new capabilities to protect against the threats they pose. As we step into the future of finance, it’s no longer a choice but a necessity to modernise cybersecurity. The pioneers who lead this transformative journey will set new standards for efficiency, security and innovation.”

Micro Trend - Duty of Care

Employees will look to the organisation to shield them from security risks and privacy breaches and will want reassurance that their place of work provides protection from the growing number of bad actors and their increasingly sophisticated tools.

The deployment of advanced technology must keep pace with growing cybersecurity threats from deep-fake technology, hacking and other criminal activities.

Cybersecurity advisor Frances Yong launched White Byte specifically to address people’s

growing vulnerability to digital threats. She predicts companies will need to develop security protocols that can keep up with the rapid advance of emerging technologies such as virtual or augmented reality.

“Today banks tell us not to give out your bank account details or password. In the future these types of protocols will be in place not just within finance but for any department”, Yong explains. “For example, companies will need to tell their employees what they will and will not ask them when interacting over immersive virtual worlds.”

Micro Trend - Ethical Frameworks

While the rapid advance of technology has the potential to assist with so much in the future business environment, the downside to innovation at this speed is a market-ready technology that moves faster than safety checks will allow.

AI models that rely on large data sets will pose new challenges around the usage and ownership of that data. Transferring data across borders is becoming harder as governments put up barriers to protect their citizens, and the advent of quantum computing will bring with it a new breed of cybersecurity risks. Companies that make use of new tools will be expected to vouch for the source and accuracy of their data.

Governmental oversight will help to allay fears associated with the introduction of new technologies, but there are real barriers to successful implementation.

Business leaders will need to explain their own AI adoption story to reduce fear and anxiety and



“The companies who are going to put in automation will do best but I worry that many businesses will do it slowly or do it badly,”

James Pomeroy
Global Economist, [HSBC Global Research](#)

instead promote the benefits and gains to the workforce. Leaders for example, can encourage their staff to identify which of their skills cannot be easily automated. This is often the part of a role that is most enjoyable and fulfilling.

Successful companies will maintain customer trust and advocacy through robust technology frameworks that free up more time for employees to solve problems, and lean into emotional intelligence, critical thinking and communication.

Micro Trend - Knowledge Athletes

The collaboration of human and AI teams will be crucial to success. AI-powered advice will make VIP style customer service a baseline expectation across sectors. Employers will need to look to their workforce more as athletes that need to be nurtured, supported and protected for optimum performance rather than squeezing every drop of productivity out of them.

As Gen Z and the first of Gen Alpha (born after 2012) enter the workplace they will make full use of the tools available to reduce overtime and burnout. They've seen what this did to their parents and instead reject 'greedy jobs' – those that take over personal, family and social life.

This shift is already in play today. Half of workers in Singapore, for example, would be willing to accept less pay or a lesser work role for the benefit of their family or personal life.¹⁴

By 2030 AI tools are not just going to be seen

as a way to increase productivity. They will also be utilised to support employee wellbeing too. Wearable devices will recommend a break if stress biomarkers are detected. Likewise benevolent AI tools will conduct sentiment analysis across employee communications platforms to predict potential issues, for example if a project is set to fail, and recommending interventions before this point to alleviate stress.



“The role of employee benefits has changed. Rather than recruitment and retention, now it's more balanced. Companies also want to get the most from their workforce and keep them in good health.”

Tim Perkins, [CEO and Founder, nudge](#)

Future Business Characteristics

4 The Creative Edge

Introduction

How to stand out in a generic world will become the key to business survival in 2030. Amid a proliferation of generative AI content and other emerging technologies, successful companies will be able to come up with fresh ideas and stay one step ahead of the competition.

Author Margaret Heffernan warns that this is something many companies are yet to acknowledge.

“Everyone thinks we’re ill-prepared for the coming technology. Certainly, we’re ill-prepared for the social disruption that it can cause. But we’re very, very, unprepared for how much more imaginative companies are going to have to be to compete. The more the technology eliminates generic repetitive work, the more you need people to use that technology in a more interesting way,” she says.

Successful companies will feel more like research labs, places devoted to creativity. They will foster an environment for innovation to thrive by giving employees the freedom to think differently.

This will not come naturally. Businesses will need to rethink their approach to talent and training,

particularly because these skills are not ones students focus on at school.

“We have education systems which heavily incentivise people to be automatable,” says James Pomeroy, HSBC Global Economist. “You score points for repeating things, not coming up with ideas. This puts the impetus on businesses to train people to adapt to the new technology and those companies are going to do better.”

The future workforce will need an aptitude for critical thinking and an active, open mind. Business leaders must be prepared to shoulder the burden of training – and retraining – their workers to harness the benefits of advanced and emerging technology without becoming overly dependent.



“We need to work out how to work with AI to leverage the computational power that it has, rather than blindly follow it where it tells you to go.”

Melanie Cook, Creativity and AI expert, and computer scientist

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In a hyper-competitive future, where the integration of advanced technology is a minimum expectation, companies will be looking to foster innovation to stand out from the crowd.

This will drive demand for non-traditional banking services.

“These companies embody the future of business in a digital-native world. They are flexible, lean and innovative, and they do not fit the traditional profile of business banking customers,” says Jo Miyake, Chief Commercial Officer, Commercial Banking at HSBC. “Banks need to ensure they support the creativity of businesses, and work with their customers to harness its potential.”

The launch of HSBC Innovation Banking in 2023 introduced a new range of specialist services geared towards founders, entrepreneurs and investors in high-growth companies in technology and life sciences sectors. By supporting this ecosystem, HSBC is helping nurture the innovators that will help organisations of all sizes to maintain their edge and solve some of the biggest challenges the world faces today.

“Access to banking services and credit is crucial to enabling innovation,” says Jo. “Banks in the future will be more than providers of capital. They will provide tools, analysis, ecosystem, connectivity and help customers free up resources to experiment, innovate and build their creative edge.”

4 Future Business Characteristics

The Creative Edge

Micro Trend - Training the Visioneers

Companies that can blend creativity with technology will be best placed to thrive in 2030. Vision and imagination will be essential workforce skills – and they will need to be taught.

As Margaret Heffernan explains: “If AI is going to eliminate a lot of jobs, we have a choice. We can throw out all these people we’ve spent years training, who have a lot of experience of the organisation, or we can start right now to train the ones we already know and trust.”

Business leaders are already on board. The World Economic Forum’s Future of Jobs Report 2023 found that eight in 10 organisations plan to invest in learning and training on the job over the next five years. The highest priority for skills training from 2023-2027 is analytical thinking.¹⁵

In a December 2023 HSBC survey of over 2,900 business decision-makers, 84% of respondents said they were putting more emphasis on data analyst skills for roles in finance.

Training, however, is expensive, and the returns on investment are often unclear. In the HSBC survey, the cost of upskilling ranked as one of the top three challenges for finance departments in the adoption of new technology.

To ensure success, business leaders will need to allocate training budgets effectively and act as champion trainers, able to motivate employees and connect upskilling programmes to the company’s core strategic goals.

The finance function is putting greater emphasis on hiring talent with data analyst skills:

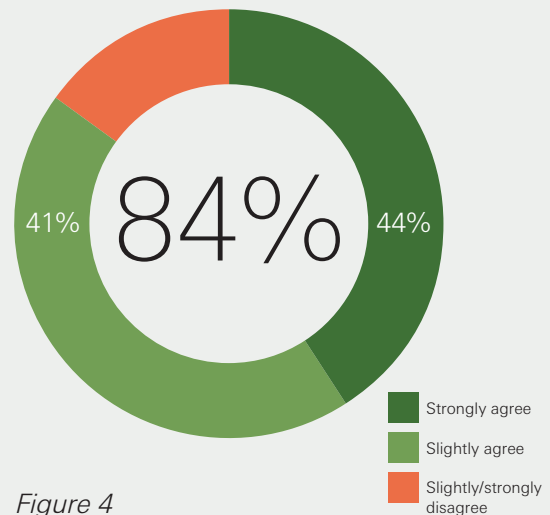


Figure 4

Action Areas for Business Leaders

- ▶ Invest in upskilling and reskilling employees to make the best use of advanced technology tools and insights.
- ▶ Reward and encourage innovation to drive employee engagement and bolster their competitive edge.
- ▶ Review talent policies to prioritise critical skills that differentiate the business from competitors.
- ▶ Become comfortable with the idea of ‘good failure’ and leverage the power of the community.

Micro Trend - Generative Environments

The employee experience will be key to fostering the creativity companies will need to retain their competitive edge. Businesses will need to divert investment into spaces for socialising, collaborating and experimenting.

Of course, this is about more than making friends at work. Even today, companies with a

better employee experience are more profitable, according to Gallup's State of the Workforce report.¹⁶ Businesses must find ways to boost employee re-engagement and create the psychological safety net that enables creative ideas to flow more freely.

Micro Trend - Nurturing the Ecosystem

Passion is the key to business success. It inspires employees and turns companies into innovation hubs that stand out from the crowd.

To get the most out of a passionate workforce, however, companies must be prepared for their employees to leave and follow their own passions.

The future business leader supports employees who branch out from the parent company to foster an ecosystem of collaborators, partners and suppliers, operating as FLIT organisations.

Parent companies might want to invest in these subsidiaries or negotiate preferential terms. Despite close ties and less formalities, leaders will

need to offer advice and ensure the necessary protocols are followed to mitigate risk.

"It's a completely different model," reflects AI and creativity expert Melanie Cook. "Right now we are employees for the company. But this is about the company being there for the people, to incubate their passions. After all, if they have passion, they will go the extra mile."

This runs counter to traditional thinking around employee retention, but framing a company as the life force for a thriving ecosystem is a shrewd business move. Business leaders can leverage this vibrant community to test innovative ideas and bring products to market more quickly.

5 Digital Horizons Action Plan

Creating a road map for business and finance to successfully arrive at 2030 future fit and ready to lead.

Years 1-3

- Dedicate time each week for employees to explore emerging technology and new tools to deepen passions and reward them for finding new use cases.
- Think of how you can model independent thought and critical thinking skills to encourage free thinking amongst your employees.
- Business leaders should work alongside HR in the development of an ethical framework for the introduction of new technology.
- Drill down on your duty of care to your employees to ensure that you are protecting them from the increase in digital security threats.
- Make sure your trade processes and cross-border payments are digitised to create efficiencies.
- Start looking into ways to ensure traceability across markets, using blockchain or other tools to assist with ESG reporting.
- Equip workers for a more collaborative future where relationship building will be key. How can you upgrade your training and recruitment to enable this today?
- Diversity will be a key tool to keep up with the complexity of the market so ensure that this is built into your hiring strategy now.

Years 3-5

- Start with your workforce planning. Share a vision of the business in 2030 and work with your team to work back from there, asking, 'What do you want to be doing? How are you going to get there?'
- Champion reskilling initiatives as a core strategic objective rather than being the sole preserve of the HR function.
- Get your AI narrative right. Frame automation in an inclusive context, focusing on the positives and gains to enable a smoother transition.
- Focus on employee wellbeing in the adoption of new technology and automation tools.
- Could your next office investment be virtual? How can you get the professional digital nomad workforce to align with your company culture?

Years 5-7

- Look to implement tools that provide data mining and sentiment analysis to anticipate customer needs but ensure humans remain in the loop.
- What new processes do you need to implement to manage and oversee a more casual workforce with shorter-term contracts?
- How can you speed up processing to on and off-board employees, partners and customers?
- Create capacity for your team to test out new business ideas and adapt to new realities like instant mobile payments or Distributed Autonomous Organisations (DAOs).

HSBC Digital Horizons methodology

The research was conducted online by [Toluna](#), who surveyed a sample of 2,900 C-suite or business decision makers, between 13th November and 18th December 2023. All participants are aged 21-65, employed by companies with an annual turnover of US\$2.5-50m, have banking, finance, insurance or accounting as a job responsibility and are either sole decision-makers or involved in the decision-making process for business banking products and services.

Respondents are based in mainland China (300), Hong Kong (534), India (304), Mexico (318), Singapore (305), UAE (302), UK (527) and US (310). Weighting has been applied to the data to ensure that each market is equally represented at the global level.

Appendix

- ¹ "Youth of China in the New Era" issued by the State Council Information Office of China
- ² 2023 KPMG US AI Risk Survey <https://advisory-marketing.us.kpmg.com/speed/ai-survey-23.html>
- ³ The State of AI in 2023: Generative AI's Breakout Year, McKinsey, Aug 1 2023
- ⁴ The Future of Travel Report 2022, Edyn
- ⁵ <https://www.designhotels.com/culture/design/introducing-the-promadic-traveler/>
- ⁶ The b2b Future Shopper Report 2023, Wunderman Thompson, 2023
- ⁷ <https://www.masterworks.com/transact-with-masterworks>
- ⁸ HSBC TradePay available in selected sites and subject to prior adjudication and approval
- ⁹ HSBC Merchant Box is currently only available in Hong Kong
- ¹⁰ HSBC Global Wallet - Winner of the B2B Payments Innovation of the Year Award - Payments Awards 2021
- ¹¹ Digital Living: Who are the Next Billion Internet Users?, Euromonitor, Dec 12 2022
- ¹² <https://www.independent.co.uk/tech/ai-fraud-cyber-crime-voice-impersonators-b2473893.html>
- ¹³ <https://www.hsbc.com/news-and-views/news/media-releases/2023/hsbc-pioneers-quantum-protection-for-ai-powered-fx-trading>
- ¹⁴ The Big Story: Work-life balance more important than salary for local workers, according to IPS study, The Straits Times, Jan 16 2023
- ¹⁵ Future of Jobs Report 2023, World Economic Forum, May 2023
<https://www.weforum.org/publications/the-future-of-jobs-report-2023/digest/>
- ¹⁶ Gallup's State of the Workforce 2022 report
<https://www.gallup.com/workplace/349484/state-of-the-global-workplace-2022-report.aspx>



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