BUSINESS GROWTH & RECOVERY

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ECOMMERCE

Reinventing for resilience

2020 has forced companies to invest heavily in ecommerce and the smartest are realising innovation must continue if they want to drive online business growth further

Rebecca Stewart

Ecommerce could easily join "unprecedented", "new normal" and "uncertainty" in the ranks of 2020's most overused business parlance.

However, the rapid acceleration of online shopping, and the ability it's affording companies to adapt quickly to the needs of a generation of consumers in flux, ensures its buzz carrying through to 2021.

At the height of the initial coronavirus lockdown, online sales accelerated around the world as physical stores closed. In the second quarter of 2020, global revenue from online sales skyrocketed 71 per cent year on year as people rushed to buy essentials, according to data from the Salesforce Shopping Index.

Even as bricks-and-mortar stores have reopened, the shift to online has remained pronounced, especially across categories such as fast-moving consumer goods and groceries. In the UK alone, the Office for National Statistics reports that sales of online goods increased 51.6 per cent in the year to August.

With the all-important festive period looming, research from payment firm Klarna reveals that 71 per cent of British consumers are reluctant to shop in-store in the lead up to Christmas. Some 56 per cent say they expect to do more online shopping this year than previously.

As consumer habits shift, brands have been retuning their offerings to take advantage, whether that's bringing shopfronts online, using data to improve the customer experience, launching subscription services or using tools such as augmented reality (AR) to sell their products.

From Beavertown Brewery to Fender, Amazon to Aldi, companies have been investing heavily in tech and talent to power the ongoing shift away from hard-to-reach shelves into direct to consumer (DTC) and third-party digital sales. It's boosting their bottom line too, with Beavertown reporting a 1,000 per cent sales boost in lockdown, showing the potential ecommerce has to underpin business growth.

But the innovation can't stop now. During the pandemic, brands have sought to bridge the gap between the physical and digital, building experiences that cater for customers who now expect in-app sales, delivery and pick-up as standard.

For Debbie Ellison, chief digital officer at ecommerce marketing agency Geometry Global, however,

Maarten van den Heuvel/Unsplash

companies must look beyond omnichannel strategies and to connected commerce experiences if they want to unlock opportunities for growth.

She argues that tech which goes beyond the operational requirements of retail and supports the aggregation and understanding of shopping behaviour across various digital and physical touchpoints is what's going to give brands the competitive edge.

Pointing to L'Oréal, Revolution Makeup and Gucci, which all recently used AR to enable shoppers to try on products at home, Ellison says she expects exponential growth in brands and retailers using AR in the move to create more engaging online shopping experiences.

Along with compelling "try before you buy" tech, social commerce is also undergoing a shift. Throughout the pandemic, Instagram and Facebook have been aggressively chasing on-platform sales, expanding Facebook Shops and the ability to check out on the platform, and IGTV (Instagram TV) shopping.

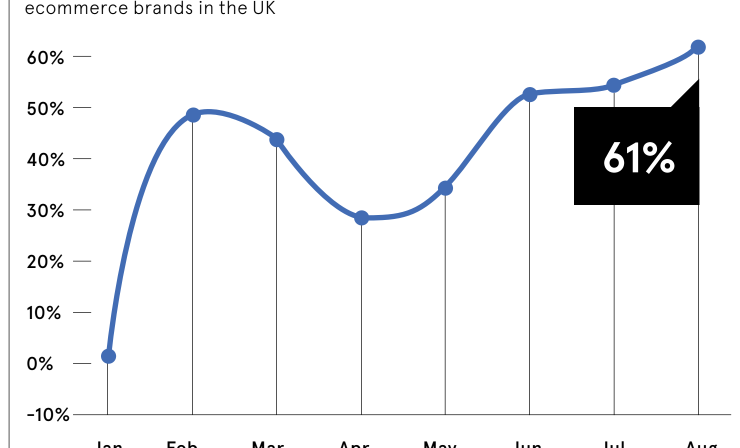
"Shoppertainment" and live stream ecommerce have been taking social selling up a notch too. As Amazon's Twitch creates shoppable experiences in the West, in China, Alibaba is seeing success by turning ecommerce into entertainment on a grand scale. In Southeast Asia, ecommerce companies, including Lazada and Shopee, are among those using live streaming to help sellers connect with audiences.

Zhou Junjie, chief commercial officer of Shopee and head of Shopee Singapore, says the feedback from sellers is positive, with participants seeing sales increase by up to 75 per cent attesting to the appeal of the new feature.

One brand investing in connected commerce is Tata Group, the sprawling $111-billion Mumbai-based business which sells everything from jewellery and steel to tea and salt. "There is no better time than during a crisis to innovate," says Liliana Caimacan, head of innovation at Tata Consumer Goods.

ECOMMERCE PAYS OUT

Share of customers who were reported first-time buyers, according to pure-play ecommerce brands in the UK



Emarsys 2020

When COVID-19 thwarted Tata's plans for the UK launch of herbal tea and kombucha brand Good Earth, the obvious solution was to delay introduction. However, Caimacan saw an opportunity to lean into the brand's positioning around experimentation. She struck up a partnership with Sainsbury's online and pivoted to social commerce and digital experiences on platforms like Instagram to build awareness, quickly moving media budgets away from out of home.

Its hand may have been forced, but in reinventing the rules of a very mainstream category, Caimacan says Good Earth has already had great success in engaging consumers.

Moving into 2021, Caimacan says the lessons gleaned from this experiment will see its ecommerce offering focus on DTC and streamlined customer experiences "based on a deep understanding of behaviour". The business will use behavioural science to engage with people better online and invest in razor-sharp targeting techniques to drive digital sales and business growth.

Aside from the glitzy tech, connected commerce underpinned by data and investment in direct selling, there are other, more practical solutions companies could employ to stand themselves in good stead for the year ahead. This includes sharpening their focus on content to close the gap between those seeking inspiration online and those clicking the buy button.

Marks & Spencer recently inked a two-year partnership with multi-language ecommerce content producer Quill, which will see it deliver more than 50,000 pieces of high-performing content for the brand's website. This includes product and category descriptions, as well as online customer buying guides.

This is expected to propel a higher proportion of M&S website visitors through their purchase journey, not only increasing online revenue, but also improving the return on investment on all M&S marketing activity that drives traffic to its website.

Stuart Stiles, head of product content for M&S.com, says the British retailer has already seen "fantastic results" and has bigger plans to double down on its digital offering. "Customer shopping habits have changed, the trend towards digital has been accelerated and in response it is critical we turbocharge M&S.com," he says.

Commercial feature

ROUNDTABLE

Powering recovery with smarter decision-making

Technologies such as big data and machine-learning can help both businesses and governments make better decisions. A virtual roundtable panel of experts looks at how to break down barriers to adoption

James Hodge
Global chief technical adviser, Splunk

Jessica Lennard
Senior director, global data and artificial intelligence (AI) initiatives, Visa

Tom Symons
Head of government innovation research, Nesta

Roger Taylor
Chair of the Centre for Data Ethics and Innovation

Siân Thomas
Chief data officer, Department for International Trade

Gren Manuel

Q Is there proof that better use of data really feeds through to the bottom line for the private sector?

JL If you use data in an unethical or irresponsible way, you're going to destroy trust. But if you do it right, I think the proof is there. At Visa, we have a neural network-based product that monitors for fraud in real time and does a risk-based analysis. That AI model alone prevents $25 billion of fraud a year for consumers and businesses. That's pretty good proof.

JH For all businesses, it's imperative to transform, and they need to give the people on the frontline who make decisions the right data and context. We released some research earlier in the year showing data innovators, organisations that put a data strategy at the front of everything they do, generate a higher percentage of revenue from new product lines. This shows innovation driven by data impacts the bottom line. We're at what I would call the dawn of the data age. If we can get it right, then the way we can accelerate companies and economies over the next five to ten years is going to be breathtaking.

Q So what is holding back the use of these transformative data technologies?

RT At the Centre for Data Ethics and Innovation, we published an AI barometer that identifies barriers to data-driven innovation across various sectors. These include low data quality and availability; lack of co-ordinated policy and practice; lack of transparency around AI and data use; and lack of knowledge about the real impacts of new technologies.

JL I think it is incredibly important to build awareness. Good use of data brings value to the public, value to businesses, value to society more broadly. But we need to make that case, we need to demonstrate those good outcomes.

Q Is there a tremendous amount of valuable data that is unused?

JH We often refer to that data as "dark data", nothing nefarious, but just data that is not being used for competitive advantage. One reason is that people think it's hard to embark on a data project. People think there has to be a technological answer to everything, but actually it's much more about collaboration.

JL The aim is not just to collect and generate as much raw data as you possibly can; that's not going to build trust. You need to be innovating with purpose, especially if you're talking about personal data.

Q There's a vision of data priests handing down tablets of statistical-driven wisdom to the rest of the organisation. Is that what happens?

JH Actually, that's completely the wrong way to do it.

ST If you put a team of data scientists in a room and leave them there for six months, they will come up with some fantastic things, but then that needs to be translated into the real world. You need to work with the frontline staff, the people who can use those insights, as well as more senior people to make sure the strategic direction of what you're doing is appropriate. Cultural sensitivity and working collaboratively across a whole range of different professions is very beneficial.

> Becoming a data-informed organisation is all about a huge cultural shift in terms of how an organisation sees data and how it uses it

TS To have a data-informed organisation is all about a huge cultural shift in terms of how the organisation sees data and how it uses it. You can spend a lot of time doing the technical work to build a great data product, but if you're not investing enough of that time understanding how it's going to fit into someone's day-to-day job, educating about it, informing them about it, then you might miss a trick.

Q So do ideas for advanced data use come bottom up as well as top down?

ST In our world [government], they certainly do come from the bottom up as well as the top down. Quite often, the top-down approach has a lot of strategic oversight, but they don't have the detail about how things work. Recently we created a data ethics board to invite different people into the conversation about data. It's only by working from the bottom up that you manage to implement those technologies in a way which supports the business and delivers on its strategy.

Q Is there a problem understanding data at the highest decision-making levels?

RT Organisations are already data driven and the people at the top of organisations know how to understand the data presented to them, such as a financial statement. What they don't yet understand is how to read information about complex, data-driven systems. That information, just like a balance sheet or set of accounts, is never going to tell you directly what your right strategy is as a company. But if you can't interpret it, then you will not be able to manage the AI-driven organisation of the future effectively. So this is a skill that will need to be developed.

JL It's not necessarily the data itself the board needs to understand; it's the insights. And the board should be using human-centric thinking. They should be saying, "If I can't understand the insights here, I shouldn't be relying on them too much."

Q The leadership of a financial services group would be expected to be data literate, but how does it work in government?

TS We're not asking senior leaders in the public sector to fire up their laptop and do some coding, but they need to understand the basics and know what questions to ask. That may be a level of data literacy that has to be grown.

ST I think, for the most part, there is data literacy within government departments. And where the individuals making those decisions don't have the skills personally, then there are processes in place that make sure, for example in my department, the chief statistician or me as chief data officer is invited to meetings to contribute.

Q Are there different types of data-driven decision-making?

TS At Nesta we refer to the goal as data-informed decision-making, rather than data-driven. Governance and ethics are really important and to ensure those principles are adhered to, it's important to have a human at the end of the decision chain.

> Good use of data brings value to the public, value to businesses, value to society more broadly

RT We sometimes pretend you can always put a human in the loop, but when it comes to what Spotify recommends, or a self-driving car slamming on the brakes, there clearly won't be. This is a really significant area that requires clarification; we have to understand exactly when decisions can be automated, when is it OK or even necessary?

For more information please visit splunk.com

REINVENTION

The art of a pandemic pivot

What are the risks and rewards involved in completely changing your strategy at a time of crisis, and what practical advice do experts have for shaking things up?

Sarah Drumm

The most popular business growth strategy of 2020 is the pandemic pivot. According to a survey by software recommendation platform GetApp, 92 per cent of small businesses in the United States have decided to pivot business models since March, either setting up virtual services, launching new product lines or targeting a different customer base. When asked how their balance sheets were looking four months on, those that had pivoted were three times more likely to have boosted their incomes compared to those that didn't.

The world has fundamentally changed since coronavirus sent shockwaves through the global economy in mid-March. As consumers' priorities have adapted, businesses have had to keep up. But in such uncertain times, how can leaders know they're making the right moves?

"It's hard to know what the front foot looks like when you're navigating so much uncertainty and no one knows how things are going to pan out in three, six, nine or twelve months," says Kathryn Tingle, startup strategy lead and founder of Trailblazer Circles. "You need to be strategic and proactive as well as reactive; that's a very fine balance to strike."

Australian outfit Stagekings pivoted from creating event stages to selling stand-up and regular desks to consumers, under the name IsoKings (see case studies opposite)

It can be difficult to find a starting point when questioning the fundamental existence of your business model, but Tingle says it's crucial to frame this as an opportunity to make positive changes and not see it as a setback. "I'm a firm believer that in dark times there's usually a silver lining and in business that silver lining can be new opportunities," she says. "All leaders knew the opportunities that digital transformation posed and during the pandemic there's been a natural acceleration of these plans."

Tingle points to supermarket brand Sainsbury's which, by pivoting to cloud technology, was able quickly to scale up its overloaded delivery service, a change that will pay dividends beyond the pandemic.

Emma Mills-Sheffield, who runs business consultancy Mindsetup, agrees changes to the business model should be made with longevity in mind where possible. "If it's opportunistic, then you have to be really critical about whether you can plug that back into your core business growth strategy," she says, citing examples of companies pivoting to produce personal protective equipment early on in the pandemic's trajectory.

"Go back to your core purpose. Are these things fundamental to the business or bolt-ons to fill the gap for three months? You need to reflect and ask, 'what do we stand for as a business and what do our customers need?'"

> "You need to be strategic and proactive as well as reactive; that's a very fine balance to strike

That's not to say opportunistic pivots can't be solid moves, particularly when relevant to the ecosystem a business sits within. When Bristol microdistillery Psychopomp decided to start producing hand sanitiser in March, it said it planned to sell the product at cost to restaurants and pubs.

It's an attitude that Lee Powney, senior partner at innovation agency Vivaldi, says leaders should embrace when making fundamental strategic changes. "If you invert your strategic thinking to ask, 'how can I create shared value?', what you're doing is reframing your business in a wider field, rather than just thinking of it in terms of creating products and services," he explains.

Not all business-model pivots need to be headline grabbing. Dr Vaughn Tan, lecturer at University College London's School of Management and author of *The Uncertainty Mindset*, says simply acknowledging uncertainty can help leaders identify more subtle strategic shifts.

"That very basic assumption changes what you pay attention to strategically and it changes what you do internally: how you hire, how you motivate people and how you set goals," he says. "With the uncertainty mindset, the idea is not that you conduct big tests with big consequences, but micro-tests that result in small course corrections along the way."

However small or large the business model switch is, decisions should be grounded in data and solid insights, not just gut feeling. "The only way you can know if a pivot is likely to work is if you put down on paper all the assumptions you are making," says Tan, emphasising the importance of crunching the numbers and comparing the cost of launching a new product or service with a realistic idea of how much revenue it will generate. Internal data can also provide hints on where changes need to be made.

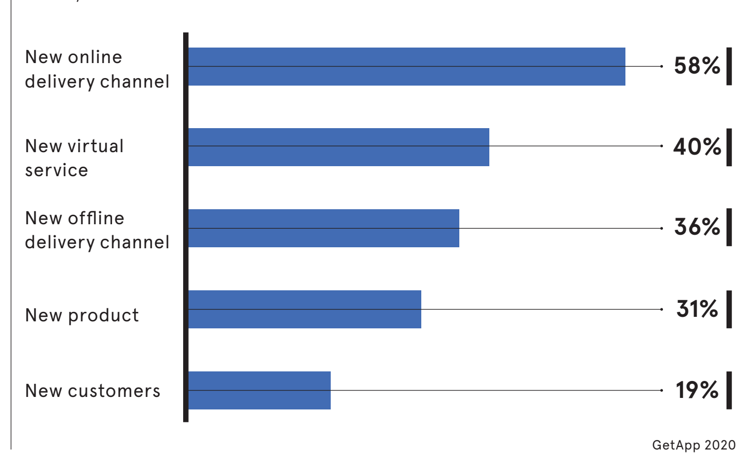
"If you need to reinvest, be really clear about the outcomes you want to see," Mills-Sheffield adds, noting that setting clear key performance indicators from the outset can prevent a situation where piles of cash continue to be invested, despite a pivot not bringing expected returns. "Go back to lean startup principles; what's the minimum viable product?"

Finally, business owners should remember they're not doing this alone and plenty of support can be leveraged by getting customers and employees on board with any strategic shifts being made.

"Whatever you decide to do, make sure you're super clear on how you'll communicate that with your staff, because they're the ones on the journey with you," Mills-Sheffield concludes. "It's not just about pivoting from the top; it's about making sure everybody's on board."●

BUSINESS MODEL PIVOTS IN RESPONSE TO COVID-19

Survey of small business leaders in the United States



CASE STUDIES

Shaking it up

Call the beautician
Mayfair salon Nails & Brows is renowned for creating neat, tidy, natural-looking brows and for telling clients not to mess about with them at home. During lockdown, founder Sherrille Riley decided to shift away from that advice and pivot the business model to teaching clients how to do their own touch-ups at home. The online consultation service lets clients book 15-minute video appointments when Riley talks them through the process of shaping, maintaining and applying makeup to their brows. The pivot has enabled Riley to expand her client base from London's West End to worldwide so now 50 per cent of her clients are in the United States.

Working from home is win-win
On Friday March 13, the Australian government announced a ban on gatherings of more than 500 people, exactly the sort Sydney-based Stagekings was in the business of building sets for. "That was 100 per cent of our upcoming work," says founder Jeremy Fleming. With the right skills in-house to make anything out of timber, within a week Stagekings had gone from creating event stages to selling stand-up and regular desks to consumers under the name IsoKing. Demand for desks has been so strong that Fleming has been able to hire 17 additional members of staff and is now looking into licensing the brand in Europe.

Switching supply chain
Sales of children's toy company PomPom's indoor climbing frame peaked as the UK went into lockdown, but supply chain disruption in Europe made keeping up with demand difficult. In May, founder Katherine Rhodes set about designing an improved version of the product and sourcing a UK supplier to make it for her. It was a leap of faith as this was the first time PomPom had designed its own product and all dealings with the manufacturer have been done over the phone or Skype. But it has paid off. When the new model launched in September, it sold out within a fortnight.

Child's play online
In 2018, Delvene Pitt launched Littlecrowns Storyhouse, a sensory playgroup for toddlers. In March, Pitt not only shifted her sessions online, but decided to add a new dimension to the business: "I thought, why don't I use my production degree and start putting on a kids show?" Investing £3,000 in new equipment, such as editing software and lighting, Pitt began uploading a weekly children's puppet show to YouTube alongside her private Zoom sessions. The business-model pivot has enabled her to reach new customers, including schools, and expand her audience. In 2021, Pitt plans to launch a membership model giving parents access to additional educational content.

DIY dinners
With their restaurant shuttered, chefs Zijun Meng and Ana Gonçalves, founders of Tōu, decided to turn their customers into cooks. In August, they launched a meal kit containing everything to make Tōu's iconic Iberico pork katsu sando at home for £10.50. "When we were open as a restaurant, we were doing 500 of those sandwiches per week, now we're doing about 50 or 60," says Gonçalves. "It's enough for us to keep the brand surviving." The restaurant remains closed and the plan is to keep building out the at-home offering, with delivery planned to go nationwide at the start of 2021.

Cash-flow conundrum
India's nationwide lockdown meant US direct-to-consumer spice brand Diaspora Co had no idea when it would be able to get hold of its raw ingredients. With supplies dwindling and a need to pay its farm partners to keep them in business, founder Sana Javeri Kadri decided to overhaul the company's cash-flow strategy, switching to a pre-sale model. "Pre-orders were such a success that we ended up buying 35 per cent more than we had forecast for the year, just to keep up with demand," she says. Since making the switch, Diaspora Co has raised more than $750,000 from 13,500 pre-sale orders, far in excess of the 4,000 orders it expected.

Work out wherever
So customers could work out from the comfort of their own homes, Urban Sports Club, which sells multi-access passes to fitness venues across Europe, teamed up with Cologne-based software company Fitogram to enable its gym partners to run sessions online. Studios have uploaded more than 160,000 classes to the platform since mid-March. "Our studios are now in hybrid mode," says Franka Schuster, Urban Sports Club's public relations lead. "Our French colleagues are switching back to online because of the new lockdown, but in Berlin we are still training outside, inside and with the livestreams."

From rentals to restaurants
In March, US universities shifted their teaching online, leaving LoftSmart, a platform that helped college students find accommodation, without a market. Founder Sam Bernstein decided to overhaul the operation, building an entirely new platform that let restaurants deliver cooking classes and subscription offerings online. Table22 has so far onboarded restaurants in 13 US cities, which have generated more than $500,000 in revenues between them; Table22 takes a cut of each subscription sold. "I don't see us going back," Bernstein reflects. "I'm much more passionate about the market we're solving problems for now and I want to keep working on that."

OPINION

'New technologies don't harness themselves... skills are the lifeblood of business'

The coronavirus pandemic has curtailed demand, upended business models, cast a pall over consumer confidence and generally knocked the knees out from under the economy. The challenge for directors, however, is only just beginning.

With restrictions continuing, it looks like a tough winter ahead for many firms. Even when, or if, a vaccine materialises, it's still going to be rough underfoot. Despite government support, many organisations have had no choice but to rack up significant debt as they deal with the impact of lockdowns. Directors at these firms will be entering the post-pandemic world with precarious balance sheets.

Despite the considerable challenges, the UK's business community is proving immensely resilient. "Never waste a good crisis" is a phrase I regularly hear when talking to directors from across the country. This mantra speaks to the true source of organisational resilience: it stems from the ability to be agile and innovate when confronted with seemingly insurmountable problems.

Already, scores of British companies have been making swift adjustments in response to the circumstances, not hesitating to upend well-worn business models to reach their customers.

One of the key ways they have done so is by embracing digital technologies. Among Institute of Directors (IoD) members, more than a quarter have moved operations to online platforms, with a similar proportion creating new products and services altogether, all in a way they intend to keep in place after the pandemic. Meanwhile, almost three quarters said increased remote working was working well for them.

Clearly, capitalising on new technology can provide a key way to improve organisational resilience. As has often been observed, businesses are on the whole better set to deal with the challenges posed by COVID-19 than they would have been even ten years ago. Companies that had already tried remote-working tools and online delivery platforms came into the pandemic with a head start.

It's no wonder that improving tax incentives for investment in new equipment and software has been a long-standing ask of IoD members; it pays to be ahead of the curve on emerging trends and ideas.

New technologies, however, don't harness themselves. The people wielding them are even more important and skills are the lifeblood of business. It's not just digital capabilities that have been under the spotlight in this crisis either, broader leadership skills have become all the more important. Remote working puts a different spin on managing teams, while the hardships brought about by the pandemic have put a premium on clear internal communication.

The question, then, is how to ensure your organisation can find an edge in areas like digital technology and skills development. The answer starts at the top.

Ensuring there's a strong and broad skillset at the executive level is pivotal. Recruitment is one side of the coin, but it's just as important to embrace continuous development. No director is the finished article and we must all constantly be looking to up our game. Whether through rigorous training or connecting with fellow directors, none of us can afford not to keep learning.

Directors must be able to draw on as wide a range of perspectives as possible. Whether it's achieved through a board or advisers, diversity of thought is fundamental to good corporate governance. This comes from embracing every type of diversity, from gender and ethnicity to neurological. It's only through this broad view that business leaders can stay alive to their unknown unknowns and to the many opportunities that lie ahead, despite the pandemic.

There's no doubt the economy is still well and truly under a cloud. With enough agility and perseverance, however, UK directors will be sure to find the silver lining.●

Jonathan Geldart
Director general
Institute of Directors

Protecting against currency risk

Currency market volatility has impacted many global businesses during the coronavirus pandemic. Finance directors are seeking to manage the risks from future fluctuations. To be successful, what do they need to consider?

UK businesses with overseas operations have been handed some harsh lessons during 2020 as the economic mire from the coronavirus pandemic manifested on company balance sheets.

Currency market volatility and supply chain interruptions caught out hundreds of companies during the early weeks of COVID-19, highlighting the importance of comprehensively managing foreign exchange risks through a structured strategy with a chosen partner.

In the relatively calm markets of recent years, some finance directors may have overlooked developing a company-wide foreign exchange policy. While there was a spike in volatility in 2016 after the Brexit vote, 2018 and 2019 were relatively calm.

But in 2020, this would have proved costly. On March 20, sterling fell to its lowest level against the US dollar for 35 years, with the GBP/USD exchange rate moving from 1.3157 to 1.1494 in the space of a few days.

Those companies that were making US-dollar payments from sterling during that period, without any forward contracts in place, would have seen a dramatic difference in the amounts paid from the same payment were it settled on March 10, compared to March 20.

Furthermore, if they were relying on their traditional provider of banking services, they may have been additionally hit by uncompetitive exchange rates, delays in settlement or higher charges for the service.

"Up to 85 per cent of small and medium-sized enterprises use their banking partner for cross-border foreign exchange payment services," says Daniel Howe, managing director, Europe, Middle East and Africa, at WorldFirst.

"Because they have a trusted relationship, they tend to use their banking provider for multiple services, but that can sometimes mean they get the raw end of the deal."

If they haven't already done so, company directors with significant overseas transactions should move quickly to help mitigate against further volatility, with predictions that markets are likely to continue their unpredictable behaviours well into 2021.

Forward planning

Those seeking greater visibility of their future costs may opt to use a forward contract. Forward contracts allow you to secure an exchange rate for a defined period of time in the future, helping with cash-flow planning and potentially mitigating currency risk.

By embracing this approach, company directors can more easily budget for future revenues, costs from overseas transactions and book transactions ahead of time, yet funding them at a later date.

"Forwards are particularly relevant to businesses in the current market due to the volatility," explains Howe. "They offer a degree of certainty at a time when businesses will be considering plans for the next year.

"Companies may need to agree pricing with a supplier and, if they are buying or selling at spot, that is an unknown."

While forwards can be a useful tool for fiscal planning, finance directors should be aware that a lack of transparent pricing can sometimes be used to inflate providers' profits.

"When considering the cost of a forward contract, other variables such as the interest rate differential between two currencies can affect the price," explains Tom Kiddle, head of commercial at WorldFirst.

"Many customers do not have visibility of these variables and how they affect the price of the underlying contract. In many cases, the customer has little certainty of the margin they are being charged for using a risk management product."

By comparison, WorldFirst explicitly breaks down how it has priced its service upfront. Forward points are never used as a mechanism to charge more, but are instead used to reflect interest rate differentials between two currencies.

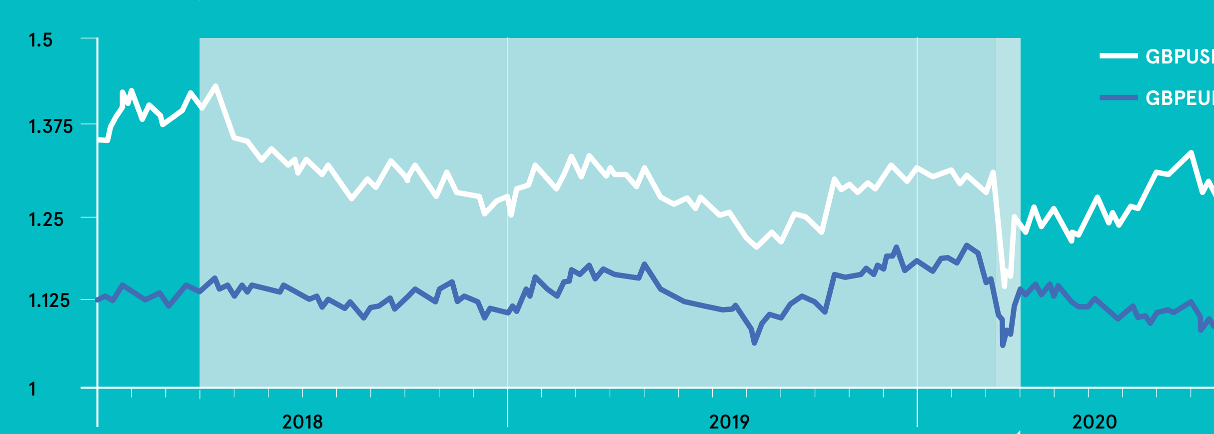
GBP 2 YEAR VOLATILITY

With an excess of over £3.5 trillion traded daily, the forex market is the most actively traded market in the world. When currencies move in dramatic fashion (sometimes without warning), that can have an immediate impact on international business – helping in some areas, and hindering in others.

25% increase in cost to convert GBP to USD 2018 vs 2020

Need to send $USD **$100,000.00**

16 April 2018	19 March 2020	Difference
£69,730.14 (Exchange rate 1.4341)	£87,320.99 (Exchange rate 1.1452)	£17,590.85



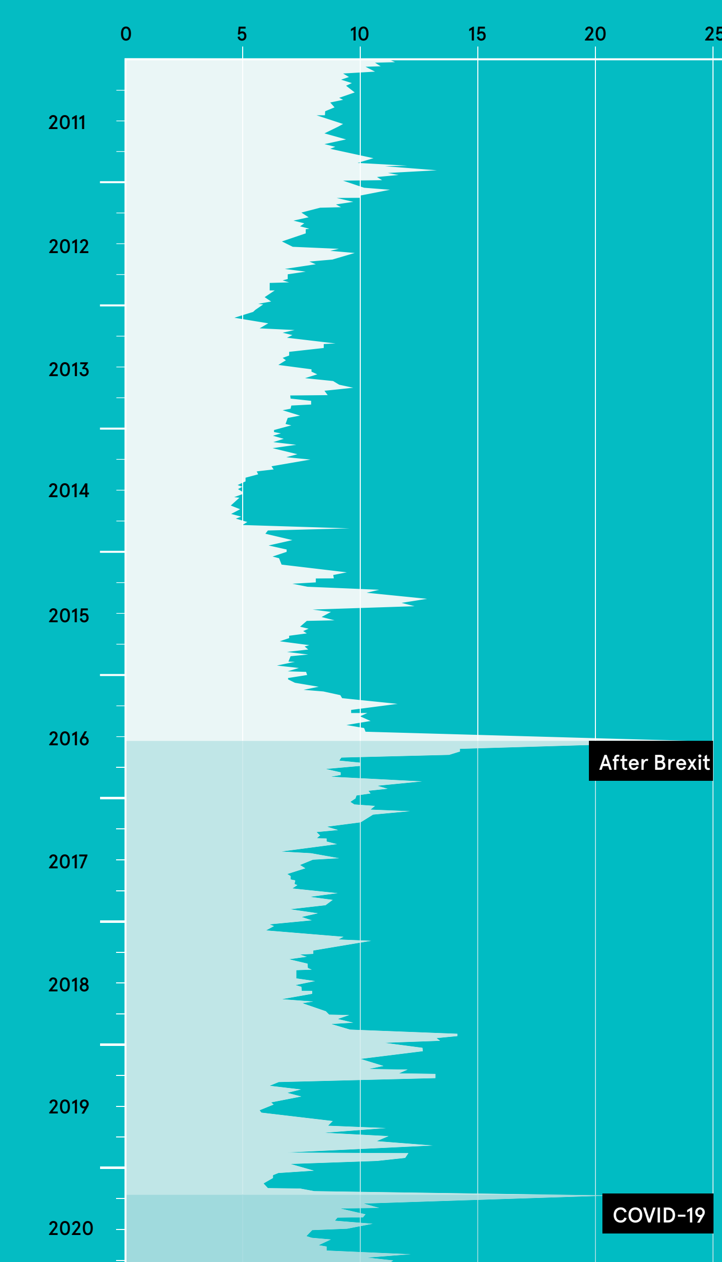
Need to send $USD **$100,000.00**

09 March 2020	19 March 2020	Difference
£76,341.71 (Exchange rate 1.3099)	£87,320.99 (Exchange rate 1.1452)	£10,979.29

14% increase in cost to convert GBP to USD in 10 day period March 2020

10YR HISTORICAL VOLATILITY GBPUSD

The data shows an increased frequency of spikes in volatility since the 2016 referendum result, making the cost of cross border transactions increasingly difficult to budget for. With markets destabilised by the uncertainly of Brexit and the second wave of Covid-19, currency volatility will remain as a key risk for businesses to navigate.



> Those seeking greater visibility of their future costs may opt to use a forward contract

Digitalisation and global trading

The World Trade Organization suggests the pandemic may result in increased levels of international trade longer term, which means the use of currency risk management solutions could become a popular and prudent choice for businesses.

"The global nature of COVID-19 and its impact on ecommerce may encourage strengthened international co-operation and the further development of policies for online purchases and supply," it concluded in a May 2020 ecommerce report.

Yet, while businesses have been quick to embrace online trading, many have not considered the consequences of generating revenues in multiple jurisdictions.

"The reality is, as soon as you move online, you are global," says Howe. "Until now, foreign exchange may not have been a major point of consideration for some, but there are lots of businesses in the UK, trading globally for the first time, exposed to risks they may not fully understand."

This under-appreciation of currency risks can partly be attributed to the traditional opacity of the currency exchange market.

Most traditional providers are willing to quote you a rate for the a transaction but few are willing to offer a cost. They may make additional charges for services such as account opening or annual maintenance.

It can also be very difficult to compare exchange rates in real time as markets move so quickly. So, if businesses call multiple providers, they won't be comparing rates at the same point in any one day.

Worse still, a company may receive introductory favourable terms as an incentive for them to use a provider's service, only to see this rate deteriorate over time.

In an attempt to navigate this complexity, WorldFirst has designed a clear fee structure, based on the annual amount transferred in any one year. Customers with annual transaction volumes up to £500k are charged 0.5%, between £500k and £5million 0.25% and above £5million 0.15%.

Multiple uses

COVID-19's effect on international business has already been profound. For the global travel and tourism market, there has been enormous disruption. Airlines have faced mass cancellations and refunds, while hotel bookings between hoteliers and travel companies have also been withdrawn.

Finance directors operating in the travel sector have needed to handle refunds from foreign market suppliers while wanting to avoid converting this cash back into sterling and crystallising a loss.

"The travel industry has seen a recent increase in the amount of refunds received from cancellations, particularly at the start of lockdown," says Kiddle.

"By being able to serve our customers with a local collection account, our customers have been able to avoid multiple exchanges, into sterling and then back into the local currency at a later date. In an industry where margins are tight, having access to a local collections solution will create an important cost-saving."

For companies without a bank account in each local jurisdiction in which they operate, WorldFirst offers currency accounts that can be opened in a matter of seconds.

Unlike traditional bank processes, which require an individual to be physically present, WorldFirst's registration service for opening a currency account allows a customer's credentials to be verified digitally.

"Trading abroad can often be an alien environment for some companies," Howe concludes. "Through our World Account proposition, we offer a single platform that provides customers with local domiciled currency accounts in ten global markets."

For more information please visit www.worldfirst.com

WORLDFIRST

Q&A

International growth at the click of a button

A boom in businesses trading on digital marketplaces has underscored the need for local currency accounts, but what do companies need to consider as they go global?

Daniel Howe
Managing director, Europe, Middle East and Africa

Theo Sprague
Head of relationship management, ecommerce

Q Why have companies targeted international expansion through online sales platforms?

DH The emergence of online technology has made it easier for small and medium-sized enterprises (SMEs) to reach international consumers. International trade has become simpler. Marketplaces like Amazon have made it almost frictionless to sell products in international markets at the click of a button. It is now as easy to sell a product in Australia as it is in the UK. At the same time, logistics and the cost to send and ship goods has come down significantly. I can buy a product from China, have it shipped to the United States and I don't even have to leave my office in London.

Q What impact did COVID-19 have on international cross-border sales on these platforms?

DH The digitalisation theme has accelerated as a result of COVID. People who weren't buying products online six months ago are now shopping online. Now they've started, they are likely to continue. We have seen a fundamental social shift in behaviour.

TS It has had a profound effect on our ecommerce business and further accelerated the high street's demise. It is super easy and cheap. During lockdown, the sales volumes have been comparable to peak periods like Black Friday or Christmas and for many it was only a matter of supply chain limitations preventing even greater success.

Q How has the financial services industry kept pace with this change?

DH In many ways, financial services hasn't caught up in the same way. It still presents a barrier for SMEs operating internationally. During the pandemic, there have been restrictions on people crossing borders in many countries, which has made it more challenging to open traditional bank accounts in some jurisdictions. That's why we believe in the importance of our World Account proposition. The account is a virtual account that provides customers with a locally domiciled currency account in ten global markets. I can get accounts in US dollars, or Australian dollars etc, locally domiciled in those countries same day, to make payments to local suppliers.

TS Traditionally the acquisition of an overseas bank account is very laborious. You need a physical account in that territory. But we offer a way of having a whole suite of currency accounts around the globe all on a single platform. We made a huge hurdle into a tick-box exercise by offering a viable alternative, without the trade-off of security or peace of mind.

Q With COVID-19 restricting international travel, have you found interest from larger corporate customers for this product?

DH The speed of access we offer to new markets is appealing and we have seen an increase in registrations from businesses that are opening up to new markets and seeking alternative ways of collecting international funds. This means bigger businesses that were previously offline businesses now need these accounts.

> We want to be an enabler of international growth, to support businesses in taking their business abroad

Q How are companies likely to approach international expansion in the future trading environment and what role will WorldFirst play in supporting that?

DH International expansion will be digital first for all companies in the future. The process we have been through has pushed business online. We want to be an enabler of international growth, to support businesses in taking their business abroad. They need a broader range of services than just payments and collection products. Companies will increasingly need new products and services in international markets. For us, the important thing is we have a great core product, but we recognise SMEs will need more. The product suite we provide must continue to support our customers' growth because their international success is our success.

OPINION

‘Resilience, driven by sustainability and responsible practice, is a key driver in recovery’

Though the dust is settling, and supply chains have been strengthened after the pandemic's initial impact, businesses are still suffering the aftershocks. With shortages and price hikes for raw materials hitting certain sectors, businesses are rewriting their sourcing strategies and changing course to increase the resilience of their supply chains.

Efficient cost management has always been an essential part of business and as company margins continue to be squeezed, it will be critical. But the appeal of far-shored, inexpensive suppliers has waned as a result of recent disruptions, and businesses have learnt the hard way there is more to good supply chain management than just price.

We're seeing an accelerated interest towards source-for-resilience models and away from a source-for-cost approach, as businesses rethink what true value in the supply chain means for them.

So, what makes supply chains resilient? A focus on sustainability is crucial. This does not mean traditional green initiatives, although these are key condierations as consumers and businesses make efforts to combat the effects of climate change. What I really mean is conducting business in a more responsible, ethical manner, especially towards suppliers, by paying on time or offering support when needed.

I’m glad to say there have been many positive examples in recent months with large corporations paying not only promptly, but prioritising small and medium-sized enterprises or helping them find new markets for their goods.

Our survey this month found that almost a third of companies were paid more quickly during the pandemic, injecting more stability into supply chains. I hope this trend gains momentum as there’s still a long way to go to bring equity to business transactions. Current proposals being considered to strengthen the government’s Prompt Payment Code (designed to stamp out late payments) shows ethical treatment of suppliers hasn’t been fully accepted across all businesses.

Your critical suppliers must be protected because if they fail, you fail. Ethical supply chain management just makes good business sense.

Another question businesses should be asking themselves is around the diversity of their supply chains. Almost 30 per cent of companies we surveyed had reshored some of their supply chain, reducing the length and complexity of their operations. This won’t work for everyone, but shorter supply chains can bring increased sustainability and resilience.

Greater use of local producer means goods travel shorter distances, cutting emissions and reducing the number of disruptions. Local economies also benefit and, though each business's circumstances are different, it is an approach that can bring benefits for business and local community alike. Add multiple sourcing strategies to increase the capability of moving between suppliers and supply chains are stronger still.

We mustn’t forget that tech plays a crucial part. Businesses should focus on mapping multiple tiers within their supply chains, grading by risk and having basic automated processes in place to increase transparency across the whole operation. Not having this visibility is a threat to strong supply chains.

Solutions such as artificial intelligence can help make sourcing decisions and there are rewards to companies from using data more efficiently.

As the UK economy crawls towards recovery, I believe resilience, driven by sustainability and responsible practice, is a key driver in recovery. Our research found 17 per cent of companies had already built more resilience into their supply chains, propelled by the impacts of the pandemic. Add to this the threat of disruption from Brexit, the number of businesses with resilient supply chains should be a lot higher. ●

Malcolm Harrison
Chief executive, Chartered Institute of Procurement and Supply

SUPPLY CHAINS

New rules for choosing suppliers

Many procurement managers opted for a quick fix as COVID hit, but only a complete rethink of supplier relationships will help organisations thrive

Mark Hillsdon

Coronavirus has sent shockwaves through the world’s supply chains. As countries locked down and travel restrictions kicked in, there was a rush to find new suppliers and plug gaps that were starting to appear. Procurement managers took unprecedented risks to keep the show on the road and supply chains, which previously had been rigorously managed, began to fray at the edges.

> The buyer-supplier relationship is a balancing act, with speed on one side, risk on the other

“In early-lockdown, the need to react swiftly outweighed the risks of a streamlined due-diligence process,” explains Paul Massey, product director at management company Proactis. “There simply wasn’t the time for laborious processes of any kind; all parts of the supply chain management process were accelerated. If you were lucky, the gaps were then filled in retrospectively, but in many cases the risks were simply accepted.”

Now, as businesses start to get to grips with the “new normal”, COVID-19 has forced many to critically re-examine their supply chain structure and future procurement strategy.

“What the pandemic has caused is a need for information,” says Nicole DeHoratius, professor of operations management at Chicago Booth School of Business, which recently opened a campus in London. Alongside issues such as capacity, buyers need financial information, too. Now, rather than a simple box-ticking exercise, buyers are starting to mine down to get a real sense of how viable their suppliers are, she says, and whether they’re overstretching themselves.

Chris Laws, head of product and strategy at Dun & Bradstreet, sees the buyer-supplier relationship as a balancing act, with speed on one side, risk on the other. At the moment, he fears: “We’re seeing it tip so far towards ‘do it fast, do it now,’ and ignoring the risk policy, and that's going to cause a problem.”

Health and safety issues, human trafficking, exploitation, modern slavery: “they’re the type of things that we are at risk of missing when we go too fast”, says Laws.

Building a supplier map can help bring much greater visibility and resilience to a supply chain, he says. Just knowing who your direct suppliers are is no longer enough.

Ben Collett, managing director of risk specialists Duff & Phelps, says: “Investment in technology and information flow allows greater visibility and communication through a tiered supply chain. It may not be your direct supplier that is the source of a supply failure, but their supplier or a supplier to that sub-supplier.”

Data and digitalisation are also set to have a major impact, says Laws. “While data has always been part of the supply risk assessment, it was typically only used as an efficiency play, rather than an operational necessity,” he says.

Now businesses can leverage data and analytics to uncover suspicious activity. Mapping out business relationships and untangling large volumes of data can develop an accurate view of supply chain activities.

Laws also believes the pandemic will drive a major shift in digitalisation. “A lot of supply chains are still paper based,” he says, but with so many people now working from home, the flaws in relying on scanned documents and a precarious paper trail are easy to see.

Alex Saric, smart procurement expert at procurement software company Ivalua, agrees that technology holds some of the answers. “The key is to be able to access all relevant information on suppliers and be able to have a holistic view,” he says.

The next step for this approach is greater collaboration. “As organisations struggle to ensure supply continuity, manage cash and protect the bottom line, they’re realising the importance of working closely with suppliers that themselves are struggling with these issues,” Saric adds.

“This has hastened the shift in supplier relationships away from being transactional and cost focused, to ones that promote collaboration and working together on innovation and mitigating the impact of events like COVID-19.”

DeHoratius at Chicago Booth School of Business says: “Supply chains have always over-emphasised cost at the expense of resilience.” While flipping this may involve spending more on building relationships and creating a supply chain that’s responsive and flexible at the outset, the trade-off will be worth it, should another disruption occur, she explains.

Another trend designed to reduce risks is the shift to multi-sourcing, as many companies that relied on a single source for components were found out at the start of the pandemic.

“We have seen buyers expanding supplier networks to make them more robust, which spreads risk,” says Massey of Proactis. “This is particularly pertinent when geography is a factor; many have retrenched from the global supply chain and are seeking options much closer to home.”

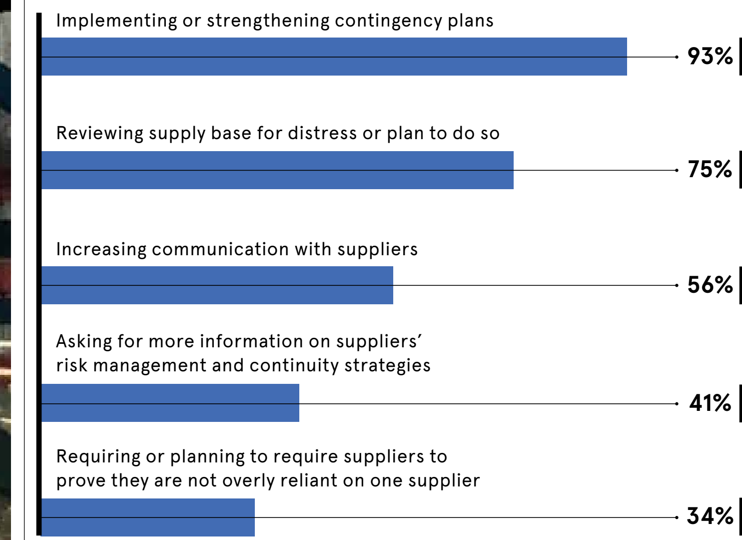
He has also seen an increase in vertical integration, with large corporates buying up elements of the supply chain, as they shun outsourcing to bring capabilities back in-house.

While the start of the pandemic saw many companies taking exceptional risks to fill gaps in their supply chains, many will now be better prepared for further disruptions. For Massey, this means due diligence and relationship-building will soon be back as constants in supply chain management.

“However, there is now a real need for organisations to put processes and technology in place that make supplier sourcing and onboarding as quick and painless as possible,” he concludes. ●

ACTIONS TO BOLSTER SUPPLY CHAINS

Global survey of manufacturing executives from a range of industries



Foley & Lardner 2020

Five tips for choosing suppliers in the new climate

1 Get technical
More companies are investing in technology to gain the visibility and insight they need to act quickly. Creating a register of all suppliers can help a business react to swings in demand or disruptions such as the coronavirus pandemic. “Just knowing geographically where a supplier is based is crucial, because you never know where the next lockdown is going to happen,” says Chris Laws of Dun & Bradstreet.

2 Don’t focus on cost alone
Over-reliance on practices designed to reduce costs has left many businesses with few options when traditional supply chains are disrupted. Reliability and security of supply should now be seen as far more important than price.

3 Multi-source
Using multiple suppliers helps to build resilience by reducing risk and the potential for operations to be disrupted. Trust through association is another powerful approach, and networks of companies are starting to pool resources and work together.

4 New partnerships
Current disruption has reinforced the need for buyers and suppliers to collaborate. Penalties may be an incentive to ensure great service, but when businesses are struggling, they can backfire; far better to collaborate instead.

5 Don’t forsake due diligence
Due diligence when selecting new suppliers is as critical now as it has ever been. Organisations need to be confident a supplier doesn’t pose a risk to their reputation or the efficiency of their supply chain.

Commercial feature

ROUNDTABLE

Unlocking the procurement powerhouse

Procurement and supply chain teams have proved vital for business continuity in 2020. Around a virtual roundtable, seven experts advise on how these teams can trigger growth in 2021

Rhys Bush
Europe, Middle East and Africa vice president of supply chain risk management specialists Avetta

Simon Leigh
Group procurement and supply chain director at Whitbread

Sami Naffakh
Chief supply officer of RB (Reckitt Benckiser)

Malcolm Harrison
Group chief executive of the Chartered Institute of Procurement & Supply (CIPS)

Thomas Udesen
Executive vice president and chief procurement officer at Bayer, and co-founder of the Sustainable Procurement Pledge

Benjamin Guilbert
Vice president of procurement for Europe, Commonwealth of Independent States and Turkey at Mars Wrigley

Laura Hobbs
UK and Ireland procurement programme lead for construction company BAM

Gren Manuel

Q What is the priority in 2021? Is it to get back to implementing plans disrupted by the coronavirus pandemic?

SL I think the dynamics have changed and some plans need to be revisited, especially in a business like ours [hotels and hospitality] which is very volume dependent. We have to plan for 2021, 2022 and beyond, but we have to do it with a lens that we're not back to normal, and we're still going to have to flex and adapt.

MH I talk to people across a whole range of different sectors and what we're seeing is very different changes in demand. Some people have seen a huge fall-off, others have seen huge increases. Some, particularly in food, have seen shifts in distribution channels which has had a big impact on packaging formats. So everybody has to plan differently, adopting the same principles but in a different context.

SN I think it's important to say we're not out of the woods yet; we have this second wave which is hitting us in a number of markets. The key question is how many of those changes will stick and how much is going to revert to what we knew? Until that's clear, it will be difficult to plan.

BG I agree. One of the key things we need to do is understand more complex data. Tools that profile and monitor supply networks to reveal risk in real time can help significantly. Some technologies are now offering predictive analytics, artificial intelligence and machine-learning to get everything in one place so that if something is changing, you can act on it quickly. Yes, we're still in firefighting mode, but we need to move from being reactive to proactive. And then to be predictive. Digital is a critical enabler.

TU It's important to be clear that the world of procurement didn't start with COVID-19. Many of our teams have worked for many years getting ready for disruptive events and the ones who were really prepared with long-term plans were the ones who weathered the storm well. Of course, we have to react and we have to recover. But the plans we're executing were not created now, they were created years back.

> It's not just returning to the plans that were there before 2020, it's about accelerating them in areas such as digital transformation

LH We're lucky enough that the government's investment in infrastructure across the UK has given us a degree of certainty. Our challenge is further down the value chain; as an industry we subcontract a lot and that makes the industry fragmented. Our focus was managing tier-1 subcontractors and we haven't had true supply chain visibility, until COVID hit and we realised this lack of visibility caused chaos. Our investment in the next few years is improving our demand and forecast planning to allow us to grow and meet our government customer requirements.

RB We work with many different sectors and it seems that as the understanding of what procurement can deliver rises, so do expectations. But it's not just a matter of returning to the plans that were there before 2020, in many cases it's about accelerating them in areas such as digital transformation. We're seeing that across the board. Agility is more natural for some companies than others. Some companies are more flexible and innovative than others and there are clear differences between sectors. Also it's important to identify agile suppliers.

Q But how do you identify such agile suppliers?

RB The ones that were flexible and responsive during lockdown will be the ones able to adapt more effectively to new working practices. It's a question of looking at historical performance and having effective relationships. We've seen fantastic case studies of companies improving their relationships with suppliers over the last six months, finding more flexible ways of working together and also being realistic about the challenges they now face.

Q How can you prepare for growth amid uncertainty?

BG We're doing a lot more scenario planning. For instance, we sell gum and gum is an impulse purchase; with people travelling less, it impacts demand. We don't know whether demand is going to be an "L" shape, a "V" shape or a "U" shape. The only thing we can do is plan for different scenarios.

MH Some organisations for years have built their supply chains around resilience, probably because they had to deal with large seasonal swings in demand. Look at ice cream, for instance; to get a tenfold swing in demand when the sun comes out is not unusual. You can't predict that, but you have to be ready to handle it. Perhaps some of the industries finding this agility most challenging have been the more stable industries that have to build it into a supply chain which was never originally designed to be so agile, rather it was designed solely for cost efficiency.

Q Is this agility a technical challenge or a cultural one?

LH It's a bit of both. When I joined the construction industry, I read a McKinsey report showing our industry's productivity was pretty flat while manufacturing's had doubled. So this is a massive opportunity to go into a "reset, restart, reinvent" cycle where we fundamentally change the way we build. Our forecast isn't just for the ways we built things yesterday; it's how we're going to build a procurement strategy that helps us reinvent this industry, taking labour away from the site and doing more in a manufacturing and assembly environment. We're looking forward and trying to change our procurement strategy completely.

Q What lessons learnt during the first phase of the pandemic can be applied to recovery and growth?

TU We saw that when we collaborate as an industry, or even across industries, we could make it work. We were also working with governments, making sure everybody got the relevant PPE [personal protective equipment]. If there's something we can take with us into the world post-COVID, it should be that sense of collaboration, where we work together on issues such as resilience and sustainability.

LH We've seen that in the Brexit preparations we're doing now. We're working more closely with the government, other contractors and construction bodies to tackle this together. Before, we would have all done our own Brexit continuity plans, so this is a real change for us.

SN I think the whole theme of corporate purpose has taken on a completely different dimension. In countries like India and the Philippines, the connections between NGOs, government bodies and the private sector have strengthened throughout this crisis because they had to work together. Post-COVID is going to be different from pre-COVID.

Q But in a recession there is also a focus on price, the traditional focus of procurement teams. How do you balance that with improved sustainability?

MH There always seems to be the assumption that sustainability costs you money; I disagree with that. Over the years, I've seen many examples of sustainability that make good business sense as well. Focusing on reducing energy consumption, efficient logistics… they're good from a sustainability point of view, and this approach also appeals to consumers and ethical businesses.

RB It's a tough trading environment. But a race to the bottom, using the lowest-cost suppliers, ultimately presents risks of reliability and non-compliance. No company wants to compound the losses of 2020 with additional problems like these.

BG I think where procurement is becoming absolutely essential is our ability to understand what is a good and a bad cost, eliminating costs that bring zero value to the consumer so you can improve something that does.

SL One of the words I use quite frequently is curiosity; as a procurement function you need to continue to be curious. Building relationships is beyond essential. But also you need to boil down what we're here to do and how we can demonstrate value beyond traditional sourcing. Ten or fifteen years ago there was a buying mentality, but it has evolved massively. Sustainability is a huge area of focus for us with our Force For Good programme, and procurement can play a huge role in supporting and adding value to this.

Q How do you import innovation from your supply chain?

TU You need to know the answer to the Spice Girls question: what do you really, really want? Then you need to clearly describe it to your suppliers and have a collaborative dialogue. And you need to find a way that makes it attractive for them to come up with solutions. If you do these, then you will find that many people are super keen to work with you because many of your competitors just don't operate like that.

> If there's something we can take with us into the world post-COVID, it should be that sense of collaboration, where we work together on issues such as resilience and sustainability

Q Are people turning to technology to help procurement with these problems?

SN People are accelerating their move to tools such as dynamic commodity management, demand sensing and predictive analysis, plus the scenario planning that Ben referred to. The acceleration is massive because people realise that when you're in such a volatile environment, you can't play with the usual tools such as Excel spreadsheets. What was taking years is now taking weeks.

BG We need to be super precise on priorities because we risk thinking digital is the answer to everything. It's not and you must be crystal clear on where digital will add value. It is an enabler, but it has to be in the service of something else.

RB We've seen some fantastic examples of people using our technology more effectively during the pandemic and some have been very simple. For instance, we've seen big companies use technology to educate their suppliers on new ways of working, treating their suppliers in the way historically they would have treated their employees, realising they need to take care of them. There's also the vast and growing amount of supplier data. It's only through technology that we can collate this and present it to procurement users so they can make sense of it and ultimately make better decisions, and create more sustainable relationships.

> It's up to us to come with ideas to drive the business forward. We need to be confident, be bold and be curious

Q How can procurement and supply maximise their contribution to growth and recovery?

SL It's up to us to point out that we can help improve across the company's entire value chain. We're in contact with the costs, we can help manage risk, we can help with sustainable sourcing, we can drive the commercial top line as well. It's up to us to come with ideas to drive the business forward. We need to be confident, be bold and be curious.

SN Our company has three main priorities post-COVID. First is to protect the business and brands; this is all about things like resilience and capacity. The second is to drive growth through value, issues like innovation and social impact. The third is to fuel growth via productivity, not cost-savings, but productivity. On all these three topics, procurement and supply have a key role to play. So it is essential.

For more information please visit avetta.com

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OUTLOOK FOR RECOVERY

It is impossible to overstate the devastating impact COVID-19 has had on global businesses, but many have taken the saying "never waste a good crisis" to heart. While many organisations pivot business models and throw themselves into digital transformation, others are still struggling, so what does the picture really look like for business recovery?

-4.9%

estimated decline in global GDP in 2020 following a 2.9 per cent expansion in 2019

International Monetary Fund 2020

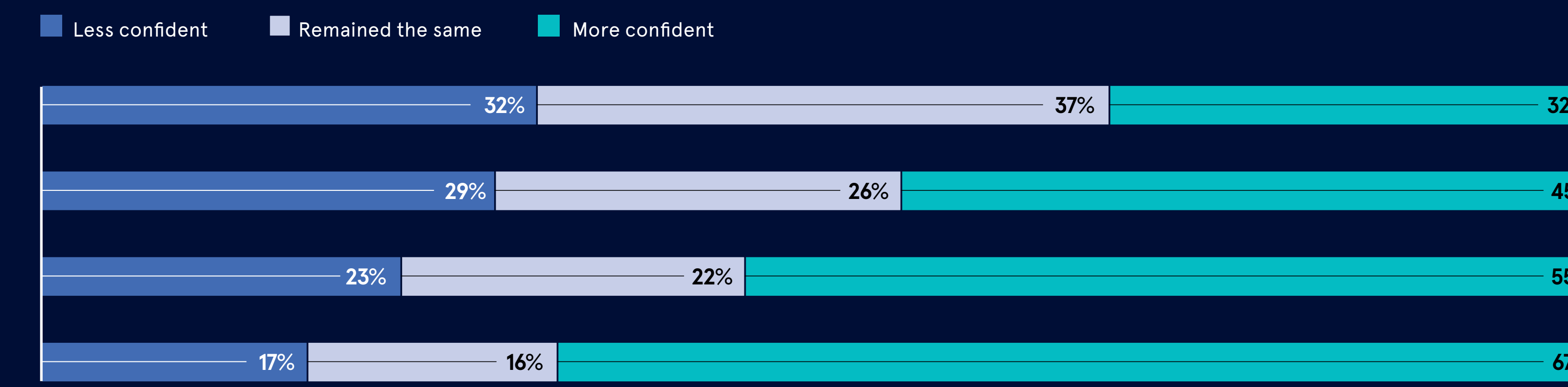
$6trn

lost in global trade as a result of the economic and social disruptions caused by COVID-19, 50 per cent larger than the decline in trade that occurred during the 2008 recession

UN Conference on Trade and Development 2020

INTERNAL CONFIDENCE IS UP, BUT WIDER PROSPECTS UNCERTAIN

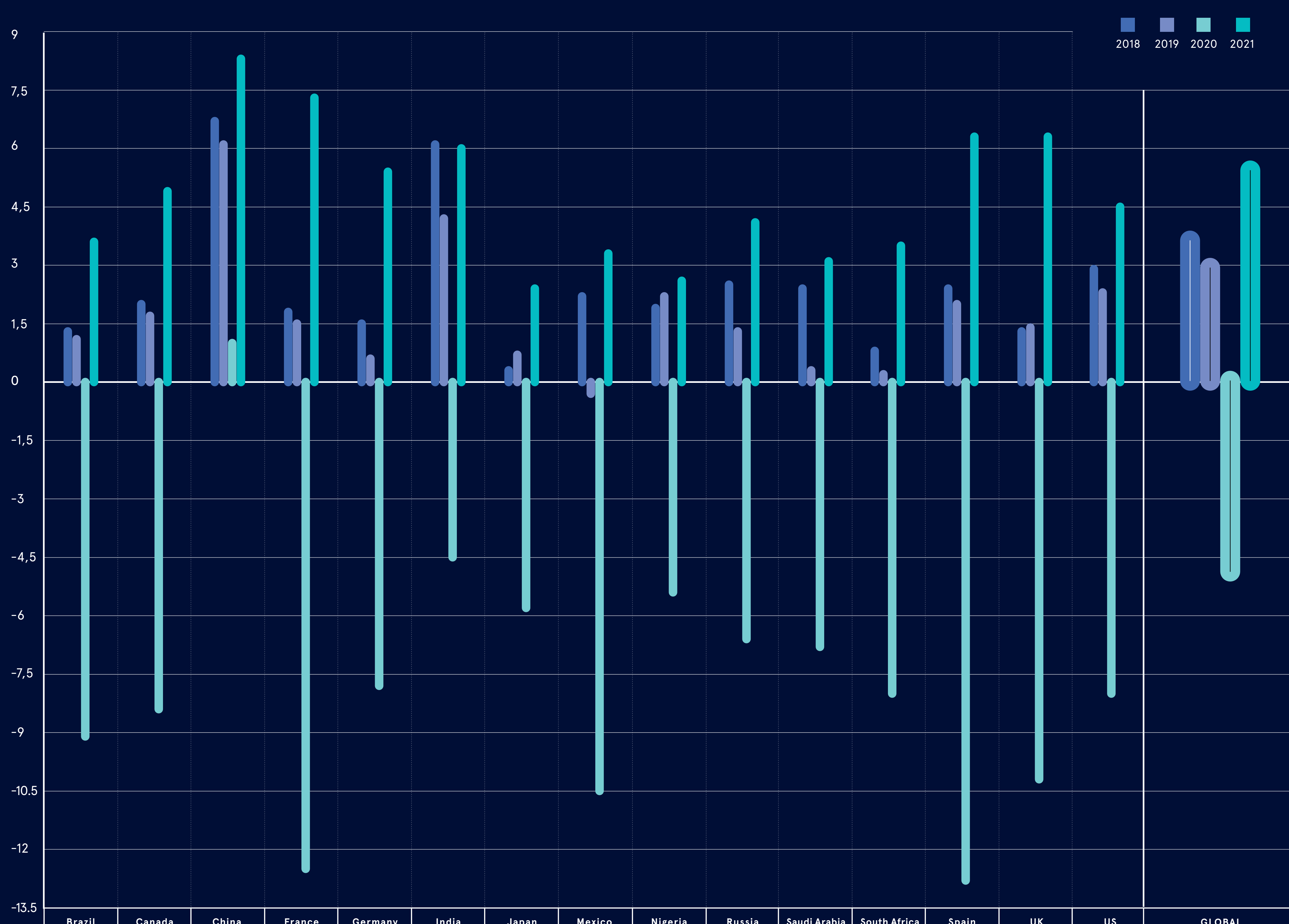
Global chief executives were questioned in August about how their growth prospects had changed since the start of 2020



KPMG 2020

GLOBAL GROWTH FORECASTS

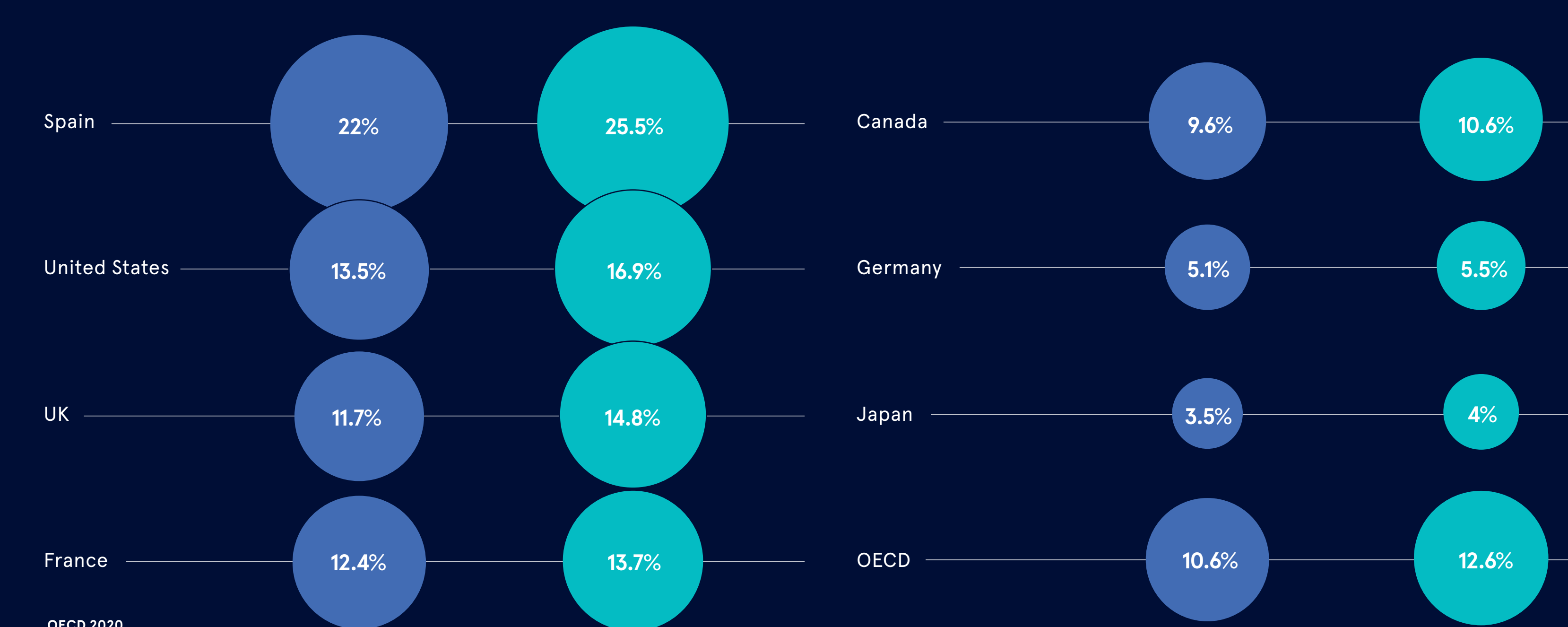
Annual percentage change in world output



International Monetary Fund 2020

UNEMPLOYMENT RATES ACROSS THE OECD

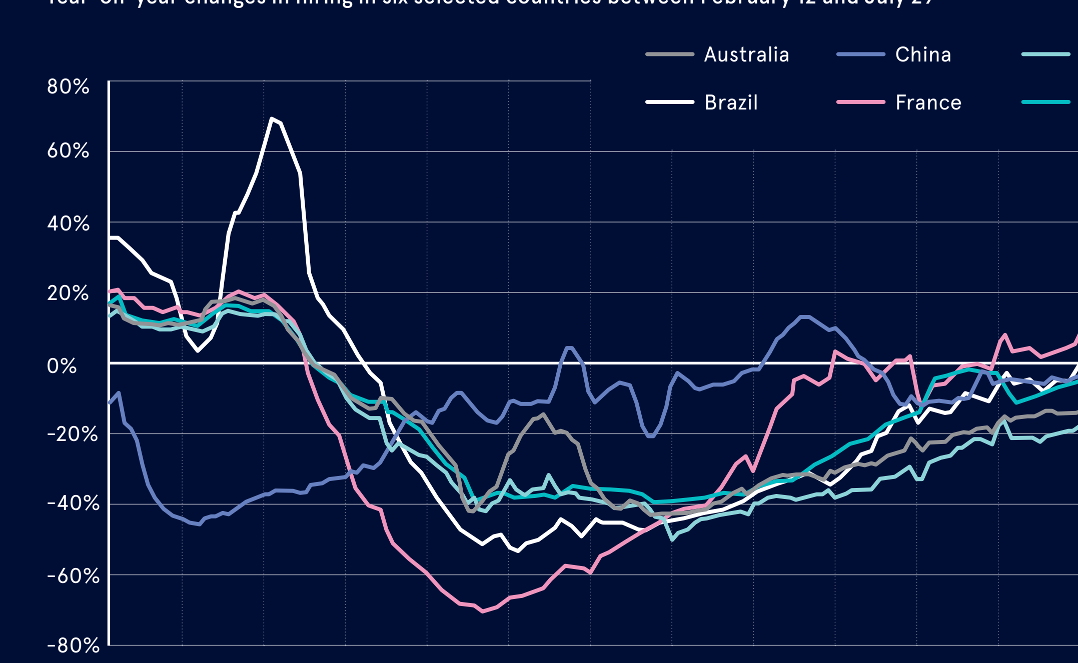
Estimated percentage of labour forces unemployed at the end of the September, and potential rates if a second wave of infections hits before year-end



OECD 2020

HIRING RATES ARE SLOWLY RECOVERING

Year-on-year changes in hiring in six selected countries between February 12 and July 29



LinkedIn 2020

5.2%

contraction in global GDP predicted going forward, as we experience the deepest recession since the end of WW2

World Bank 2020

53%

of CEOs expect a decrease in revenue and/or profits of up to 25%

PwC 2020

Peter Summers/Getty Images

Healthcare workers take part in a protest over NHS pay conditions in August 2020 in London

PUBLIC SECTOR

Getting through the pandemic intact

Public sector organisations have faced a myriad of challenges when it comes to coping with coronavirus-related disruption

Daniel Thomas

When Croydon Council declared in late August it feared imminent bankruptcy, the intense financial pressure facing local authorities in the pandemic were plain to see.

The council, which had to ramp up spending on everything from personal protective equipment to care services, faced a £65.4-million overspend in the 2020-21 financial year, but only had £10 million of reserve funds.

Councils don't go bust like private sector businesses do; they issue what is known as a Section 114 notice where all but essential spending is banned by Whitehall.

But that in itself can be hugely damaging, says Dennis Vergne, who runs the public sector transformation consultancy Basis. "It means you can't make spending decisions and have to cut back non-statutory, preventative services.

"It also creates uncertainty for suppliers, many of whom are relied upon to deliver critical services ranging from supporting the council's IT infrastructure to providing home care to vulnerable residents."

Public sector organisations of all kinds have faced challenges since the UK went into lockdown in March, but some have fared better than others. On the frontline of fighting the virus, the NHS has been promised many billions in extra funding, with chancellor Rishi Sunak saying it will get whatever it needs to protect the country.

Universities, hit by a sudden drop in lucrative overseas student recruitment revenue, can cover some of their losses with emergency government grants and loans, but some warn of bankruptcies without a bigger bailout.

It's also been hard for councils that have a public duty to support their communities and have found themselves inundated with requests for help from people and businesses.

This has amplified financial pressures that already existed, says the Local Government Association (LGA), and comes alongside a reduction in income from things like business rates and commercial income.

> One of the things we need to do as a charity is prioritise the health of the nation, but when centres close communities suffer

Despite being given £3.7 billion in new funding by central government to cope, the LGA says English councils face an £11-billion budget shortfall. At least five may have to issue a Section 114 notice without extra government support, a BBC investigation found in July, including some of the UK's largest unitary authorities: Leeds, Wiltshire, Trafford, Tameside and Barnet.

Some lazily assume public sector organisations are not agile enough to adapt in a crisis, but Basis, which works with around 25 UK councils, says the opposite is true. Vergne, who used to work for large consultancies including Accenture, says councils usually lead the way when it comes to deploying new IT systems and services, and have years of experience in mobilising emergency community services.

One example is London's Newham Council which, early on in the pandemic, launched a service to help struggling small businesses that match-made them with local volunteers. It has helped smaller enterprises get free advice on things like financial planning and IT without incurring extra costs for the council. "It was up and running within two weeks; that's not the sort of timescale you'd see in the private sector," says Vergne.

However, public sector organisations undoubtedly have fewer options when it comes to managing their own finances. Universities and councils can borrow from the markets by issuing bonds, but cannot tap investors for capital in the way struggling private sector firms can. That leaves most reliant on government support.

The pressure is not just felt by public sector organisations, but also by those serving them. Take GLL, the biggest operator of public leisure centres in the UK, which was formed by Greenwich Council in the 1990s and now operates as a social enterprise.

It runs 230 centres on behalf of UK local authorities, but had to shut all of them for six months during lockdown, and around 40 are still closed. "Last year our turnover was over £300 million, but we're not for profit so we trade at a tight margin," says GLL managing director Mark Sesnan.

"We had £20 million in free reserves and we burnt it all in six months of closure, despite support from furlough schemes and public bodies."

Like the councils it serves, GLL can't ask investors for cash and has largely relied on loans and grants from its partners, as well as a small amount of "gap funding" from a bond placement.

Sesnan says the chain is unlikely to go bust, but has had to reshape its business, based on estimates that demand will only recover to 75 to 80 per cent of income post-COVID. He expects he will have to cut jobs when the furlough scheme ends on October 31 and says the future of some leisure centres is in doubt.

A GLL centre in Preston earmarked for closure serves around 500,000 people a year, ranging from children to the elderly. "One of the things we need to do as a charity is prioritise the health of the nation, but when centres close communities suffer," says Sesnan.

For now, public sector organisations will have to work within the constraints imposed on them, but some are finding workarounds. Vergne at consultancy Basis highlights one council that was about to move into temporary offices when the pandemic hit, as it had been rebuilding its town hall. It has since ditched the move and told staff they will be working from home for a longer period, saving a large amount of money in the process.

Cash-strapped councils are also grouping together for the first time to raise hundreds of millions of pounds via the bond market to shore up their finances. A group of up to 30, including Westminster City in London and Barnsley in Yorkshire, will issue three bonds this year through the UK Municipal Bonds Agency, an entity set up five years ago to help local authorities access cheaper debt, but which until 2020 had never made a placement.

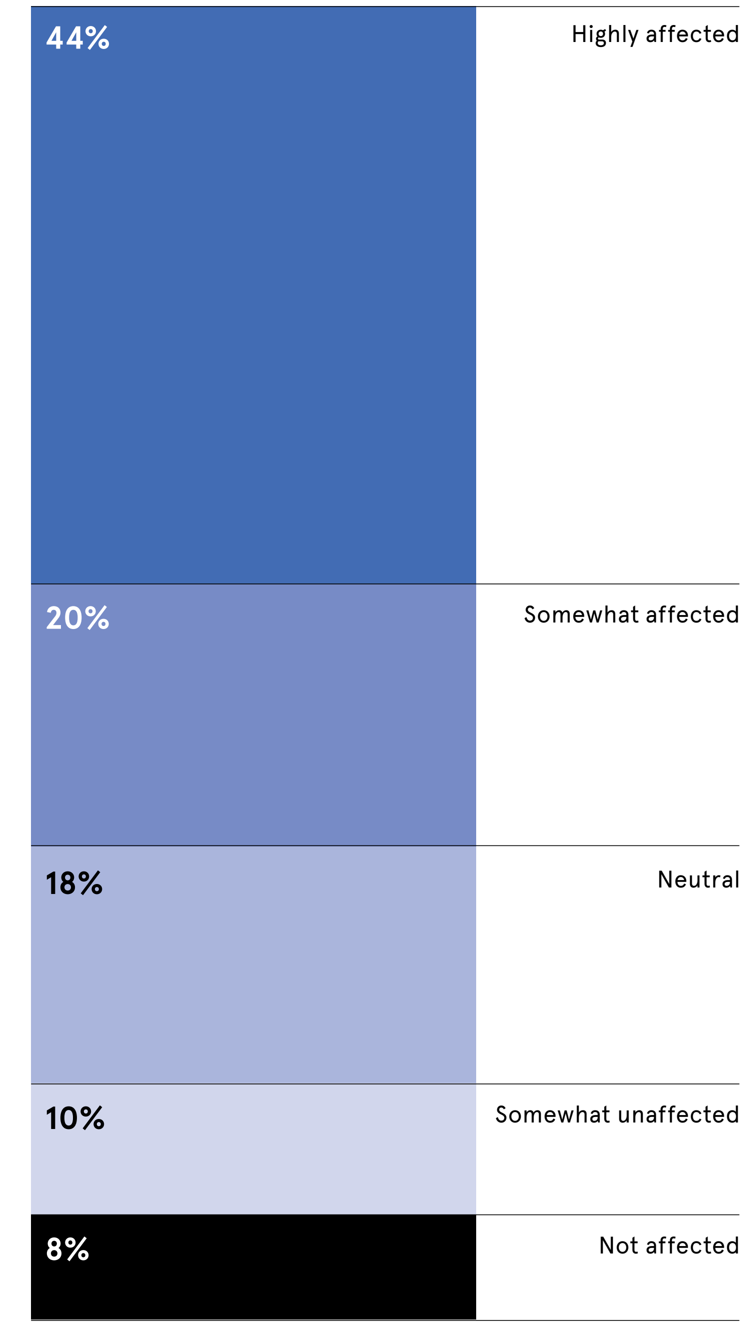
Experts believe UK universities may also issue bonds to help them get through the crisis, as peers in the United States and Australia have already done. UK higher education providers have been allowed to access the government's business and job support schemes, while £2.6 billion in tuition fee payments is being pulled forward to ease cash-flow problems.

Still, there are fears some public bodies will end up on their knees if the government doesn't offer more. "Much like the NHS, councils have had to increase their spending to meet the rising needs of their service users during the pandemic," says Vergne. "However, unlike the NHS, where many deficits have been written off by the government, local authorities are getting only partial compensation and are pushed further into the red."

It follows years of austerity that had already stretched council budgets to breaking point. "Some are facing second lockdowns and asking, 'How do we do this? We need emergency money'," Vergne concludes.

THE COVID-19 IMPACT

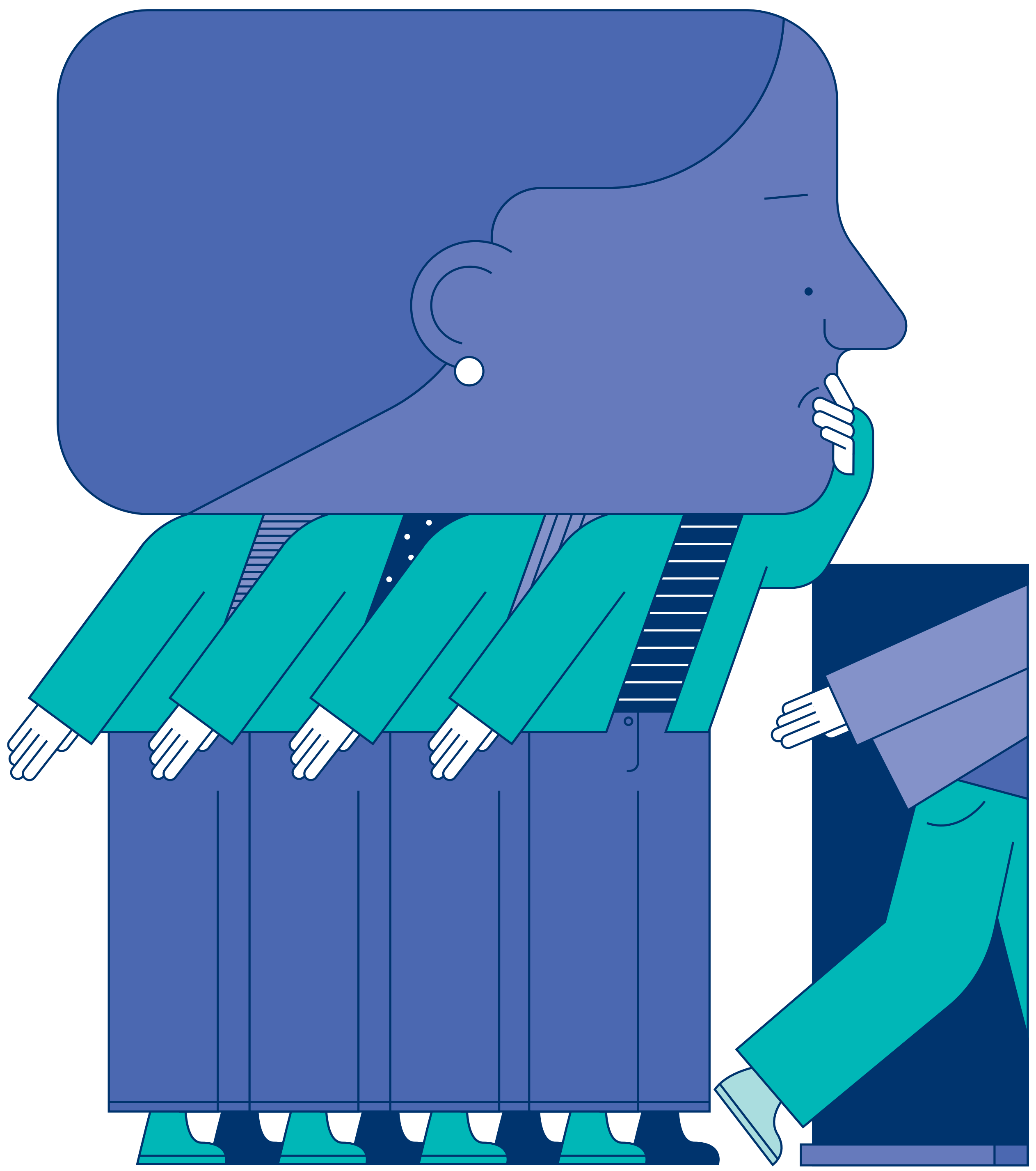
Whether COVID-19 has impacted digital transformation plans within the public sector, according to tech decision-makers



Appian 2020

PSYCHOLOGY

Don’t let groupthink hold you back



Understanding the psychology behind how and why different people can come to a consensus is fundamental if leaders hope to improve decision-making and make the right choices for their business

Marina Gerner

Imagine a group of investors who are planning to open a gourmet restaurant. They are holding a meeting to choose a head chef from three finalists. But there’s a catch. What they don’t know is that there is an objectively correct choice. Whether they find the best possible candidate and eliminate the other two depends on how well they manage to resist the pressure of groupthink.

The task was part of an experiment conducted by Dr Colin Fisher, associate professor at University College London School of Management. The participants of the experiment all received some shared information. But to see the full picture, they would have to bring their individual pieces of information together to create a whole.

The way we make decisions as groups is fundamental to family life, policymaking and the way businesses operate. When it comes to disruptive times, such as a pandemic, this matters more than ever. It is helpful to look at the psychology of decision-making, specifically exploring the issue of groupthink and how businesses overcome common pitfalls.

“When information is held by all or most group members, it is especially likely, as a statistical matter, to be repeated in group discussions,” according to Cass Sunstein and Reid Hastie in *Wiser: Getting Beyond Groupthink to Make Groups Smarter*. The opposite is true for insights that only one person or a few people have.

To coax group members into sharing information, behavioural scientists have come up with interventions. In Fisher’s gourmet restaurant example, the experiment leader makes a point of telling the group: “I’d like to give you some advice about how to conduct your discussion. Try to share as much information as possible before coming to a decision; having all the information available will help your team to make the best choice.”

Prior to the discussion, 19 per cent of participants made the right choice. When groups received this simple reminder before their discussion, they made high-quality decisions 42 per cent of the time. What Fisher discovered was that not only the intervention itself mattered, but its timing mattered too. If groups were told to share their information either five minutes or fifteen minutes into a half hour discussion, they made high-quality decisions 63 per cent of the time. It’s therefore more effective to remind groups to share information once they’re in the process.

Groupthink originated as an academic concept in the early-1970s, when Yale psychologist Irving Janis analysed the Bay of Pigs fiasco, an ill-conceived US invasion that aimed to overthrow Fidel Castro’s regime in Cuba.

The problem was that while President John F. Kennedy’s advisers had private doubts about the invasion, they failed to voice them. Why? Because of groupthink. As Arthur Schlesinger, who was one of the advisers, put it: “Our meetings were taking place in a curious atmosphere of assumed consensus.” There was strong pressure to conform.

To counter this tendency, boards can appoint a devil’s advocate, who is tasked with challenging the group’s consensus. For larger groups of more than seven members, for example, some studies recommend two devil’s advocates to avoid isolation.

But, Fisher says, rather than appointing a devil’s advocate, make it a “devil’s inquirer”. Their aim should be to ask for information that is counter to the prevailing viewpoint. That’s different from advocacy, which tends to result in conflict, where people focus on their opinions. “Whereas this inquiry tends to get people talking about information, rather than further entrenching the positions they have,” he says.

> **Try to share as much information as possible before coming to a decision; having all the information available will help your team to make the best choice**

There’s another way of broadening the pool of information. Gary Griffiths, co-founder of venture capital fund Wisdom and a board member of his portfolio companies, recommends asking: “What’s the worst that could happen?” He says: “I was recently engaged in a decision regarding a lawsuit for wrongful termination. The company had already spent several hundred thousand dollars on legal fees, with several hundred thousand ahead of them before trial.”

To find the answer to the worst-case scenario, he did some basic research and discovered the maximum settlement for cases of this type was far less than the forecast legal costs. “So, the decision was straightforward: stop retaining counsel, let it go to trial and accept the settlement.”

The corollary is asking: "What's the best that could happen?" And again, Griffiths recommends assessing the best possible outcomes coupled with some “knee-jerk” statistics, as opposed to an exhaustive analysis. “Often, it becomes clear that the best possible outcome is not worth the time and effort,” he says.

Decisions are currently being made on Zoom. Anytime we change media, it’s going to take a more proactive approach to make sure the decision-making process is productive, cautions Fisher. Standards might slip, as Zoom participants worry about their hair, now they can see themselves on camera, or board members juggle having a discussion with making sure others haven’t frozen or accidentally muted their mic.

“The current environment for most boards is completely new, which means you now need to think carefully about exactly what data you’ll require to tackle a problem,” says Fiona Hathorn, chief executive of Women on Boards UK. “So, to avoid groupthink, I believe it is often best to start with an information map to encourage your problem-solving mindset to enable teams to see different perspectives as opposed to simply hearing the loudest voice.”

She says boards are learning how to use Zoom’s white-board features and understand the need to allow all participants to take turns at speaking, something boards without a good chair may find it difficult to do. As COVID-19 continues to change the way we work, boards have an opportunity to revamp their decision-making process and banish groupthink once and for all.

Commercial feature

Resilience in Industry 4.0 requires strong risk management

The interconnectivity of Industry 4.0 means companies must view cybercrime as capable of similar damage or disruption to commercial property and associated supply chains as traditional risks like fire or natural disasters

The ability to automate traditional manufacturing and industrial processes, supported by data sensors and powerful analytics, has seen the Industry 4.0 trend turbocharge the growth of many companies. By allowing for greater connectivity between machines and facilities, it has accelerated supply chains, driven significant efficiencies, improved the flexibility and agility of businesses, and facilitated a much better customer experience.

All of this has contributed to the explosion of the internet of things (IoT). Analyst firm Gartner predicts there are now approximately 30 billion devices in the world and, according to research by IndustryARC, the global Industry 4.0 market specifically is expected to reach $156.6 billion by 2024. This pace of change will continue to advance as companies seek to stay competitive and maximise the quality of their products and services.

“Industry 4.0 has transformed the way many businesses operate,” says Andrew Bryson, operations senior vice president at FM Global, one of the world’s largest commercial and industrial property insurers. “An obvious example is retail logistics, with huge investment going into really sophisticated fulfilment centres. An online portal interacts directly with the distribution centre which then delivers straight to the customer. It’s moving companies away from expensive retail space and changing how physical property is used.”

Though a positive trend, Industry 4.0 and wider digitalisation also introduces new risks. A study by Accenture found that only 13 per cent of businesses fully realise the impact of their digital investments. Naturally, hackers see opportunity in the unprecedented connectivity and last year researchers from F-Secure recorded a three-fold increase in cyberattacks on IoT devices.

While embracing the changes that digitalisation and automation bring, companies need to also carefully manage a new generation of exposures. Constantly evolving cyberthreats and other malicious risks can disrupt interconnected distribution channels and possibly even cause physical damage or destruction of physical property. In this landscape, organisations must ensure the new ways they are transacting remain resilient.

“Threats are now coming from many different places,” says Tiago Dias, cyber security consultant at FM Global, which provides more than a third of Fortune 1000-size companies with risk management and property insurance solutions. “From a business perspective, we are seeing a lot of dynamic pricing and product customisation. The connectivity required to do this means technology must control the systems.

“The larger a company’s digital footprint, the more entry vectors an attacker might use. Emerging technology normally means less testing and less exposure to the market, which increases the likelihood of vulnerabilities. It’s a spiralling effect, and hackers know this and are ready to pounce.”

The coronavirus pandemic has accelerated digitalisation further and also the cyberthreat landscape. Parts of the business that used to run with an on-site presence, and were not interconnected, suddenly were forced to operate remotely, exposing an urgent need to re-evaluate procedures and processes. As companies have adapted infrastructure to support exponential increases in remote users, something they weren’t previously built to cope with, this has opened up even more vulnerabilities for cybercriminals to exploit.

An interconnected business, with sites, suppliers and distribution centres that all have systems talking to each other, must be able to guard against a complex matrix of threats and exposures. In any exposure, whether it be fire, flood, earthquake or cyberthreats, FM Global supports organisations with a data-driven approach to risk management.

FM Global’s Cyber Risk Assessment is an overarching tool that allows their clients to dig deep into what their cyber-exposures are, and provides practical solutions and advice around their key vulnerabilities in the digital age. FM Global also has a Business Risk Consulting function, which works with organisations to identify business-critical processes and ensure what they are doing is well managed and doesn’t expose them to too much risk.

“The more connectivity you have, the more complex your environments become, the harder it is to manage them efficiently and the greater your threat landscape,” says Dias. “Through the Cyber Risk Assessment, we know exactly what needs to be protected and the dependencies that exist across the different critical processes of an organisation, and then leverage this information by applying procedures and governance around cyber to the areas which need to be more resilient.”

Property-related risks have evolved significantly in recent years, but FM Global believes that what has stayed the same is the majority of all loss is preventable. Companies therefore work with FM Global to understand better both traditional and more modern and complex hazards that can impact their business continuity. By combining property loss prevention with insurance protection, the company helps organisations make cost-effective risk management decisions and build resilience in every part of their business.

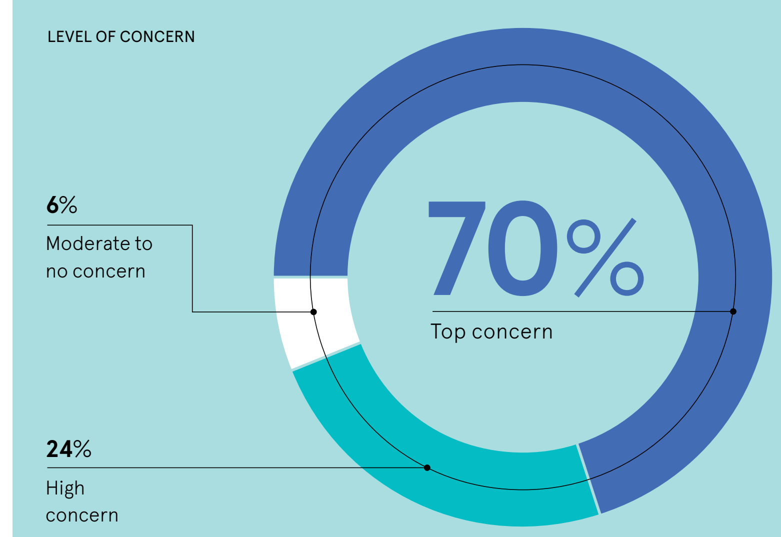
In the sophisticated age of IoT, companies mustn’t view cyberthreats and physical damage as entirely separate risks. A large multi-tenanted office block, for example, is likely to have a complex, cloud-based building management system that can be remotely accessed by people for the purposes of their jobs. If this system has temperature control, a hacker could exploit a gateway into it and then switch off the heating.

“If they did that, say, during the Christmas holidays when the building is uninhabited and temperatures are below zero, the management team could find themselves in a big freeze loss situation where that large building is subject to significant water damage, making the building uninhabitable for an extended period,” says Bryson. “This is a clear example of where a cyberthreat can cross over and cause physical damage to property. It’s very easy to envisage.

“Supported by the Cyber Risk Assessment, our engineers will understand how resilient those nodes are where a hacker could get in and help the client put barriers in place to stop it happening. We’ve been in business for 185 years, but the nature of threats has evolved significantly this century with technologies like Industry 4.0 and digitalisation. Our products and services have evolved with these threats to ensure the exposures our clients face today are equally as well managed and informed by us as when we first started.”

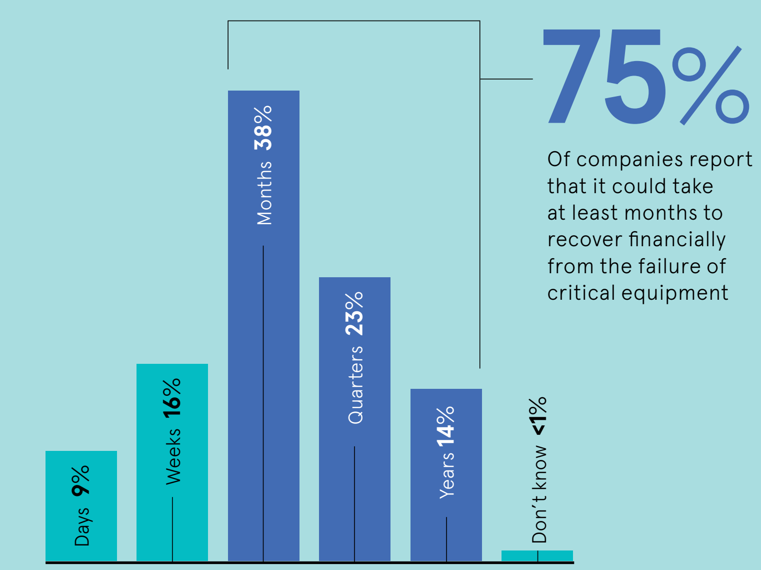
EQUIPMENT FAILURE IS A MAJOR CONCERN FOR FORTUNE 500-SIZE COMPANIES

To what extent are the risks associated with the failure of critical equipment (e.g., explosion, fire, cyber breach, breakdown) a concern for you?



FINANCIAL RECOVERY TIME COULD BE LENGHTY FOR COMPANIES

How quickly would you expect your organisation to financially recover from the failure of critical equipment?



> **The more connectivity you have, the more complex your environments become, the harder it is to manage them efficiently and the greater your threat landscape**

For more information please visit fmglobal.co.uk

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Kari Tapales/Getty Images

INVESTMENT

Thriving amid uncertainty

In a changeable business landscape, deciding whether to be aggressive or conservative with your capital can seem like an impossible choice. So how are companies approaching the decision-making process?

Ellie Duncan

In the current climate, business leaders may be feeling they've never faced tougher decisions as the coronavirus pandemic continues to wreak havoc on capital investment plans. But despite the uncertain environment, executives will need to decide soon, if they haven't already, whether to source funding for business growth in 2021 or take a more conservative approach with their capital.

"This is a very uncertain time for businesses and it's hard to predict the way the economy will fare, particularly as this recession isn't necessarily following normal trends," says Michelle Ovens, chair of the Small Business Charter.

However, there are still opportunities for growth potential, she says. "Businesses that thrived during the extreme acid test of the first lockdown have reason to be ambitious in their outlook and with their investment over the winter," says Ovens.

But others, including Andrew Oury, partner at accountancy and legal firm Oury Clark, believe now is not the time for businesses to invest aggressively in expanding their business, by growing employee numbers or through bolt-on acquisitions, for example. He says many businesses seem to be underestimating the length and financial depth of the current crisis.

"It's entirely dependent on an organisation's sector and market positioning but, in general, I would say companies need to be hanging onto their capital as best they can, given this situation is far from over," he says.

There are certainly some sectors that have fared better than others throughout the challenges posed by the pandemic and which might be more inclined to seek funding for business growth or expand geographic reach. Technology is one sector that has seemingly flourished during the pandemic, while the travel and tourism industry has suffered from bans on international travel.

"If your business specialises in retail, has negligible cash reserves and diminishing revenue, now is probably not the time to be aggressive," says Andy Cristin, consultant financial director at Pareto FD. "However, businesses in relatively stable sectors with access to cash should be looking to expand as they come out of the survival phase of this crisis."

UK manufacturer Alloy Wire International (AWI) has invested more than £1.2 million in the past six months in a combination of material, new machines and in the development of its offices in the West Midlands, representing almost 10 per cent of its annual turnover, says managing director Mark Venables.

AWI supplies more than 5,000 clients in 55 countries and is growing its client base in spite of the pandemic, which means it needs to maintain stock levels. "The business prides itself on being employee owned, so the major financial decisions we make have to be agreed by the staff who work here and would only be taken if it means putting the company in a stronger position to meet existing customer demand and to target new growth opportunities," says Venables.

Aaron Auld, chief executive of Exasol, says the analytics database company is planning to continue being aggressive in its approach over the next year and has already sourced funding for business growth. It became only the second company to complete a virtual initial public offering in Europe in 2020, raising €87.5 million and was Germany's first listing this year when it made its stock market debut in May.

"We are a global player and our growth plans reflect that. And the challenges that organisations are facing in the current climate present a great opportunity for us to be aggressive in how we do it," says Auld.

Another UK-based company that has chosen to be aggressive with its capital in the face of the pandemic is engineering solutions provider Deritend. Its long-term strategy is to create "centres of operational excellence" in each of its key geographic areas, according to chief executive Richard Hale.

He says the sector is often the first to go into recession and then the first to show signs of recovery, a pattern that has held true in the past few months. "COVID-19 did make us consider whether to press on with the investment, but the overwhelming decision was to take the downtime and use it to our advantage, going through the reorganisation process while customer interest was reduced," says Hale.

Some companies, smaller businesses in particular, simply are not seeking funding for business growth in 2021 because they think the investment is not available.

"There is a perception among startups that all venture capitalists, corporates and so on aren't investing and so startups are either shutting down or selling their businesses; this is not sustainable," says Rakesh Narayana, global director of RB Ventures, Reckitt Benckiser's new corporate venture capital arm.

"The investment and ventures arm of RB has been evolving over recent years, but most recently we launched the RB Fight For Access Fund. We are putting a much greater importance on making selective investments in startups and businesses with the ability to have a world-changing impact," he says, adding that the economic backdrop is the reason why the company is forging ahead with its ventures arm.

"The crisis has presented investment opportunities for many businesses, particularly in the food and tech sectors, and for some businesses, now is the perfect time to consider seeking investment in the form of mergers and acquisitions and private equity," according to Debbie Jackson, partner in the corporate team at law firm Walker Morris.

Jackson says many businesses will now have a greater understanding of how they can run most cost effectively, which puts them in a good position to secure funding for business growth from a private equity firm, for example. In other words, now is the time to take stock.

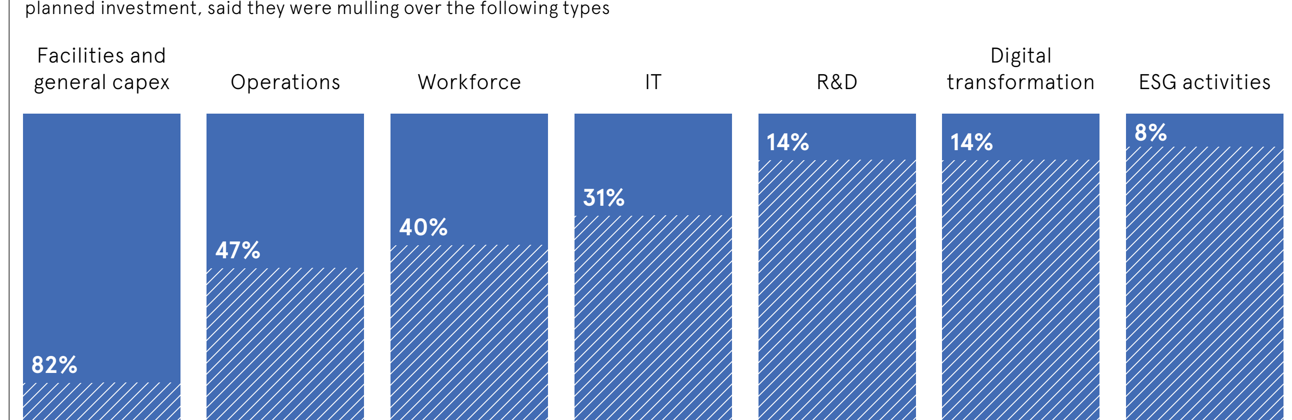
Gary Griffiths, co-founder and managing director of Wisdom, a venture capital firm, says one of its portfolio companies, graphic design software provider Canvas GFX, has demonstrated it can be both aggressive and conservative with capital. "In our portfolio, most companies have done the same: conservative with spending, while being aggressive in defining new markets and new opportunities," he says.

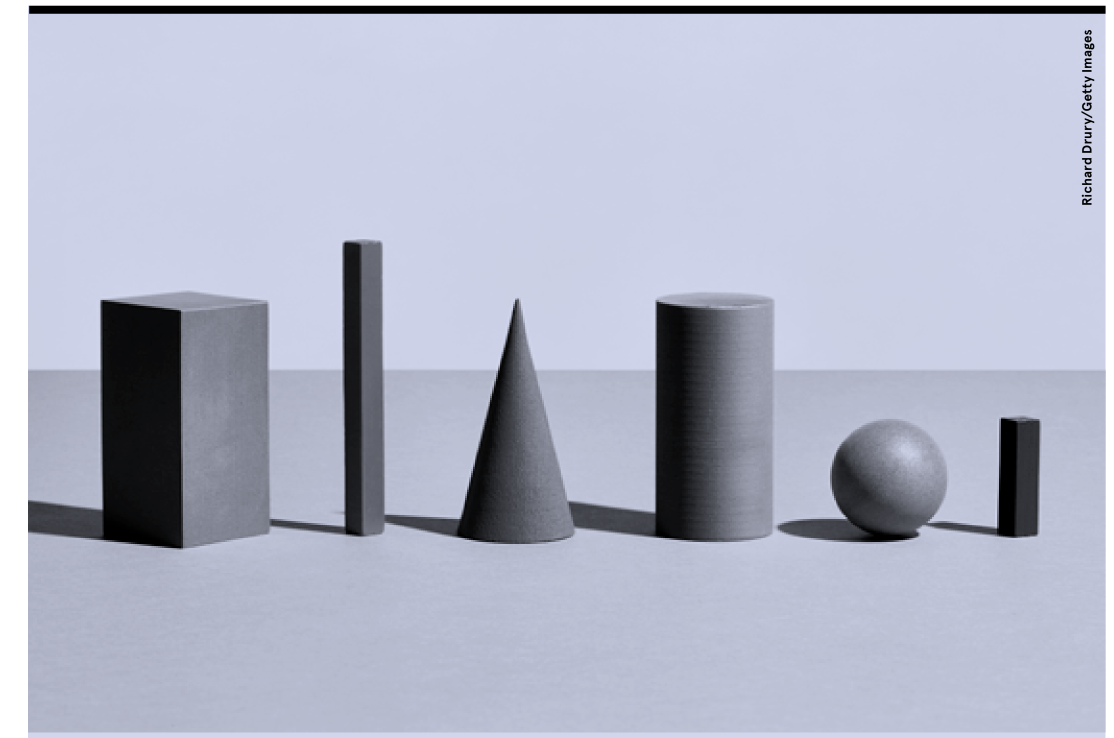
> "Businesses that thrived during the extreme acid test of the first lockdown have reason to be ambitious in their outlook and with their investment over the winter

COST CONTAINMENT

Global CFOs, who in June said they were considering deferring or cancelling planned investment, said they were mulling over the following types

PwC 2020





Richard Drury/Getty Images

CASE STUDIES

What VCs are looking for in 2021

Venture capitalists outline six key areas of focus

1 Social distancing
Gary Griffiths, co-founder and managing director of Wisdom
"The trend right now is that remnants of social distancing will be around for a long time, maybe permanently. The airlines will need to find new ways of sanitisation, making passengers comfortable about flying again. Restaurants will no longer serve food in traditional ways; any and all large venues will struggle to balance safety and contagion fears with practicality and entertainment. And governments at all levels will likely leverage the new powers they've assumed in deciding what is essential and what is not, whether in business or our personal lives."

2 Diversity
Ali Mitchell, partner at EQT Ventures
"Almost every good VC has specific targets about the amount of money and the investments they want to make in diverse teams, and I mean all different types of diversity. Also, targets about board representation, which we made huge progress on this year, with having female boards. And, actually, then putting in diversity riders which say the team you are going to build as a startup needs to be diverse. You're seeing an explosion in female-founded VC funds, female-backed VC funds, diversity VC funds. The fact that these are now becoming mandated terms and active pots of money being allocated is something that's never happened before."

3 Mobile gaming
Michael Johnson, group head of fund services at Crestbridge
"There's no doubt that the gaming industry is growing rapidly and although this trend, like so many others, has been accelerated by COVID-19, it is by no means exclusively attributable to it. The world's 2.7 billion gamers will spend around $159.3 billion on games in 2020 and the market will surpass $200 billion by 2023. The fastest-growing aspect of gaming is that of mobile gaming, with an estimated $77.2 billion of revenues generated this year. This represents a 13.3 per cent year-on-year growth and a highly desirable market for venture capitalists."

4 Sustainability and sustaintech
Matus Maar, co-founder and managing partner of Talis Capital
"The thing we see that represents what's on everyone's minds in terms of climate change is sustainability. Now, people call it sustaintech. It encompasses a lot of things; there's some renewable energy in there as well. In the past, I think it has been sometimes challenging to find a commercially strong returns type of business that also has clear sustainability, but I think that is changing. There is great demand from investors, the public and venture funds. I think that's going to be very popular because it's on everyone's minds. Yes, we are living through COVID-19, but climate change is not going away and we need to remember it is also a big threat."

5 Instagram brands
Rakesh Narayana, global director of RB Ventures
"I do think the changing landscape will have an impact on direct-to-consumer startups. The biggest trend we are seeing is what we call 'late-night Instagram brands' which rely on the impulsive purchases people make when scrolling through their feed late at night. These kinds of brands will see a lot of pressure as government funding for consumers ends in the United States and European Union, and consumers pull back on their discretionary spending. These firms should be looking now for ways to adapt with little time to play it safe."

6 Tech 'gold rush'
Ali Mitchell, EQT Ventures
"Tech is the huge winner out of the pandemic. Every part of our lives has been digitalised and the knock-on effects of that is what all the tech investment is going into. Industries that were laggards had to digitalise quickly. That's what the gold rush is now and it is a gold rush. I haven't seen valuations and growth in parts of the market like this since 1999. It's a dichotomy: parts of the economy are having a really tough time, while tech is absolutely exploding. It's the hottest and most exciting and active market I've seen in 20 years."

OPINION

'Steps must be taken to ensure small firms can continue to hire, innovate and be at the heart of communities'

Managing crises is par for the course in a small business. There are the everyday ones – clients holding up payments, unexpected staff absences, suppliers failing to deliver – and then there are national crises like the one we currently face, which hit the entire business community and wider society as a whole often, sadly, with tragic consequences.

In such circumstances, we small business owners have no choice but to adapt to try and secure the futures of the 17 million people who work in small firms across the UK.

From the outset of the coronavirus crisis, we recognised customer safety and the wellbeing of our communities had to be starting points for adjustments; responses to longer-term economic shifts wrought by the pandemic could come later.

When we spoke to Federation of Small Businesses' members during the first national lockdown, we found the majority were playing a proactive role in supporting their local communities. As part of their efforts, close to one in four were helping key workers – supplying personal protective equipment, volunteering and providing accommodation – and a similar proportion were making donations to food banks.

We also found that those who were permitted to stay open were shelling out significantly, typically thousands of pounds at a time, to ensure their premises were safe for customers. Money which, it should be said, they have not been able to claim back.

And then there were those who were already thinking about how the crisis will change the business landscape over the long term and responding accordingly. Around one in six were developing their online presence or establishing one for the first time. One in ten had started developing new services and double that number had started offering free home deliveries, prioritising availability to the most vulnerable when doing so.

That was the initial response. The question now is what steps should be taken from here to ensure small firms can continue to hire, innovate and be at the heart of communities?

Thankfully, chancellor Rishi Sunak was swift and ambitious in compiling an initial rescue package in the spring: income support schemes, loan guarantees, cash grants, HM Revenue & Customs deferrals and tax breaks amounting to billions in direct support. His brave response, and subsequent enhancements of support measures, have paved the way for an economic bounce back.

In future, these efforts will need to be fine-tuned to enable entrepreneurs to capitalise on the trends that are set to shape our economy over the next decade.

Two that immediately come to mind are an increased tendency to work from home or remotely and an accelerated shift towards ecommerce and the online provision of services.

There's a clear common denominator where making the most of these behavioural changes is concerned: good broadband connectivity. Unfortunately, we are currently languishing in 47th place in the Worldwide Broadband Speed League. Moving up that table should now become a key priority for the government.

Also we have to recognise the existing upward trend in unemployment will continue until at least the end of this year. As such, we need to encourage more of those who are out of work to think about starting their own enterprises that are alert to changes now taking place.

We already have the very successful New Enterprise Allowance and Startup Loan programmes. Now is the time to go one step further with the creation of a Kickstart Startup programme, modelled on the Kickstart employment initiative.

Adapting when faced with crises is a fact of business life. Supporting us to do so today will enable us to protect communities and livelihoods tomorrow.

Mike Cherry
National chairman
Federation of Small Businesses

RESILIENCE MEANS INTERRUPTING BUSINESS INTERRUPTIONS.

Resilience is being redefined almost constantly. Today, resilience means choosing a different approach to insuring your commercial property. Above all, it's choosing to navigate the business, personal and risk complexities you face to ensure business resilience. Which is why at FM Global, we believe Resilience is a Choice.

RESILIENCE IS A CHOICE.

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