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Hindsights, Insights, Foresights

The Future in the Present Tense
PwC MAP 2021 CEO Survey

178 CEOs

66%
of the CEOs are dissatisfied with the vaccine rollout in the Philippines

74%
of the CEOs are confident about their organization's revenue growth for the next 12 months





The Management Association of the Philippines is, once again, grateful to work with Isla Lipana & Co./PwC Philippines for the seventh of a series of Annual Philippine CEO Surveys which are envisioned to benchmark the changes in how CEOs think, react and innovate.

The PwC – MAP Philippine CEO Survey has become a regular part of the MAP International CEO Conference which continues to serve as a premier venue for bringing together business leaders from various fields to share insights and experiences, to establish stronger business and social linkages, and to imbue business leaders with the passion and know-how to remain competitive in a highly globalized environment.

Every year, to make the MAP International CEO Conference useful, we make it a point to share this event with colleges and universities, with management educators and students, so that they too will have a chance to listen and learn from our chosen speakers.

This year, we are holding the MAP International CEO Web Conference with the theme “HINDSIGHTS • INSIGHTS • FORESIGHTS: The Future in the Present Tense” on 14 September 2021, Tuesday, from 8:30am to 2:45pm via ZOOM, Facebook and YouTube. The Conference will delve on the imperative to bring everyone’s sights on what lies ahead, which is looking at the future in the present tense.

Many thanks to Isla Lipana & Co./PwC Philippines for serving as our Knowledge Partner, once again, for the 19th MAP International CEO Conference 2021.

We would also like to thank all the 178 MAP members and other executives from the Philippine business community who participated in this year’s Survey. It’s encouraging to know that most of our CEOs are confident about their organizations’ growth, and most are planning to invest more in digital transformation and sustainability.

Many thanks to Alex Cabrera, Jade Divinagracia, Rick Danao and all their people who were involved in the PwC - MAP 2021 Philippine CEO Survey.

Mabuhay ang MAP! Mabuhay ang PwC!

A handwritten signature in black ink, appearing to be 'Aurelio' or a similar name, written in a cursive style.

A message from the MAP President

Aurelio “Gigi” Montinola III
President
Management Association of the Philippines (MAP)



Who would have thought that the pandemic would extend to 2021, and maybe with the things happening at the moment, even to next year? When we had the virtual CEO conference last year, we were all hoping to see each other this year at the Makati Shangri-La Hotel. The past year and a half have been challenging for all businesses across the world. As a leader, I personally learned new things along the way.

Once again, we've asked our local CEOs to share their insights and plans on how they plan to move forward. I am happy to share that most of our business leaders remain optimistic despite the ongoing challenges brought by COVID-19. I think what we have learned during this crisis is that for us to become more resilient, we need to act as one ecosystem and help each other. This means that sometimes we need to make decisions that may negatively impact our profitability, but will help our other stakeholders such as our employees, suppliers and communities.

Our sincere appreciation goes to the 178 CEOs who participated in the survey. This is our seventh year as MAP's knowledge partner and as always, we hear good insights from our local leaders. I'd like to thank the MAP and its leaders for the continued trust in our firm.

The new environment calls for sophisticated leadership that is supported by technology and sustainable initiatives. Let us take this crisis as an opportunity to revisit our plans and strategies together with our other stakeholders for a better future. Just like our New Equation in PwC, we need to respond to two major interconnected needs facing organizations: building trust and delivering sustained outcomes, in an environment where societal expectations have never been greater.






A message from the PwC Philippines Chairman

Roderick M. Danao
Chairman and Senior Partner
Isla Lipana & Co./PwC Philippines

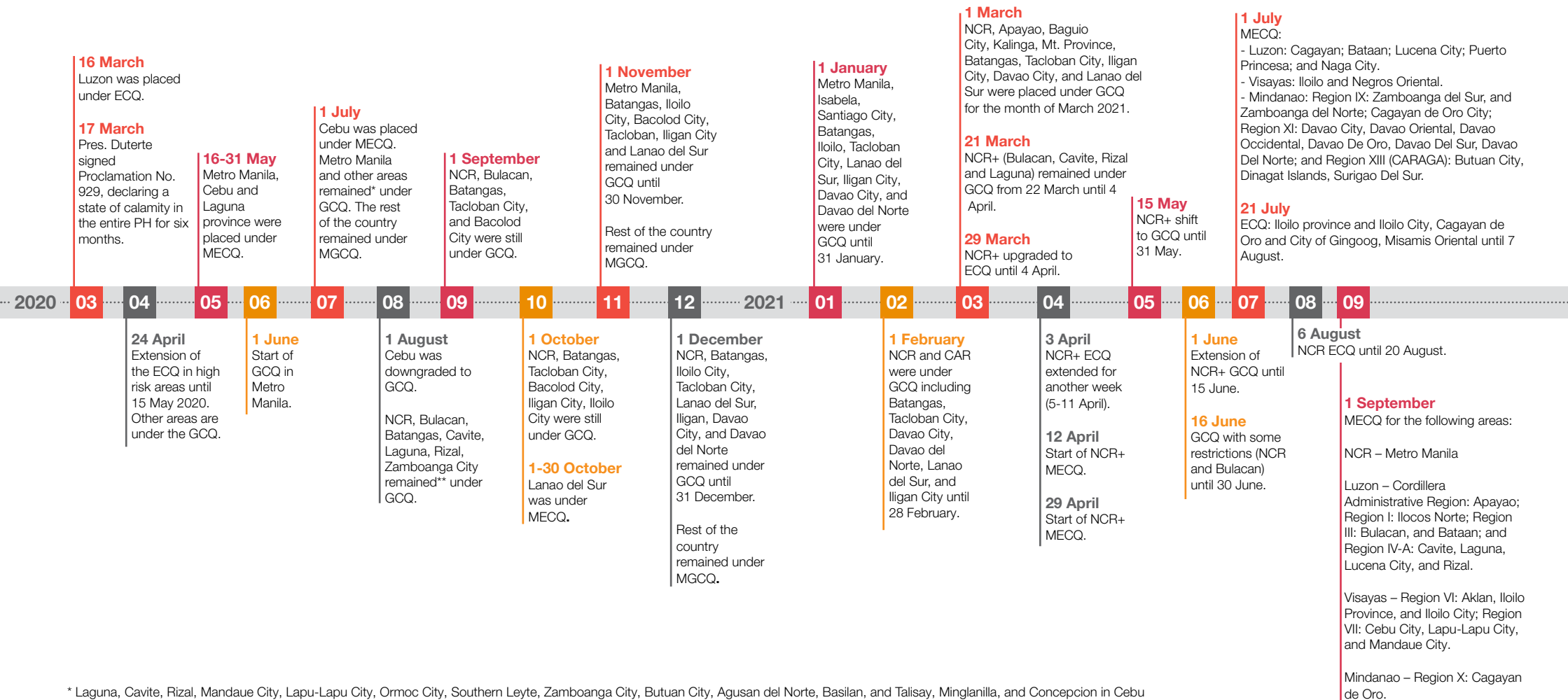
A handwritten signature in black ink, appearing to read 'R. Danao', with a stylized flourish at the end.



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Community Quarantine timeline



* Laguna, Cavite, Rizal, Mandaue City, Lapu-Lapu City, Ormoc City, Southern Leyte, Zamboanga City, Butuan City, Agusan del Norte, Basilan, and Talisay, Minglanilla, and Concepcion in Cebu Province

** Batangas, Bulacan, Cavite, Laguna, Rizal, Lapu-Lapu, Mandaue, Talisay, Minglanilla, Consolacion and Zamboanga City

Source: Inquirer's news article (March 2021); U.S. Embassy in the Philippines news articles (August 2021)

Outlook



A year and a half after the first enhanced community quarantine (ECQ) was declared in Luzon, the Philippines faces greater challenges because of the Delta variant. Since the first ECQ on 17 March 2020, the Philippines had 2.2m COVID-19 cases and over 35,000 deaths. The number of daily new COVID-19 cases also reached an all time high of 26,303 on 11 September. With just 12.4% of the total population fully

vaccinated as of 25 August, the Filipinos' lives are still far from normal.

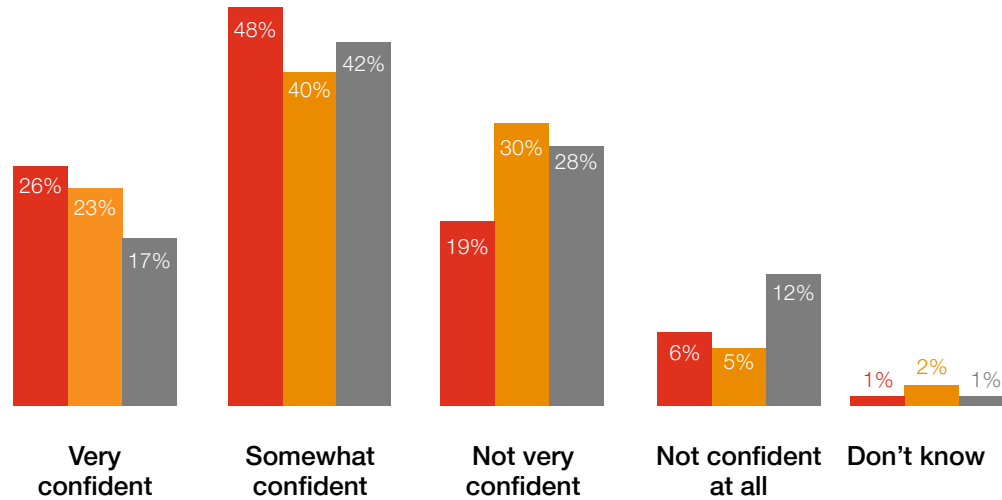
During the first months of the pandemic in 2020, businesses had to temporarily close or reduce their operations while some were affected by supply chain disruptions. To adjust to the current environment, most businesses had to adopt a remote working

environment, change their products and/or services, and invest in digital solutions. Having adjusted to the current reality, majority of the CEOs feel confident about their growth prospects in the next 12 months, and an even greater number of CEOs believe that their company will experience growth in the next three years. While the economic crisis is far from over, having a positive leadership outlook is critical to steering the business to recovery while boosting employee morale.

74% of the CEOs are confident that their company will experience revenue growth in the next 12 months

Question

How confident are you that your company will experience revenue growth in the next 12 months?

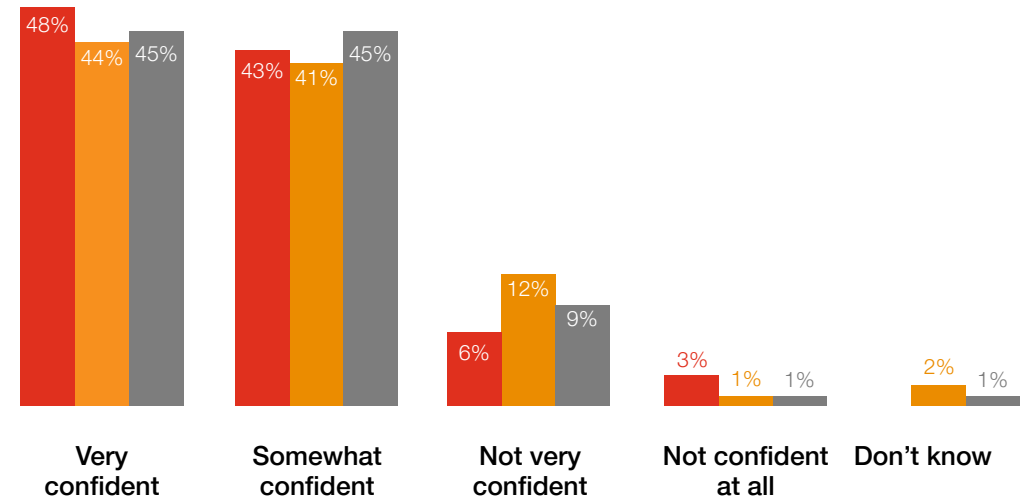


■ 2021 PwC MAP CEO Survey
 ■ 2021 PwC MAP Mid-year CEO Survey
 ■ 2020 PwC MAP CEO Survey

91% of the CEOs are confident that their company will experience revenue growth in the next three years

Question

How confident are you that your company will experience revenue growth in the next three years?



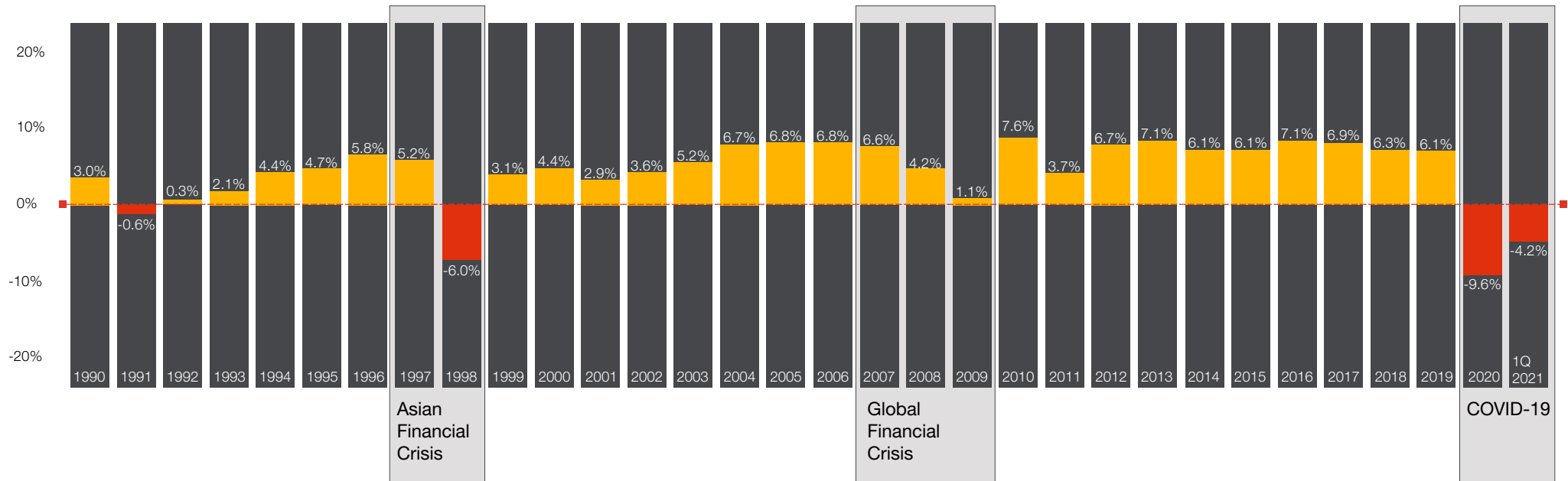
■ 2021 PwC MAP CEO Survey
 ■ 2021 PwC MAP Mid-year CEO Survey
 ■ 2020 PwC MAP CEO Survey

As a result of the closing of the economy, business disruptions, travel restrictions and healthcare crisis, the Philippines had the worst economic performance since the World War II ended in 1947. Unemployment rate also peaked at 17.6% in the second quarter of 2020 while the country's external debt grew to US\$98.5bn in the fourth quarter of the same year. Despite having

the Bayanihan 1 and 2 laws, most CEOs believe that the Philippine economy will just grow by up to 5% in 2022, and it will take more than two years for the country to recover from the impact of the pandemic. While the Bayanihan 2 law was signed into law on 11 September 2020, its budget expired on 30 June 2021, leaving PHP6.49bn of unused funding. Having declared

the MECQ for Luzon and other cities in August 2021, further economic and job losses are expected until the end of the year. With the country's worst crisis, good governance both at the national and local levels are critical for the country to survive and recover.

The Philippines' real GDP growth rates



Source: Bangko Sentral ng Pilipinas

Unemployment rate in the Philippines

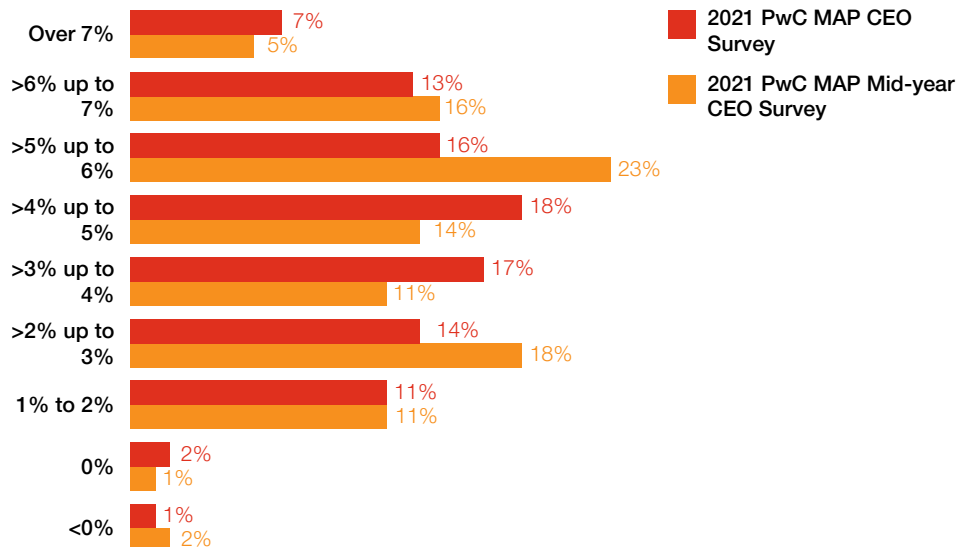


Source: Bangko Sentral ng Pilipinas

54% of the CEOs say that the Philippines' real GDP growth rate for 2022 will be more than 4%

Question

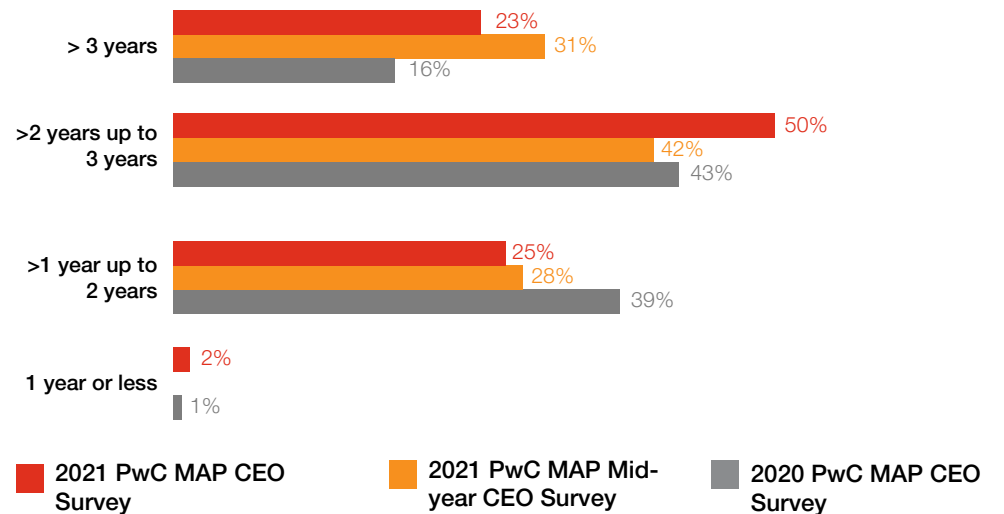
What do you think will be the real GDP growth rate of the Philippines in 2022?



77% of the CEOs expect the Philippine economy to recover within the next three years

Question

How long will it take for the Philippine economy to recover, in your view?



To help the economy recover, the CEOs identified healthcare, infrastructure and education as the sectors that the government should prioritize. In spite of the approved budget through the Bayanihan 2 law, healthcare workers raised concerns such as unpaid risk allowances and hazard pay.

Even before the pandemic, the Philippines already had a shortage of hospital beds. Currently, there are only approximately 9.9 beds for every 10,000 people, which are not enough to support the ongoing health

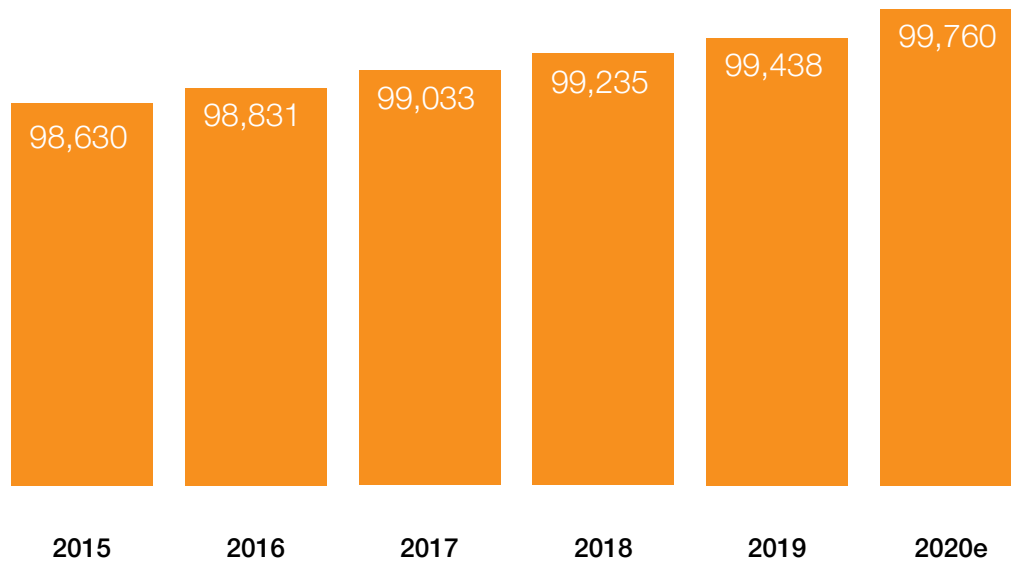
crisis. Such number is also below the World Health Organization's recommended standard of 2.3 beds for every 1,000 population or 23 beds for every 10,000 people. Five laws were signed by President Rodrigo Duterte to increase the bed capacity of hospitals in the cities of Iloilo, Las Piñas, Tuguegarao, Quezon, and Surigao del Norte in November 2020.

The government, through the Public-Private Partnership Center (PPP Center), is also bidding out the development of the new 700-bed UP Philippine

General Hospital (PGH) Diliman, which has an estimated project cost of PHP21.3bn. According to the PPP Center, It is envisioned to be a world-class hospital, serving the poor, with related educational and research facilities.

As of 11 September 2021, 76% of the 4,200 ICU beds and 68% of the 20,500 isolation beds have been utilized across the country.

Number of hospital beds in the Philippines

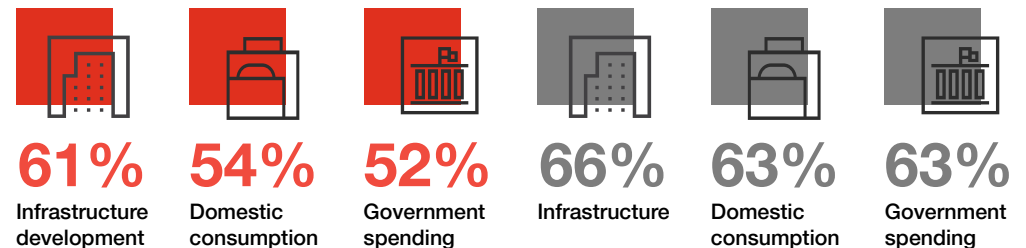


Source: Fitch Solutions

The CEOs say that **infrastructure development, government spending, and domestic consumption** will continue to be the key growth drivers of the Philippine economy in the next 12 months

Question

What do you think will be the key growth drivers of the Philippine economy in the next 12 months?



■ 2021 PwC MAP CEO Survey

■ 2020 PwC MAP CEO Survey

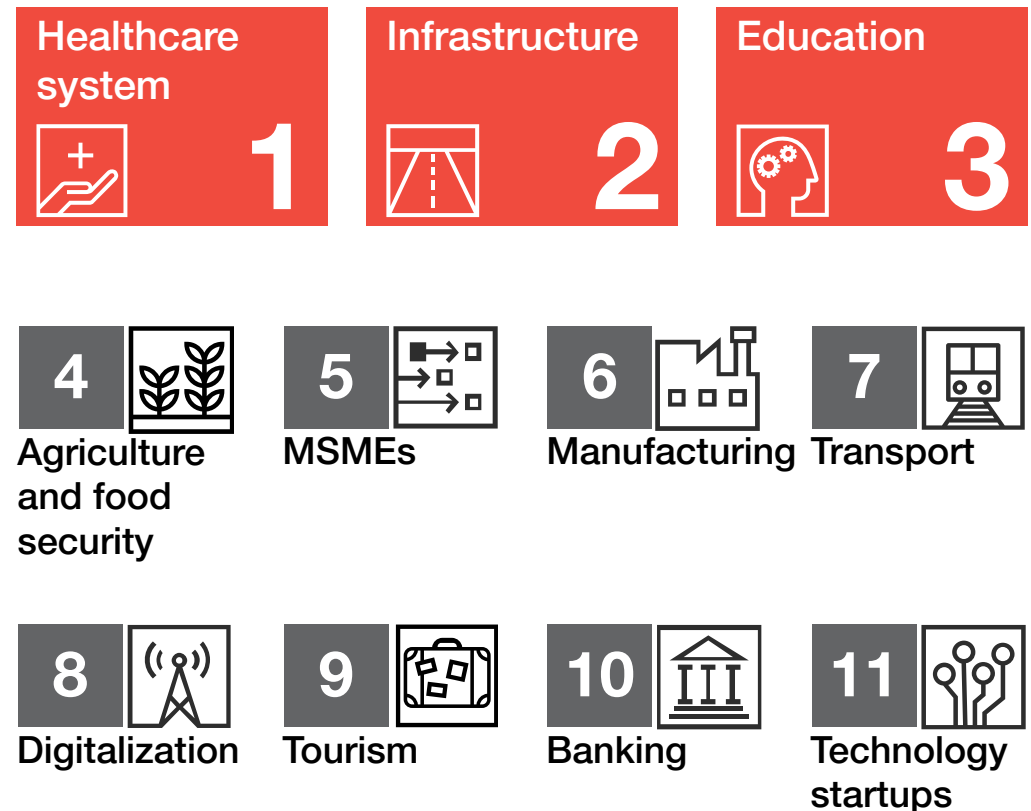
Infrastructure spending, which used to average around 6% of the country's GDP from 2017 to 2019 and provided over six million jobs, should also be among the focus areas according to majority of the CEOs. Under the government's flagship infrastructure program, around 119 projects were planned to be completed. Because of the pandemic however, some projects were either put on hold or cancelled and as of July 2021, only 11 have been completed. Just recently, the government appropriated PHP1.8 trillion in the 2022 National Expenditure Program (NEP) for infrastructure projects that will be started in the Duterte administration's final year. Programs to be covered by the budget include road network development, flood management, bridge programs, rail transport projects, land public transportation projects and aviation infrastructure. The planned infrastructure spending is expected to contribute over 5% of the country's GDP in 2022.

The education sector, which faced several challenges during the pandemic, should also be prioritized, according to the CEOs. In the 2018 Programme for International Student Assessment (PISA) that was completed by the Organisation for Economic Co-operation and Development (OECD), 15-year-old students who participated in the study scored lower in reading, mathematics and science than most of the countries that were covered by the PISA. According to the assessment, expenditure per student in the Philippines was the lowest among the participating countries, and 90% lower than the OECD average. While the government had initiatives to help improve the educational system, the pandemic further disrupted the sector. Challenges faced by majority of the nine million K-12 students in both private and public schools include financial and technological concerns. Families from the lower income segment were also not prepared for the requirements of online learning such as laptops and better internet connectivity. In the same manner, teachers were not given the proper training and resources to adjust to online education. In certain cases, teachers had to fund their own materials and technological tools despite the hard-earned wages. Most schools also relaxed their admission and continuing educational requirements to ensure that they have enough enrollees to support their operations. Given these challenges, the CEOs are concerned that the country's quality of education will further deteriorate. To address this, the government allocated PHP773.6bn to the Department of Education, Commission on Higher Education (CHED), state universities and colleges (SUCs), and the Technical Education and Skills Development Authority (TESDA). Such appropriation will cover the development, reproduction and delivery of learning resources for basic education-learning continuity plan as well as the computerization program. The budget will also support the implementation of the Universal Access to Quality Tertiary Education (UAQTE) and other education assistance and subsidies, such as Student Financial Assistance Programs (StuFAPs) and Private Education Student Financial Assistance (PESFA).

Areas where the government should focus according to the CEOs (ranked in the order of priority)

Question

In your opinion, please rank the areas that should be prioritized and given more budget/resources by the government in the next two years to help recover from the pandemic



Top ten highest recipients of the FY2022 budget allocation

Department	2021 Program		2022 Proposal		2021-2022 Increase/(Decrease)	
	Amount (PHP billion)	Rank	Amount (PHP billion)	Rank	Amount (PHP billion)	% Change
Total national budget	4,506.0		5,023.6		517.6	11.5
Top Ten Departments	2,531.0		2,678.6		147.7	5.8
<i>% of national budget</i>	56.2		53.3			
<i>% of all departments</i>	93.3		93.4			
Education (DepEd, SUCs, CHED and TESDA)	751.7	1	773.6	1	21.9	2.9
Department of Public Works and Highways (DPWH)	695.7	2	686.1	2	(9.6)	(1.4)
Department of the Interior and Local Government (DILG)	249.3	3	250.4	3	1.0	0.4
Department of Health (DOH), including Philippine Health Insurance Corporation (PhilHealth)	210.2	4	242.0	4	31.8	15.1
Department of National Defense (DND)	205.8	5	222.0	5	16.2	7.9
Department of Social Welfare and Development (DSWD)	176.9	6	191.4	6	14.5	8.2
Department of Transportation (DOTr)	87.9	7	151.3	7	63.4	72.1
Department of Agriculture (DA)	71.0	8	72.0	8	1.0	1.4
Judiciary	45.3	9	45.0	9	(0.3)	(0.7)
Department of Labor and Employment (DOLE)	37.1	10	44.9	10	7.8	21.0
Other departments	182.2		190.6		8.5	4.7
Rest of the national budget	1,792.9		2,154.4		361.5	20.2



COVID-19 impact and insights



Luzon and other areas in the country have been under ECQ for four times since the pandemic started. Under the ECQ, the strictest lockdown, only essential industries are allowed to operate and most of the people are not allowed to go out. For a consumption-driven economy, the closure of establishments such as malls, restaurants and other businesses have an immediate direct negative impact on the economy.

Since the first ECQ, household final expenditure has been declining until the first quarter of 2021. Throughout the year, spending on restaurants and hotels, transport, recreation and culture, education,

alcoholic beverages, tobacco, clothing and footwear, furnishings, household equipment, routine household maintenance and health has declined. While household final expenditure grew by 7.2% in the second quarter of 2021, total spending is expected to decline in the succeeding periods because of the extended MECQ that will be revisited on or before 15 September.

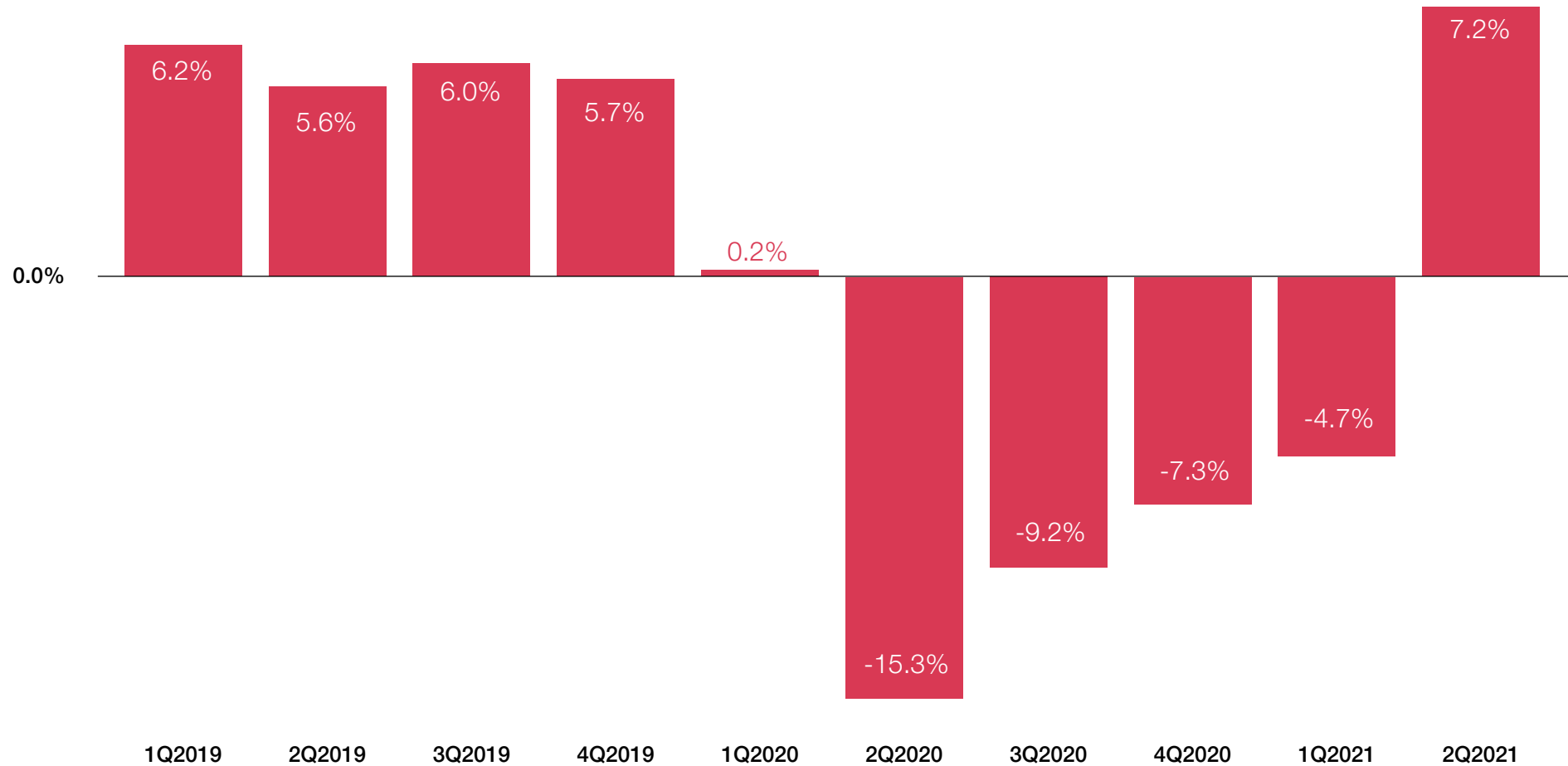
According to most CEOs surveyed, their revenues, profits, productivity, employee and customer count, and utilization decline each time the government imposes a lockdown. To support their businesses, majority of the CEOs tapped external debt, and infused

capital from both their personal funds and existing investors in the past year. Going forward, majority of the CEOs still plan to tap external debt and/or equity to help their businesses.

Despite the successful listings of Monde Nissin, AREIT, DDMP Reit, etc., only a few of the CEOs say that they'll raise capital through the capital markets. Accessing the capital markets may be challenging for certain companies unless they have shown resilience and growth during the pandemic.

Household final consumption expenditure

Growth rates, at constant 2018 prices

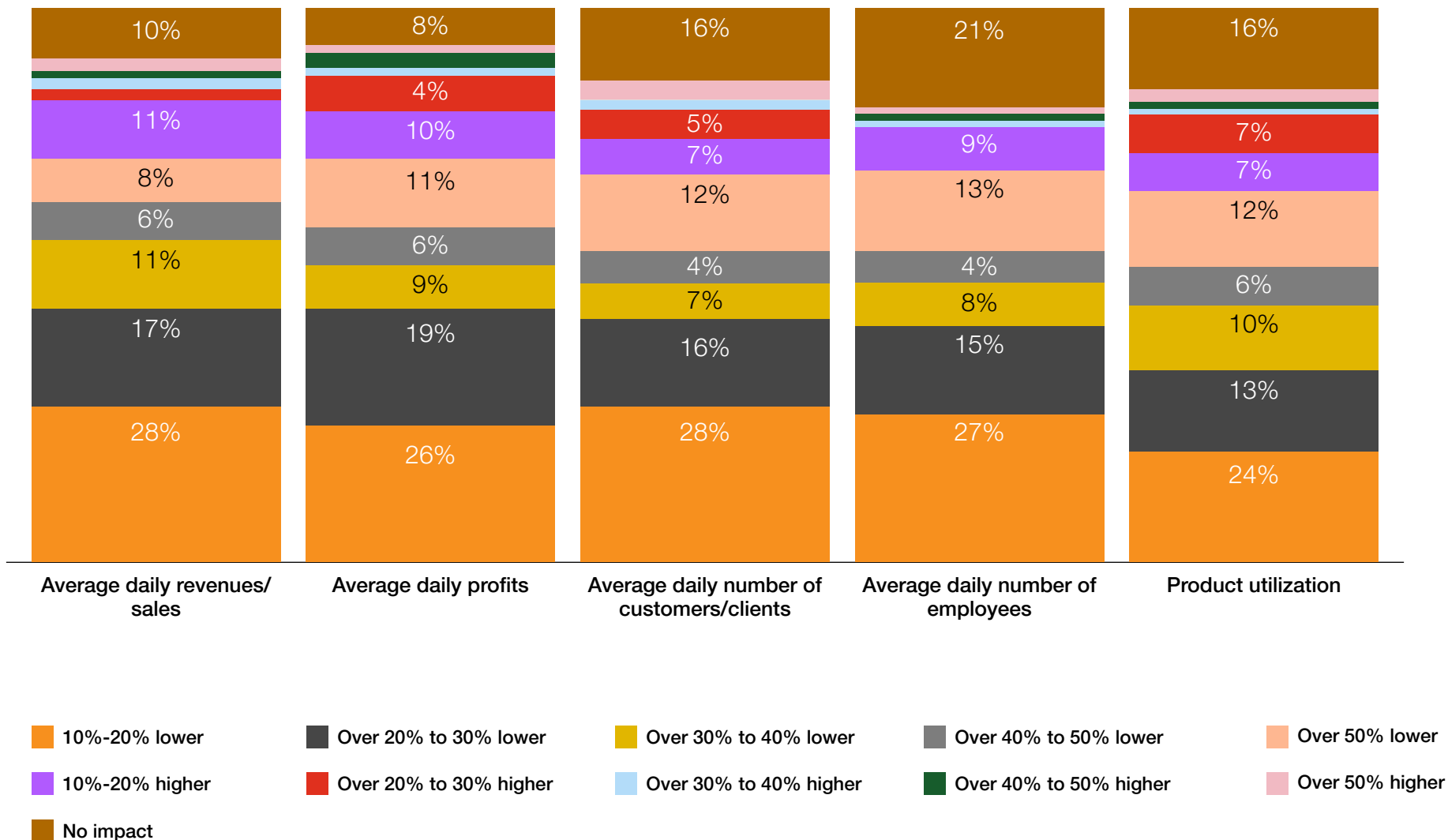


Source: Philippine Statistics Authority

70% of the CEOs say that their average daily revenues/sales decline by at least 10% each time the country is placed under a lockdown

Question

What is the impact of having the ECQ, MECQ, GCQ on your business?



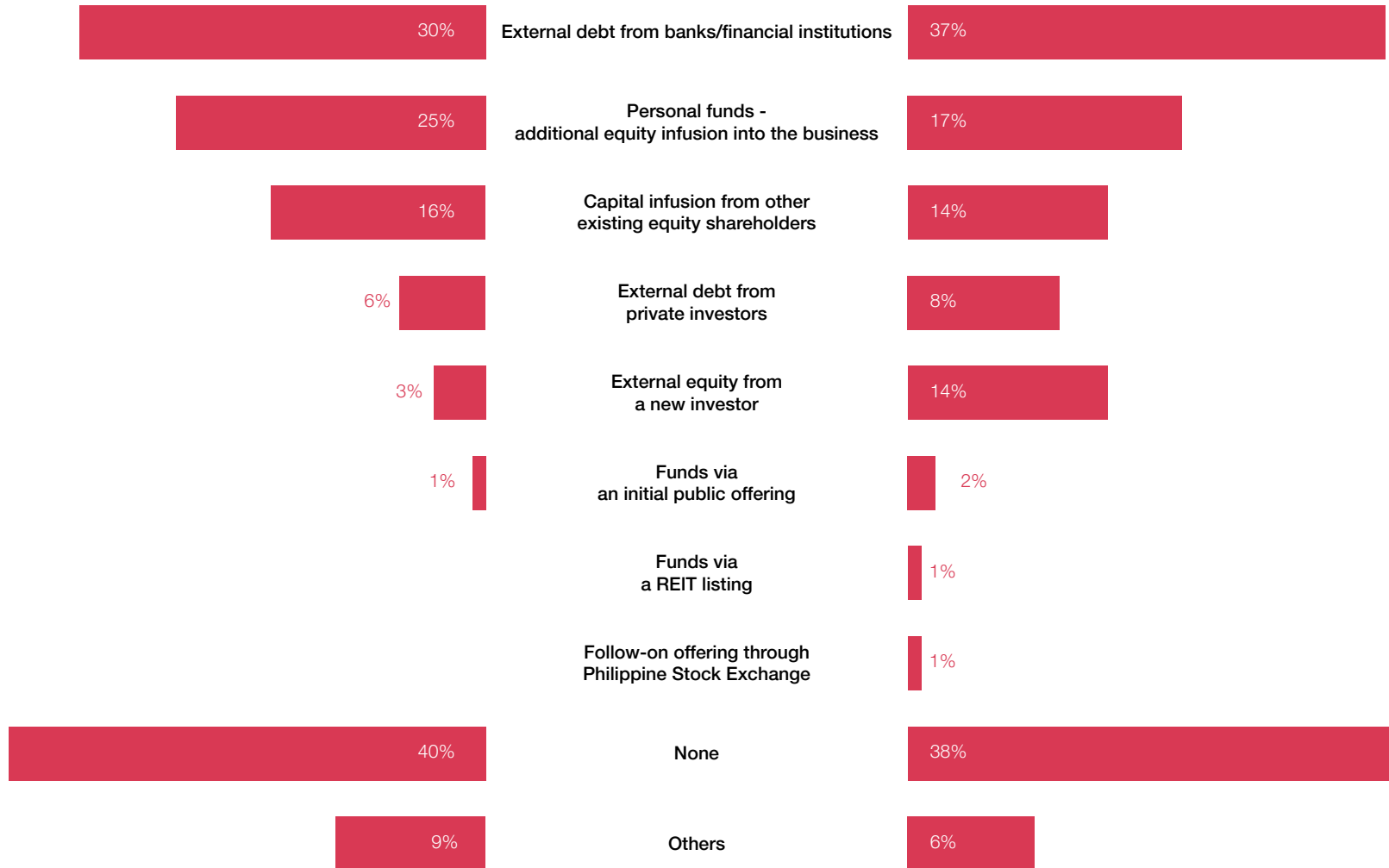
Business funding

Question

In the past 12 months, what funding support did you avail to help your business?

Question

In the next 12 months, what funding support are you planning to avail to help your business?



89% of the CEOs are strictly implementing health protocols in their businesses due to the presence of COVID-19 especially the new variants

Question

What actions are you implementing because of the Delta variant and other COVID-19 variants?



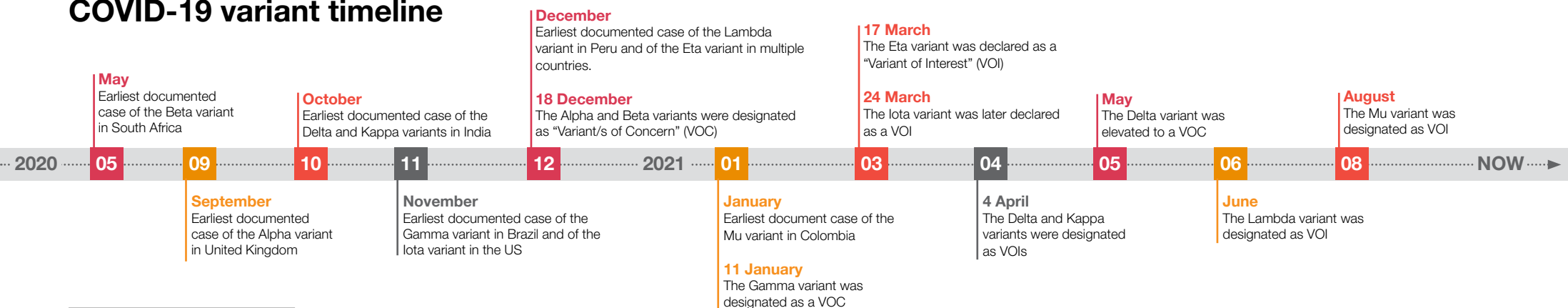
COVID-19 and the rest of the world



The global economy contracted by 3.2% in 2020 largely because of the pandemic. In the early part of 2021, people from different parts of the world expressed optimism because of the vaccine rollout. Nevertheless, the emergence of COVID-19 variants forced countries to impose lockdowns again to manage the number of new infections. Countries such as Singapore, Australia, New Zealand, Canada, the

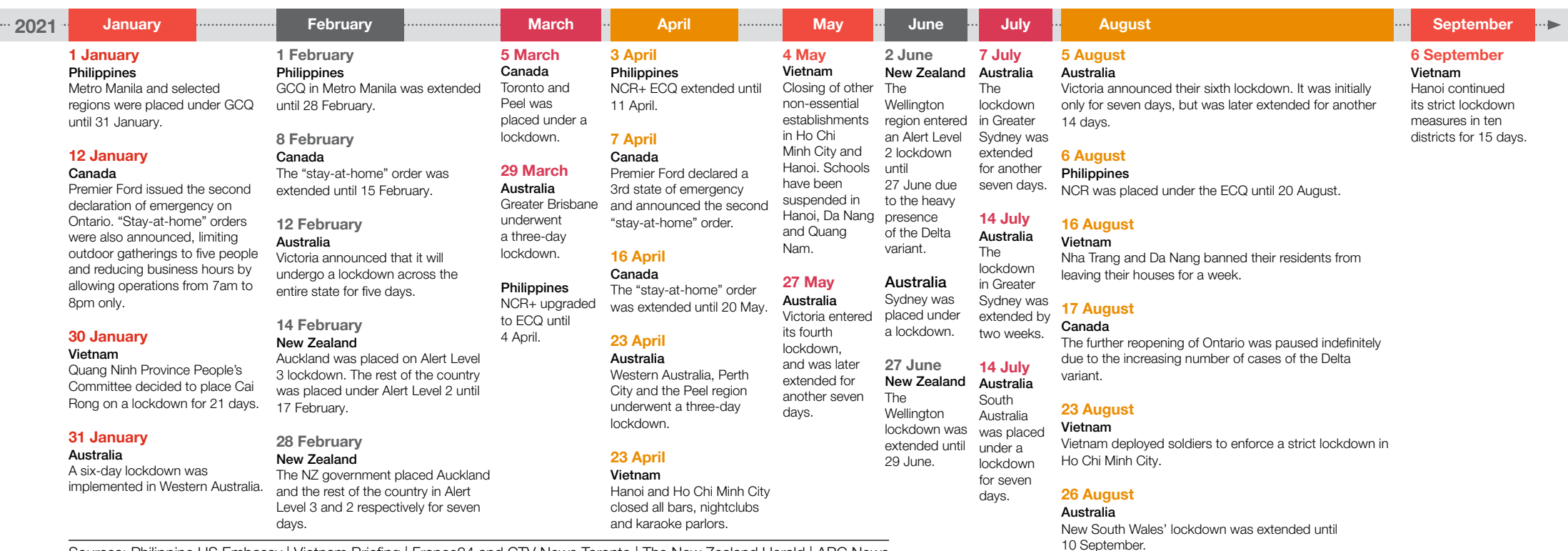
Philippines, and more had to close their economies again because of the surge in the number of COVID-19 cases. Despite having several stimulus programs and fiscal incentives, one thing became clear – a faster and equitable vaccination rollout worldwide is critical for the global economy to recover and to prevent the further mutations of the COVID-19 virus.

COVID-19 variant timeline



Source: World Health Organization

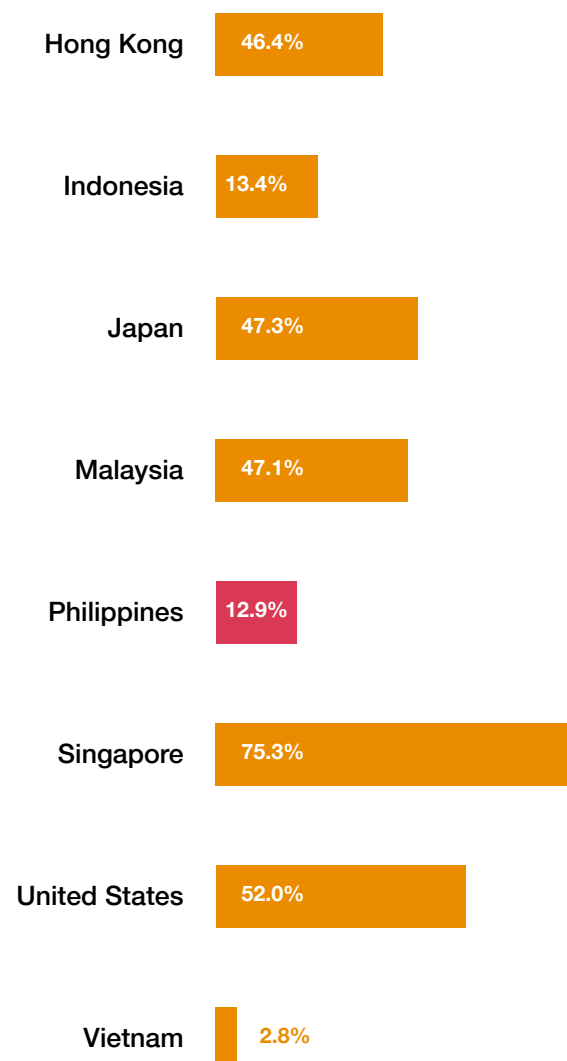
COVID-19 lockdowns in 2021



Sources: Philippine US Embassy | Vietnam Briefing | France24 and CTV News Toronto | The New Zealand Herald | ABC News

Vaccinations in selected countries

Fully vaccinated as a % of the total population
Data as of 3 September 2021



World Economic Outlook growth projections

(real GDP, annual percent change)	Projections		
	2020	2021	2022
World Output	-3.2	6.0	4.9
Advanced Economies	-4.6	5.6	4.4
United States	-3.5	7.0	4.9
Euro Area	-6.5	4.6	4.3
Germany	-4.8	3.6	4.1
France	-8.0	5.8	4.2
Italy	-8.9	4.9	4.2
Spain	-10.8	6.2	5.8
Japan	-4.7	2.8	3.0
United Kingdom	-9.8	7.0	4.8
Canada	-5.3	6.3	4.5
Other Advanced Economies	-2.0	4.9	3.6
Emerging Market and Developing Economies	-2.1	6.3	5.2
Emerging and Developing Asia	-0.9	7.5	6.4
China	2.3	8.1	5.7
India	-7.3	9.5	8.5
ASEAN-5	-3.4	4.3	6.3
Emerging and Developing Europe	-2.0	4.9	3.6
Russia	-3.0	4.4	3.1
Latin America and the Caribbean	-7.0	5.8	3.2
Brazil	-4.1	5.3	1.9
Mexico	-8.3	6.3	4.2
Middle East and Central Asia	-2.6	4.0	3.7
Saudi Arabia	-4.1	2.4	4.8
Sub-Saharan Africa	-1.8	3.4	4.1
Nigeria	-1.8	2.5	2.6
South Africa	-7.0	4.0	2.2
<i>Memorandum</i>			
Emerging market and Middle-Income Economies	-2.3	6.5	5.2
Low-income Developing Countries	0.2	3.9	5.5

Source: International Monetary Fund

Despite the worsening healthcare crisis, 62% of the CEOs say that the global economy will improve in the next 12 months. According to the International Monetary Fund, the global GDP will grow by 6% in 2021, with the emerging and developing economies growing at a slightly faster rate than the advanced economies. Policies that may help economies recover include those that will stimulate trade, invest in human capital, accelerate digitalization and support sustainable initiatives and infrastructure.

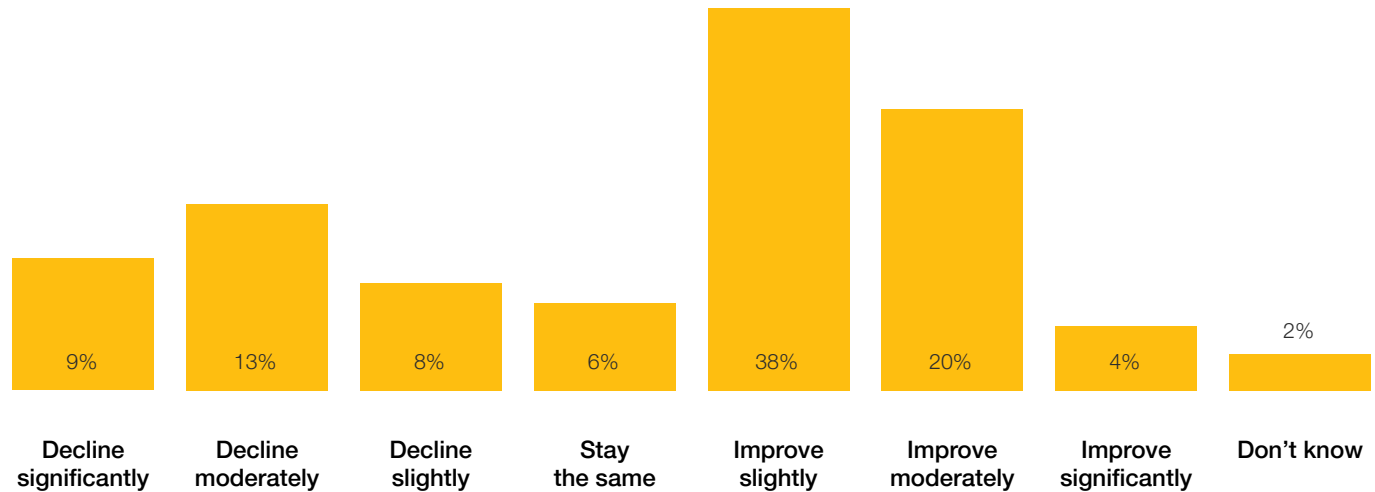
In the Philippines, the government is targeting a 4% to 5% GDP growth in 2021 and a growth rate of over 5% in 2022. Most CEOs, however, say that the slow vaccine rollout, reliance on lockdowns as well as the ongoing political uncertainty will delay the country's recovery. With just 12.9% of the Philippine population fully vaccinated as of 03 September 2021, 66% of the CEOs are dissatisfied with the vaccine rollout in the country.

The impact of the pandemic on other countries also affects local businesses. According to the CEOs, the United States, China, Singapore and Japan are important for their company's overall growth. Among these countries, China had the fastest growth rate with its GDP growing by 18.3% in the first quarter of 2021. While the virus has not been fully contained in China, its government was able to fully vaccinate 27.7% of the population as of end-August, and is aiming to vaccinate 70% to 80% of its 1.4bn population by the end of the year or early 2022. Aside from having a more stable local economy, China was able to generate 2.97m jobs in the first quarter of 2021, which is 27% of its annual goal of 11m jobs. Other economic drivers include the 25.6% growth in real estate investment, 33.9% growth in consumer goods sales, 24.5% growth in industrial values and more.

Global economic growth

Question

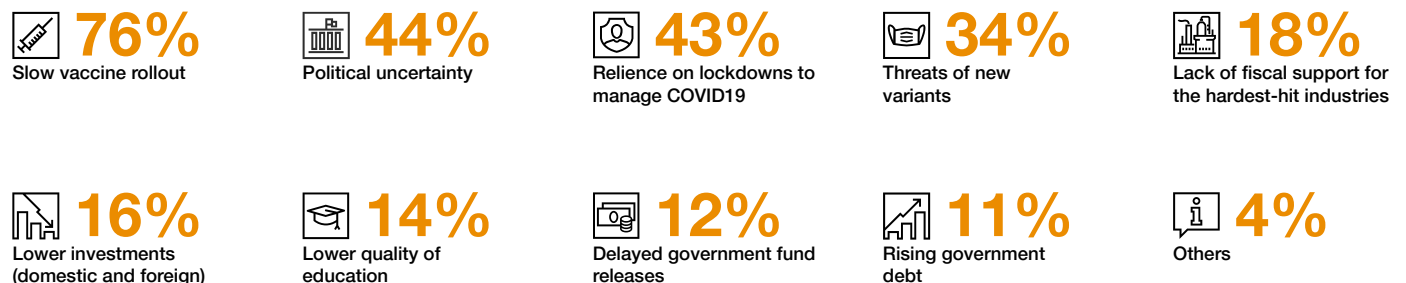
How do you believe global economic growth (i.e., global real GDP) will change over the next 12 months?



76% of the CEOs say that slow vaccine rollout will delay the Philippines' economic recovery

Question

What do you think will delay the Philippines' economic recovery?



The Philippines, on the other hand, was lagging behind the major Asian countries in terms of growth. In the first quarter of 2021, Vietnam, Singapore and Thailand reported positive growth rates. While such countries have not yet achieved herd immunity, their policy responses were swift and helped manage the impact of the virus on the economy and healthcare situation.

In Vietnam, mobile applications that provide alerts on positive cases and exposures were installed by around 60% of its population. Vietnam's fiscal measures in 2020 include a fiscal support package with expected value of VND291.7 trillion (3.6% of GDP) to support the economy in 2020, deferring payment of value added tax and corporate income tax obligations, and more. Vietnam also continued to implement fiscal and monetary policies in 2021 to further mitigate the economic and social impact of the pandemic. While Vietnam has been among the successful countries who managed COVID-19, the country is currently facing challenges as the Delta variant infected more people beginning June 2021. Currently, Vietnam has over 570,000 reported COVID-19 cases, with almost all contracting the virus from July to September of this year.

Similarly, Singapore introduced several fiscal measures amounting to around US\$69bn in 2020. Government support includes cash payouts to all Singaporeans (higher for families with children under 20) and additional payments for unemployed individuals and those from the lower-income segment. Support given to companies and employees include wage subsidies, rental support, financing scheme, job creation initiatives and more.

The Philippines' vaccination program

Question

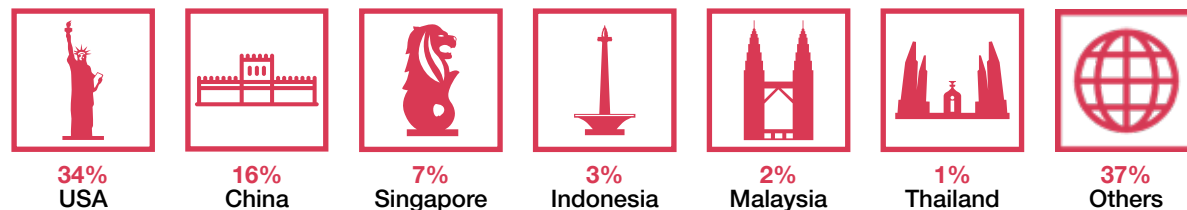
How satisfied are you with the vaccine rollout in the Philippines?



Business growth

Question

Which of the following countries do you consider most important for your company's overall growth?



Breakdown of others

12%	Philippines	1%	Germany
10%	Japan	1%	Korea
3%	Multiple countries	1%	Denmark
1%	Middle East	6%	None
1%	ASEAN	2%	Not applicable
1%	European Union		

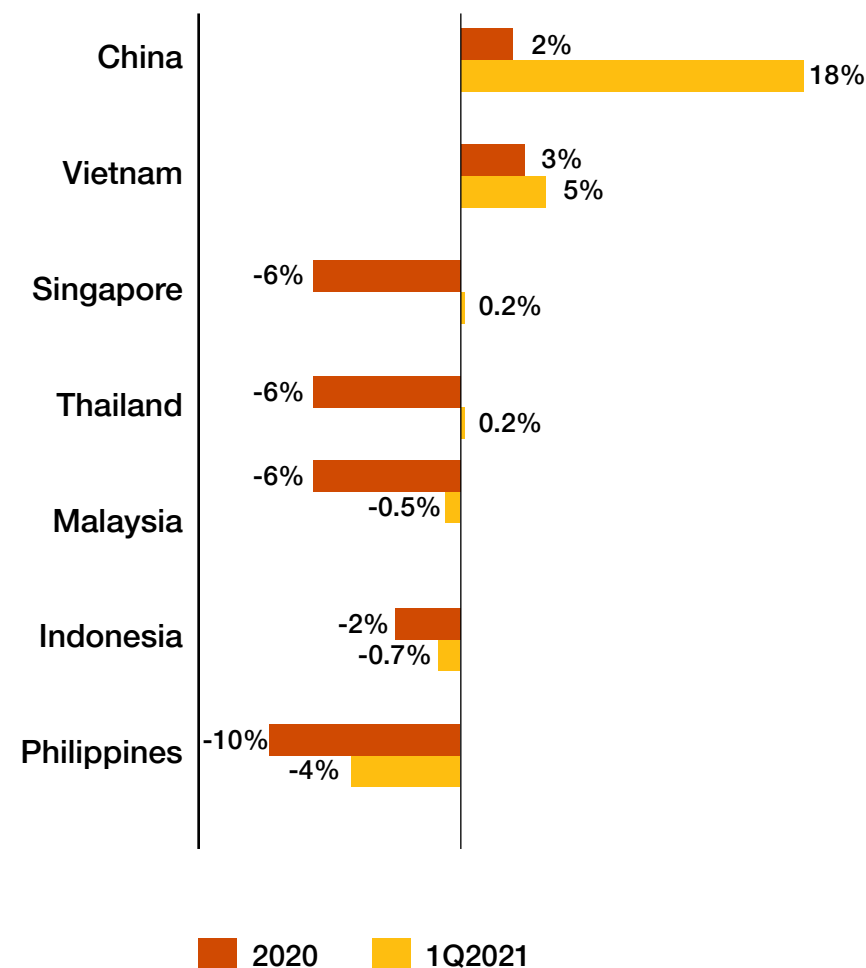
Fiscal measures in Vietnam, Singapore, and Thailand

Selected key fiscal measures

Vietnam	Singapore	Thailand
<p>Tax reduction</p> <ul style="list-style-type: none"> On registration tax by 50% On environmental protection tax on jet fuel from August to December 2020 Corporate income tax (CIT) rate for small and micro firms by 30% <p>Tax exemption</p> <ul style="list-style-type: none"> Medical equipment One-year exemption of business registration tax for newly established household businesses Three-year exemption of business registration tax for SME <p>Tax adjustments</p> <ul style="list-style-type: none"> Excise tax on domestically produced cars Allowed firms and workers to defer (up to three months) contributions to the pension fund and survivorship fund without interest penalty <p>Other fiscal adjustments</p> <ul style="list-style-type: none"> Lowered land rental by 15% Streamlined tax and custom audit inspection of firms The government also approved a cash transfer package worth VND 36 trillion (0.5% of GDP) for affected workers and households with monthly cash transfers provided for no more than three months. 	<ul style="list-style-type: none"> Support to businesses and workers includes wage subsidies (extended through March 2021, with levels of support depending on the sector), job creation, support to cover rental costs, an enhancement of financing schemes, and additional support for the self-employed and industries most directly affected (aviation, tourism, construction, transportation, arts and culture). The authorities have increased their contingencies funds for unforeseen expenditure needs and also set aside loan capital of S\$22bn to help businesses facing cash flow challenges with loan obligations and insurance premium payments. Other economic resilience measures include support to R&D investment, a national stockpile of health supplies and a program on food resilience. To mitigate the economic impact of the return to Phase-2 (Heightened Alert), the government announced some temporary measures totaling S\$800m on 28 May 2021 to support the impacted workers, businesses, and individuals. These include enhanced support under the Jobs Support Scheme, additional cash payout to eligible individuals and workers, and rental support for qualifying tenants of commercial properties. 	<p>A fiscal package with phases I, II, and III amounting to at least 9.6% of GDP or THB1.5 trillion including:</p> <ul style="list-style-type: none"> i) health-related spending; ii) assistance for workers, farmers, and entrepreneurs affected by COVID-19 (includes THB5,000 per month per person for three months to about 14m non-farm workers outside the social security system and 10m farmers); iii) support for individuals and businesses through soft loans and tax relief; (iv) lower water and electricity bills, and social security contributions; and (v) measures to support local tourism with THB22bn in subsidies for tourists and THB100bn in soft loans for SMEs in the sector. The Cabinet has extended several soft-loan schemes, including those targeted for micro firms engaged in tourism activities and supply chains, until 30 June 2021.

Source: International Monetary Fund

Real GDP growth rates of selected Asian countries



Source: Bangko Sentral ng Pilipinas

Digital and long-term strategy



To adjust to the new world and meet the challenges caused by the pandemic, businesses had to move fast and react in agile ways. Digital solutions and tools that became more relevant during the pandemic include cloud-based solutions, platforms, marketplaces and payment solutions. As of the first quarter of 2021, the Bangko Sentral ng Pilipinas said that the volume of PESOnet transfers already reached 39m, which was four times the volume in the same period last year. Similarly, the value of fund transfers through the

InstaPay system was PHP552bn in the first quarter of this year, and was thrice the value of the transfers made in the first quarter of 2020.

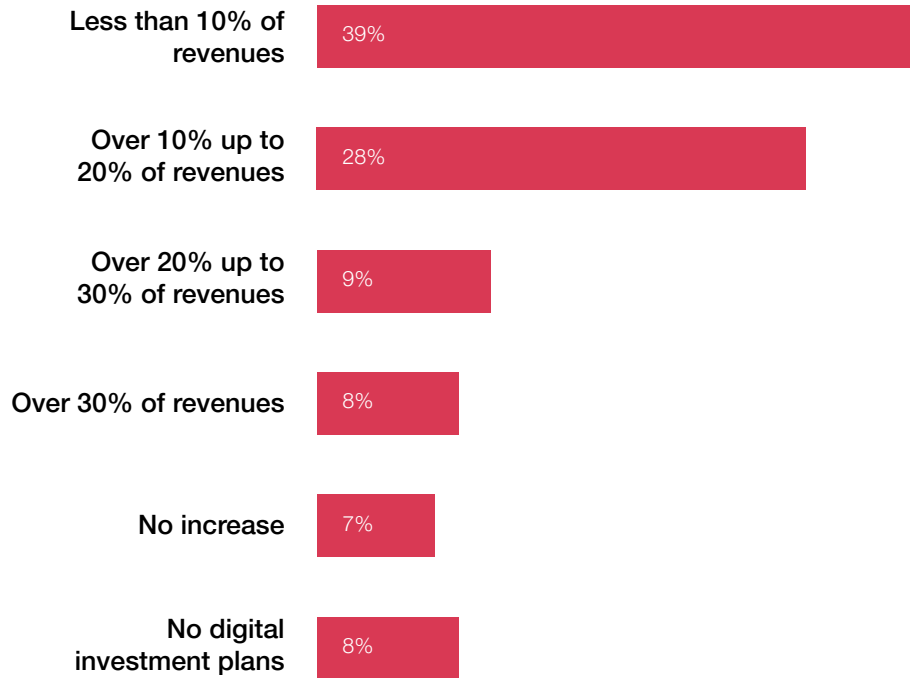
With the ongoing COVID-19 crisis, there is a continuing need for companies to do business digitally. Based on the results of the survey, 84% of the CEOs plan to increase their investments in technology or digital.

Seventy-four percent (74%) of the CEOs also say that they're planning to invest more in cybersecurity and data privacy solutions. As organizations accelerate their digital transformation, they become more vulnerable to cyber attacks. Using new technologies and connecting with more external stakeholders digitally also mean new risks for businesses. Given the embedded and developing cybersecurity risks, organizations should have a cyber strategy in place to ensure having a resilient digital ecosystem.

Digital strategy

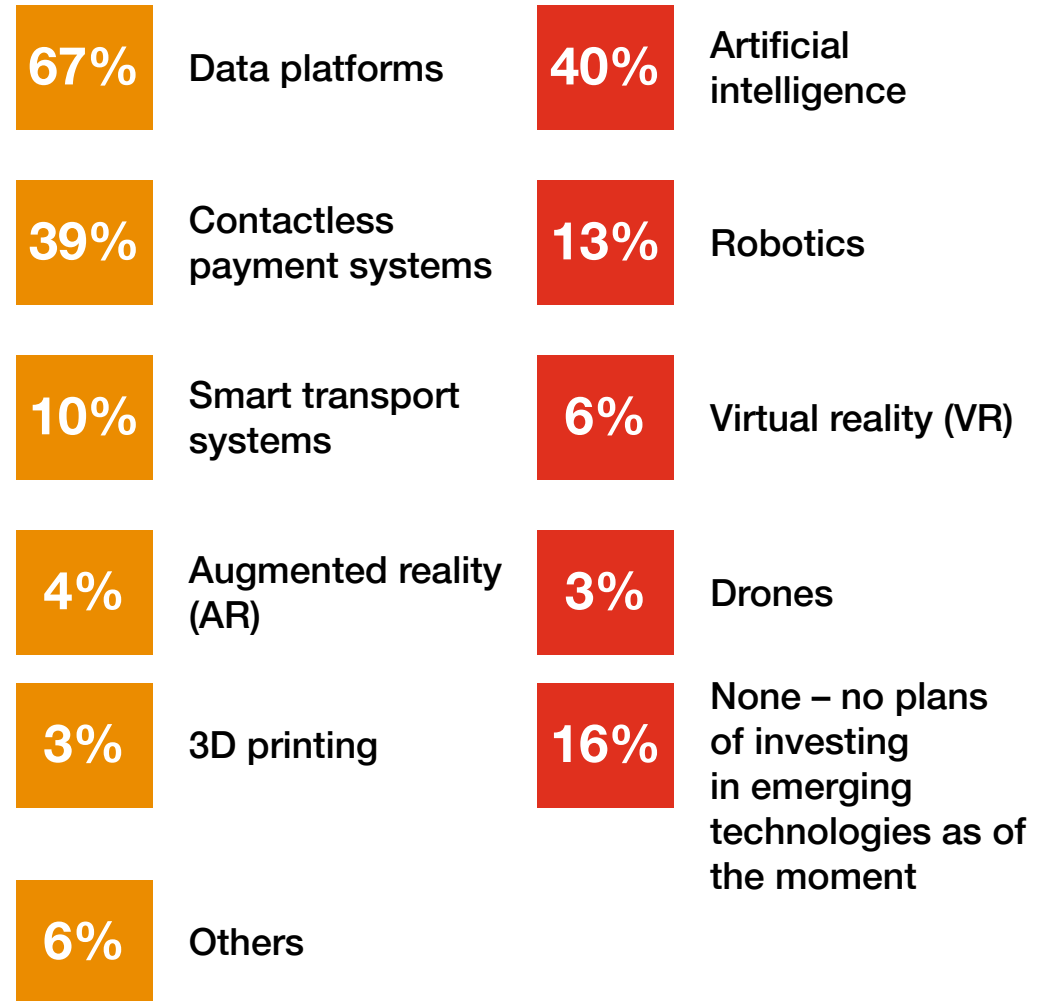
Question

How are you planning to increase your investments in technology or digital transformation as a response to the current reality?



Question

Which of the following technologies will you invest in to cope with the current reality/new world?



While there is a clear need to accelerate the digital transformation of businesses, 84% of the CEOs also say that they plan to increase their long-term investments in leadership and talent development. With COVID-19 disrupting the world, people saw the need for sophisticated leadership – one that can steer an organization through uncertainties and a rapidly changing environment. During the pandemic, leaders had to make quick decisions that often had trade-offs and may have had negative consequences. According to **Blair Sheppard**, the global leader of strategy and leadership for the PwC network, and **Susannah Anfield**, a member of the global strategy and leadership team at PwC, leaders must have the confidence to project a clear strategy, and the humility to correct course and recognize the need for change. The leaders of today and tomorrow must have a deep understanding of the business and environment they operate in, work through complex systems, and communicate with its various stakeholders effectively.

“They have to think globally while acting locally. And they must demonstrate the ability to negotiate differing viewpoints toward a consensus while maintaining their integrity. As the world seeks systematically to repair and reconfigure from the collective trauma and damage being suffered due to COVID-19 — and to prepare itself to be resilient in future crises — there is an urgent need for leaders to understand, accept, and embrace these paradoxes.”

Blair Sheppard, Global Leader of Strategy and Leadership for the PwC network, and Susannah Anfield

The six paradoxes of leadership

There is an urgent need for leaders who can quickly understand, accept and embrace six apparent contradictions in their work. Those contradictions are represented in the seemingly paradoxical identities below.



**Humble
Hero**



**Strategic
Executor**



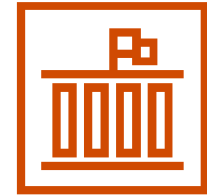
**Traditioned
Innovator**



**Tech-savvy
Humanist**



**Globally-
minded
Localist**



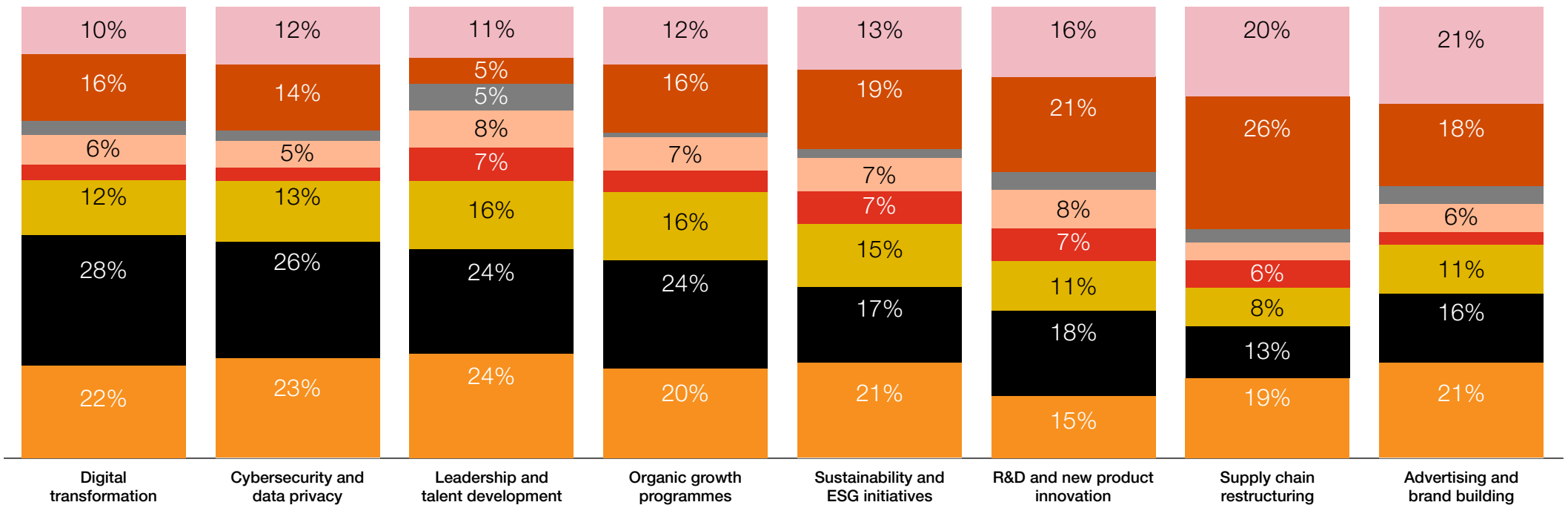
**High-
integrity
Politician**

84% of the CEOs say that they plan to increase their long-term investments in leadership and talent development

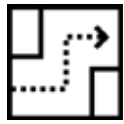
Question

How do you plan to change your long-term investments in the following areas over the next three years, as a result of COVID-19?

Long-term strategy



Five focus areas post COVID-19



Business resilience

Plan and prepare for the next inevitable disruption by designating a crisis response team, designing a crisis response plan aligned to your strategy, goals and purpose, and building an integrated resilience program.

Break down silos between resilience competencies and teams, and integrate them to coordinate the tactics, tools and technologies needed for an effective crisis response.

Build organizational resilience by establishing high-level resilience governance, revisiting and rethinking your crisis management structure and response strategy, and fostering a culture of resilience.



Future of work

Workers want to reskill, especially in digital.

Remote work is in demand.

There's a strong desire for greater inclusivity.

People are concerned about job security.

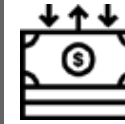


Future supply chain capabilities

Develop deeper insights into your customers' needs – and work out how to deliver exceptional experiences to them without compromising on cost and responsiveness.

Map your customers' journey across the value chain and create an ecosystem to support customer interactions.

Embrace a human-centric approach to digital, applying the right digital capabilities at the right times to deliver on the most important customer promises.

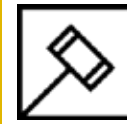


Finance and liquidity

Revisit previously modelled scenarios and model new ones to assess the impacts on cash positions as the economy picks up, and adjust cash management accordingly to support the business.

Decide whether existing cash conservation and generation plans need to be revised to support an increase in business activity.

Reassess any financial reporting considerations resulting from COVID-19, including tax reliefs and other local measures.



Tax, trade and regulatory

Maintain tight management of cash taxes, obtain available refunds where these still apply, and consider local government and tax authority measures still in place in response to COVID-19.

Review supply chains to ensure their stability during the post-pandemic recovery, while keeping a close eye on changes in the revenue and profitability mix in key markets.

Reassess the resources your business will need to meet ongoing indirect and direct tax compliance requirements.

Explore options to become more flexible in responding to opportunities and risks emerging in the recovery.

Sustainability



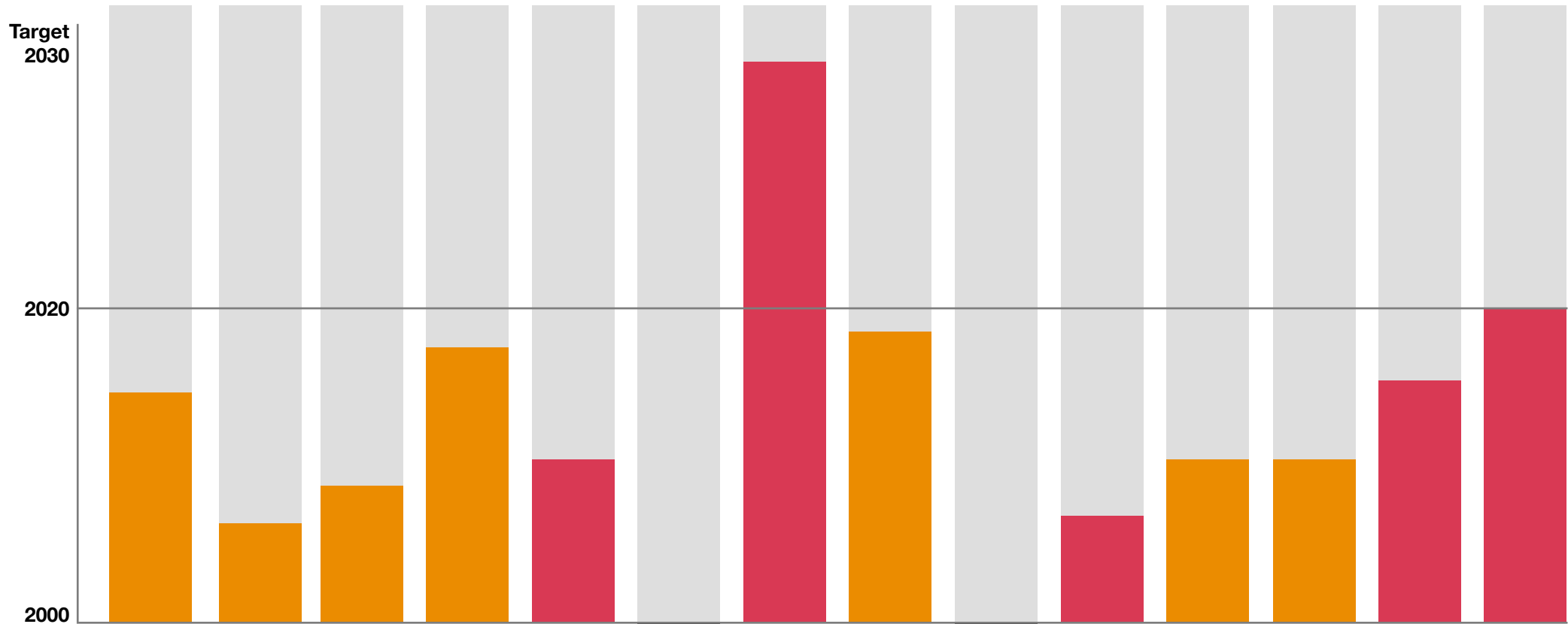
The pandemic showed us that new business models and practices work, and can be more sustainable. As a result of COVID-19, businesses shifted to remote working and online socializing, and became more open to near-shoring, localizing the supply chain, using 3D printing, etc. Other practices that emerged during the pandemic such as automated manufacturing and the “make where you sell” approach can improve the way we produce and consume, and may help with the global sustainability goals. Currently, there is a need to have more sustainable business practices because if the pre-pandemic business trends and practices continue, the global losses from climate change could reach US\$600 trillion by the end of the century.

The Philippines is part of the 193 member states of the United Nations that adopted the Sustainable Development Goals (SDGs) in 2015. There are 17 SDGs that are part of the 2030 Agenda, which has three major pillars – People, Prosperity and Planet, and Peace. As of November 2020, 48% or 12 indicators were ahead of the path to target while 52% or 13 indicators were behind the path to target. To ensure that we are on track to achieving the SDGs, the government has integrated such goals in the national long-term vision.

Sustainable Development Goals (SDGs) Current Status Index³



Indicators considered (%)	1	2	3	4	5	6	7	8	9	10	11	13	16	17
	72.2%	100%	65.2%	50.0%	26.7%	12.5%	25.0%	55.6%	20.0%	14.3%	40.0%	50.0%	20.0%	7.7%



■ Progress made since 2000
■ Progress needed to achieve target in 2030
■ ■ Insufficient data

³ Goal level estimates were aggregates of target level estimates which requires baseline and target data, and one or more data points between the years 2000 to 2020
 Note: The percentage of indicators considered in the estimation of the current status index was computed by the number of indicators with baseline and target data over the total number of indicators for each goal.

Source: Philippine Statistics Authority

Based on our past CEO surveys, some Philippine CEOs have included sustainability in their long-term goals. This year, however, we are seeing that the pandemic has accelerated the implementation of sustainability plans. According to our survey, 43% of the CEOs have included climate change and environmental damage in their strategic risk management activities. Nevertheless, only a number of CEOs are implementing more sophisticated and impactful initiatives such as carbon emission reduction, use of renewable energy, and carbon capture and storage. Based on PwC's analysis, global carbon emissions must be cut in half by 2030. New analysis from PwC's Net Zero Economy Index, which tracks progress among the G20, shows that a decarbonization rate of 11.7% is required to keep global warming within 1.5°C. To get there, countries with the highest rate of decarbonization in 2019 will need to double their efforts moving forward, and those with the lowest rate may need improvement by up to tenfold.

Despite the impact of the pandemic on businesses across various sectors, majority of the CEOs still prioritized their employees' welfare by providing COVID-19 assistance, and health and wellness benefits. During the pandemic, there were more instances of mental health concerns that resulted from worrying about COVID-19. Other employees also experienced challenges while transitioning to remote working. To help their employees, 47% of the CEOs also provided work-from-home allowances because of the new work setup. Unlike before, the employees now have to invest in faster internet and furnishings to make remote working comfortable and possible.

Sustainability practices

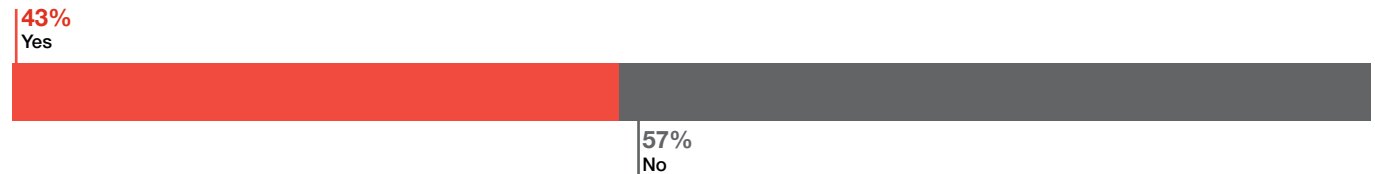
Question

Are you measuring and reporting the financial impact of your sustainable practices?



Question

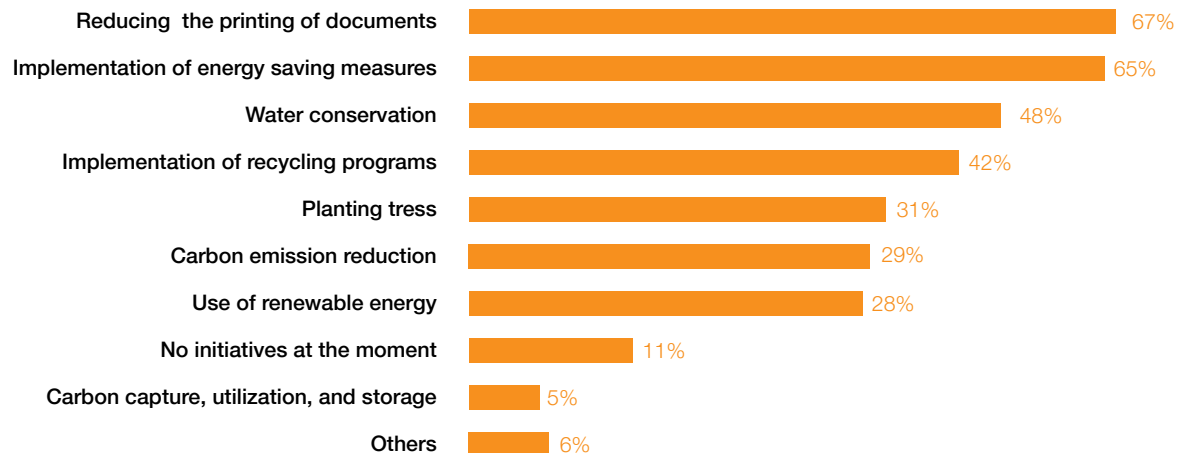
Are climate change and environmental damage explicitly factored into your strategic risk management activities?



Environmental and climate change initiatives

Question

How are you using environmental and climate change initiatives in your business?



Continuing the relationship with suppliers also became critical during the pandemic. As a result of business disruptions, some companies had to cancel their orders and supply arrangements. The logistical concerns due to lockdowns and travel restrictions also affected the availability of raw materials and prices. To help their suppliers, a number of CEOs maintained their regular orders, accepted price increases and even advanced their payments.

In times of crisis, we normally expect business leaders to prioritize survival and liquidity. In our survey, however, over 50% of the CEOs say that they've implemented initiatives to improve their governance such as ensuring ethical business practices along the value chain, revisiting the corporate governance policies, and ensuring proper tax compliance. With the growing awareness about sustainability, more companies are pushing harder for businesses to address the social and environmental concerns across the value chain. As seen in the results, more leaders are now focusing on developing products and/or services that treat its employees and environment ethically. Incorporating sustainability in business practices and operations has never been more important as it is today. According to PwC's June 2021 Global Consumer Insights Pulse Survey, more consumers became more environmentally sensitive. Most of the respondents also said that they buy from companies that are conscious and are supportive of protecting the environment. Consumers now are also more educated with the majority saying that they're more aware of the need to shop sustainably.

Corporate governance policies are mostly shareholder-centric. What the pandemic showed us is that corporate governance policies such as dividend policies and risk management should take into consideration its broader stakeholders such as employees, suppliers, customers and communities. Such decisions may include delaying the distribution of dividends and reallocating those to employees in times of crisis, extending financial assistance to suppliers to avoid disrupting the value chain and more.

Social initiatives

Question

What social initiatives have you implemented to help your employees during the pandemic?

69%

Healthcare assistance for those affected by COVID-19

61%

Mental, physical, emotional health benefits

47%

Work-from-home allowance

46%

Digital learning benefits

33%

Restricted employee benefits

17%

One-time bonuses to the company's frontliners

5%

None

8%

Others

While businesses have incurred financial losses due to the pandemic, business leaders looked for ways to protect jobs. A number of businesses quickly pivoted and moved online, adopted flexible working arrangements, streamlined operations, introduced new products and adjusted their business models. Businesses looked beyond shareholder value, placing purpose and sustainability at the heart of the new normal.

One thing remained clear throughout the pandemic, the human connection is stronger – the Filipino *bayanihan* spirit shines through.

“This pandemic brought our feet to the ground. But it will never ground our dreams!”

Alexander B. Cabrera
Chairman Emeritus
Isla Lipana & Co./PwC Philippines

Initiatives for suppliers

Question

What initiatives have you implemented to help your suppliers during the pandemic?

41%

Maintained the regular orders

33%

Accepted price increases

15%

Advanced the payments

12%

Extended the production and/or delivery dates

8%

Provided funding to suppliers

33%

None

5%

Others

Organization initiatives

Question

What initiatives have you implemented to improve the governance in your organization?

69%

Revisited ethical business practices along the value chain

59%

Revisited the governance policies, considering the pandemic

54%

Proper tax compliance of the company

25%

Incorporated ESG into the KPIs of key management executives

9%

Restructured employee benefits

1%

Others

Community initiatives

Question

What initiatives have you implemented to help your community and other stakeholders?

59%

Ad hoc corporate social responsibility initiatives

35%

Purchased from smaller and/or micro suppliers

26%

Provided livelihood opportunities

22%

Created a long-term plan on helping communities

20%

None

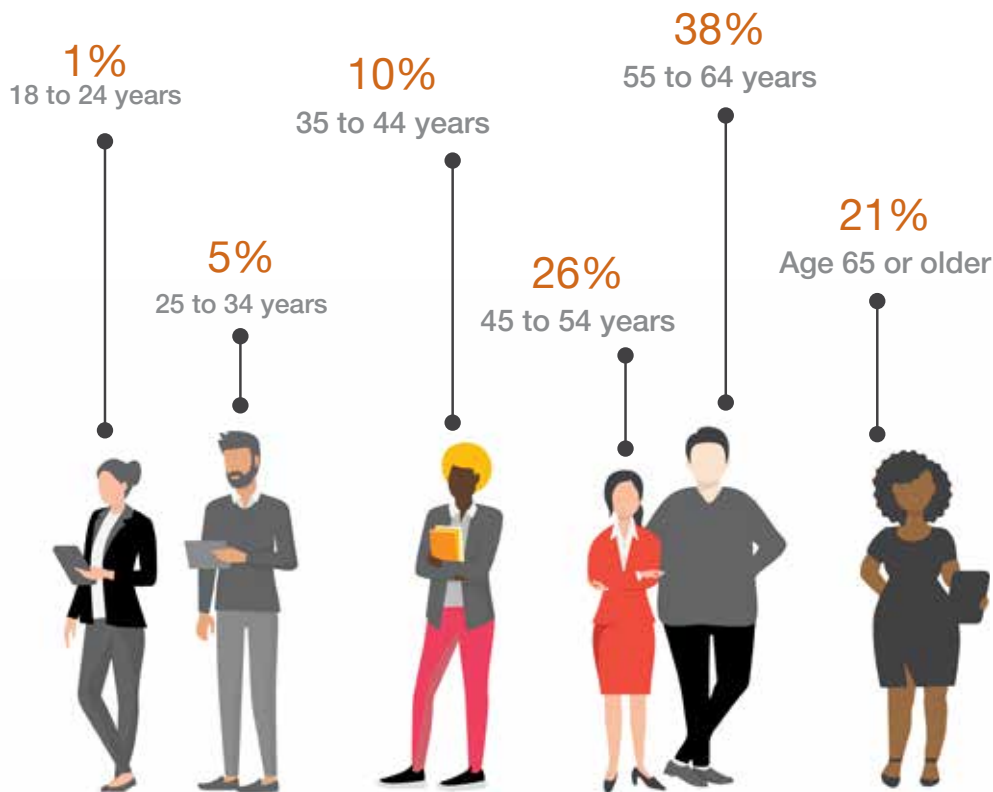
7%

Others

Other data

Profile of the 178 respondents

Age profile



Size of business



MSMEs Classification:

Micro (1-9 employees) - asset below PHP3m

Small (10-99 employees) - asset below PHP3m-15m

Medium (100-199 employees) - asset PHP15m-100m

Large (200 above employees) - asset above PHP100m

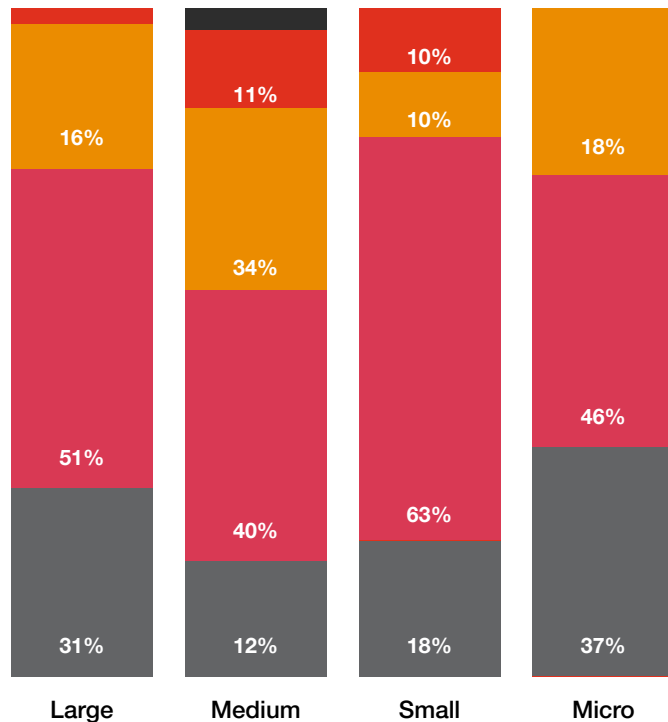
Industries



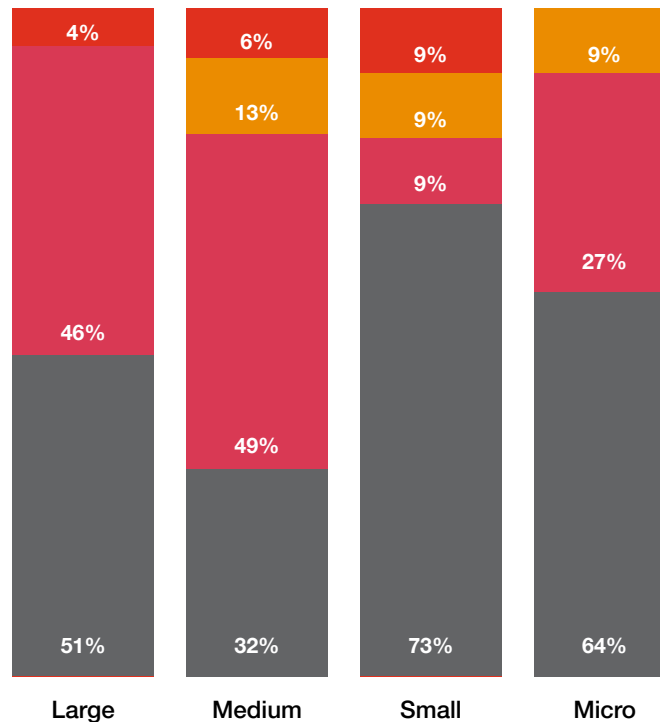
Other data

Profile of the 178 respondents

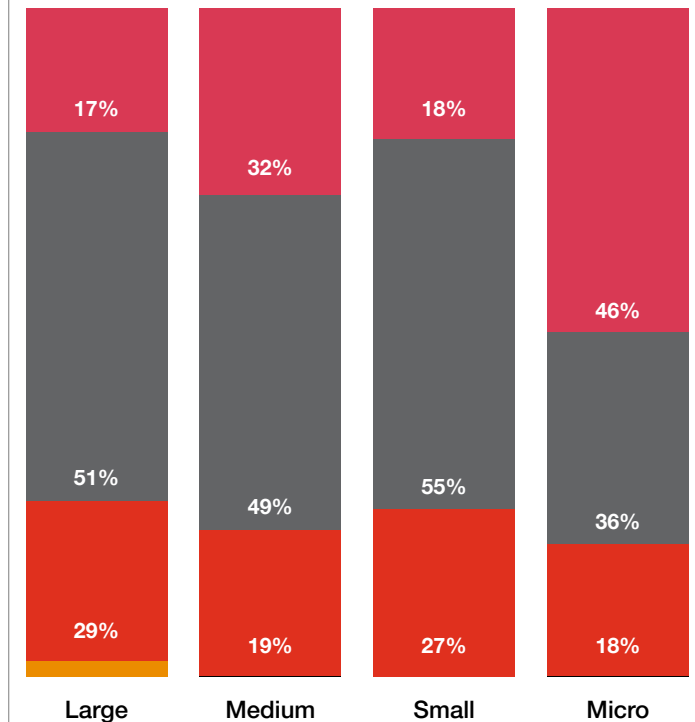
Organization growth (12 months) – per business size
How confident are you that your company will experience revenue growth in the next 12 months?



Organization growth (three years) – per business size
How confident are you that your company will experience revenue growth in the next three years?



Philippine economy's recovery – per business size
How long will it take for the Philippine economy to recover?



Very confident
 Not very confident
 Don't know
 Somewhat confident
 Not confident at all

Very confident
 Not very confident
 Don't know
 Somewhat confident
 Not confident at all

One year or less
 >2 years up to 3 years
 >1 year up to 2 years
 >3 years

Research methodology and contacts

The survey was conducted by PwC Philippines, in collaboration with the Management Association of the Philippines. 178 CEOs answered the online survey, and the respondents of the survey were primarily members of the MAP. The survey responses were also spread across a range of industries.

The results were tabulated and analyzed by PwC Philippines.

Notes:

- Not all figures add up to 100% due to rounding off percentages.
- The base for figures is 178 unless otherwise stated.

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With promoting management excellence for nation-building as its main objective, the MAP is a 71-year old management organization whose almost 1,000 members represent a cross-section of CEOs, COOs and other top management practitioners from the largest local and multinational companies operating in the Philippines.

Please view the MAP video via www.youtube.com/TheMAPph or visit www.map.org.ph/ for more information on MAP.

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