CEO Panel Survey

How business can emerge stronger

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Learning from the crisis

As COVID-19 took hold, business leaders around the world faced a series of high-stakes decisions. Confronted with a mounting global health crisis, they had to keep employees and customers safe, find alternative sourcing options, interpret shifting consumer preferences and, in some cases, figure out how to stay afloat. Some of their decisions were quick fixes, meant to solve an urgent problem. But others have revealed capabilities and opportunities that might not have seemed possible before, and that could fundamentally change their company's business model as countries emerge from various stages of crisis.

"[The crisis revealed] the underappreciated ability, especially for mature businesses, to adapt and operate flexibly. This was done brilliantly and was likely a capacity unbeknownst to most until it was necessary. We should all take away an enthusiasm to drive change in our businesses proactively versus waiting for an external catalyst."

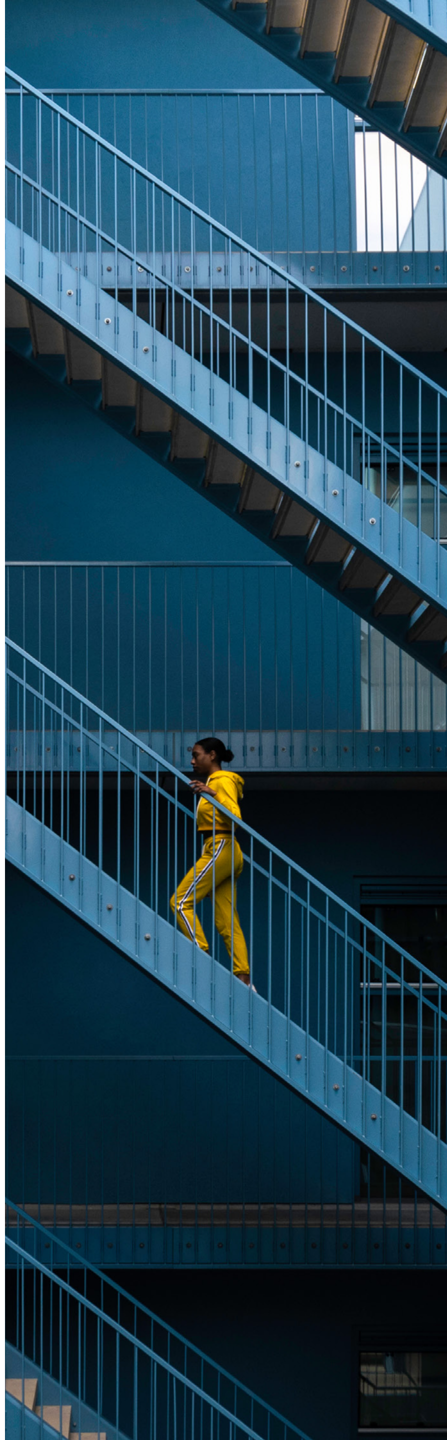
— Automotive CEO, US

PwC's CEO Panel Survey, conducted in June and July 2020 as an extension of PwC's Annual Global CEO Survey[1] — which provides unique insight every year into the thinking of thousands of chief executives around the world — reflects the views of 699 CEOs on emerging business models and key trends resulting from the COVID-19 pandemic. The surveyed CEOs are leaders of private businesses and public companies, of small firms and US$1bn-plus enterprises, and they represent a diverse cross-section of industries, countries and regions.

The survey findings illustrate the ways in which CEOs are adapting to a new reality.[2] As described by our PwC colleagues, five major forces that had already been shaping society and pressuring leaders to transform their organisations have now been accelerated by COVID-19: *asymmetry* in the distribution of wealth; technological and climate *disruption*; *age* and other demographic pressures; *polarisation* driven by nationalism and populism; and declining *trust* in institutions. (Taken together, these forces form what PwC refers to as the ADAPT framework.) In response, company leaders will need to rethink traditional approaches to doing business and reconfigure their business models accordingly.

"[COVID-19] accelerated the need to revisit our business models and processes, fast-track alternate revenue opportunities, test and fine-tune our business continuity [and] reboot our culture and goals."

— Entertainment & media CEO, India



Two key themes emerged among our respondents, when asked about their priorities (see Exhibit 1):

1. CEOs plan to make their companies more digital and virtual. They will digitise core business operations and processes, and add digital products and services.

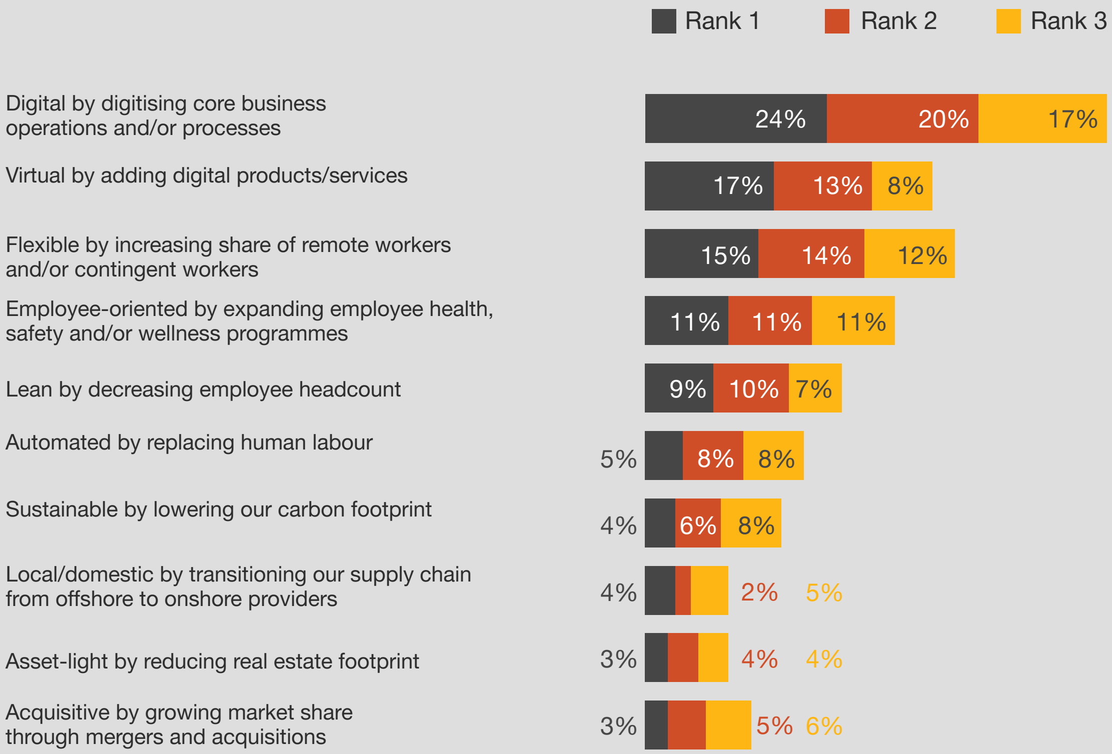
2. CEOs plan to develop a more flexible and employee-oriented workforce. They will increase the share of remote or contingent workers, and expand employee health, safety and wellness programmes.

Underpinning these emerging business models are several trends identified by respondents as enduring shifts, meaning CEOs expect them to continue after the COVID-19 pandemic ends (see Exhibit 2, page 4). Perhaps unsurprisingly, respondents believe shifts towards remote collaboration, automation, low-density workplaces and supply chain safety will have a lasting impact. Less expected were some of the changes caused by COVID-19 that CEOs view as temporary. For example, one-quarter of CEOs believe the trend towards climate change mitigation will be a short-term phenomenon (with another 28% not seeing any change when it comes to climate issues). And 43% think that the shift towards nationalism is temporary, despite the fact that populist and nationalist ideologies were on the rise before the pandemic.

Exhibit 1

CEOs will prioritise business models that are digital and flexible

Question: Please choose up to three responses and rank them in order, with 1 being the long-term business model change you are prioritising most to adapt to trends resulting from the COVID-19 pandemic. "Our business model after the COVID-19 pandemic will become more..."



Source: PwC, CEO Panel Survey
Note: Only top ten business model changes, by "Rank 1," displayed.
Base: 699 respondents

The digital imperative

“[We have] changed the ways we work, from [styles] we thought were inviolate to radically different structures and processes. This is supported through the greater use of digital and technological solutions and adopting a more flexible and trusting mentality.”

— Engineering & construction CEO, UK

In the early days of the pandemic, many leaders quickly realised that the digital capabilities of their company would determine its ability to adapt to rapidly changing circumstances. This awareness has helped speed the adoption of digitisation initiatives, among both employees and customers.

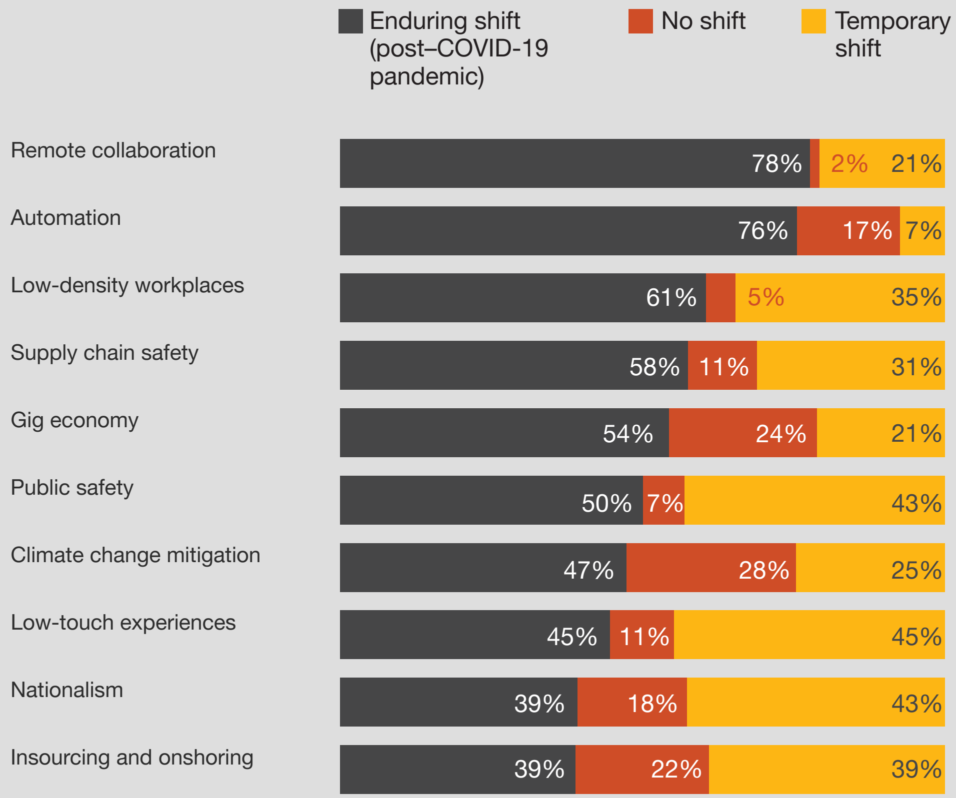
“The pandemic has radically improved customer and employee interest in, and adoption of, digital tools.”

— Communications CEO, US

Exhibit 2

Remote collaboration and automation are here to stay

Question: There are many predictions about what the social, political, economic and business environment post–COVID-19 will look like. Below is a list of trends where momentum is shifting or has shifted as a direct result of COVID-19. For each trend, please select whether you believe the shift is temporary post–COVID-19.



Source: PwC, CEO Panel Survey
Note: Only top ten trends, ranked by “Enduring shift,” displayed; not all figures add up to 100% as a result of rounding.
Base: 699 respondents

For example, as governments implemented various degrees of stay-at-home orders, one of the most immediate challenges executives faced was the inability to conduct business in person or onsite. Whether it meant enabling employees to work remotely, helping customers to access products or services without stepping into a store, or any number of other adjustments, organisations set aside traditional ways of collaborating and interacting to ensure business continuity.

"The organisation has had to pivot very quickly to working digitally, and we fully intend to build on that to transform how we work in the future."

— Technology CEO, UK

Increased digitisation offered companies resilience and the ability not only to survive but also to overcome obstacles to lasting change. In some countries and regions, cultural norms and preferences or regulatory restrictions have slowed companies' digitisation initiatives. However, the need to maintain operations during a pandemic has now sped digital adoption.

"Cultural barriers to virtual meetings with clients have been lifted, and regulation has shifted to allow transactions without physical contact and signature — opening up an avenue for a full digital client experience."

— Banking & capital markets CEO, Morocco

For many CEOs, the need to continue to serve clients and minimise disruption to operations amid workforce and resources constraints has reinforced the value of automation. In the future, automation will also enable more people to focus on meaningful work rather than on repetitive tasks — which will contribute to companies' ability to implement the kinds of business model changes CEOs told us they are prioritising. More than three-quarters of CEOs believe the shift towards automation will continue beyond the pandemic.

"COVID-19 has accelerated many of our clients' thoughts about using machine learning, AI and automation to help during this crisis, as well as to protect their business services and remain competitive going forward."

— Business services CEO, UK

The trend towards ensuring supply chain safety, which 58% of CEOs say will endure in the post–COVID-19 environment, is another key application of digitisation. In particular, company leaders are focused on the digitisation of their supply chains to enable safety measures and to ensure their suppliers and partners are resilient in the face of crises. This finding coincides with analysis from a recent PwC survey of global supply chain leaders.[3] Those companies identified in the analysis as 'digital champions' (about 9% of the total sample) have implemented a wide range of advanced technologies, have developed high-level digital capabilities and are upskilling employees to enable digital transformation — and, as a result, they achieved a 7.7% increase in revenue and supply chain cost savings of 6.8% annually.

"As an established organisation that provides essential products and services in water and solar energy, we have found an increase in the number of customers 'retreating to safety.' I suspect our market share may actually have increased, as our competitors have struggled to keep their supply chains going."

— Business services CEO, Kenya

CEOs in financial services are more likely than their peers in other industries to choose digitising core operations and processes as their highest-priority business model change, with 29% ranking it first. Meanwhile, health industries CEOs (69%) are most likely to put stock in a long-term shift from supply chain speed to supply chain safety, which isn't surprising given the intimacy they have with customers. Health industries and technology, media and telecommunications CEOs are most likely (24%) to add virtual products and services; the former are eyeing the massive opportunities that have opened up for telemedicine since the onset of COVID-19, and the latter recognise customers' high demand for in-home entertainment (see Exhibit 3).

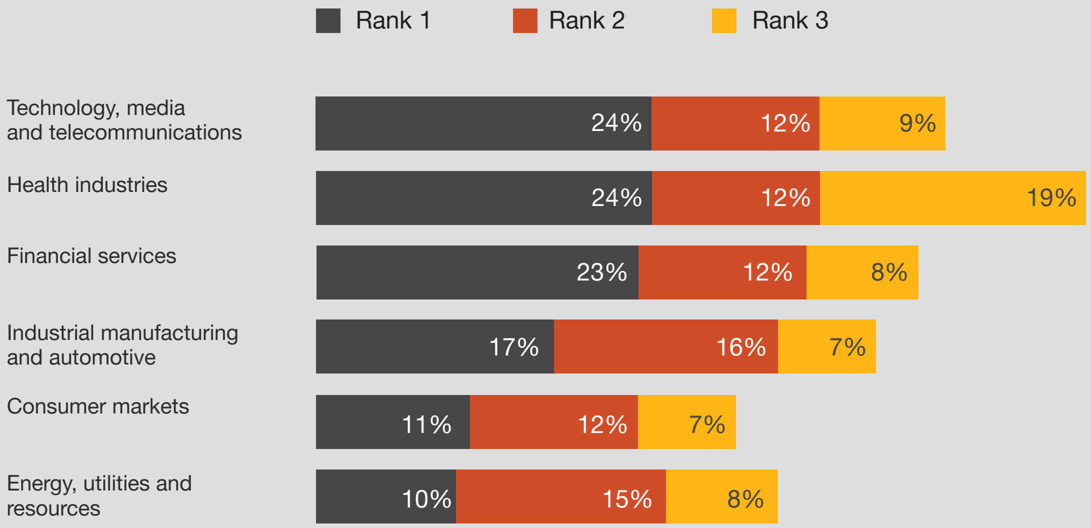
"People are moving towards business process digitisation and becoming comfortable with online payments and online transactions. There is a great opportunity for companies and governments to take advantage of digitisation."

— Technology CEO, Sri Lanka

Exhibit 3

Health and tech CEOs are most likely to prioritise a more virtual business model

Question: "Our business model after the COVID-19 pandemic will become more virtual by adding digital products/services" (percentage who ranked virtual business models as one of their top three priorities).



Source: PwC, CEO Panel Survey
Base: 679 respondents (excludes government and public service)

Transforming the workforce

Two questions have loomed large for CEOs since the pandemic took hold: where will work happen, and how will it happen? A majority of CEOs surveyed (78%) say the shift towards remote collaboration is enduring, a nod to the momentum building around flexibility. More than half of our respondents (54%) believe the trend away from traditional employment and towards the gig economy is here to stay. Of course, the latter arrangement offers flexibility but often comes at the cost of stability and, in parts of the world, benefits such as healthcare insurance. In this case, the reported trend is at odds with what some workers want and need (flexibility with job security), especially amid a global health emergency and recession.

"Working remotely has forced us to embrace technology. That technology has taught us that we can be as efficient as, and in some cases more efficient than, before, and has provided us with the opportunity to consider [adding] team members who may not be local to our business."

— Asset & wealth management CEO, Canada

As workers around the world transitioned to remote work, company leaders found that, in many cases, their prior concerns about productivity losses were unfounded. In the 13 Apr. 2020 PwC CFO Pulse, nearly half of the surveyed financial executives expected productivity loss because of a lack of remote work capabilities. Two months later, when asked again, just 26% of CFOs anticipated productivity loss in the month ahead.[4]

"The new normal of being able to conduct trade without travelling, without personal meetings, and to engage with stakeholders just as effectively, has opened a new avenue for massive cost reductions and higher productivity. The need to strengthen the supply chain locally and to be self-dependent is also an opportunity to differentiate."

— Consumer goods CEO, India

As companies embrace new ways of working, it is with a growing recognition that the shift will need to coincide with an increased focus on health and wellness. When employees are working from home, they are less likely to take time off or unplug, and thus are more prone to burnout. Among our respondents, 11% selected as their top emerging business model change the need to become more employee-oriented by expanding health, safety and wellness programmes.

"As a result of the need to cut back in order to reduce losses, we have been able to understand those processes that are most critical to the well-being of employees and the business versus those that have become accepted over time and add less value. The crisis has also pulled teams together in tackling a common adversary."

— Hospitality & leisure CEO, UK

Of course, some employees are already returning to physical worksites. But these sites have undergone changes to promote social distancing and other safety measures. The ability to create a safe workplace can be a differentiator, in terms of both the employee and customer experience. Employers who focus on safety will build loyalty and enhance their organisation's reputation. Moreover, many of our respondents indicate that their company is likely to require less real estate moving forward, because of managerial decisions about who will need to work onsite (versus staying remote) or because fewer employees will opt to return if remote work is an option. More than half (61%) of CEOs believe that the shift towards low-density workplaces will persist.

"[The] greater emphasis on remote work [is] enabling a significant reduction in real estate footprint and cost — allowing those savings to be returned to the workforce via increased benefits."

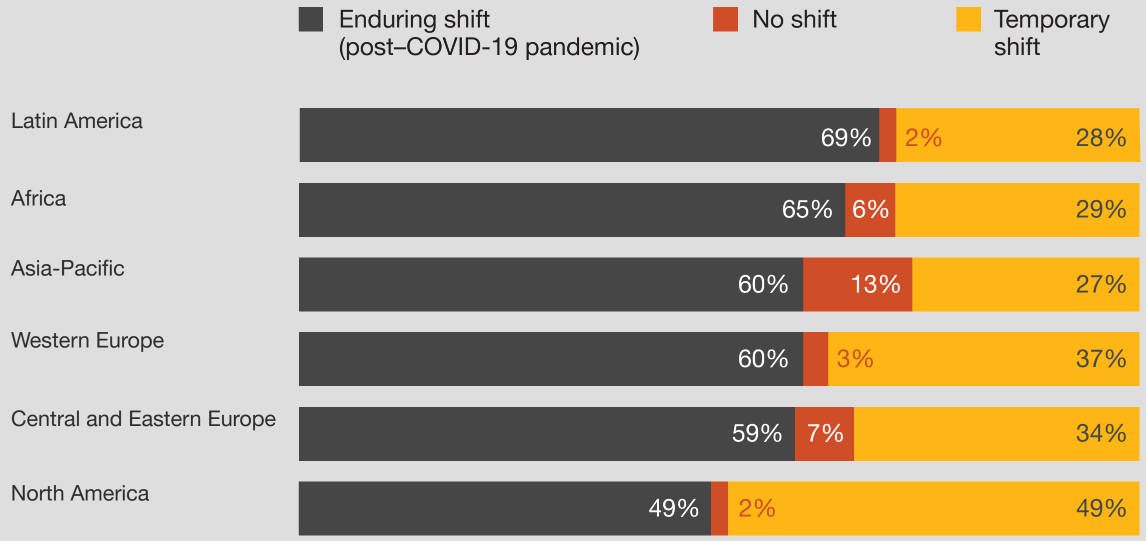
— Asset & wealth management CEO, US

Yet on the topic of workplace density, regional cultural differences are stark: CEOs in Latin America are the most likely to view low-density workplaces as an enduring shift (69%) and are correspondingly inclined to be more employee-oriented going forward (19%); by contrast, CEOs in North America are evenly split (at 49% each) about whether low-density workplaces are here to stay (see Exhibit 4).

Exhibit 4

In most regions, CEOs view low-density workplaces as a lasting change

Question: The shift towards low-density workplaces (away from high-density workplaces) will be a/an...



Source: PwC, CEO Panel Survey
Note: Not all figures add up to 100% as a result of rounding.
Base: 680 respondents (excludes the Middle East)

"Discovering the home office is a real option to keep the organisation productive, regardless of the challenges we are facing. Our Latin roots make us more face-to-face–oriented, and that [aspect of our business] will change for sure."

— Engineering & construction CEO, Mexico

At the industry level, health and safety issues are unsurprisingly top of mind for health industries CEOs, the majority of whom (67%) believe low-density workplaces will be enduring. In consumer markets, many CEOs (38%) believe the shift to low density is a temporary one — also not surprising, given that many consumers have shown a keen desire to return to shopping malls, restaurants, concert venues and arenas, once the right safety measures are in place.

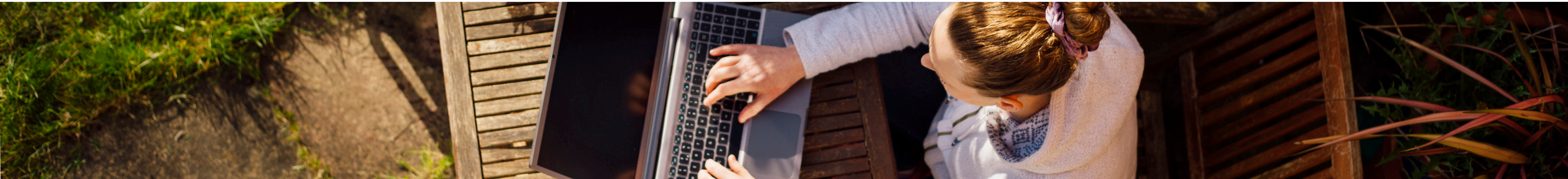
"[We need to] further demonstrate to our people how key they are to our success through increased health and safety focus at work and at home."

— Forest, paper & packaging CEO, Canada

The persistence and availability of flexible work models (which are characterised by increasing the use of remote and contingent workers) will also vary across industries. Financial services CEOs are least likely (14%) to rank flexibility as their top priority business model change, which may be attributable to a need for in-person client contact, access to proprietary technology, or managing risk and compliance requirements that favour onsite employees. Similarly, due to the necessity of customer interaction, just 14% of consumer markets CEOs expect more flexibility. CEOs in energy, utilities and resources — where flexible work models often aren't feasible — will instead retain more employee-oriented policies, such as increased safety and protection measures (18%).

"We will spend less time and effort travelling and introduce dual pricing. Pricing based on remote delivery is a better value for customers but also gives staff a better quality of life. We will honour city salaries and allow people to work from wherever they want. In-person presence will only be required on an infrequent basis."

— Business services CEO, Ireland



Navigating challenges and prosperity

CEOs are significantly more pessimistic about the direction of the global economy over the next 12 months now than they were at the end of 2019, with just 30% saying economic growth will improve in the year ahead. And with good reason: The World Bank forecasts that the global economy will shrink by 5.2% in 2020, representing the deepest recession since the Second World War.[5]

Looking inwards, CEOs also face uncertainty about their own operations, with only 15% indicating that they are very confident in their organisation's revenue prospects.

Yet despite these sobering realities, it's clear that at least some CEOs feel they've passed a critical test and are now armed with important knowledge about their organisation — and are prepared to capitalise on the enduring trends brought about by COVID-19.

"[We were able to] refocus on the basics — to understand the core of what we do and eliminate everything that's not that."

— Consumer goods CEO, Lebanon

Across regions and industries, CEOs learned that increased digitisation provides the agility needed to navigate unprecedented disruption and that customers are receptive to virtual products, services and experiences.

"[We were able to] double our market share by being able to keep operating at full capability, because we are a fully digital, remote working–enabled company."

— Banking & capital markets CEO, UAE

CEOs uncovered the value — and potential cost savings — in giving employees more flexibility around where and how they work. In many cases, business leaders will reinvest these newfound savings in creating safer, more employee-oriented workplaces, built on a foundation of trust.

"Trust in our employees is at an all-time high. Working from home will become the norm, not the exception, and now we trust our employees to perform without constant supervision."

— Oil & gas CEO, Canada

Although these new business models emerged from crisis-driven necessity, the rapid adoption of next-generation technologies and new approaches will set a precedent for organisations to navigate future cycles of challenge and prosperity.

How to rethink your business model

Based on the insights of our 699 respondents, here's how companies can rethink their approaches, reconfigure business models and seize opportunities.

1. Establish a flexible business and workforce plan.

Develop and evaluate scenarios[6] that consider all aspects of your business — customers, products, real estate and employees — and create a dynamic business and workforce plan that accounts for health, economic and societal considerations. The focus on greater flexibility is not just a crisis response; it is an evolution of how, when and where work gets done. The pandemic proved to many leaders that employees don't need to be physically onsite to be productive. Moreover, by approaching 'work' as something your organisation does rather than somewhere it goes, you can adopt new ways to serve clients, reduce costs and gain access to new talent markets. At the same time, in some organisations, the work of a select group of high performers may be boosting productivity in a remote model that is not sustainable. Leaders will need a clear picture of what's happening, and must proactively address issues related to equitable distribution of work, flexibility arrangements, and employee burnout and well-being.

2. Invest in the digital tools that will sustain your resilience.

It took a global pandemic for some organisations to jump-start their digital transformation, but there's no turning back now. They've seen how digitisation enables even the largest and most mature organisations to respond to crisis, whether it's standing up a remote work model or changing how customers interact with their products and services. A critical part of this transformation will be improving your organisation's information supply chain and building a world-class analytics capability, together with a deliberate approach to building digital workforce capabilities.[7]

3. Take your commitment to agility to the next level.

Embed the innovations you adopted during the crisis into your culture. Take the time to review your crisis response, catalogue best practices and determine how to make those practices part of your organisation moving forward. Many businesses will be required by their stakeholders to begin assessing how other systemic risk and low-probability, high-impact events will affect them. Those that harness technology and new ways of working to sustain their operations, supply chains, employee experience[8] and customers during a crisis will gain a competitive advantage. And it's not just a matter of being reactive: understanding how your organisation can maintain agility will allow it to pursue new opportunities when it wants to, rather than when it has to.

"We understand our strength and qualities of resilience — they have been tested. Our customers, suppliers and employees also [came to] know us better. Hopefully this puts us in a better position to face both challenges and opportunities ahead."

— Forest, paper & packaging CEO, Ireland

Survey methodology

PwC surveyed 699 CEOs online in 67 countries/regions in June and July 2020. The 699 CEOs come from a mix of regions, with an overrepresentation from Western Europe (42% of respondents) and underrepresentation from North America (7%) and the Middle East (3%). No industry sector accounted for more than 10% of respondents. Further details by country, region and industry are available on request.

Of the 699 CEOs whose responses were used for the global figures:

- 16% lead organisations with revenues of US$1bn or more
- 32% lead organisations with revenues between US$101m and US$999m
- 40% lead organisations with revenues of up to US$100m
- 11% declined to provide their organisation's revenue range
- 66% lead organisations that are privately owned.

Note: Revenue figures don‘t add up to 100% as a result of rounding.

End notes

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8. Sethi, Bhushan, and Marti, Jean-François, 10 July 2020. "Redefining employee experience: How to create a 'new normal'," strategy+business, https://www.strategy-business.com/blog/Redefining-employee-experience-How-to-create-a-new-normal?gko=4ba22

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