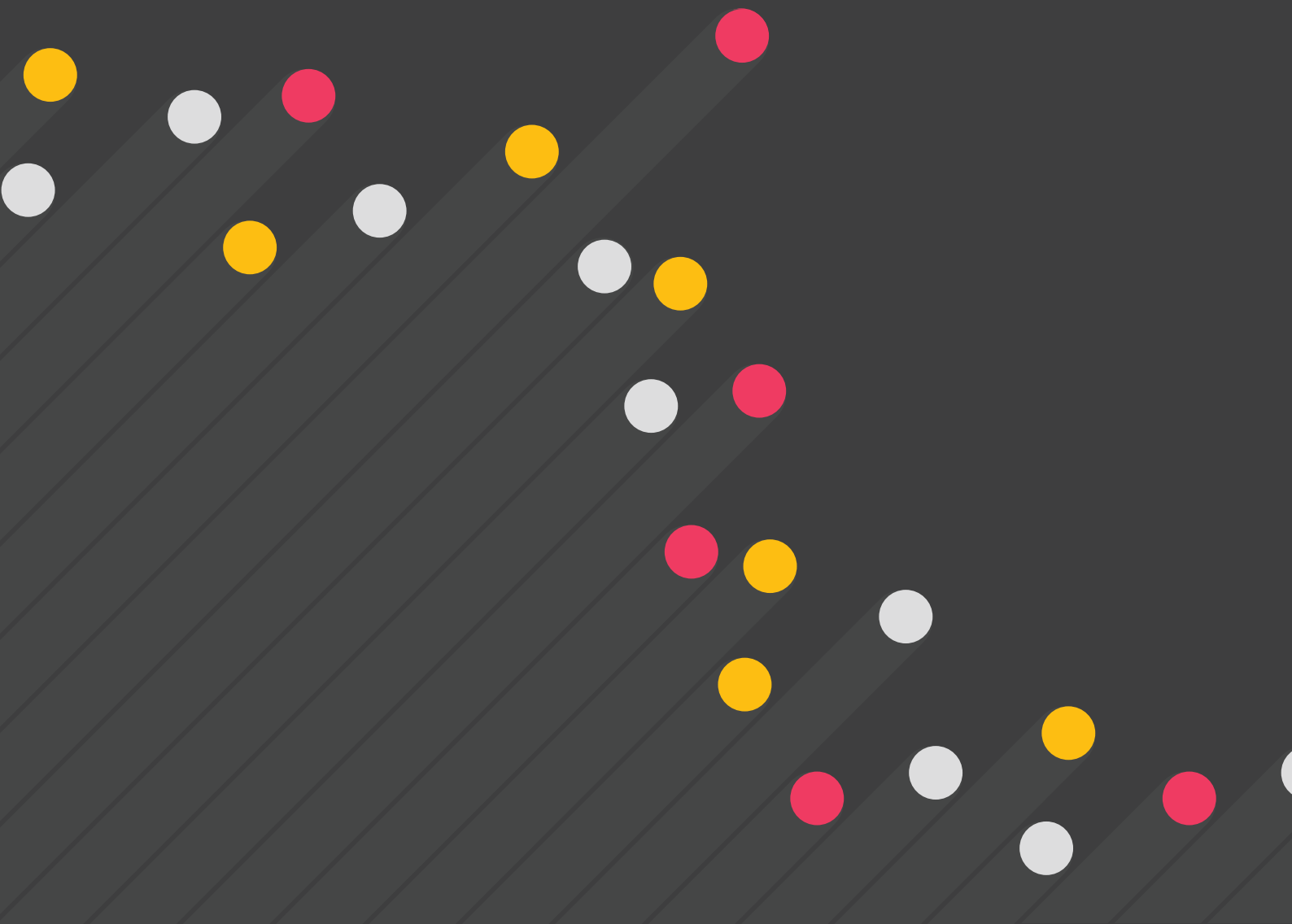


Private Business: The way ahead



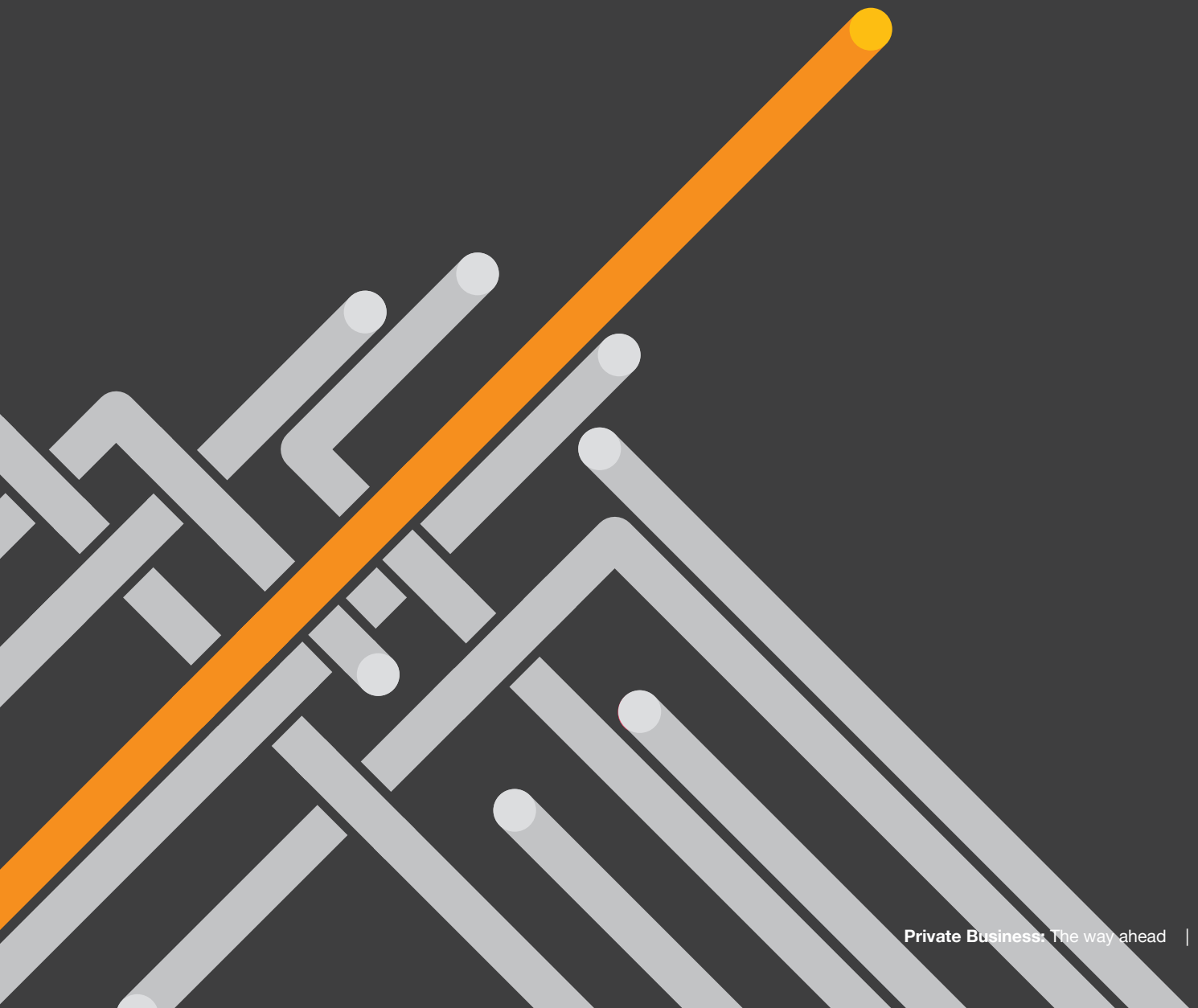
What will we remember, when we look back on 2020? Undoubtedly, we'll think of the hardships: the lost lives; the redundancies; the school closures. But perhaps we'll also recall the small acts of kindness: when neighbours became friends; key workers were celebrated; and people stepped in to help their communities. For many, 2020 was the year our colleagues arrived in our homes, appearing on screens across kitchen tables, in bedrooms and from living spaces, blurring the boundaries between home and work.

In the business community, we saw companies reimagining their role in society – from the Premier League football club that opened its stadium doors for COVID-19 testing to the independent food and drinks companies sending thousands of free meals to NHS staff. And inside companies – across all sectors – we saw countless examples of ingenuity and resilience, as business leaders used a difficult environment as a catalyst for positive change and innovation.

PwC has spent six months talking to private businesses about the steps they have taken to get through a year unlike any other. Here we reflect on the lessons learned and look forward to what they can tell us about the way ahead.



The great pandemic pivot



On 23 March, the UK government announced a nationwide lockdown, setting in motion the biggest upheaval of UK business in modern times. Entire workforces shifted to remote working overnight. International borders closed, with flights grounded. And logistics and supply chains required immediate reorganisation.

One online retailer told us: “When the pandemic first hit, we had an abundance of stock. But maintaining that supply chain became increasingly challenging with so many of our parts sourced internationally. It really exposed some weaknesses in our supply chain owing to a lack of access to certain markets.”

Strong relationships proved a deciding factor in one manufacturer’s ability to keep going. “We encountered no scarcity of materials and no significant price increases and that was thanks in large part to strong supplier relationships,” they said.

Another cited the importance of establishing and maintaining mutual support: “We paid suppliers promptly and in full and we continued orders that had already been made. In turn, we benefited from their support and their loyalty as the crisis wore on.”

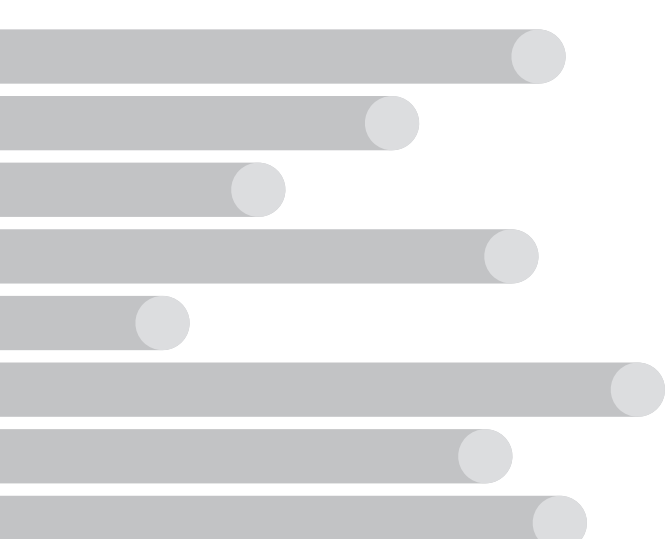
At the same time, companies wrestled with fundamental shifts in demand for different products and services. With more people confined to their homes, retailers saw sales of loungewear and garden furniture soar. Builders’ merchants looked beyond the trade sector to individual consumers tackling DIY projects. And alcohol sales pivoted from the beer garden to the back garden. Even property developers faced new demands – for homes designed to accommodate living, working, schooling and entertaining the entire household under one roof.

Meanwhile, the channels for selling goods and services shifted almost entirely online, accelerating digital transformations that may otherwise have taken years to plan and implement. One food and drinks company saw a 400% year-on-year increase in online sales – and they were far from the only business experiencing such a phenomenon.

While rising sales figures may be welcomed, having the capacity to process requests, house stock and deliver it promptly brought fresh challenges. A beauty products retailer told us they had increased the number of daily orders processed by 200%, while one construction company said: “The shift to online ordering is still driving demand for new physical buildings in the retail sector. But now that demand is for warehouses.”

Indeed, some retailers re-purposed their shop floors as makeshift warehouse space. But even as companies pivoted rapidly, they faced ever-rising levels of customer expectation.

“Some of the tech giants have really set a new bar,” said one merchant. “Next day delivery has become an expectation rather than a luxury, so improving our ecommerce offering will be instrumental to our growth. And fantastic customer service will be a key differentiator.”



Powered by data



Matthew Vellacott, Managing Director at Farol, on how the company's data-driven approach prepared it for the pandemic

"Farol is a franchised dealer for John Deere, the US-based agricultural machinery manufacturer. Over the last 16 years, we've evolved our approach from being heavily sales-focused, to being centred on aftersales care and technology.

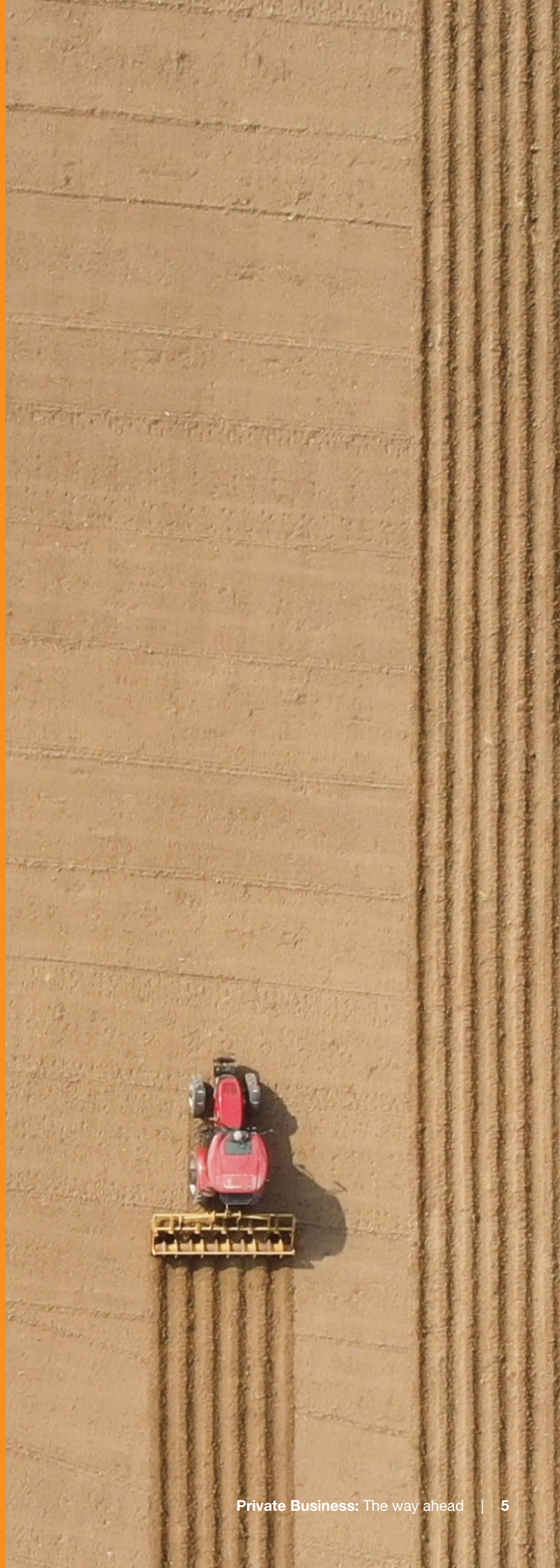
We recognised the fragility of trading day-to-day, at the whim of the markets, so we went through significant cultural change to drive sales of extended service and warranty contracts in a high percentage of new sales. That had an instant impact and allowed us to plan five-year budgets and cashflows, with guaranteed revenues – regardless of market forces.

We also embraced new specialisms and technology in the form of machine data management, where we invested heavily. The emergence of 4G mobile telecommunications was a game-changer, as it allowed for the real-time transfer of machine performance data, which with a little imagination, meant we could get in-field performance data on our machines, with 100% accuracy. We could then use data to optimise machinery remotely, log performance and benchmark operators and their machines. The data-connected machines also had huge benefits to the aftersales business, allowing us to analyse data algorithms from working machines and pre-empt breakdowns.

Internally, we also started using data streams to automate our business management, building workflow and KPI dashboards, as well as managing performance benchmarking and reward.

At Farol, this data automation was developed and implemented pre-COVID-19, which has been hugely beneficial to how we interact with our employees and customers whilst working safely and remotely. The pandemic was largely an unforeseen event, but our investment and commitment to the data revolution has given us a distinct advantage over our competition. In many ways, the pandemic fast-tracked broader implementation and rapidly made us more efficient.

Our 2020 results, as expected, show a small decrease in sales but with a significant improvement in efficiency, which can only be good news for our customers and business alike."



A time for innovation



As the pandemic took hold, the first step for many businesses was to streamline operations, drive efficiencies and maximise productivity. Systems were newly automated, offices were redesigned and teams were restructured to align to products and services offering the greatest return. Working capital requirements were cut and inventories reduced to free up resources for reinvestment in other parts of the business.

Much of that investment was directed towards digital transformation, where even traditional industries made real strides, such as the builders' merchant that embraced data analytics to gain new customer insights, and the house builder that created home viewings in virtual reality.

With so much focus on digital channels, attention quickly turned to the workforce and whether organisations had the necessary skills.

One business leader said: "We have a lot of digital talent at graduate level, but the challenge is the time it takes to train people and prepare them for more senior roles."

For many, the pandemic exposed an existing skills gap to such an extent companies were forced to act. A waste management business that had been outsourcing its digital development started expanding its in-house team.

One education services provider began consciously hiring from other sectors to drive innovation. And some businesses, including those who described themselves as operating in "less conventionally attractive sectors", hoped a competitive jobs market would enable them to attract digital talent.

Elsewhere, companies that had already invested in upskilling reaped the rewards. One construction services company, which established an academy for young apprentices, said the scheme was behind high levels of staff retention. One homebuilder said its sales and management academy has increased loyalty by providing employees real career progression opportunities and a strong company culture. And one recruitment company said it had been rotating digital specialists in and out for two-year periods to get staff upskilled on relevant technology.

In addition to training staff, businesses also moved to protect their people. Hand-sanitising stations, partition screens and social distancing became par for the course, but businesses also established rapid response models that allowed them to adapt to changing iterations of industry operating procedures. Companies invested in fogging equipment to sanitise work stations and one business launched its own track and trace system across its workforce.

One energy distributor said: "It goes without saying that we wanted to create a safe environment for our people, but we took pains to do that while maintaining the family-friendly culture of our organisation."





New World. New Skills



Lewis Miller, CFO, Tenth Revolution Group, on fostering talent and developing the skills to capitalise on the transformational power of cloud computing

“Acquiring the right talent is an ever-evolving challenge. What employers want from the people they hire and what professionals want from their careers is shifting. New roles that demand new skills are being created every day. Even the way we hire is revolutionising, as technology throws up new ways of sourcing, assessing and connecting with talent.

Our goal, amid all this transformation, is to continue to deliver value to the businesses and professionals we work with, and to develop innovative solutions that give organisations access to essential cloud talent. Again and again, we find the most effective path to achieving this goal is through upskilling.

For us, upskilling and reskilling is a career-long endeavour. We have a dedicated learning and development department whose job is to keep an ear to the ground and make sure our workforce is being equipped with the skills they need to help our clients succeed. There’s no hard destination for our staff.

Upskilling is a perpetual motion machine; new skills create new opportunities to improve how we do things. There’s always another goal to work towards and more things to learn.

This approach is one we’re putting to work to benefit our clients too. Operating in candidate-scarce markets and seeing how challenging it is to attract and retain skilled tech professionals inspired us to take what we’d learned about upskilling and use it to solve that problem.

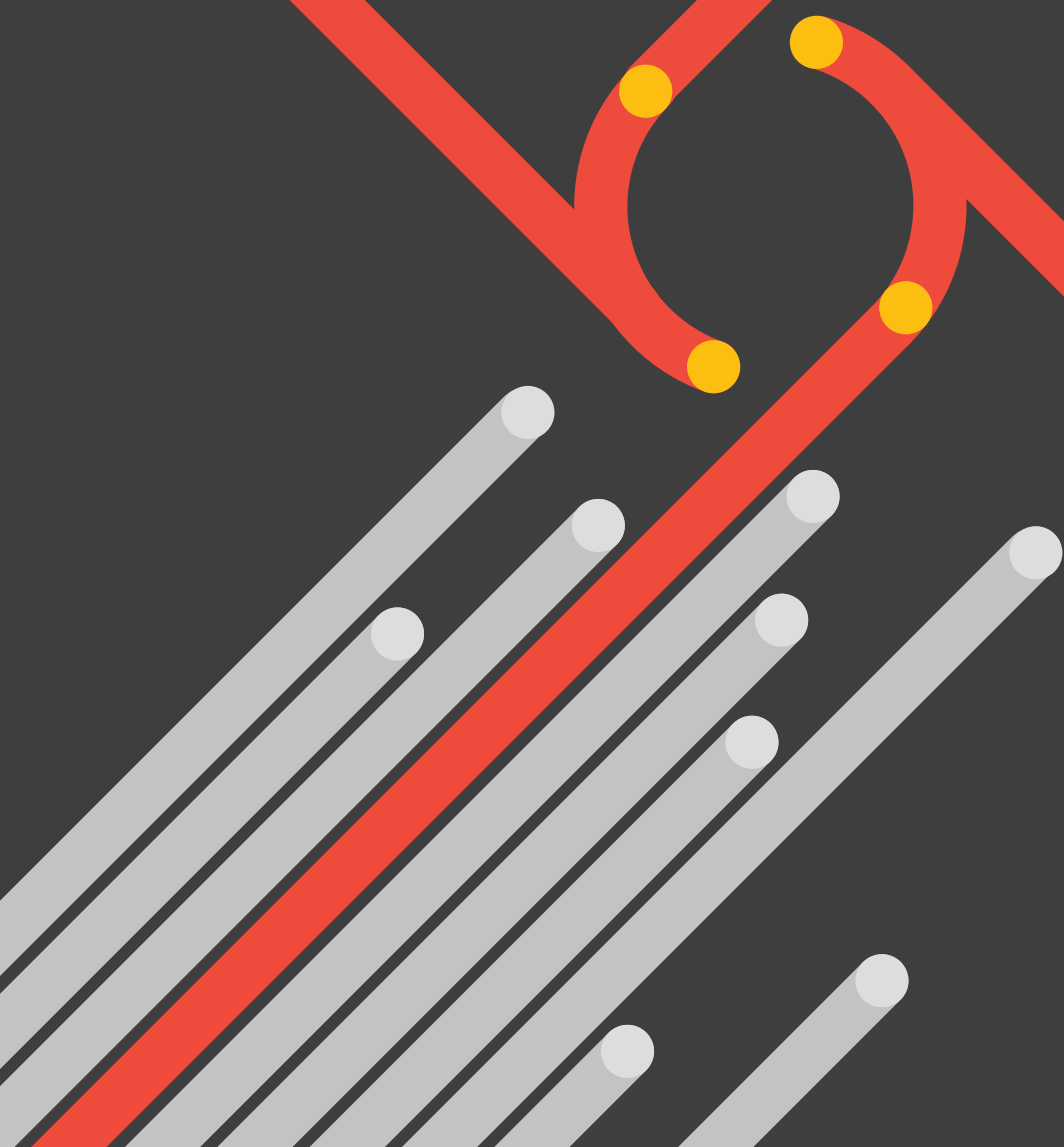
In the past few months, we’ve seen how the status quo can change in the blink of an eye. The pandemic is driving more businesses to the cloud. Even pre-COVID-19, there just wasn’t enough specialist talent to go around. Now, there are more businesses fishing from the same pond than ever. As the world goes digital, the talent squeeze is only getting worse. Companies can no longer rely solely on external skills to paper over the gaps.

We developed our talent creation brand Revolent to cross-train tech professionals in the most skill-strapped areas. Through this endeavour, we’ve seen the impact reskilling can make. If businesses are to weather the current storm, taking that kind of flexible, progressive approach is essential.

The way we live, the way we work, and the way we access services are all changing as we continue to adapt. Some skills will fade out, and new skills that help businesses pivot toward a digital tomorrow will be in demand. Future-proofing your organisation and ensuring you have the necessary skills to keep moving forward is vital – especially as we prepare ourselves for what is likely to be another unpredictable year.

While businesses may not have the hard skills they need right now, that doesn’t mean they don’t have the talent and the potential to develop them. Create a skills gap analysis, map out where you want to go, and build pathways to help you get there. You might be surprised what your existing workforce can achieve if you give them the right tools.”

Beyond the financials



Values, purpose and sustainability increasingly took centre stage in 2020. Across different sectors, leaders saw the pandemic as a moment to take pause and consider what they wanted to stand for – and what legacy they would like to leave behind. “We want to grow a sustainable business, with a purpose, which does lasting good,” said one CEO.

With the increase of online shopping through the pandemic, retailers moved towards fully recyclable and compostable packaging in response to feedback from environmentally-conscious consumers. And across the construction industry, businesses cited a move – or an ambition to move – towards more sustainable materials, powered by renewable energy sources.

In a bid to protect jobs, some CEOs decided to forgo their own salary, while management teams agreed to pay cuts. One company rallied around its mission to feed people and began offering a direct route to market for suppliers' goods – a step it wouldn't have considered but for the pandemic. Elsewhere, a property developer put 'place making' at the centre of its model. Rather than simply creating buildings, it prioritised the creation of communities, with amenities and green spaces to foster greater togetherness.



Business at its best

Daniel Levy, Chairman, Tottenham Hotspur, on how the club responded to COVID-19 and put its new stadium to work supporting the NHS and local community

“Tottenham Hotspur is a football club firmly rooted within its local community. We sit within one of the most socially and economically deprived wards in the country. When the pandemic struck and football shut down indefinitely, we immediately turned our attention to how we could support those most in need on our doorstep.

It was clear the greatest asset in our response would be our fantastic new stadium. Although designed as a multi-purpose venue, we could never have imagined how it would be utilised during these extraordinary times.

We were particularly keen to support our NHS in any way possible and reached out to the local North Middlesex University Hospital Trust. At first, we envisioned this would involve drive-through COVID-19 testing via our basement car park. This was quickly established and continues to this day. However, when our North Middlesex colleagues visited the stadium, they saw a much bigger opportunity with the incredible spaces on offer. Our staff worked with them over the Easter weekend to convert a huge area of the stadium, incorporating the dressing rooms, media areas and

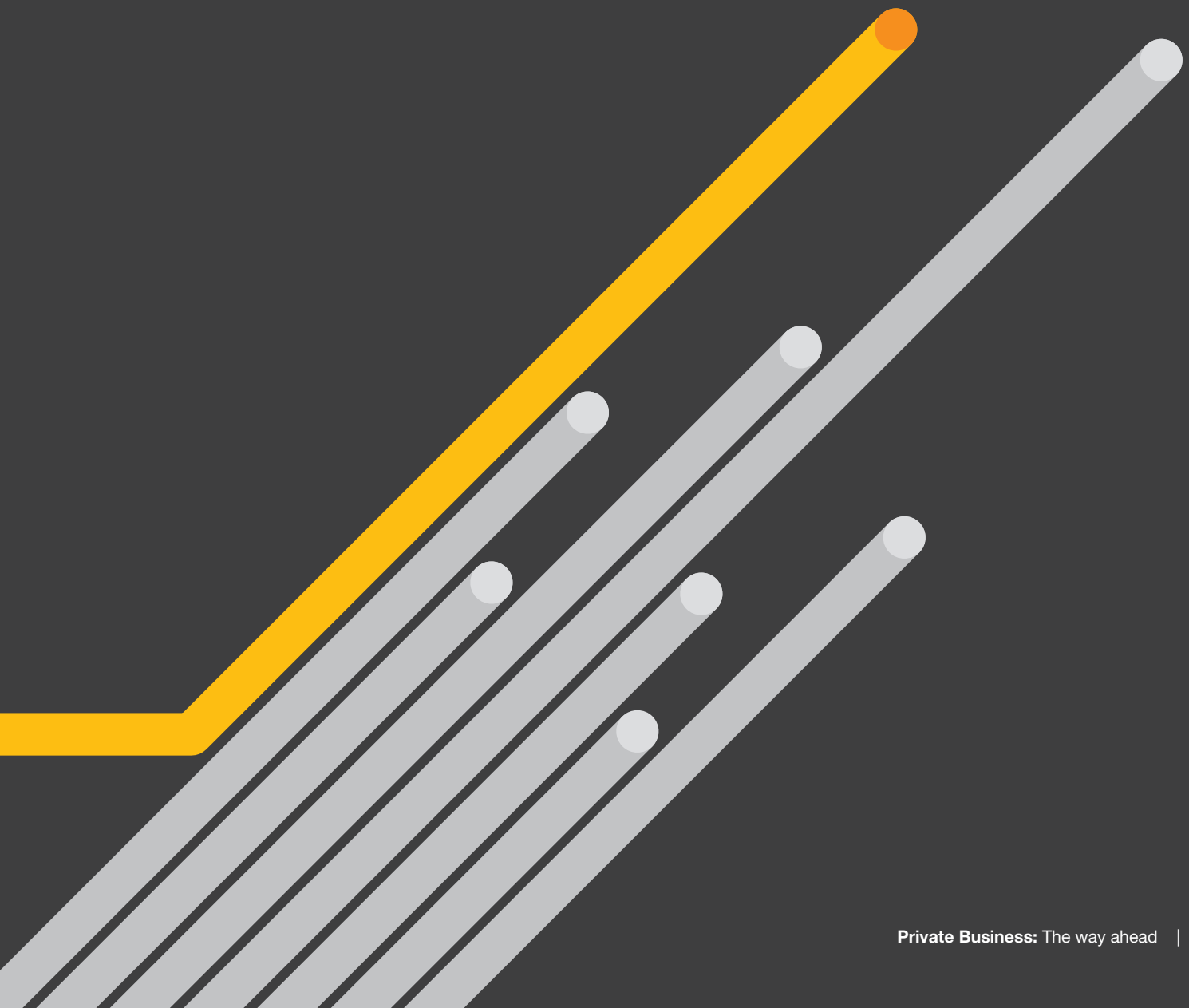
admin offices, into a new home for women’s outpatient services. This was vital in not only creating more space at the hospital itself to deal with the surge of COVID-19 patients, but also supporting the redirection of pregnant women away from the main hospital. Between April and July, more than 42,000 appointments were delivered at the stadium. We continued to accommodate the clinic even after football restarted in June and we were sorry to see them leave when the time came for staff to return to the hospital.

Haringey Council also utilised our huge car park area as a food distribution hub, serving vulnerable people locally. We made weekly deliveries of fresh fruit and veg from our training centre kitchen garden to the hub, with the help of our head coach Jose Mourinho. We were also delighted to see staff and students at London Academy of Excellence – the sixth form college, sponsored by the club, on our stadium site – utilising their state-of-the-art DTE equipment to produce thousands of face shields for local hospitals and GP practices.

The COVID-19 pandemic has been incredibly tough for all of us, yet it has reminded us once again that we are so much more than a football club, and I am proud of what we have been able to deliver for our local community during these times.”



The road ahead



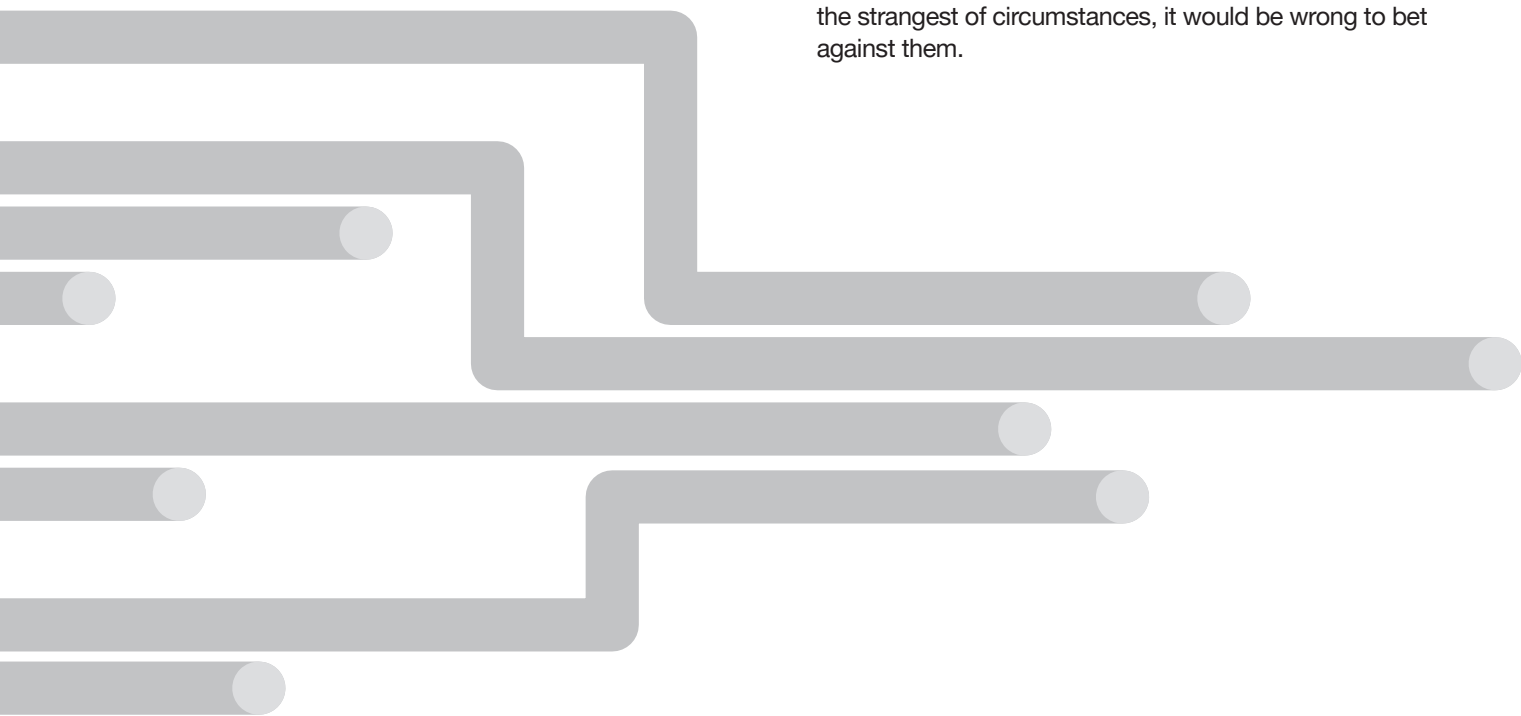
As we begin to move through 2021, this new chapter will pose its own challenges.

The COVID-19 vaccine offers hope, but the aftershocks from this coronavirus will continue even after the disease is behind us. And after years of deadlines and delays, the Brexit transition period has now ended and companies must wrestle with changes to how they move goods, people and data to and from the EU.

Leaving the single market and customs union will impose significant extra costs on UK businesses. However, an 11th hour Brexit agreement has avoided the shock of a 'no deal', stabilising trading with the UK's closest partners and leaving the door open for building on the deal, as well as forming new partnerships around the world.

Meanwhile, liquidity in the market suggests the bounceback from COVID-19 may be stronger than after 2008's global financial crisis. Optimism also remains around some of the changes ushered in during the pandemic, from ways of working, to geographic diversification, to the reimagining of the high street as a driver for increased online activity.

Asked about the outlook for their own business, most leaders were bullish about their prospects. Given all they've achieved in the strangest of circumstances, it would be wrong to bet against them.





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Arif Ahmad, PwC Private Business Partner, on what to expect in 2021

“Looking ahead, I would point to three areas where we’ve seen a marked shift in the private business community, which look set to endure.

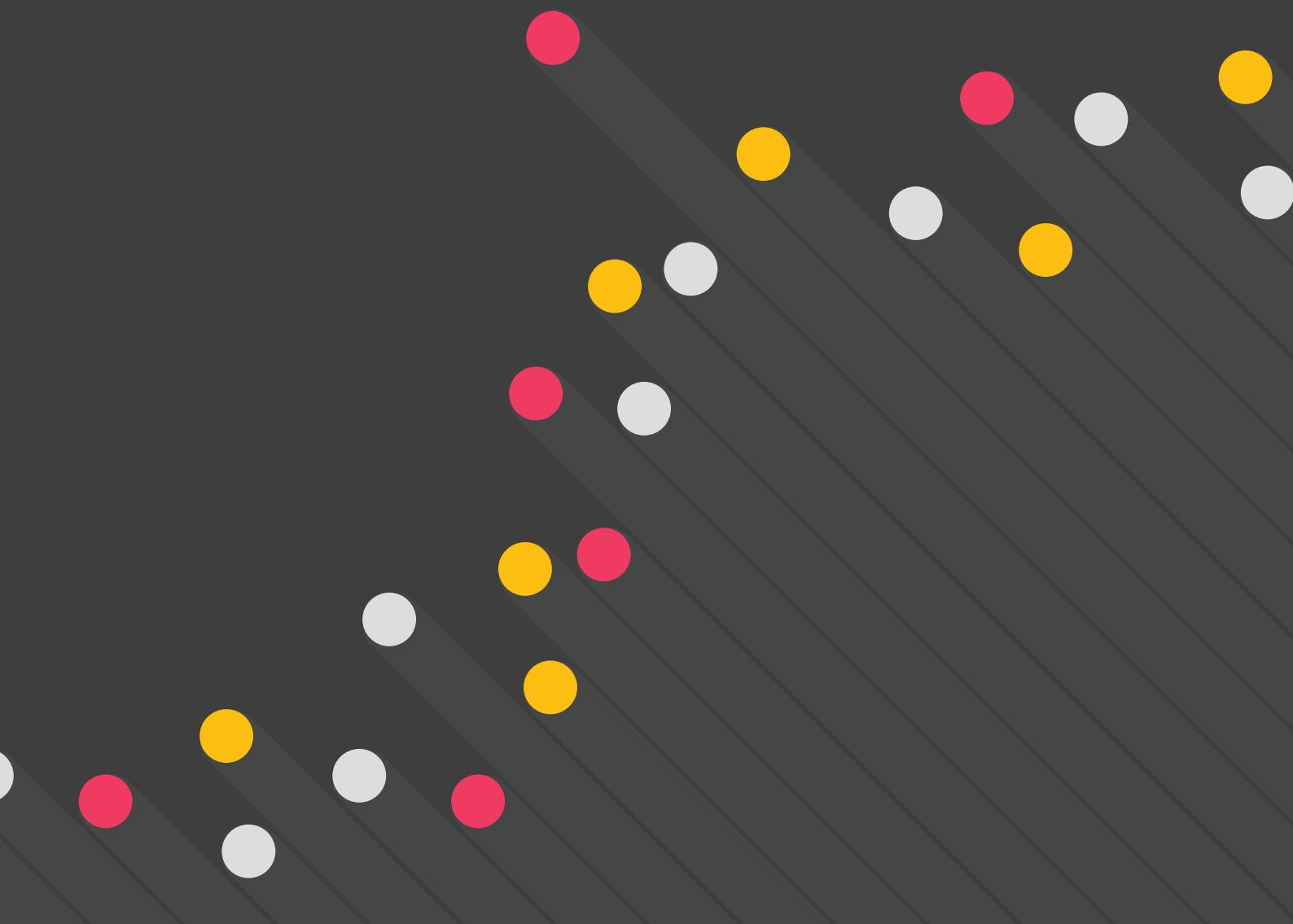
The first, unsurprisingly, is with home working. In April 2020, almost half the people employed in the UK were doing at least some work from home. Initially, business leaders really struggled with the dispersal of their core teams, but as it’s become the norm for many, it looks like the move towards remote collaboration is here to stay – 86% of respondents said as much in our survey of UK CEOs.

Secondly, digitisation is showing no sign of abating. In fact, 59% of UK CEOs say that a top priority is to transform their core business operations from a digital perspective. Unsurprisingly, the focus on nurturing, attracting and retaining talented people – with the right skill sets – will be key to delivering against those commercial strategies.

Finally, we talk a lot about legacy in the private business community – and throughout the pandemic we’ve seen a renewed focus on the role of business leaders in building a better tomorrow. In a difficult environment, acting sustainably and responsibly can support local economies while also conferring competitive advantage by engendering brand loyalty from consumers. That will continue to be a focus in 2021 and beyond.

2020 was the year that drove change. Expect 2021 to be the year that cements it.”





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