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A Whole New World

Reigniting the Stalled Global Economy
PwC MAP 2020 CEO Survey

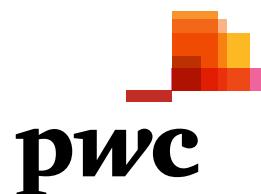
161 CEOs

66%

believe that infrastructure development will be the key growth drivers of the Philippine economy in the next 12 months

80%

will increase their investments in technology or digital transformation as a response to the current reality





A message from the MAP President

Atty. Francisco “Francis” ED. Lim
President
Management Association of the Philippines (MAP)

The MAP International CEO Conference continues to serve as a premier venue for bringing together business leaders to discuss prevailing issues and offer insights into options and directions.

To make the MAP Conference more useful, we conduct surveys with CEOs and share the results with colleges and universities, management educators and students, so that they too will have a chance to interact, listen and exchange ideas with our expert speakers.

This year, we are holding the MAP International CEO Web Conference with the theme “A WHOLE NEW WORLD: Reigniting the Stalled Global Economy” - conscious of the fact that it is indeed a changed world and we are facing big problems that we may not have the answers for.

This makes it more critical that we hold discussions to learn from one another and help each other.

The MAP is, once again, grateful to work with Isla Lipana & Co./ PwC Philippines for the 6th of a series of the Annual CEO Survey in the Philippines conducted by the latter which is envisioned to benchmark the changes in how CEOs think, react and innovate.

Many thanks to Isla Lipana & Co./ PwC Philippines for serving as our Knowledge Partner, once again, for the 15 September 2020 MAP International CEO Web Conference.

We would also like to thank all MAP members and other executives from the Philippine business community who participated in the CEO Survey.

The MAP CEO Conference and the CEO Survey results will hopefully guide the participants in transforming their businesses as the world order reshapes itself.

A handwritten signature in black ink, appearing to read "Francis Lim". The signature is fluid and cursive, with a long vertical stroke on the left and a more horizontal, flowing script on the right.



A message from the PwC Philippines Chairman

Atty. Alexander B. Cabrera
Chairman and Senior Partner
Isla Lipana & Co./PwC Philippines

The Philippines has enjoyed its longest economic growth, nearly 21 uninterrupted years. In the past decade, we have seen the country's largest infrastructure projects, the entry of top global investors, the rise of new entrepreneurs, and more. The Philippines' rise, however, was interrupted by COVID-19.

This year, we've asked our leaders to share how they plan to move forward and adjust to the changed environment. Because of this pandemic, we need to repair our affected operations, rethink our plans, reconfigure our organization to adjust and succeed in the current reality.

While our leaders have a conservative view of Philippine progress after the pandemic, it is comforting that they remain optimistic and confident that we will recover. Our leaders agree that technology, government support, focused strategies, responsible and sustainable practices, and good leadership will help businesses succeed post-COVID-19.

I am grateful to the 161 CEOs who have shared their insights with us. We are facing one of the most difficult times in our lives, and it is important for us to share our ideas and plans to help and learn from each other to survive this crisis.

As always, I'd like to thank the MAP for the opportunity to be the Knowledge Partner for its 2020 International CEO Web Conference. This is our sixth CEO survey with the MAP, and this partnership is something that we look forward to every year. Thank you for the continued trust.

2020 is a year that we will never forget. While we are experiencing difficulties, I am sure that we will thrive in the changed environment. We should look at this pandemic as an opportunity for us to create a new world, one that we will be proud to pass on to the next generation and not just restore the one we have before. If we do this, I am confident that we will rise as a stronger nation.

A handwritten signature in black ink, appearing to read "Atty. Alexander B. Cabrera".



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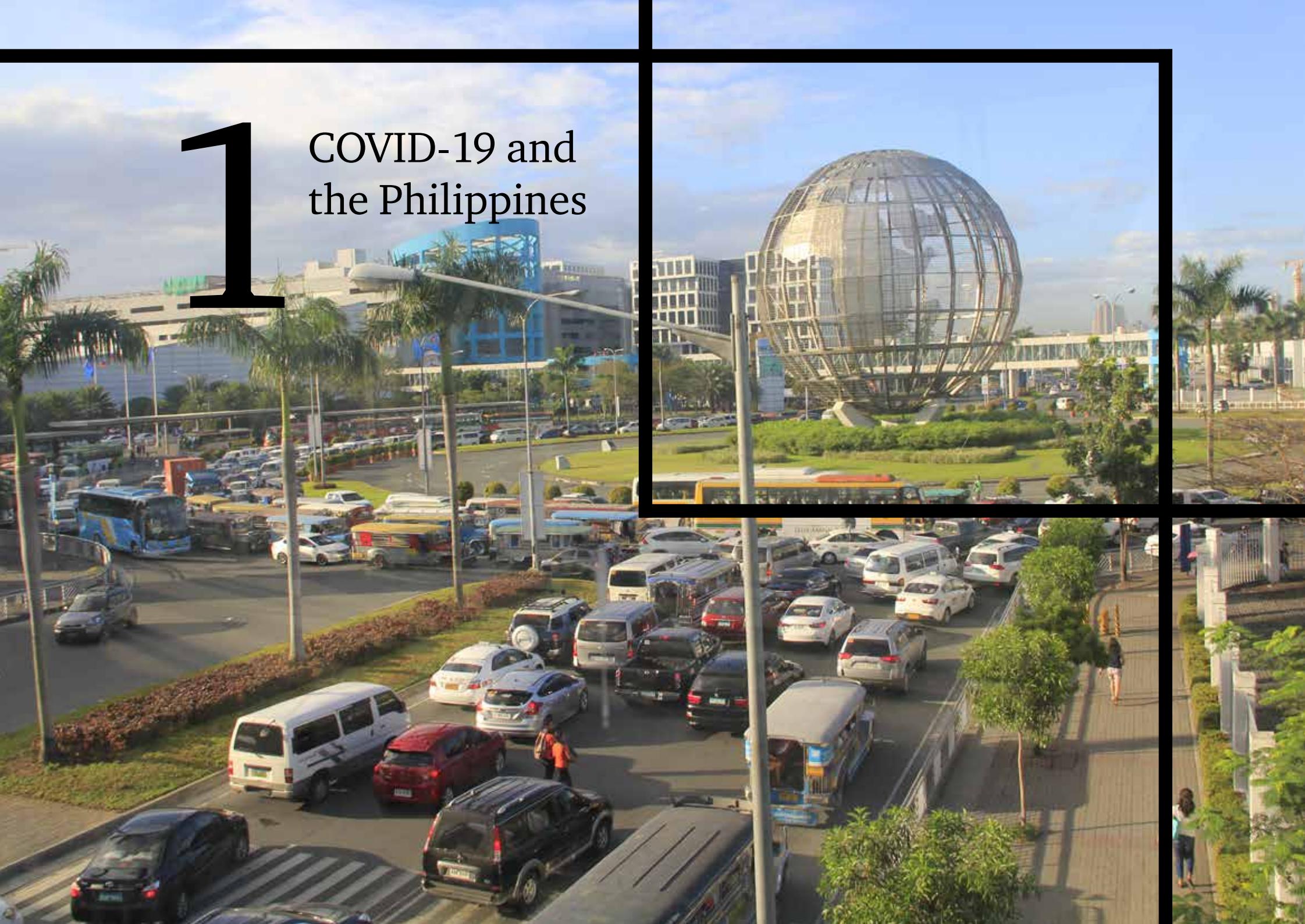
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COVID-19 and the Philippines



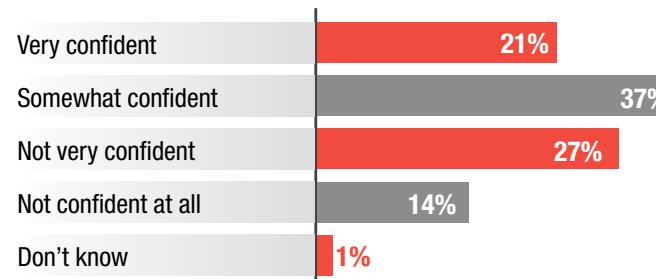
The year 2020 is probably the most challenging year for business leaders across the world. With a global health crisis caused by COVID-19, business leaders had to make quick, yet careful decisions about their organizations, employees, customers, and other stakeholders.

In the Philippines, the Enhanced Community Quarantine (ECQ) in Luzon started on 16 March. Since the lockdown, the Philippine economy suffered job losses, supply chain problems, travel restrictions, and business disruptions. As of September, over four million Filipinos were unemployed, resulting in an unemployment rate of 10%, from 5.1% in 2019. Companies, both large and small, have reported significant losses as of the first half of the year, and are bracing for additional losses until the end of the year.

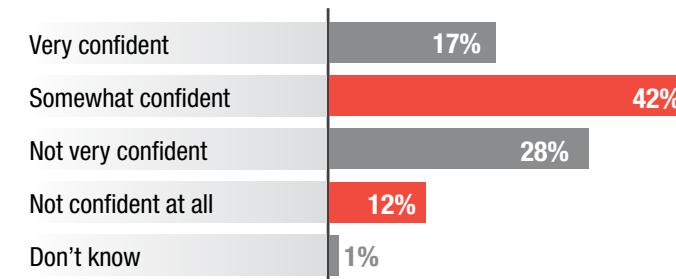
Despite the ongoing uncertainties, 58% of the CEOs we surveyed remain confident about their industry's growth over the next 12 months. This is not surprising because the majority of the respondents are from the essential and performing industries such as technology, manufacturing, financial services, and business process and outsourcing. Similarly, CEOs are optimistic about their company's growth in the coming years. However, more CEOs are confident about their organizations' longer term growth considering the period it will take for the economy to recover.

The CEOs, however, are not as optimistic at the macroeconomic level. The prolonged lockdown and the continuing rise in the number of COVID-19 cases have a massive impact on the economy. Seventy-four percent of the CEOs say that the Philippine real gross domestic product (GDP) in 2020 will contract with more than a third believing it can contract by more than 4%. While economists see improvements in 2021, only 15% of CEOs believe that the Philippine economy will grow at pre-COVID levels of over 5%. A majority of the CEOs also believe that it will take within one to three years for the Philippine economy to recover. According to most CEOs, infrastructure development, government spending, and domestic consumption will be the key growth drivers of the country's economy in the next 12 months.

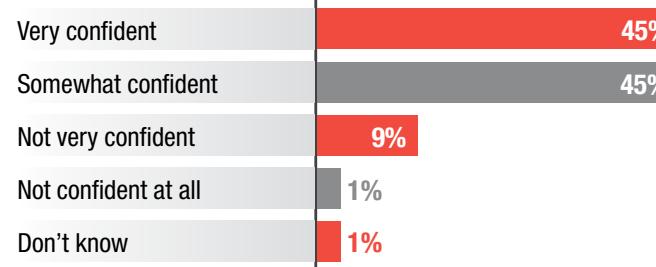
Q: How confident are you about your industry's prospects for revenue growth over the next 12 months?



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



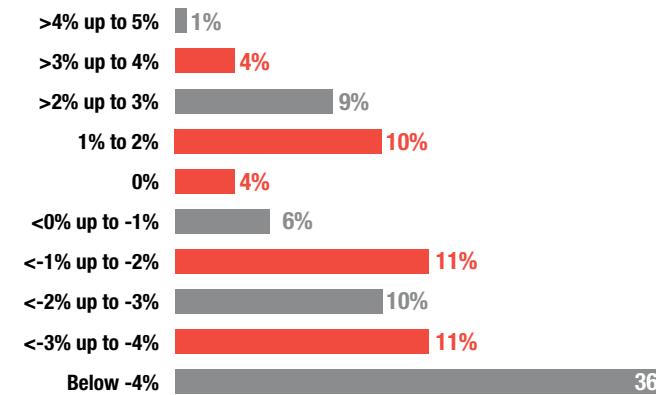
Q: How confident are you that your company will experience revenue growth in the next three years?



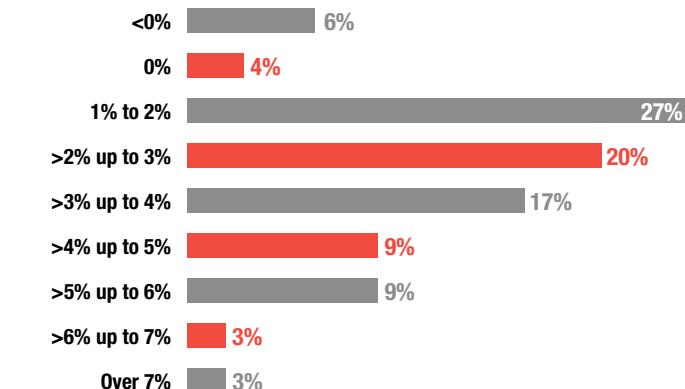
83%

expect the Philippine economy to recover within 1 to 3 years

Q: What do you think will be the full-year real GDP growth rate of the Philippines in 2020?



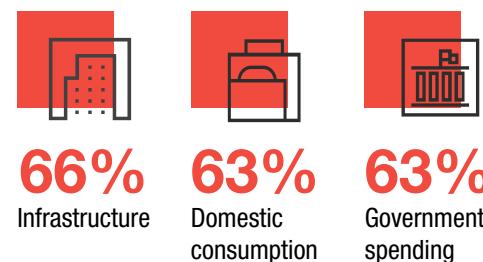
Q: What do you think will be the full-year real GDP growth rate of the Philippines in 2021?



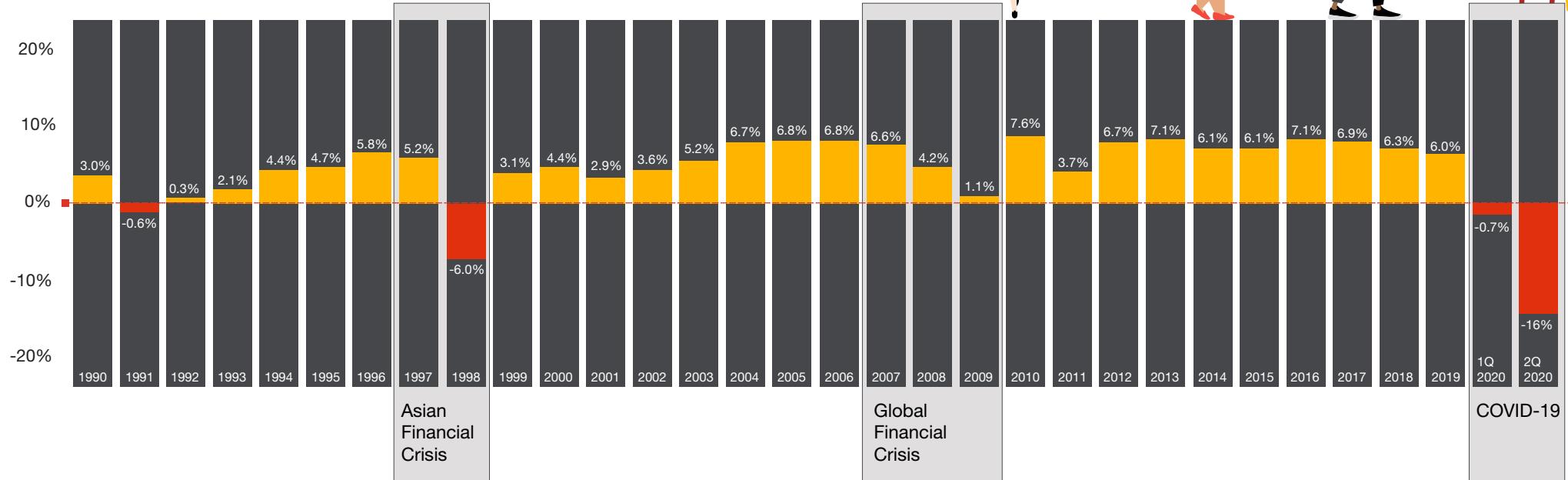
The CEOs' conservative view about our country's economy is not surprising given that our real GDP contracted by 16.5% in the second quarter of 2020, bringing the country into recession, and disrupting the country's continuous growth for 21 years. With almost 75% of the Philippine economy shut down during the ECQ, household consumption and private sector investment, the main economic drivers, slowed down in the past few months because of the business closures and loss of income.

While the Philippines has experienced a recession during the Asian Financial Crisis decades ago, the economic impact of COVID-19 is much deeper. During the Asian Financial Crisis, only a few sectors have been hurt, and the economy was able to recover within one to two years. The current crisis we are facing, however, affects all sectors in the Philippines and depletes government funds. As such, it may take a longer period for our economy to heal from COVID-19.

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



Philippine real GDP growth rate



Source: Bangko Sentral ng Pilipinas

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Road to
recovery

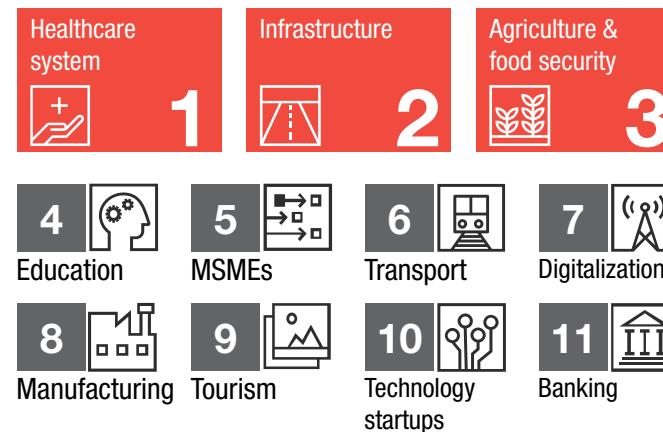
Given the strong economic fundamentals of the Philippines, economists believe that the Philippines will recover in 2021. In fact, the forecast Philippine real GDP growth in 2021 is 6.5%, and is higher than the expected growth of other Asian countries. With the current situation, the CEOs identified infrastructure, healthcare, and agriculture and food security as the top areas that the government should prioritize. Providing industry-specific measures, introducing more tax incentives, and creating a strong recovery plan for each sector, on the other hand, are the top programs that the government may implement to help businesses recover from the impact of the pandemic.

Consistent with the survey findings, the government has initiated various stimulus programs to revive the Philippine economy. On 11 September, President Duterte signed into law the *Bayanihan to Recover as One Bill* (Bayanihan 2) as part of the government's efforts of providing jobs and financial support to qualified businesses and sectors. Bayanihan 2 will allocate up to PHP162bn to COVID-19 operations and measures, cash-for-work programs, support programs for impacted sectors, and assistance to the agricultural sector. The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill, which is Package 2 of the government's comprehensive tax reform program, is also under review by the Senate. Under the CREATE bill, the 30% corporate income tax rate will be reduced to 25%, and is expected to help micro, small, and medium enterprises. Once approved, the CREATE bill will bring us closer to the corporate tax rates of the other ASEAN countries, and will render the Philippines to be more competitive as an investment destination.

“In order for SMEs to cope with the pandemic, more attention should be given to them by the government vis-a-vis large enterprises.”

- Joel Guillermo, JPGlobal Ventures Corporation

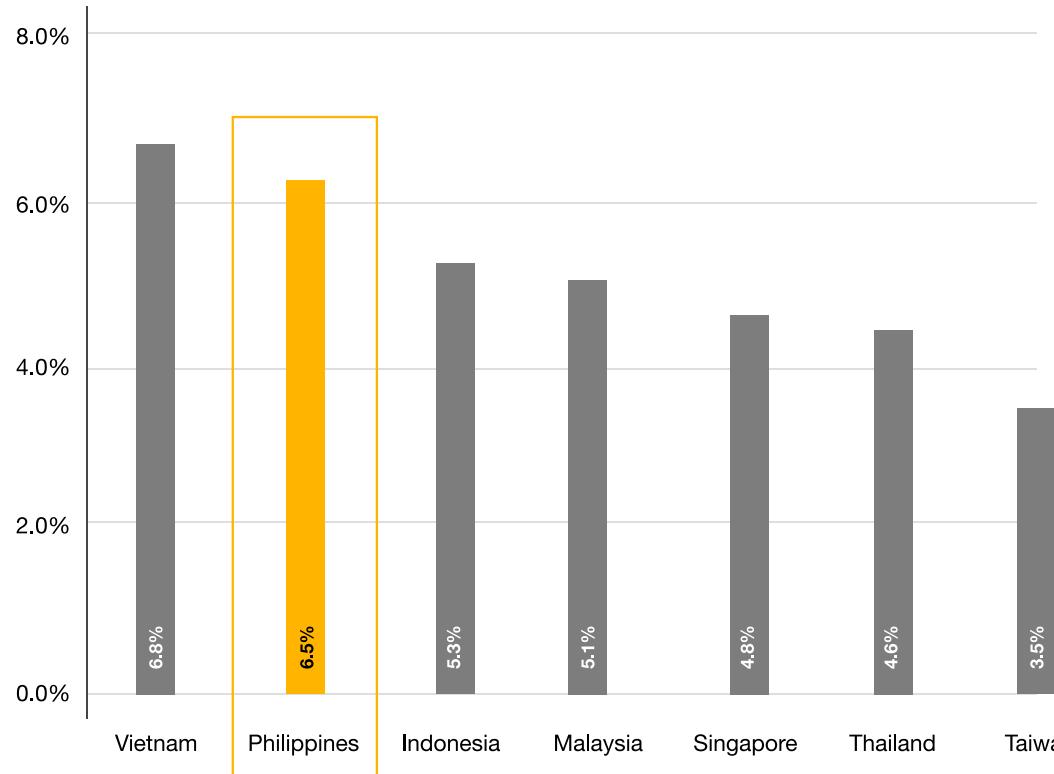
Areas where the government should focus according to the CEOs (ranked in the order of priority)



Q: How the government can help companies recover from the crisis



Forecast 2021 real GDP growth of selected Asian countries



Source:
Asian Development Bank,
Moody's news articles
(July 2020)

Aside from support packages, government spending is expected to grow again through the Infrastructure Flagship Program, which is the main component of *Build, Build, Build*. Under this program, there are 92 infrastructure projects with an estimated value of PHP4.1 trillion. Such projects will include COVID-19 related responses such as health and digital economy projects. Some of the projects added to the program are the Land Transportation Office (LTO) Central Command Center, Motor Vehicle Recognition and Enhancement System, National Broadband Program, ICT (Information and Communications Technology) Capacity Development and Management Program, Water District Development Sector Projects, National Irrigation Sector Rehabilitation and Improvement Project, Balog-Balog Multipurpose Project Phase 2, Jalaur River Multipurpose Project, Lower Agno River Irrigation System, Metro Manila Logistics Network, NLEX Harbor Link Extension to Anda Circle, General Santos Airport, and the Virology Science and Technology Institute of the Philippines.

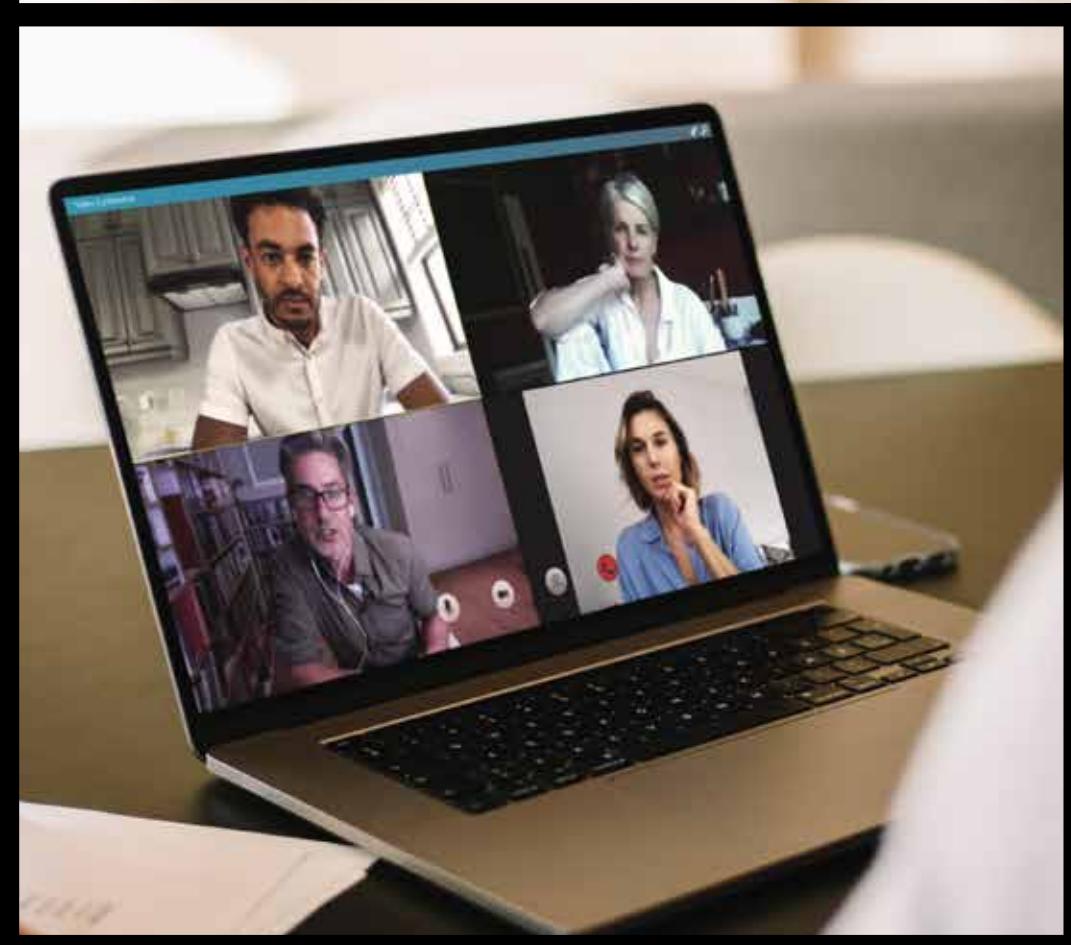
With the combined fiscal and monetary policies as well as the COVID-19 healthcare responses, the government remains hopeful that the Philippines will bounce back, and once again be among the fastest growing economies in the world.

“We have institutions that were designed for a world that no longer exists, and therefore we have to reinvent the institutions.”

- Blair Sheppard, PwC US

Highlights of the bicameral-approved Bayanihan 2 bill

Capital infusions to government financial institutions	PHP39.5bn
Subsidies to farmers, fisherfolk, agri-fishery enterprises and cooperatives	PHP24bn
Health-related items	PHP13.5bn
Cash-for-work programs	PHP13bn
Tourism-related assistance	PHP10bn
Department of Transportation	PHP9.5bn
Food and livelihood assistance grants	PHP6bn
Hire at least 50,000 contact tracers	PHP5bn
Construction of temporary medical isolation and quarantine facilities	PHP4.5bn
Build and maintain isolation facilities	PHP4.5bn
DepEd's digital and alternative learning modalities	PHP4bn
Procure personal protective equipment	PHP3bn
Assist state universities and colleges in developing smart campuses	PHP3bn
Professional Regulation Commission's computer-based licensure examination	PHP2.5bn
Subsidize payment of interest on new and existing loans secured by LGUs	PHP2bn
Assistance to LGUs under the Local Government Support Fund	PHP1.5bn
TESDA programs	PHP1bn
Subsidize payment of interest on new and existing loans secured by LGUs	PHP820m
Subsidies and allowances of qualified students of public and private schools in all levels	PHP600m
Subsidies and allowances of displaced teaching and non-teaching personnel	PHP300m
Allowances of national athletes and coaches	PHP180m
Training and subsidies for tourist guides	PHP100m
Establish a computational research laboratory in the UP Diliman Institute of Mathematics	PHP15m
Health Technology Assessment Council research fund	PHP10m



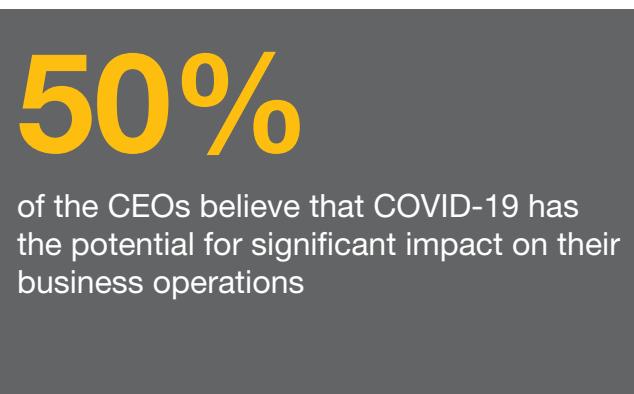
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COVID-19 and its
impact on business

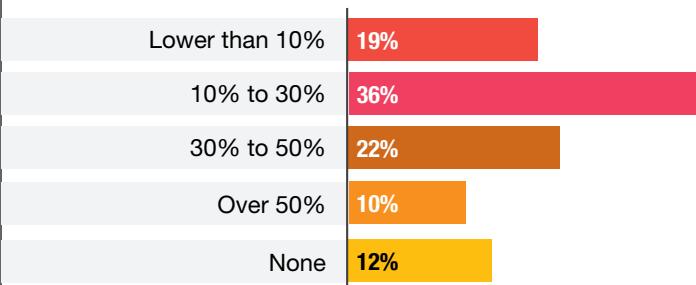
Given the business disruptions and closures, 50% of the CEOs say that COVID-19 has the potential for significant impact on their business operations, and is causing them great concern. Sixty-eight percent of the CEOs also say that they expect losses ranging from about 10% to over 50% of their 2020 revenue or sales. While the government has eased the restrictions upon shifting from ECQ to General Community Quarantine (GCQ), most sectors are still not operating at full capacity. Currently, the hardest-hit sectors in the Philippines are tourism and services, which provide around 50% of the jobs in the country.

As a country that relies heavily on tourism, the impact of global travel restrictions as well as the lockdowns were felt as early as the first quarter of 2020. In 2019, the tourism sector contributed 12.9% of the country's GDP, with 8.3 million tourist arrivals and PHP550.2bn in international tourism receipts. Latest estimates, however, show that 2020 tourist arrivals and international tourism receipts will go down to 3.9 million and PHP279.5bn, respectively. Forecasts also show that tourism levels will not go back to pre-COVID levels until after a few years. To help the sector recover from COVID-19, the government is planning to allocate PHP10bn to qualified tourism businesses to help them revive their operations, and prepare for the safety and operational requirements.

Similarly, the services sector, which requires on-site operations and direct interaction with consumers such as construction, maintenance and repairs, housekeeping, teaching, and allied tourism services, declined by 15.8% in the second quarter of 2020. Household spending, a major growth driver of the services sector, is expected to decline by 4.0% in local currency terms in 2020 due to job losses and lower remittances from abroad. The expected economic recovery in 2021, however, will help grow the country's household spending to PHP14.9 trillion in 2021. To help compensate for lost income from abroad, the government has approved the release of over PHP5bn in funds to help overseas Filipino workers (OFWs) who were affected by COVID-19. Currently, over 130,000 OFWs have been sent home, and have been provided with assistance.



Estimated losses based on 2020 revenue/sales due to COVID-19



The government's proposed assistance for DOT-accredited tourism enterprises under Bayanihan 2



Interest-free loans or issuance of loan guarantees with terms of up to five (5) years for maintenance and operating expenses



Marketing and product development promotions and programs



Credit facilities for upgrading, rehabilitation, or modernization of current establishments or facilities to be compliant with new health and safety standards



Utilization of information technology



Grants for education training, and advising of tourism stakeholders for new normal alternative livelihood programs



Other relevant programs, including infrastructure to mitigate the economic effects of COVID-19 on the tourism industry

“A changing ecosystem makes business hard for large companies geared towards mass market and optimization; if the Philippines is to survive and grow in the next few years, startups that are agile, gritty and innovative are needed. The government should implement measures to help those start-ups grow.”

- Rodec Dela Cruz, Integrated Parking Solutions, Inc (iPark)

With the global economic crisis affecting companies regardless of size and sector, business leaders are looking at ways to survive, and grow at a faster rate after COVID-19. To help rebuild their revenues after the lockdown, a majority of the CEOs say that they will implement changes in their products or services, talent or workforce, and form strategic partnerships and collaborations.

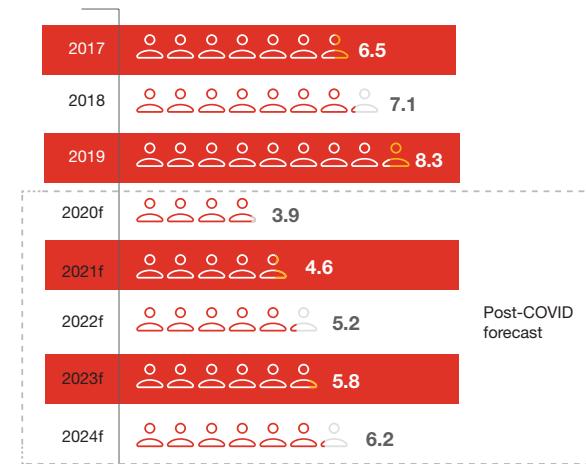
Most CEOs also plan to implement cost containment measures as well as sustainable practices within their organizations as a result of COVID-19. Deferring or cancelling planned general capital investments are also expected because of the losses from the pandemic. Upskilling the human resources team is also among the priorities of most CEOs because of the new working environment

Given the increasing number of COVID-19 cases and the absence of a vaccine, the pandemic is not expected to end soon. For companies to thrive in the new environment, leaders should revisit their strategies, and make changes in the coming months.

“This COVID-19 pandemic is a test of our skills, competencies, leadership, values, character, and resilience. Remember that we have to fight through some of the worst days to earn the best days in our lives. As Charles Darwin said, “It’s not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

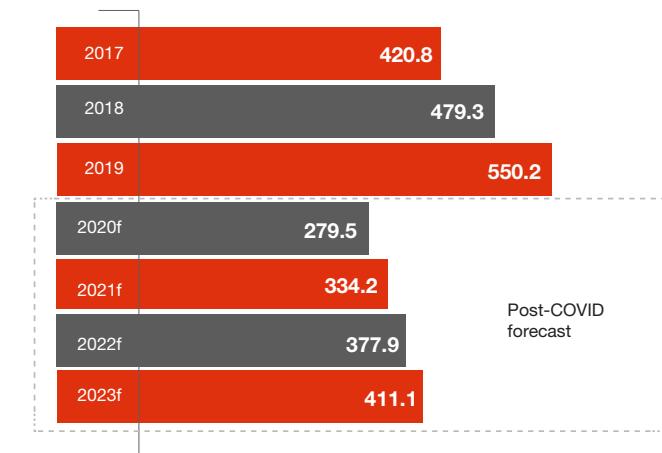
- Michael Sherwin M. Macatangay, One A-TEAMS Consultants Pte. Ltd.

Tourist arrivals (in millions)



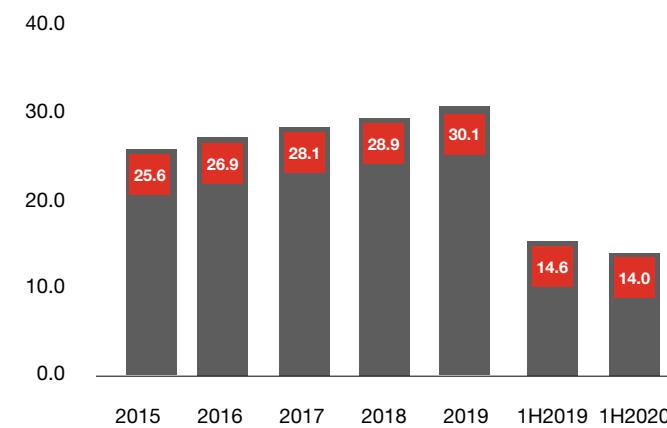
Source: Fitch

International tourism receipts (PHP in billions)



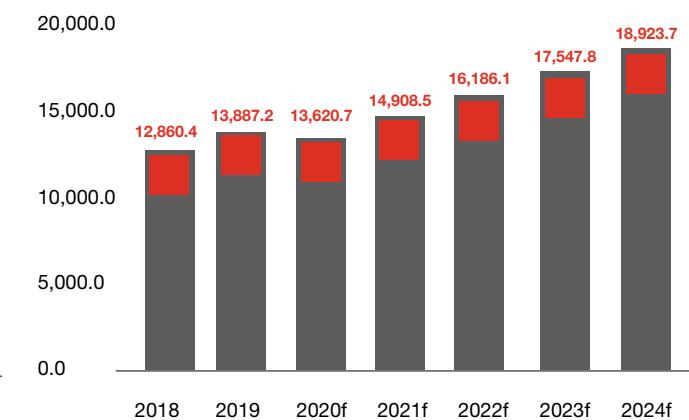
Source: Fitch

Overseas Filipinos' cash remittance (US\$ in billions)



Source: Bangko Sentral ng Pilipinas

Total household spending in the Philippines (PHP in billions)



Source: Fitch

Top 3 changes that CEOs will prioritize to rebuild their respective revenue streams after the lockdown



68%

Products/services



50%

Strategic partnerships and collaborations



38%

Talent/workforce

37% Customer segments | 36% Distribution channels | 32% Pricing strategies | 24% Supply chain strategies | 9% Geographic markets | 8% Others

Industries likely to be affected

Most likely

-  Tourism/Airlines
-  Manufacturing
-  Retail
-  Real estate
-  Energy & Utilities
-  Education
-  Logistics
-  Healthcare
-  Agriculture & Food

Least likely

Action plans as a result of COVID-19

80%	57%	51%	50%
Implementing cost containment	Implementing sustainable practices	Deferring or cancelling planned general capital investments	Upskilling the human resources team
37%	24%	22%	19%
Workforce reduction	Deferring or cancelling planned acquisitions	Tapping new loans	Welcoming an external equity investor
7%	7%		
Exiting an overseas market to save on costs	Others		





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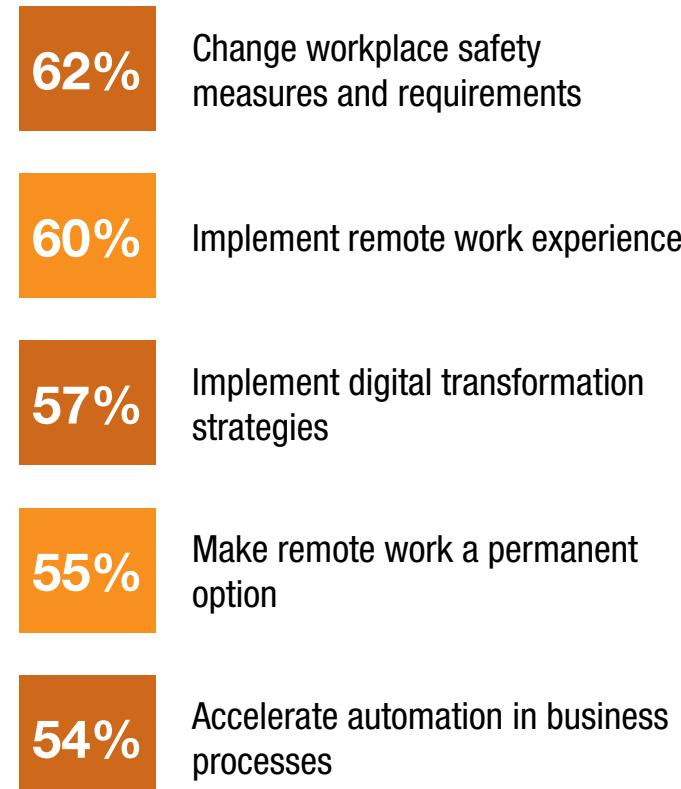
Focus areas for
organizations

“The pandemic showed us the viability of the home-based economic sector where economic wealth is created by people at home and then delivered to customers through a physical or an electronic logistic system. This sector will likely persist and encourage more self-employment.”

- Leo De Velez, Frontlearners, Inc.

Running a business will not be the same because of COVID-19. During the lockdown, we have seen businesses change their products and services, digitalize operations, work with more third-party providers, and change their business models while working from their homes. Despite the ongoing concerns related to healthcare and safety as well as global economic impact, the CEOs say that they are preparing their organizations to adjust to the new business environment. With the current rate of COVID-19 transmission, the CEOs are concerned with the safety of both their employees and customers. To succeed in the new world, organizations should review and revisit their plans in the following areas: crisis management and response, workforce, operations and supply chain, finance and liquidity, and strategy and brand.

Initiatives that CEOs are planning to implement once they fully start to transition back to on-site work post-crisis



Six key areas of focus for organizations



The COVID-19 pandemic has brought fast-moving and unexpected variables, some of which existing crisis plans and teams weren't prepared to handle. Many companies successfully developed incident management plans specific to this crisis, and are now looking ahead.

What you can do now:

- Leverage your crisis management team to mobilize your response efforts in the immediate wake of the crisis - it can help as you transition into what's next.
- As you stabilize and shift focus on how to bring people back to work, assess your organization's response efforts to date and identify areas for real-time course corrections.
- Look to what organizational insights the crisis process has provided to help you strategize and capitalize on the opportunity for event-driven transformation.



Five workforce areas are emerging as priorities for business leaders:

- Protect people: Initiate measures to help support employees' physical and emotional well-being, whether at work or at home.
- Communicate effectively in global uncertainty: Lead with responsive, empathetic communications and policies that help people feel informed and supported.
- Maintain the continuity of work: Provide the resources and support employees need to be productive, especially as they adapt to working remotely.
- Assess workforce costs: Explore workforce levers to help balance the potential need to cut costs with the desire to keep people employed.
- Prepare for recovery: Align workforce planning with the business strategy and prepare for an evolving market in order to recover.



The ripple effects of the COVID-19 pandemic are difficult to model and assess, but global businesses can begin to mitigate supply chain disruption.

What you can do now:

- Identify alternative local supply chain scenarios — especially as new cases of the virus emerge in different territories.
- Activate pre-approved parts or raw-material substitutions.
- Adapt allocations to customers and pricing strategies.

Six key areas of focus for organizations



Finance and liquidity

As business activities slow down, some companies are seeing lower revenue resulting in less cash flow. During the economic uncertainty, managing cash and liquidity positions may be crucial in the weeks ahead.

What you can do now:

- Model worst-case scenarios to assess the impact on cash position, and adjust as often as necessary.
- Identify the financial and operational levers that can be pulled to conserve and generate cash, and potentially increase access to funding.
- Understand and plan for the financial reporting considerations that will result from COVID-19.
- Assess prospects for relief from the tax provisions or other local measures.



Tax, trade and regulatory

Navigating complexity and risk in today's global uncertainty takes more than an understanding of tax and regulatory systems. It is critical that tax functions consider the broader economic, political and societal context you operate in, in order to make informed and compliant decisions that drive your operations forward.

What you can do now:

- Effectively manage cash taxes, obtain available refunds and consider local government and tax authority measures in response to COVID-19.
- Consider actions to stabilise supply chains while bracing for an unpredictable revenue and profitability mix in key markets.
- Assess the resources your company needs to meet your ongoing indirect and direct tax compliance requirements.
- Explore opportunities focused on becoming more flexible in responding to arising uncertainties.



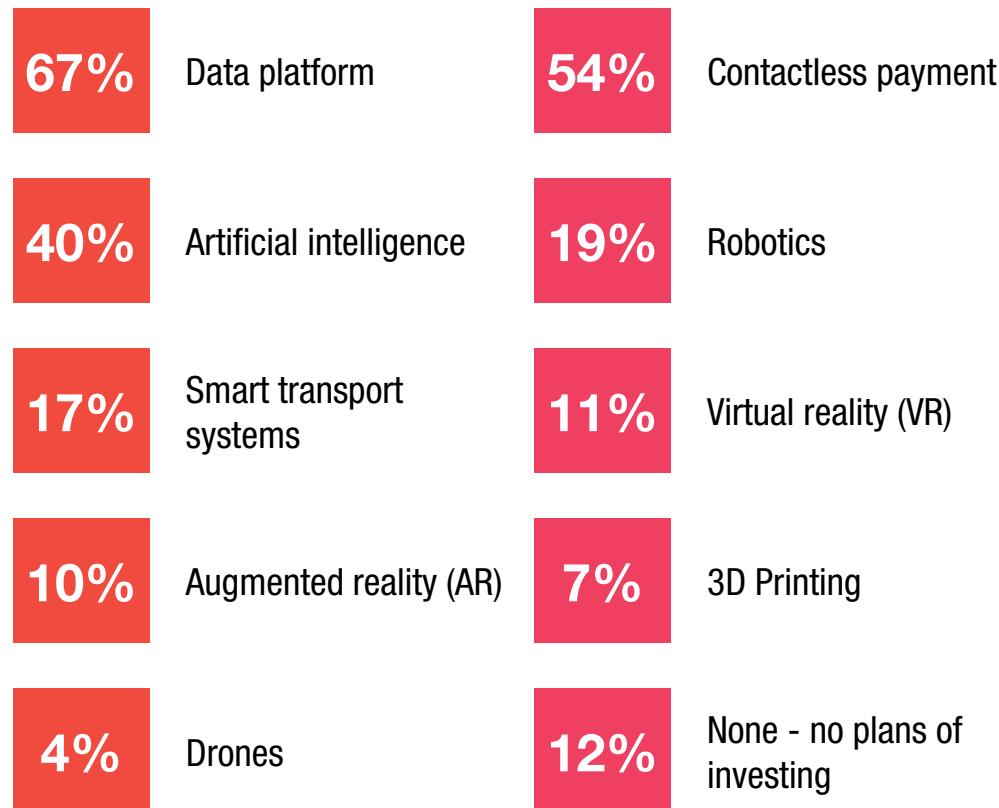
Strategy and brand

As companies move from reacting to mitigating the impact of the outbreak, strategies to emerge stronger may come in focus.

What you can do now:

- Consider accelerating digital transformations as the shift to remote working reveals gaps in IT infrastructure, workforce planning and digital upskilling.
- Protect growth and profitability through actions such as scenario planning, more frequent financial modeling exercises to improve resiliency, and new models that incorporate economic impacts of past pandemics.
- Take the pulse of your customers, thinking through longer-term considerations around shifts in core markets or business models as a result of the pandemic.

Emerging technologies CEOs are willing to invest in to cope with the current reality



The essential technologies now



Artificial intelligence (AI)

Software algorithms that are capable of performing tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and language translation. AI is an “umbrella” concept that is made up of numerous subfields such as machine learning, which focuses on the development of programs that can teach themselves to learn, understand, reason, plan, and act (i.e., become more “intelligent”) when exposed to new data in the right quantities.

Augmented reality (AR)

Addition of information or visuals to the physical world, via graphics and/or audio overlay, to improve the user experience for a task or a product. This “augmentation” of the real world is achieved via supplemental devices that render and display said information. AR is distinct from Virtual Reality (VR); the latter being designed and used to re-create reality within a confined experience.

Blockchain

Distributed electronic ledger that uses software algorithms to record and confirm transactions with reliability and anonymity. The record of events is shared between many parties and information once entered cannot be altered, as the downstream chain reinforces upstream transactions.



Drones

Air- or water-based devices and vehicles, for example, Unmanned Aerial Vehicles (UAV) that fly or move without an on-board human pilot. Drones can operate autonomously (via on-board computers) on a predefined flight plan or be controlled remotely. (Note: This category is distinct from autonomous land-based vehicles.)



Internet of Things (IoT)

Network of objects — devices, vehicles, etc. — embedded with sensors, software, network connectivity, and computing capability, that can collect and exchange data over the Internet. IoT enables devices to be connected and remotely monitored or controlled. The term IoT has come to represent any device that is now “connected” and accessible via a network connection. The Industrial IoT (IIoT) is a subset of IoT and refers to its use in manufacturing and industrial sectors.



Robots

Electro-magnetic machines or virtual agents that automate, augment or assist human activities, autonomously or according to set instructions — often a computer program. (Note: drones are also robots, but we list them as a separate technology.)



Virtual reality (VR)

Computer-generated simulation of a three-dimensional image or a complete environment, within a defined and contained space (unlike AR), that viewers can interact with in realistic ways. VR is intended to be an immersive experience and typically requires equipment, most commonly a helmet/headset.



3D printing

Additive manufacturing techniques used to create three-dimensional objects based on digital models by layering or “printing” successive layers of materials. 3D printing relies on innovative “inks” including plastic, metal, and more recently, glass and wood.

The use of contactless payment solutions has grown during the pandemic as both businesses and customers would like to help mitigate the spread of COVID-19.

Mobile Proximity Payment Technologies



	How it works	Pros	Cons
Near Field Communication (NFC)	Merchants enter the amount to be paid. Customers approach their smartphone to the reader (max 7-10cm). Depending on the case, customers may need to enter a PIN, use their fingerprint or other authentication to validate the transaction.	Quick and easy user experience . It leverages existing infrastructure .	The existing infrastructure is still developing (NFC POS Smartphones).
Person-to-person (P2P)	Customers establish a secure account with a trusted third-party vendor, designating their bank account or credit card information to transfer and accept funds . Using the third-party App, customers can send money to the merchant's account. Users are generally identified by their email address or mobile number.	Wider potential reach.	Greater effort and longer purchase time than a swipe.
Quick Response code (QR Code)	<p>Case A: merchants enter the payment amount. Customers open the App and display a QR Code generated for the transaction. Merchants scan the QR Code, and the amount is deducted from the customer's wallet.</p> <p>Case B: customers open the App and scan the QR Code displayed by merchants. This enables the App to identify the merchant. Customers then add the amount and complete the payment.</p>	Wider potential reach.	Greater effort and longer purchase time than a swipe.

5

Plans after COVID-19



The pandemic has forced companies to accelerate their digital transformation. With consumers at home, restaurants, retailers, and other service providers shifted to using online platforms and on-demand delivery providers to sell their products. Similarly, the work-from-home arrangement of almost all companies increased the demand for communication tools and software.

While the pandemic will eventually end, business leaders realize that technology will play a major role in the new environment. This is evident in our survey where 80% of CEOs say that they plan to increase their investments in technology to adjust to the current reality. The majority also plan to allocate up to 20% of their revenue to investments in technology. Communication software topped CEOs' priorities, followed by automation tools.

Going digital, however, comes with significant costs. While there's a good number of available tools and applications in the market, a proper digital transformation roadmap is needed for long-term planning. Cybersecurity and privacy risks are also unavoidable and as such, companies need to establish proper controls and risk management policies.

In the Philippines, there are over one million micro, small, and medium enterprises (MSMEs), representing over 90% of the total companies in the Philippines. Given that the MSMEs are the hardest-hit by COVID-19, and they have been lagging in terms of digital transformation, government support is critical to help them improve their technology. Collaborations with the government, bigger players, and technology companies will be essential at this time to help smaller companies survive the impact of the pandemic.

"The government is the main driver in getting the economy back up from its knees. Bureaucrats should keep their ear to the ground, improve their feedback loop, and ensure their policies are actually responsive to current needs. It should ensure that their interventions are timely and reach the intended beneficiaries."

- Lia Francisco, CreditBPO Tech Inc.



Tools to prioritize in the next 12 months



Going digital during COVID-19



E-commerce, online gaming, telemedicine, online education, and Information Technology services supporting remote working have increased exponentially

Several companies acted quickly to switch their production lines to manufacturing medical supplies and PPEs. Such efficient transition cannot be achieved without digitalized management of inventories, manufacturing materials, and a high level of industrial automation.

In general, small and medium-sized enterprises (SMEs) lag behind large firms on digitalization due to the cost of revamping the IT and digital infrastructure and their lack of resources for addressing cybersecurity risks. By leveraging technologies such as big data, artificial intelligence, data analytics, and blockchain, SMEs will be able to reduce operating costs, optimize the manufacturing process, provide better customer service, and unlock their maximum potential. SMEs are expected to fast-track their digital transformation in the years to come.



CEO Agenda

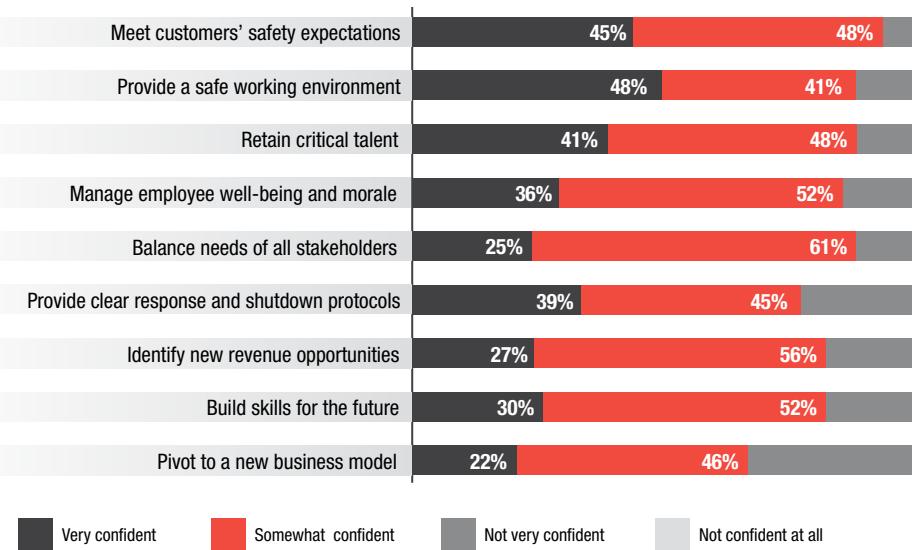


COVID-19 has forever changed the way we do business. Because of the lockdowns, companies quickly shifted to work-from-home models despite the absence of preparations. Having adjusted to the new setup, businesses are seeing that a work-from-home arrangement will still work and may be more beneficial to employees and businesses even after COVID-19. Implementing a work-from-home policy may result in having more time with families, gaining more access to talent regardless of location, and lowering overhead costs such as office rental and utilities. While our CEOs feel confident that they will meet the needs and requirements of their customers, employees, and other stakeholders, proper planning is needed to adjust to the new business environment.

"This pandemic gives us the opportunity to reflect, correct past mistakes, and plan our transformation well into a better new world order."

- Felino Palafox Jr., Palafox Associates

When operating in a changed business environment, how confident are you in your company's ability to do the following?



87%

of the CEOs are prepared, and have tools to support a work-from-home policy

Building the employee experience of the future



Go deep on employee safety and well-being

No business strategy can be effective if it doesn't embed employee health, safety, and well-being into its DNA.

For customer-facing, factory, or field workers, leaders will probably have to make structural changes: rethinking processes, physical setups, and safety measures. For remote workers, it will require management to radically reimagine the virtual workplace in two ways. First, leaders will have to address the conditions the people need to work harmoniously from their home base indefinitely. Second, leaders will have to give them all the tools and support they need to transition real-time collaboration to the cloud and the screen, long-term. Many organizations are already well on their way, with redesigned workspaces (including factories and retail outlets) and processes that embed the requisite distancing at work sites. And some are offering remote workers tools and benefits — including office furniture, fast Wi-Fi, and help with childcare — that address their needs.

Employers should also recognize that the stresses inherent in this difficult time — worrying about the health and well-being of loved ones, juggling domestic and work responsibilities under one roof, finding food and supplies — are amplified by job insecurities. This is the time to go the extra mile for your people in showing care, understanding, and support. This can include offering support to those whom companies must lay off, by helping them find new work opportunities. Not only is this humane, it keeps a door open for when conditions improve.

Throughout this pandemic, business leaders made the hardest decisions in a short period of time. Since March, we have seen companies shut down business lines, cut salaries, let go of people, cancel major investments, pivot, exit other geographies, seek additional financing, and more. Consistent with the results of our survey, proper and regular communication of an organization's plans and situation is critical at a time like this. With employees worrying about their jobs, customers concerned with their requirements, and shareholders managing profitability and resources, business leaders need to provide more updates to help maintain stability within the organization. As they say, over-communication is the best strategy at a time like this.

With global air and land travel restrictions, people have noticed the reduced air pollution during the lockdown. Because of limited activities, water canals became cleaner, and carbon emissions have been reduced.

"I hope that, despite the hardship and difficulty it brought, some people would find solutions to pressing environmental problems such as air and water pollution."

- Randi Ovidio Gonzales Lorica, AP Cargo Logistic Network Corp.



Building the employee experience of the future



Deepen your connection with those who work for you

Sudden status as remote workers may lead employees to question the whole notion of belonging to an organization. So, it's important to double down on a strong and positive culture, one that demonstrates connection with and care for employees in every possible way. Tap those within your organization who wield influence — your authentic informal leaders — who can model and teach key cultural behaviors, those who are good at connecting people, and those who are able to build organizational pride by linking cultural values and behaviors to day-to-day activities.

Reconsider how you're defining success

If the pandemic has forced us to reevaluate how we work, it must also make us reevaluate how we measure employee performance and success. Almost every organization is taking hits to income and adjusting expectations downward. Similarly, you can't expect both more productivity and more well-being from a workforce that's still coping with the disruptions of remote working and worrying about what the future may hold for their own careers, their families, and their loved ones.

87% of the CEOs believe their organizational culture empowers employees to work effectively at home if the need arises

35% Agree
52% Somehow agree

73% of the CEOs see their organization implementing a work-from-home policy even after COVID-19

91% plan to invest in environmentally sensitive practices in the next two years

Percentage of workforce working from home after COVID-19

Up to 25%	Over 25% to 50%	Over 50% to 75%	Over 75% to 100%
36%	33%	16%	15%

Despite the positive impact, COVID-19 is also seen as a threat to the environment because of the potential increase in environmental waste. To help countries mitigate environmental risks, both the public and private sectors should focus on accelerating the shift to low-carbon energy and invest in circular solutions. The use of technology such as AI, blockchain, and other solutions may also help supply chain operations manage the negative impact that they may have on the environment. Promoting sustainable products will also influence the consumers to support goods that do not harm the planet.

In today's world, there are six paradoxes which are becoming increasingly important for leaders to navigate. These are not the only paradoxes leaders face, but the ones most urgent in today's context and will remain important in the future. The paradoxes should be considered as a system; they impact each other and all need to be balanced simultaneously. Learning how to comfortably inhabit both elements of each paradox will be critical to success.

Because of COVID-19, leaders have experienced different cases of managing and addressing employee welfare, business viability, customer retention, profitability, and liquidity. While we still have a long way to go in battling COVID-19, leaders should not sacrifice their long-term goals for quick wins. Leaders must have a long-term vision that extends beyond COVID-19, while maintaining an agile mindset.

40% of CEOs see a potential reduction in their office space in the next 12 months

Percentage of expected reduction in office space



Six paradoxes of leadership



Globally-minded localist

How do you navigate a world that is increasingly both global and local?



High-integrity politician

How do you navigate the politics of getting things to happen and retain your character?



Humble hero

How do you have the courage to act in an uncertain world and the humility to recognise when you are wrong?



Strategic executor

How do you execute effectively while also being highly strategic?



Tech-savvy humanist

How do you become increasingly tech savvy and remember that organisations are run by people, for people?



Traditional innovator

How do you use the past to help direct your future success, while also creating a culture that allows innovation, failure, learning, and growth?

Globally-minded: To be agnostic about belief systems and market structures and be a student of the world.

Localist: To be fully committed to the success of a locale.

High-integrity: To maintain integrity and build trust in all interactions.

Politician: To accrue, support, negotiate, form coalitions overcome resistance to maintain progress.

Humble: To foster deep personal resilience in self and others, recognising when to help and be helped.

Hero: To exude confidence, with competitive flair and gravitas.

Strategic: To find insights and observations by looking to the future to inform decision-making today.

Executor: To deliver exquisitely on today's challenges.

Tech-savvy: To drive technology enhancement which generates future success.

Traditional: To connect deeply with the purpose of the original idea, and bring this value to the present day.

Humanist: To deeply understand human effectiveness in any given system.

Innovator: To drive innovation and try new things; have the courage to fail and allow others to do so.

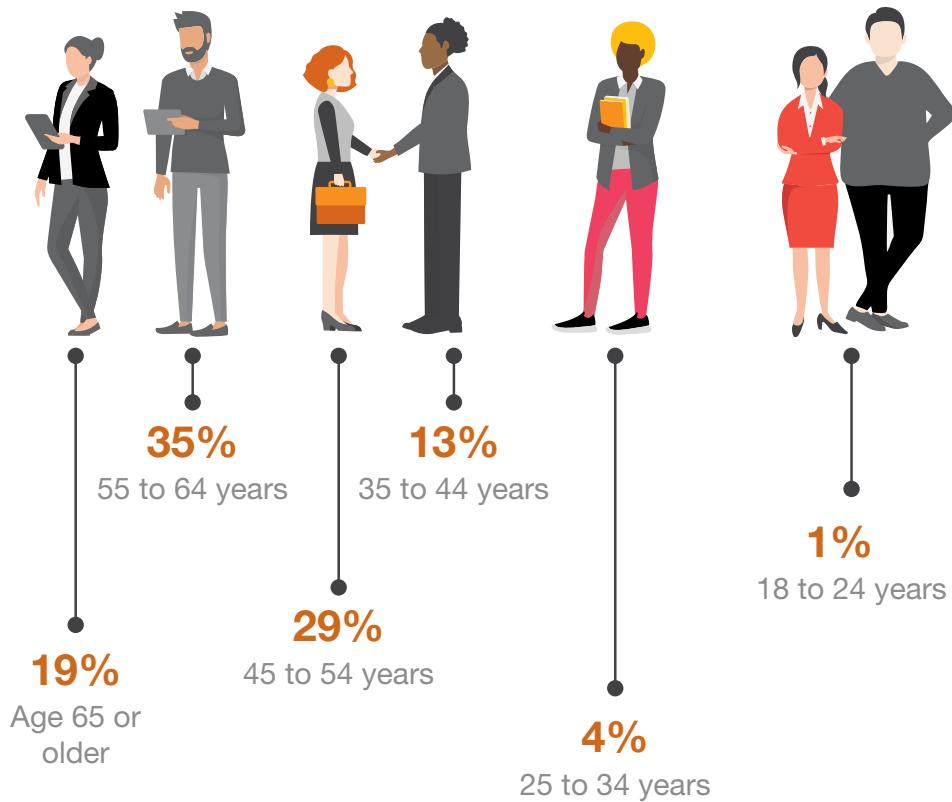
Other data and methodology



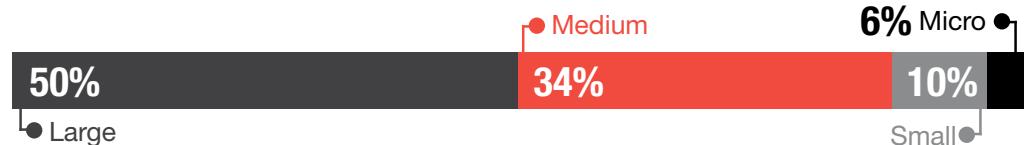
Other data

Profile of the 161 respondents

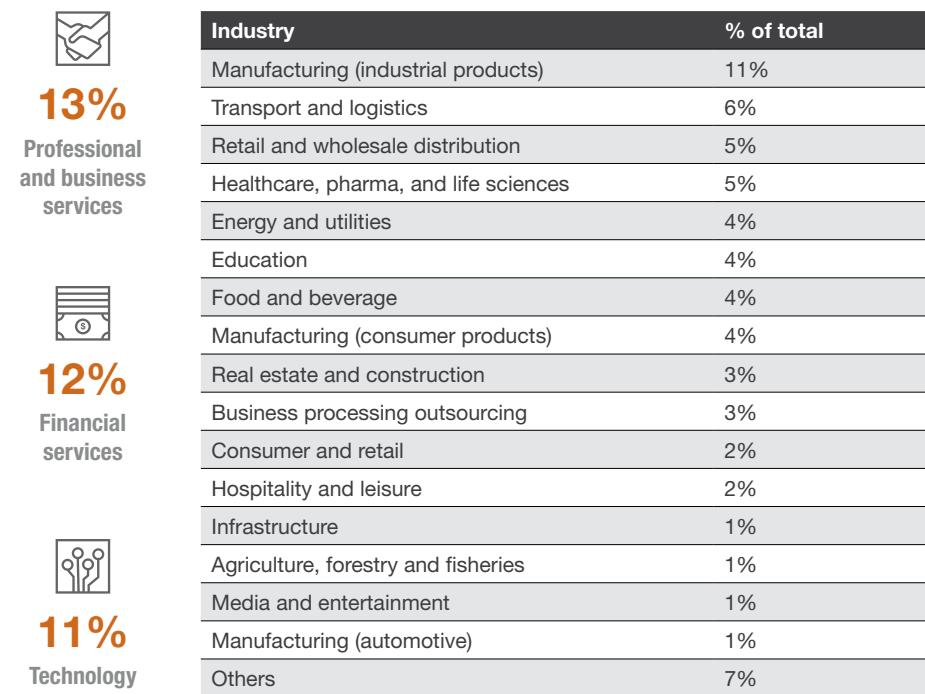
Age profile



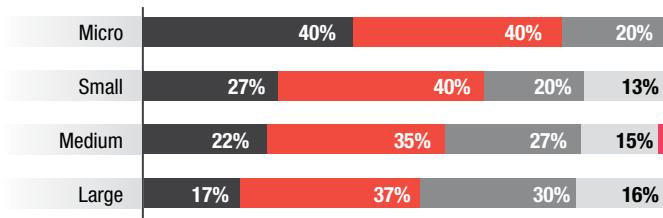
Size of business



Industries

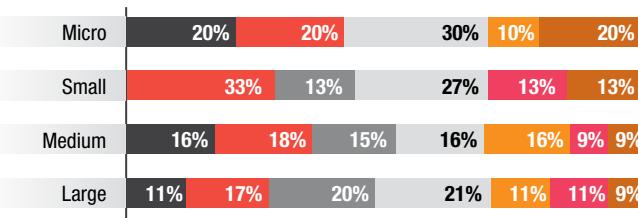


How confident are you about your industry's prospects for revenue growth over the next 12 months?



Very confident
Somewhat confident
Not very confident
Not confident at all
I don't know

How much are your estimated losses from the impact of COVID-19 based on the expected 2020 revenues/sales?



Less than 10%
> 10% up to 20%
> 20% up to 30%
> 30% up to 40%
> 40% up to 50%
Over 50%
None - we had no losses because of COVID-19

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

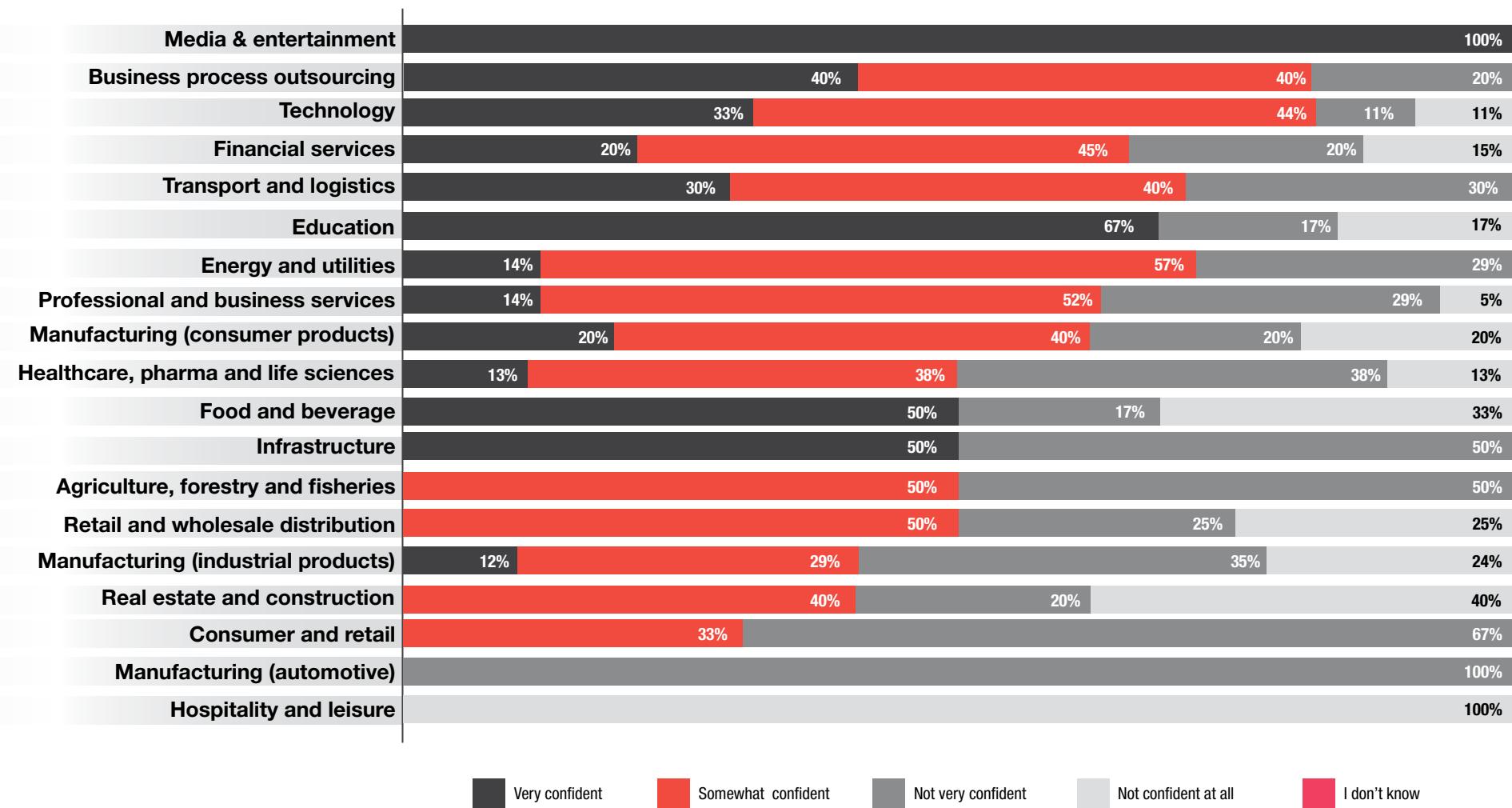


Yes
No

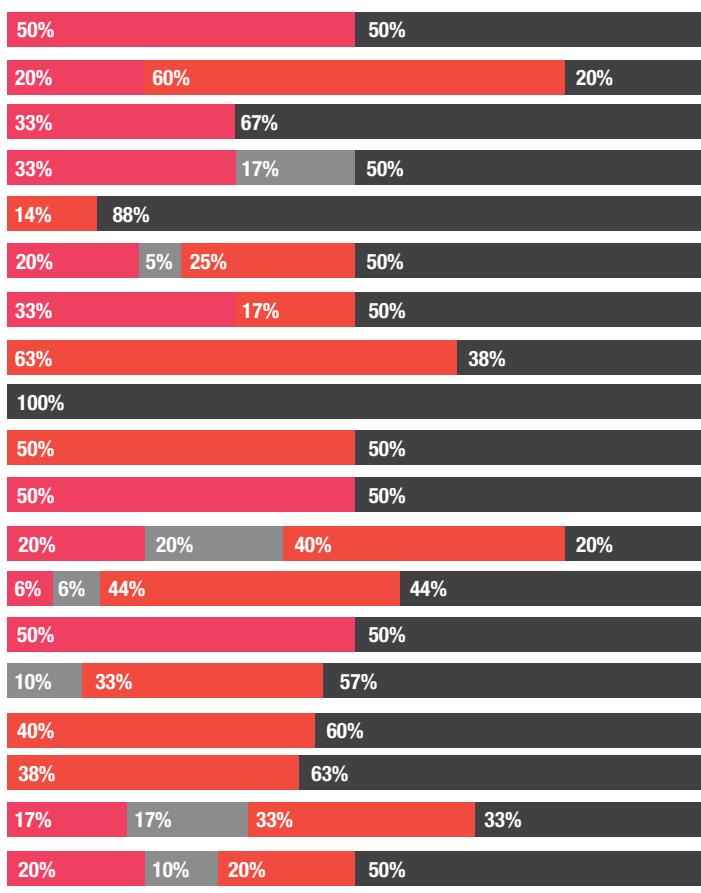


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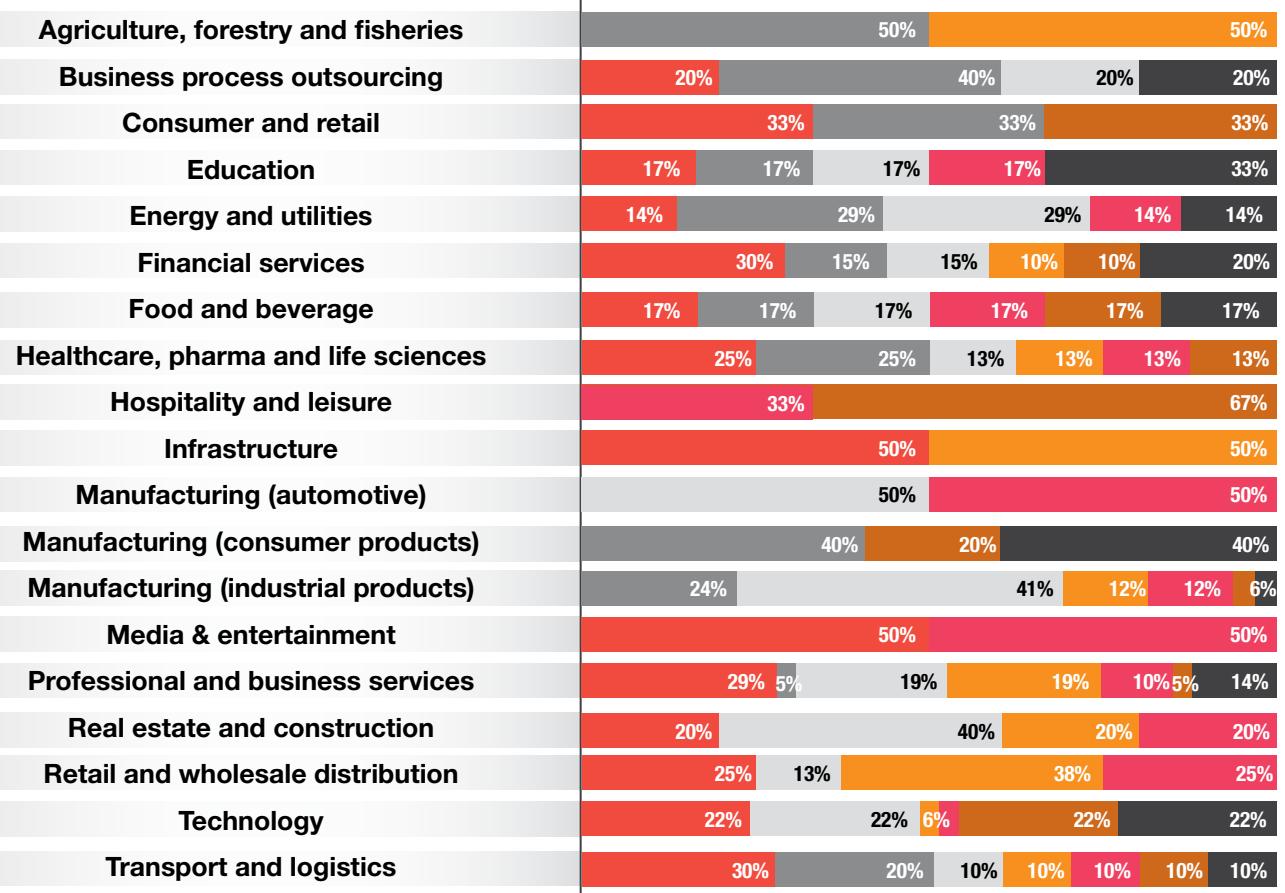
How confident are you about your industry's prospects for revenue growth over the next 12 months?



What is your company's current level of concern related to COVID-19?



How much are your estimated losses from the impact of COVID-19 based on the expected 2020 revenues/sales?



■ Significant impact on our business operations, and it is causing us great concern.

■ Limited to specific areas in our business, but we are monitoring the situation closely.

■ Isolated challenge and is not greatly impacting our business, but we are monitoring the situation for any change.

■ Positively impacting our business, and we are experiencing an increasing demand for our service/product.

■ Less than 10% ■ > 10% up to 20% ■ > 20% up to 30% ■ > 30% up to 40%

■ > 40% up to 50% ■ Over 50%

■ None - we had no losses because of COVID-19

Research methodology and contacts

The survey was conducted by PwC Philippines, in collaboration with the Management Association of the Philippines. 161 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 161 unless otherwise stated.

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Management Association of the Philippines

With promoting management excellence for nation-building as its main objective, the MAP is a 70-year old management organization whose over 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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We have provided professional services in the Philippines for 98 years. We adhere to the highest quality standards in delivering audit and assurance, tax and advisory services within and outside the country.

Our diverse team of experienced professionals includes accountants, tax advisers, lawyers, systems analysts, economists, human resources professionals, project development managers, industrial engineers, and investment advisors.

Our people are active in various professional, public and private sector organizations and participate in public forums involving taxation, investment incentives and advocacy issues. We make sure we keep up with the latest developments so that we can give clients informed advice on different issues that might affect their businesses.

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