

DIRECTORBANK.

SURVEY FINDINGS SMEs & COVID-19 – Part 2

6th October 2020

Introduction

Back in April we conducted a short survey of our SME network to canvas opinion on a number of topics surrounding COVID-19. We were overwhelmed by the response with more than 600 proven business leaders contributing their feedback.

Six months on, we felt the time was right to revisit this survey. Again we went out to our SME Board-level network to ask for their support and we have been delighted with the response. By comparing the findings of the two surveys, we have been able to gain valuable perspective on how SME business sentiment has evolved since the pandemic's outbreak and the level of Board confidence across the short and medium term.

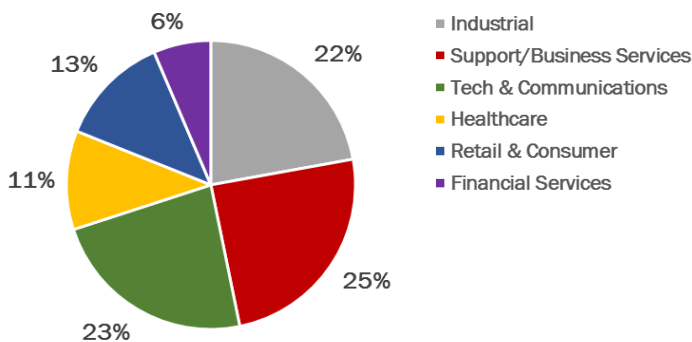
We have collated the findings below for your perusal and we hope you find them of interest.

*James Searby, Director
Directorbank Executive Search*

About the survey

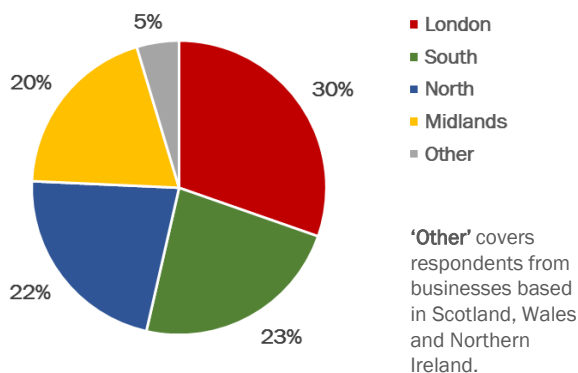
Almost 900 survey responses have been analysed, compared and contrasted in preparing this report. All respondents are a Board director of a UK-based SME.

Breakdown of respondents by sector -

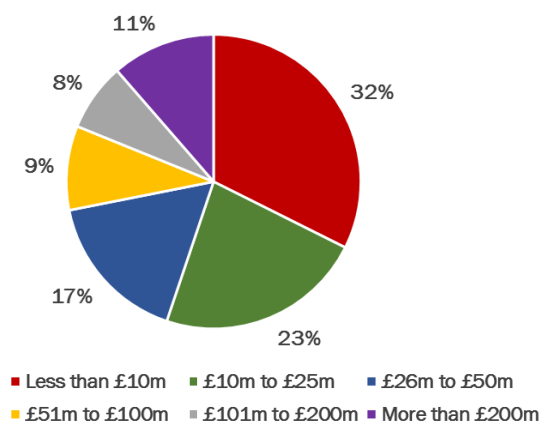


Providing a balanced view of the issues facing UK SMEs, respondents to our survey represent businesses from across the SME landscape, from all key sectors of the economy, and from all geographical regions of the UK.

Respondents by UK geographical region -

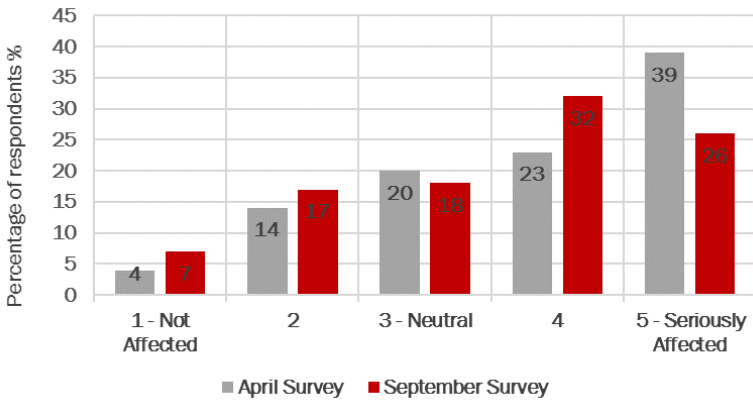


Respondents by business turnover -



Q1.

COVID-19 has significantly affected our business.



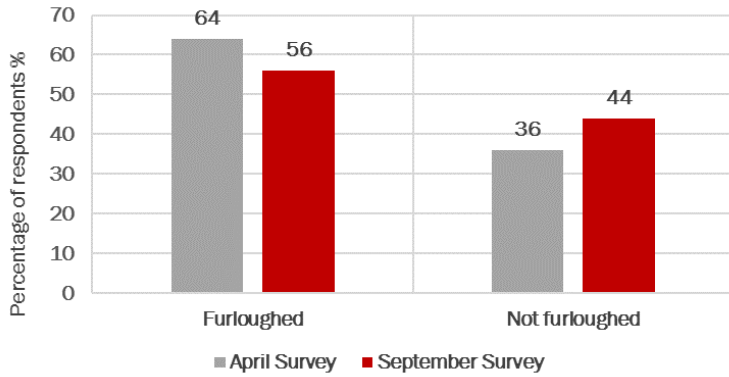
The effect of COVID-19 on SMEs across the UK is immense. Over **90%** of survey respondents say their business has been affected by the crisis, with **26%** being 'seriously affected'.

Comparing this to our April survey – when **39%** of respondents stated that their business was 'seriously affected' by the crisis – we notice a notable improvement of **13%**. This perhaps reflects the role the Government has played in supporting UK businesses, or the success of many SMEs in adapting to the crisis to protect revenues.

As before, there are differences across the sectors. Our survey findings show the most negatively affected sectors are retail, leisure, aviation and logistics whilst tech, healthcare and suppliers of essential goods have been least affected.

Q2.

We have currently furloughed staff.

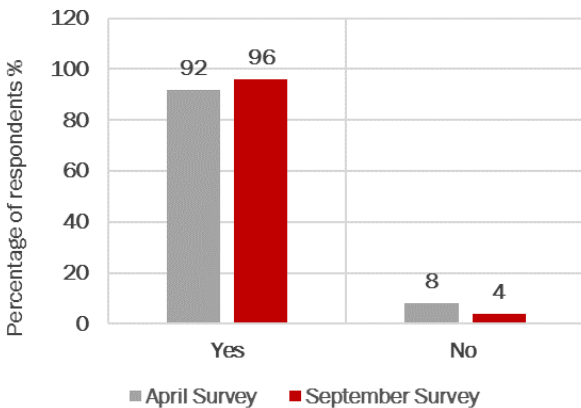


The Government's furlough scheme has been well received. As of 20th September, 1.2m UK employers have used the scheme, covering a total of 9.6m jobs. The total value of claims made currently stands at £39.3bn.

64% of business leaders surveyed in April had furloughed staff. Our September survey shows that this trend continues. Although the figure has dropped very slightly to **56%**, this demonstrates that a large number of businesses have continued to take advantage of the Government's support programme.

Q3.

It has been easy to access the furlough scheme.

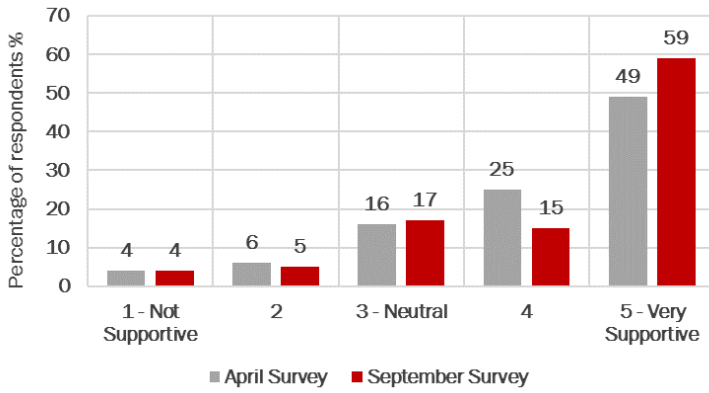


Our survey indicates that the furlough scheme has responded very well to the immense demand from businesses across the UK.

Of the 56% of survey respondents currently accessing the scheme, an overwhelming **96%** has found it easy to do so, and this is consistent with our April survey findings.

Q4.

Our external investors have been supportive throughout the crisis.



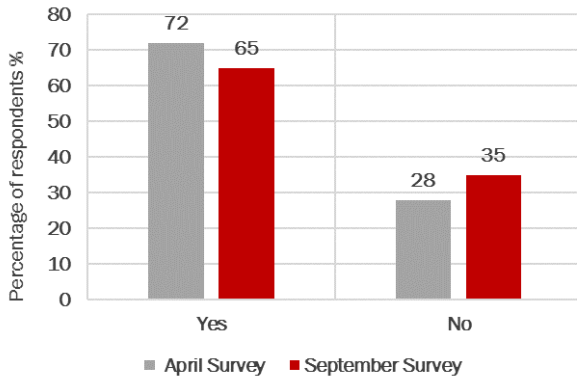
Of the SMEs surveyed this September, **69%** have external investors and **74%** of these businesses have found their investors to be supportive throughout the crisis.

Very few businesses surveyed – just **9%** – have found their investors unsupportive – with **17%** of businesses remaining neutral on the matter.

Encouragingly, when we look at the ‘Very Supportive’ category we see an rise of **10%** between our April and September survey findings. This perhaps indicates that a number of businesses have found their investors to be increasingly supportive, trusting and involved as the COVID crisis has evolved.

Q5.

We are likely to, or have had to, rewrite our business plan.



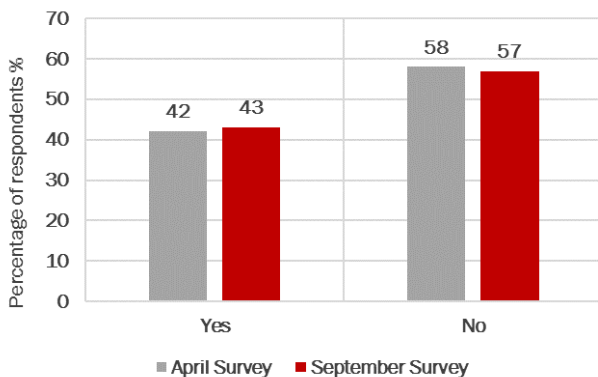
The ongoing uncertainty of the COVID-19 pandemic makes it extremely difficult for businesses to plan ahead. A vaccine has yet to be found and the economy remains fragile.

Against this volatile backdrop, our September survey highlights the determination and proactivity of our survey pool with **65%** of SME respondents stating that they have adjusted the business plan, revised forecasts and reduced overheads and budgets in order to both mitigate the challenges of the virus and to take better advantage of any opportunities presented.

These findings are comparable to our April survey. There is a small discrepancy (less than 10% of respondents) which perhaps reflects a small number of businesses that have unexpectedly been able to maintain their pre-COVID business plan.

Q6.

We require or are likely to require additional funding.



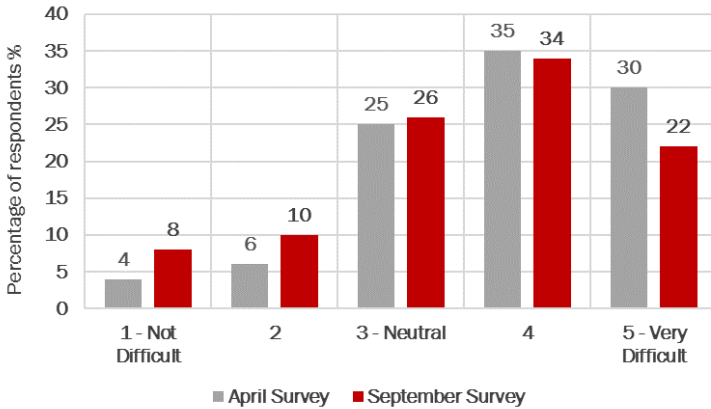
The SME landscape continues to take an unprecedented hit and uncertainty still remains high over the severity and longevity of the COVID crisis.

43% of our September survey respondents stated that their business had either applied for additional funding or were likely to do so in the short term.

Somewhat reassuring, as these findings remain consistent with our April survey, there is not a worrying increase in businesses needing further financial support.

Q7.

We expect trading conditions to be difficult for the rest of 2020.



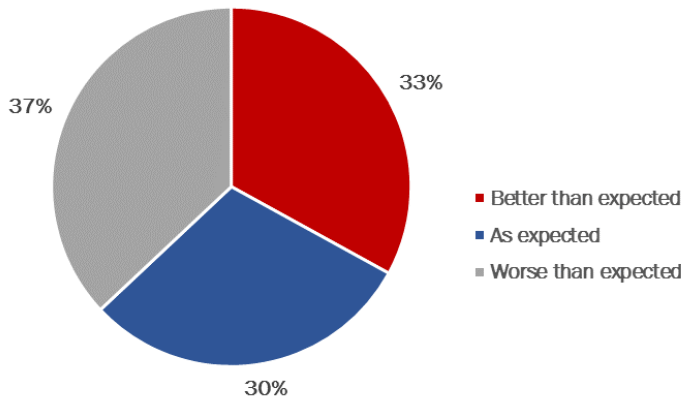
56% of our September survey respondents believe trading conditions will remain difficult for the rest of the year (**down from 65% in our April survey**). **22%** expect them to be 'Very Difficult' indeed (**down from 30% in our April survey**).

Whilst demonstrating a small improvement in business expectation over the past 6 months, concern remains at high levels. Several respondents cited that the anxiety has now shifted from immediate concerns over cash to that of new business generation and pipeline conversion.

26% of businesses expect trading to remain neutral with some respondents stating they have positioned their business towards new opportunities. **18%** of those surveyed expect their business to fare well in the months ahead perhaps representing those in the more resilient sectors.

Q8.

Looking back over the last 6 months, how have trading conditions been for your business.

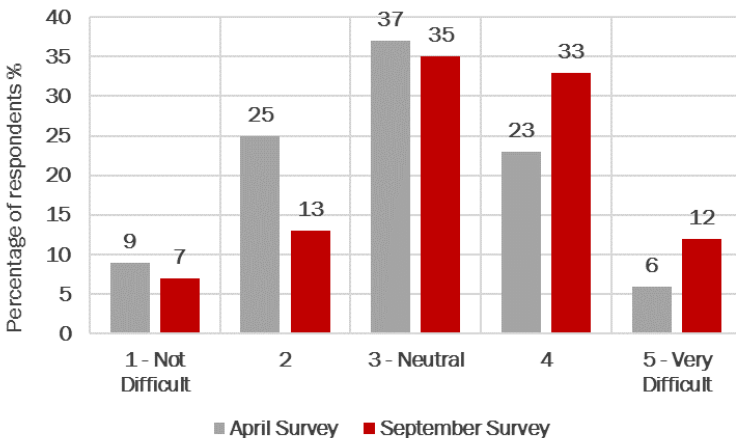


33% of our September survey respondents have found trading conditions 'Better than expected' whilst **30%** have found conditions 'As expected'.

A significant **37%** have found conditions 'Worse than expected' demonstrating that the last six months have been both challenging and extraordinary, the impact of the virus has been deep, and businesses have had to react, plan and adapt like never before.

Q9.

We expect trading conditions to be difficult throughout 2021.



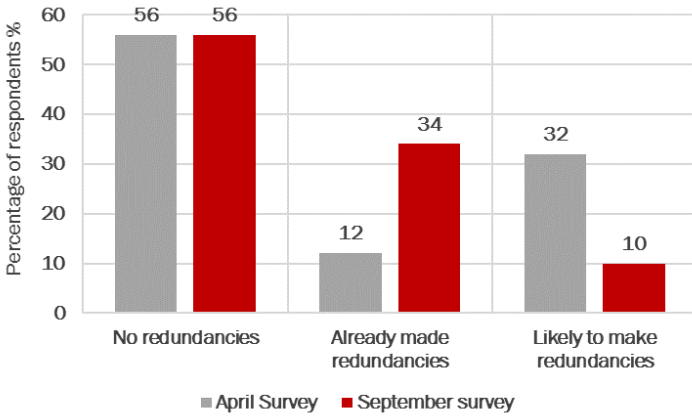
When we asked this question in April, **29%** of our survey respondents expected trading conditions to remain either 'Difficult' or 'Very Difficult' throughout 2021.

With little hope of a vaccine in the short term, continued uncertainty, and immense economic pressure (exacerbated no doubt by the Brexit phenomenon) our September survey shows a worrying decline in levels of optimism.

A significant **45%** of our September survey respondents expect trading to remain either 'Difficult' or 'Very Difficult' throughout the course of next year, an increase of **16%** on our April findings.

Q10.

We have made/ are likely to make redundancies.



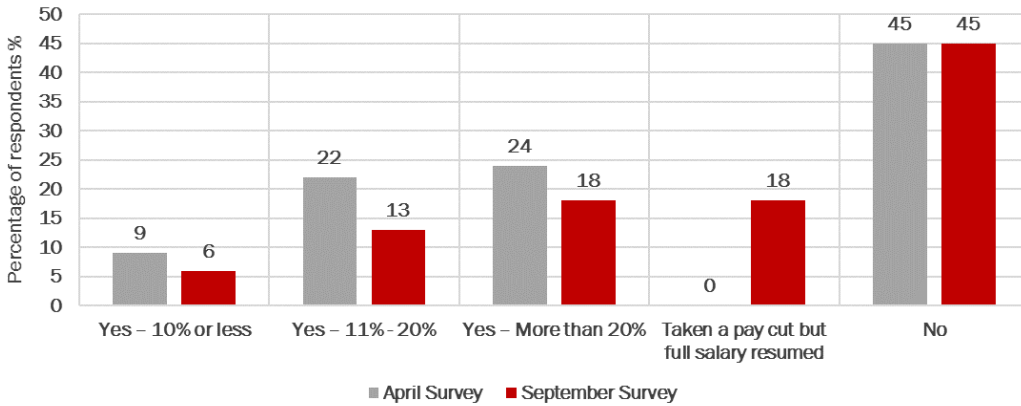
COVID's devastating effect on the economy continues with over 200,000 redundancies recorded to date. The worst affected are the young - those most likely to be employed in hit-hard areas such as tourism, leisure and retail. And with the furlough scheme ending this month, unemployment figures are expected to rise further.

Our survey demonstrates the intense pressure on companies to cut costs with **34%** of our September survey respondents stating that they have already made redundancies and a further **10%** still likely to make redundancies.

Somewhat reassuring, our September findings have not increased and remain consistent with April findings. **56%** of respondents still report no redundancies (or planned redundancies) across their business.

Q11.

Senior management have taken a salary cut.



In April, our survey showed that **55%** of our Board-level respondents had taken a pay cut. Fast forward to our September survey, and the findings follow the same pattern, but **18%** of those on a salary cut have now had their full salary resumed.

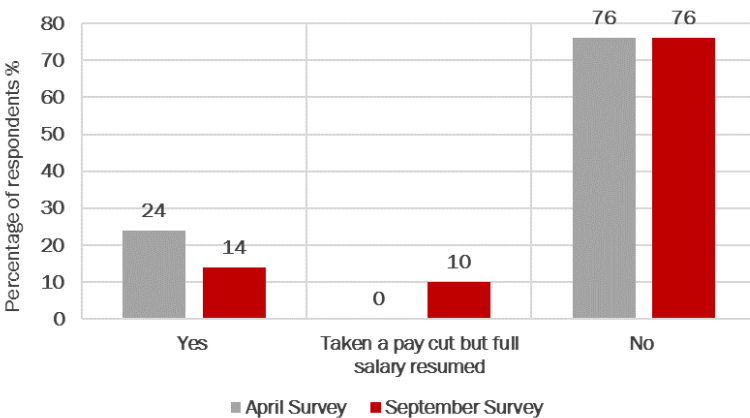
45% of our survey respondents have maintained full pay throughout the crisis.

This trend is similar for employees. Back in April **24%** of our SME respondents had asked their employees to take a salary cut. In September, this figure stands at **14%**. **10%** have had their full pay resumed.

Encouragingly there is no worsening trend.

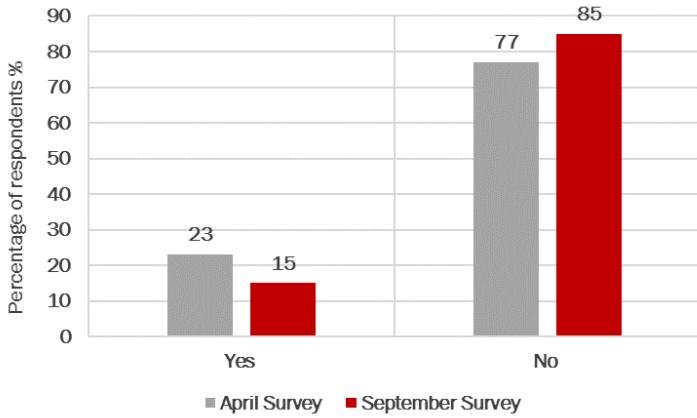
Q12.

Most employees have been asked to take a salary cut.



Q13a.

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

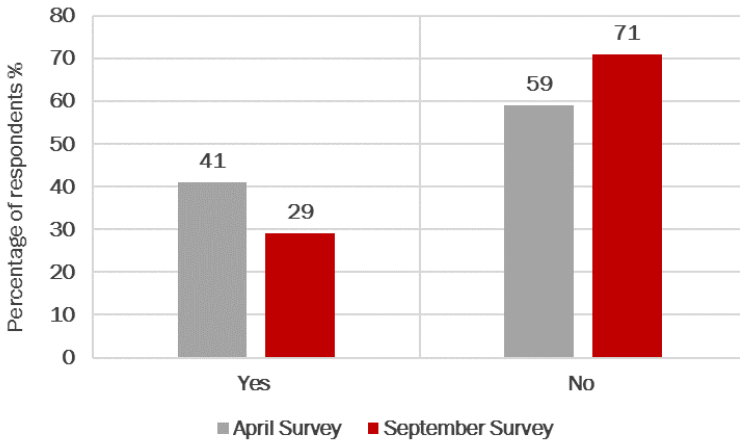


Whilst many businesses recognise the importance of having a strong leadership team in place, particularly during an unprecedented crisis like COVID-19, our September survey shows that just **15%** of respondents expect to hire senior executive or non-executives this year. This is a drop of **8%** from our April survey findings.

The reasons for this decrease are unclear. As the pandemic evolves, perhaps these respondents have concluded that they have the right Board composition in place. To the contrary, perhaps the Board does not have the capacity or appetite to engage a new hire in the short term, fearing further change and cost.

Q13b.

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

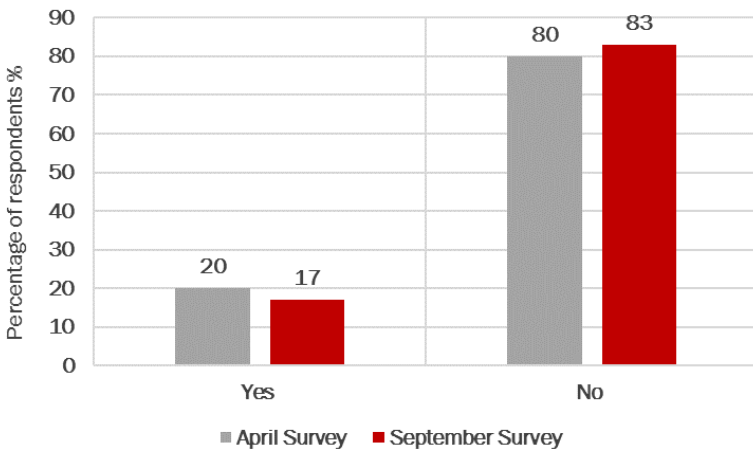


Looking solely at our September survey findings, expectations for recruiting Board directors in 2021 rises to **29%** (an increase of **14%** on 2020 expectations).

However, when we compare this to our April findings, we again see a downward trend. Back in April, **41%** of our survey respondents said they expect to hire senior executive or non-executive talent in 2021. Our latest survey sees this figure drop by **12%**.

Q14.

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

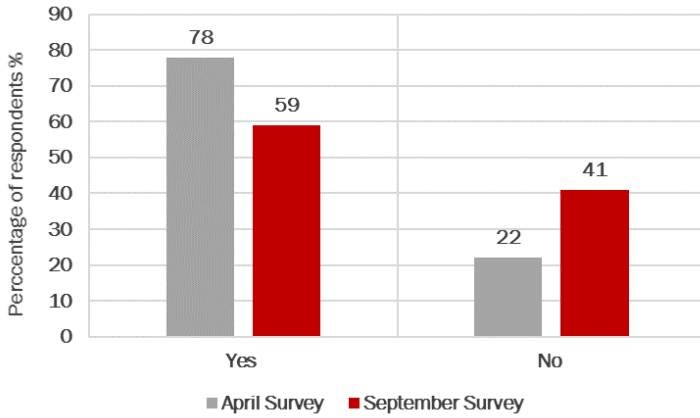


Expectations for interim or consultant recruitment have changed very little over the past 6 months with both our April and September surveys producing similar results. Around **20%** of respondents are still looking to hire interims/consultants in the short to medium term.

Given the downward trend in the permanent recruitment of Board directors, this surprises us as interims are often a quicker and more cost-effective way of bringing expertise and knowledge to a business.

Q15.

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



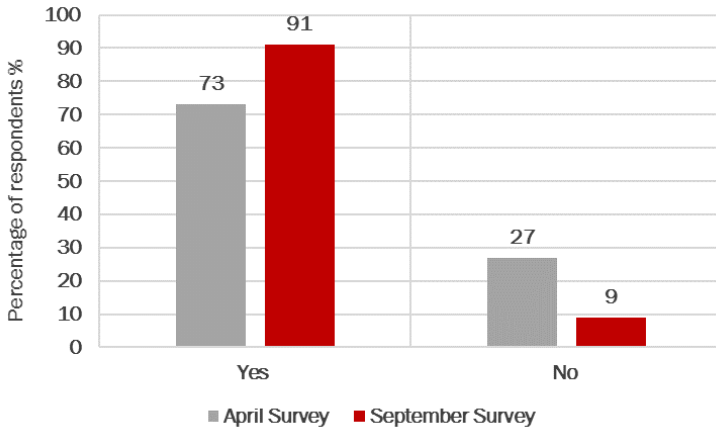
In April, **78%** of our survey respondents stated that the COVID-19 crisis will lead to new opportunities in their business.

With our September survey, this figure falls to **59%**. The reason for the decrease is unclear; however some respondents state that squeezed teams and budgets have meant a lack of capacity to drive such change.

On a positive note, our survey respondents specifically cite numerous success stories including overseas expansion, acquisitions, opportunities arising from changes in consumer behaviour, taking advantage of competitor weakness, and maximising the use of digital solutions to increase market coverage and revenues.

Q16a.

The crisis has made us evolve and change the way our staff work and travel.

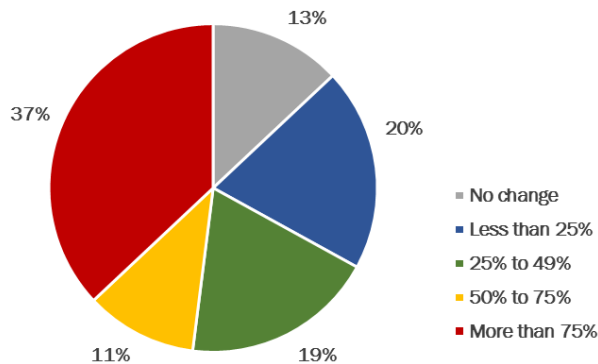


Without any doubt, COVID-19 has radically changed the nature of employment with a vast acceleration in remote working practices and digital support solutions.

As the crisis evolves so does this trend, with a staggering **91%** of our September survey respondents changing the way their staff work and travel (up from **73%** in our April survey findings).

Q16b.

Roughly what percentage of your workforce will now work from home two or more days a week?

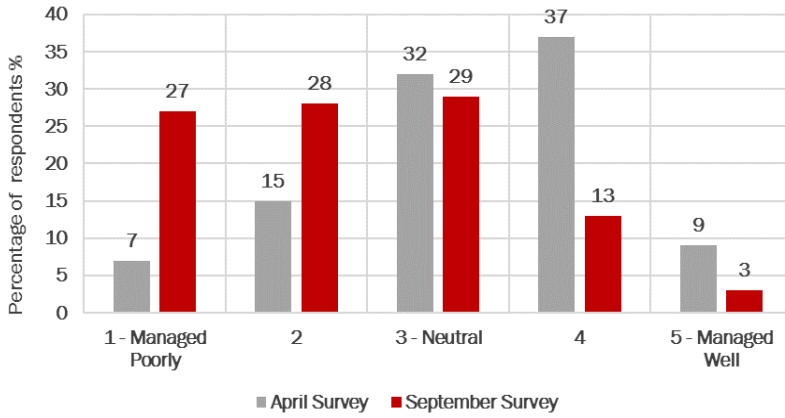


Demonstrating a more permanent shift in working culture, **87%** of those SMEs surveyed this September are actively supporting and encouraging employees to work from home, embracing technology to maintain high levels of connectivity and productivity.

Highlighting this dramatic shift further, the largest portion of our survey respondents - **37%** - now have more than **75%** of their employees working from home two or more days a week.

Q17.

The Government has managed the COVID-19 pandemic well.



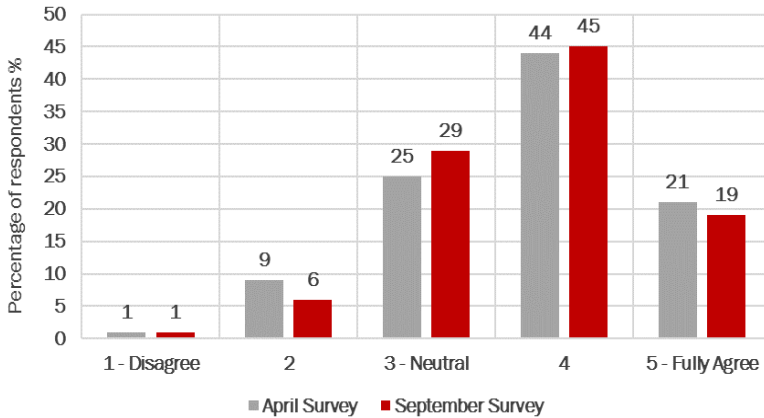
Our September survey findings demonstrate a huge erosion of confidence and trust in the UK Government over the past 6 months.

Back in April, almost **50%** of our survey respondents believed the Government was managing the pandemic well. This figure has dropped significantly to just **16%**.

Over **50%** of respondents have expressed extreme disappointment in the Government's handling of the crisis with many believing it has lost its way and citing frustrations such as 'too many contradictions', 'inconsistencies', 'weak communication' and 'lack of integrity'.

Q18.

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

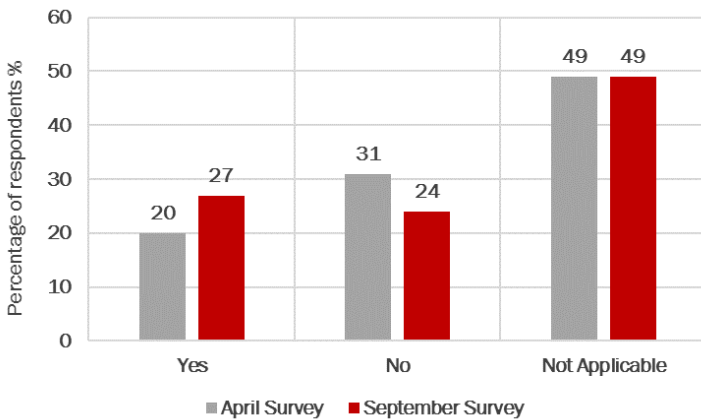


Business opinion of Rishi Sunak remains very high with over **60%** of our survey respondents believing the Chancellor's leadership is competent and decisive and his initiatives are well considered and helpful. This sentiment is fully consistent with our April survey findings.

Critics of the Chancellor are few; however specific frustrations are focused on the greater need for more targeted, more tailored support and a clearer roadmap for coming out of the crisis.

Q19.

The Banks have supported us with accessing additional funding.



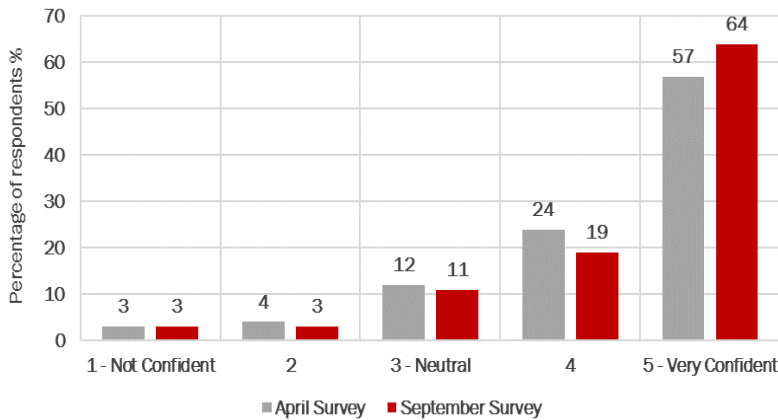
51% of our survey respondents have accessed additional funding from the banks, a figure that remains consistent across our April and September survey findings.

Of those businesses accessing additional funding, **53%** of our September survey respondents found the banks supportive. This is a decent improvement on our April survey findings when just **39%** of respondents found the banks supportive.

Those survey respondents that have found the banks unsupportive cite reasons such as 'they have little comprehension of how businesses work', 'they have minimal appetite for risk', and 'their funding criteria is too restrictive'.

Q20.

We are confident our business will survive COVID-19.



Reassuringly **83%** of our September survey respondents are confident that their business will survive the COVID-19 pandemic.

Even more encouraging is the fact that **64%** of respondents state that they are 'Very Confident' that their business will survive the crisis (an increase of **7%** on our April survey findings).

Whilst a handful of SMEs have benefitted from increased fortunes since the pandemic, many have sailed through a storm. These encouraging statistics are perhaps a good indicator of the capabilities of many SME leaders in adapting quickly, re-evaluating business plans, re-inventing commercial strategies and boldly rising to unprecedented operational challenges in an effort to help protect their businesses and employees from the worst possible scenarios.

Conclusion.

Six months since the pandemic first hit, SMEs continue to operate in a fog of unprecedented challenge and economic uncertainty. Confidence in business survival remains strong, and many leaders have navigated the storm thus far, pivoting their plans and strategies to mitigate risk whilst maximising emerging opportunities. Despite the success of the furlough scheme, trust in our Government and the Prime Minister has eroded significantly, albeit Rishi Sunak's currency has increased. With a vaccine still just a hope rather than a reality, the onus is on the Government to find a plausible economic roadmap to recovery because, as one respondent commented, "we cannot tread water indefinitely."

In the words of another respondent: "The COVID crisis has the potential to be momentary, challenging, or abysmally catastrophic. The Brexit phenomenon happening simultaneously is not helpful and will increase the timescale to normality and recovery."

The Government must continue to support SMEs during what could be a long Winter as they are the backbone of the UK economy. Thankfully, most SMEs have proven to be resilient thus far and their agility to make decisive decisions quickly gives us all hope that 2021 will be far more productive than 2020.

About the author.



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James is a Director at Directorbank and part of the management team who led their own MBO in 2017. With over twenty years' experience of executive search, James specialises in recruiting Board-level Directors in the Tech, Digital and Business Services sectors.

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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