



Pandemic to Productivity?

2020 to 2023 in comparison

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Foreword



Anthony Impey MBE
CEO, Be the Business

2020 feels like a long time ago now, but the lasting effects of the pandemic linger almost everywhere you look. Between new social norms, accelerated technological development and adoption, economic crises and an evolving regulatory landscape, businesses have faced major stresses on multiple fronts.

When we surveyed more than 1,500 senior decision makers from the business community back in February 2020, to ascertain exactly where productivity and productivity-enhancing activities lay on their priority lists, we could not have predicted the lockdown that was announced little over a month later.

This was a defining moment for the UK, and the impact on business during this period was enormous. While Be the Business' mission to inspire greater productivity amongst the business community remained, many entrepreneurs found themselves pivoting to survive.

Today, many of those pivots continue even now. Progress in the e-commerce market that was propelled during the pandemic has been sustained, while remote and hybrid working have become definitive aspects of the present, forcing businesses to re-strategise for the longer term.

We've also witnessed the democratisation of the workforce, driven by the so-called 'Great Resignation' and low unemployment, which means that attracting and retaining talent has become a new frontier of competition among businesses. And all this upheaval has been set against a backdrop of ongoing economic stresses.

Three years later, with inflation, the cost-of-living crisis, soaring energy bills, skills and supply chain issues further thwarting business ambitions, we carried out the survey again. With productivity – its ability to create better jobs, reduce the impact of rising costs and inflation, and improve living standards – all back in the news, we wanted to know if attitudes had changed amongst the business sphere.

The results highlight just how far the UK must go if we are to overcome our stagnating productivity record. While the drivers of productivity seem to be changing, the actual focus on productivity – who is talking about it and how much – hasn't altered at all.

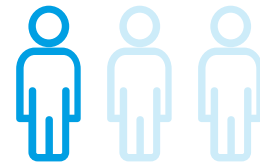
By uncovering where business leaders are now focusing their attentions in the "new normal", we will be better able to encourage, inspire and support them towards greater productivity – the impact of which will be far longer lasting than that of the pandemic.

A handwritten signature in black ink, appearing to read 'Anthony Impey'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Key statistics at a glance



In 2023, over one third (**37%**) of business leaders now use the word "**productivity**" when talking to employees about improving processes and systems



1 in 3 (**32%**) leaders **see productivity as a major challenge** in 2023



Today, 2 in 3 (**65%**) leaders talk about productivity, **up from 55% in 2020**



Today, almost all business leaders (**97%**) think that **flexible working schemes are an effective way** to motivate employees

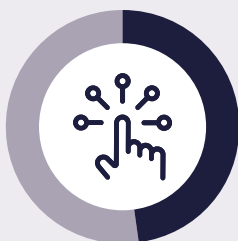


65%

of companies use profit margins as a determinant of productivity, **up 19% in 2023** from 46% in 2020



Today, **only 16%** have done nothing to specifically motivate employees to help the business function better, **down 10% from 26% in 2020**



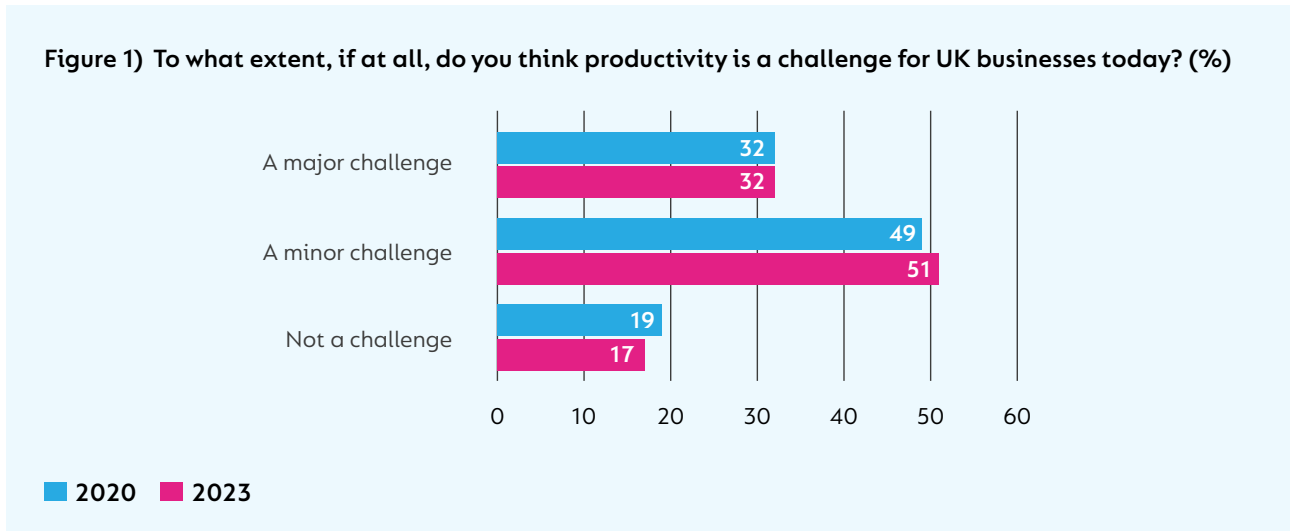
Today, nearly half (**48%**) of all business leaders consider technology to be an important factor for a business to be able to improve processes, **up from 39% in 2020**

Methodology: Opinium conducted an online survey of 1,504 senior decision makers in small- and medium-sized businesses between 30 January 2020 and 4 February 2020. Opinium also conducted an online survey of 1,000 senior decision makers in small- and medium-sized businesses between 14 and 23 February 2023, which was weighted to be in line with previous Be the Business surveys. The findings of these two surveys are presented and compared within this report.

Headline findings

Productivity – then and now

Business leaders see the current economic situation as their greatest challenge



A lot has happened to companies since the pandemic. Where flexible, remote and hybrid working have become the “new normal”, there’s significant discussion about how this might impact overall productivity, innovation and business performance. Meanwhile, business leaders have also been struggling with inflation, the cost-of-living crisis, spiralling energy bills and skill shortages.



Rising costs continue to bite

In separate polling of 1,048 business leaders by YouGov for Be the Business in March 2023, 69% of respondents said that outgoing costs are rising, whilst only 7% said they are falling.

Indeed, business leaders now face much greater stresses – sentiment that is reflected by the change in perspectives among business leaders in the last three years.

In February 2020, we asked senior decision makers what they felt the biggest challenges were facing UK businesses – a question we repeated in a second survey in February 2023 in order to explore how the pandemic period and current cost-of-living crisis have affected businesses across the country.

Perhaps unsurprisingly, the greatest obstacle facing UK businesses today is the current economic situation, viewed as a challenge by 98% of businesses, and a major challenge by three quarters (75%).

Much as in 2020 when they were viewed as a challenge by 87% of leaders, taxes are seen as the second biggest challenge by business leaders – up to 88% in 2023, tying into the issue of financial difficulties. Meanwhile, the third biggest challenge, regulation, is viewed as an issue among 88% of businesses, representing no change compared with 2020.

Productivity is viewed as a major challenge by 32% of senior decision makers and a minor challenge by 51% in 2023, also representing little change on the 32% and 49% recorded pre pandemic.



Productivity by demographic

Productivity is more likely to be seen as a major challenge in London (47%) than in the North (30%) in 2023.

Similarly, younger business leaders (aged 18-34), are more likely to see productivity as a major challenge compared to other age groups, but half of all business leaders (51%) see it as a minor challenge.

Legal services (62%), the food and drink sector (55%) and manufacturing (46%) are the industries most likely to see productivity as a major challenge.

More people are using the term productivity

65% of business leaders are now personally using the term “productivity” when talking about their businesses, up from 55% in 2020. The implications of this are two-fold: firstly, business leaders have faced a barrage of challenges in recent years and are now looking to double down on their processes; and, secondly, the phrase has become much more prevalent in the aftermath of the pandemic, with the rebound to pre-lockdown levels being far slower than anticipated.

Respondents also revealed that they had heard the term “productivity” being used more commonly among their colleagues, employees, clients, advisors/consultants and suppliers. The biggest jump came from suppliers, up from 10% in 2020 to 18% in 2023, perhaps as they look to productivity as a means of easing and overcoming problems that have been facing global supply chains in recent times.

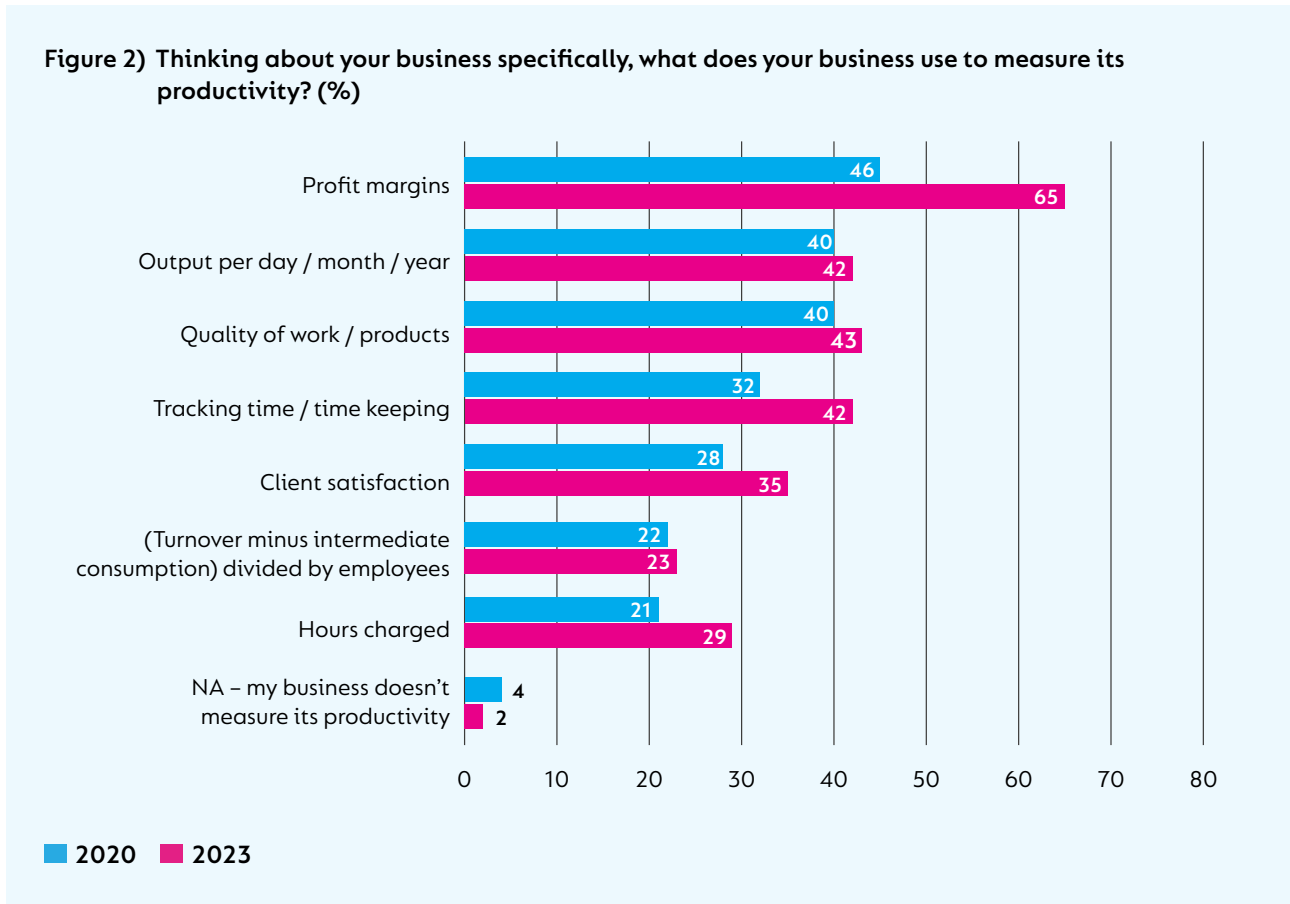
Interestingly, the proportion of senior decision makers that hadn’t heard anyone using the term “productivity” was down from 23% in 2020 to 16% in 2023. This indicates that productivity has become a more mainstream business topic, as opposed to a term used predominantly by senior managers.



Talking productivity: gender comparisons

68% of male business leaders and 60% of female business leaders are using the term “productivity” when talking about their businesses in 2023, up from 57% (male) and 52% (female) in 2020

Without metrics in place, how can business leaders improve?



Key to becoming a productive business is having metrics in place to provide comparison, so we asked business leaders what they're measuring in connection with greater productivity. For many business leaders, profit margin is that measurement.

There has been a major increase in companies tracking profit margins as a determinant of productivity, **up from 46% in 2020 to 65% in 2023**. This increased focus on profit among business leaders is likely a reflection of the challenging economic environment over the past three years.

This increase has been more pronounced in male business leaders (22%) than female business leaders (14%). While we've also seen a rise in the tracking of profit margins across all age categories, the largest jump (20%) came from those aged 55+.

Beyond profit margins, organisations are also monitoring quality of work/products (43%), output (42%) and timekeeping (42%) to measure productivity. Timekeeping in particular saw a considerable increase, **up from 32% in 2020 to 42% in 2023**. Further, almost half (47%) of female business leaders now report using this measure.

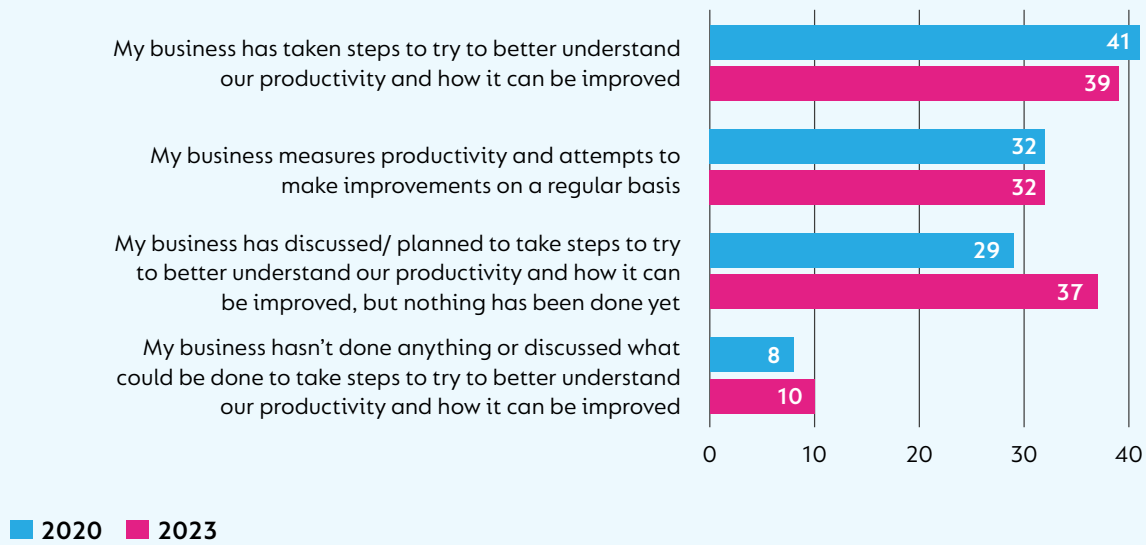


11% more business leaders are speaking to employees about profit

In 2023, 27% of business leaders are using the word "profit" when talking to their employees about improving processes and systems, up from 16% in 2020.

Productivity strategies – awareness is up, but implementation isn't

Figure 1) Thinking about your business' productivity, which one of the following best applies to you? (%)



Looking at where businesses are in terms of implementing their productivity strategies, there is reason for both optimism and concern.

Unfortunately, there is a stubborn number of business leaders (staying resolutely flat at 8% to 10% in three years) stating that they **haven't done anything** to try to better understand how they function and where they can improve.

However, the number of decision makers that have **discussed and planned** to take steps has increased 8% from 29% in 2020 to 37% in 2023. The increase is particularly notable among female business leaders (32% to 45%) and younger leaders aged 18-34 (43% to 52%). More discussion and awareness is good, but these discussions and planning efforts are yet to materialise in the actual implementation of productivity strategies.

Indeed, the number of business leaders that **have taken steps** to better understand how they function is also slightly down from 41% to 39%. The number **actively measuring** how they function and attempting to make improvements on a regular basis also hasn't changed at all, recorded at 32% in both 2020 and 2023.



The scale of the challenge is clear

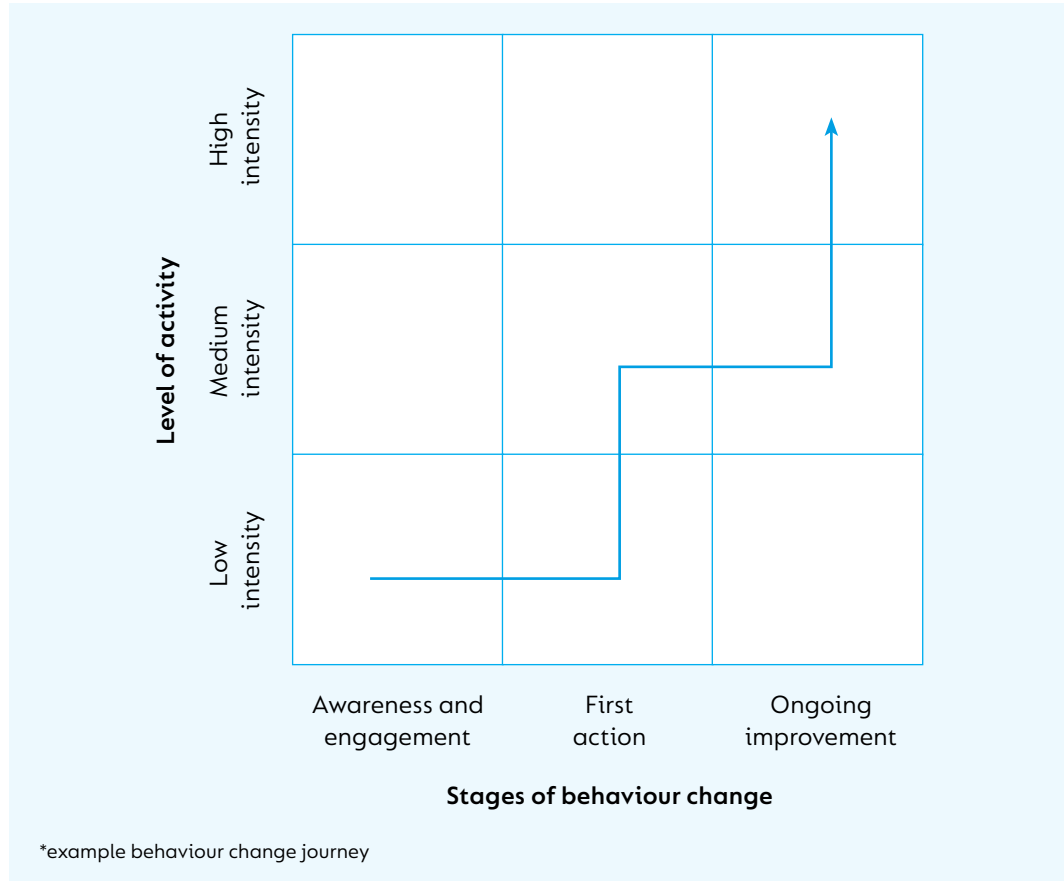
Separate polling of 1,048 business leaders by YouGov for Be the Business in March 2023 echoed the scale of the challenge related to business functionality and measurement.

A quarter (25%) of business leaders said they never evaluate management or business practices. Similarly, 27% said a lack of time prevents them finding 'best practice' methods, and 14% don't know what they would look like for their business.



Productivity journeys begin with behaviour change

Be the Business has created a model to explain what's involved in making productivity work for small businesses. The model is based on the behaviour change required for business leaders to make their businesses more productive, moving from being aware of improving their business productivity, to taking the first action, and ultimately making continuous improvements in how they operate.



When businesses are on a productivity journey, and regularly look outside their business for advice and guidance, they are up to three times more likely to act in areas linked to higher productivity like management skills, operational efficiency, adoption of technology and modern HR practices¹.

In 2023, Be the Business is testing the different productivity journeys business leaders are on, such as moving from low intensity awareness to regularly engaging high intensity activities, or more complex moves between different kinds of activities.

In the process, Be the Business will be gathering evidence of barriers to moving between different stages of behaviour change and how to mitigate them.

¹ Be the Business (2023), Productive Business Index 6

Software, systems and strategic initiatives

There are two proven levers of better productivity that the UK has ample opportunity to improve.

The first is management and **leadership skills**, often underpinned by the effective implementation of strategic initiatives. The second is the **successful adoption of technologies** – specifically, those solutions that are relevant in supporting the unique operations and ambitions of a business.

The two are linked: greater management capability significantly increases the likelihood of successful adoption of technology – and both help businesses improve processes and systems.



Be the Business research has long proven the effects of software, systems and strategic initiatives

Our Productive Business Index (PBI) measures and tracks changes in UK micro and SME business performance and capabilities over time. We have developed a bespoke index model to track how the major investments of time and resources that have been made by SMEs change behaviour, performance and productivity.

We have identified five distinct areas that are major drivers of company level productivity: management and leadership, technology adoption, innovation, HR and operational efficiency.

In the sixth edition of the PBI, published in April 2023, we found that:

56% of leaders regularly receive advice have a 2-5 year strategic plan compared with just 45% of those who don't seek advice

56% of leaders agree that they effectively transact with suppliers electronically

64% of leaders think their employees have access to the technology they need to improve their productivity, an all-time high

63% of leaders agree their business is good at implementing new ideas quickly

51% of leaders feel confident in managing and mitigating risks

When business leaders talk to their employees about improving processes and systems, the most common words used in 2023 are efficiency (51%), performance (48%), motivation (39%) and productivity (37%).

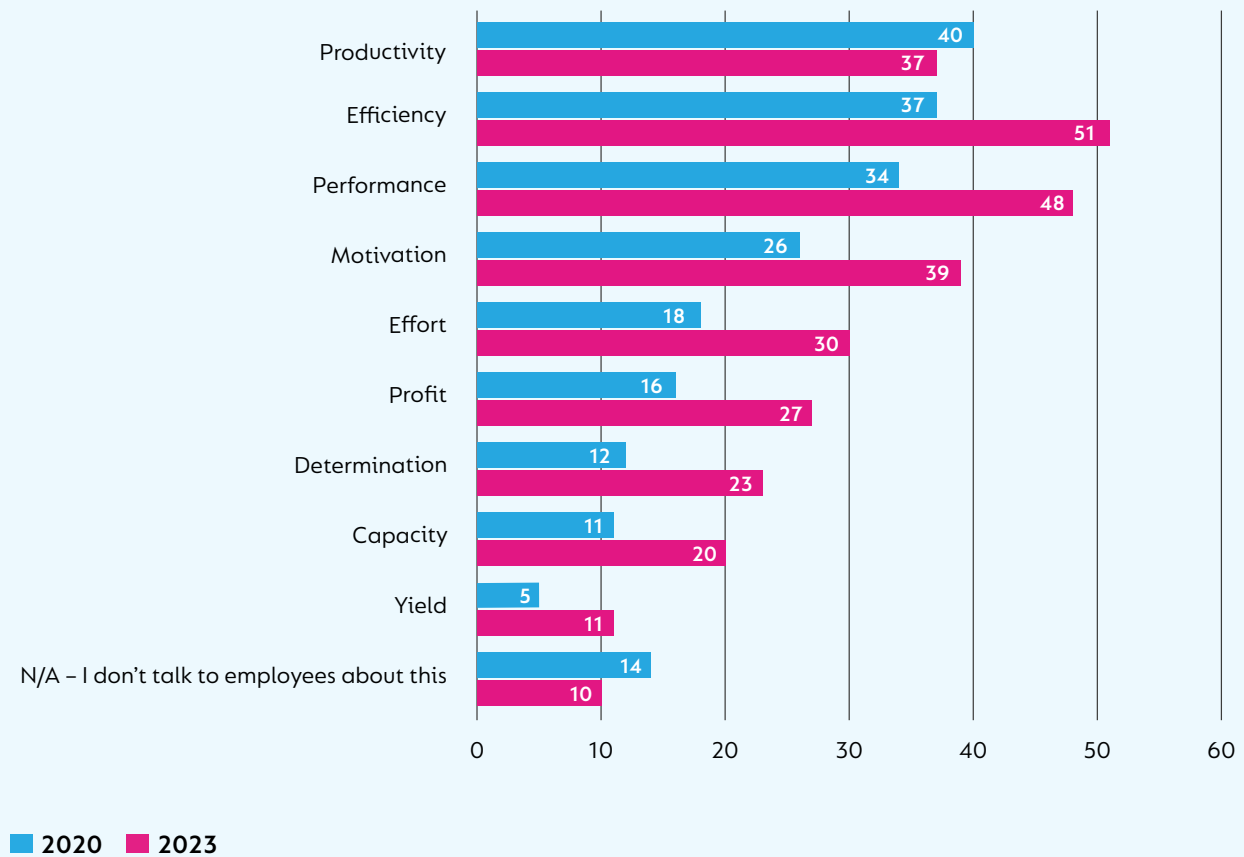
Compare this to 2020: the same words were being used, but there has been a significant rise in the past three years for efficiency (up 14% from 2020), performance (up 14%) and motivation (up 13%). Conversely, the term “productivity” has seen a decrease in use, falling 3% from 40% use since 2020. This is the only term of those surveyed that saw a decline.



Improving efficiency takes time

In separate polling of 1,048 business leaders by YouGov in March 2023, almost one third (32%) of business leaders said they spend between 1-10% of their personal working time on improving efficiency.

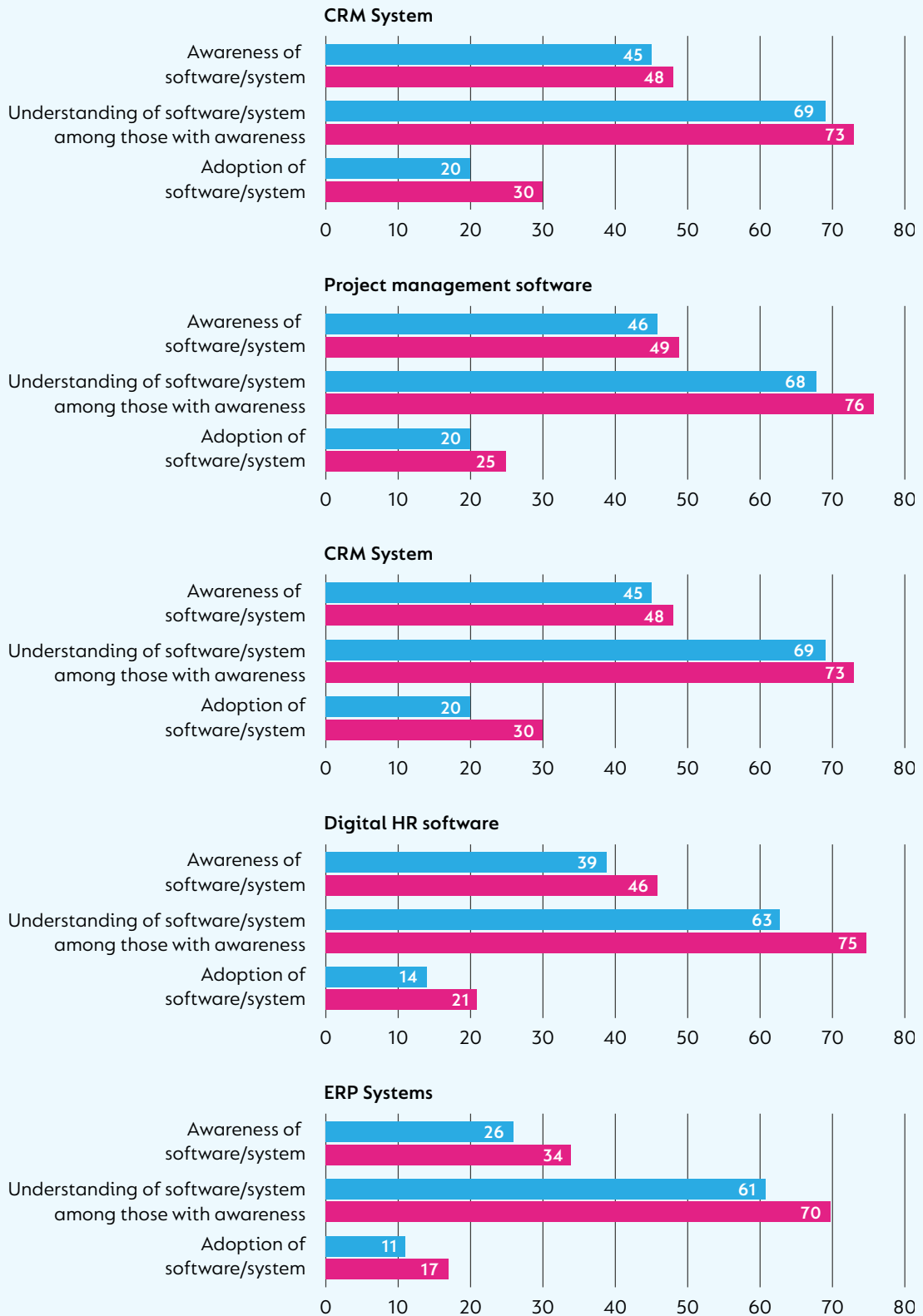
Figure 4) When you talk to your employees about improving processes and systems, which of the following words would you use? Please select all that apply (%)



Here, we explore whether business leaders have changed the ways in which they leverage software, systems and strategic initiatives to improve these areas between 2020 and 2023.

Software and systems: Progress made, but there's still room for improvement

Figure 5) Changes in awareness, understanding and adoption of software and systems (%)



■ 2020 ■ 2023

Graph based on the answers to three questions: 1) Which of the following types of software/systems or plans have you heard of before? 2) How well, if at all, do you think you understand what the following type of software/ system or plan does? 3) Which, if any, of the following does your business currently use?



A clear link between digital tools and greater productivity

The above five tools have an explicit link to higher levels of productivity. Data from the Enterprise Research Centre demonstrated that, over a period of three years, CRM software has been shown to drive an uplift of 18.4% in productivity, Cloud computing a 13.5% increase, with web-based accounting software an 11.8% increase.²

When multiple software is used together, there is an even greater increase in productivity – firms that use two or more business technologies are 25% more productive than those who do not.³

²Enterprise Research Centre (2018). State of Small Business Britain Report

³Office for National Statistics (2018). Information and communication technology intensity and productivity

Interestingly, in Figure 5, we see that both the **awareness** and **understanding** among those who are aware as well as the **adoption** of software and systems, are improving across the board.

While **adoption** of software and systems remains lower than **awareness** and **understanding**, the ubiquitous uptick across productivity-boosting tools is generally positive and a clear product of the pandemic.

It is perhaps unsurprising that digital HR software – an essential component of post-pandemic working – has seen one of the biggest increases in **awareness** (up to 46% in 2023) and **understanding** among those who are aware (up to 75% in 2023) in the past three years, with a similarly significant change in **adoption** (up 7% to 21% in 2023).

In fact, **understanding** among those with awareness of all software and systems stands at 70% and above in 2023, with digital accounting software leading at 85% (up from 74% in 2020) awareness. Resultantly, **adoption** of this tool has also increased 10% since 2020, with over half (54%) now using digital accounting software. This 10% increase in **adoption** is only matched by CRM systems, with almost one in three (30%) of business leaders now using the tool.

Despite this, there is clearly still scope to better improve **awareness and understanding** of the available software and systems amongst business leaders, and an even larger effort required to ensure that **understanding leads to adoption**. For example, while 70% of those who have an **awareness** of ERP systems say they **understand** the tool, only 17% have **adopted** it.



Be the Business report: Skills for Success

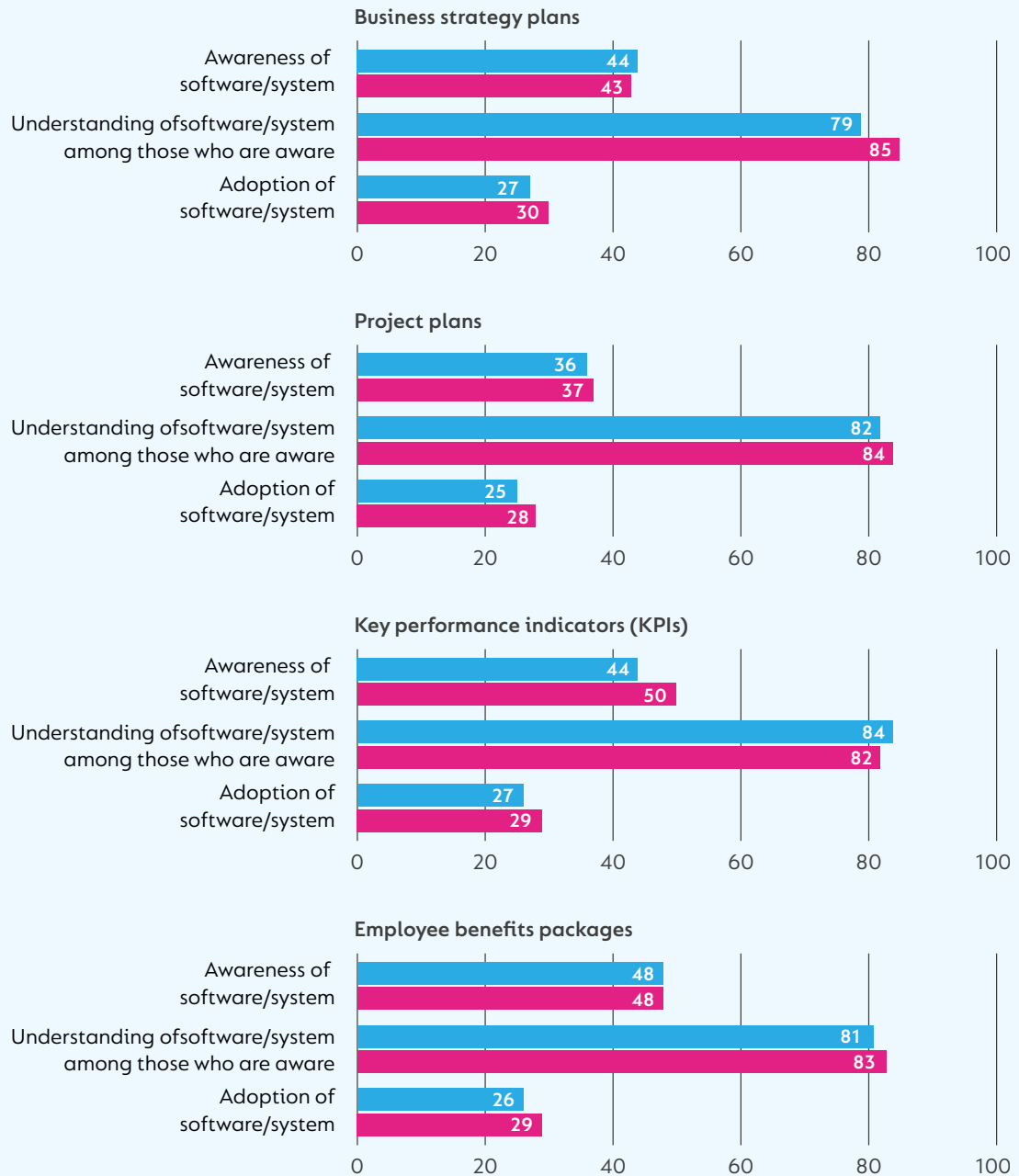
The Be the Business Skills for Success⁴ report, published in partnership with The Open University, found that there are multiple barriers when it comes to encouraging technology adoption amongst small business leaders:

- Only a minority of business leaders see technology as having a positive impact on increasing efficiency (39%), revenue (31%) and profit margin (27%)
- One fifth (21%) of all business leaders don't think adopting technology could have a positive impact on their business at all
- Fewer than a quarter of business leaders (23%) think they have all the necessary technical skills to successfully adopt and implement technology and only a third (33%) believe they have all the leadership and management skills needed
- One quarter of business leaders (25%) spend no money on training and learning
- Time and cost were raised as significant barriers to adopting technology with nearly one third of business leaders (30%) considering digital tools too expensive and 16% put off by the time needed to train staff

⁴Be the Business (2021). Skills for Success: Supporting business leaders will digital adoption

Strategic initiatives: A weaker upward curve of progress

Figure 6) Changes in awareness, understanding and adoption of strategic initiatives (%)



■ 2020 ■ 2023

Graph based on the answers to three questions: 1) Which of the following types of software/systems or plans have you heard of before? 2) How well, if at all, do you think you understand what the following type of software/ system or plan does? 3) Which, if any, of the following does your business currently use?

Awareness of strategic initiatives is generally improving, but typically more slowly, and only modestly. There was no change in awareness relating to employee benefits packages which remained at 48% in both 2020 and 2023, for instance.

Adoption of strategic initiatives is also up in all cases, but the increases are generally much smaller compared with software and systems. The largest increase in adoption among strategic initiatives between 2020 and 2023 was 3%, for business strategy plans, project plans and employee benefits packages. However, for software and systems, there were instances of 10% increases in adoption during the same period (for example, CRM Systems and digital accounting software).

Understanding of strategic initiative among those that have heard of them is better compared to software and systems, ranging from 82% (KPIs) to 85% (business strategy plans). By contrast, only one of five software and systems had understanding above 77%.

However, while **understanding** among those who are aware has improved, the increases between 2020 and 2023 are again much less significant than those seen for software and systems. The greatest improvement in understanding of strategic initiatives came in business strategy plans, up 6%. However, for software and systems, understanding among business leaders with awareness improved 8% or more for four of the five technologies.



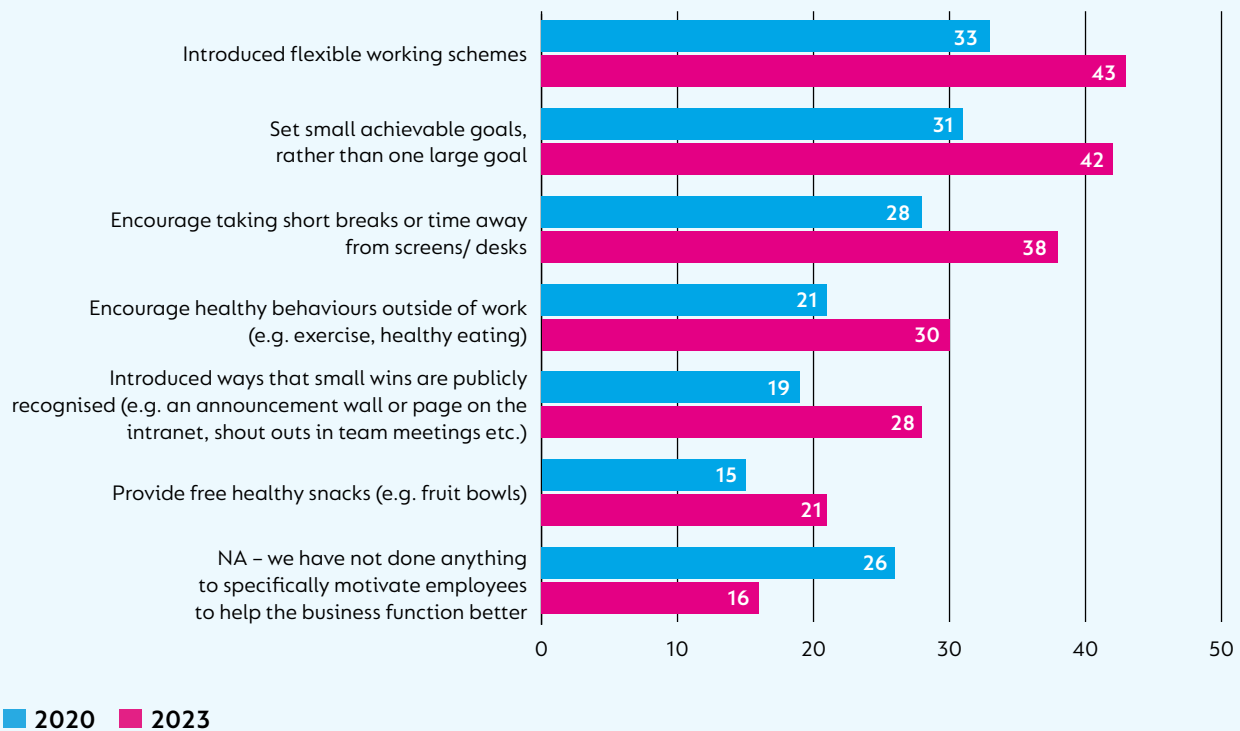
Summary: Software and systems versus strategic initiatives

Across awareness, understanding and adoption, there has been a more significant improvement in software and systems generally in the last three years compared to strategic initiatives.

Clearly, business leaders are weighting their push towards technology. However, both successful technology adoption and the implementation of strategic initiatives must be pursued if business leaders are to be successful in improving their productivity.

The employee experience

Figure 7) Which, if any, of the following has your business done to help motivate your employees to help the business function better? Please select all that apply.



Flexible working schemes became the most widely used method for motivating employees and helping businesses function better in 2023, utilised by 43% of businesses and up from 33% in 2020.

Other popular techniques included setting small, achievable goals (42%) and encouraging short breaks (38%). Critically, the number of business leaders not doing anything specifically to motivate employees has fallen from 26% in 2020 to 16% in 2023.

This fall seems natural given that motivational schemes are now viewed as an important factor for a business to improve processes by 27% of respondents, up from 21% in 2020. This also reflects a tighter labour market, highlighting the efforts being made by firms to retain talent.



Be the Business report: Ambitions Beyond Growth

In Be the Business' 2022 report *Ambitions Beyond Growth*⁶, the diversifying intent of the small business community was highlighted.

Indeed, while 32% of business leaders do not want to increase their turnover, 82% are always looking to improve their business, with 38% citing “employee wellbeing” as a key ambition⁷. This ties in with the findings that fewer business leaders are not taking any steps to motivate their teams.

⁶ Be the Business (2022). *Ambitions Beyond Growth: Responding to the diversifying needs of the UK's SME population*

⁷ Be the Business (2022). *Ambitions Beyond Growth: Responding to the diversifying needs of the UK's SME population*

The employee experience is now under the spotlight more than ever before. Where flexible working opportunities have become the norm, motivational engagement with employees has been adapted in tandem. Team huddles that were previously in the office now take place online, for example.

Where companies need to more actively think about the ways in which they engage employees, we're clearly now seeing business leaders pursuing a greater variety of different avenues in the aim of motivating staff to help their businesses function better.

Generally, the perceived value of these motivational tools hasn't changed much. However, another reason why uptake has increased could be down to the fact that each technique is viewed as either very or fairly effective by the vast majority of respondents. The level of effectiveness of each motivational tool in the eyes of business leaders can be seen in the graph below.



More business leaders are talking about motivation

When business leaders were asked what words they used when talking to employees about improving processes and systems, 39% cited motivation, up from 26% in 2020.



Healthy workforces seen as vital to improving processes

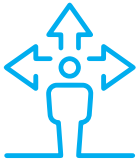
The percentage of business leaders viewing mentally healthy workforces as important to improving processes has risen from 42% in 2020 to 47% in 2023. For physically healthy workforces, this has also increased from 37% in 2020 to 41% in 2023.

Resultantly, healthy workforces are seen by leaders as more important than motivational schemes (27%), a diverse workforce (24%) and a diverse leadership team (22%) in helping businesses to improve processes in 2023.

Recommendations

The data from this survey highlights a number of significant changes from 2020 to 2023. However, if we are to crack the code on productivity and transform the UK's economy in the long term, more must be done to encourage meaningful change and progression.

Here, we set out a number of recommendations for these various groups involved in making this happen, including business leaders, policymakers and the business support ecosystem:



For policymakers:

Help business leaders get connected through a single, user-focused, front door.

Government and the business support community should collaborate to launch a business leader-centric starting point, consolidating and signposting business leaders to the most appropriate support.



For corporate partners:

CEOs from across the corporate business community need to show leadership on the productivity agenda,

be vocal about the critical importance of productivity to the UK economy in the media and with government and commit their organisations to driving the productivity of small businesses in their supply chain, distribution channel, and customer base.



For business leaders:

Start talking, then take action. Every change a business leader takes to make their business more efficient, whether than be improving employee motivation or trialling a new product, has the ability to improve their business' productivity – and these changes only need to be incremental for them to have an effect. Measuring the impact of these changes leads to a culture of continuous improvement and further productivity gains.



For the business support ecosystem:

Make business productivity part of the everyday. There are not enough businesses who recognise the importance of improving their productivity or who know what the first step is if they do. Driving significant numbers of businesses to start this process needs to be a priority of the ecosystem. Educating business leaders so that they move through a cycle of understanding to productivity-enhancing activities to successful adoption of best practices is an essential step.

Conclusion

Much has changed for businesses in the three years from 2020 to 2023.

In comparing the two sets of survey responses, we've seen that many business leaders are now turning towards technologies as they look to boost efficiency, performance and productivity, all while continuing to value the importance of strategic initiatives and strong leadership.

However, it is clear that there is still room for improvement. Many business leaders still lack the awareness and understanding of software and systems that is required to properly drive adoption, for example. Clear productivity journeys, stemming from awareness and engagement to initial actions and then on to continuous improvement, are critical for this situation to change.

The research also shows that organisations are now focusing on motivating employees to improve processes, this perhaps being driven by increasing demand for talent and the way in which the employee experience has become a greater frontier of competition.

Much of the gains made in the last three years were born of necessity. However, the challenge of translating awareness into action remains.

About Be the Business

Be the Business is an independent charity that inspires greater productivity, by connecting leadership teams to the curated expertise needed to answer today's challenges. By combining peer-to-peer networks, the employee expertise found within pioneering corporate partners, independent business experts and our research and insights, we inspire leadership teams to create and deliver sustainable business change. Collectively we're transforming the UK's productivity, raising the value of businesses in our communities, safeguarding jobs and improving standards of living.

