THE INSTITUTE FOR TURNAROUND

NEWS & REVIEWS

MARCH 2021

Swift

SPRING EDITION

THE ONLINE TURNAROUND TIMES

• IFT Events • IFT News • IFT Fellows
• IFT National Conference 2021 • Member and Corporate Partner Articles

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CHAIRMANS MESSAGE

Dear Members,

Welcome to our first edition of Swift in 2021. We have many exciting announcements in this edition, and we look forward to an interesting year working with our members, partners and stakeholders.

We kicked off 2021 with a strong line-up of events, including our Market Refresh event series, designed to share market knowledge and develop key marketing skills. Simon Hudson of Morphosis Partners provides a summary of our first two Market Refresh events on page 12. Upcoming IFT events can be found on page 4 and on the IFT website here.

On the mornings of the 28th and 29th of April we will also be hosting our National Conference, delivered virtually in partnership with Gateley. We will be covering macroeconomic and market issues on the first day and delving into sector issues, the operational environment and leadership matters on the second day, with some excellent speakers lined up. Last year's virtual conference was a hit, with over 170 attendees and 100% of participants who responded to our feedback survey stated that they would attend again. You can indicate your interest in attending by emailing events@the-ift.com.

We also look forward to celebrating turnaround excellence this year at the IFT Awards in November, as well as an opportunity to reconnect and network with the UK's turnaround community. Further details will be released in due course and we will be reaching out to our Members and Corporate Partners regarding awards submissions.

As ever, Swift includes updates from members and partners. In this edition, you can read an article by Independent IFT Member, Martin Hopcroft, on 'turnaround in a pandemic'. We also have articles and announcements from BTG, FRP and Kingsgate.

I mentioned in the last edition of Swift that we were working on a new report with Korn Ferry, the global leaders in executive search, to highlight the skills and qualities of turnaround directors. You can read the report here and we are delighted have received positive feedback and responses from Members and Corporate Partners.

I would also like to welcome our new Corporate Partner, Lincoln Pensions, to the IFT. You can read more about Lincoln Pensions on page 6 and we are excited to see what the future has in store for our wider partnership.

Finally, I would like to wish you all well for 2021.

Steve Swayne, IFT Chairman

IFT
EVENTS

We are running events on a virtual basis until it is safe for us to meet again in person. For more information please email events@the-ift.com or visit our website.

Webinars

Road to Recovery with Kroll
Date: Wednesday 24th March 2020
Time: 8.00am - 9.00am

Resilience with Pathfinder
Date: Thursday 25th March 2020
Time: 5.30pm - 7.00pm

Details of further webinars will be released on our website.

IFT
EVENTS

National Conference

We are delighted to announce that we will deliver this year's National Conference virtually and in association with Gateley.

The Conference will be held over two consecutive mornings on Wednesday 28th and Thursday 29th April, and will explore state of the market issues, sector specific matters and leadership perspectives for turnaround professionals. Delegates will also have access to virtual networking sessions after the event.

We have an exciting line up of quality speakers, which we will be announcing on our LinkedIn page over the coming weeks. You can follow us on LinkedIn here.

Register your interest by emailing:
events@the-ift.com

Ticket prices excluding VAT

Members: £120
Fellows: £75
Bring a friend rate: £120
Non-members: £180
Corporate Partner Pass: £700

IFT NATIONAL VIRTUAL CONFERENCE
Wednesday 28 - Thursday 29 April

the ift THE INSTITUTE FOR TURNAROUND
Gateley

Lincoln Pensions Joins The IFT as a Corporate Partner

The IFT is very pleased to welcome Lincoln Pensions as our latest Corporate Partner.

Lincoln Pensions is the UK's leading covenant and related services advisory business. Lincoln's highly experienced restructuring team work with companies, investors and trustees to navigate the complex commercial and regulatory issues that arise in turnaround and restructuring situations where a DB pension scheme is involved.

Lincoln Pensions has an experienced team of experts who work with clients to deliver creative solutions which optimise outcomes for all stakeholders. Expert advisors at Lincoln Pensions can guide stakeholders through difficult situations, including:

- Corporate viability/solvency assessments
- Assisting boards and guiding them through the restructuring process
- Leading or providing expert advice and assistance in restructuring negotiations
- Undertaking or reviewing insolvency contingency planning
- Entity priority model analysis
- Assessments of the impact of reorganisations and restructurings on the pension scheme and its employer covenant, including potential mitigation that may be required to repair any detriment
- 'Moral Hazard' risk reviews, to consider the likelihood and potential impart of TPR intervention
- Supporting stakeholders in assessing options to compromise scheme benefits and separate the pension scheme from the sponsor

The IFT are proud to have worked with a number of Lincoln Pensions experts in the past and are very excited to see what the future has in store for our wider partnership.

Delivering at Pace: A Benchworked Analysis of the Traits, Skills and Drivers of Turnaround Leaders

We are pleased to have published our report with Korn Ferry, *Delivering at Pace: A Benchmarked Analysis of the Traits, Skills and Drivers of Turnaround Leaders* in February. Korn Ferry are global leaders in executive search and using their psychometric profiling toolkit we outlined the key dimensions of turnaround leadership skills and talent.

We believe that this study represents the first close analysis of the competencies, traits and drivers associated with turnaround leaders – the Chief Restructuring Officers, Chairs, Chief Executives and Turnaround Directors who have developed a specialism working at the most challenging edge of leadership for distressed or underperforming businesses.

You can view and download the report on our website here.

Riyah Davies, Communications & Public Affairs Executive, leaves The IFT

Riyah has worked on various reports and projects helping to promote The IFT and raise awareness of business turnaround more generally. She has worked closely with Members, Corporate Partners and stakeholders on our events and webinars and has also taken the lead on managing our National Conferences and Awards.

We wish Riyah the very best of luck in her new role at the Cabinet Office.

IFT
FELLOWS

We are delighted to announce that Keith Bordell has been elected as the Chair of the Fellows Committee. We would also like thank Brendan McGeever for his time as Chair on the Fellows Committee.

We are delighted that Ken Scott has joined the Fellowship, you can read more about Ken below.

Ken Scott

Ken has been both an Advisory as well as an Independent IFT Member. He has a deep background in commercial banking (HSBC, CitiFinancial) as well as business transformation. He also chaired a large social enterprise and transformed the effectiveness of its board and governance. Ken has been responsible for facilitating many aspects of change including financial and operational, stakeholder management and general change transformation in very many organisations. Recently, he has helped steer a number of entities as they navigate the fallout from COVID-19. He currently chairs a distribution business that has experienced five-fold growth since UK lockdown first began. Ken is increasingly involved in various activities for the IFT, including writing articles, Next Generation initiatives and PDEC.

Please note, we are no longer announcing new members in Swift. Please visit our LinkedIn page for new member announcements.

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TURNAROUND IN THE PANDEMIC

IFT Independent Member, Martin Hopcroft, discusses the complexities of turnaround in an essential industry abroad during the pandemic.

2020 was an unusual year, and mine was no exception.

I joined a leveraged contract manufacturer in late 2019, headquartered in France, with a dozen sites in Europe, USA and China. The businesses had experienced a difficult year that had required funding. I started as Chief Restructuring Officer, and soon took on the responsibilities of Chief Financial Officer.

Turnaround is always about the people. I knew that I had to base myself at the headquarters to influence the decisions, and travel to the sites to connect with the local management. So much can be lost in translation by operating remotely.

It became evident in late February that it was time to batten down the hatches, as we were heading into economic carnage. I was commuting weekly to Lyon, and the airport had become deserted. With the benefit of my forecasting gene, I packed my bag in the expectation of staying for a while.

France was given just hours to lock down, with the need for permits to justify any absence from home. The French love rules, and enjoy navigating around any ambiguities, so the laws were refined a few times before they were sufficiently robust. I had to carry a bundle of papers whenever I went outside.

Working in an essential industry I needed to attend the office, so I invested in membership of the community bike scheme, which became my default method of transport. For a few days I stayed in a hotel, but then the hotels closed for lack of customers, so I moved into an apartment.

Issues in the business were happening so fast that we initiated crisis management, with daily morning calls, cancellation of routine meetings, and tight control over expenditure and resourcing. The rhythm adapted as the crisis played out, and agility was paramount.

I would cycle to work every morning, picking up a sandwich for lunch from one of the few boulangeries that stayed open. Afterwards I would cycle back to the flat, buying food for dinner from one of the many supermarkets. There were no shortages in the shops, but I kept some provisions at the office in the event of an emergency, which is a habit formed from a childhood in exotic places.

At work, customers were agitated, supply lines were disrupted, and employees were frightened by repeated presidential statements of war. Fear is contagious. We managed to stabilise the workforce and keep the sites functioning so that we could continue to manufacture medicines that save lives.

Turnaround requires mental and physical resilience to avoid burnout.

During the week, I would jog around the neighbourhood in the evenings. At weekends, I might be more adventurous with a longer run. The roads were deserted, and I had the pleasure of running in the middle of the wide boulevards, as well as pacing hypnotically on the pavement slabs.

With the lifting of the first confinement, life began to return to a new normal, and it became possible to return to weekly commuting. The first time that I travelled with a new blue passport, it was held in a clenched fist by the gendarme until I consented to having it inspected under a microscope 'for training purposes'. It was apparent that Brexit will add complexity.

The immediate task in turnaround is to get a grip of cash, but thereafter it is difficult to explain the pixie dust, partly for reasons of confidentiality. Every decision represents an opportunity, whether financial, operational or strategic. A million here, a million there, and soon we had achieved a spectacular improvement in sales, profits and cashflow across the group.

Then along came the opportunity to manufacture a key coronavirus vaccine, and we found ourselves at the epicentre of the pandemic.

With unprecedented timescales, we put together a ring-fenced project team to set up the production processes, and worked the supplier relationships to accelerate the delivery of materials and equipment.

I had spent the year navigating borders, quarantine, transportation, lockdowns, curfews, accommodation and subsistence. With the announcement of a mutant coronavirus, the borders slammed shut. Having redefined the strategy, we sold a non-core business at a multiple of sales, and completely deleveraged. Job done.

MARTIN HOPCROFT
IFT Independent Member

Martin has been operating for fifteen years as an independent CFO/CRO on restructuring and turnaround of complex underperforming businesses, with an improvement of £1 billion in enterprise value on his last assignment.

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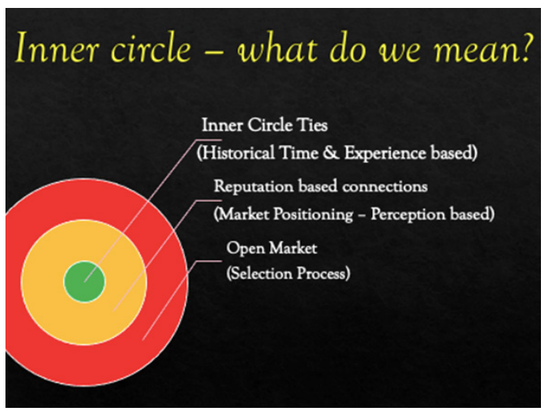
IFT MARKET REFRESH: APPROACHES FOR INDEPENDENTS WITH MORPHOSIS PARTNERS

As part of the IFT Market Refresh programme of events, Morphosis Partners, delivered two thought provoking and informative webinar events. The first was presented on the 26 January and the second on the 4 February 2021. Below are some of the key highlights and takeaways from each of the webinars.

Part 1

Ever wondered how some professionals always seem to get the call and secure the assignment opportunity? Whilst others less so, even though they may be very similar in professional experience and qualification?

This webinar focused on two key components: Standing out within a competitive and changeable marketplace and how to identify and procure the inner circle ties to enable effective acquisition of assignment opportunities. A key highlight and takeaway element surrounded the discussion around *inner circle ties*. What are they, how are they formed and how can you actively look to further develop the breadth and relevance of such ties?



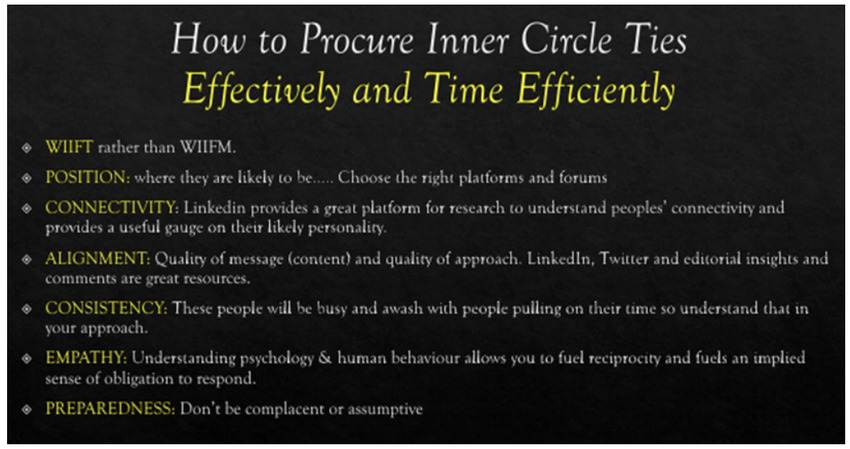
In order to effectively procure further inner circle ties it is important to understand the definition of an inner circle tie, and the basis upon which such relationships are established.

> A key distinction between a network contact and an inner circle tie is simply that an inner circle tie is likely to have been a 'first-hand witness' to the work you have performed and therefore, has typically formed an evidence-based opinion.

In that regard, when looking to procure further inner circle ties you should therefore look at the very people around you. But be selective. As another distinction of the value of inner circle ties is the fact that those who have been able to assist you professionally are often the individuals operating in positions of greater influence or seniority.

What also becomes apparent, is the true reality that as you become more senior yourself, then many of those who resided distinctly as more senior and or influential become your peers. As a natural consequence of such, the influence and opportunity available to you from those specific individuals starts to lessen. As professional referral advocacy will continue to influence hiring decisions, it is therefore imperative for a sustainable professional future, that one continues to put an investment of time into those relationships where a future relevance remains. Coupled with time invested in gravitating your professional brand to others who today don't know that you exist. But remember, those individuals are very likely to have their own tried and tested trusted inner circle ties. So, unless you have a compelling reason, they are not likely to allow you into their inner circles, simply on the back of a call or single email exchange.

Highlighted in the image below are some of the areas to consider when looking to develop a robust and considered professional approach to curating new inner circle ties.



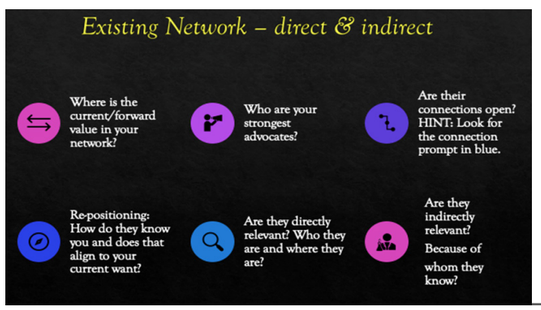
Part 2

Ever found yourself becoming distracted by LinkedIn? Do I post? What do I post? Do I really have to use the platform? Or in fact, have you found yourself considering the opportunity to transfer your skills and expertise?

This webinar focused on two key components: LinkedIn without the need to become a social marketeer, and how to determine the validity of and how, to procure opportunities enabling the transfer of skills.

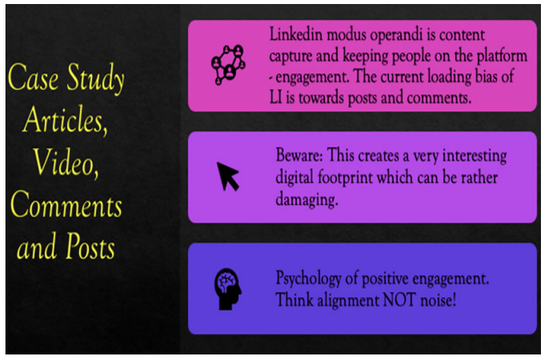
> A key takeaway and highlight surrounded higher value areas of LinkedIn to understand as a means of more effective utilisation of the platform.

The first area of key interest surrounded how to interpret your *Existing Network*.



As turnaround professionals, we are perhaps more sensitive to the realities that the commercial marketplace within which many professionals and businesses operate, can be changeable with little notice. Paramount to a business and it's sustainability on any platform of change is 'preparedness'. That being, to be able to recognise and respond accordingly in an agile manner with connectivity to those who are most able to enable those rectifications. In the same way, the webinar highlighted a similar need at an individual level. In essence, recommending individuals adopt many of the same behaviours and advice that we (as part of our daily role) may look to impart to our daily client engagements. The above image offered a way to consider the approach to determining the current value in your network as a basis for future security.

A further element focused on recognising that network development thanks to LinkedIn, has become a whole lot easier. In fact, the average person on LinkedIn who has 500 connections as example, can reach out to (on average) more than 50,000 individuals where common connections exist. This fact alone, should therefore be a primary consideration when actively looking to your network. Curating new connections as a connected extension through those who already know you, is arguably a lot easier to achieve than simply connecting blindly. Typically, as networks are normally and quite naturally developed with those who operate in similar or closely aligned professional fields, then by extension so too is the network that your connections have procured. Rather like a pebble in a pond, the 2nd degree ripple is usually disproportionately rich in people of greater likely relevance to you, and of course you have the common connections as an additional layer of comfort when actively reaching out.



A final key learning point highlighted the way one is expected to behave on LinkedIn. As a platform you can easily feel overwhelmed with content leaving a typical platform user in two minds. Not to use it at all unless necessary, or join the crowd and become a quasi-blogger/ social media influencer. Clearly the aim of LinkedIn is to capture your content, your screen and engagement time. Factors which LinkedIn then measures and rewards through the 'Social Selling' Index. It concentrates on 4 key areas; *Establish* your brand and become a thought leader. *Find* and connect to the right people. *Engage* in a meaningful way which is well received and *Build* your relationships.

In terms of aligning appropriately to LinkedIn, the algorithm is skewed to items, posts, and comments as they lead to a more dynamic reaction across the platform in terms of engagement. But beware, such actions create an easily found digital footprint.

So, care should be taken to ensure that whilst it is appropriate to present on LinkedIn in an authentic way to portray your professional personality, the key advice here is making sure the bias of your engagement and therefore digital footprint supports the professional brand you wish to maintain. If looking to do so then in considering your own authored insights, also consider the sharing of credible and highly regarded content items that further support the perception that one is not only a subject matter expert but is adept at maintaining one's own market currency. That of course is further enhanced by the following of the right companies, people, and groups.

In summary, the webinars provided a useful reminder and framework offering theoretical, proactive and practical insights, which were very well received by those who attended.

Morphosis Partners

About Morphosis Partners

Morphosis Partners exists as a niche consultancy described as the only turnaround and transformation business, in the UK and internationally, where the entity being turned around or transformed, is the individual in the job search arena. Transitioning individuals from the 'old' to the 'new'.

Many agree that the job market is not functioning as it once did, COVID-19, Brexit… or not.

Even though the market for both full-time and interim executives has not changed, the environment in which 'hiring' operates has, and will continue to do so. With this in mind, on an individual basis Morphosis Partners possess particular expertise in the areas of professional branding, job search and selection process mastery, network and reputational development. All creating sustainability and security on a continuum.

Equally, commercially at organisational and team level, due to the human capital bias of their expertise, Morphosis Partners provide discrete, agile, transformational, tailored and partnered solutions. With a growing interest from businesses who are keen to gain a greater clarity, choice and control on their talent supply, engagement and retention ratios, plus upgrade their transition/severance programmes, Morphosis Partners fully support in assisting their transition from the 'old' into the 'new'.

Morphosis Partners have worked directly with members of the IFT. The positive feedback received from such, endorsed Morphosis Partners to then provide a complimentary and valuable 'proposition of benefit' to the IFT membership, which in turn formed the basis and subject matter covered within the webinars.

To find out more about Morphosis Partners limited and the transformational discreet services they are able to provide to both individuals and businesses they can be reached at www.morphosispartners.com

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DEFEATING ZOMBIFICATION OF THE UK ECONOMY IS AN URGENT CHALLENGE

David Abbott of BTG Advisory examines the challenge of 'zombie' firms.

The origin causes of 'zombie' firms will maintain pressure on banks, and the government, to exercise a greater fiduciary duty in managing distressed SMEs and corporates. This will skew banks' preferred strategy towards corporate turnarounds, rather than insolvencies, in the management of defaulted loans. This political reality may also diminish the prospect of a new UK 'bad bank' to manage non-performing loans (NPLs).

Zombie firms are a stubborn problem to solve. In zombie status, business owners can only generate enough revenues to repay debt and not build any enterprise value.

The UK government's pandemic response policies (e.g. coronavirus loan schemes and loosened insolvency laws), as well as ultra-low interest rates, have created the conditions for new zombie firms to develop in response to the artificial demand collapse caused by the pandemic.

The consequences to the economy are stark – the survival chances of zombie status firms are low, and they act as a drag on the dynamism of the UK economy. All of which can reduce productivity, international competitiveness, economic growth and employment.

One indicator of the potential zombie firm universe can be inferred from the application approval rates of the government's Covid loan schemes. In the 11 months to late January, banks approved 43% (92,449) of total CBILS loan applications (214, 513), for which banks were required to guarantee 20% of credit risk. By comparison, 75% (1.5 million) of total BBLS loan applications (2.0 million) were approved. Of course, the BBLS was 'light touch' by design, with minimal due diligence and the government acting as 100% guarantor. To date, £45.6 billion has been extended under the BBLS. The prospect of zombie firms within this loan pool is high, which will likely have been a factor in the Treasury's decision to discontinue the fund in the recent Budget, and to replace the scheme with a new Recovery Loan Scheme (RLS) which similar due diligence requirements to CBILS.

Combatting The Zombie Threat

There are several ways to combat the threat that zombie firms pose to their survival, the recovery of the economy and long-term productivity. However, each has limita-tions and potential drawbacks. First, let's consider the government's policy response, the Pay As You Grow (PAYG) scheme, which provides flexible loan repayment plans. Last week, the Treasury extended the scheme's generosity to include an option to de-lay all repayments for a further six months, loan extension from six years to ten years, as well as options to make interest-only payments and pause payments. Business lead-ers and trade bodies immediately lobbied for the extension of the PAYG scheme to all government-backed loans. In the hospitality sector, trade body UK Hospitality called on the Chancellor to remove business rates to allow "businesses to repair shattered balance sheets" and tackle the rent mountain that has now hit £2 billion. It has also requested an extension to the furlough scheme, reduced VAT, further improved loan repayment terms, and the replacement of the coronavirus job retention bonus (CJRB) scheme. However, the government must exercise prudence in future direct stimulus to support vulnerable sectors as blanket policies may protect zombie companies that will never return to self-sustainability. With that in mind, the utilisation of the Treasury's £5 billion Restart Grant scheme for high street retailers will be worth monitoring.

There are at least two more options open to the government. First, the debt issued under the coronavirus loan schemes could be converted into equity and managed in a government vehicle, akin to the post-Second World War 3i Group or a sovereign wealth fund. Debt-for-equity swaps would provide corporates with headroom in order to reinvest trading profits and boost long-term growth which could provide a way out of the zombie trap. But balancing fair value for taxpayer and corporates is complicated (e.g. how to price equity in the current environment?). Further, the scale of debt-for-equity swaps could be a significant administrative burden. Second, debt restructuring and forgiveness. TheCityUK Recapitalisation Group (RCG) proposed restructuring debts into more accommodating formats (e.g. a mixture of tax obligations, subordinated debt and preference shares). However, Onward, the Conservative think tank, raised moral hazard risks with this approach. For example, businesses may take on more debt if policies provide bailout insurance.

More broadly, debt forgiveness can lead to interference with the economy's dynamism by perceived rewards for failure. For example, if one company's debts are forgiven, this provides a competitive advance over a rival business that survived without government support. But there may be some middle ground, such as in improvements to the restructuring regime.

The Value of Early Decisions

One of the lessons corporates can learn from the last crisis is the value of making informed decisions early.

In this environment, SMEs need to scrutinise financial health more forensically and more frequently than is necessary for less extreme conditions.

For example, there is often a time lag between corporate distress and implementing a turnaround strategy. Simply put, longer delays will erode business value. As firms become more zombified, the ability to leverage business goodwill with creditors and suppliers deteriorates along with turnaround options and prospects. The lesson here is for corporates to not wait for banks to take action as by that point precious time will be already lost.

Remember, in the current environment banks and governments will heavily favour turnarounds over insolvencies. Therefore, early-acting corporates mindful of tough trading months ahead, even after lockdown restrictions ease, do have options.

BTG Advisory provides diagnostic business reviews in which we scrutinise capital structures, evaluate corporate strategy, and create scenario forecasts. These insights help corporates to redefine strategy, whether survival or growth. If you would like to talk to BTG about your company's strategy, please contact a member of our team.

BTG Advisory

DAVID ABBOTT

Specialist in Financial Consulting, Restructuring

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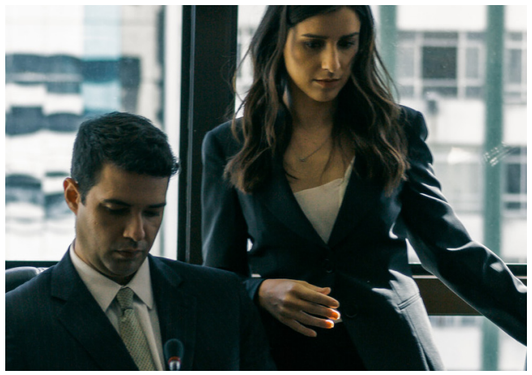
RESTRUCTURING IN THE RECRUITMENT AND INTERIM SECTOR: WHAT DOES THE FUTURE HOLD?

Susan Moor and Simon Longfield of FRP discuss restructuring in the recruitment and interim sector.



The UK recruitment sector, comprising of traditional agencies, recruitment process outsourcers and managed service providers, has grown steadily by around 6 per cent each year since the 2008 financial crisis. Revenues were valued at £39 billion in 2019 but, in 2020, it faced a perfect storm. As well as COVID-19, issues around Brexit and the incoming IR35 legislation (which has since been delayed until the end of the current tax year) meant that there was significant uncertainty in the market.

While the sector is resilient and will bounce back, it is likely to do so in a very different form.

The way we work will change dramatically as a result of the pandemic and the recruitment sector will need to adapt accordingly.

Here, Simon Longfield and Susan Moor of FRP explore the specific challenges and potential opportunities the industry is facing, as well as the immediate and long-term priorities for recruitment businesses.

What is the current state of play in the UK recruitment sector?

Permanent recruitment was the hardest hit area within the employment market during 2020 as many companies put a freeze on hiring. The freeze has affected the postgraduate market in particular, with 18–25-year-olds finding it difficult to access roles that reflect their qualifications. However, this does mean that when things do pick up, there is going to be a large and well-qualified labour supply for recruiters to work with.

In contrast, the temporary market has held up well, as supermarkets, food producers, cleaning contractors, delivery companies/couriers and healthcare operators amongst others, have all needed temporary support in a big way.

The interim market faced significant difficulty throughout 2020. At the onset of the pandemic, around 50 per cent of the interims that were already in roles lost their jobs. Those that weren't currently on a placement found there was a very limited market for interim managers until the first lockdown measures eased during the summer months. The roles that started to become available were predominantly addressing emergencies within businesses. We expect the situation to begin to materially improve towards the second half of 2021. Employers are now talking about recruiting again at scale although decision making is taking longer than normal.

How has the COVID-19 pandemic impacted the sector?

The switch towards new, more flexible ways of working is perhaps the most fundamental change to the world of work in decades.

COVID-19 has caused many people to consider their life choices, including where they want to live, how they want to work and the type of work they want to do. This has compelled employers to acknowledge that remote working can be successfully deployed across large proportions of the workforce. As geographic boundaries become less significant, correspondingly there will be greater emphasis on talent mobility and the distribution of skills throughout the UK.

Post COVID-19, we should expect to see the emergence of a new norm that will include greater utilisation of recruitment technology, including more of the interview process moving online, plus the introduction of digitisation of the entire end-to-end recruitment process.

The move to remote working means recruitment firms will have to evolve and change how they operate too.

Increasingly, the phrase "work is what we do; not a place we go" will be of relevance in the decade ahead.

The interviewing and prospecting process has moved online and that is likely to continue, alongside virtual onboarding when people are hired. As such, there will need to be greater investment in the appropriate technology. Employment contracts and benefits will also need reviewing to reflect the fact that employees want more flexibility in their working arrangements. Similarly, employers will also expect greater flexibility.

A lot of employees will also be looking to reskill because the changes forced by the pandemic have made their skills less relevant. This will undoubtedly impact sectors like leisure, retail and hospitality for a long time as people look to move into other sectors where they see themselves having better prospects and greater job security.

What issues are businesses in the sector facing?

For those businesses that have managed to remain resilient in the pandemic, cash is still king. They will have to carefully monitor their cashflows, make sure they utilise all the government support measures as long as they are available and constantly reduce costs where they can.

Initially, the sector will be leaner with the overall headcount significantly reduced from pre-pandemic levels as agencies have used the last 12 months to reduce costs.

When the market does recover, relationship management with both candidates and customers will also need to be more proactive than ever before.

There is also a lot of uncertainty about the new IR35 tax rules coming into the interim and permanent market, which raises the prospect of an increased administrative and regulatory burden for recruiters. The changes were originally due to take effect in April 2020, but the start date was delayed by 12 months as a result of the pandemic.

Andrew Chamberlain, Director of Policy at The Association of Independent Professionals and the SelfEmployed (IPSE), a leading organisation for the selfemployed sector, said:

"We believe there is no indication of the government delaying the private sector change for a second time, unfortunately. The legislation has already been passed so it would need a change in this year's Finance Bill to prevent it from being introduced. There is no suggestion, that we are aware of, that this will happen."

How is the supply chain for the sector impacted?
Cashflow is not currently at a critical level due to tax payment holidays, the coronavirus job retention scheme, business interruption loans and other forms of government support, but we are approaching a cliff edge with the schemes coming to an end.

There is likely to be a rise in unemployment which will again increase the labour supply. However, this shouldn't be underestimated as this will pose a significant opportunity for recruiters to find roles for candidates.

There's also an expectation that a number of people who have been on long-term furlough will be reluctant to return to the job they were previously doing, particularly if it means going back into the office having become accustomed to a change in lifestyle. Additionally, many are now used to working from home; they enjoy it, they realise they can do it more efficiently and they are saving time and money on their commute – along with other associated expenditure – resulting in a better work-life balance.

What are the challenges and opportunities facing the supply chain?
Many will now be seeking new opportunities that offer more flexible working. This shift is likely to cause significant disruption to the permanent market, with many people having already taken the opportunity to retrain or upskill themselves through online learning during lockdown.

For interims, they will find it challenging to carry out their due diligence to establish the level of risk when they go into a business. As there will be less clarity about how stable a business is, they will have to think carefully about their remuneration and the risk-reward ratio of taking on the role.

The idea of employing an interim to turnaround a business has fallen out of fashion in favour of business transformation – for example, using interims to support entering new markets or changing operating methods. While we foresee a higher element of risk to contracts, we also expect interims to be contracted for longer periods due to the changing nature of assignments.

On the upside, especially for operational roles where interims are working on business transformation, contracts are likely to be longer, up from six months to a year or more.

What trends do we anticipate seeing across the sector over the next 12 months and beyond?
We expect to see further consolidation among smaller and mid-sized recruiters. Those that have remained resilient throughout the pandemic have had to make some difficult decisions and scale back on some nonsales staff, including some of their back-office functions, with the highest percentage of redundancies seen in administrative roles and HR. These roles are unlikely to come back after furlough and consolidation will be a means of survival.

Others will take advantage of the opportunity to explore new avenues for growth, targeting niche sectors, including agriculture, food production, health and social care services, where the labour supply will have been particularly impacted by Brexit. The life sciences and pharmaceutical sectors are also attracting huge investment in recognition of the fact that we might need more vaccinations in the future.

Recruitment Process Outsourcing (RPO), when a company transfers all or part of its recruitment requirements to an external provider, was already popular with larger corporates.

This now poses a huge opportunity post-COVID for the sector, as a lot of companies will struggle to adapt their HR function as people work differently. An effective RPO programme can install a talent acquisition team, the latest recruitment technology and flexible recruitment processes within an organisation, so there's a big opportunity for RPO to steal a march on the market.

FRP

SUSAN MOOR

Director
FRP Transition

SIMON LONGFIELD

Partner
Restructuring Advisory

GARY OWENS NAMED NEW TRANSFORMATION DIRECTOR AT KINGSGATE

Kingsgate is proud to announce and welcome Gary Owens, who joins a team of transformation directors. Owens brings with him twenty years of healthcare sector experience and has significant experience working in the NHS, mainly within hospitals, successfully delivering significant CIP and transformational programmes across an NHS organisation, as well as health systems.

Owens has a vast amount of experience in successfully delivering operational turnaround, he is comfortable leading multi-disciplinary teams at operational and strategic level. His experience also includes developing and driving productivity and performance improvement programmes, organisational design, delivery model redesign, annual business planning and strategy development.

In his role prior to joining Kingsgate Owens co-ordinated the response to Covid19, as well as developing and leading recovery work, working within the provider environment, and engaging across the health and social care system. Steve Swayne, Founder, and Chair of Kingsgate said, “We’re very excited to have Gary on board. His depth of experience, knowledge, and focused leadership capabilities will complement our growing team of seasoned executives.” Owens said, “I am incredibly excited and proud to be joining Kingsgate, who are a first-rate turnaround company with a proven track record of delivery in both the public and private sector.”

More information about Gary Owens is available at the company’s About Us

page https://kingsgate.uk.com/our-people/

GARY OWENS
Transformation Director, Kingsgate

KINGSGATE

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