

2021 - Brave the new world



This report and survey

There has been much discussion about how the world, and for the purposes of this document, specifically the business world in the UK, will change following the Coronavirus crisis. There is a fairly wide consensus that when we return to normal, we won't. There is no normal to return to. Historically, deep disruption as we are experiencing now changes what's normal. We will face a new normal. Our world will never be the same again.

This report explores how the business world might look in 2021. It is based on a survey of MD2MD members and similar business leaders conducted at the beginning of May 2020. Business leaders were asked about how they expected the Coronavirus crisis to impact their revenue and how they felt the new world of 2021 might look, and how it might be different from the world we knew in 2019. The focus of the survey was on the business economy and participants were from the UK, so whilst social and attitude changes will affect that, the survey and this report are primarily focused on the impact for UK business.

It is also worth noting that whilst this report is based upon the answers given in the survey, it is impossible to avoid in qualitative surveys author interpretation, and useful insights shared by others have also been included where felt useful. Finally, since the subject is the future, any report at best will be informed speculation so this report should be regarded as a prompt to help you develop your own opinion rather than a

definitive factual document.

Context

The survey began with two quantitative questions to assess the perceived severity of the crisis. This indicated that on average businesses expected their short term (2020 Q3) revenues to be 15% down on the same period in 2019. This was though, the average of a wide range. A third of respondents are expecting a decline of more than twice that and a third are expecting the impact to be neutral or better, including a sixth expecting revenue growth of 25% or more.

By contrast, and maybe representing the optimistic, make it happen nature of most MD2MD members, expectations were that the year 2021 as a whole would on average see a small (5%) growth on 2019. Again, the average masks a wide variation with 30% of respondents expecting a decline in excess of 20% and 10% expecting a growth from 50% to 100%.

A tick not a V

These indications are consistent with the historic pattern of pandemics and with the recently published expectations. The Bank of England, the OBR and many economists suggest a V shaped recession is likely. A very fast drop into a deep recession and then a fairly fast recovery. But beware of some quirks in the way the statistics are reported. eg A 50% fall in GDP in Q2 followed by a 50% growth in Q3 means the overall economy is still 25% smaller at the end



of Q3. (GDP of 100 drops by 50% to 50, then grows by 50% of 50 to 75)

The catch ups have been a highlight of the week, it has been so useful to share experiences, understand the ever-changing regulations and receive sound advice from fellow MDs so I can deliver clear and confident direction to the staff and fellow directors.

Justin, Managing Director Lockhart Garratt

Secondly, note that whilst the expectation is of a faster recovery than from the crash of 2007-2009 (from which the UK hadn't, ten years later, fully recovered) the shape isn't quite a V; probably more of a tick as the drop happens within one quarter and the recovery is likely to take a year or two - so until mid-2021 to mid-2022.

More positively, the deep disruption is likely to cause many businesses to make fundamental changes to improve their operations. Similarly, at a macro level the winners and losers effect will mean the rebasing and reinvention may result in a more productive economy. The five to ten year and longer outcome may be stronger as illustrated by the 'roaring twenties' and the 'post war boom'.

Change for all

The quantitative outlook expectations are reflected in the qualitative comments. Things will change for every business. All will be (or should be) looking at their business operating model and checking whether and how it will change - and some will have to make significant changes to survive and / or thrive. Even the winners will have to consider the impact of social distancing on their operations and their costs.

Meetings have proven to be a fantastic sounding board to sense check the day to day business decisions I am having to make.

Ian, Managing Director Care and Independence Ltd

Winners and losers

As implied there will be winners and losers as a result of these changes. Many businesses are already planning to restructure to ensure their cost base is consistent with their revenues. And in most cases that process is causing them to

challenge their assumptions about how they operate. That underpins the deep disruption referenced already and see more detailed comments on travel, field sales and office space later. Not all changes will be to the detriment. Some sectors will do well and others will find it tough - again there are specific observations later.

Existing trends multiplied

The crisis is expected to reinforce and speed up some existing trends. The already fast move from physical to online / digital for both retail and working patterns is likely to accelerate. As is the increasing consumer preference for buying from businesses run ethically with a clear social purpose behind their commercial operation. A trend likely to be reinforced by a period when government spend will be an even greater proportion of the economy.

It's been extremely useful to share thoughts and experiences with fellow business leaders during a period of unprecedented challenge.

Adrian, Managing Director Triad plc

Emerging changes

It is early days, but the crisis appears likely to have a big impact on attitudes and behaviours. There is a perception that small and local businesses will gain at the expense of the large, as changed social attitudes combine with the commercial recognition of the need for supply chain resilience. Likewise, the crisis has brought home in stark relief the non-human risks our world faces and not just from climate change, albeit reinforcing the awareness of that too. This is likely to lead to a greater level of contingency and business continuity planning and a greater focus on resilience in procurement, supply chain and operations.

Businesses failing

Although as referenced earlier, the expectation is that the economy will bounce back relatively quickly, that is not a certainty, and even if it does, the uneven impact will mean economic winners and losers as well as sectoral ones.

Financially weak businesses in sectors hit badly will face real challenge as their customers protect themselves by protecting their own cash flow. Payments may be held back and invoice terms unilaterally extended. And as government



support is withdrawn, many businesses will inevitably fail. Indeed some respondents had a perception that there remain from the 2007 crash some 'zombie' businesses that have only managed to keep going because of the low interest rates. And this crisis may finally force them to close.

Unemployment and non-retirement

This is likely to directly create significant unemployment at least temporarily. That will probably be compounded by more people working longer before retirement because of the pension impact of reduced profits and dividends as well as the overall fall in the stock market.

But unemployment for some is of course an opportunity for others. Employers might find the labour market easier than they have of late. Or might not, as the situation might revert to the problem of 2009 where we had increased unemployment in some industries combined with continuing shortages in key 'modern' skills.

Government post crisis

The impact of these economic challenges will of course be significantly influenced by how government in the UK and overseas respond. The key challenge, probably for a decade or more, will be how to deal with the economic cost of the crisis. By chance, a new government took office in the UK shortly before the crisis, which means that, whatever your own view and whether you support the actions or not, the broad direction of travel politically is slightly more predictable than it could have been.

The weekly online meetings have provided a welcome space, during this unprecedented time, to share experiences, discuss the issues affecting my business and be reassured that everyone else is struggling with the same things.
Alison, Managing Director, Independent Living Solutions Ltd

Whilst some respondents suggested a return to austerity may emerge, others point to signals from this PM that his approach may be rather more expansionist and growth orientated than others in his party might prefer. How that is achieved, and how budgets are balanced is still very unclear. This government is expected to favour tax rises over austerity and some respondents suggested the likelihood of new, different taxes to raise government revenue

from the burgeoning digital and online based retail and distribution sector.

The challenge in predicting the future isn't simply based on considering the fiscal policy of the government though. The crisis will clearly have a major social and political impact far beyond the scope of this survey. More specifically there will undoubtedly be a major review into the lessons for our health service and that will affect the many businesses in that supply chain. More widely government, and business, will factor resilience into all planning and procurement, directly affecting any business in the government supply chain. No-one can afford to be caught out by the next pandemic.

I feel blessed to be in this group, to be accompanied and inspired through this unprecedented turbulent time
Grace, Managing Director, CityRooms Ltd

Social changes

Whilst not a key topic of the survey, a number of respondents suggested that there will be significant change in the attitudes and behaviour of the population and that was implied by many of the business impacts expected.

Before addressing the two big themes of the nature of the workplace and the nature of trade it is worth drawing attention to the underlying behaviour and attitude changes. This can be summarised as:

- A significantly heightened awareness of risk in the community and the workplace
- A greater focus on local trade and community at the expense of integrated and complex international supply chains
- An understanding that travel (of all forms) is less necessary and online mechanisms are more effective than many realised
- Acceleration of the trend from command and control management towards purpose and engagement centred leadership (a big subject only touched on lightly here)

International dimension

The attitudinal shifts and microeconomic behaviour changes mentioned in the last two sections are likely to impact on global politics in unpredictable ways. The shift to local may limit the ability of the already slowing Chinese



economy to drive global growth. Balancing that, it looks as though the Chinese economy is getting back to work very quickly with members reporting their Chinese counterparts as now being challenged by the difficulties of their customers in the US and Europe rather than by their own capabilities. Meanwhile the hit to the US is looking especially severe. Maybe a

With the wide variety of businesses involved, our contact has given me the big picture view and opinions from other sectors that had been very useful in checking ideas before planning our future actions.

Rick, Managing Director, Inventive Creations

reconciling angle is to consider that the far eastern economies outside China, which appear to have used what they learnt from SARS to respond quickly and effectively, may be the net gainers.

Nature of work - overview

The overwhelming message from the survey was an expectation that there will be some very significant shifts in the nature of work. And it is clear from discussions at recent MD2MD meetings (online) we are not talking in the abstract or in the future. This is already happening because for many businesses there is no choice.

Members are taking fundamental strategic decisions to drive forward some of the significant changes referred to here and are already planning their implementation. The sharp fall in revenues of the scale reported means that businesses are, as indicated earlier, having to ask fundamental questions about what they do, why and how. They cannot survive without eliminating costs and, as they face up to that challenge, they are discovering that some activities and costs they previously assumed to be essential may not be.

These changes build upon the themes mentioned above and are linked, but can usefully be summarised under two key headings.

Key changes 1 - The nature of the office

Digital and online technologies and platforms have allowed many businesses and many parts of businesses to continue to operate during lockdown. Not surprising when 70% of the UK economy is classified as services. Although a

lot of that may be personal services such as hairdressers, there are clearly many roles today in non-service businesses as well as service businesses that can be fulfilled effectively and flexibly from the home office. Combine that with the availability of now proven technology with the high cost of office space and the desire of staff not to waste large parts of their day commuting and in today's world the difficulty of measuring performance through the presence of the jacket on the chair you have the potential for this crisis to accelerate a long term trend towards remote and flexible working into a step change.

The impacts are obvious to most respondents. Fewer offices. Smaller more local offices. Hubs not offices. More online meetings. More flexible working. Possibly more flexibility in the nature of contracts and the mix of employment models. Different approaches to leadership, communication and performance management. The key question business leaders are asking themselves is what is the value and purpose of the office? No longer is it simply somewhere to sit and do work. It has a role, probably something to do with meeting, communicating, relationship building and sharing experiences, but it is certainly no longer the place to 'just do' work.

Key changes 2 - The nature of trade

Those same technologies and those same attitude changes and those same financial imperatives on business will also, it appears, drive massive change in trading patterns. The way in which firms develop and deliver business through supply chains is likely to change significantly. A long-term trend that may now become a step change.

MD2MD meetings are a great, safe place to test out your options for a difficult problem and approach it from a range of viewpoints from people of equal stature. This helps you steer a course that you will feel more comfortable with than when you started just 20 minutes before.

*Chris, Head of Business Strategy Satellite Applications Catapult
former Managing Director, Cella Energy*

The impacts were repeatedly signalled by respondents to the survey. Business development more by phone and online and less through face to face meetings on site. Fewer field sales personnel and probably fewer



large conferences and exhibitions, although the latter might be an efficient way of retaining personal interaction whilst minimising travel.

The online meetings help me get a grasp on what's really going on in the business world. Val, former Managing Director The Rooflight Company Ltd

On the manufacturing and supply chain front, there is likely to be a shift in the priority balance between the efficiencies of just in time and supply chain integration against the resilience of stock holding and local supply. That may lead to a greater focus on local and flexible rather than solely efficient, manufacturing. This may accelerate the take up of advanced manufacturing and distribution technologies, artificial intelligence and 3D printing may accelerate much faster as businesses address the need for social distance between human operators in plants and warehouses. And drones may reduce the need for physical handling and increase the efficiency and capacity of last mile distribution.

Winning and losing sectors

The survey included questions to elicit views on which sectors might be expected to do well as a result of the crisis and which might do badly. As might be expected from the earlier comments, it was clear that businesses in all sectors will face challenges. For many the upside will only be what they create for themselves through innovative and entrepreneurial actions that distinguish them from their competitors. There were however some patterns in sectors expected to generally do well because of what they do rather than their own capability and likewise there were sectors expected to do badly.

I found the meetings during the lockdown very useful. Pooling knowledge and sharing initiatives taken to protect and save our businesses.

Andrew, Senior General Manager Village Hotels

The full list of likely winners and losers is in an appendix at the end of this report. Like all predictions it will not be completely accurate especially as this report is based upon a small qualitative sample. It is however worth a review as it may prompt your own thoughts about your own business, your own sector and your own

supply chain.

In summary, the main sectors expected to gain from the crisis are those in three overlapping areas:

- Local leisure, travel, retail and distribution
- Digital and online commerce and entertainment
- Health and mental health, especially online and remote.

On the flip side, the main sectors expected to do especially badly were:

- Both local and long distance travel for business and leisure
- Commercial property especially offices, venues and large retail
- Events, venues and hotels

Broadly sectors where large numbers of people are in close proximity so creating incremental cost and complexity or where social and attitude changes are likely to reduce demand.



The need to act!

Key to the ethos of MD2MD is an action orientation. All the brilliant speakers we see, all the superb debates and discussions mean nothing unless they cause us to do something different, or differently; unless they cause us to take action. So just as we always spend the final part of our meetings confirming our actions, the final part of this report focuses on actions. What do we do about all this?

There are, as always, no magic answers. Situations and industries vary, but a clear priority sequence has emerged from the fifty or so weekly MD2MD Online meetings we have run since the crisis began.

Survive. Pause all discretionary costs and put together a financial model and do what you need to, using whatever government and other schemes you can to protect your cash.

Secure. Focus on your existing customers. Ensure you are helping them to the best of your ability, even if that means changing how you do what you do dramatically (as we in MD2MD have had to do - we moved very rapidly from one day speaker meetings every month or two, to hour long peer group discussions about what to do next, every week)

Stabilise. Look after your staff and get good at serving your customers in the new world. If you don't get it quite right to start with, learn and adapt quickly. This is a massive opportunity to learn how to do things differently - and better.

Predict. How will the world be different when the crisis is behind us in 2021/2022? Where are the opportunities and challenges for your business in that world? What is your vision for how your business will be a leader in that world?

Plan. Work backwards from that vision today -

without precise timelines. Predicting when each stage of return to 'normal' happens seems almost impossible – at the time of writing we don't even know what the rules will be next week.

Some key milestones do seem apparent. At some point small meetings will return and at a later time large meetings. And conferences and venues and pubs, restaurants and coffee shops. But not yet! So what are the key milestones in your industry?

Progress. Make whatever progress you can now. Strike while the iron is hot. Disruption is an opportunity not just to do things differently, but also to build and rebuild relationships.

Reach out. For many businesses now is not the time to sell new work. If that's you don't stop. Instead put your focus into reaching out to reinforce existing relationships and build new ones. Whilst such activity requires investment now, if it can be afforded, it is likely to pay off later. As more than one member has commented: We are finding out who our friends are. They are finding out who we can reply upon and who acts badly. Useful information for choosing reliable partners later.

Raise profile. History has shown time and again that recessions are when proactive businesses that invest in relationships draw away from the reactive ones that batten down the hatches until the storm has passed, and to mix metaphors badly, the ship has sailed.

Hopefully at the time of publication, most businesses, or business leaders at least will be well advanced on stages 1-3 and will be iterating through stages 4-8 as the crisis slowly migrates towards the new normal. We look forward to that day!



The author

Bob Bradley is a specialist in businesses that succeed and grow by delivering consistent quality, service and experience in premium segments, having run five such businesses as Managing Director or Chief Executive.

His last employed role was leading a £16M, 200 person family business having previously been Chief Executive of a listed plc for which he raised £5M funding and grew from £4M to £12M in three years through two acquisitions and organic growth, and a corporate subsidiary where he was responsible for leading 450 staff to deliver £10M profit on £45M revenues.



Bob now runs MD2MD, an organisation that runs private meetings where leaders develop their strategic thinking through peer discussion. He also provides mentoring and coaching around business leadership, growth, merger integration and exit planning; and facilitates board workshops.

He is passionate about the positive impact most SME businesses have on society and fascinated by the challenges adolescent businesses face as they transition from small to medium.

Bob's LinkedIn profile is at <https://www.MD2MD.link/May2020B>.

MD2MD

This crisis has highlighted more than ever the power of business leaders having regular conversations with their peers. MD2MD was discussing the economic impact of the virus at least two weeks before others realised how serious it was. In consequence many were able to act ahead of the game and have done much better than their competitors as a result.

Likewise, our weekly discussions through the crisis have enabled members to inform, support and challenge each other. As a result they have been ahead of the game in understanding more about the challenges and the options available, This has enabled them to take more appropriate action more promptly and that in turn has enabled a better result than would otherwise have been the case.

If you are a business leader with tens or hundreds of staff to lead through this difficult period, and enthusiastic to be the best you can be, then why not consider MD2MD? In the current climate we need to support each other to get through as intact as possible so we are enthusiastic to help leaders like you informally as well as formally through our meetings, so please get in touch.

There is more detailed information about MD2MD available at <https://www.MD2MD.link/May2020M> and qualifying business leaders can apply for a guest place at <https://www.MD2MD.link/May2020G>





Appendix

List of sectors expected to do well and do badly

Do well	Do badly
Local Producers Delivery Retail	Retail Large High street unless high value add
Digital / online Retail Entertainment Platforms - Hardware, software and comms Digital Healthcare & health diagnostics Remote diagnostics	
Property & construction Warehousing Manufacturing Drones	Property & construction Retail Office Hotels and Venues
Manufacturing UK based Automation Far east outside China Repair and maintenance 3D printing Health and hygiene products	Manufacturing Long integrated supply chains Shipping & maritime China
Leisure Individual sports UK / local holidays Outdoor - Cycling Walking Golfing	Leisure Indoor sports Overseas tourism esp Long haul Close proximity sports and leisure Orchestras and bands Cinemas and theatres Gyms and Spas Local pubs and restaurants (might ultimately bounce back stronger)
Transport Individual Environmental (Cycling, walking)	Transport Coach bus and train Business class airlines Consumer airlines Airports Cruises
Trade online Online platforms Online sales Online meetings Online training	Trade based on travel International meetings International events Conferences Classroom training Field sales
Others Banking Accounting & insolvency Litigation and debt recovery Health research esp virus Charities related to health esp virus	Others Oil Care homes Recruitment Marketing Universities Other Research Other Charities