

'The Way Ahead Questionnaire' for Business Leaders

Outcomes & Analysis

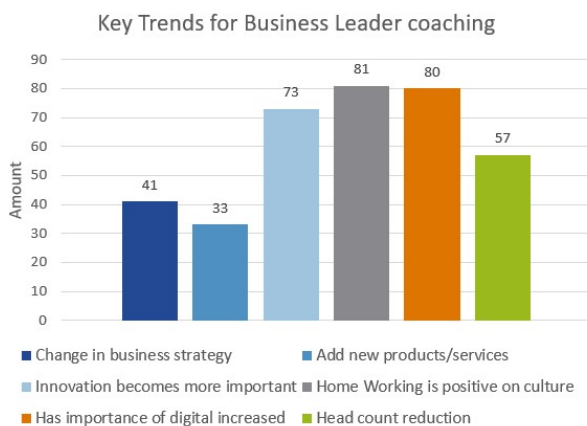
Beyond the pandemic



Executive Summary

At the peak of the current pandemic we initiated a survey of UK business leaders asking questions about their experiences during the Covid-19 crisis and the impact of the pandemic on their business and decision making now and in the future:

- The survey was sent to 371 Leaders and completed by an impressive 20%
- Respondents include FTSE100, FTSE250 and SME's across 10 sectors (with Manufacturing, Financial Services and Technology having the greatest representation)
- 26% employ over 2,000, with 52% having 500 or less.



When assessing the impact of this crisis on business we looked across a number of dimensions, namely strategy, leadership, working practices, clients and customers, and of course people.

A number of headline themes emerged.

- The effectiveness of home working
- Collaboration, pace in innovation and productivity have increased across many markets
- The critical importance of strong leadership

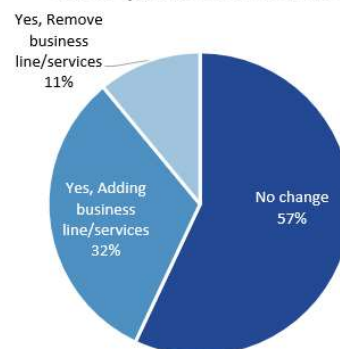
- The amplified urgency associated with digital transformation
- Many are prioritising cost control and liquidity, but significantly a third are looking to add new products or services, and a similar number have talent retention and talent acquisition in their top two priorities
- Looking forward, the outcomes from our survey clearly indicate, effective talent strategies will be critical to future success across multiple markets.

Outcomes and Analysis

The impact on Strategy

41% indicated their strategy has changed in some way as a consequence of this crisis, but we saw significant variations by sector, with only 15% of those in Financial Services changing strategy compared with 80% in Healthcare.

Do you expect to re-shape your business as a consequence of this crisis?



Across most markets our data indicates strategy has not changed fundamentally. The trend appears to be a need for pace in execution rather than a fundamental shift in direction. When Leaders are signalling a shift in strategy, it appears to be strongly associated with the changing needs of customers. For example, in healthcare markets, customers have now got used to the pace and convenience digital solutions bring.

The impact on Leadership

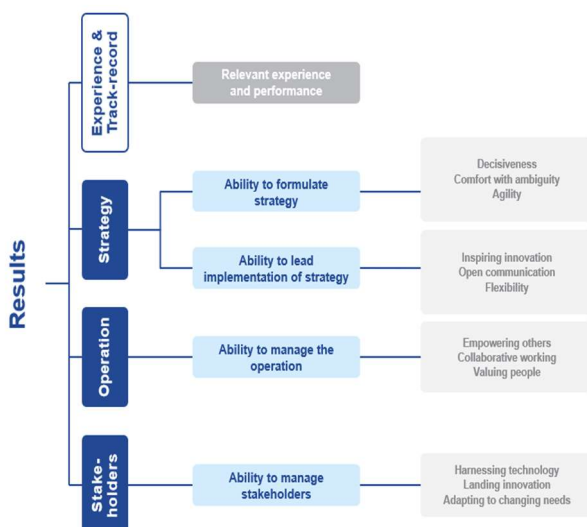
The quality of leadership appears to be the defining factor when assessing the potential of any business to successfully navigate through these unprecedented times.

“Remaining agile and tolerating ambiguity are increasingly important leadership traits”

Analysis of the feedback touching on leadership indicates the fundamentals of the Mercuri Urval research-based Competency Model for Executives accurately describes the leadership competencies needed to deliver results in crisis, as well as it does for other stages of the business cycle.

Strengths associated with envisioning, execution, and engagement are always critical. But in crisis mode, the feedback from our survey strongly suggests some very specific second tier competencies are key to success. Many spoke of the importance of pace in decision making, of the need to adapt, of the need for clear and transparent communication, and of the importance of trusting and empowering individuals and teams.

Mercuri Urval Leadership Model



Given the boost the lockdown has given to all things digital, one other prominent theme was – **leaders capable of embracing technology when adapting to the changing needs of clients and customers appear to be thriving.**

One individual pointed out that it is not until you find yourself in a crisis that you really discover the strength of your people and your leaders. One said that they had learned through the crisis that their second tier could step up.

“Weak Leaders have been horribly exposed”

Another said their experience underlined how very talented and committed their management teams were. However, despite the numerous positive observations made many respondents, it was clearly recognised that the change to agile working for some managers has been challenging. Managing and leading remote teams virtually requires new skills.

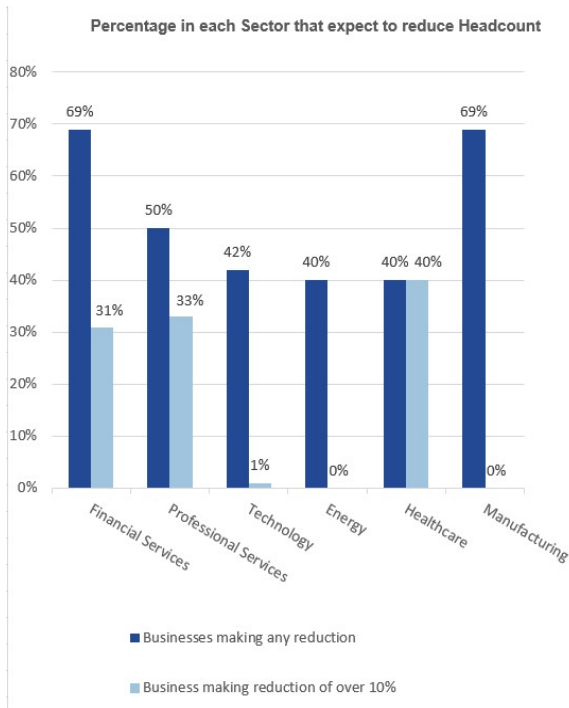
“Adaptability is the key to survival”

Looking at the response as a whole, the overriding theme on leadership is clear: Leaders who are struggling to adapt will struggle to survive.

We predict significant disruption at a leadership level across multiple markets.

The impact on People

Probably the most uncomfortable truth indicated by our survey is the following outcome - **57% expect to reduce headcount as a consequence of this crisis**, significantly higher than predicted by other recent national polls (see 'The Times' 14th June 2020) which forecast only a third expect to make redundancies.



The results indicate this forecast rises to 69% in Financial Services, of which 31% expect to cut more than 10%, and in Manufacturing we see 67% expecting a reduction (although none making more than 10% cuts).

Despite this shocking prospect, it is interesting that 38% have retaining and acquiring talent in their top two priorities, with those in Technology (49%), Professional Services (40%) and Financial Services (33%) leading the way.

“All the investment in culture helped make the transition to remote working trusted”

Most of our Respondents praised their staff, commenting that their teams were even stronger and more resilient than they might have expected and had adapted well.

“Our team is stronger & more resilient than we might have expected”

The feedback also suggests, even with strong leadership, survival and success would not be possible without strong, flexible, capable and motivated people. It is clear, different capabilities will be needed at every level of business at this time of crisis. It is worthy of note, nearly every respondent commented on the importance of valuing people, their ‘most valuable assets’.

The impact on Culture

Many made comments underlining the value of having a culture based on trust and open communication that enhanced cohesion and resilience and inspires innovation.

“Putting the welfare of your workforce first generates real commitment”

Looking forward it is clear the impact of this crisis on business culture is likely to be both lasting and profound.

“Surround yourself only with positive staff who have key competencies to see you through”

Perhaps the least surprising outcome from our survey is the vast majority of responders (82%) believe increased homeworking will have a lasting positive impact. Although on one level this change in attitude is expected, some of the reasons for this change may be less obvious than others.

For example, the many references to employees feeling more trusted are more unexpected, and although many leaders would have hoped for enhanced team working and improved productivity, precious few would have been bold enough to predict this outcome before the crisis hit.

It now seems highly likely we are witnessing the end of mass commuting. Our way of working may well have changed forever. The social and environmental ramifications will be even more profound



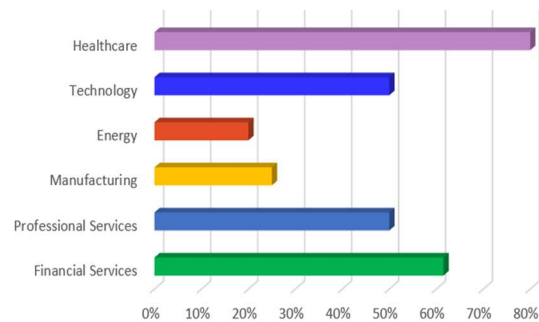
Employers will no longer need as much office space, delivering a body blow to the commercial property industry and signalling a seismic shift in global working practices.

The impact on Clients and Customers

The overwhelming trend across all market's points to a massive boost to the pre-existing shift towards digital solutions and digital routes to market. 50% in the Technology sector said the needs of their customers had changed (undoubtedly a reference to the acceleration of all things digital), and a massive 75% said they intend to add new services and or capabilities.

The pool in Healthcare was small, but 80% said the expectations of their customers had changed, often for reasons associated with digital transformation. 50% of those in Professional Services gave similar feedback.

Customer needs have changed due to the crisis



Digital transformation has been turbo charged by the pandemic. Customers and clients now expect the pace and convenience that comes with digital tools, platforms and solutions.

“How we interact and communicate with customers has changed overnight”

Conclusions

The standout out statistic from our survey is stark.

- **57% of businesses expect to reduce headcount and a fifth by more than 10%**

But we can take some comfort from the following ...

- **one third had talent acquisition and retention in their top two priorities**

There are also many other positive indicators:

- the vast majority commented on the resilience of staff, their increased productivity, agility and adaptability
- the work from home model has proved to be extremely successful and now looks to be the future – many are already talking about reducing office space

- only a minority, albeit a large one, are looking to change strategy
- a third are looking to expand their products and services
- three quarters see innovation and digital as even more important going forward

The standout outcome from our survey is by far the impact on people. Though many are cutting costs and will reduce headcount, a third still felt that talent acquisition and retention was in their top two priorities.

“What got us here will not get us there”

This outcome underlines the importance of making sure you have the right people doing the right job, which makes it a competitive difference.

Authors: David Rush, Matthew Owens and Geeta Kapoor Bhat

Additional quotes

“We need to be more prepared for a greater spread of risks”

“Remaining agile and tolerating ambiguity are becoming increasingly important leadership traits”

“Culture is critical”

“We can operate effectively in 100 countries and travel less”

“Stay very close to clients”

“Digital transformation is essential”

“People can be trusted to work from home”

“Crises show true leaders from those who have risen with the tide”

“Can do attitude trumps all competencies”

“The strength of our balance sheet is so important”

“That our BCP has to be a map not a policy”