



Advanced Oxford

**The impact of Covid-19 on a
group of innovation-based
companies - a report of
survey findings from
Advanced Oxford**

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Introduction

Advanced Oxford has been collecting insights from Oxfordshire-based innovation/R&D companies since the start of the lockdown period via a short on-line survey (<https://www.surveymonkey.co.uk/r/D73XTBS>). The survey asks questions across a number of business issues, focusing on the impact of the Covid-19 virus and the associated changes in working practices. The survey also asks questions about impacts on companies' investment plans, an area of particular interest to Advanced Oxford and a focus for our current research programme. Advanced Oxford recognises that the Covid-19 pandemic has created unprecedented business conditions, with all sectors of the economy being significantly impacted by the lock-down, social distancing, the health crisis and its associated social and economic impacts. Government is working to respond to these changes and needs insight and evidence from business to inform policy making, both during the crisis, but also as we move into a recovery phase. This research and the associated analysis has been undertaken in order to provide evidence of the impacts and issues affecting innovation-based companies, drawing on the experience of companies which are located within Oxfordshire.

Respondents

This analysis is based on 30 responses from different companies. While this is not a high number of responses, it is sufficient to draw conclusions and to provide evidence around the impact that the Covid-19 lockdown is having on innovation-based companies within the Oxfordshire region. The number of respondents compares well to a Covid-19 impact survey conducted within the life sciences sector by One Nucleus/MedCity/SEHTA, working together, and representing a substantially larger geography (the south east of England), which attracted 54 responses. It also compares to the number of responses reported by UKSpace to a sector specific survey that they are currently running within the space technologies sector (verbal report of responses, April, 2020) although it should be noted that they were intending to push for more respondents to their survey.

Advanced Oxford intends to keep the survey open and will continue to ask companies to contribute their insights. A follow up survey may be conducted with respondents in due course to determine how their experience and perceptions are changing over time.

Companies were asked to identify the sector to which they belong and the size of their company, based on headcount.

Chart 1: Sectoral breakdown of responses

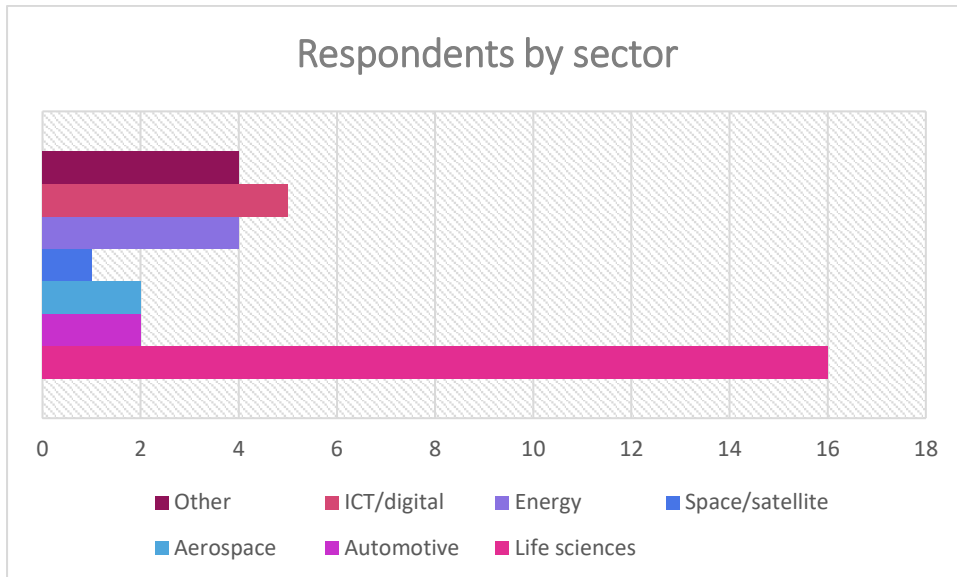
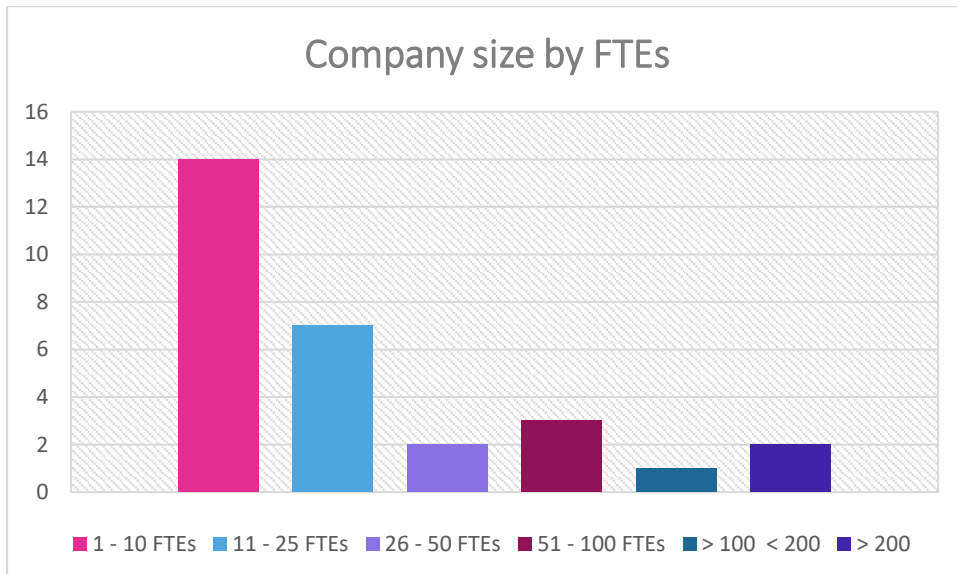


Chart 2: Size of companies, based on their headcount (full time equivalents)



The majority are UK based companies, with no overseas presence, but two of the respondent companies are multi-national companies with sites in other markets. In this instance, the response to the survey relates to the experience of the UK based R&D site.

Respondents were asked to identify their job title. Most responses came from C-suite staff, with the majority identifying as CEO, Chair, VP or founder.

Investment plans

Companies were asked about their investment plans. 24 of the 30 companies stated that they were planning to raise investment within the next 12 months, but a further 5 companies indicated that they intended to raise investment within the next year, even though they had no current plan. Only one company did not respond. 9 of the respondents were already in the process of raising investment, with others intended to start raising investment over the rest of the year, although 5 specified no time period. The amount being raised varied significantly, based on the size, age and nature of the company. When asked how their investment plans had been impacted by the Covid-19 epidemic, there were a range of responses, including the need to delay fund raising, some indicating that delay in meeting milestones would impact on investment plans and a small number indicating very negative perceptions: plans “derailed”, the situation being a “disaster”.

Table 1: Company plans with regard to investment

Response:	Number:
Those indicated that they had existing plans to raise investment	24
Those who had no existing plans, but still indicated that they intended to raise investment in the next year	5
No response	1

Table 2: Expected timeline for raising investment

Response:	Number:
Already fundraising at the time of response or an investment round that is just commencing	9
Next 3 months	5
Next 6 months	3
Next 9 months	2
Within the next year	5
Unspecified	5

Table 3: Amount that the company is looking to raise – please note this question was optional and not all companies responded

Response:	Number:
< £ 1 million	3
£ 1 – 5 m	7
£ 5- 10 m	3
> £ 10 m NB upper limit of response exceeded £100m	6
To be determined	1

The final question within this section asked how investment plans had been impacted by Covid-19. Responses were free-text and have been codified based on the answer given. Each response represents the major issue identified by a company (n=23 companies that responded to this question).

Table 4: the impact of Covid-19 on the investment plans of companies

Codified response (major issue identified)	Number of companies identify this issue:
Plans have been delayed or halted – some delays due to milestones being delayed	9
Cash saving measures have been prioritised	1
Plans have been brought forward	1
Plans derailed, significantly and negatively impacted	4
No immediate impact (but one company stated that they expected the raise to take longer)	3
Less confident of success	1
Impacted by inability to engage with investors remotely	1
Other	3

Expectations around growth in the next 12 months

“We had plans to hire additional 7 FTEs. We will continue with key computational hires, but have delayed recruitment of lab-based scientists. We are experiencing delays in the process. The inability to host face-to-face interviews may result in potential recruitment mistakes”. (Company A)

Companies were asked about their expectations for growth in the next year, prior to the Covid-19 emergency. They were then asked how these expectations had changed. This data provides a snapshot, at a relatively early stage within the Covid-19 pandemic and reflects responses submitted within the first 3 weeks of lock-down.

"We were planning to recruit 80 people this year. We will certainly continue to recruit, but the process will be slower." (Company B)

- 26 companies (87%) were expecting to grow within the next year. Only 11 of these companies now expect to grow (42% of the 26 companies). 6 companies stated that they are no longer expecting to grow and 5 stated that they expected their company to reduce in size and/or activity in the course of the next year, due to the Covid-19 epidemic.

A number of companies provided further comment on their growth plans.

Only one company reported a positive effect (the comment has been edited to avoid identification):

"We are actually growing our membership and usage significantly due to COVID-19. We are achieving record breaking results. This may change however..." (Company C)

Other comments were mixed in terms of sentiment and two relate directly to investment issues:

"I still think we might raise our funding round this summer as planned."
(Company D)

"Timing of investment round is exquisitely badly aligned - bridge funding will be sought to mitigate. Our main potential new investor is preoccupied." (Company F)

"We have halted hiring and stopped all non-essential outsourced services."

"We are an early-stage company, still supposed to be in high-growth, still pre-profit and VC-dependent. This has drastically slowed/stopped revenue growth and so instead of hiring, expanding, exponential growth, we are instead faced with survival mode – cutting salaries, cancelling hiring plans, attempting to buy enough time to still exist post-pandemic when circumstances might be more favourable." (Company G)

Impact on Sales

24 companies responded to the question, "if you are commercially active, please say how your sales have been affected. (If you are pre-commercial, please tell us)". It is reasonable to assume that the companies that did not respond are pre-revenue. However, taking just the companies that responded,

- **10** companies identified themselves as pre-commercial and therefore do not have sales.
- **4** companies stated that they had not experienced any effects upon their sales (17% of all companies responding to this question and 29% of commercial companies responding to the survey).
- **10** companies identified negative effects upon their sales. These included:
 - We expect our revenue will be significantly impacted. Already contracts are being cancelled. It's devastated our runway
 - We're in early-commercial. All sales conferences are cancelled to the pipeline will be empty. Existing customers are shrinking/postponing orders. Supply chains look threatened.
 - The impact on the pharmaceutical industry will affect our ability to sign additional partnerships
 - This will push off volume sales - these were due to ramp in Q4 this year.
 - At least 50% reduction in sales
 - Customer factory shutdowns have resulted in reduced sales forecasts for the year. Delay in starting new production runs

- Development with partners has dropped as some are European and under full lockdown
- Expect 25-50% down
- Expecting up to -20%
- Orders are delayed

Impact on the workforce

The survey asked respondents to comment on the actions that they were taking with regard to managing their workforce.

Recognising that many companies targeted by the survey include R&D-intensive businesses, where specialist facilities and equipment may be required for the operation, we asked respondents to indicate the percentage of the workforce that is able to work from home. This varied for each company. On average, 63% of the workforce are able to work from home. Please note, that we did not ask any questions about how sustainable this was over an extended period of time, although some respondents did comment that their answers were based on the assumption of a short period of lock-down and would need to be revised if the situation continued. The median score (percentage of workforce able to work from home) was 55%. The range was from 20% to 100%.

We also asked what percentage of the workforce could only work at the company's site. The average score (% of workforce that can only work on site) was 36%, the median 30% and the range was 0 to 80%.

When data was examined by sector, there were no discernible differences in ability to work from home, or requirement to work at site between sectors, although, perhaps unsurprisingly, those identifying as ICT/software/digital had high percentages of staff identified as being able to work from home and a low need for on-site working, but note that the sample is small (n=4).

Companies were asked to indicate how they were responding to Covid-19 in terms of workforce management and specifically, the extent to which they were considering reducing the workforce or introducing policies to manage the workforce. It should be noted that the survey was open to responses just as details of the furlough scheme were being announced and we have not collected information about the number of companies intending to use the furlough scheme. A significant proportion of companies have indicated that they do not expect to see a reduction in their workforce, e.g. through lay-off or redundancies, so it is likely that they intend to use the furlough scheme where necessary and that the low number of people specifically citing the job retention scheme is due to the phrasing of the question. It is clear that some companies were keen to get more information about the job retention schemes that have

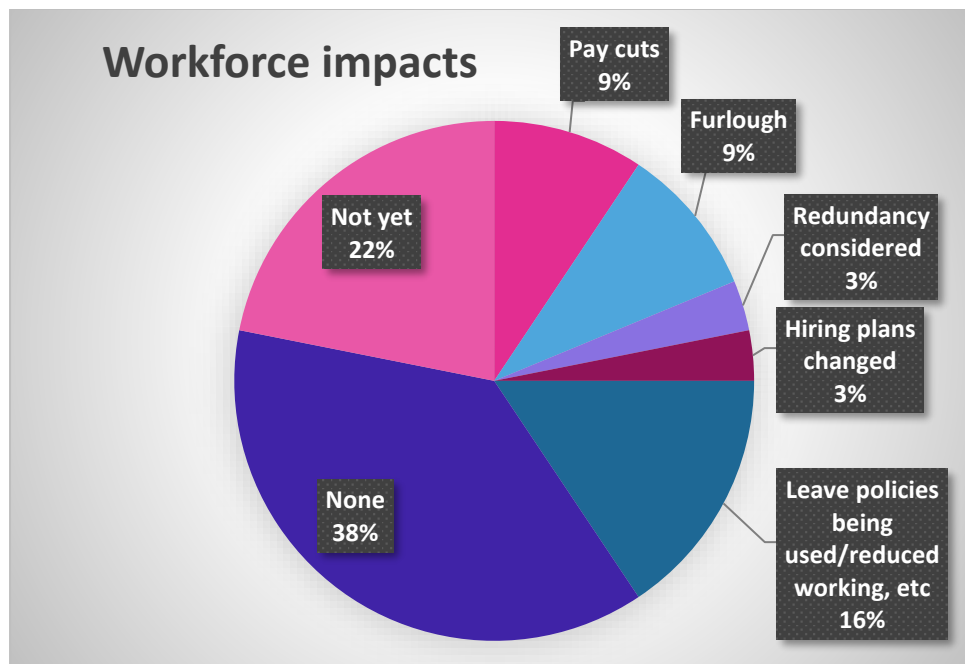
been put in place and this was reinforced by responses to a question, later in the survey, which asked about what help was needed by companies.

This first analysis is being undertaken just as the job retention scheme has opened for applications, and in due course it will be valuable to determine what level of take up there has been within innovation based sectors and the extent to which it has been used to support cash management in equity backed companies.

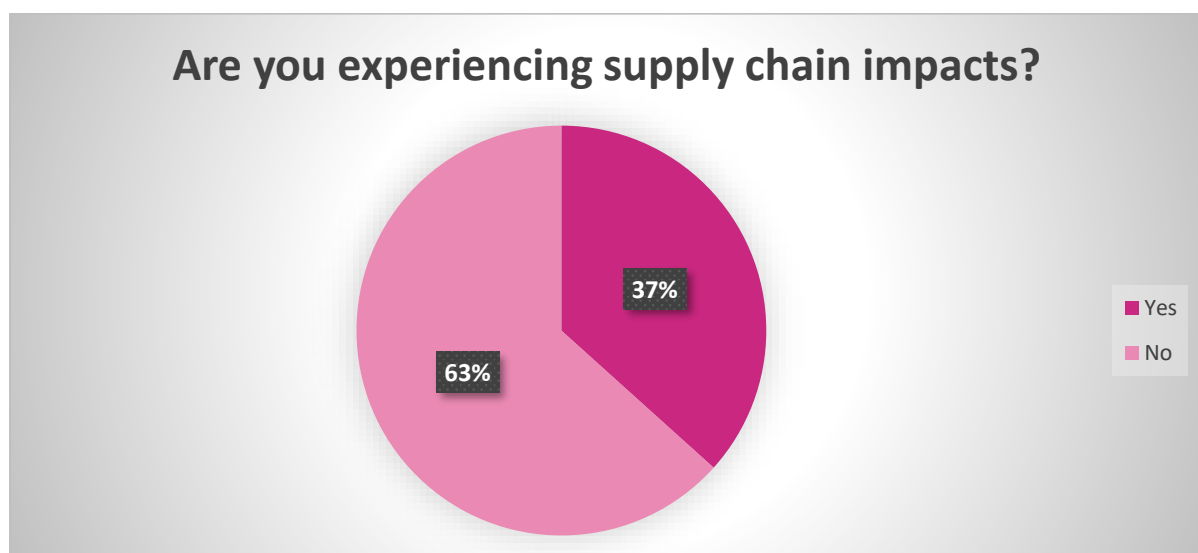
There did appear to be some relationship between the size of companies and the nature of action that was identified, in particular, where workforce reductions or policy changes were indicated. Companies below 25 FTEs were much more likely to state that they were taking no action, or that no action had been identified 'yet'. Whereas companies above 25 people were much more likely to state that they were taking some form of action, either through the use of workforce policies, such as leave or reducing working time, or in considering workforce reductions or pay cuts. The survey does not allow any analysis to determine why these differences exist, but it is possible that either there is reduced management infrastructure or less experienced management and leadership within smaller companies, and/or that larger companies are more likely to have an established HR function/policies and the capacity to consider how different HR practices can be deployed as mitigation.

Respondents were asked to indicate what actions they were considering in terms of managing their workforce, using free text responses. These have been coded into a set of standard responses, represented on the chart below. Respondents were able to provide details of more than one action, so the chart represents the frequency with which a particular action was identified, e.g. a respondent could state that they were considering pay cuts and ceasing hiring of new staff. Where respondents indicated that they were taking no action – scored as “none” or where they indicated that they were taking no action 'yet', this does not mean that they do not intend to use Government schemes such as the job retention scheme.

Chart 3: The frequency with which certain actions were identified by respondents in terms of the impact on the workforce.



Impact upon supply-chains



Companies were asked whether they were suffering significant problems with their supply chain. 11 of the 30 companies responding indicated that there were experiencing significant problems.

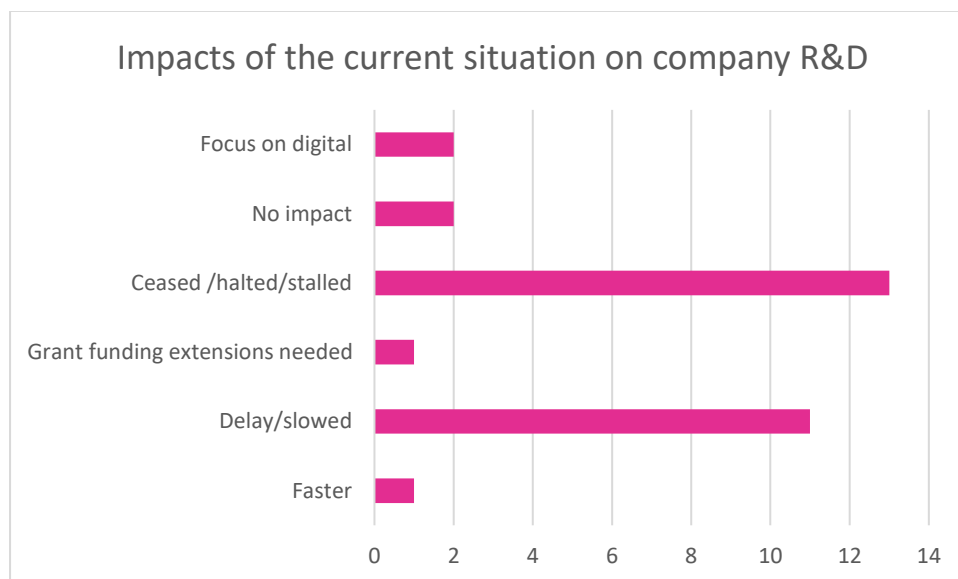
Companies were asked to comment on their experience of supply-chain difficulties:

Some suppliers are shut down
Access to facilities and samples limits our ability to conduct work.
At the moment this is generally manageable, but chaotic. We need an urgent shipment from Spain which is prevented by lockdown
Delays in getting raw materials - increases in costs
Fit-out of new facility has been delayed
Focussing on the Oxford site, we are not experiencing issues because we have stopped laboratory work
Minor issues including cleanroom PPE (including face masks) and chemicals from Germany
Not experiencing problems yet
Not yet, but it is expected.
Partners and suppliers of equipment have stopped the discussion and entering into arrangements for the time being
Some including China for opto-electronics. In UK, efficiency of comms is down
Some key suppliers are locked down
Supplier delays in delivering scientific reagents, courier delays, goods held up in European airports
Suppliers are struggling due to their internal capacity being reduced
We work with international companies to supply us with equipment. This is interfering with supply. Engineering items are often made in Europe, so getting supplies is now more difficult

Impact upon research and development activities

Companies were asked to provide details of the impacts of Covid-19 on their research and development activities. As already seen within the previous section on workforce, there are variable approaches to the level of homeworking that is possible and suitable for innovation-based companies. This section of the survey invited free-text responses to the question, "Please tell us about any impacts on your R&D activities". Responses have been coded, and as companies were able to provide information on a range of impacts, the data is based on the frequency with which a particular impact was cited by respondents.

Chart 5: R&D impacts

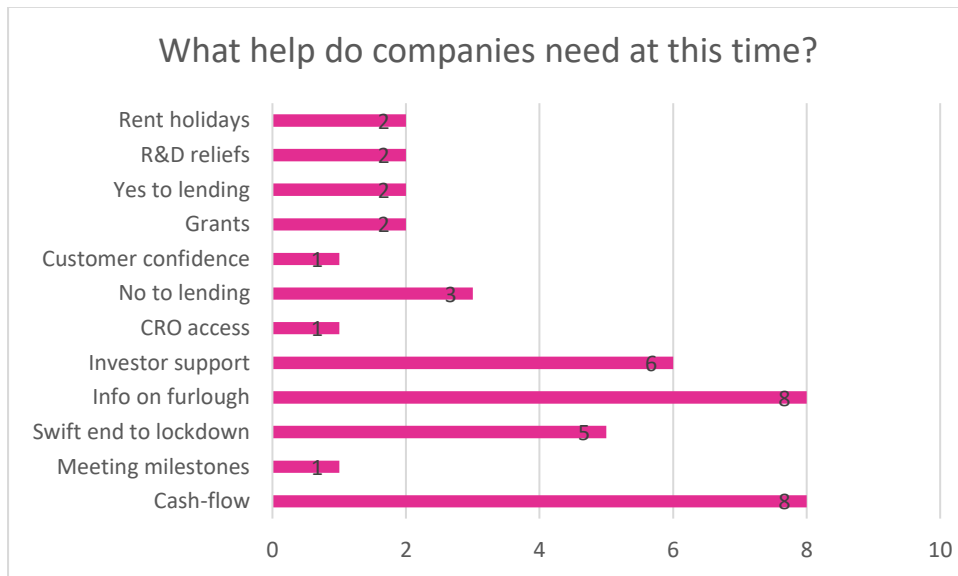


It is worth noting that no company cited both a delay/slowing of activities and ceasing/halting/ stalling of R&D activities, so a total of 24 (80%) companies are experiencing delays or stalling of their research and development activity as a result of the current situation.

What will help you to get through this situation?

Companies were asked what would help them at this time. Respondents were invited to provide free-text responses. As with previous questions, there was no limitation on the number of issues that could be included within each response. Answers to this question were coded by issue. Within this section, respondents identified specific needs, e.g. more information about the furlough scheme. They also identified concerns. The most noticeable is the concern about cash-flow and access to cash (identified as “cash-flow” on the chart below). Where respondents had mentioned lending as an issue (5 responses in total) there is a split between those that believe that lending would be helpful, versus those that do not think that lending will assist (3/5 responses). It should be noted that all responses were received prior to the Government’s announcement on the “Future Fund”, which has bridging finance in the form of convertible loans as a key feature. It is therefore not possible to determine the extent to which the Future Fund will be seen as an attractive support scheme, based on the responses to this survey.

Chart 6: What will help do companies need to get through the current situation?



Level of confidence in the future

The final question that was asked related to confidence in the future. Each respondent was asked to rate how confident they are about the future of their company, using a scale where 1 = not confident at all and 10 = very confident. The mean score was 7.1 and median was 7.7, indicating that despite the concerns that have been expressed in previous questions, the majority remain optimistic about the future of their company. The highest score was 10, with three companies scoring their level of confidence as 10. The lowest score was 2, with an additional three companies scoring their level of confidence as either 3 or 4.

Confidence remains high, with an average confidence score of 7.1 and a median of 7.7.

Conclusions

This survey provides a snapshot of views and insight into the concerns of innovation-based companies, operating within Oxfordshire. 30 companies responded, from a range of sectors and with companies of different sizes, ranging from 14 companies that have fewer than 10 employees, to two companies with over 200 employees within the UK. The survey was developed and circulated for responses to both members and non-members of Advanced Oxford and responses are drawn from both groups. The survey has been open for responses during the first period of formal lock-down and during this time, Government has announced a range of schemes to support the business community during the Covid-19 pandemic. It has not been possible to adjust the questions within the survey to collect reliable data on the likely impact of these schemes, or to determine how relevant and useful they are likely to be. Nevertheless, there does appear to be a need for further information about the furlough scheme.

In common with data shared by MedCity, One Nucleus and SEHTA, a group of life sciences-sector facing organisations, the significant concerns appear to be related to investment and cash-flow. The MedCity/One Nucleus/SEHTA survey was conducted over a similar time frame and attracted 54 responses from across their combined membership/reach, with a combined geographical reach across the greater south east of England. The survey design and questions used by Advanced Oxford were different and focused on a number of operational issues, nevertheless, there is a common concern about access to finance and the impact on investment. All but one of the respondents to the Advanced Oxford survey indicated that they were already engaging in capital-raising or were intending to raise investment within the year. Of the 23 companies that provided more detailed comment on their investment plans, the majority were expecting negative impacts, either through delays, extension to the capital-raising time period and some already stated that they had suffered negative consequences. When asked about the help that they need, cash-flow concerns were highlighted as a particular concern. As already stated within this report, all responses to the survey were received prior to the announcement of the Future Fund, so it is not possible to determine the attractiveness of this intervention. What is more, at the time of writing, there is still a need for more information about the mechanisms of action for this support, in particular how the match funding is to be secured from third party investors. The Future Fund will launch in May, 2020 and we await further detail on this scheme. It is clear, however, that many smaller and younger companies will not be eligible, if they have not already raised at least £250k of equity investment. The interventions being planned by UKRI, and Innovate UK in particular, will be particularly welcome and further easing of R&D incentives would be useful.

Growth within the region, as with other parts of the UK, is likely to be impacted significantly. 87% of the companies responding stated that they were expecting to grow, prior to the crisis. Only 11 out of 30 companies now expect to see

growth in the next year. Commercial companies within the group of respondents have seen negative impacts on sales, ranging from 20 – 50%, where the impact was quantified. Over a third of companies are experiencing significant supply chain issues and 80% of companies are experiencing delays or are stalling their research and development activity.

There appears to be a difference in response to workforce depending on the size of the company. Smaller companies, below 25 FTEs were much more likely to state that they were taking no action or were no yet taking action with regard to changes in their workforce. There may be a number of reasons for this. Very small companies may be operating in a virtual way and therefore already have small core teams, with outsourced or contract research activities, which can be managed without impacting on the core team. It may also be that smaller companies are already operating on “sweat” equity or through friends and family financing and therefore are already operating without high levels of cash or investment and are prepared to continue to operate in this way. On the other hand, it may represent a difference in levels of HR and management support, which provide capacity for companies to use different policies and approaches to respond to external constraints.

Finally, despite very clear business impacts across the companies responding to this survey, levels of confidence remain high at this stage. It will, of course, be important to determine how long business confidence is maintained as the lock-down and response to Covid-19 continues. Nevertheless, given the very significant impacts that have been experienced by other sectors of the economy, it is positive to see such resilience in the face of very strange and distorted business conditions.

About Advanced Oxford

Advanced Oxford is a membership organisation with members drawn from R&D based/innovative companies working across Oxfordshire. Our membership includes companies, Oxford’s two Universities, the NHS through Oxford Academic Health Science Network and providers of innovation infrastructure and support.

Advanced Oxford was set up in response to the Oxford Innovation Engine Update report. Published in 2016, the report identified the need for stronger engagement from the innovative businesses in Oxfordshire in the work to develop the region as a centre of excellence and an engine room for innovation. Work to scope and set up Advanced Oxford started in 2017. Further information about Advanced Oxford, our members and our work can be found on our website, www.AdvancedOxford.com.

Advanced Oxford is research-led, providing analysis and a united voice for our members on the key issues affecting the development of the innovation ecosystem in the Oxford region. We generate our own research and work to support and inform key stakeholders involved in the development of the business environment, infrastructure and policy. Advanced Oxford is working to support the long-term development and success of the Oxford region as a place to live and work. We do this by drawing on our collective experience of setting up, running or working in knowledge-based, innovation-focused businesses and organisations. We use our connections to other businesses to generate evidence and undertake research.

Annex 1 – questions used in the survey

1. What sector does your company work in?
2. How big is the company you work for? Please answer for UK based staff only, with numbers as full-time equivalents (FTEs)
3. What are your investment plans in the next 12 months? (responses based on a set of options relating to when investment would be raised, the amount and the option to provide free text about issues identified)
4. What had been your expectations with regards to growth in the next 12 months? Had growth been expected? Had these expectations changed? The option to provide a free text response identifying issues.
5. If you are commercially active, tell us how your sales have been affected. Please identify yourself as pre-commercial if relevant.
6. What % of staff are able to work from home? What % of staff have to work from your site? Are you making redundancies, laying off staff or using unpaid leave arrangements? Please tell us about what you are doing to manage the workforce.
7. Are you suffering significant problems with your supply chain? Please provide comments.
8. Please tell us about impacts on your R&D activities.
9. What will help you get through the situation?
10. Right now, how confident do you feel about the future of your company? (using a scale of 1 – 10 where 1 = not very confident and 10 = very confident)

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Please contact Sarah Haywood to discuss this report and the findings –
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