

A photograph of a person standing on a dirt road in a rural landscape. The road is light-colored and curves through a field of dry, brown vegetation. A bare tree stands on the left side of the road, and a tall utility pole is on the right. The background shows a flat horizon under a pale sky.

Phoenix Change Management Limited

The Covid Story...7 months later

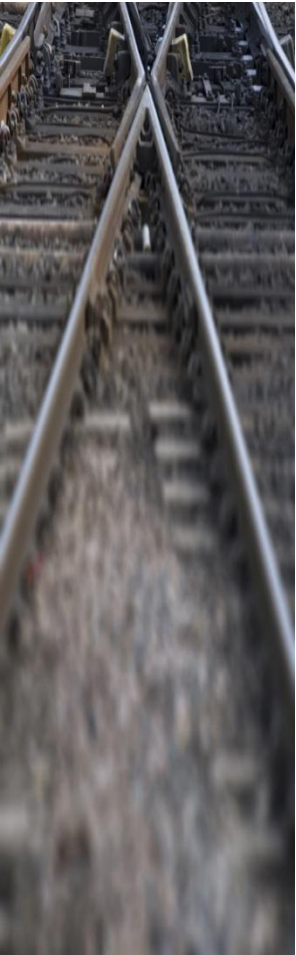
Client Survey 2 – August/Sep 2020



Contents

Client
Conversations

Respondents
Financial Services results graph
Non Financial Services graphs
Commentary
Actions



“Change is the law of Life. And those who look only to the past or the present are certain to miss the future” JFK

Survey 2 Respondents

CC2020 'community' now 50+ and growing.

80% of survey 1 responded to Survey 2.

Leader- 60% CEO/Chair/founder.

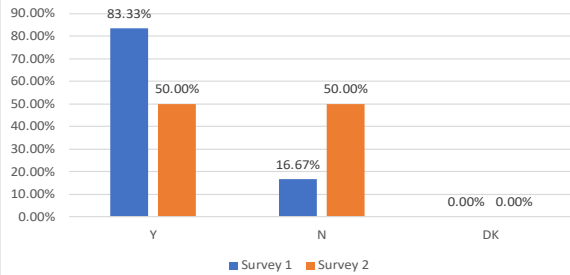
75% board level

40% Financial Services / 60% Non Financial Services-

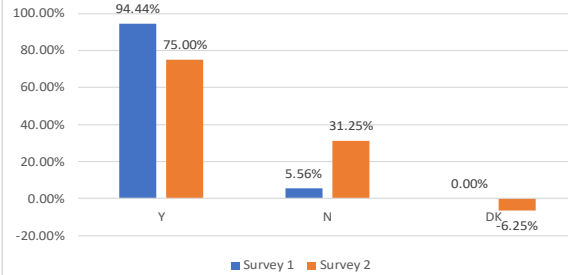
[this is a change from Survey 1 which was 50/50]

FinServ-Surveys 1 & 2

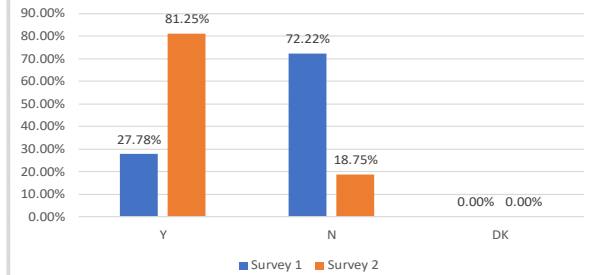
Do you see the context as clear?



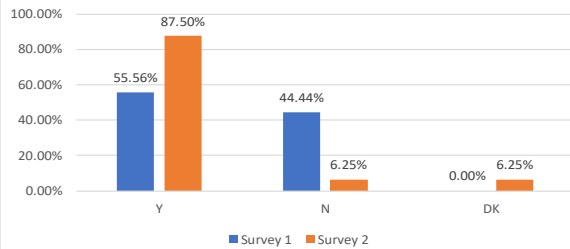
Is the context a threat?



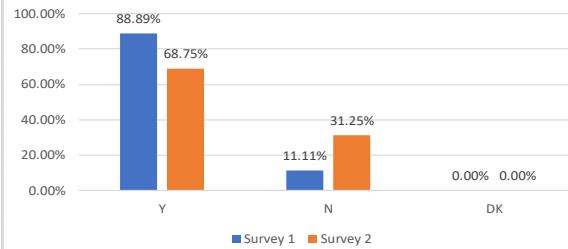
Will the recovery take longer than first thought?



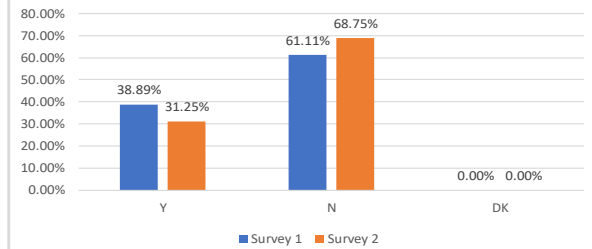
Are you planning technology changes to improve product / service delivery?



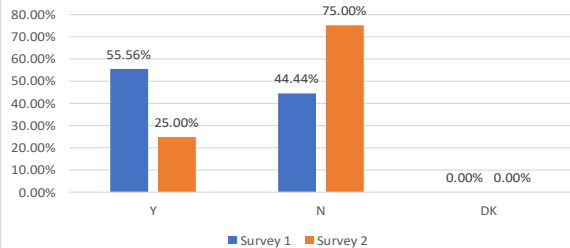
Do you agree current cost structures are unsustainable?



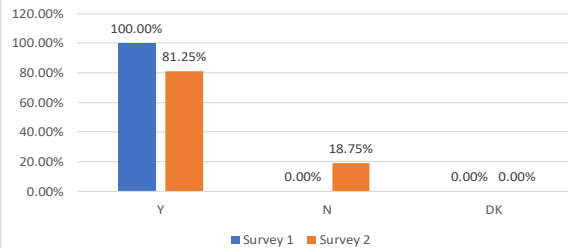
Do you fear insufficient demand for more than 1 year?



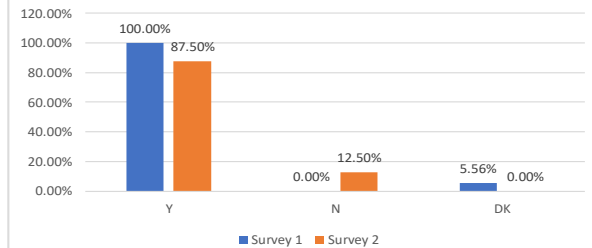
Are you confident the macro support will be enough?



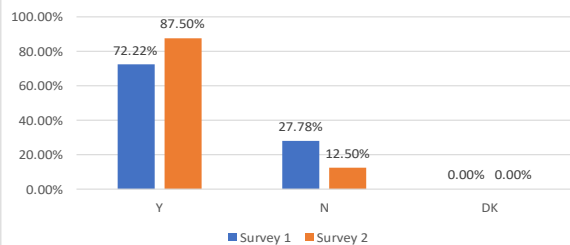
Is your organisation capable of managing costs down?



Is digitalisation/technology change needed to reduce hidden costs?



Do you see a culture change needed in your organisation?



FinServ Observations

No / Little change

- Context remains a threat
- Costs still viewed as unsustainable, but weaker sentiment
- Respondents remain confident in capability to manage costs down

Significant change

- Context is more unclear
- Less concern about demand over the next year
- The recovery will be longer than originally thought [<1 yr]
- More clarity that technology is needed to make change
- Less confidence in the macro support
- Stronger view there is a need for culture change

NonFinServ-Surveys 1 & 2



NonFinServ Observations

No / Little change

- Context remains clear, but less so
- Plans for technology led change remain strong
- Concern about demand over the next year remains
- Remain confident in capability to manage costs down
- Costs are unsustainable remains high
- Lack of confidence in the macro support remains high

Significant change

- The perception of threat is much weaker
- Major change in view that recovery will be longer than thought
- More support that technology needed to make changes
- Less of the view there is a need for culture change

Sample quotes; In your own words!

- ***“Business liquidity will come under pressure again, and there must be a non-bank channel...to get funding to businesses quickly” [Investor]***
- ***“Once furlough is finished there will be a mad dash to revisit cost reduction, you cannot run a business with only 20% of your expected revenues.” [infrastructure]***
- ***“I believe the financial damage and mental health issues.. will be as damaging as the disease itself” [security]***
- ***“We can’t rely on the government to do everything, business has got to learn how to survive in the present climate.” [infrastructure]***
- ***“Some 30 countries are trying to nullify Covid independently rather than have a combined strategy.....The world cannot stay in lockdown forever...it is the death rate that needs focus not the number of cases.” [banking]***

Sample quotes; In your own words!

- ***“effectively managing costs essential in a cyclical business”
[semiconductors]***
- *“we knew from the outset it was going to be a long haul, but there are no real long term plans. It has been very much a ‘hope for the best’ scenario throughout” [security]*
- ***“technological change is a continual process, not because of Covid”
[semiconductors]***
- *“we are heading into winter when symptoms, that may or may not be Covid, will increase, we need an effective test and trace capability, which will be critical to business continuity” [investor]*
- ***“the financial cushion of furlough was beneficial, but businesses need to find a way to reboot momentum.... of pre-Covid levels”[insurance]***

Sample quotes; In your own words!

- ***“Strong leadership at Board level is now more important than ever. The ability to re-assess strategy, identify opportunities, inspire and motivate colleagues will distinguish successful companies”[business support]***
- *“There are so many industries affect....Finding the ‘new normal’ is now an urgent task for both industry and government”[construction]*
- ***““Old jobs’ and organisation configurations are under pressure and may receive less support. New jobs and businesses will be needed. New operating models are needed to replace existing travel / office concepts.” [consulting]***
- *“Air travel and airports are in deep financial stress with outlooks to 2023/24 for a stable and viable trading level”. [airports]*

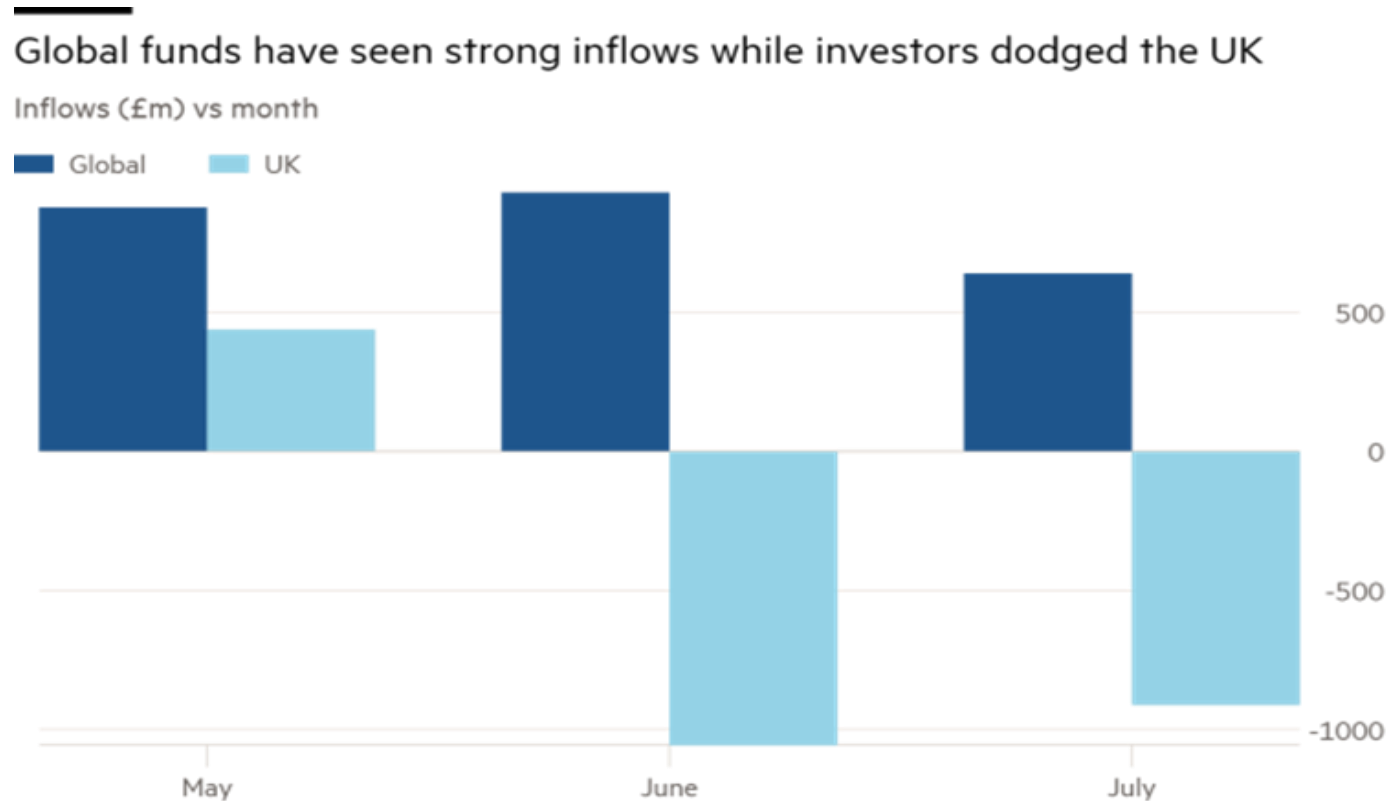
Commentary

- We have observed a change of emphasis in some areas.
- The time to recover is the major difference for all respondents. Clearly it is going to take longer. As one respondent stated “the solution to Covid is unclear...there is no known solution” at present. As a second wave seems to be evident there is no room to manoeuvre for so many sectors without major support for costs.
- There is also an underlying recognition that ‘the government’ is not responsible for everything and cannot solve many of the problems business face. This presents a conflicting pressure for ‘someone to do something’ when most accept it is also down to businesses to solve their own problems.
- FinServ sectors are pushing hard to make radical change happen. Alliances between established financials and new FinTechs are growing. Open banking raises serious questions over conventional business models in banking. UK is the leading economy for FinTech VC investment. Major changes to business models and culture seems inevitable.

Message from Phoenix

1. The macro context is not coming to the rescue. Treasuries and Central Banks will enable stability but they appear to be preparing for closures and unemployment. Investors have less confidence in UK outlook at present. Fear and frustration are the dominant emotions. Companies need to be active in shaping their future business models.
2. All businesses are challenged to manage their costs more effectively. Most respondents are confident about cutting costs, but are they confident about managing costs? New business models require greater cost transparency and more dynamic cost management. A business ecosystem that is based on networks and partnerships demands transparency.
3. Remote and virtual is the new normal, 'getting back' to the old normal is a dead end for many more organisations. Investors, managers and employees are adjusting to their new circumstances.

Message from Phoenix-investors not so keen on UK at present



Source: Investment Association
© FT

Message from Phoenix

4. As a second wave seems to be evident there is no room to manoeuvre for so many sectors without major support for costs. The issue at this stage is that winter may prolong any virus symptoms and we are already being told this is a 6 month scenario. This indicates a prolonged restriction for many businesses affecting demand generally and pressuring certain sectors in particular like hospitality /commercial landlords/travel/retailers.
5. The timing of this second wave coincides with Brexit coming to a head creating potentially a perfect storm of pressure affecting investment decisions.
6. There can be no hiding place for weak cost management and a culture of cost awareness and active management means a deeper competence with managing costs which will challenge behaviours. Old business models 'carry' overheads. New business models justify the value of everything.

Message from Phoenix

7. The Algorithm offers a vision of a 'manager free or almost manager free' organisation. New business models can embrace bold ideas about near-zero overhead / near-zero managers / fluid and transparent supply chains. Can old management cultures adjust to that way of thinking?
8. Most businesses need to objectively restructure. For many this will be best done by enlisting the support of experienced high quality external advisor's to support making and implementing the hard decisions.

Next Steps

- The Phoenix 'community is 50+ and growing and can be a support for each member.
- Phoenix wishes all respondents well and thanks them for their time and contributions.
- We will maintain contact with everyone to track progress and in the next 6 months hope to hear from you all again in our next survey.
- We have made some direct contact with some parties regarding Effective Cost Management and Culture [ECMC] as a basis for developing processes, tools and culture to manage costs more effectively.

Next Steps

- We will continue to support you directly with advice and hands on input where desired.
- We intend to publish further papers and commentary on the theme of ECMC with ideas and news of progress.
- We encourage all respondents to avoid waiting for the macro context to change and to change the situation to your favour.

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