



PwC's COVID-19 CFO Pulse: Malaysia results

12 May 2020

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Introduction

PwC is currently tracking sentiment and priorities on the COVID-19 outbreak among finance leaders.

In the latest wave of the survey (week of 4 May 2020), 867 CFOs from 24 countries or territories participated. 31 of these CFOs are from Malaysia, who are from industries including energy, utilities, resources (EUR); health (including Pharma); financial services; industrial manufacturing and automotive (IM&A); technology, media and telecommunications (TMT); retail and consumer; and government/public services.

Malaysia is the only territory from Asia to achieve a sufficiently large sample to report local results, with the other territories mostly located in the Western hemisphere. This may explain some of the variances in our results compared to the global average.

Although this is the first time that Malaysia has participated in the survey, this is the fifth wave of the COVID-19 CFO Pulse survey globally — previous versions can be viewed [here](#).

PwC continues to add territories and companies to the survey to offer a robust view of how the crisis is affecting people and businesses worldwide.



Top findings

As Malaysia entered its first week under the Conditional Movement Control Order (CMCO) during the survey period, companies are focused on tactical measures in transitioning to on-site work, including changes in workplace safety measures (87%). They are also confident that they will be able to meet customer safety expectations (74% very confident).

91% of respondents are expecting a decrease in their company revenues as a result of COVID-19. Malaysian CFOs are also almost twice as likely than the global average to be unable to assess the range of decrease (16% vs 9% globally).

CFOs in Malaysia are more likely than the global average to list implementing cost containment as one of the financial actions that their companies are considering (94% vs 81% globally). 68% say they are deferring or cancelling planned investments - the majority in facilities/general CapEx (95%) and operations (71%).

Malaysian respondents are overall the least optimistic of the countries surveyed. Although slightly more than half (58%) of Malaysian respondents believe their company could return to 'business as usual' within six months if the crisis were to end today — not all are optimistic. 23% estimate that it would take more than 12 months, compared to the global average of 8%.



Optimism prevails, but is it realistic?

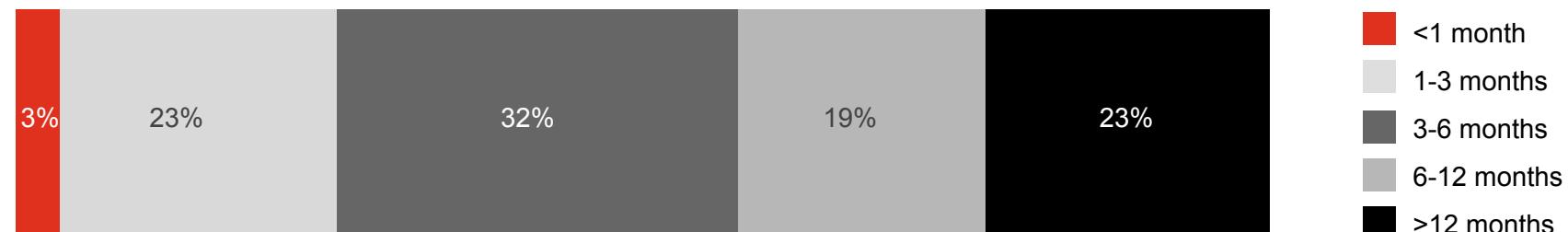
With the gradual easing of restrictions during the implementation of the Conditional Movement Control Order (CMCO), sentiments among Malaysian CFOs are mixed as they take a wait-and-see approach to the situation. If the COVID-19 crisis were to end immediately, 58% of CFOs expect a return to 'business as usual' within six months. However, views amongst Malaysian CFOs are polarising, with 23% expecting to take over 12 months to recover.

Global respondents displayed more optimism, with 70% expecting recovery within 6 months. However, over the past few cycles of this bi-weekly survey globally, we've observed that CFOs are starting to realise that a return to normal would likely not be instantaneous, and that in fact, what they are returning to is not 'business as usual', but a stabilisation to a 'new normal'.

The response window for crisis is measured in months, whereas recovery is measured in years. Stabilisation may come soon for some companies in some countries, but full recovery will take time.

More than half of CFOs think normalcy would return within six months if the crisis ended now

Question: If COVID-19 were to end today, how long would you estimate it would take for your company to get back to 'business as usual'?



Source: PwC, COVID-19 CFO Pulse, 4 May 2020
Base: 31 respondents from Malaysia



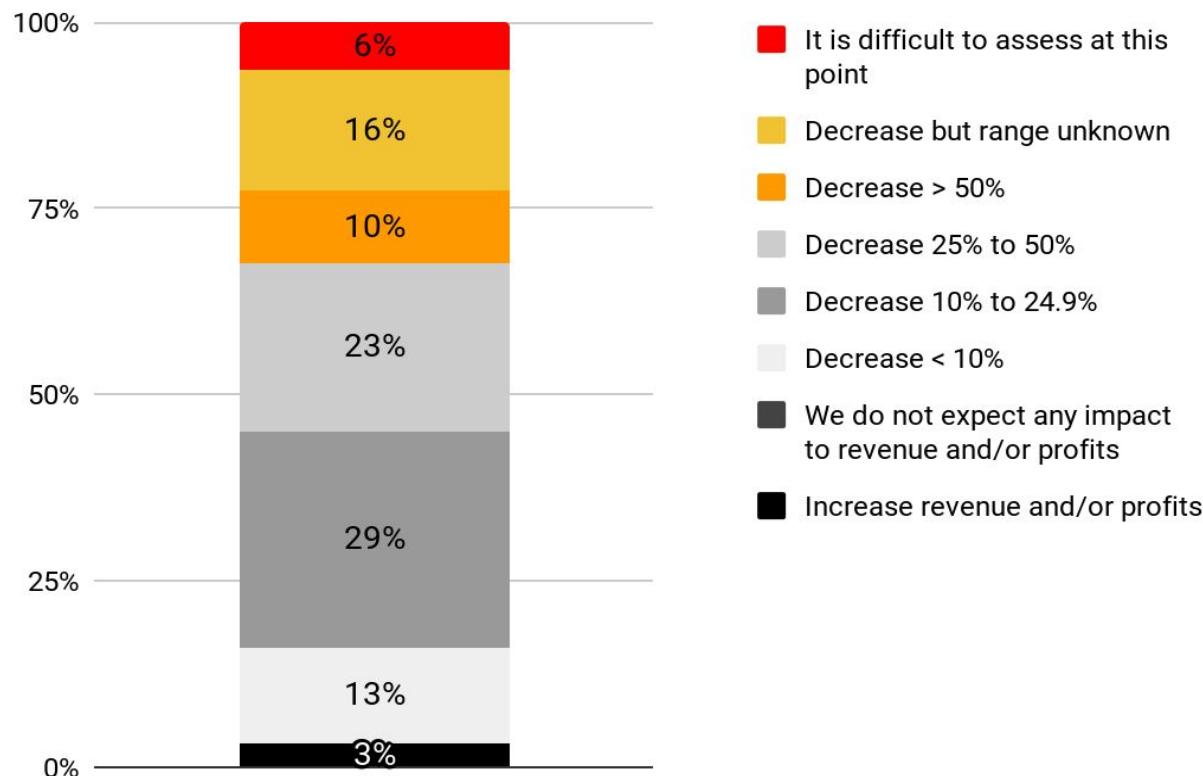
CFOs are focused on the financial impacts of COVID-19

In line with the general pessimism displayed in the earlier findings on expected time taken to return to 'business as usual', 91% of CFOs are expecting a decrease in company revenue this year. 52% are expecting this to range between 10-50%, and 22% say they are either unable to assess the range of decrease (16%) or find it difficult to assess impact on revenues (6%). Without being able to quantify the impact of revenue, this likely explains why organisations are finding it challenging to see recovery happening within the year. Only 3% say they expect revenues to increase.

Such expectations align with the overall global findings (85% expect a decrease in revenue) as well as recent economic indicators. On [1 April](#), it was reported that the World Bank has cut its 2020 gross domestic product (GDP) target for Malaysia to -0.1% due to the growing uncertainty over the duration and impact of the outbreak.

91% of CFOs expect a decrease in revenue as a result of COVID-19

Question: What impact do you expect on your company's revenue and/or profits this year as a result of COVID-19?



Note: Sums may not total 100 due to rounding of percentages.

Respondents who answered 'We do not expect any impact to revenue and/or profits' was 0%.

Source: PwC, COVID-19 CFO Pulse, 4 May 2020

Base: 31 respondents from Malaysia

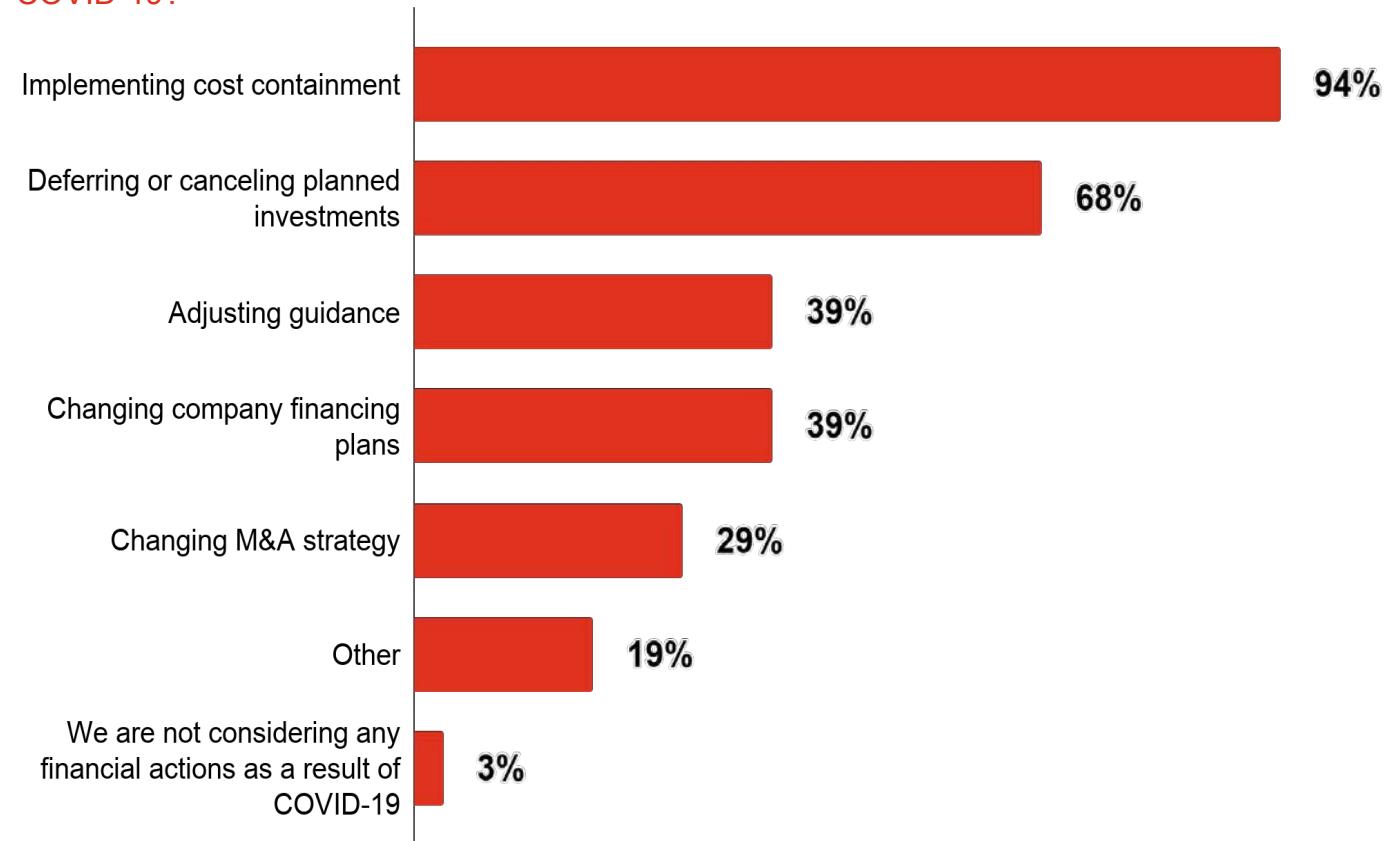
Cost containment is the highest priority for finance leaders

When assessing potential financial actions to help mitigate the effects of COVID-19, cost containment measures are the overwhelming top choice for CFOs (94%), followed by deferring or cancelling planned investments (68%). This is higher than average global findings, at 81% and 60% respectively. This is not surprising, given the general pessimism of Malaysian CFOs regarding COVID-19's impact on revenue.

As organisations turn to cost management to tackle their short-to-medium term challenges, they need to manage expenses thoughtfully without long-term damage to the organisation. It can be helpful to learn from activist investors whose [approach to cost transformation](#), while unconventional, may be a useful reference point for companies to navigate through these uncertain times.

CFOs eye cost containment measures and cancelling of investments in response to COVID-19

Question: Which of the following financial actions is your company considering as a result of COVID-19?



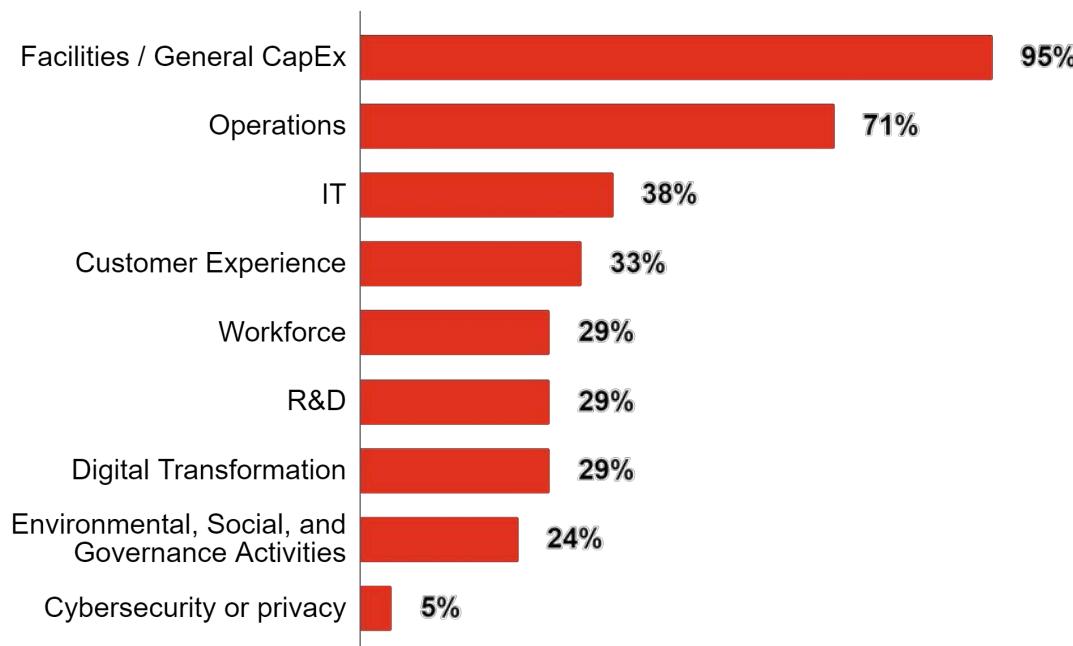
Of the CFOs considering changes to their investment strategy, most (95%) plan to reduce facilities/general CapEx investments. With many employees from offices and factories largely working from home, companies may look to cut spending on facilities and other maintenance costs. Another area for potential reduction is in operations (71%).

With more employees working remotely, relatively few CFOs indicate they will cut spending on digital transformation (29%) and cybersecurity or privacy (5%). As organisations become more technology-dependent, budget cuts could delay important activities that help bolster resilience to emerging cyber threats.

It's encouraging that only 29% are looking to cut spending on workforce - this indicates that businesses are thinking beyond short-term cost cutting measures of furloughs and layoffs, and are managing costs by optimising their business processes.

95% of CFOs are looking at reducing capital expenditure and 71% are looking at reducing operational expenses.

Question: You mentioned your company is considering deferring or canceling planned investments as a result of COVID-19. Which of the following investment types are being considered in that regard?



Source: PwC, COVID-19 CFO Pulse, 4 May 2020
Base: 31 respondents from Malaysia

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Protecting supply chains

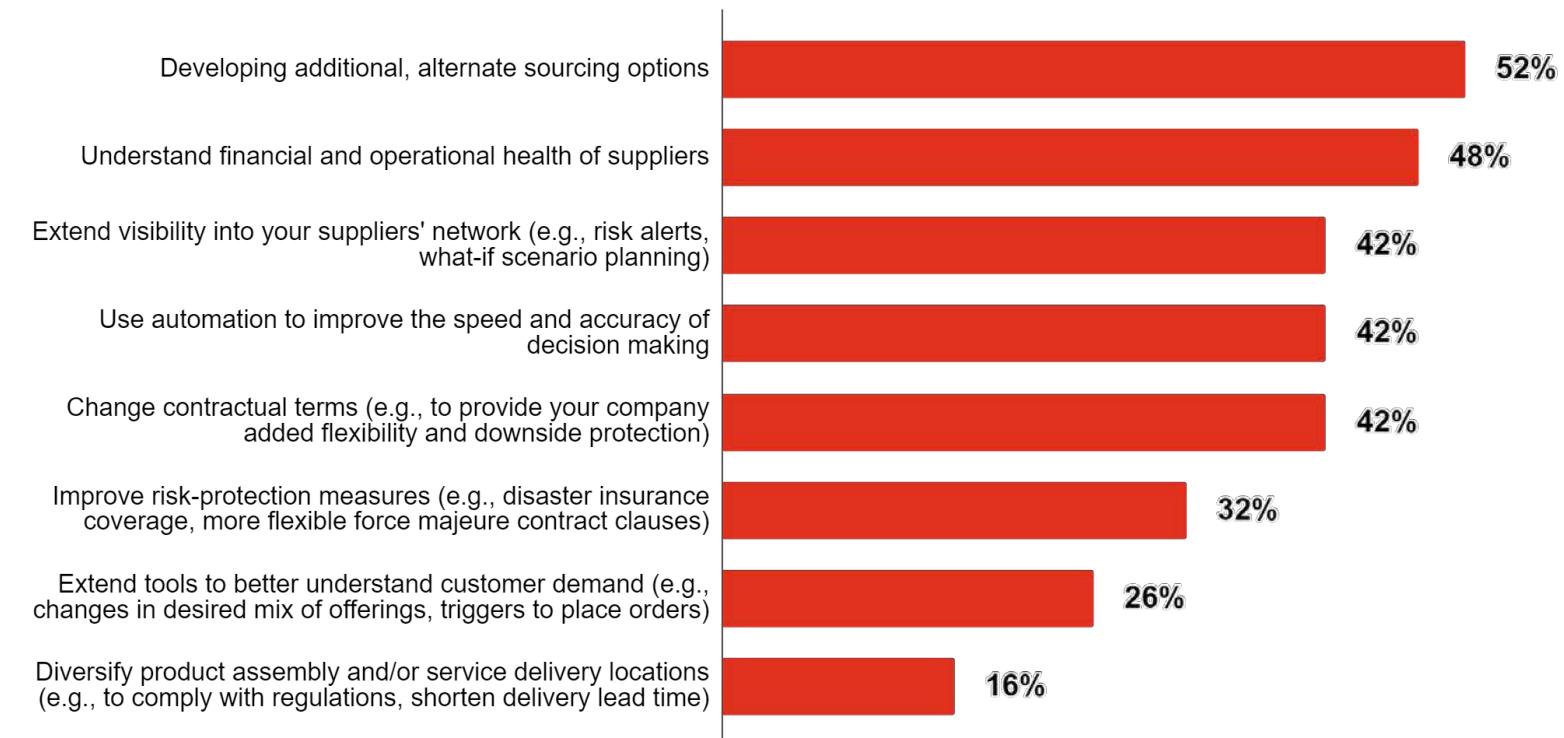
In line with responses globally, 52% of Malaysian CFOs are developing additional, alternate sourcing options and 48% are seeking to understand the financial and operational health of suppliers to protect their business.

Generally, respondents are more concerned with risk-protection measures and protecting their sourcing, with only 26% looking to extend tools to better understand customer demand and 16% planning to diversify product assembly and/or service delivery locations.

This is not to say that organisations are not paying attention to these areas of their supply chain - sourcing options may be more top of mind for CFOs at this time as they prioritise meeting their own organisations' contractual demands by customers.

CFOs are looking to protect sourcing options and mitigate risks from suppliers

Question: As a result of COVID-19, in which of the following areas are you planning changes to your supply chain strategy? Please select the 3 most pressing areas.



Higher demand for employee protection is the most likely action expected by CFOs

CFOs expect a range of consequences for the workforce, but surprisingly few of them are expecting to introduce furloughs (26%) or carry out layoffs (6%) in the coming month.

This is lower than global findings for both areas mentioned (66%), as organisations may be buoyed by the gradual lifting of the Movement Control Order (MCO) in Malaysia. This is also in line with our findings where only 29% of respondents are cutting investments in their workforce.

Instead, they're anticipating a need to respond to a higher demand for employee protections (52%) e.g. sick leave policies, and increase in demand for benefits and discrimination as employees are likely to be looking to allay their fears around job security and access to healthcare. This is higher than the global average of 43%.

CFOs are also concerned about productivity loss (48%) due to lack of remote work capabilities.

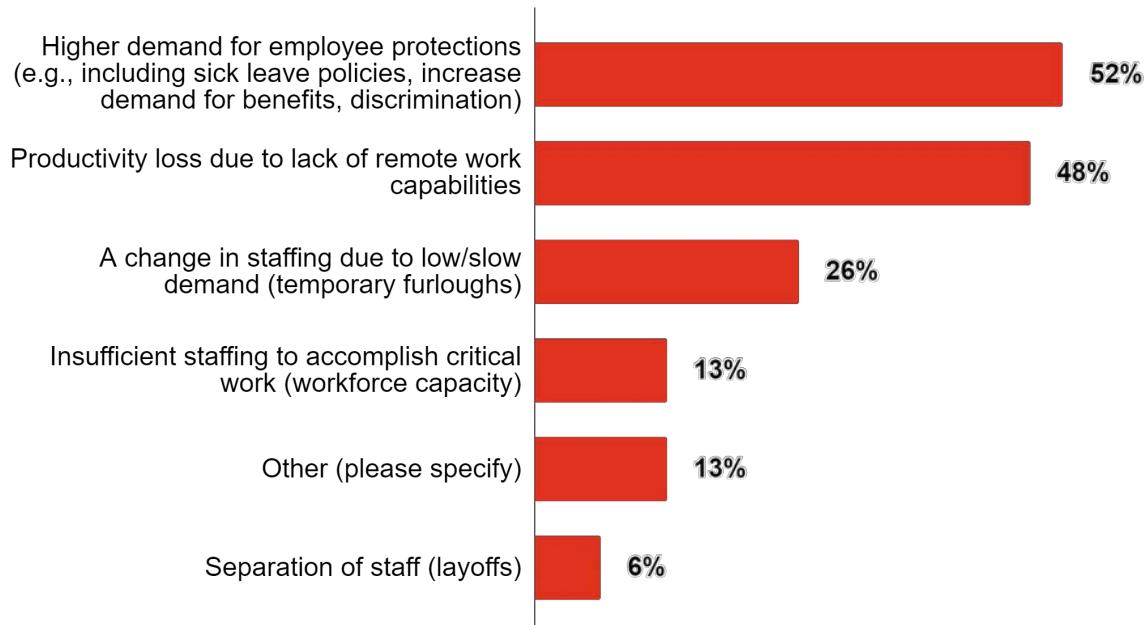
However, based on Bank Negara Malaysia's forecast, the [unemployment rate in Malaysia](#) may reach 4% this year, from 3.3% in 2019, with employability most affected in the tourism, retail, aviation and manufacturing sectors. Graduates and new entrants to the labour market may also find it more challenging to secure jobs.

While some organisations may reach a point where furloughs and layoffs can no longer be avoided, the best way for the business community to play a role during these uncertain times is to do what you can to keep your people at work — virtually or otherwise — so that they can continue to participate in the economy and support its rebound¹.

Talents (both present and future) should consider making upskilling a priority to stay agile and relevant in view of the fast changing landscape around them.

Looking ahead, 52% of CFOs expect to see higher demand for employee protection, but only 6% expect layoffs

Question: As a result of COVID-19, which of the following does your company expect to occur in the next month?



Going 'back to work' will involve more behavioural changes than new ways of working

As Malaysian businesses begin reopening their offices and business premises in the week of 4 May 2020, they have been [closely adhering to government directives](#) to look into SOP compliance measures and apply vigilance in protecting employees in the workplace.

The 'new normal' of workplaces is expected to take the form of tactical and behavioural changes, so it does not come as a surprise that the top 3 measures considered by CFOs upon transitioning to on-site work are changing workplace safety measures and requirements (87%), developing alternate shifts, and promoting physical distancing through reconfigured work sites (71% respectively), followed by more strategic measures around automation and new ways of working (68%).

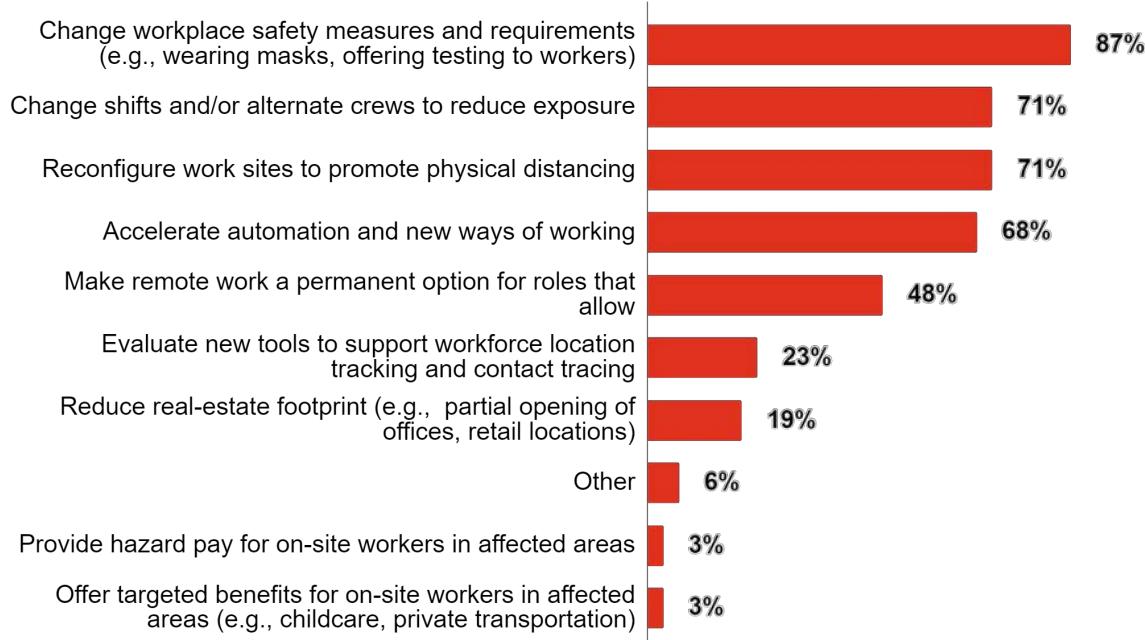
Measures involving targeted benefits to employees come last, although employee protection is clearly something that CFOs believe employees are going to want.

As we can see from the responses of CFOs planning to enhance automation (higher than the global average of 48%), it is evident that the COVID-19 crisis has also created opportunities for organisations to rethink their work processes and find ways for automation to play a role.

And although the outbreak has been said to trigger the [world's largest 'work-from-home' experiment](#), slightly less than half of respondents in Malaysia (48%) and globally (49%) are considering making remote work a permanent option. We explore this later in the report.

Currently, organisations' 'new normal' focuses on behavioural changes at the workplace, rather than changing ways of working e.g. remote working.

Question: Which of the following is your company planning to implement once you start to transition back to on-site work?



Fewer CFOs are confident about strategic direction as businesses reopen

Nothing tests trust quite like a pandemic. Employees and customers are relying more than ever on organisations to play a role in safeguarding their health, which means it's crucial that organisations communicate transparently to both customers and employees how new safety measures may affect customer experience delivery or the way they work.

Malaysian CFOs are confident they're able to do that - 74% say they are very confident that they're able to meet customers' safety expectations, and 65% are very confident that they're able to provide a safe working environment.

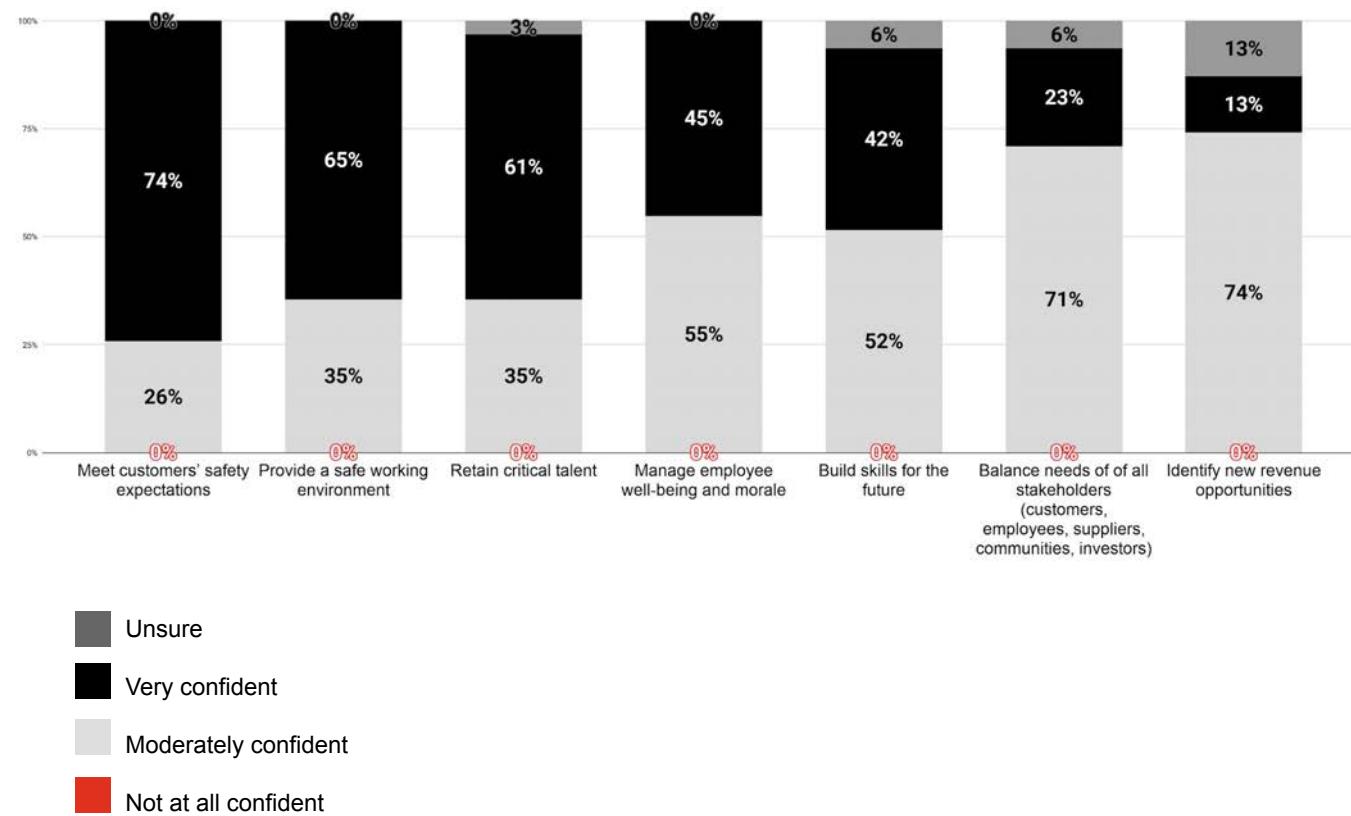
61% say that they are very confident about retaining critical talent. The softer job market and concerns about unemployment may be as much a factor in employee retention during this time as employers' ability to keep their people on their payroll.

In the earlier part of our analysis, we also saw that Malaysian CFOs are more likely to be unable to assess the range of decrease in revenues due to COVID-19. We see this reflected in their confidence levels around identifying new revenue opportunities (only 13% say they are very confident).

Combined with the general pessimism displayed by organisations in the length of time they expect to take to recover, more can be done by organisations to improve their agility in the face of uncertainty and transform their business to remain competitive.

As workplaces reopen, CFOs are confident they're able to implement and work towards 'business as usual', but only 13% are **very confident** about identifying new opportunities to remain competitive.

Question: In returning to the workplace, how confident are you in your company's ability to do the following?



Note: Sums may not total 100 due to rounding of percentages.

Source: PwC, COVID-19 CFO Pulse, 4 May 2020

Base: 31 respondents from Malaysia

Bringing new practices into the future

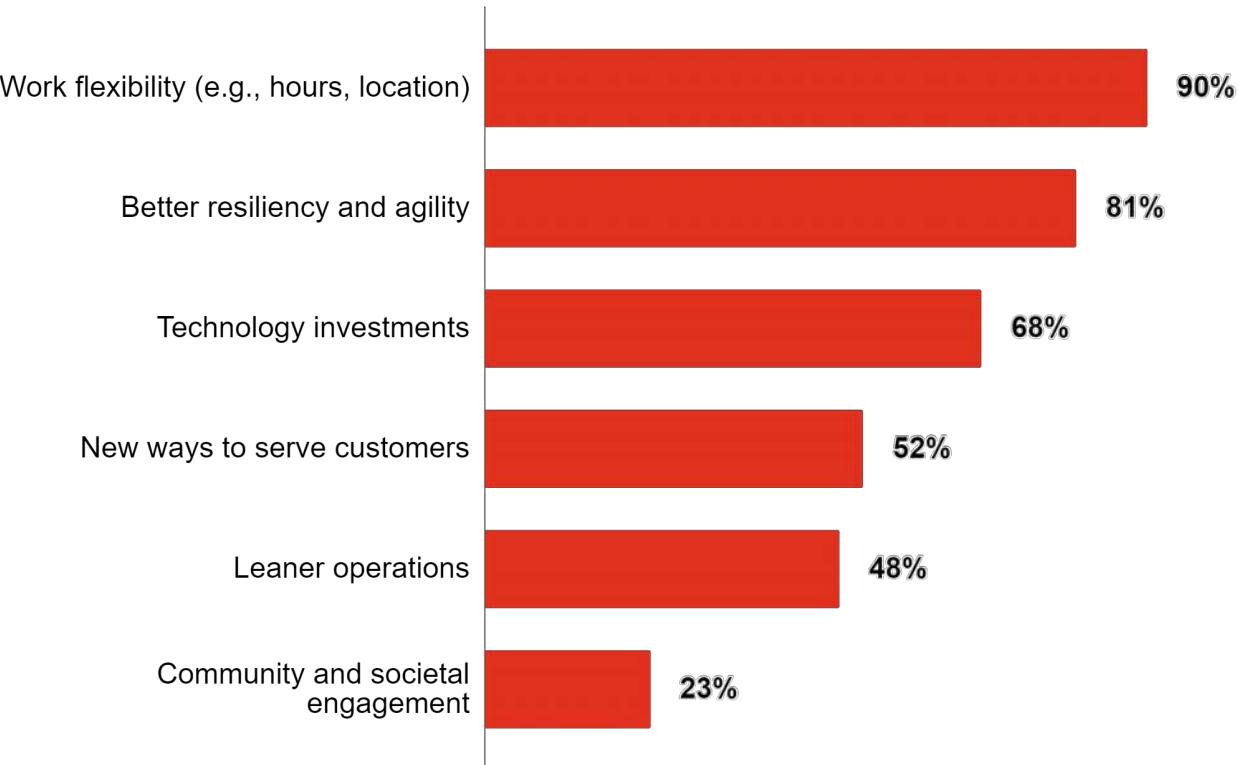
When it comes to things about their current situation that will improve their company in the long run, Malaysian CFOs are more likely than the global average to cite work flexibility (90%), better resilience and agility (81%) and technology investments (68%) as their top three answers.

As previously mentioned, although only 48% of Malaysian CFOs are looking to make remote working a permanent option for roles that allow it, CFOs do see the benefits of work flexibility. Even though we might not see a direct correlation at this point to a move towards remote working, from the findings, it's likely that organisations may be more open to introducing flexible work policies for those whose roles or circumstances allow for it in the future.

With greater investments in technology to support remote working during this time, the likelihood and impact of cyber attacks are on the rise, with a reported [82.5% increase in cases during the MCO](#) compared to the same time last year, according to CyberSecurity Malaysia statistics. [Managing the impact of COVID-19 on cyber security](#) needs to be a priority.

Although organisations are not looking to make remote working a permanent practice, 90% of CFOs say that work flexibility is good for the company.

Question: What about the current situation will make your company better in the long run?



As organisations navigate the COVID-19 landscape in the coming months, here are 4 takeaways to consider:

1

Manage costs sustainably

Cost-containment is the top financial action that Malaysian CFOs are considering. Care needs to be taken to ensure that cost-cutting measures do not damage the organisation's long-term growth prospects through proper scenario planning and leveraging data to provide better business intelligence.

Businesses can learn from [activist investors](#) in these extraordinary times. Their approach to cost management, while unconventional, can be adapted in light of these fluid times.

2

Staying agile in a changing landscape

We see an opportunity for businesses to demonstrate **agility in responding to the changing landscape** shaped by the pandemic. Organisations are focusing on how they can maintain their work presence but are less confident about exploring new revenue streams. Businesses will be in a better position to come out ahead if they can put aside offerings that no longer produce sufficient margins and pivot quickly to create new, positive customer experiences with those that fit with their values and capabilities.

3

Keep an eye on cyber security

With the priority on business operations, **cyber security** may fall by the wayside. However, the shift in the ways of working to become more technology-dependent due to work-from-home arrangements mean that the risk of cyber security attacks are higher than ever. Organisations need to consider [key actions to mitigate this](#), including securing newly implemented remote working practices, ensuring the continuity of critical security functions, and counter opportunistic threats.

4

Protect your people to protect the economy

The threat of the financial fallout from widespread unemployment is one of the biggest stressors for the global economy. Although not every business is able to play a direct role in fighting COVID-19, the [best way for the business community to help](#) is to do what you can to **keep your people at work** — virtually or otherwise — so that they can continue to participate in the economy and support its rebound to emerge stronger.

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About the survey

To help identify the business and economic impact of COVID-19, PwC is conducting a global survey of finance leaders. Of the 867 surveyed for the global report during the week of 4 May 2020, respondents were from 24 countries or territories: Central and Southern Africa, Brazil, Caribbean, China/ Hong Kong, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Kazakhstan, Malaysia, Malta, Mexico, Middle East*), Netherlands, Portugal, Singapore, Slovakia, Sweden, Switzerland, Turkey, US, Vietnam.

* Representatives from Bahrain, Oman, Qatar, KSA, Kuwait, UAE, Egypt, Jordan, Lebanon and Palestine

