

Business Impact Survey - a Guernsey focus

Grant Thornton are pleased to share the results of their Channel Islands COVID-19 Business Impact Survey. This business focused survey (and subsequent Business, People and Culture Survey) has provided some useful data which we very much hope will help Channel Island businesses and Governments in shaping their recovery strategies and actions over the coming weeks and months. This document focuses exclusively on Guernsey and draws from a number of independent sources.

May 2020



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About the author



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Experience

Susie is a Director and heads the Human Capital Advisory team. Susie and colleagues offer a range of culture, business strategy, human capital, board advisory and evaluation services to a range of stakeholders across the islands.

Susie has a wealth of board level Human capital experience having worked for a range of blue chip companies and she also holds a number of Non-Executive Directorships and is the founding Director of the charity Bright Futures LBG.

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Introduction

Modelling of the economic recovery from the COVID-19-induced recession is largely dependent on the success of measures intended to contain the spread of the virus. Most prominent economists suggest that the recession will follow a U-shape, with strong recovery in 2021.

This scenario, however, assumes the successful containment of the virus after the first wave via social distancing and lockdown measures. Alternatively, should containment measures prove insufficient or should measures be lifted too early, the virus could come back in further waves. Additional waves of viral infection would likely result in muted economic recovery, modelled as an L-shaped recession. The data presented within this report is a snapshot of local business perspectives based on their experience of this pandemic thus far and an indication of business confidence levels post lockdown.

COVID-19 has required mass digital adoption, with varying levels of success. We know, for example that users at online meeting tools such as ZOOM saw an increase in user numbers by 20x, whilst MS Teams saw an increase of 3.7x in March 2020. For large parts of the economy virtual operation will remain and be enhanced to improve efficiency in a

recessionary climate. We have experienced decades of acceleration in months, leaping people and businesses into the future of work; the new normal. Our research highlighted a stunning 60.6% of respondents have a desire to split their working time between the home and office (in Guernsey) with 84% of respondents in Guernsey confirming that they have revised their remote working practices policy during the lockdown. Wellbeing and employee safety however will need to be revised as respondents across both islands cited a decrease in overall wellbeing referencing the emotional, psychological and wider mental health challenges suffered during the lockdown, especially those with families.

The impact of the novel coronavirus and the resulting containment measures have resulted in multifaceted and significant changes in business and people behaviour. We hope that the findings in the short report are useful in assisting organisations and governments on their road to recovery.



The high level results

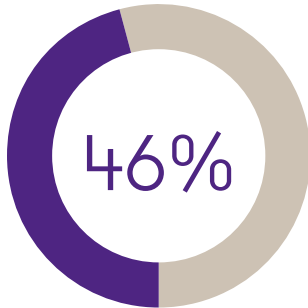
The COVID-19 pandemic has put a significant number of jobs at risk as governments enforced a lockdown to protect the health of our communities. This inevitably has caused, in some cases and across some sectors, grave economic consequences. Examining the impact on specific sectors, occupations, and demographics can help business leaders and decision makers to shape targeted and rapid responses. The Grant Thornton COVID-19 Business Impact Surveys make for an interesting read. The data, collected from over 500 respondents suggests that, the financial services sector has weathered this storm well, at least in the short term and by economic performance indicators, with firms citing a maximum

of 5% of employees are at risk of losing their jobs, with women facing a slightly higher level of risk of displacement. With financial services demonstrating resilience, many may breathe a sigh of relief, however, our sector spotlight reports on Hospitality and Retail are already highlighting a very different situation.

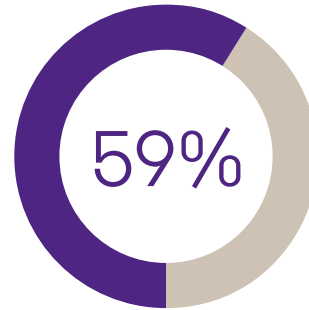
This disproportionate impact on hospitality, retail and construction will require careful thought in shaping its sustainable recovery. A further "Spotlight" report is being conducted on the Retail Sector which we hope to share shortly in partnership with the Guernsey Retail Group.



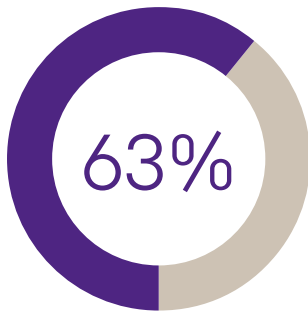
Economic impact insights



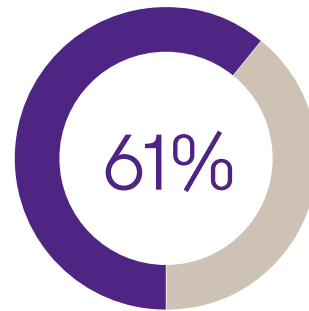
of respondents expect it will take 12 months for their business to recover.



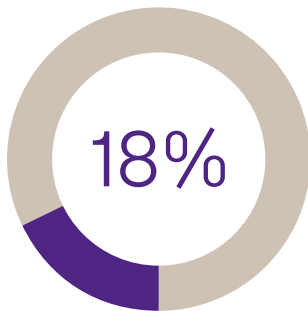
of respondents have experienced their turnover to be negatively affected by up to 50%, whilst some **41%** have experienced a fall of over 50%.



of respondents have experienced a 50% fall in cashflow, whilst some with **37%** have experienced a fall of over 50%.

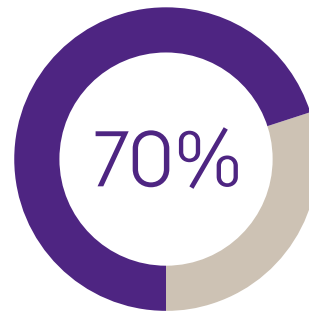


of respondents have experienced a fall of up to 50% in profits, whilst **39%** have suffered a fall in profits of over 50%.

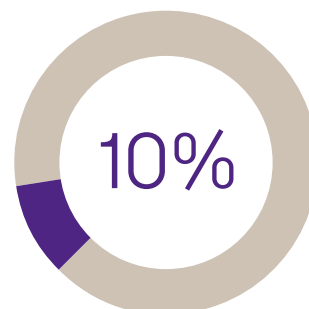


of respondents expect their debt levels to increase to beyond 50% (largely made up of those from the hospitality and tourism sectors).

This tells us that different industry sectors have been affected disproportionately. Finance anticipate minor financial or headcount impact whilst the small business leader is severely suffering with a sharp fall in revenue driven by a fall in demand. Those in hospitality and tourism are hurting most of all with **46%** of total respondents stating it would take 12 months + to fully recover.



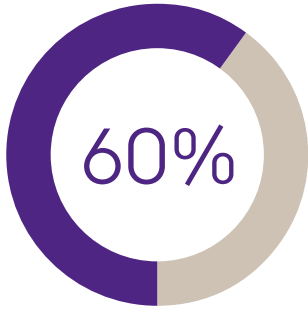
of financial service respondents expect their level of debt to increase by no more than 10%, whilst respondents from other sectors (**23.5%**) stated that their ability to access financial resources had negatively changed during the COVID-19 era.



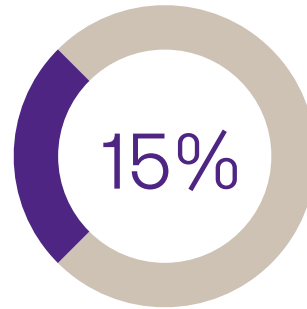
businesses classified themselves as being “not resilient” whilst **57%** stated that they were quite resilient.



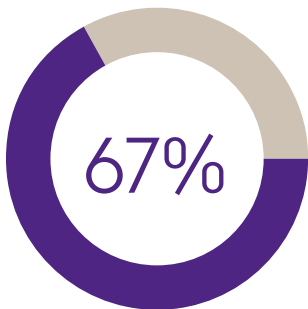
Social impact



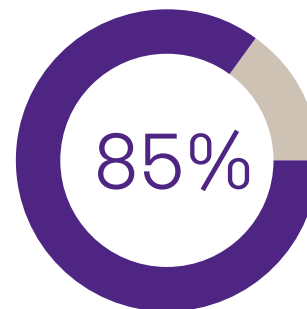
of respondents said that they would spend their annual leave in the Bailiwick.



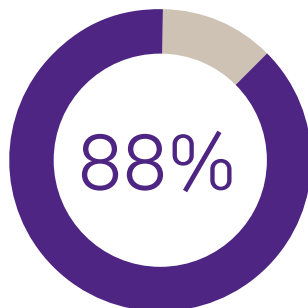
of respondents cited that they would begin to travel to other jurisdictions within one month. Whilst **33.3%** said it could take 6 months and **33.3%** suggesting up to 12 months before they start to travel outside of the Bailiwick.



of respondents cited that they would be “likely” to meet business colleagues in cafes or restaurants post lockdown.



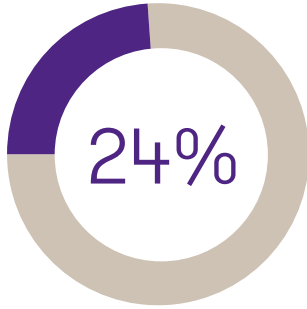
of respondents cited that they would be “likely” to meet friends or family in cafes or restaurants post lockdown.



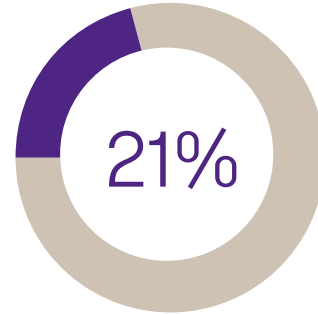
of respondents cited that they would shop on island for nonessential items.



Wellbeing



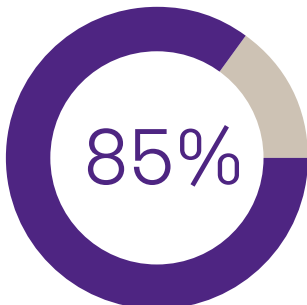
of respondents cited their wellbeing below 5/10 whilst 27% rated it as 8/10.



of respondents cited that their teams had suffered with "low" wellbeing during the lockdown whilst 21% had cited their team wellbeing as "high".



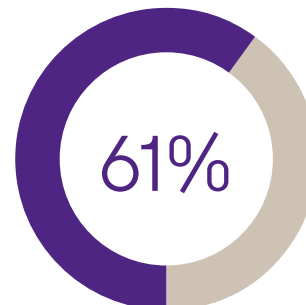
Technology



Decades of acceleration in months – a shift towards a more digital workplace but much more needed. 84.8% of respondents confirmed that they have altered their remote working policies.



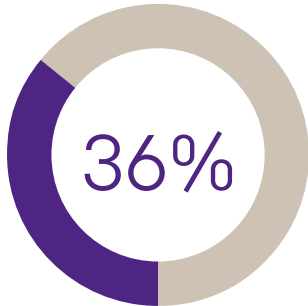
Strategy & business models



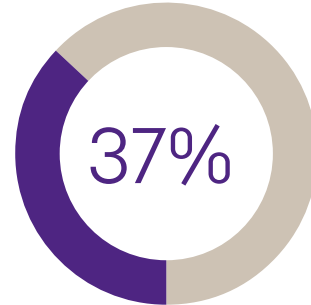
of businesses are reviewing company culture as a result of COVID-19. The majority of respondents cited that they would review their business model post lockdown which will include flexible ways of working, embracing a more technology enabled style of operating.



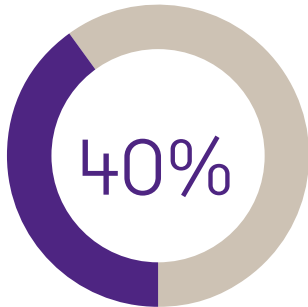
Human capital



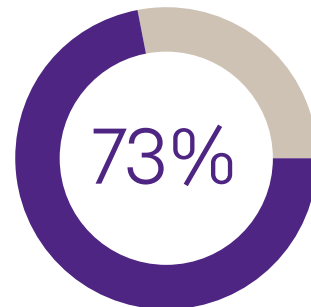
of respondents cited a seamless transition to online learning and development activities during the lockdown, whilst **18%** cited it as extremely challenging.



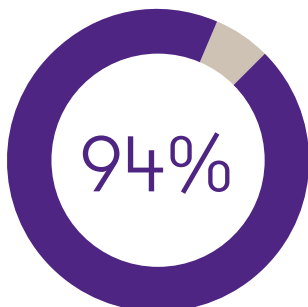
of respondents cited the on boarding of new staff as "not challenging at all" whilst **11%** cited it as "extremely challenging".



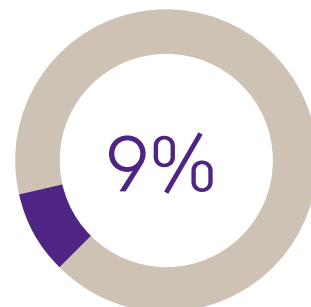
of respondents cited the recruitment of new staff as "not challenging at all" whilst **19%** cited it as being "extremely challenging".



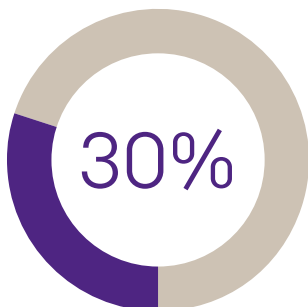
of respondents cited that they would make better usage of digital learning solutions post lockdown.



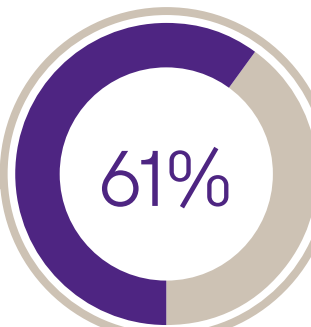
of respondents cited that between 0-20% of their workforce had been signed off sick during the lockdown.



of respondents stated that they would like to continue to work remotely post lock down.



of respondents stated that they would "definitely" like to return to traditional working in an office.



however stated that they would like to split their time between the home and office environment.

Concluding thoughts



The data collected has provided us with a rich insight to how different organisations, across different sectors have adapted to COVID-19. Top takeaways are listed below:

- The Future of Work will see more people working remotely who are technology enabled
- Business leaders are considering how to build back better
- Burnout could be looming as some employees express that they struggle to work from home, home school children and continue with other responsibilities. Clearly homeworking has worked for some but not all. Whilst further profile work will need to be done to understand which demographic cohort(s) were affected most of all, it is typically younger workers who are living in small flats or young parents in a small house, typically without any outdoor space, that have found the lockdown very challenging, citing “loneliness” and a lack of human interaction with colleagues as a cause of anxiety.
- Flexibility of working is key
- Retail, hospitality and construction (sectors hurt most of all) will require significant government support by way of promotional activity (buy local) and subsidised packages (for hotels) and reductions in rent to support a pragmatic but sustainable recovery.
- Type, quantity and quality of jobs across the market should be reviewed
- Adapting employee skills and roles to the post pandemic ways of working will be crucial to building operating model resilience.
- Internal communications have been an area of organisational weakness. As we reset our strategies for the next chapter of normal, internal communications, better training options and employee wellbeing support will be required.
- Glossy, expensive buildings may not be required
- A shift from a life of fast moving convenience to higher quality work life balance
- Less travel (business and personal)



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