

# DIRECTORBANK.

## SURVEY RESULTS

### Mid-Market Companies & COVID-19

6<sup>th</sup> May 2020

#### Introduction

In light of the COVID-19 pandemic, Directorbank's Germany operation has conducted a comprehensive study of its executive and non-executive director networks to canvas opinion on a number of topics including the impact of the virus on trading, cash flow, employee and investor relations, recruitment and the mid to long term effects. We also enquired about the levels of optimism for the future and the potential opportunities presented by the pandemic.

Comprising over 2,500 proven business leaders, covering both executive and non-executive positions, our German network provides a wealth of experience, wisdom and coverage. Representing thousands of Mid-Market companies throughout Germany across all sectors of the market, it allows us to quickly gather valuable, accurate intelligence into business sentiment.

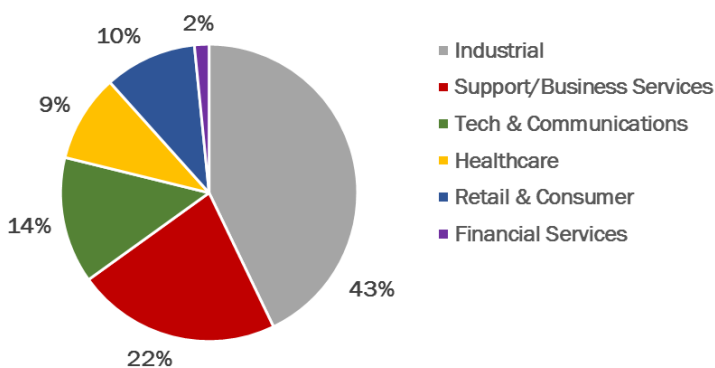
We have been delighted by the response to our survey with over 200 Mid-Market Board-level directors contributing their feedback and insight within less than a week. We have collated the key findings below for your perusal. We hope you find them as interesting and informative as we do.

*Dorothea Kronenberghs, Executive Director Europe  
Directorbank-Executive-Search Ltd*

#### About the survey

A total of **207** Board-level directors from German Mid-Market companies completed Directorbank's online survey. The survey was conducted, analysed and collated within a 5 day timeframe to ensure an accurate reflection of current sentiment. We are extremely grateful to the participants who took the time to provide feedback, particularly under such challenging circumstances.

#### Breakdown by sector -



Based on a full analysis of our survey pool, the chart to the left illustrates that respondents represent all key sectors. This allows us to give a balanced view of the issues facing the Mid-Market as a whole.

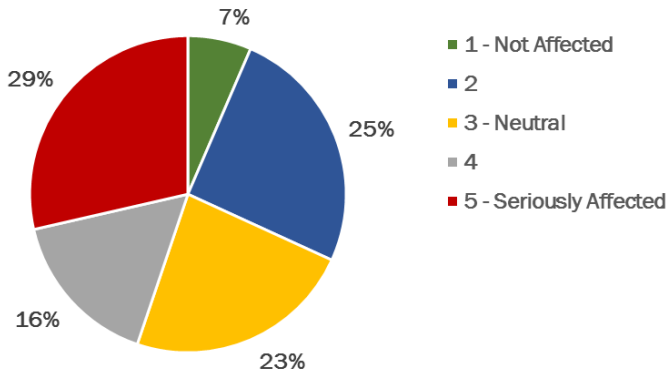
#### Breakdown by geographical region -

Area	Percent %
Schleswig-Holstein	1
Hamburg	6
Bremen	1
Lower Saxony	5
Berlin	4
Saxony Anhalt	1
North Rhine-Westphalia	24
Saxony	1
Hesse	20
Rhineland-Palatinate	4
Bavaria	18
Baden-Württemberg	15

The chart to the left shows that all geographical regions of Germany have been covered.

### Q1.

COVID-19 has significantly affected our business.

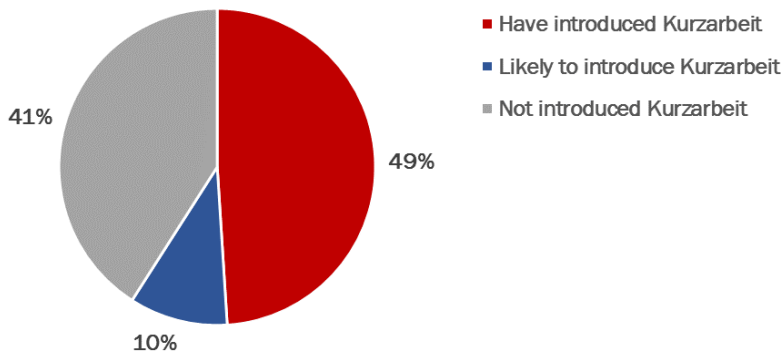


COVID-19 is having a huge impact on Mid-Market companies across Germany. Over **90%** of respondents stated that COVID-19 has affected their business, with almost **30%** of these businesses affected seriously.

The survey highlights that some businesses are weathering the storm better than others. Tech and Healthcare for example remain strong, whilst Retail, Leisure and some parts of the Automotive industry have been hit particularly hard.

### Q2.

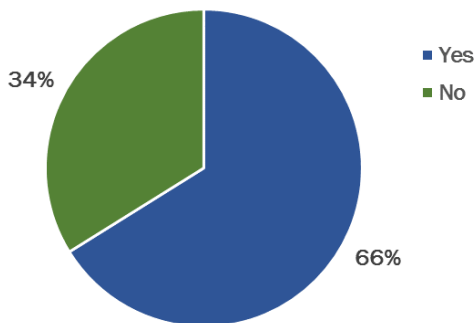
We have introduced Kurzarbeit already or are planning to do so.



Almost **50%** of the Mid-Market directors surveyed have already introduced Kurzarbeit with the likelihood of this percentage increasing by around 10% over the coming weeks.

### Q3.

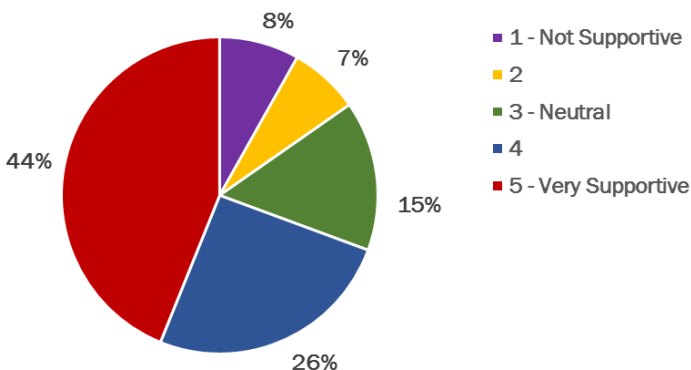
It has been easy to access available state aid.



Almost 45% of survey respondents have accessed state aid. **66%** of these businesses have found it easy to do so whilst the remaining **34%** has found accessibility an issue.

### Q4.

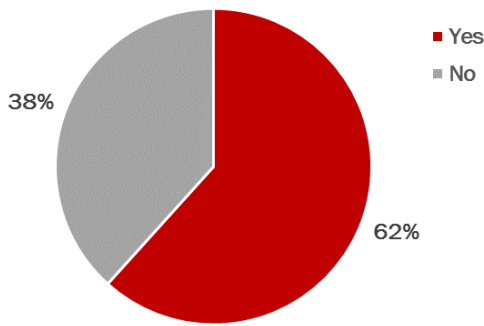
We have found our external investors to be supportive throughout the crisis.



We are pleased to see that external investors are generally being supportive of their assets and prioritising their portfolio companies. Of the Mid-Market companies surveyed, **64%** have external investors. **70%** of these businesses have found their investors to be either supportive (**26%**) or very supportive (**44%**). **15%** have found their investors unsupportive.

### Q5.

We have had to rewrite our business plan.

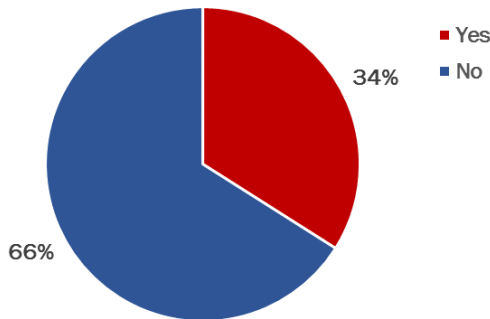


Our survey indicates that the vast majority of Mid-Market Board directors are reacting very proactively to the pandemic. Over **60%** of respondents said COVID-19 has impacted planning with the majority significantly shifting budgets, priorities and forecasts.

Many respondents agreed that re-evaluating business plans is a constantly moving task given the backdrop of uncertainty.

### Q6.

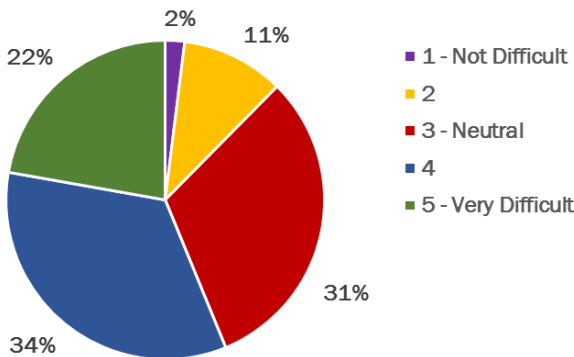
We require or are likely to require additional funding.



With the German economy taking an unprecedented hit and the huge uncertainty over the length and severity of the COVID-19 crisis, Mid-Market companies across the country are struggling. **34%** of directors surveyed stated that their business had either already applied for additional funding or were likely to do so in the coming weeks.

### Q7.

We expect trading conditions to be difficult throughout 2020.



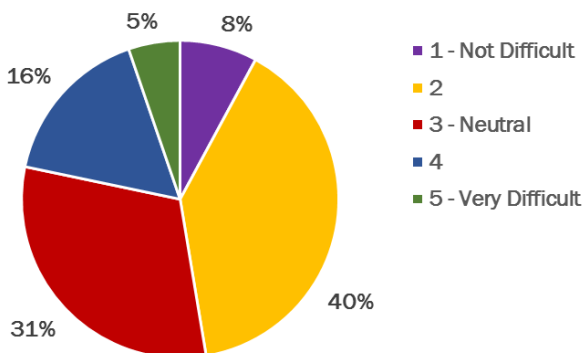
**98%** of respondents believe trading conditions will be difficult throughout 2020, with **22%** expecting them to be very difficult indeed.

Many worry that COVID-19 will dampen consumer confidence and cause long-lasting changes to consumer behaviour.

**31%** of respondents expect trading to remain neutral with some citing that their business has slowed in some segments, but opportunities have been found in others.

### Q8.

We expect trading conditions to be difficult throughout 2021.

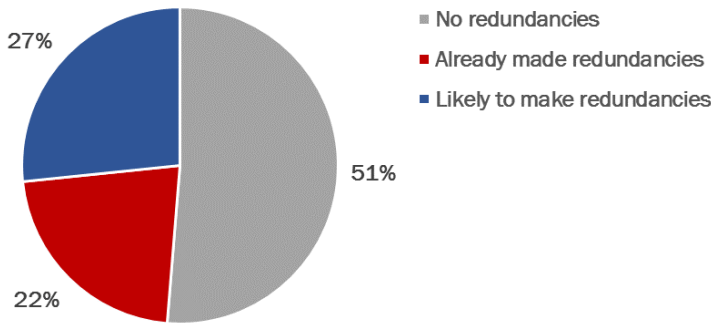


When it comes to predicting trading conditions in 2021, respondents were more optimistic with almost **80%** of those surveyed expecting conditions to be favourable (**48%**) or neutral (**31%**).

A number of Mid-Market directors, representing **5%** of our survey pool, believe conditions will remain extremely challenging.

**Q9.**

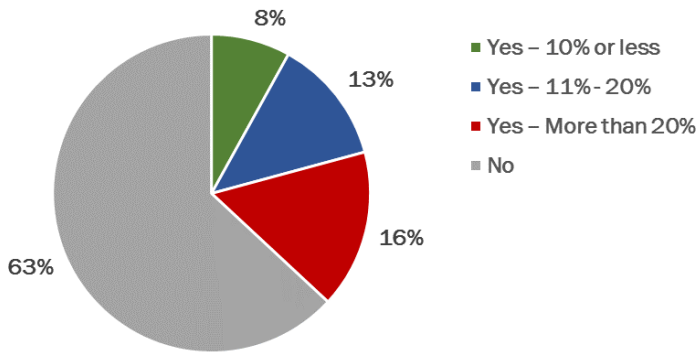
We have/ are likely to make redundancies.



COVID-19's devastating effect on the prosperity of Mid-Market companies is highlighted by the number of likely redundancies across our surveyed businesses. Almost **50%** of respondents said they have already made, or are likely to make, redundancies in the wake of the pandemic.

**Q10.**

Senior management have taken a salary cut.



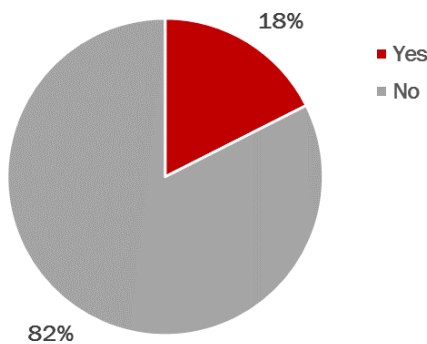
Some in senior management positions are leading by example and taking a salary cut.

Our survey shows that **37%** of our respondents are on reduced wages with **16%** of respondents taking a salary cut of 20% or more.

**63%** of respondents haven't yet taken a salary cut.

**Q11.**

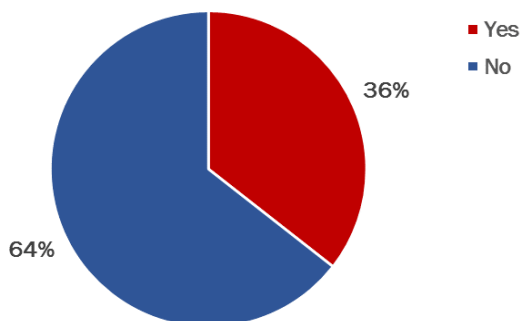
Most employees have been asked to take a salary cut.



The picture is similar beyond the Boardroom with only **18%** of our survey respondents asking employees to take a salary cut.

**Q12.**

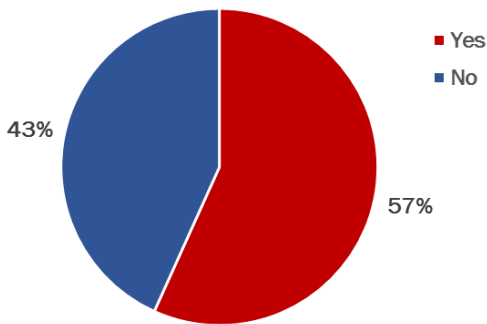
We expect to hire senior executives or non-executives in 2020.



Responses on predicted executive and non-executive recruitment in 2020 reveal that **36%** of the Mid-Market companies surveyed will be hiring senior roles over the course of the year. Given the impact of COVID-19, this signals some optimism in the market.

### Q13.

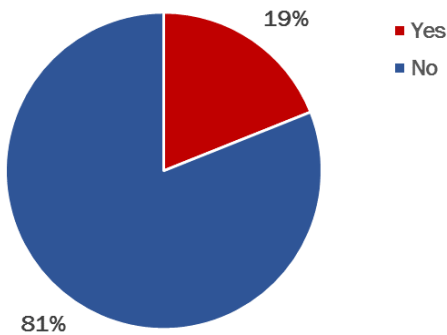
We expect to hire senior executives or non-executives in 2021.



Predicted executive and non-executive recruitment in 2021 rises quite significantly, and this is in line with economic optimism. Almost **60%** of Mid-market directors surveyed are expecting to hire next year. This is an increase of 21% on 2020 predictions.

### Q14.

We will need to hire interims or consultants to support us in the short to medium term.

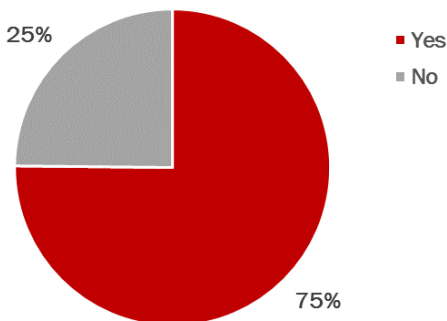


Slightly less than **20%** of Mid-Market companies surveyed are expecting to hire interims or consultants in the short to medium term.

Potentially, as a recession bites, this percentage may increase as interims can be a cost-effective way of bringing immediate expertise and skills to a business.

### Q15.

The current crisis will lead to new opportunities in our business.

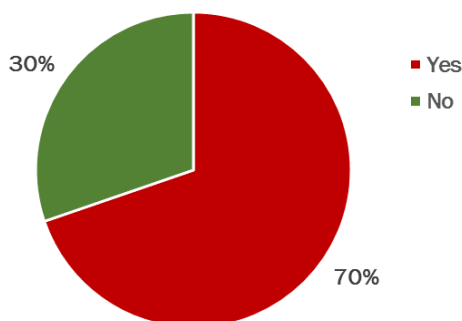


This question is reassuring. Despite the devastating effect of COVID-19, there is still a huge amount of optimism with **75%** of survey respondents believing that the crisis has led, or will lead, to new business opportunities.

Those businesses that can adapt their business model for the post COVID-19 world will not only survive, but are likely to thrive in the long term.

### Q16.

After the crisis, we will make permanent changes to the way our staff work and travel.

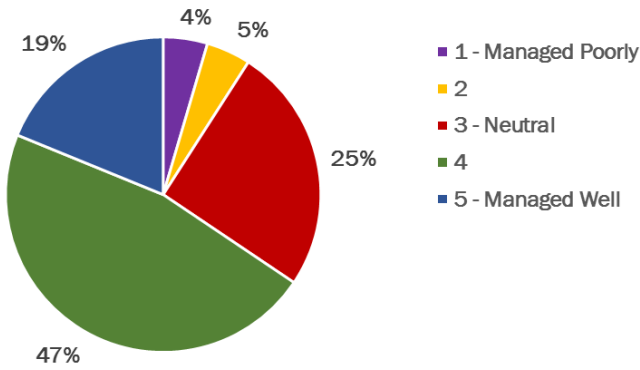


Without doubt, COVID-19 is forcing a change in work habits in a dramatic way. Technology has been embraced like never before in order to maintain productivity levels and connectivity.

Businesses have had to re-evaluate their working practices and **70%** of survey respondents expect some of these changes to be made permanent post COVID-19.

### Q17.

The Government has managed the COVID-19 pandemic well.

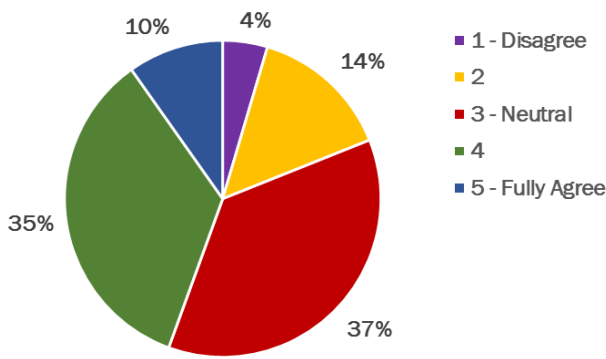


**66%** of survey respondents believe that the Government has managed the pandemic well, with almost **20%** of these stating that the Government has handled the crisis very well indeed.

**25%** of the survey pool remain neutral believing the Government has performed averagely, whilst just **9%** believe the Government's handling of the crisis has been disappointing.

### Q18.

The Finance Ministry has been supportive to Mid-Market companies.

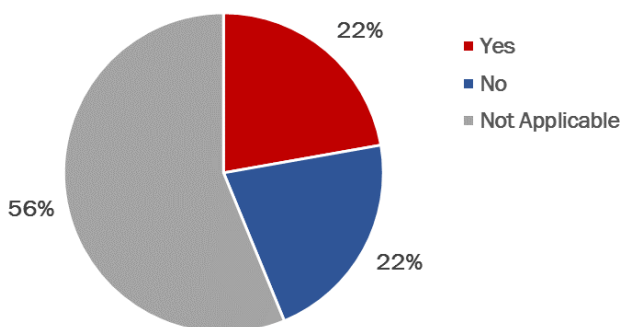


Slightly less than half of the survey respondents – **45%** – believe that the Finance Ministry has been supportive to Mid-Market companies.

**37%** remain neutral whilst **18%** disagree.

### Q19.

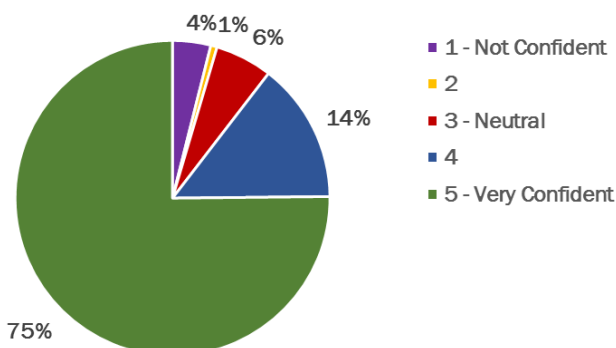
The Banks have supported us with accessing additional funding.



When it comes to support from the Bank, our respondents are less satisfied. With **44%** of surveyed businesses looking to access additional funding, **50%** of these businesses have found the Banks to be unsupportive.

### Q20.

We are confident our business will survive COVID-19.



It is very reassuring to see that **89%** of our survey respondents are confident that their business will survive COVID-19. Just **6%** remain neutral, whilst **5%** are not confident.

A handful of businesses have seen an upturn in fortunes since the pandemic, benefitting from increased demand or new opportunities. For others, the strength of their offering has been clearly demonstrated by the crisis.

## Conclusion

It is clear from our survey that COVID-19 has had a significant impact on German Mid-Market businesses in the short term and it remains to be seen how long and how deep the effects will be. Certain sectors have been hit harder than others, particularly the traditional retail and leisure industries as well as parts of the automotive industry. However, there are numerous sectors or sub-sectors which have proved robust including online retail, technology/digital, healthcare and those producing and distributing key products. A large number of Boards have rapidly pivoted their business model to navigate through the crisis which has provided additional optimism.

However caution does remain, particularly for the rest of this year and most directors are forecasting a significant slowdown in business. No one knows how long the COVID-19 crisis will last, but it is very reassuring to read that Mid-Market companies are reacting quickly and implementing the required changes. It is also heartening to read that 70% of those business with external shareholders have found them to be supportive.

Despite the challenging circumstances, almost 90% of directors surveyed believe their business will survive COVID-19 and 75% of respondents believe the pandemic will provide significant new business opportunities. This highlights a high level of optimism for the future.

## ABOUT THE AUTHOR.



Dorothea has more than 20 years of international experience in the PE industry. Before joining Directorbank she spent eight years at 3i heading up their Business Leaders Network across German speaking countries and Scandinavia. She also recruited an investment team and built a network of industry experts and advisors for Swedish venture capital player Speed Ventures in Germany, as well as working for Odgers Berndtson where she gained extensive executive search experience. Fluent in three languages, Dorothea heads up our German division and is based at our Frankfurt office.

Dorothea is part of the Directorbank Management Team that led their own MBO in 2017.

### **DOROTHEA KRONENBERGHS EXECUTIVE DIRECTOR EUROPE**

**T.** +49 69 719 1829 10

**E.** [d.kronenberghs@directorbank.com](mailto:d.kronenberghs@directorbank.com)

## ABOUT DIRECTORBANK.

Directorbank provides executive and non-executive search solutions for entrepreneurial growth companies across the Mid-Market in the UK and the DACH regions. With an exceptional Board-level network developed over 20 years, and a highly experienced team, we can demonstrate a strong track record of success covering all key sectors and roles from Chair, NED, CEO and FD to critical roles in Operations, Sales, Marketing, and Transformation.

**[Directorbank.com](https://www.directorbank.com)**

# DIRECTORBANK.