

Navigator Resilience: Building back **better** U.S. Findings



Together we thrive

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Context

Businesses face their **greatest challenge in a generation.**



Beyond the terrible human toll, the COVID-19 crisis has precipitated the worst global recession since the Great Depression.

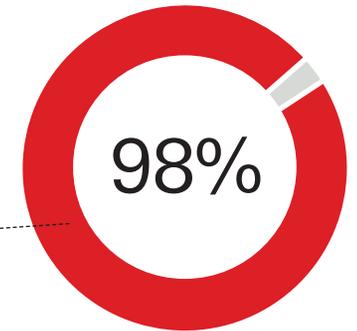
This survey of over 2,600 businesses across 14 countries, markets and territories was conducted between 28 April and 12 May 2020. These markets had varying degrees of business activity – from mainland China where domestic business largely resumed, to Europe under stringent lockdown.

This report considers actions taken by businesses to weather the crisis; and how they are shaping the new normal to seize emerging opportunities.



Overview

The Navigator survey results paint a picture of **challenge and change.**



Almost every business has been impacted by COVID-19 and short-term challenges dominate the thinking of 3 in 5 business leaders.

Even as restrictions necessitate physical distance, the data show that more than 4 in 5 businesses have **grown closer to employees, suppliers and customers;** acting on a clear preference for collaboration over self-sufficiency.

This crisis is also **catalyzing long-term change.** Business leaders increasingly focus on culture. This enables firms to become more agile and responsive to change – learning a lesson from this crisis where agile companies have proven resilient. There is a broad focus on employees – both to build resilience and shape the transformation they are seeking.

This cultural change can enable emerging opportunities to be realized. **Technology and sustainability** are only becoming more ingrained in how businesses

operate. And technology is not only about automation, but also its ability to shape culture and enable agility.

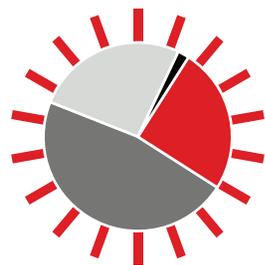
So while the results show that challenges are real, they also reveal self-awareness about the need to change and adapt. Accelerating technological change and sustainability are deep structural trends with potential to drive growth but also disruption. Companies are making rapid and quite fundamental changes in response. Supply chains are being **reshaped**, but **not reshored**, with a continuing trend towards near-shoring evident.

Broadly consistent findings across surveyed markets evidence the shared nature of the COVID-19 challenge, and the universality of the deep trends companies have identified. Resilience must be built into businesses' DNA to prepare for crises.

Findings

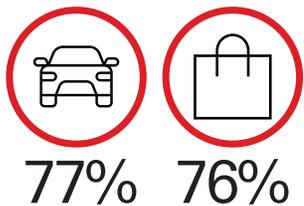
The **immediate impact of COVID-19** has been felt by almost every company surveyed.

Around 3 in 4 felt either strong or very strong impacts, reflecting the severity of the crisis. Yet 9 in 20 businesses felt as well prepared as they could be. And only 8% felt completely unprepared.



COVID-19 impact level

- Very strong (25%)
- Strong (47%)
- A little (26%)
- None at all (2%)



Firms in the **automotive**, **wholesale** and **retail** sectors are most acutely impacted.

5%

of companies surveyed had fully ceased operations as a result of COVID-19.

These businesses are therefore excluded from the results within this report.

Companies that **build resilience** into their DNA will better weather crises.

This becomes more important as the sources of potential disruption multiply: whether infectious diseases; environmental change; financial shocks; or political instability.

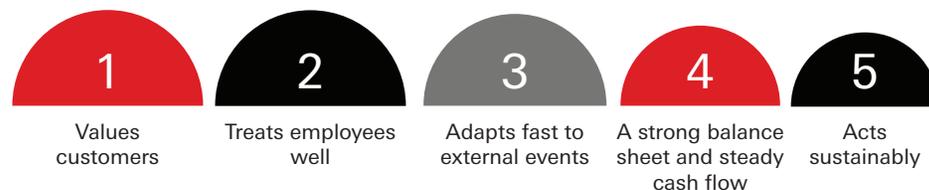
The findings show that there is no blueprint for navigating crises, but reveal that resilience is multifaceted.

The importance of a strong financial foundation to weather storms is clear. But resilience runs deeper.

The data suggest firms are adopting new ways of working to better serve customers. Many are prioritizing a change in culture to become more agile.

Factors such as **adaptation** and **management decision-making** were identified as key characteristics of resilient businesses by **3 in 4** companies surveyed.

Top 5 characteristics of a resilient business



Findings

At a time of great challenge and change, culture emerges as a **cornerstone of business resilience.**

A healthy organization can set a business apart. Culture can create sustainable advantage given it is unique to a business. Respondents are taking steps to improve employee wellbeing, through an emphasis on both innovation and inclusivity.

They are doing this because agility strengthens resilience and enables companies to grasp the long-term opportunities created by innovation, technology and sustainability.

New ways of working appear set to enable this cultural change. The data suggest an inflection point: with workplaces reimagined through flexible and remote working becoming commonplace.



37% of businesses expect remote working to become the norm in the next two years

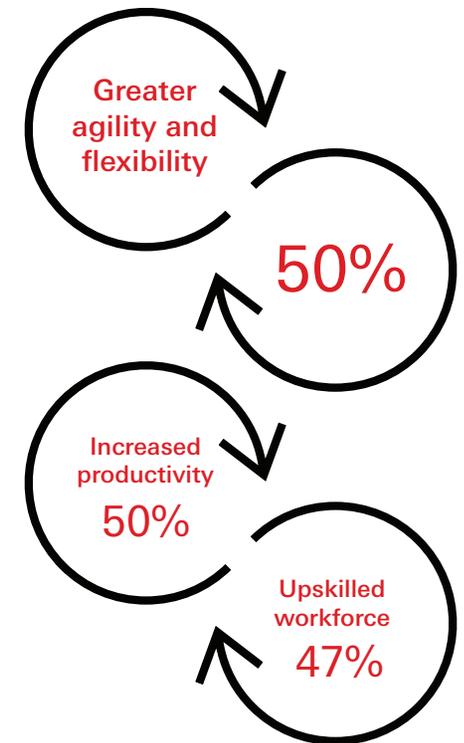
Technology is critical to business continuity. And more broadly it is seen to enable **cultural change** and **greater agility.**

The Navigator **Made for the Future** report, published in 2019, highlighted a trend of increasing investment as companies adopt new technology to improve productivity.

This year's survey shows technology investment is geared towards enabling collaboration and close working, rather than automation alone. This suggests cultural change is an increasing focus and that technology has a role to play.

Adoption of technology is seen to improve agility, productivity and help prepare employees for the future.

How businesses that prioritize adopting technology believe it will benefit them



Findings

A crisis can bring **clarity** to decision makers' thinking.

Nowhere is this clearer than on sustainability. Far from being a 'nice to have' in the good times, it is increasingly integral to how businesses operate.

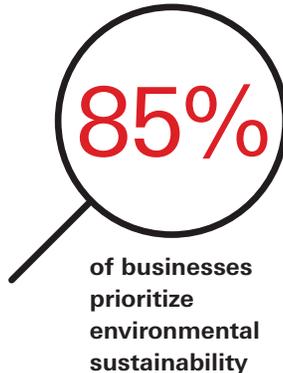
Environmental sustainability is one aspect of building resilience and a deep trend creating long-term growth opportunities.

Those businesses which prioritized sustainability felt better prepared for this crisis. This also matters for the future when, as the World Economic Forum's Global Risks Report highlights, environmental risks are intensifying.

More sustainable companies may benefit as both consumers and investors favour companies with superior Environmental, Social and Governance performance.

Top 5 environmental risks*

- 1 Extreme weather
- 2 Climate action failure
- 3 Natural disasters
- 4 Biodiversity loss
- 5 Human-made environmental disaster



Supply chains are undergoing change.

But the view that **COVID-19 will only accelerate retrenchment and deglobalisation appears premature. The survey points to supply chains being reshaped, rather than reshored.**

The importance of connectivity is evident. Businesses feel closer to their suppliers and have taken active steps to support partners. This collaboration facilitates the **control and transparency** businesses are seeking to become more resilient. This appears particularly timely, given the elevated level of threat felt by components manufacturers and also service companies.

As 2 in 3 businesses seek greater control of their supply chain (67%), they place greater emphasis on supplier resilience. More broadly, they are reconsidering the shape of their entire supply chain – variously pursuing diversification, digitization and vertical integration – approaches which are considered in Section 6.

Beyond control, companies are seeking transparency (44%). This enables sustainability and also

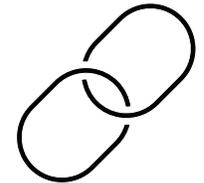
resilience. Companies that identify as sufficiently agile have greater transparency and digitization across their supply chain.

Businesses have also supported the companies they work with:

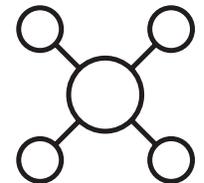
- 26% have **collaborated** to get products to customers
- 25% have offered **better payment terms**
- 26% have given **advice** to other companies
- 25% have **shared information**

As well as helping each other, 32% of businesses have changed their products or services to **support COVID-19 relief efforts.**

Following a 2012 fire in a German factory producing half the world's cyclododecatriene (a chemical used in the production of plastic parts), the Automotive Industry Action Group convened competing car manufacturers and suppliers to manage the limited supply.**



80%
feel closer to
strategic and supply
chain partners

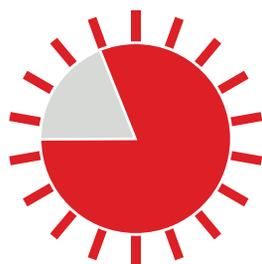
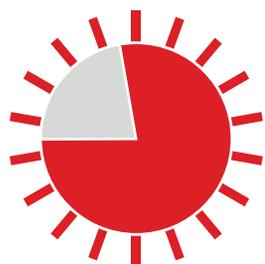


93%
have supported the
businesses they
work with

1. U.S. Findings: Immediate impact of COVID-19 is a changed and challenged business world

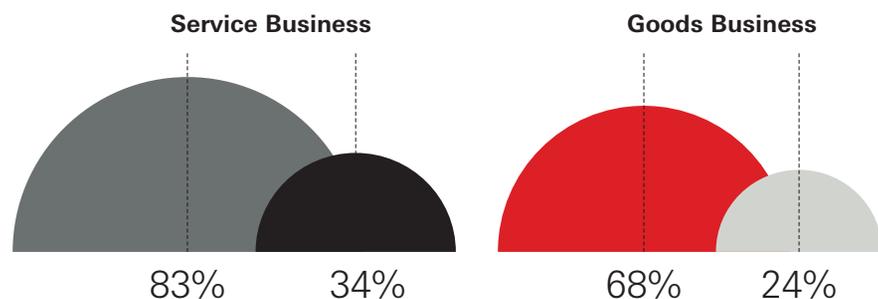
The **impact** of COVID-19

The impact of COVID-19 in the USA has been universal (100% USA, 98% all markets). Marginally more US businesses said that they had felt the impact very strongly (30% USA, 25% all markets).



USA
 ■ 77% strongly felt
 ■ 30% very strongly felt

Across all markets
 ■ 72% strongly felt
 ■ 25% very strongly felt

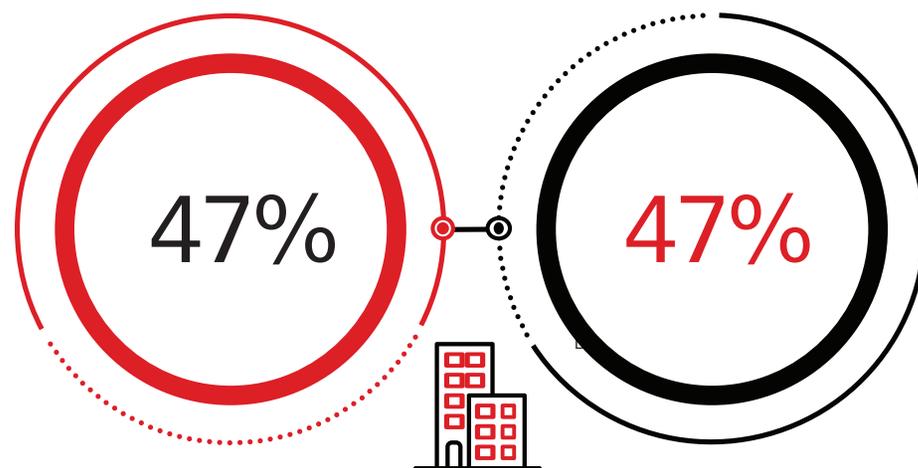


In the USA, the impact was felt more strongly by services businesses (83% strongly felt, 34% very strongly felt compared to 68% strongly felt, 24% very strongly goods businesses).

Preparedness to face the uncertainty of the **past six months**

More than nine in ten companies in the USA think that they were prepared to some extent for the challenges of the past six months (93% vs. 92% all markets). Just above two-fifths (42% vs. 45% all markets) of US businesses thought that they were as well prepared as they possibly could be, and around half (51% vs. 47% all markets) felt that they were reasonably well prepared but in hindsight feel that they could have done more. A very small minority (7% vs. 8% all markets) feels that they were not well prepared at all.

Goods businesses and domestic businesses were more likely to feel that they were as well prepared as they could possibly be:



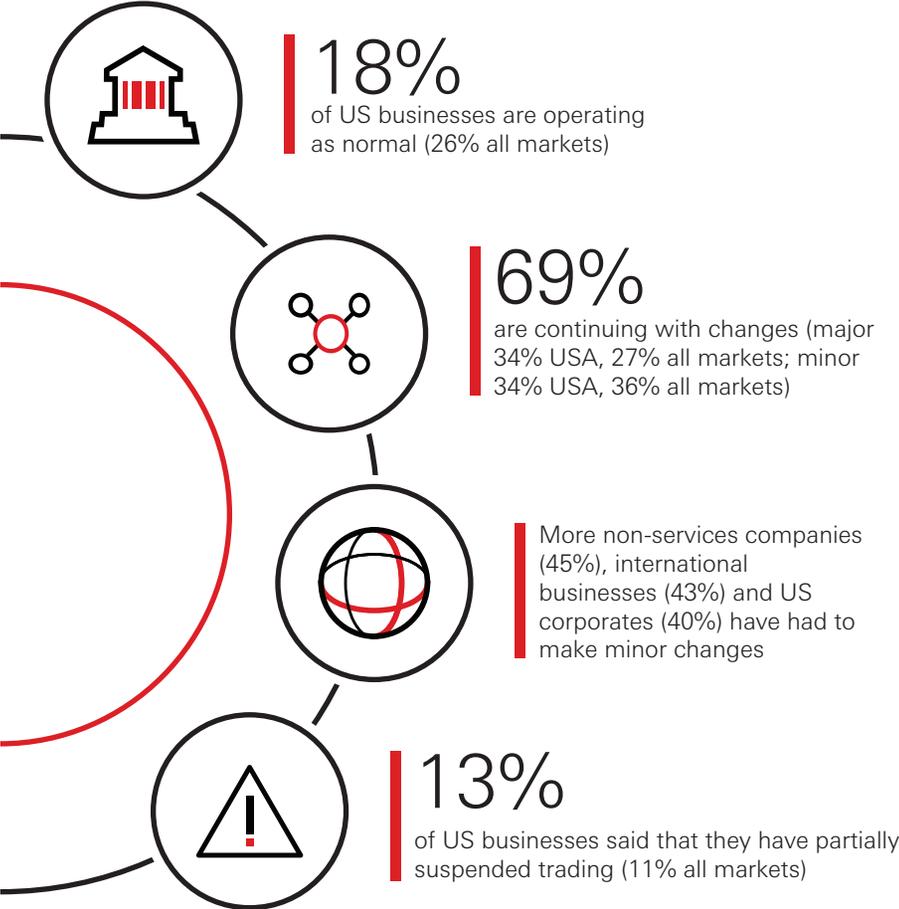
of goods businesses compared with 38% of services were as well prepared as they could be

of domestic businesses were as well prepared as could be vs. 37% of international ones

U.S. Findings: Immediate impact of COVID-19 is a changed and challenged business world

Current trading situation

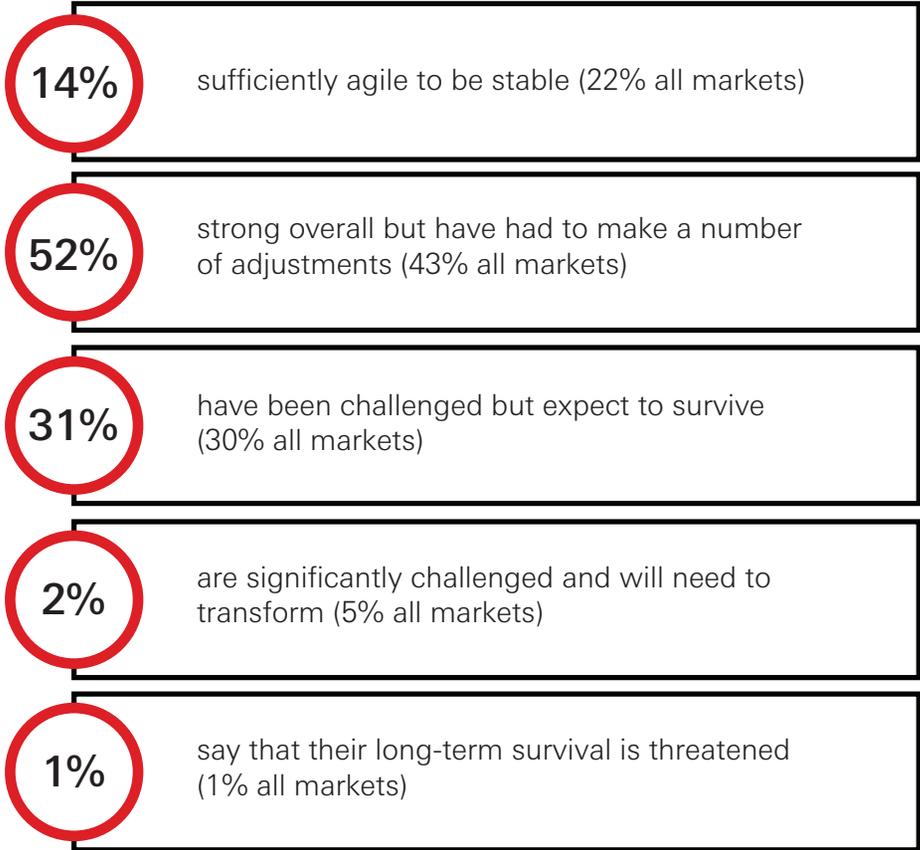
The situation for businesses in the USA is marginally less positive than across all markets. Overall, about a fifth (18%) of US businesses compared with a quarter (26%) across all markets surveyed are operating as normal, and slightly more (13% vs 11% all markets) have partially ceased trading. The two-thirds (69%) majority is operating with an even split between major and minor changes.



Business health

Just over a tenth (14%) of US businesses felt that their agility has made them stable, and only 1% feel that their long-term survival is threatened.

However, the proportion of those who think that they are strong overall but had to make a number of adjustments is the highest across all of the markets, meaning that the combined total of two-thirds (66%) of businesses that fall into the stable / strong category is the same proportion as across all markets (65%).



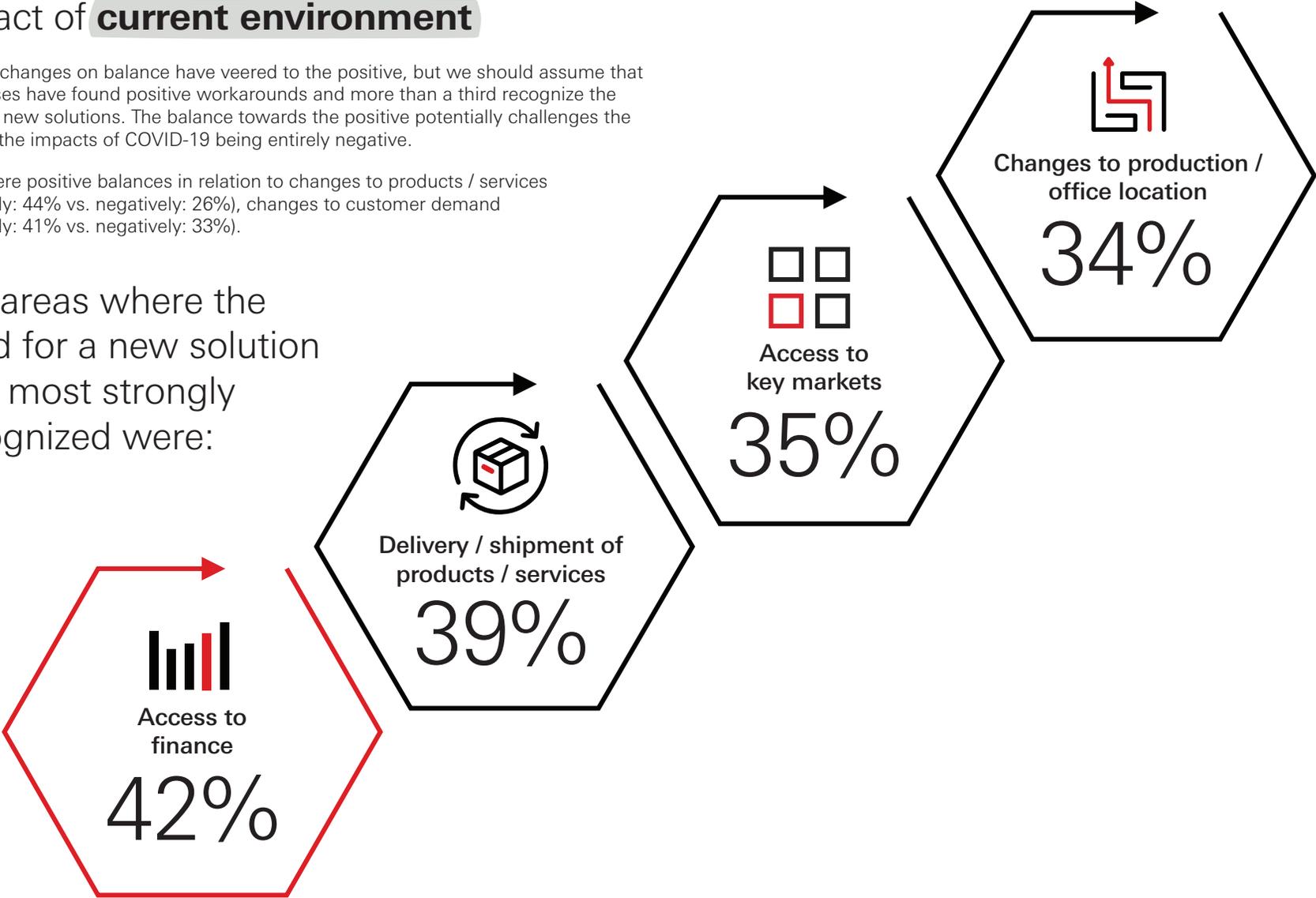
U.S. Findings: Immediate impact of COVID-19 is a changed and challenged business world

Impact of **current environment**

Specific changes on balance have veered to the positive, but we should assume that businesses have found positive workarounds and more than a third recognize the need for new solutions. The balance towards the positive potentially challenges the myth of the impacts of COVID-19 being entirely negative.

There were positive balances in relation to changes to products / services (positively: 44% vs. negatively: 26%), changes to customer demand (positively: 41% vs. negatively: 33%).

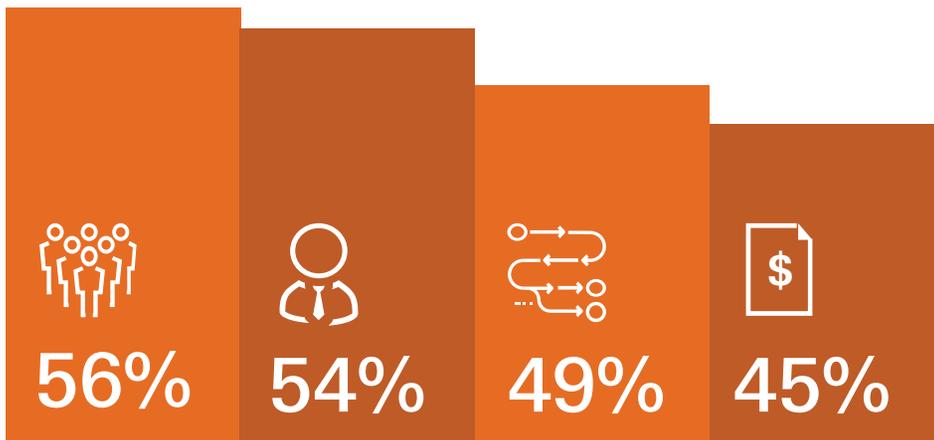
The areas where the need for a new solution was most strongly recognized were:



2. U.S. Findings: Building resilience is not a single thing and is about more than a strong balance sheet

Defining resilience

US businesses felt that resilience is built on 4 main platforms – customers, employees, agility, and a strong balance sheet, indicating that businesses see the importance of the first three to their balance sheet. This is similar to all markets.



56% chose valuing **customers** (50% all markets) and 16% selected as top priority (12% all markets)

54% mentioned treating **employees** well (49% all markets) and 13% selected as top priority (10% all markets)

49% selected **adapting** fast to external events (47% all markets) and 11% selected as top priority (12% all markets)

45% a strong **balance sheet** (41% all markets) and 15% selected as top priority (13% all markets)

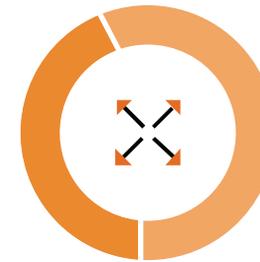
Past preparations for resilience

In the past two years, US businesses, in common with all other markets, had taken three main types of action to build resilience – technology / innovation, diversification and consolidation of finances – and these reflect their views on the characteristics of a resilient business.

Investing in technology and innovation was the main focus across businesses (59% vs. 65% all markets), and this was also found to be the most effective measure for building resilience (26% vs. 31% all markets).



59%
invested in technology /
innovation
(65% all markets)



43%
diversified their business
(49% all markets)



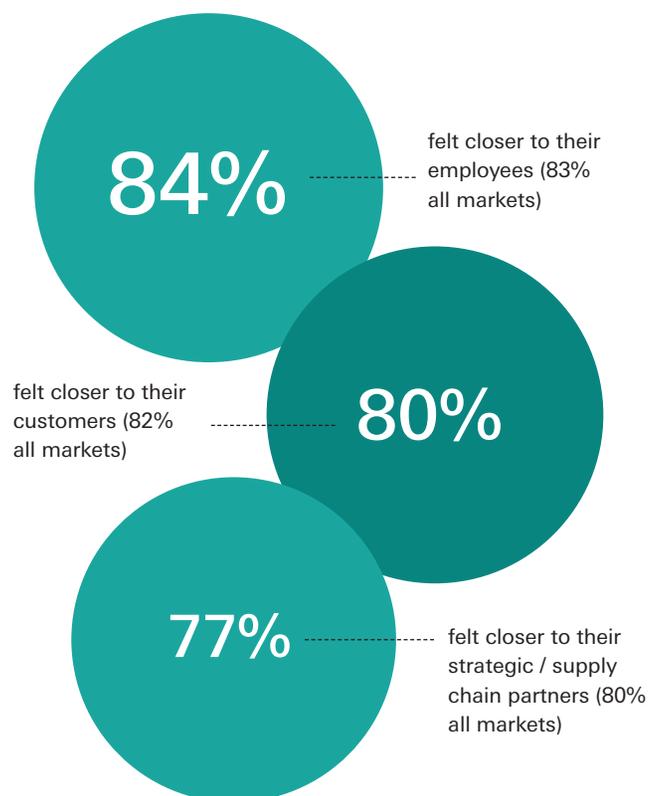
43%
focused on
consolidating their
financial position
(44% all markets)

A considerably higher proportion of service businesses were focusing on finances (50% services, 33% non-services) and diversification (47% services, 38% non-services), while more of the non-services companies were investing in technology / innovation (65% non-services, 54% services).

3. U.S. Findings: Businesses have grown closer to customers / employees and supply chain partners and have become more collaborative

Closeness to customers / partners / employees

Despite the current situation worldwide putting greater distance between businesses and their customers, employees and supply chain partners, a significant majority of US businesses, in common with all markets, reported becoming closer to each of the three stakeholder groups.

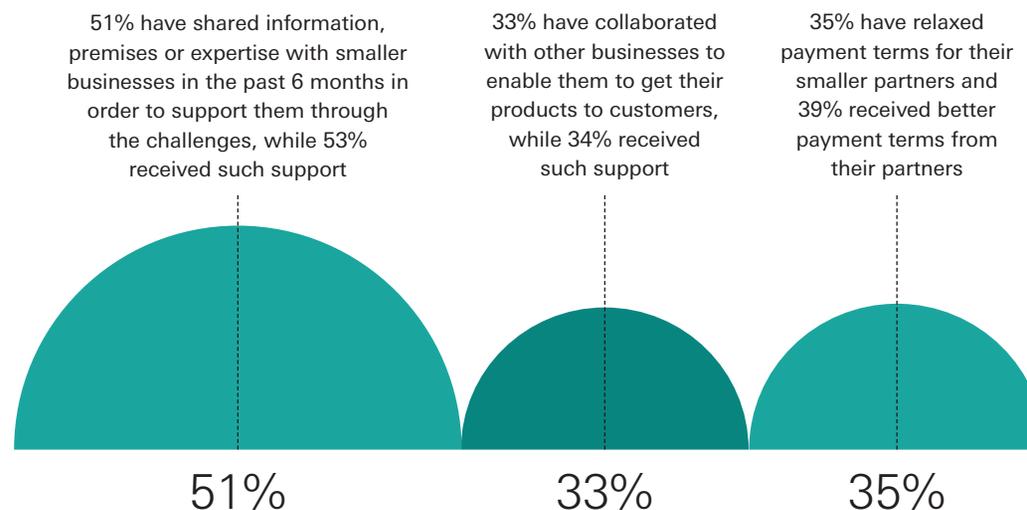
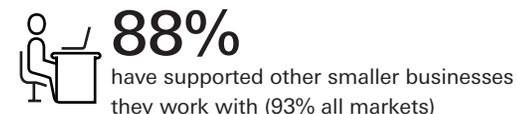


Being a good business citizen

Collaboration is becoming increasingly evident and important in the current climate.

About nine out of ten businesses surveyed in the US said that they have extended support to other businesses in the past 6 months, and a similar proportion said that they received support from others.

This included both sharing of expertise and premises as well as more favorable financial treatment. There were also examples of COVID-19-specific support.



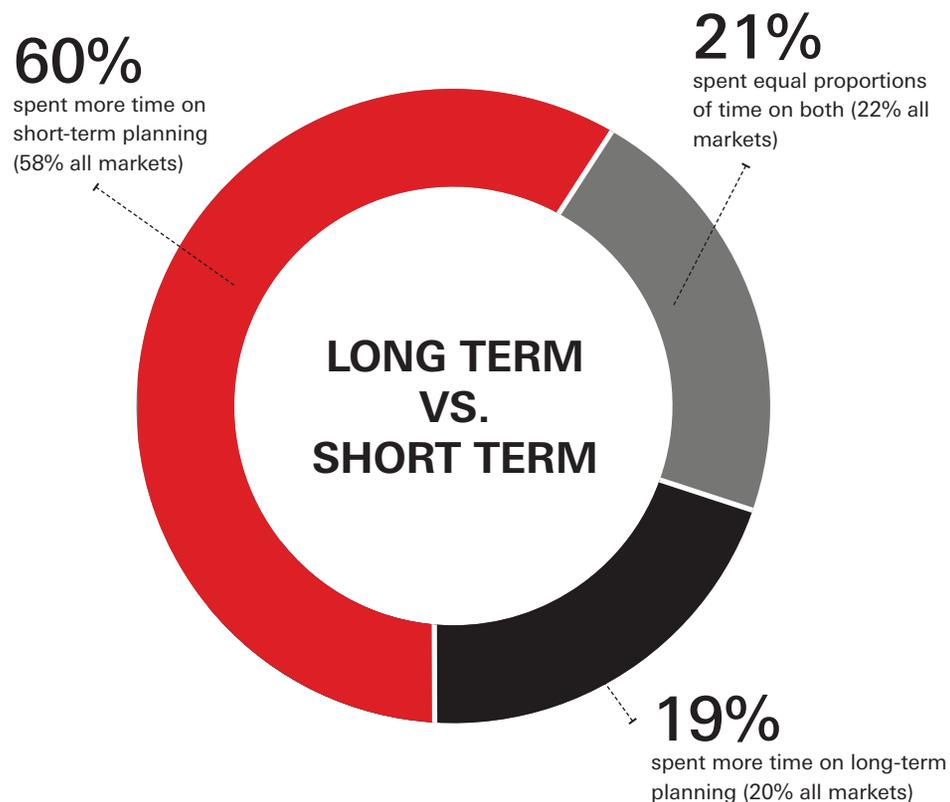
The main responses that businesses observed from companies generally in the past six months include changes to products / services (34% vs. 37% all markets) and contributing monetarily (33% vs. 32% all markets) in order to support the COVID-19 relief efforts.

4. U.S. Findings: Looking to the future

Despite having to focus on the short term in the past six months, US companies are still keeping their eyes on the long-term growth / survival of the business.

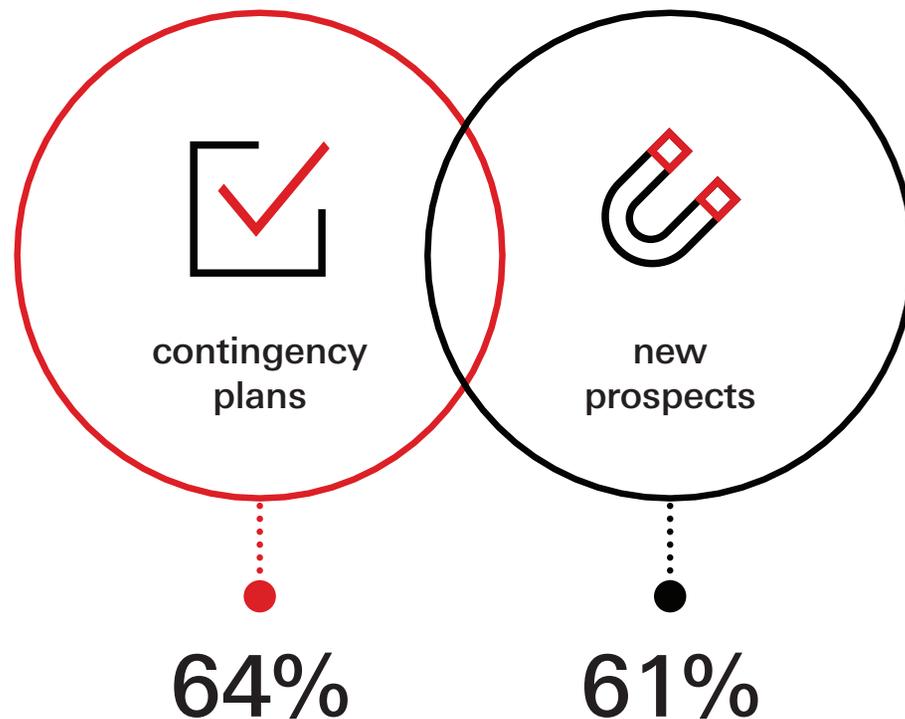
Long-term vs. short-term **planning** with uncertainty preparation

Over the past 6 months, three times as many US businesses spent their time focusing on short-term rather than long-term planning.



Current **situation**

Thinking beyond the short term is evident in the fact that US businesses are focusing on implementing contingency plans (64% USA and all markets) and pursuing new prospects (61% USA and all markets).

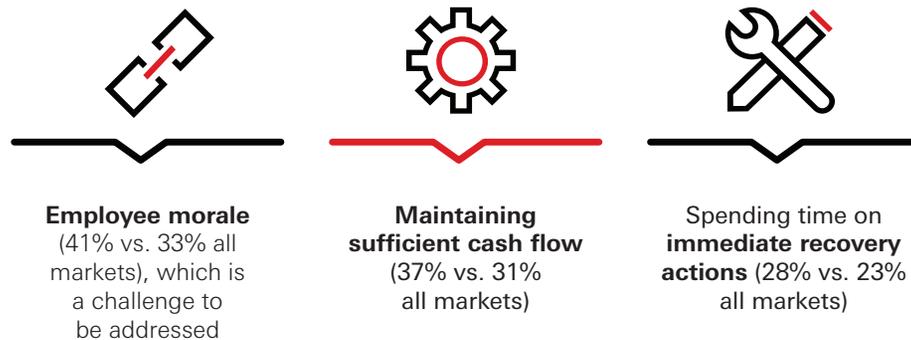


U.S. Findings: Looking to the future

Barriers to **resilience**

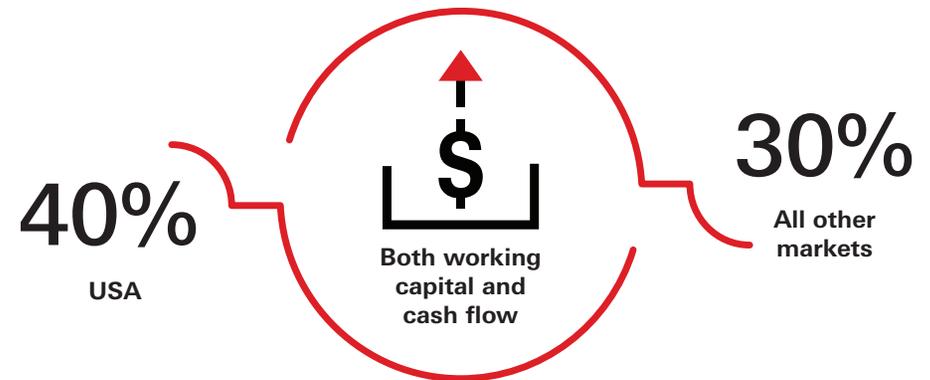
Maintaining employee morale and cash flow are the top barriers to resilience in the eyes of US businesses. Spending too much time on short-term planning is the next biggest barrier. Again, this emphasizes the perspective that business resilience is not only about the balance sheet.

The biggest barriers to building resilience over the next six months, which were all a little more identified by businesses in the US, were:



Changes to working capital / cash flow management

However, in order to address the cash flow concerns, based on the experience of the past 6 months, US businesses intend to increase both working capital as well as available cash flow (40% vs. 30% all markets). And this is the highest in the USA compared with all other markets.



5. U.S. Findings: Adoption of technology and innovation is one of the top priorities for businesses in the next five years

Preparations for the **next 5 years**



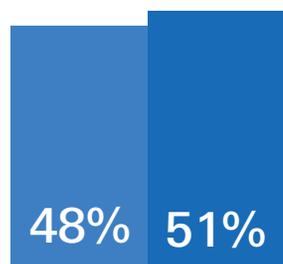
Investing in technology / innovation is the biggest measure businesses plan to take in the next 5 years (53% vs. 63% all markets), and it is their top priority (20% vs. 28% all markets).

But, also tied as the top priority is the intention to focus on the workforce (20% vs. 15% all markets).

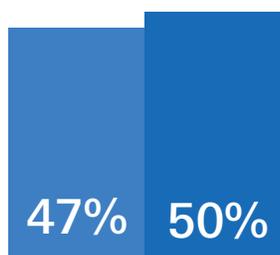
Benefits of technology, changes to **ways of working** brought about by it and the importance of technology

In line with other markets, businesses in the USA see multiple benefits from technology and that it is a major enabler of change.

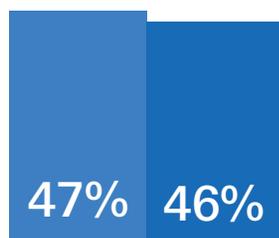
Based on the past 6 months, US businesses have felt the advantages of technology:



For their customers
(48% vs. 51% all markets)



For their workforce
(47% vs. 50% all markets)



In their ability to be innovative
(47% vs. 46% all markets)

In the next 2 years, businesses foresee that technology will increase the incidence of flexible work arrangements (74%) and virtual meetings (56%).

Nearly half (47%) of businesses in the US strongly agree that times of adversity showcase how businesses can leverage technology to enhance or improve how they work.

Changes brought about **by technology**



internet

High-speed internet (63% used in the past vs. 54% vital in the past 6 months) and videoconferencing tools (46% used in the past vs. 46% vital in the past 6 months) remain the most important technologies.



videoconference

Usage of customer support tools increased in the past 6 months (40% vital in the past six months, 31% used prior to the past six months)

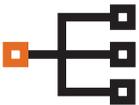


customer support

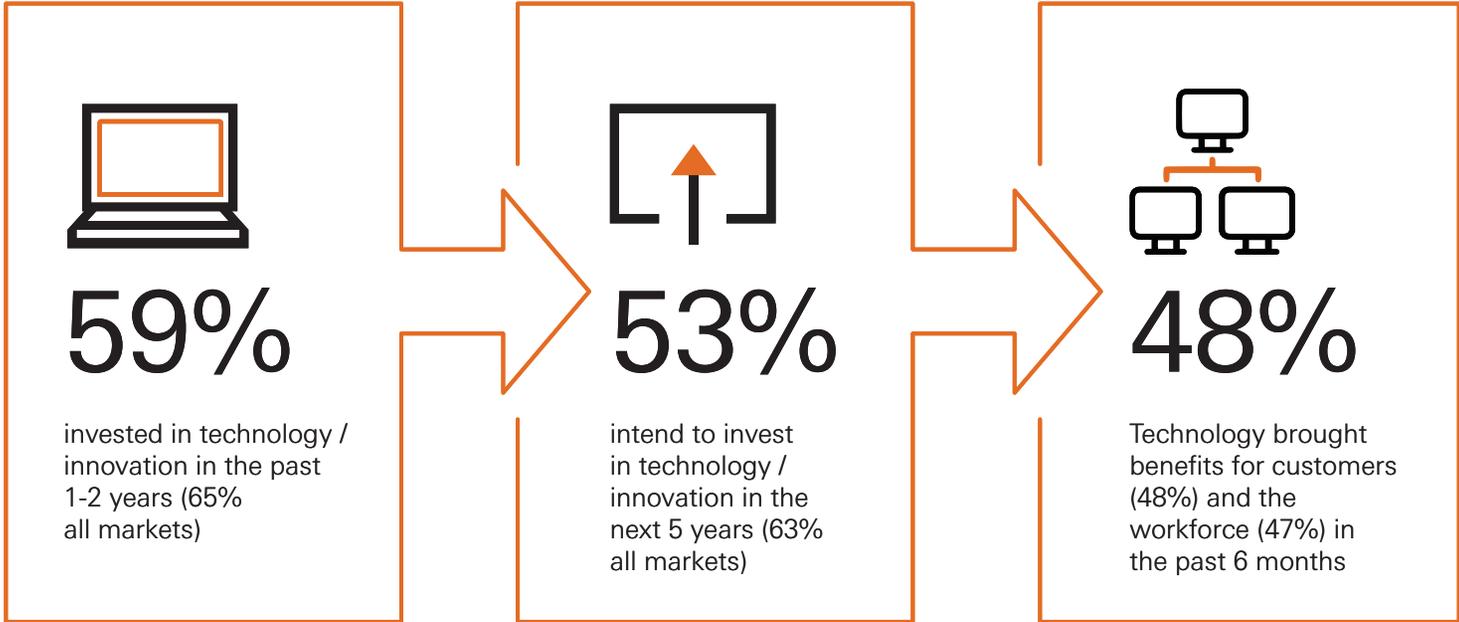
And in the near future, two-thirds (66%) of US businesses foresee virtual collaboration / conferencing tools becoming absorbed into standard ways of working. And this will be the top development priority for 35% of US businesses in the next 1-2 years compared with 25% across all markets.

6. U.S. Findings: People / ways of working indicate an expectation of significant change and challenges ahead

Changes in ways of **working through technology** use in the next 2 years



With adoption of technology and changes in the ways of working, new norms will be established requiring new thinking and greater agility.



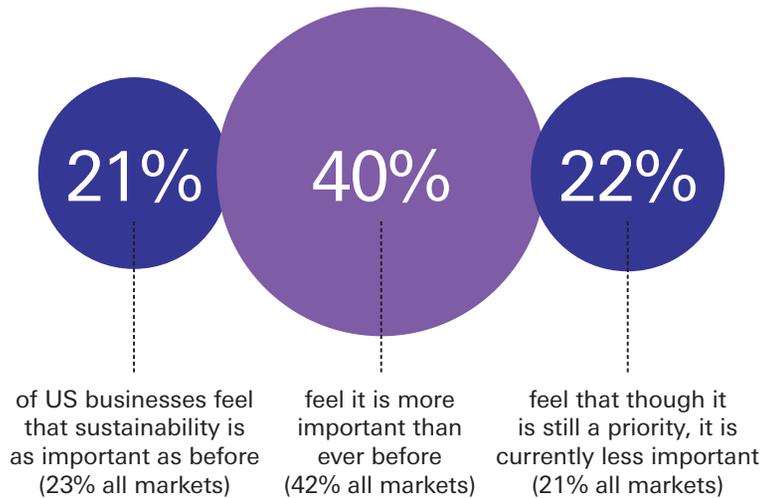
And as a result, these substantial changes in the ways of working are expected, with 74% expecting flexible work arrangements and 56% expecting virtual meetings to become the norm in the next 2 years.

In the light of this level of change and the impacts on individual employees, it is probably unsurprising that a high proportion of businesses identify aspects of the workforce, particularly employee morale (41% vs. 33% all markets) as a barrier to future resilience suggesting that it is an important priority, which has the potential to become a barrier if it is not addressed. And US businesses understand this quite well as indicated by their focus on the workforce as one of the top priorities to prepare for uncertainties in the next 5 years.

7. U.S. Findings: Sustainability hasn't decreased in importance; its emphasis is either unchanged or it has increased in importance

Perspective on sustainability based on the **past 6 months**

Based on the events of the past 6 months, sustainability has either remained unchanged or increased in importance for over three-fifths (61% vs. 65% all markets) of US businesses.



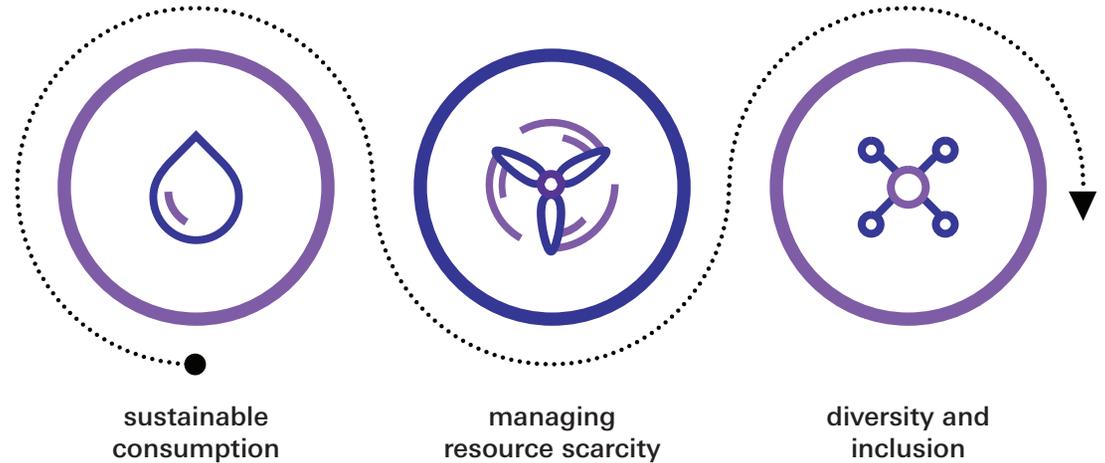
Transformation as an **opportunity** to prioritize sustainability



A significant majority of US businesses (93% vs. 91% all markets) agree that the need to reassess / review their operations will enable them to rebuild their business on firmer environmental foundations. This is further evidence that sustainability will remain at the top of their agendas.

Relevance and pressure of **sustainability**

The three top aspects of sustainability that US businesses felt would directly impact their business were consumer-led sustainable consumption, managing resource scarcity, and diversity and inclusion (all 27%).



More than half say that they will be monitoring the impacts of increasing transparency through data (54%), sustainable infrastructure (55%) and increasing transparency through data (54%) and a similar proportion (52%) also mention that they will monitor diversity and inclusion in their business.

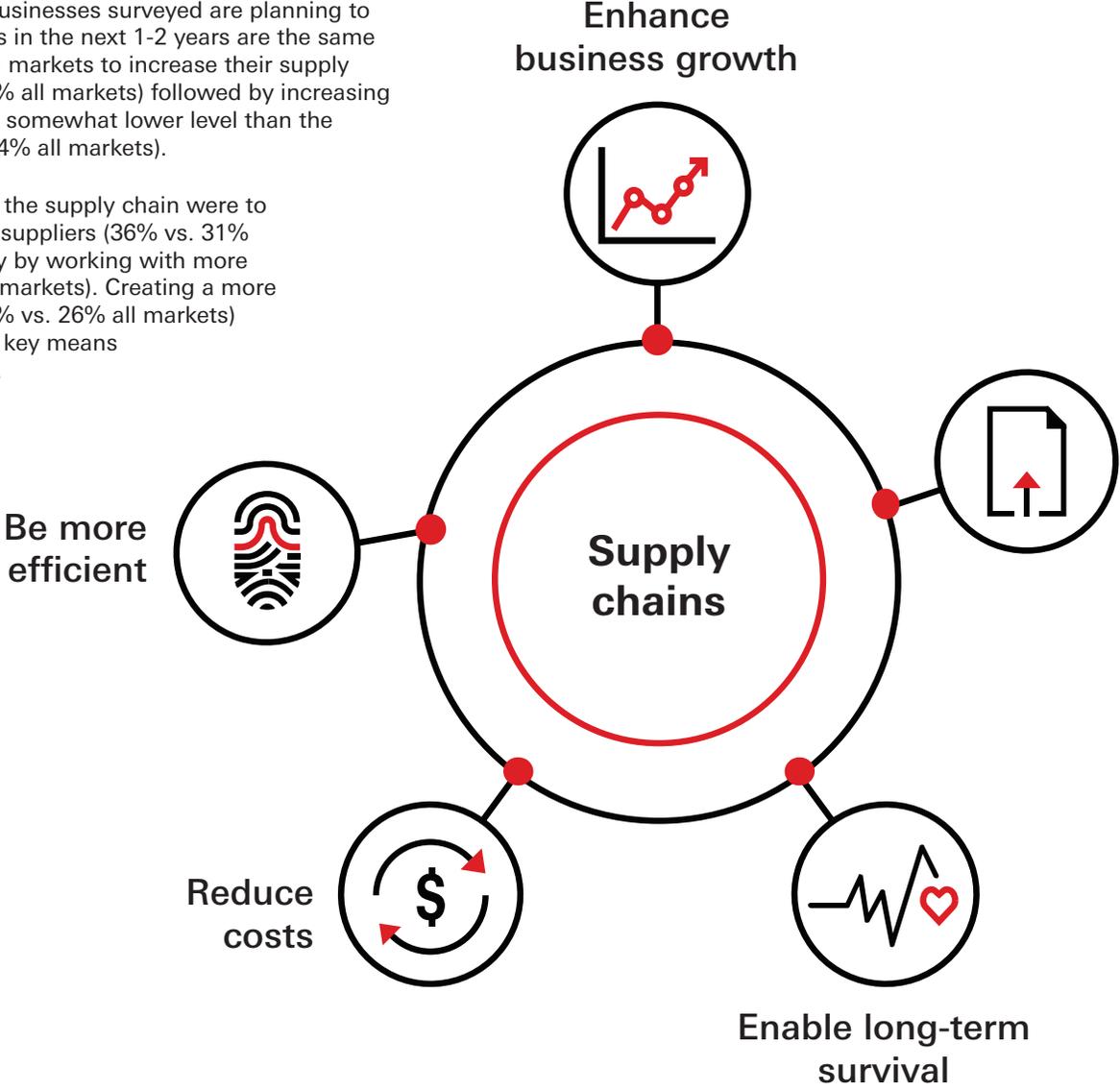
Just over half of the businesses (51%) feel that regulatory measures (from the government 34% and through industry regulations (32%) will be among the top 3 sources of pressure to become a more sustainable business.

Beyond regulations, sustainability pressures are expected from employees and customers (both 41%) as well as business leadership (38%).

8. U.S. Findings: Security is the driving force in reshaping supply chains

The two key changes US businesses surveyed are planning to make to their supply chains in the next 1-2 years are the same as those planned across all markets to increase their supply chain security (66% vs. 67% all markets) followed by increasing transparency, which is at a somewhat lower level than the market average (34% vs. 44% all markets).

The top means of securing the supply chain were to identify and secure critical suppliers (36% vs. 31% all markets) and to diversify by working with more suppliers (28% vs. 29% all markets). Creating a more traceable supply chain (24% vs. 26% all markets) is mentioned as one of the key means of increasing transparency.



The ultimate objectives of these changes are to enhance business growth (40%), be more efficient (36%) and reduce costs (35%) in order to enable long-term survival (32%). Improving quality / reliability despite the increased cost (28%) is another key desired outcome from making changes to the supply chain.

Improve quality / reliability

The Ultimate Objectives:

Enhance business growth	-----	40%
Be more efficient	-----	36%
Reduce costs	-----	35%
Enable long-term survival	-----	32%
Improving quality / reliability despite the increased costs	-----	28%

Survey methodology

The Navigator survey is conducted on behalf of HSBC by Kandar. It is compiled from responses by decision-makers at 2,604 businesses, ranging from small and mid-market firms to large corporations, across a broad range of sectors.

The respondents hold influence over their company's strategic direction and represent a broad range of roles including c-suite, finance, procurement, supply chain, sales and marketing.

A total of 14 markets were surveyed between 28 April and 12 May 2020.

- Americas: Canada, Mexico, USA
- Asia Pacific: Australia, Hong Kong, India, Indonesia, Mainland China, Malaysia, Singapore
- Europe: France, Germany, UK
- Mena: UAE

Results have been weighted to be representative of markets international trade volume (World Trade Organization data for 2017-2018)

For further information about the research please contact:

Oksana Poltavets
US Communications
oksana.poltavets@us.hsbc.com

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