



Navigator Resilience: Building back **better**

The UAE report



Together we thrive

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Context

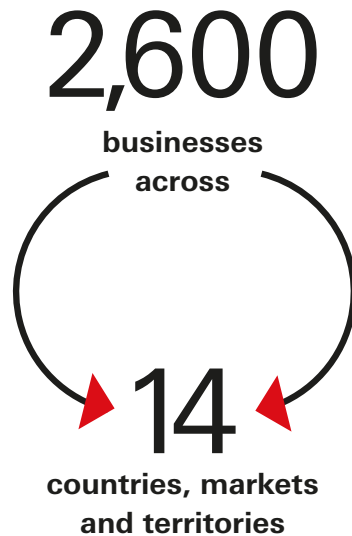
Businesses face their **greatest challenge in a generation.**



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.



1. Immediate impact of COVID is a changed and challenged business world

The impact of COVID

All the businesses surveyed in UAE have been impacted by COVID-19 (100% in UAE, 98% all markets). However, the intensity was much greater with significantly more UAE businesses feeling the impact strongly (79% in UAE, 72% all markets) and very strongly (41% in UAE, 25% very strongly). UAE had the second highest proportion of businesses, behind India (46%) feeling the impact very strongly.

Preparedness to face the uncertainty of the past six months

Nine-in ten businesses in UAE think that they were prepared to some extent for the challenges of the past six months (90% vs. 92% all markets).

Nearly half felt (48% vs. 45% all markets) that they were as well prepared as they could possibly be while just above two-fifths (42% vs. 47% all markets) felt that they were reasonably prepared but could have done more. Around a tenth (10% vs. 8% all markets) felt that they were not well prepared at all.

1. Immediate impact of COVID is a changed and challenged business world (continued)

Current trading situation

Overall, a fifth (20%) of UAE businesses compared to a quarter (26%) across all markets surveyed are operating as normal and fewer than half as many (9% vs 11% all markets) have partially ceased trading. However, the almost three-quarters (71%) majority are operating with changes.

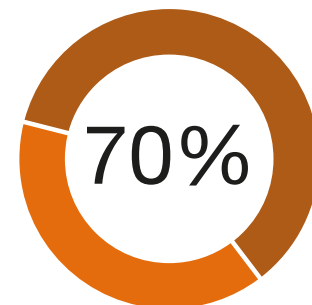
71% are continuing with changes (major 33% UAE, 27% all markets; minor 38% UAE, 36% all markets)

Business health

More than four-fifths (82% vs. 78% all markets) of businesses in the UAE are challenged/need to make changes and only just under a fifth (18% vs. 22% globally) said they were sufficiently agile to make them stable. However, only 1% feel that their long-term survival is threatened. This is quite similar to the other markets.

- 18% sufficiently agile to be stable (22% all markets)
- 51% strong overall but have had to make a number of adjustments (43% all markets)
- 25% have been challenged but expect to survive (30% all markets)
- 5% are significantly challenged and will need to transform to survive (5% all markets)
- 1% say that their long-term survival is threatened (1% all markets)

Reaping the rewards



of **UAE business** are either sufficiently agile to be stable or are strong overall

Impact of current environment

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

There were positive balances in UAE in relation to

- Availability of labour (positively: 46% vs. negatively: 34%)
- Access to finance (positively: 43% vs. negatively: 33%)
- Changes to products / services (positively: 39% vs. negatively: 30%)

But there was a single negative balance in relation to delivery/shipment of products/services (negatively: 39% vs 33% positively).

2. Building Resilience is not a single thing and is about more than a strong balance sheet

Defining resilience

The overall theme of 4 main platforms – customers, employees, agility and a strong balance sheet – contributing to what makes a business resilient is present in UAE at very similar levels and establishes again the view that resilience comes from the factors that build a strong balance sheet.

Almost one-in-five (18%) businesses in the UAE identified treating employees well as the top priority feature of a resilient business and this is the highest level seen across all of the markets surveyed.

- 49% chose valuing customers (50% all markets) and 12% selected as top priority (12% markets)
- 47% selected adapting fast to external events (47% all markets) and 16% selected as top priority (12% all markets)
- 46% mentioned treating employees well (49% all markets) and 18% selected as top priority (10% all markets)
- 45% chose an agile management structure (38% all markets) and 14% selected as top priority (8% all markets)
- 40% mentioned a strong balance sheet (41% all markets) and 10% selected as top priority (13% all markets)

Past preparations for resilience

In the past two years UAE businesses, similar to all other markets, have taken three main types of action to build resilience and these reflect their views on the characteristics of a resilient business. Technology and innovation were the main focus across businesses (63% vs. 65% all markets) and these were also found to be the most effective measures for building resilience (27% vs. 31% all markets). Diversification followed closely behind and was at a higher level than the average for all markets surveyed.

- 63% invested in technology / innovation (65% all markets)
- 57% diversified their business (49% all markets)
- 43% focussed on consolidating their financial position (44% all markets)

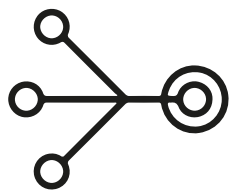
“UAE businesses have a **strong entrepreneurial spirit** and we are seeing them **accelerate** transformational plans.”



Daniel Howlett
Regional Head of Commercial Banking,
MENAT, HSBC

3. Building stronger relationships

Reshaping, not re-shoring



72%

of UAE businesses intend to increase measures to **ensure the security of their supply chains** in the next 1-2 years

Closeness to customers/partners/employees

Despite the lockdown and remote working putting greater distance between the business and their customers, employees and supply chain partners. A significant majority of UAE businesses, in common with all markets, reported becoming closer to each of the three stakeholder groups.

- 86% felt closer to their customers (82% all markets)
- 82% felt closer to their strategic/ supply chain partners (80% all markets)
- 76% felt closer to their employees (83% all markets)

Being a good business citizen

All the businesses surveyed in UAE, said that they have extended support to as well as received support from other businesses in some form in the last 6 months.

- 100% have supported other smaller businesses they work with (93% all markets)
- 100% have received support from other businesses they work with (92% all markets)

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

- 66% have shared information, premises or expertise with smaller businesses in the past 6 months in order to support them through the challenges while 59% received such support
- 53% have relaxed payment terms for their smaller partners and 46% have received better payment terms from their partners
- 46% have collaborated with other businesses to enable them to get their products to customers while 44% received such support

The key measure that businesses in UAE saw the wider business community adopting in the last six months was innovating to find new ways of working (40% vs. 35% all markets). The main responses that businesses observed from companies around COVID specific support include changes to products / services (33% vs. 37% all markets) and contributing monetarily (25% vs. 32% all markets) in order to support the COVID-19 relief efforts.

“Businesses have **grown closer** to customers and supply chain partners through the crisis and have become more **collaborative.**”



Mike Davis
Head of Commercial Banking, UAE, HSBC

4. Looking to the future

Despite having to focus on the short term in the past months, UAE businesses have not lost sight of the longer term picture and are pursuing new prospects to enable growth.

Long term vs. short term planning with uncertainty preparation

In common with over markets, over the last 6 months, around three-in-five UAE businesses spent more of their time focussing on short-term than long term planning.

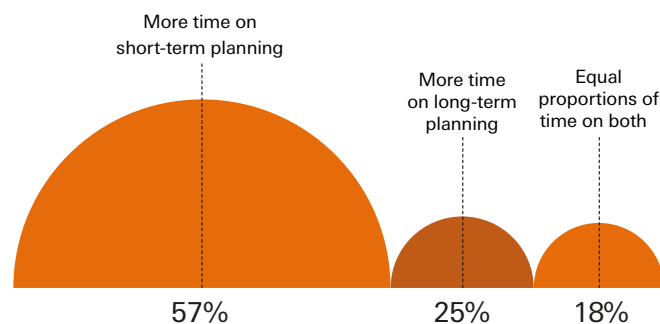
- 57% spent more time on short-term planning (58% all markets)
- 18% spent equal proportions of time on both (22% all markets)
- 25% spent more time on long-term planning (20% all markets)

Thinking beyond the current situation

However, there is considerable evidence of thinking beyond, seen in terms of actively pursuing new prospects (56% vs. 62% all markets).



Time spent on long-term vs short-term planning in the last 6 months



Barriers to resilience

In addition to the concerns about finances, concerns about the workforce are particularly important in UAE.

Employee morale is a major concern for businesses in UAE. This is possibly a reflection of the massive expatriate working population residing in UAE.

More than a third (35%) of businesses identified external factors beyond their control as a barrier, the second highest of any market behind mainland China (36%).

The biggest specific barriers to building resilience over the next six months were identified as

- Employee morale (47% vs. 33% all markets), and this is particularly pronounced for international operators (61%)
- Maintaining sufficient cash flow (36% vs. 31% all markets)
- External factors beyond control (35% vs. 24% all markets)
- Spending time on immediate recovery actions (34% vs. 23% all markets)
- Cost of working capital (30% vs. 24% all markets) and mentioned more by more than twice as many international operators (37% international vs 17% domestic)

Changes to working capital / cash flow management

Given the concern around cash flows and working capital, based on the experience of the last 6 months, businesses in UAE plan to increase their working capital, their cash flows or both (60% vs. 64% all markets).

5. Adoption of technology and innovation is the top priority for businesses

Preparations for the next 5 years

Investing in technology / innovation is the biggest measure UAE businesses plan to take in the next 5 years (64% vs. 63% all markets) and it is their top priority (24% vs. 28% all markets).

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

Similar to other markets, businesses in UAE see technology as a major enabler of change across a number of areas in their business.

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

- For their customers (54% vs. 51% all markets)
- For their workforce (51% vs. 50% all markets)
- In their ability to be innovative (50% vs. 46% all markets)

In the next 2 years, businesses foresee that technology will increase the incidence of flexible working arrangements (83%) and virtual meetings (66%).

Two thirds (66% vs. 44% all markets) of businesses in UAE strongly agree that times of adversity showcase how businesses can leverage technology to enhance or improve how they work. This was the second highest level of strong agreement behind Mexico (70%).

“The crisis has forced many **businesses to rethink** their **technology** investment strategy.”



Noor Adhami
Regional Head of Global Liquidity and
Cash Management, MENAT, HSBC

Changes brought about by technology

Customer support tools (51%) and high speed internet (47%) followed by video conferencing tools (39%), secure digital signatures and digitisation of payment processes (both 31%) were being implemented by businesses in UAE in the past prior to the last 6 months.

During the last 6 months, customer support tools became the single most vital technology for the survival of the business (47%) with high speed internet (39%) and video conferencing tools (36%) playing supporting roles.

In the next 1-2 years, video conferencing tools (39%), customer support tools and high speed internet (both 38%) followed by digitisation of payment processes (36%) are expected to become a standard way of working.

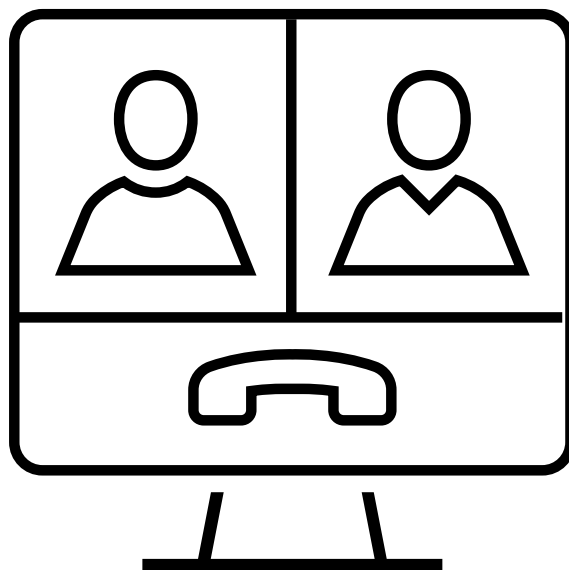
6. People/ways of working indicate an expectation of significant change ahead

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

New ways of working through the growing adoption of technology, in addition to bringing a range of benefits for the business overall, will also mean that businesses will need to address the needs of individual employees, who form one of the key pillars of resilient businesses, in a changing world.

More than four-fifths (83% vs. 69% all markets) of businesses identified some form of flexible working as becoming more standard for their business. The most notable would be more virtual internal and external meetings (66% vs. 57% all markets) and working-from-home (50% vs 37% all markets).

The above technologies have huge potential to changing the ways of working for individual employees. It is understandable that employee morale (47% vs. 33% all markets) emerges as a barrier to future resilience suggesting that it is an important priority in a changing world, as it has the potential to become a barrier if it is not addressed.



61%
said virtual
meeting and
collaboration
tools will
become standard
technologies

7. Sustainability hasn't decreased in importance

Perspective on sustainability based on the past 6 months

Based on the events of the past 6 months and in line with other markets, the emphasis on sustainability has either remained unchanged or increased for nearly two-thirds (67% vs. 65% all markets) of UAE businesses.

- 26% of UAE businesses feel that sustainability is as important as before (23% all markets)
- 41% feel it is more important than ever before (42% all markets)
- 18% feel that though it is still a priority, it is currently less important (21% all markets)

Relevance and pressure of sustainability

The three top aspects of sustainability which UAE businesses expect will directly impact their business were air quality, sanitation/pollution (46%), digitalisation of healthcare (44%) and the circular economy (43%). And nearly half say that they will be monitoring the impacts of increasing transparency through data (49%), sustainable infrastructure and managing resource scarcity (both 48%).

More than half of businesses in the UAE (56%) feel that regulatory measures (both government 34% and industry regulations 30%) will be among the top 3 sources of pressure to become a more sustainable business.

The business' leadership (40%) is a further source of pressure and above that seen in all other markets apart from Mexico (50%). There was also pressure from employees (40%), shareholders / owners / investors (36%) and customers (35%).

Transformation as an opportunity to prioritise sustainability

A significant majority of UAE businesses (95% in UAE, 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.

Building back better



41%
of **UAE businesses** feel
sustainability is more
important than ever before

Survey methodology

The HSBC Navigator survey is conducted on behalf of HSBC by Kantar. 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).

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Note: There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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