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BUSINESS RESTRUCTURING

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Contributors

Tim Cooper
Award-winning financial journalist, he has written for publications including *The Spectator*, *London Evening Standard*, *Guardian Weekly* and *Weekly Telegraph*.

Cath Everett
Journalist specialising in workplace, leadership and organisational culture, with a focus on the impact of technology on business and society.

Virginia Matthews
Award-winning journalist specialising in business, education and people management, writing for national newspapers and specialist business titles.

Ben Rossi
Former editorial director at Vitesse Media and editor of *Information Age* and *Computer News Middle East*, writing for national newspapers and business publications.

Emily Seares
Freelance editor and writer who specialises in retail, fashion, beauty and luxury. She contributes to a range of national publications.

Rose Stokes
Freelance journalist specialising in women's rights, health and human interest features. Her work has appeared in *The Guardian*, *The Economist*, *The independent*, *The Telegraph* and *Vice*.

Jonathan Weinberg
Journalist, writer and media consultant/trainer specialising in technology, business, social impact and the future of work and society.

raconteur reports

Publishing manager
John Okell

Associate editor
Peter Archer

Acting managing editor
Francesca Cassidy

Digital content executive
Taryn Brickner

Production manager
Hannah Smallman

Design
Sara Gelfgren
Kellie Jerrard
Colm McDermott
Samuele Motta
Jack Woolrich

Art director
Joanna Bird

Design director
Tim Whitlock

@raconteur /raconteur.net @raconteur_london

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RESTRUCTURING

More than cost-cutting

When it comes to restructuring, many businesses make the mistake of scrambling for short-term cuts, but taking the time to set strategic goals can help avoid long-term losses

Tim Cooper

When experienced finance leader Amrish Shah worked at Unilever, he faced the task of restructuring its central European ice cream business due to rapidly melting profits. Some companies may have concentrated only on cutting costs in such a perilous situation.

But a cost-only focus would never have sufficed as it risked weak commitment or even resistance from employees, with no brighter future to inspire them, says Shah.

"Instead, we decided the restructuring plan must go hand in hand with a five-year strategy of reinvesting benefits to deliver a winning, thriving organisation. It was rewarding to be part of that compelling change narrative."

The outcome was Unilever was able to action most of the restructure plans within two years and financial results were in line with, or better than, the business case. You might say they had it licked.

This is a familiar dilemma for many finance and operations leaders, but it is becoming more urgent in the coronavirus pandemic. Many are under intense pressure to cut costs quickly. But if they do it too hastily, it could damage the company's long-term prospects.

Shah says, as organisations have become more sophisticated, agile and responsive to market needs, business restructures should now aim far beyond simple capacity and headcount reduction. Unless it is a desperate bid for short-term survival, the main goal should be to improve long-term health and capacity.

Such a strategic focus could encompass many factors, such as freeing capital to invest in growth, divesting units that no longer fit your portfolio, strengthening supply and distribution networks, reducing risk or boosting competitiveness.

For example, a restructure following a merger could create cost synergies. But a higher priority should be to boost competitiveness by, say, increasing influence with distributors and enabling the new group to commercialise its intellectual property across geographies.

COVID-related uncertainty is triggering a vast array of business restructuring activities. These range from formal insolvency procedures to restructuring debt, redesigning operating models and supply chains, managing new areas of risk and negotiating long-term stakeholder support.

But, too often, leaders are forced to react to the crisis so quickly that they act irrationally. For example, they forego strategic analysis for an easier top-slicing approach, cutting a set percentage of costs from every department.

This sweeping approach often fails because it removes critical areas that support future sales or growth. For example, removing a company's product development team may improve short-term profit, but badly damage future sales.

To manage this challenge, chief financial officers should start by running a thorough strategic analysis of every cost in the business, estimating the long-term effect of cutting each on metrics such as sales, profitability and customer loyalty.

Ben Collett, managing director of UK advisory at Duff & Phelps, says: "When markets change rapidly, companies often need restructures to define and accelerate the operating and financial responses needed. They may need to reduce costs in line with lower demand or prices, or make costs more flexible to match uncertain demand.

"But successful business restructures tend to feature much wider strategic goals that position them for future growth. These may include customer service improvement, new product development, investment in plant and machinery, supply chain streamlining and working capital efficiency."

A current example is the risks highlighted by the pandemic of using supply chains in far-off countries. If such a chain breaks, it could take weeks or months to restart, overshadowing cost-savings benefits.

Many businesses are looking to move supply chains nearer their home markets, enabling them to fix disruptions faster, flex for demand changes, and reduce stock and working capital.

Andros Payne, managing partner at advisory firm Humatica, says another opportunity comes from the dramatic acceleration of technological advances and learning during the pandemic, for example with collaboration tools and online retail apps.

"That has opened an opportunity to rethink the organisational set up for many," he says. "But too often companies forget such strategic benefits as they rush to cut costs."

Robert Schach, managing editor at *Debtwire*, says the goal of many current restructures is to ready businesses to bounce back in an economic recovery.

"There will be a pent-up demand after the latest lockdowns," he says. "If you think your earnings can return to previous levels, you can avoid the distractions of cost-cutting pressure. Focus on managing your liquidity and postponing rather than cutting costs, for example through tax deferrals. This will allow you to focus on more core strategies.

"If you anticipate more long-term damage, for example in the hospitality and airline sectors, you may have to look more at your cost base and or need a financial restructure."

Shah says business restructures are usually painful for any organisation due to the associated uncertainty and impact on people. They can lower motivation among employees, customers and suppliers, because they cannot see what is in it for them.

He recommends doing the hard work first to identify the exact problems to fix, communicating transparently and empathising with individual and team concerns.

"Articulate clearly the change in direction and why it is necessary for the organisation to thrive in future," says Shah. "It may take time for stated benefits to materialise, so measure interim operational performance and progress as success markers, sharing progress regularly.

"Keep reminding all stakeholders of the overarching narrative and check its impact on morale and daily focus. Minimising personnel losses also implies you will support growth opportunities for key personnel. All these things will build trust and unification."

Another danger in restructuring is doing it too late to catch up with market changes. Companies often restructure only after they have started experiencing financial pain.

Payne says: "It usually takes time for a new organisational set-up to become fully effective. So it is critical to anticipate future customer needs and competitive moves to align the business in advance.

"Leaders also tend to underestimate the disruption involved. They think it just involves shifting employees into new silos. They miss the impact of changes on management processes and interactions at lower levels in the organisation. It is important to work out the details around that impact before a new set-up goes live.

"This creates lots of work on top of business as usual. Managers mostly do not dedicate enough time to it. But it can avoid potentially disastrous consequences."

Yet another challenge is that leaders can be reluctant to involve other managers in their plans, fearing biased thinking or pre-emptive resignations.

This is a fundamental error, says Payne. Managers at different levels understand the trade-offs, costs and potential gains of proposed changes better than anyone.

"But potential adverse effects can cloud their thinking," he says. "The challenge is therefore to set up a collaborative, evidence-based, non-threatening process with managers to define the new structure."

Before you start any reorganisation, analyse your customers' future needs and preferences over various time horizons and align the planned new structure with these.

"If executed and communicated well, everyone knows their role, who they report to, what you expect of them, what has changed and how their performance will be measured," says Payne. "All these things are worked out beforehand, with the accountable managers, to avoid disruption later."

Though a singular cost-cutting focus is undesirable, analysing cost competitiveness is crucial because a lack of it can be a weakness.

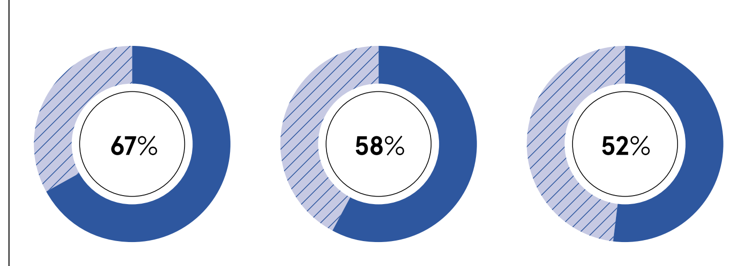
Julian Gething, corporate restructuring partner at McKinsey & Company, says if companies cannot compete on costs, they need to be more agile, focusing on areas such as quality and service to justify a higher price.

Innovation is also key to catch up or leap ahead, for example creating a strategic advantage through digital routes to market.

Finding success through restructures is a never-ending task, though. "Businesses face ever-changing macro environments and customer and competitor behaviours," Gething cautions. "Achieving strategic goals requires continuous improvement. Once you think you have finished, start again." ●

CFOS' COST-CUTTING IMPULSE IS WANING AS COVID PROGRESSES

Percentage of American CFOs who said they were "deferring or canceling planned investments" as a result of COVID-19

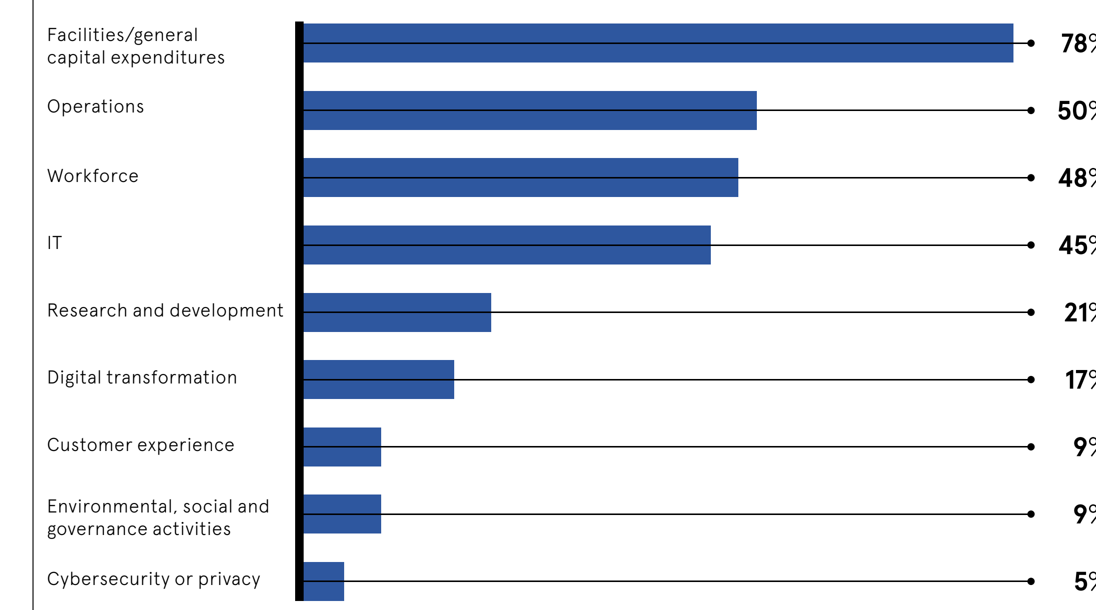


PwC 2020

> "Successful business restructures tend to feature much wider strategic goals that position them for future growth

WHERE ARE COMPANIES CUTTING COSTS?

American CFOs state which investment types they are deferring or canceling planned investments as a result of COVID-19



PwC 2020

Unsplash, American Public Power Association

Solar panel merger shines with empathy

Netherlands-based Esdec is an exciting example of restructuring for growth. In the last 14 months, it has shone in the US solar panel installation market after acquiring and restructuring three local companies. There were no redundancies and Esdec never communicated cost-cutting as a benefit.

All three companies were growing and competing, with overlapping customer bases. This allowed the new team to cut costs by consolidating distribution and supply. But it was not the strategic aim, says Stijn Vos, Esdec's chief executive.

"The strategy was to reduce risk by making our supply chain more reliable," he says. "We started as a small customer for lots of suppliers. The restructure enabled us to cut supplier numbers and build bargaining power. This made us more reliable, reduced our delivery time from fourteen to ten days and enabled our distributors to reduce stock levels and be more flexible with customers."

The result was that customer feedback scores improved every quarter and the firm has grown rapidly this year, despite the coronavirus pandemic.

"We understood the importance of being close to customers in this market," says Vos. "Before the reorganisation, we surveyed and interviewed lots of customers. They wanted reliability. So we implemented a system that monitored reliability from the customer's view and it is increasing now."

To avoid distractions from the strategy, Vos placed the most strategically-minded people in charge of each unit and had them monitor progress against targets regularly.

"Bringing three companies with very different cultures together was complicated," he says. "I decided to move my family from the Netherlands to America to lead the transition. You need a particular knowledge to understand and run this business. I knew I couldn't manage it from overseas.

"Doing that meant the companies could see we were all in this together and it helped break cultural barriers. Another thing we learnt was that transparent and consistent communication is vital. For example, I sent a monthly letter to everyone about actions and progress to keep telling the story."

Andros Payne, managing partner at advisory firm Humatica, which advised on the reorganisation, says Esdec is one of the most exciting restructures for growth he has seen.

"The chief executive and the private equity owner both have high emotional intelligence and empathy," he says. "The CEO was able to anticipate personnel issues and head them off early. Despite all the tensions in the room, a sensitive leader can make it work like a beautiful orchestra.

"They also took time upfront to get deep transparency among the three companies, to understand each other's cultures and ways of working, which promoted trust and collaboration. The communication was all about potential growth and becoming the market leader. When the companies realised they shared the same vision and could achieve it faster together, that was powerful."

Shutterstock, Monkey Business Images

C-SUITE

This role could save your business

They can raise the hackles of the chief executive, overturn strategy and make change happen fast. The successful chief restructuring officer is a rare find, but worth their weight in gold

Virginia Matthews

Celebrity chefs and hotel inspectors offering cruel-to-be-kind advice to failing establishments may guarantee TV ratings, but for the new-breed chief restructuring officer (CRO), entertainment is not in the script.

Once strictly revenue-focused and working predominantly in consultancy, CROs are now in demand in any organisation whose overall business strategy, or boardroom, is in need of a reboot.

UK commercial property operators, currently digesting a record 46 per cent jump in executive director changes in the six months to September, are ahead of the game in hoovering up any spare CRO muscle.

Yet with estimates suggesting there may be fewer than 100 to 200 UK-based, bona fide CROs to go around, customers in other hard-hit sectors such as travel, retail and leisure may be waiting for their own "company doctor" for some time.

Although surviving a crisis requires the best of an entire C-suite, an outsider's warts-and-all perspective on topics as far-reaching as innovation, resourcing and performance can ruffle feathers, particularly as CROs tend to be imposed on boards.

Instances of an interim chief restructuring officer going on to replace an underperforming chief executive can only increase boardroom misgivings.

"It is important to recognise that CROs are often not welcome by the board and have been forced on the business by a chairman, owner or funder who has lost confidence in the management team's ability to arrest a decline," says Chris Clegg, chairman of New Street Consulting Group (NSCG).

A criticism of many C-suite teams, he says, is they either "have their heads in the sand" or in true Nero style "refuse to wake up and smell the coffee".

In contrast, a proficient CRO injects "a sense of realism and urgency", as well as a stellar contacts book, into the mix.

Separating existing management from a CRO outsider is an important safeguard for the C-suite, particularly when painful decisions must be made.

Despite this desirable delineation, together with the objectivity which allows a CRO to think commercially, rather than emotionally, about a business, there are issues.

Referring to the "Wild West of restructurings", Clegg draws a distinction between a genuine expert and a wannabe, pointing out that former CFOs who claim to be proficient at successful restructuring vastly outnumber those with the track record and CV to back this up.

"An authentic CRO will be able to negotiate deals that existing management teams may not think achievable, including support from key customers, extended terms from suppliers or greater support from the bank," he says.

To be effective, a CRO will, by definition, work closely with all members of the executive team. Close collaboration with the CEO is crucial, as is knowledge-sharing with the CFO as resident C-suite expert in compliance, revenue generation and financial strategy.

However, restructuring also overlaps with the role of the chief operating officer, often considered second-in-command, overseeing day-to-day administrative and operational functions, and the chief marketing officer, whose prime function is to create and lead a marketing strategy which generates business growth.

With technology reshaping all global industries, the lead taken by the chief information officer in managing and implementing new technology is vital, as is the contribution of the chief human resources officer, who aims to sustain morale even as headcounts are falling.

> CROs are often not welcome and have been forced on the business by a chairman, owner or funder who has lost confidence in the management team'

"Whether the goal is cost-reduction or improved efficiency, those companies fortunate enough to have a senior human resources leader at the table will benefit hugely from their expertise, particularly in terms of the impact on culture and engagement," says Dean Hunter, founder of HR consultancy Hunter Adams.

Warning of the impact significant change can have on performance, focus and productivity, Hunter advises organisations to "manage any restructuring within a set time period as, although phased change appears less painful, it may create the problem of change fatigue".

Aside from governing day to day, the role of the C-suite must always be to look ahead and predict which way the wind is blowing for the business.

While planning for unknown scenarios is desirable, many businesses have limited capacity in this area and may need additional crystal balls, says Karl Weaver, member of the Future Strategy Club and former chief executive of Publicis Groupe's Data Practice.

"It can be very challenging to cover both the day-to-day running of the business and the future thinking needed to adapt and stay ahead, and this may all come to a head in a black-swan event like a pandemic," says Weaver.

As for bringing in a dedicated individual to lead a make-or-break restructuring project, hopefully without triggering a turf war, he has little doubt.

A good CRO, he says, is "a pretty unusual animal, with an ability to cover a wide range of business skills, work with stakeholders to gain and maintain trust, create clarity when all around is messy, make things happen with a sense of urgency, but without creating panic, and maintain the focus to mobilise and align people operationally". Weaver adds: "It's fair to say that a high EQ [emotional intelligence] is incredibly valuable too."

While the temptation to rely on existing boardroom expertise in a crisis may be understandable, NSCG's Clegg urges all C-suites to act fast when they suspect their business is beginning to falter.

"CROs are already in demand and as government support schemes come to an end, the urgent need for them will sky rocket," he says. "While the best of the bunch certainly don't come cheap, they may just save your business."

Commercial feature

Achieving successful restructurings in a time of crisis

As the economic realities of the coronavirus pandemic hit home, many businesses are preparing for radical change. Governments have supported the economy so far, but this has only delayed an economic downturn with far-reaching impacts on jobs and wealth

Companies are grappling with huge uncertainties. It is not just a question of when a coronavirus vaccine becomes widely available, but the state of the economy when that happens and how long-term business and consumer behaviours have changed or been accelerated during the pandemic.

Many sectors therefore face a tough 2021, with a slow recovery towards 2024. Businesses must plan for their capital structures to cope with a wide range of scenarios.

Financial restructuring issues

In the first lockdown, many financially affected businesses shored up liquidity by amending debt covenants, raising fresh liquidity and accessing government support schemes. The second wave is forcing them to persist with these measures for longer. But, for many, the prolonged lockdown and worsening macro environment have already caused a significant and permanent loss of value and increased indebtedness which, alongside the continuing need for further liquidity, will lead to a wave of major recapitalisations.

Simon Granger, head of FTI Consulting's Corporate Finance and Restructuring EMEA practice, says: "Businesses struggling with liquidity have to make radical changes now, including large-scale cost-cutting, to stay resilient and position themselves for a protracted recovery. The implementation costs of such changes are high, often requiring fresh liquidity.

"Corporate leverage – the ratio of debt to equity – was already high when the pandemic started. As value erodes, companies have too much debt on their balance sheets and not enough equity. They will not be able to raise yet more capital within their over-levered structures.

"We are talking to businesses about improving their capital structures, typically with debt-for-equity conversions or other deleveraging transactions, and simultaneously raising new money."

Companies will need to start negotiating with debt providers and shareholders to achieve this recapitalisation, which will reduce debt and dilute existing shareholdings.

Banks are still prominent in business capital structures, but there has been an increasing shift towards public and alternative private debt financing from insurance, pension and hedge funds. A debt-for-equity conversion means institutions like these will control the company's debt and become its ultimate owners.

Implications for companies

The complexity of these processes will provide a huge challenge for businesses. Capital structures are increasingly engineered, the stakeholders that need to be managed are numerous and, given ongoing macro uncertainty, businesses will need to plan for several potential scenarios. Managing all this while running a stressed company is extremely challenging.

> If you can drive a successful restructuring, you will often end up with a much better business model

"Some institutions will not want to convert debt for equity," says Granger. "We expect for see more contested restructuring processes, which can have a negative impact on value if they become drawn out. This is why governments around Europe are improving their laws to support restructurings.

"There is currently no shortage of funding available to support the turnaround of good businesses. The key questions are who provides that money, where it sits in the capital structure and how easily a full recapitalisation solution can be implemented. Failing to restructure the balance sheet and secure new capital could leave a business as a so-called zombie company, needing cash to reshape the business, but without the capital headroom to do so."

Keeping stakeholder confidence

During a restructuring process, communication with all stakeholders, from suppliers to financial creditors, employees and credit insurers, will be crucial. If you lose their confidence, it could have a profoundly negative effect on your business.

Stakeholders who do not receive the information they need can take aggressive actions that are hard to reverse. For example, a credit card settler may withdraw support and withhold payments, which could materially impact a business's liquidity.

"To keep the support of all stakeholders, you need to understand their concerns and objectives and maintain a regular dialogue," says Granger. "If you are cutting lots of costs, make sure you also have the broad support of workers and unions, and that you are engaging with them regularly and proactively.

"Having a strong finance function is also critical. Demands on the finance team are extraordinarily high during these processes and, if stakeholders lose confidence, it is difficult to deliver a successful turnaround.

"The most critical factor is to maintain strong liquidity, creating enough runway to determine the right approach and implement a solution. Secondly, you need a credible, flexible business plan. Many businesses are facing major strategic challenges, amplified by the pandemic. So you need a strong theory about why your business will be relevant in the next three years, where it is best positioned to be successful and how it will get there.

"Thirdly, you need a contingency plan. This may involve recognising that parts of a business are unfortunately not viable and need to be closed or sold.

"If businesses choose to use an adviser to help address these considerations, using one like FTI Consulting, which is entirely independent and fully dedicated to protecting the interests of the business, will ensure firms maximise the prospects of stakeholder support for their restructuring plans."

Challenging key assumptions

Historically, some boards have been reluctant to challenge long-standing views and assumptions around their business. But to ensure a successful restructuring, boards must confront preconceptions now more than ever.

"It can be difficult to look at your business differently and challenge assumptions, but when facing potential crisis, the earlier that restructuring and recapitalisation options are considered, the more potential routes there will typically be available. This will also increase the chances of achieving an optimal outcome and preserving value in the core business," says Granger.

"If you can drive a successful restructuring, you will often end up with a much better business model, more geared towards your target market and better able to sustain itself in the long-term."

Simon Granger,
Head of the Corporate Finance & Restructuring EMEA practice at FTI Consulting was talking to journalist Tim Cooper.

RETAIL

Finding new ways to thrive

Operating in one of the hardest-hit sectors during the coronavirus pandemic, retail brands across the world have been coming up with creative ways to transform and survive

Emily Seares

Businesses are facing unprecedented challenges. Government lockdown measures, introduced to help combat the spread of coronavirus, are having a devastating impact on the economy and one of the biggest sectors to be affected is retail.

Retail restructuring has become top of the agenda for many companies, with the disparity between those who have responded well to the pandemic and those who have struggled to be agile seeing vast differences in performance.

Global Data surveyed the UK's top 100 retailers in October, commissioned by UK law firm TLT, and more than half (53 per cent) said they need to restructure their business as a result of the pandemic.

"We've seen five years of change in the past five months," says John Lewis Partnership chair Dame Sharon White, after announcing plans last month to undergo a major £1-billion digital restructure over the next five years. The retailer expects online sales to account for up to 70 per cent of total sales by 2025.

Changing consumer trends, most importantly the accelerated shift to online, is having a huge impact on the sector. According to a recent survey by Adobe Analytics, 63% of consumers are avoiding stores and buying more online, with health concerns due to the pandemic driving that decision for 81% of them.

Dame Sharon plans to use £1 billion saved from streamlining head office operations to invest in expanding the John Lewis Partnership's digital capabilities, including ecommerce, virtual shopping and home delivery. The retailer also plans to diversify into housing, convert some of its flagship Oxford Street store space into offices and extend key strategic partnerships, such as that between Waitrose and Deliveroo.

"We're creating partnerships to reach new customers and provide capabilities we don't have," the retailer said. "We've announced an additional 25 Waitrose shops that will join five other stores in the Deliveroo trial, which is attracting new, younger customers. We're also in discussions with Deliveroo about joint community initiatives."

A drive towards leaner, simpler and more nimble business models will encourage more of these strategic partnerships. Richard Hyman, partner at retail consultancy Thought Provoking Consulting, says we can expect to see more of these mutually beneficial tie-ups.

"Retailers have to find more ways of reaching their customers and being more imaginative, but they need to do it in an economically viable fashion and a way that doesn't take attention away from their core business," he explains.

COVID-19 has increased the pace at which retailers must restructure and adapt their offerings to emerge from the crisis still intact. "Retailers that fail to pivot their business models fast enough will cease to exist, engulfed by those with nimble strategies and new entrants," the A&M study warns.

Company voluntary agreements (CVAs) have been a popular way for some retailers to restructure their legacy store portfolios, with the likes of New Look, Jigsaw and Clarks having launched CVA proposals in recent months. However, some question their success, arguing retailers need to be looking at a more holistic approach to restructuring to future-proof their businesses, rather than simply closing stores and cutting rents.

H&M has announced plans to close around 250 of its 5,000 stores next year, after it said the pandemic has pushed more of its shoppers online. H&M chief executive Helena Helmersson says: "We are now accelerating our transformation work further to meet customers' expectations. We are increasing digital investments, accelerating store consolidation and making the channels further integrated."

Hyman says retail restructuring is desperately needed, but it has to start from the revenue line, not the cost line. He explains: "Some retail businesses, far from cutting costs, should be increasing them. They need to be spending money and investing before they can make it. The reality is doing things that are interesting costs money."

Pandora's chief executive Alexander Lacik was in the process of a two-year turnaround plan at the global jewellery company, which operates 2,700 retail stores worldwide, including 217 in the UK, when the pandemic hit. Rather than slam the breaks on his restructuring plan, Programme NOW, he looked at strengthening the balance sheet, increasing his bank facilities and forging ahead with it.

"We wanted to restructure the company for long-term health," he says. "We wanted the market to know we'd still be standing after the crisis."

Lacik says a key part of this strategy was not going into hibernation during lockdown; it was working even harder than before, to ensure they came out stronger. "All the work we had already done on Programme NOW, we now had the balance sheet and cash to accompany it. I knew the moment the markets opened up again, we wanted to be on the front foot," he adds.

He says the business activated its staff during lockdown, engaged everyone in sales and product training and asked people to consider whether they would do social posts on behalf of Pandora. "We have 10,000 influencers out there," Lacik explains. "During lockdown, we prepared for a commercial comeback. We brought the momentum back into the brand. We took the crisis and turned it into something positive."

The lockdown has shown retailers need to think more fundamentally about the shape of their businesses and how they are going to attract customers. What is the new normal and what is the product proposition?

It is undeniable that technology will play a huge role in the future success of retailers. Many businesses are using new technologies to help refocus their efforts and advance online reach.

Made.com chief operating officer (COO) Nicola Thompson says: "In light of the pandemic, we have chosen to accelerate our use of technology to engage with our customers in more exciting and innovative ways, such as the launch of our first virtual showroom in our Amsterdam apartment. Using the latest 3D technology, customers can tour our apartment and view our new collections from every angle, all from the comfort of their own homes.

"We have seen a rapid acceleration in the shift to online shopping in recent months and developing technologies are enabling us to stay connected with our customers."

Stuart Ford, COO of retail technology firm Dropit, adds: "New ways of thinking will be key to how retail survives. Brands that do this have already started to expand into gaming, social commerce and artificial intelligence. There is a plethora of opportunities, but it requires brave new thinking to access them."

Oli Scarff/Getty Images

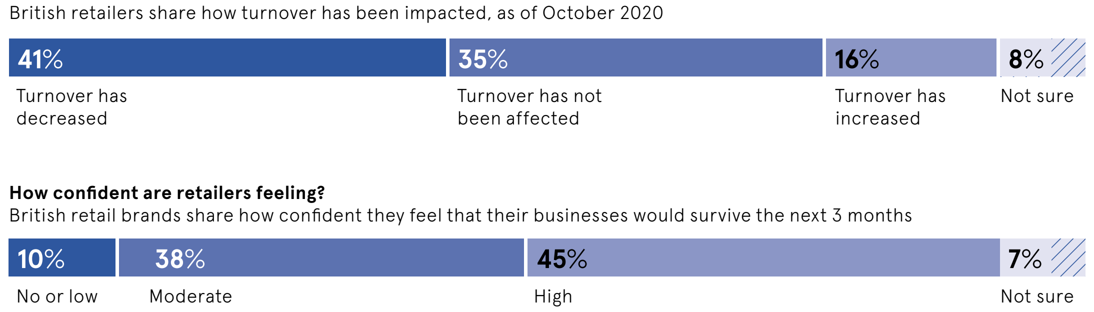
The flagship John Lewis store on London's Oxford Street, part of which will be repurposed as offices under the new restructure

THE STATE OF BRITISH RETAIL

Retailers in the UK have suffered badly during the pandemic, but optimism in the industry is on the rise

How hard was retail hit?
British retailers share how turnover has been impacted, as of October 2020

How confident are retailers feeling?
British retail brands share how confident they feel that their businesses would survive the next 3 months



ONS 2020

Commercial feature

Pandemic provides catalyst for business transformation

Most companies have had to make profound operational changes as the second wave of coronavirus lockdowns were enforced around them

Some businesses, such as travel operators, leisure and hospitality players now face an existential threat and must make critical changes to survive and build resilience as the coronavirus pandemic continues. Others continue to see milder or even positive effects from the pandemic. But they too are looking to make rapid changes as they seize the opportunity to accelerate new ways of working.

When the first European lockdowns started in March, many of the most affected firms expected only six months of economic pain and relied on rapid cost-cutting in an attempt to preserve short-term liquidity.

But now the recovery timeframe has become much less certain, with lockdowns potentially lasting another six months or more, irrespective of emerging good news on vaccines. The path to a fully vaccinated global population is potentially several years long, even assuming large-scale programmes are implemented in 2021. This uncertainty is forcing businesses to build more long-term flexibility into their operations.

One strategy has been to optimise capacity. For example, companies in the leisure industry, when allowed to open, might consider staying closed at unprofitable times. They could also use discounts and dynamic pricing, which flexes price according to demand, to maximise financial returns at peak times or fill up at slower times.

Others might reassess the sustainability of their locations. For example, a financially stressed high street retailer needs to review its locations, renegotiate rents or perhaps move towards turnover rent, which links payments to sales.

Accelerating trends

Operational transformation is about much more than just survival, however. For many businesses, at all levels of affectedness, the second wave presents an opportunity to catapult themselves into new operational models across people, process, systems and assets. Many also aim to bring forward moves they had been eyeing for some time, but thought were still five or ten years away.

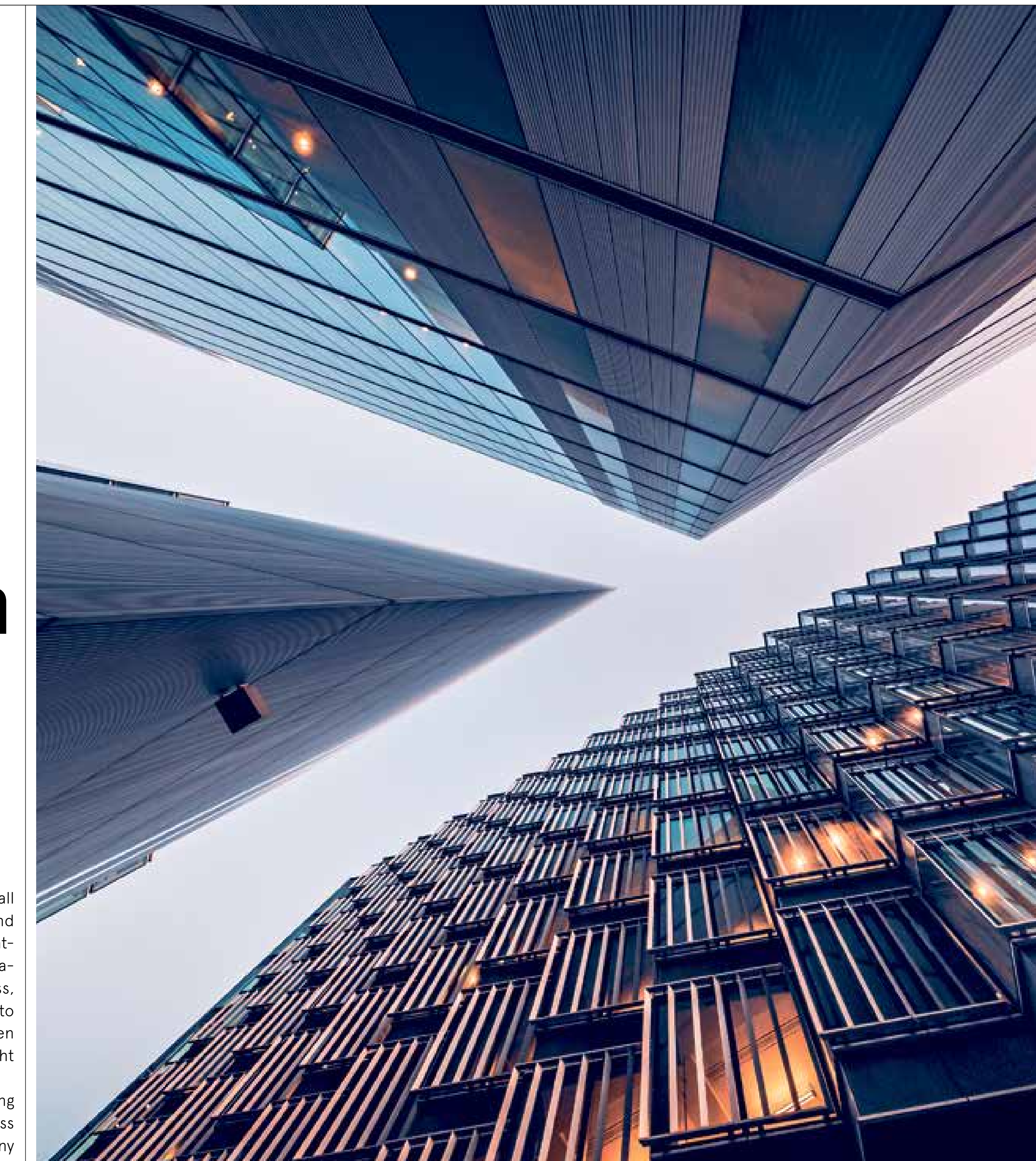
John Maloney, senior managing director in FTI Consulting's Business Transformation practice, says: "Many businesses are looking to reduce costs by using more remote working and less central office space. We are seeing that some are eliminating expensive central locations completely and may never go back. They are changing the way they think about property assets.

"We've also seen firms accelerate digital and online provision of goods and services. For example, filmmakers are releasing major films through streaming channels while viewing from cinema release is reduced."

Many are taking advantage of the situation to make their workforce and supply chains more flexible and more efficient.

Adam Bradley, also senior managing director in the Business Transformation team at FTI Consulting, says: "Companies now need long-term flexibility in supplier relationships. For example, they need contracts that allow them to build inventory in some periods, but go below normal minimum contract spend at others.

"With workforces, some companies such as airlines have wanted to change their relationships with employees in terms of numbers and how they work, for example, moving to more flexible arrangements. COVID-19 has catalysed these conversations, even in unionised environments. They know their existing labour model might not be viable long-term, so they need to have these realistic conversations to remain sustainable as an employer.



"It is leading to different relationships with workforces and they must have a constructive, open communication strategy to make this transition successfully."

Many firms are also looking to accelerate changes in technology and redesign systems to be virtual from the ground up. Most had already been moving towards self-service software, cloud systems and robotic process automation, but the pandemic has accelerated all these projects as they build long-term resilience and enable lower-contact transactions with customers and more decentralised working.

Acquisition and consolidation opportunities

While acquisitions might seem a low priority for many, companies should consider potential deals seriously as they may never have a better chance to buy a target in terms of price and availability.

Returns from deals done during or shortly after the 2007-8 financial crisis generated higher shareholder returns compared to those done in 2010.

Maloney says: "If you have the will and the finances to take the risk, you can buy cheaper, so now is the time to do it from a value-creation perspective and we recommend acting quickly. Some companies have stressed cash positions, which could create new opportunities. Heavily affected sectors such as high street retail, travel and transport are particularly likely to see consolidation.

"Also, some pharmaceuticals and medical companies have products they need to bring to a huge market very quickly, but need capital to do that, so there is a logic to being acquired."

This links to the trend towards more flexing of staff, locations and interactions with customers, which leads to more flexible cost structures. The pandemic has led to an acceptance of the need for accelerated consolidation and large IT transformations. This enables acquirers to extract better value from deals by transforming their operating models.

Bradley adds: "With our clients, synergies can come from consolidating operational locations, overlaps in workforce and technology systems. One extra thing that could help them is using more data science to understand their operations and FTI Consulting has built a reputation for dealing with big data sets."

Navigating through the storm

Company boards are doing their best to cope in a snowstorm of activity and developments. But now they must stand back and see the big picture of how their business will operate over the longer term. They must ensure they are well positioned to harness potential opportunities in light of changing customer patterns and the wider operating landscape.

The coming years will be extraordinarily difficult to predict. But with more flexible and resilient operational strategies, and more sustainable cost structures, companies will be able to survive and thrive in the long-term.

"Businesses are looking to make rapid changes as they seize the opportunity to accelerate new ways of working

Adam Bradley and John Maloney, Senior Managing Directors in the Business Transformation team at FTI Consulting were talking to journalist Tim Cooper.

TAKING ACTION

The coronavirus pandemic has thrown unprecedented challenges at businesses across the globe, as boardrooms have to contend with supply chain slip-ups, revenue disruptions and increased uncertainty. This infographic explores the near-term outlook for chief financial officers, and what measures they expect to take to shore up corporate finances now and in the future

53%

of CFOs expect a decrease in revenue and/or profits of up to 25 per cent this year

14%

predict a decrease of between 25 per cent and 50 per cent

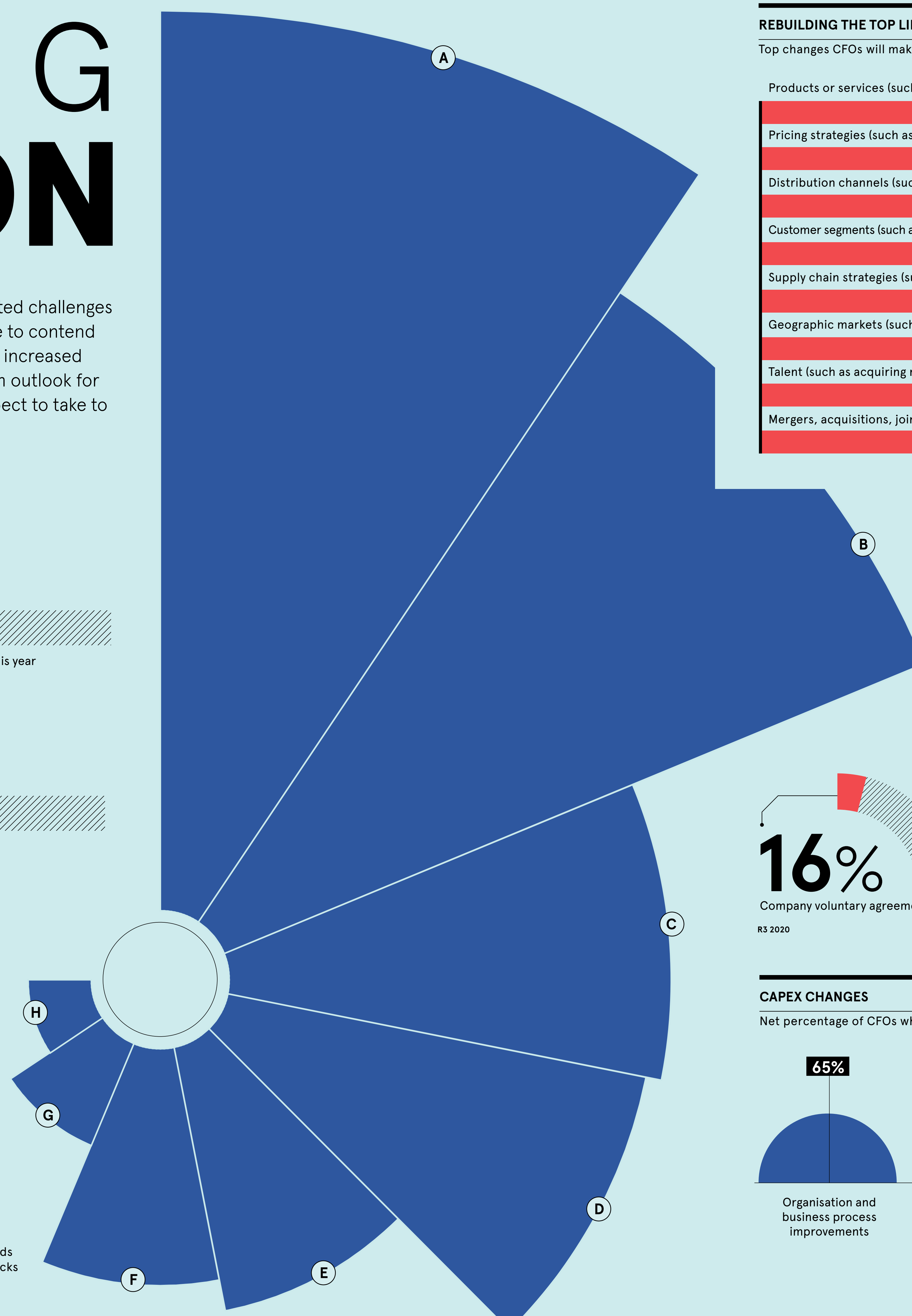
6%

estimate a drop of more than 50 per cent

PwC 2020

NEAR-TERM PRIORITIES

Percentage of CFOs who rate each of the following as a strong priority for their business in the next 12 months



- A 57% Reducing costs
- B 48% Increasing cash flow
- C 28% Introducing new products /services
- D 27% Reducing leverage
- E 17% Disposing of assets
- F 15% Expanding by acquisition
- G 7% Increasing capital expenditure
- H 4% Raising dividends or share buybacks

Deloitte 2020

REBUILDING THE TOP LINE

Top changes CFOs will make to rebuild and enhance revenue streams that were damaged a result of COVID-19

Products or services (such as offering new, enhanced, repurposed or pared-down solutions)	63%
Pricing strategies (such as increasing/decreasing price of solutions, offering different payment terms)	48%
Distribution channels (such as changing from in-person to virtual sales or delivery)	36%
Customer segments (such as selling direct-to-consumer, targeting new industries, moving from B2C to B2B)	34%
Supply chain strategies (such as develop alternate sourcing options, change contractual terms)	30%
Geographic markets (such as entering new markets, leaving current markets)	27%
Talent (such as acquiring new talent, upskilling)	27%
Mergers, acquisitions, joint ventures or alliances	25%

PwC 2020

ASKING FOR HELP

Insolvency and restructuring professionals were asked which tools they would likely be recommending to clients over the next 12 months

- **37%** Creditors' voluntary liquidation
- **35%** Administration
- **16%** Company voluntary agreement
- **7%** Financial restructuring
- **1%** Operational restructuring

R3 2020

NON-FINANCIAL OPPORTUNITIES

Strategic opportunities beyond cost and cash in the near term, according to CFOs

● Some ● Significant

	Some	Significant
Organisational change	43%	46%
Digital transformation	22%	66%
Innovation	55%	31%
Organic growth	60%	18%
Strategic repositioning	43%	32%
Mergers and acquisitions	44%	25%

Boston Consulting Group 2020

CAPEX CHANGES

Net percentage of CFOs who expect their businesses' investments in the following areas to increase over the next 12 months, compared to pre-pandemic plans

Organisation and business process improvements	65%
Software, data and IT	33%
Research and development (including acquisition of IP)	-9%
Training of employees	-11%
Design, marketing and brand building	-17%
Machinery and equipment (including computer hardware)	-19%
Land, business buildings and workspace infrastructure	-64%

Deloitte 2020

PEOPLE

The power of people

From reskilling to redundancies, no business restructuring can occur without considering its impact on the company's people

Cath Everett

Effective talent management has never been more important than in such turbulent times when business restructuring has accelerated.

The coronavirus pandemic has not only brought about a deep, global economic recession, it has also forced significant numbers of organisations to shift their business models, working practices and routes to market almost overnight. Companies have embraced remote working, digital and online activity at unprecedented levels.

But this scenario is also having an impact in two other key talent management-related areas: on the one hand, it is leading some employers to make more or fewer redundancies depending on their circumstances; on the other, it is accelerating reskilling efforts often already begun in response to automation.

How to handle redundancies well

Concerning redundancies, while some players, mainly in the tech and digital, have remained relatively unscathed and even benefited from the current tumultuous circumstances, other sectors, such as hospitality and leisure, have leaned heavily on furlough schemes. Such schemes are thought, in many instances, to be masking the true extent of likely future lay-offs.

But of those industries in which job losses are already taking place, employers generally fall into one of three camps, says Jeanne "JC" Townend, chief executive for the UK and Ireland at outplacement provider LHH.

"We're seeing redundancies as a result of companies going bust, cost-cutting or a lack of the right skills," she explains. "But the biggest short-term impact will come from those in the middle group which, in many instances, are cost-cutting to survive."

A fourth category, says Andy Brown, chief executive of leadership and engagement consultancy ENGAGE, is that of employers taking the pandemic as an opportunity to "revisit their strategy and what they want the company to be, which for some is leading to quite significant business restructuring".

Whatever the motivation, what is evident is just how important it is to get the process right, not least because failing to do so can be extremely damaging for the company brand in both the short and long term. According to research by LHH, handling redundancies badly can lead to a 30 per cent drop in morale and a 20 per cent fall in productivity among those employees who remain.

As a result, one of the most important talent management considerations for leaders is taking a cruel-to-be-kind approach. As a starting point, this means the leadership team must be clear in its own mind about what is right for the organisation and its stakeholders, says Simon Bonney, managing director of business advisory firm Quantuma.

Management must also know what it is trying to achieve and what it wants the company to look like following the business restructure. Having a sound strategy and plan to achieve these aims is just as vital.

"If you don't take the hard decisions early enough with the right degree of force, as you're trying to be too nice or kind or optimistic rather than ensure the cuts are deep enough to sustain the business, you'll simply destabilise it, especially if you have to keep revisiting the restructuring plan because the right decisions haven't been made at the right time," Bonney warns.

But taking such an approach does not imply redundancies should be made without compassion or without acknowledging the human cost. In fact, says Brown at ENGAGE, there are five key factors that determine whether such an exercise will end up being a brand-burnishing success or a brand-tarnishing failure.

> "If you're trying to be too nice or kind or optimistic, rather than ensuring the cuts are deep enough to sustain the business, you'll simply destabilise it

The first is the importance of swift and effective internal and external communication. This involves leaders being transparent and honest about their decisions and the rationale behind them, to help employees understand and put the situation into context.

Not only does this approach prevent damaging rumours from taking hold, but it also engenders trust that the management team knows what it is doing and instils confidence the business is in safe hands.

The second factor is about acting in a humane way and showing empathy to employees, not just in their capacity as workers, but also as people. Brown cites the example of a food company in Ireland that laid off 30 staff members.

The chief executive spoke to each individual concerned. He also wrote a letter thanking them for their efforts and saying how sorry he was to let them go, while offering an explanation of the reasons behind the decision and acknowledging the impact on them and their families.

"His empathy put the employees in a completely different frame of mind," says Brown. "They still spoke highly of his leadership and the brand and, without exception, said they'd like to come back when things picked up."

A third consideration involves taking the blame out of the situation. "People need to know it's not their fault and there's a bigger picture they couldn't change," Brown explains. "If they do feel at fault, it has a negative impact and can psychologically scar them for a long time."

Next on the list is the importance of leaders showing some humility and not pretending to have all the answers, particularly in a fast-moving environment when more than likely they do not.

"It's about setting expectations upfront, so saying 'we may not have all the answers, but we'll do the best job we can and provide you with as much stability as we can in the near term'," says Brown.

A final imperative is for employers to provide help and support for those leaving the company. Such support can range from offering services, such as career coaching and mentoring, to helping them network and find new jobs. Other options include allowing people to keep their laptops or private health insurance for a period of six months or so to smooth the transition.

As LHH's Townend points out: "It may be a low upfront cost for employers, but it makes a big difference to former employees. And treating people as human beings makes all the difference between whether they become a brand advocate or a brand detractor."

Secret of reskilling success

Meanwhile, for those employers that find themselves in the happy position of not having to make redundancies, or are keen to change the composition of their workforce as they reorient the business to exploit new opportunities, there is a second important talent management strand: upskilling or reskilling the workforce, or at least sections of it.

Josh Bersin, global human resources analyst and dean of the Josh Bersin Academy, says the restructuring going on now as a result of the pandemic is simply an acceleration, in many instances, of the business and digital transformation that has been happening for some time.

Future-of-work trends brought about by increasing levels of automation and the introduction of artificial intelligence (AI) technology is already leading to some manual, repetitive tasks being replaced by software. While this may lead to the elimination of some jobs, frequently they simply morph into something else, particularly if it is possible to augment human activities by supporting them with input from machines.

By way of illustration of the level of change taking place, market research firm Gartner says the average job role has changed by 40 per cent in the last three years. Moreover, it adds, a third of the skills employers were hiring for before the pandemic will be out of date by the end of it, while as few as 16 per cent of new hires are equipped with the digital and data analysis skills required in the future.

Although Bersin contests these figures, he acknowledges a growing interest over recent years among large companies at least in hiring candidates who can demonstrate learning agility or the ability to learn and adapt quickly.

He adds: "The key to hiring great people these days is understanding their 'adjacent' skills and experience, and whether they'll be transferable. It's generally a much better indicator of success than qualifications and certificates, although they're still important, of course."

The problem for many HR professionals in tackling skills issues at the moment, however, is they are often simply too bogged down in troubleshooting key issues, such as employee health and wellbeing or how to reward and incentivise staff when whole chunks of the business have changed.

Nonetheless, a number of large, more progressive employers are already starting to put reskilling pathways in place to help staff transition to the new world, with significantly more expected to follow suit over the next 24 months, says Nick South, global leader of management consultancy Boston Consulting Group's people and organisational practice.

Companies, such as Schneider Electric and Unilever, for example, are already using internal talent marketplaces to match staff with work assignments, projects or job rotations right across the business. Doing so offers two key benefits. Not only is it possible to optimise the use of existing talent and smooth out uneven internal demand, but employees can also take advantage of skills and career development opportunities to which they might not otherwise have had access, including mentoring.

One US bank, upon shutting down 80 per cent of its branches as a result of the pandemic, used an AI system to analyse the skills and experience of the 35,000 staff affected. The aim, according to Bersin, was to understand who would be the fastest and easiest to retrain for call centre positions and who should be placed on furlough. Some 78 per cent of its personnel were successfully redeployed.

What such examples illustrate is that the secret of success in talent management, at a time when there is so little clarity about what the future holds, is no longer to be found in following traditional, often rather inflexible, workforce planning and talent acquisition approaches.

Instead, says Sari Wilde, managing vice president at Gartner, it is about adopting what she calls a "dynamic skills strategy", which involves filling any gaps by means of a judicious mix of internal reskilling, external hiring and use of contingent labour.

"A dynamic skills approach is focused on creating a 'skills-sensing network', applying 'skills accelerators' and creating transparency around existing skills, with a view to both enhancing those capabilities and using them to solve different business challenges," Wilde explains.

As an example of a skills-accelerator approach, she refers to a chemical firm that was keen to improve the data science expertise of members of its workforce. After identifying people with only basic data-sourcing and reporting skills, it hired in a number of more experienced staff to assist in developing them further.

But to get the skills mix right, it is also vital employers create two-way skills transparency, says Wilde. To explain the rationale, she cites the example of an oil and gas company that requires its entire workforce to maintain on an internal system up-to-date, so-called career "backpacks" based on their skills, experiences and achievements. The information in these backpacks is then used to help fill internal vacancies, support development conversations and advise on career moves.

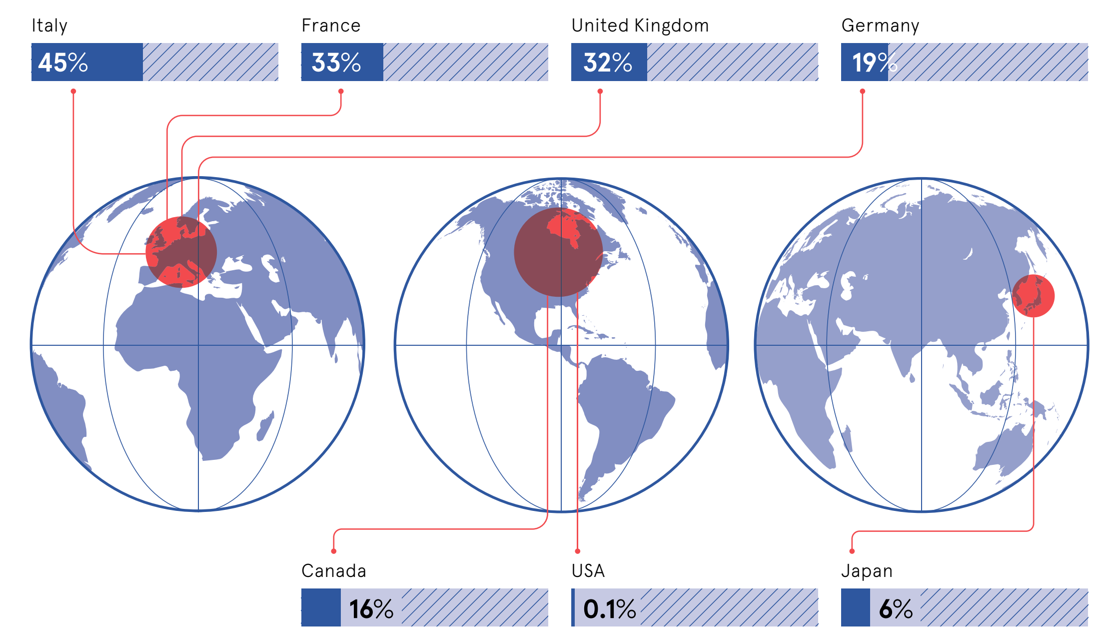
Some organisations are even starting to deconstruct hard-to-fill roles into their constituent skills and tasks to help them become more creative in how they fulfil their requirements. This means rather than waste time trying to find the perfect person for the job, they could instead fill it using members of a part-time project team, for instance, says Wilde.

Boston Consulting Group's South says it is this kind of creativity and ability to think more broadly that is going to become increasingly important if employers are to avoid widespread and repeated business restructuring into the future.

"It's not going to be just about 'do we recruit or lay people off?' We have to ask ourselves where are the skills we could borrow, rent or redeploy, what skills do we need to build and where do we need to be creative on reskilling? The secret will be in thinking more imaginatively," he concludes.

THE WORLD'S EMPLOYEES REMAIN ON STANDBY

Percentage of national workforces on furlough as of July 2020



PwC 2020

photocritical/Shutterstock

Case study 2: Honest Burgers

In a bid to save as many jobs as possible during the pandemic, the UK's Honest Burgers restaurant chain introduced initiatives to both reskill its workforce and ensure transferable skills were put to good use.

As with many food outlets, says people director Chantal Wilson, "COVID sped up the impact of Brexit", which meant that following the first lockdown, it lost about 150 of its chefs due to an exodus from London.

Therefore, in a nod to the company's roots, it implemented an initiative called Back to Brixton, in which it asked for front-of-house volunteers to retrain as chefs. The success of the move meant it was able to retain all frontline staff and make only seven people at head office redundant out of a total original headcount of 730.

Another even more imaginative scheme was the introduction of a Craft Exchange. During furlough, the decision was taken to stop using third-party suppliers and to post any craft-based jobs, such as graphic design, sign painting or gardening, to a newly created internal skills marketplace.

Staff with skills beyond those employed in their day job were assessed internally and then accredited via bot technology on the company's Workplace from Facebook platform.

"It's about taking a people-first approach," says Wilson. "The focus has always been on treating customers as individuals and so we challenged ourselves to do the same with our internal customers, that is our employees, too."

Matthew Stone/Shutterstock

Case study 1: Aldi and McDonald's

The temporary staff-sharing alliance between Aldi and McDonald's, which was rolled out in Germany this March, has been greeted with universal acclaim as an innovative approach to preventing lay-offs.

The coronavirus pandemic has meant many of the fast food giant's 1,500 restaurants in the country have been periodically forced to close or limit their opening hours. But the discount supermarket chain, which consists of 4,100 stores, has at times struggled to keep its shelves stocked due to high levels of demand for food from shoppers.

The new initiative means Aldi can take on any McDonald's employees who make the choice to work for it rather than stay at home. As a result, the retailer now has access to additional personnel to staff its sales and logistics departments as it requires, under its own terms and conditions and at short notice.

Once restrictions are lifted, employees "quickly and unbureaucratically" simply return to their former employer, as the two companies put it.

Andy Brown, chief executive of leadership and engagement consultancy ENGAGE, points out that not only are such initiatives "imaginative and flexible", but they are also a win-win for everyone concerned.

M&A

Why COVID-19 could lead to boom time for M&As

Ensuring your company is attractive to a merger or acquisition could be a solution for many facing the economic fallout of coronavirus. But how should both sides of the boardroom table prepare for successful M&A deals?

Jonathan Weinberg


Thomas Barwick/Getty Images

Experts across legal services, banking and private equity report steady demand for mergers and acquisitions (M&As) so far in 2020, despite the pandemic. In fact, some agree this could pave the way for an uptick, whether to grow market share, create same-category economies of scale and efficiencies or to find a bargain that could pay off long term.

Rick Smith, managing director of insolvency and business rescue specialists Forbes Burton, believes M&As can be a particularly effective route for getting through the coronavirus crisis. "The advantages are obvious. Jobs can be saved, business can continue and it's a great way for directors to exit if they feel they need to move on," he says.

"Those seeking out companies at the moment will be looking for either long-term investments and shells to improve on or, conversely, a short-term acquisition they can make with the potential to find and capitalise on assets and dispose of the associated chaff.

"Restructuring post-COVID could actually start a bidding battle for the most promising businesses. Assets, trademarks and patents will all be in a state of flux, so M&As could mean we see businesses with real potential being either saved or brought to the fore."

However, completing successful M&As is complicated and comes with challenges. Chief executives and C-suites are being advised to think about hidden solvency issues and potential liabilities, perhaps masked by current government financial help and policy designed to encourage businesses to trade. But insolvency law and directors' duties may signal a different path.

Vanessa Challess, senior partner at Tiger Law, says: "Purchasers need to be aware of the motives of sellers of shares, whereby they step into their sellers' shoes, and ensure they are not taking on hidden debts or disputes. Purchasers of assets, as opposed to shares, need to ensure the assets don't have security attached.

> The advantages [of M&As] are obvious. Jobs can be saved, business can continue and it's a great way for directors to exit if they feel they need to move on

"Selling a business is often a way of avoiding liabilities so due diligence and sound advice are probably more important now than ever."

Panos Desyllas, associate professor of strategy at the School of Management, University of Bath, highlights another issue for suitors: synergy.

"By taking over worse-performing firms, suitors can grow faster and strengthen market share at a low price tag. But the apparent and immediate financial benefits of such deals may lead to a 'winner's curse' by disregarding operating synergies," he says.

"Acquirers need to ensure every takeover is rooted in their overarching corporate objectives, that the cultures are compatible and the integration of the acquired assets is well aligned with the acquisition rationale."

Despite such potential issues, many companies doing well from the pandemic now have healthy balance sheets to support M&A activity. Private equity too is keen and is especially interested in businesses that have cut costs and streamlined.

Frank Shephard, national head of corporate at global law firm DWF, says: "The ability to grow organically was dampened by the crisis, so many companies looked instead to acquisition to continue growth. There are therefore many willing buyers in the market with strong balance sheets to fund acquisitions.

"There is more than a trillion dollars in dry powder held by the private-equity industry ready to deploy for the right assets."

Russ Lidstone, group chief executive of The Creative Engagement Group, has recently overseen successful M&A deals.

"We selectively 'defend', manage costs in areas challenged, but invest, 'attack' to grow share. M&A is a key part of this approach and we landed two businesses – capability development and digital learning – during the first lockdown. These businesses operate in growth areas key to our strategy," he says.

"M&A will become more important in the coming months and I think deal flow will increase. Challenged businesses will look for security in consolidation or front-foot businesses like ours will look to invest to emerge strongly from the crisis."

As co-chief executive of Yonder, a business consultancy working with leading brands including Amazon, Netflix and Marks & Spencer, Manfred Abraham has just been through this process too. Yonder completed a £25-million merger of four companies during lockdown ahead of a launch planned in April before COVID-19 struck.

But he warns: "A big concern for any business considering an M&A is how to ensure existing clients are cared for. The last thing you want is to disrupt their experience.

"To ensure this, we kept our pre-existing clients informed of our merger plans and began onboarding them to Yonder as early as possible so they could take advantage of the new range of improved services, well in advance of the merger being completed."

Looking ahead, 2021 appears to be heading in the same direction. Phil Adams, chief executive of global investment bank GCA Altium, says its own deal pipeline is 60 per cent up on November 2019.

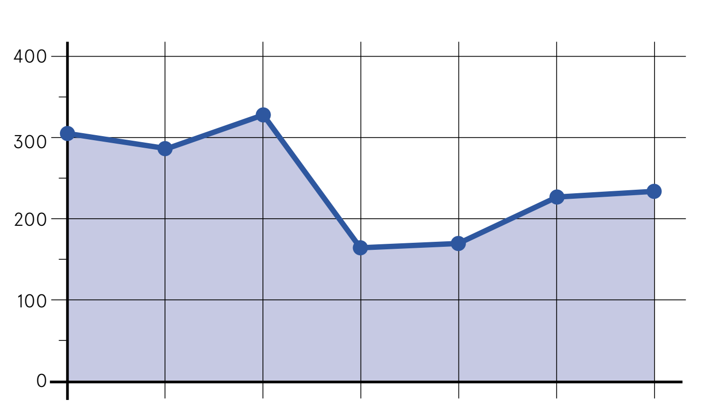
"I would expect 2021 to be a strong period for M&A," he says. "Business owners have had a massive shock to the system and many will have reflected both on their mortality and on the fragility of the external environment. It is likely to increase the number considering selling their businesses. Combined with this is a strong expectation that tax rates may come under review.

"Some companies had a material positive COVID-19 spike in trading and it will be interesting to see how they are valued in future M&A transactions.

"Buyers and investors will apply close scrutiny to whether improved results are due to a permanent channel shift or specific trends driven by forced behaviour when consumers have been unable to spend freely on holidays and social activities."

M&AS ARE ON THE UP

Monthly volume of M&A deals in the UK in 2020.



Institute for Mergers, Acquisitions and Alliances 2020

SOCIAL IMPACT

Is doing good here to stay?

As the world united to fight the consequences of coronavirus, many businesses pivoted to provide as much support as possible. But will these good intentions survive a return to normal?

Rose Stokes

If there's one thing company executives can agree on in 2020, it's that the concept of "business as usual" feels like a relic of the past. The challenges brought by the coronavirus pandemic have pushed governments, society, institutions and individuals to their limits. In a business context, unforeseen volatility has exposed vulnerabilities in many organisations, forcing closures for some, and restructuring, redundancies and a rethink for others.

Among the chaos, pressure has also increased on businesses to pivot in favour of helping to support the overall effort in fighting the disease. As the dust settles on the first wave of the virus, and at the outset of the second, the scale of what has been lost and gained in the business world over the last ten months becomes clearer.

Stories abound of enterprises that have used their influence, infrastructure and financial capital to support governments and institutions for the common good.

It's a trend that has seen globally renowned luxury goods manufacturers, such as LVMH, pivot operations to make and provide hand sanitiser and masks for local hospitals in vast quantities, or car manufacturer Ford making ventilators in the United States.

Closer to home, large hotel chains in the UK provided shelter for homeless people and BrewDog, a popular Scottish brewery, produced hand sanitiser. Food companies such as BOL provided 21,000 meals to the NHS and homeless charities, and CMG Leisure, a sex toy manufacturer, used its facilities to make "ear savers" for NHS workers.

A decade or so ago, it may have been hard to imagine that businesses would play such a critical role in supporting government and society at large in the face of a deadly pandemic. But these days consumers don't just appreciate the concept of corporate social responsibility, they expect it.

According to the 2020 Edelman Trust Barometer, 64 per cent of consumers in 2019 were "belief-driven buyers", who feel brands can be a powerful force for change, compared with 51 per cent in 2017, showing a strong growth trend over a relatively short period.

Put plainly, from a consumer perspective, it is no longer enough for businesses to just be good at what they do, if they are not also doing good in the process. But in an increasingly difficult external environment, as we move through a second, even more serious, wave of the virus, can companies be expected to retain their focus on business strategies for social impact? And what are the risks for those that do not?

"During the first wave of the pandemic, businesses showed they could pull together and tackle serious issues," says Kate Hartley, co-founder of Polpeo and author of Communicate in a Crisis. "We started to rethink what, and who, really matters to our society."

It makes sense. At the time, the crisis was front and centre of everything, occupying headlines worldwide, and the threat was largely unknown. People were scared, which had a powerful galvanising effect, encouraging social cohesion and prompting businesses to look beyond their own profits to a greater social impact.

> **Businesses can do amazing things for society. If, post-COVID, they choose not to, they will face a bigger backlash than ever before**

But as we move through the second COVID wave, the business operating environment has shifted dramatically. In the context of an oncoming recession, and as reality sinks in that the pandemic may have irrevocably shifted the way we live, work and socialise, those businesses managing to stay open are already under significant pressure to adapt to the constantly changing environment.

The question is will they be able to retain business strategies for social impact at a time when many are fighting for survival?

"I think we've seen that businesses can, if they choose to, do amazing things for society. If, post-COVID, they choose not to do those things again, but simply chase profits at the expense of societal good, they will face a bigger backlash than ever before," Hartley, who advises firms on reputational risks, believes.

"We care more about our collective health, our environmental impact, and our human rights than ever before. In some ways, there will be no business as usual. Everything has changed."

She advises business leaders to shift their thinking away from returning to business as usual and focus instead on seeing opportunities in the new normal. There are reputational benefits for those able to balance the tandem pressures of cultivating effective business strategies that are also drivers of positive social impact.

For brands like LVMH that refocused an entire supply chain in the space of 48 hours in May to supply hospitals in Paris with personal protective equipment, retaining such a high level of altruism beyond the pandemic is not likely to be sustainable. But the brand insists social impact is built into its corporate DNA, enabling them to continue to support worthy causes even as we move out of the crisis.

According to LVMH: "We have a responsibility to do good when things are going well, not just in times of crisis." And while it's true this might be much easier for a multinational estimated to be worth $134 billion than a startup or other small business, their perspective highlights a challenge that should be high on the agenda of business leaders as we begin thinking about the transition to a post-COVID existence.

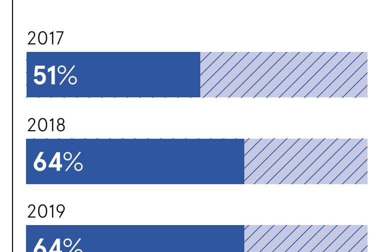
It is clear in 2020 consumers expect more from brands than before, making business strategies for social impact both highly rewarding and highly risky, if they are not driven by a genuine motive. When the threat of COVID-19 begins to fade, brands combining a clear purpose with strong ethics, and making only authentic and achievable commitments, will be in a stronger position than those that do not.

Jeff J Mitchell/Getty Images

Workers at BrewDog brewery in Scotland pack the hand sanitiser they started producing in April 2020

CONSCIOUS CONSUMERISM BECOMING THE NORM

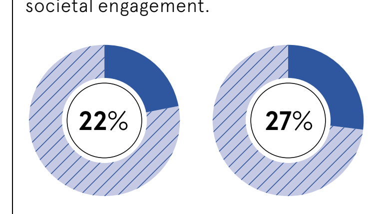
The percentage of consumers who are "belief-driven buyers", i.e. those who will choose, switch, avoid and boycott a brand based on its stand on societal issues



Edelman 2020

HAS COVID MADE BUSINESSES BETTER?

Percentage of CFOs who say one of the main outcomes of the current situation which will make their companies better in the long run is community and societal engagement.



PwC 2020

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SALES

Sales teams pivot to survive

While the companies failing to adapt to the conditions imposed by the coronavirus pandemic flounder, those that pivoted their products and sales operations quickly have reaped the rewards

Ben Rossi

The coronavirus pandemic has changed the role of sales professionals. No longer able to rely on face-to-face meetings and conventional interaction through lunches and conferences, they have had to revisit their approach to relationship building and the assumptions their go-to-market strategies have traditionally been based on.

Companies have been forced to adapt their products and services to be able to continue to operate during the pandemic. In a study by GetApp UK, 22 per cent said they started offering their services online and more than a third said they have adopted new online sales and delivery channels, including online marketplaces or taking orders via a website or app. To facilitate this change quickly, 25 per cent reduced their product portfolio, 21 per cent changed their pricing structure and 20 per cent added new payment methods.

Despite this, four in ten London businesses are still hitting no sales targets, according to research by HubSpot. This is perhaps unsurprising when considering the finding that half of companies have made no changes to support remote selling this year. The most common issue for salespeople, noted by nearly two thirds of survey respondents, is difficulty in building relationships with prospects, so management teams must support them to overcome challenges while leading the pivot to new opportunities.

For Nordic Garden Buildings, a UK-based manufacturer of free-standing PVC garden buildings, switching its entire sales funnel earlier this year was vital for its survival. Before the pandemic, all its greenhouses, summer houses and orangery customer installations came from garden centre dealers. But as the first lockdown closed garden centres, it also effectively shut down its sales channel.

Reading about the impact COVID-19 was having on care home visiting, director Justin Williams saw an opportunity to pivot the company's sales operations while also playing a positive role in the pandemic.

As care homes sought to implement social distancing, it was clear many would benefit from an extended footprint. Nordic's PVC-u and glass pods allow for separate entrances for visitors and residents, and are fitted with the necessary screening and a speaker system to enable families to communicate without the risk of virus transmission. The company soon secured a contract with a national care home group to supply 45 pods. Meanwhile, it has also adapted its sales practices by embracing digital platforms.

"You can't be afraid to adapt and pivot to market conditions," says Justin Williams, European divisional director at Nordic Garden Buildings. "Off-plan sales using computer-generated illustrations and online brochures and floorplans have kept our customers interested and informed. Social media channels have been the networking events and pitch rooms of the pandemic. Tools like LinkedIn Sales Navigator have come into their own and we then talk to customers via Zoom. Many clients have found the experience much improved with a reduced number of sign-off meetings before a decision is made."

The Keyholding Company is another company that had to transform its service offering and sales operations practically overnight when the UK first entered lockdown. With most of the high street shut down, there was no need for the company's lock and unlock service. Instead, with all these shops sitting empty, regular patrols were needed to check they were secure. Over the course of a weekend, the Keyholding Company worked with software firm Haulmont to launch an entirely new service to meet this change in circumstances, allowing companies to schedule security patrols online.

Haulmont has also helped restructure the sales operations of Addison Lee, London's largest same-day courier provider and taxi service, with a new click-and-collect delivery service that supports people and businesses by moving office furniture and equipment to homes and providing urgent deliveries for the NHS. The service was created in less than a week by a small team developing a web and app-based booking channel, and customising the back-end systems to handle a new booking flow and delivery process.

"As a wholly unprecedented event, the main learning from the pandemic is that you cannot possibly plan for every eventuality," says Alistair Laycock, custom solutions director, Europe, Middle East and Africa, at Haulmont. "Instead, businesses should build in resilience via flexibility and speed of delivering new services or pivoting existing offerings to meeting new demands. With a modern, truly agile technology platform, you still cannot predict the future, but you can react so quickly that it will seem like you knew what was coming."

> **With truly agile technology, you still cannot predict the future, but you can react so quickly that it will seem like you knew what was coming**

The number of sales operations roles have more than doubled in the last two years, increasing 2.7 times as fast as the overall sales function, according to LinkedIn. Organisations have looked to these sales operations teams during the pandemic as trusted advisers to help steer them in the right direction with a smart, strategic and easily adaptable business plan. Successful sales operations hinge on access to accurate data, embedding it into processes and applying it in a way that supports the business.

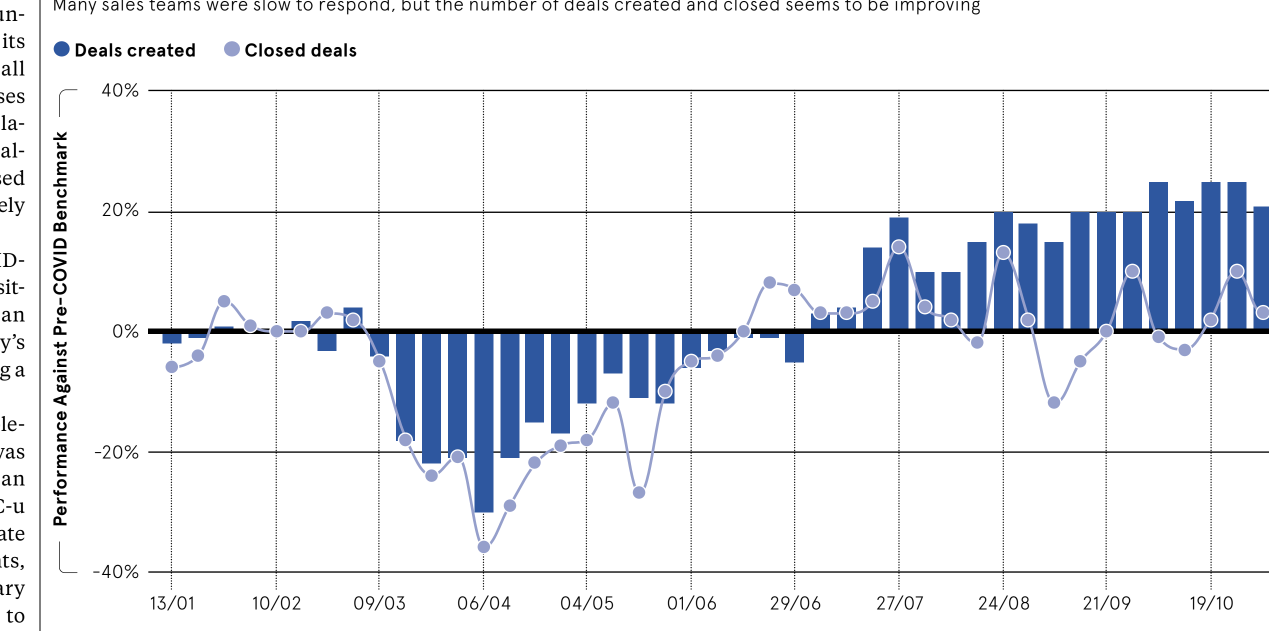
"It's not just about building out a sales operations team; it's just as important to ensure they have access to the information and platforms they require to accurately plan," says Rebecca Schnauffer, director at LinkedIn Sales Solutions, UK and Ireland. "During times of extreme disruption, being able to pivot with speed and confidence is a huge asset. Consistent access to accurate data enables businesses to change direction quickly and make confident decisions. Strategies cobbled together with inaccurate data won't cut it."

Virtual selling practices aren't new. Businesses have been evolving to incorporate them for years and to help scale their sales reach and impact. But COVID-19 has accelerated adoption through the sheer necessity of maintaining relationships with buyers, empowering talent across the sales organisation and identifying new opportunities.

This crisis has shown that companies with the best data and tools to build smart sales plans, and most importantly an agile mindset, will not only emerge the most successful from the pandemic, but will also be best positioned to see through any future crises.

SALES OUTLOOK IMPROVES AS TEAMS GET BACK ON THEIR FEET

Many sales teams were slow to respond, but the number of deals created and closed seems to be improving



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