

DIRECTORBANK.

SURVEY RESULTS SMEs & COVID-19

1st May 2020

Introduction

In light of the COVID-19 pandemic, Directorbank has this week conducted a comprehensive study of our 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 more than 5,000 proven business leaders, covering both executive and non-executive positions, our network provides a wealth of experience, wisdom and coverage. Representing thousands of SMEs throughout the UK and across all sectors of the market, it allows us to quickly gather valuable, accurate intelligence into business sentiment.

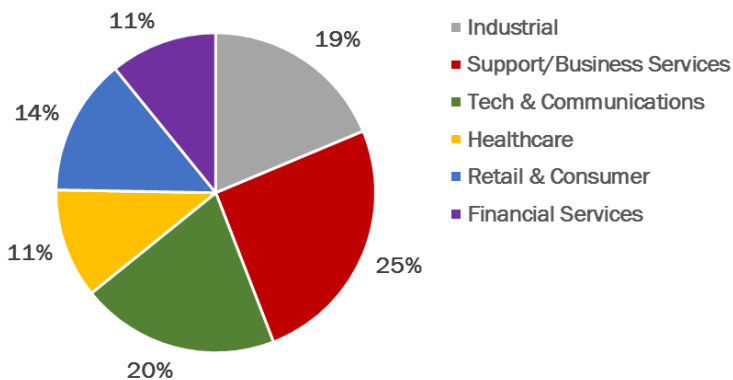
We have been overwhelmed by the response to our survey and it has clearly hit a chord with over 600 SME Board-level Directors contributing their feedback and insight. We have collated the key findings below for your perusal. We hope you find them as interesting and informative as we do.

*James Searby, Director
Directorbank Executive Search*

About the survey

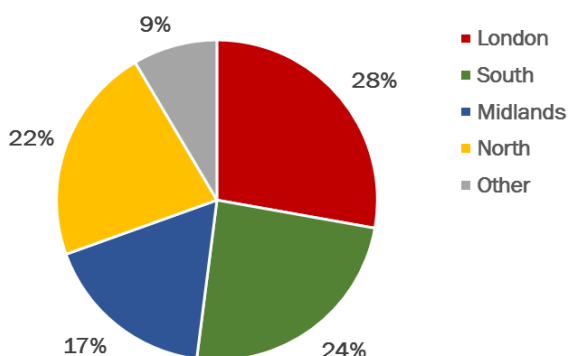
A total of **632** Board-level Directors from UK SMEs completed Directorbank's online survey. The survey was conducted, analysed and collated within a 5 day timeframe to ensure an accurate reflection of current sentiment.

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 SME market as a whole.

Breakdown by geographical region -

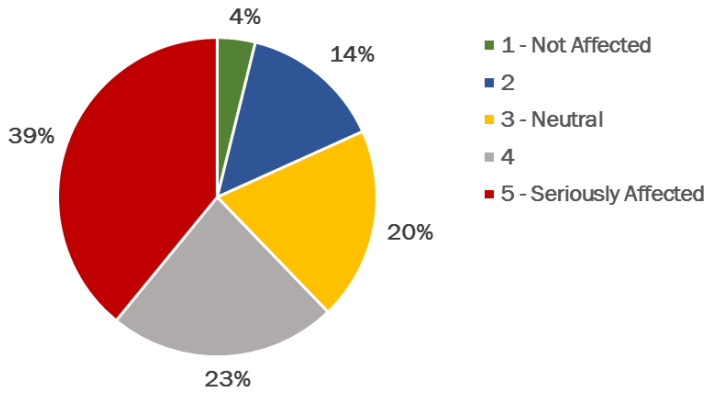


The chart to the left clearly shows that all geographical regions of England have been covered.

The 'Other' segment of the chart covers respondents based in Scotland, Wales and Northern Ireland.

Q1.

COVID-19 has significantly affected our business.

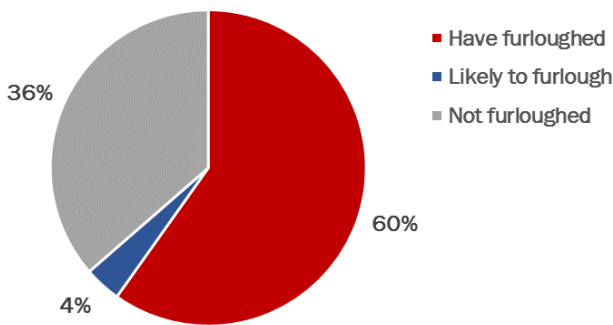


COVID-19 is having a huge impact on SMEs across the UK. Over **95%** of respondents stated that COVID-19 has affected their business, with almost **40%** of these businesses being affected seriously. Some respondents cited that their market has virtually disappeared.

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

Q2.

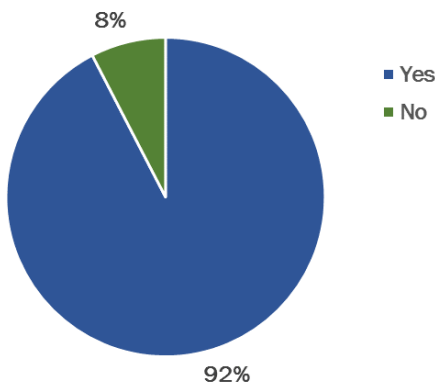
We have or are likely to furlough staff.



60% of SME Directors surveyed have already furloughed staff with the likelihood of this percentage increasing slightly over the coming weeks.

Q3.

It has been easy to access the furlough scheme.

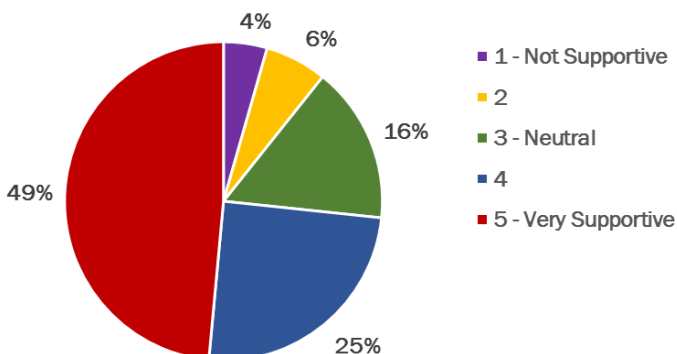


More than 4 million UK workers have now been furloughed. With two thirds of British businesses utilising the scheme thus far, the administrative fall out seems immense and the cost to the taxpayer will be high.

Our survey indicates the scheme has responded well. Of the 60% of survey respondents that have applied to the furlough scheme, **92%** of these have found it easy to do so.

Q4.

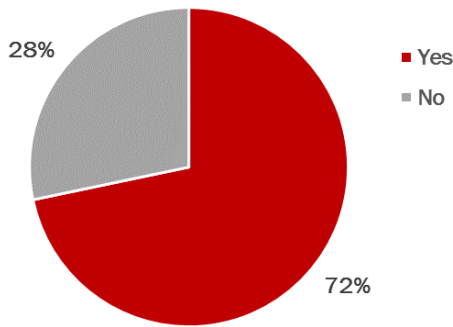
We have found our external investors to be supportive throughout the crisis.



We are delighted to see that external investors are generally being supportive of their assets and prioritising the portfolio. Of the SMEs surveyed, **69%** have external investors and **74%** of these businesses have found their investors to be either supportive (**25%**) or very supportive (**49%**). **10%** of these businesses have found their investors unsupportive.

Q5.

We have had to rewrite our business plan.

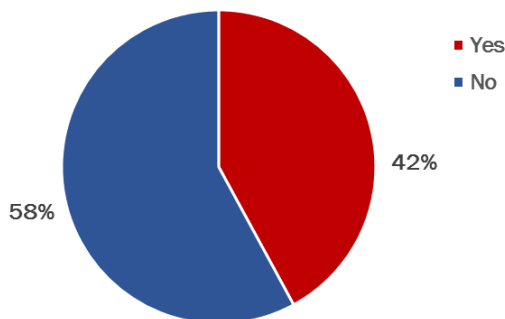


Our survey indicates that the vast majority of SME Board Directors are reacting very proactively to the pandemic. Over **70%** of respondents said COVID-19 has impacted planning with the majority significantly shifting budgets, priorities and forecasts.

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

Q6.

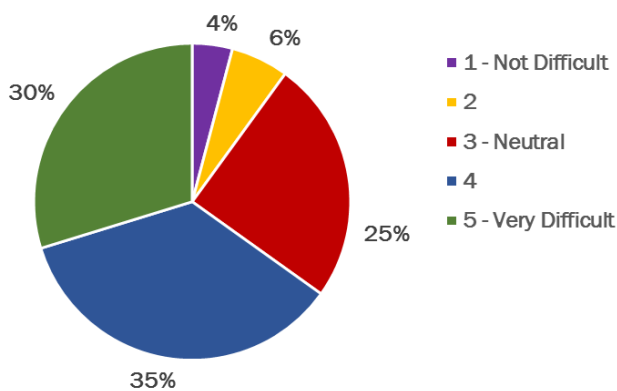
We require or are likely to require additional funding.



With the UK economy taking an unprecedented hit and the huge uncertainty over the length and severity of the COVID-19 crisis, SMEs across the country are struggling. Over **40%** of SME 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.



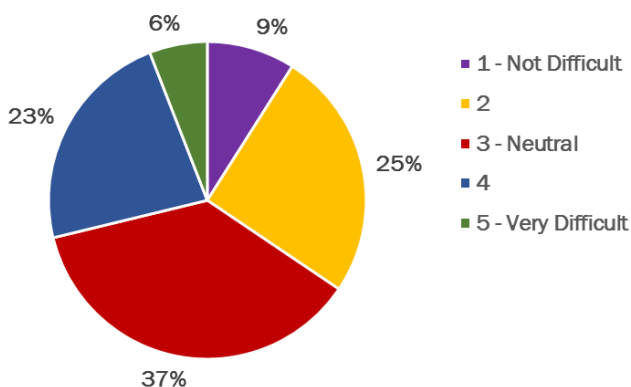
96% of respondents believe trading conditions will be difficult throughout 2020, with **30%** expecting them to be very difficult indeed.

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

25% 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.

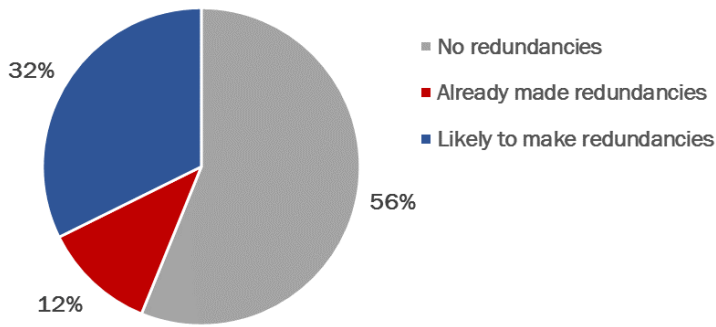


When it comes to predicting trading conditions in 2021, respondents were more optimistic with over **70%** of those surveyed expecting conditions to be favourable (**34%**) or neutral (**37%**).

A number of SME directors, representing **6%** of our survey pool, believe conditions will remain extremely challenging.

Q9.

We have/ are likely to make redundancies.

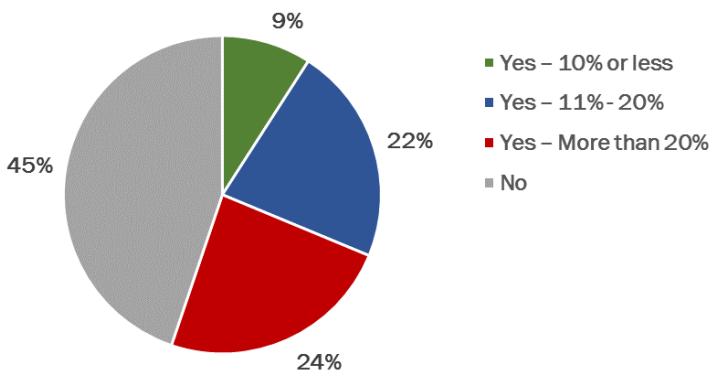


COVID-19's devastating effect on the prosperity of UK SMEs is highlighted by the number of likely redundancies across our surveyed businesses. Almost **45%** of respondents said they have already made, or are likely to make, redundancies in the wake of the pandemic.

As an indicator of future unemployment levels, this survey paints a rather depressing picture, and the knock-on effect on personal finance, health and welfare is likely to be deep.

Q10.

Senior management have taken a salary cut.



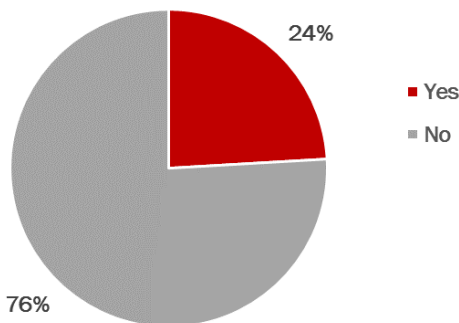
As SME Boards look to reduce running costs, many in senior management positions are leading by example and taking a salary cut.

Our survey shows this is indeed the case with **55%** of our respondents on reduced wages.

24% of respondents have taken a salary cut of 20% or more.

Q11.

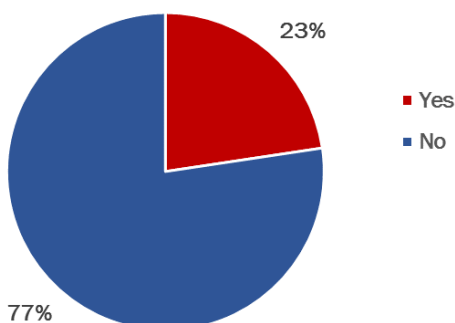
Most employees have been asked to take a salary cut.



The picture is less harsh beyond the Boardroom. Only **24%** of our survey respondents had asked employees to take a salary cut.

Q12.

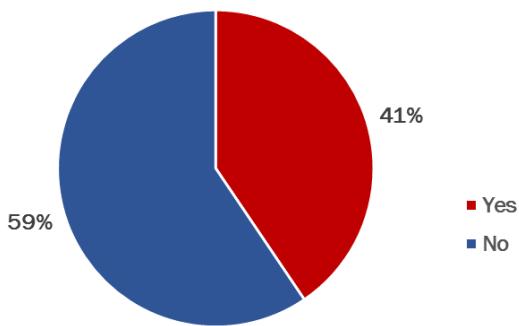
We expect to hire senior executives or non-executives in 2020.



Responses on predicted executive and non-executive recruitment in 2020 reveal that just **23%** of the SMEs surveyed will be hiring senior roles over the course of the year.

Q13.

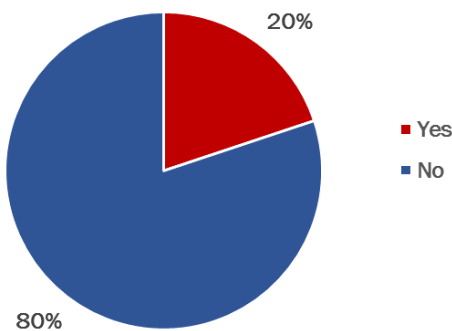
We expect to hire senior executives or non-executives in 2021.



Predicted executive and non-executive recruitment in 2021 rises, although modestly so, in line with economic optimism. Just over **40%** of SME Directors surveyed are expecting to hire next year. This is an increase of 18% on 2020 predictions.

Q14.

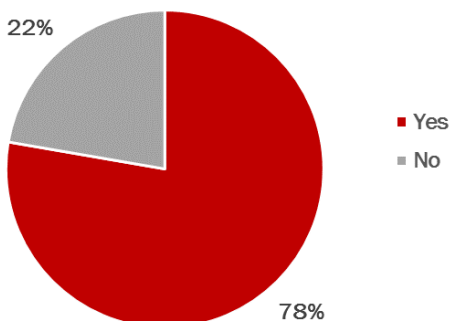
We will need to hire interims or consultants to support us in the short to medium term.



Given the survey highlights that permanent recruitment of Directors is expected to be significantly lower in 2020, it is surprising that only **20%** of SMEs surveyed are expecting to hire interims or consultants in the short to medium term. As the recession bites, this percentage could 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.

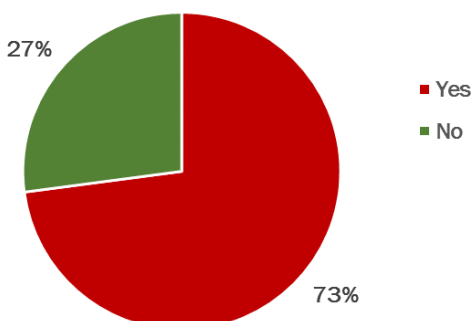


This question is reassuring. Despite the devastating effect of COVID-19, there is still a huge amount of optimism with **78%** of survey respondents believing that the crisis has led, or will lead, to new business opportunities.

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.

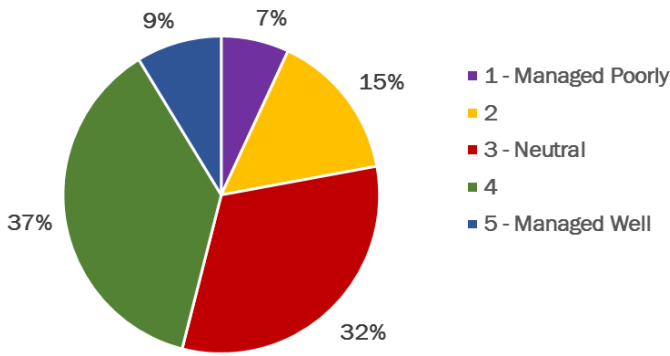


Without doubt, COVID-19 is forcing a change in work habits in a dramatic way. Technology has been embraced like never before in order to maintain productivity levels and connectivity.

Businesses have had to re-evaluate their working practices and more than **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.

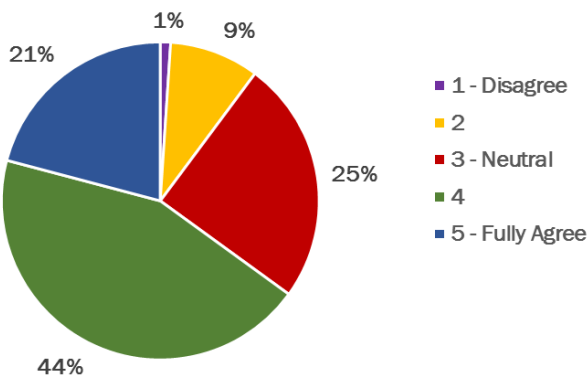


Almost **50%** of survey respondents believe that the UK Government has managed the pandemic well, with almost **10%** of these stating that the Government has handled the crisis very well indeed.

32% of the survey pool remain neutral believing the Government has performed averagely, whilst **22%** believe the Government's handling of the crisis has been disappointing citing frustrations over poor planning and inadequate expertise.

Q18.

The Chancellor, Rishi Sunak, has been supportive to SMEs.

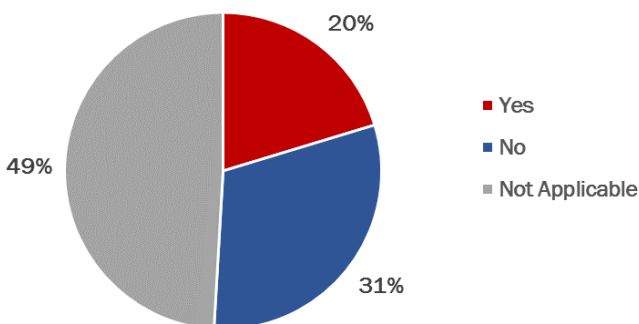


The majority of survey respondents – **65%** - believe that Chancellor Rishi Sunak has been supportive to SMEs and business expectations have been met.

25% remain neutral whilst just **10%** disagree.

Q19.

The Banks have supported us with accessing additional funding.

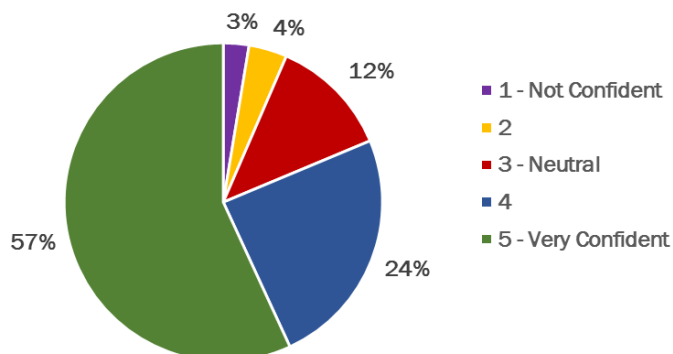


When it comes to support from the Bank, our respondents are less satisfied. With just over **50%** of surveyed businesses looking to access additional funding, **60%** of these businesses have found the Banks to be unsupportive.

Many believe the Banks are putting obstacles in the way of processing loan applications, being unhelpful, and putting their own needs first. Others believe the criteria for funding is too restrictive or the process takes far too much time.

Q20.

We are confident our business will survive COVID-19.



Reassuringly, just over **80%** of our survey respondents are confident that their business will survive COVID-19.

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 UK SMEs 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. However, there are numerous sectors or sub-sectors which have proved robust, including online retail, technology, digital, healthcare and consumer/healthcare logistics. There remains further optimism too as a large number of Boards have rapidly pivoted their business model to navigate through the crisis.

However, caution does remain, particularly for the rest of this year and most Directors are forecasting a significant slowdown or reduction in business. No one knows how long the COVID-19 crisis will last, but it is reassuring to read that SMEs are reacting quickly and implementing the required changes. It is also heartening to read that nearly 80% of the Directors surveyed believe their external shareholders have been supportive.

Despite the challenging circumstances, over 80% of Directors surveyed believe their businesses will survive and a similar percentage believe COVID-19 will provide significant new business opportunities. Whilst many businesses are struggling in the short term, there is still a high level of optimism for the future.

ABOUT THE AUTHOR.



James has more than twenty years' experience of executive search, predominantly in the Technology, Healthcare and Business Services sectors. He spent his early career recruiting internationally for global corporates before joining Directorbank twelve years ago. Since then he has recruited Board-level Directors exclusively for Private Equity portfolio companies and the wider SME market.

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

JAMES SEARBY DIRECTOR

T. 07809 507300

E. j.searby@directorbank.com

ABOUT DIRECTORBANK.

Directorbank provides executive and non-executive search solutions for entrepreneurial growth companies across the SME market. 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 directorships in Operations, Sales, Marketing, IT and HR.

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