

# PwC's COVID-19 CFO Pulse Survey

PwC Germany – Wave 3 in a bi-weekly series

[pwc.de/covid19](https://pwc.de/covid19)



# Participants

41 German CFOs, the majority from:

**DAX30 / SDAX / MDAX**

... plus selected financial services and middle market companies.

Globally, the survey was conducted in 24 countries or territories, with 871 participating CFOs.

# Approach & Results

Online survey with 11 questions.

Third wave from April 20–22, 2020.

(second wave: April 6–8, first wave:

March 23–25)

Bi-weekly repetition to help identify the business and economic impact of COVID-19.



# Cautious optimism paired with realism: focus on measures for resilience

## Executive Summary (1/2)



Our third wave started a few days after the German government announced first steps to ease restrictions implemented to combat the spread of COVID-19, and in parallel to **ongoing discussions about the right level of opening the economy**, indicating the mounting pressure on businesses with every additional day of lockdown. This challenging situation is also confirmed by the ifo business climate index (published after our survey run), which dropped to a historical low. At the same time, **worries of a second wave** are being discussed in media. Internationally, the situation across territories continues to be diverse. The IMF predicted that the global economy would shrink by 3% in 2020, ushering in the worst economic downturn since the Great Depression, and the USA report more than 26 million people filing for unemployment in five weeks.



Against this backdrop, our third wave reveals mixed sentiments, and signs of resignation. While German **CFOs are still confident by and large, they see the need to invest in resilience** and brace themselves for a business environment that will remain challenging longer. They're doing this by taking a risk-conscious approach, which is focused on retaining flexibility and restarting business step-by-step:

- To address expected decreases of revenues and/ or profits (66%, +10 percentage points), **cost reduction has once again become the top action CFOs plan to take** (78%, +15 percentage points), with potential **implications for workforce** becoming visible (34% expect layoffs in the next month, +12 percentage points).
- Using **data to manage risk** in an uncertain environment is key, with **54% of CFOs mentioning visibility in their suppliers network** (including risk alerts, scenario planning) as an area where they want to change their supply chain strategy.
- Another tactic is to **retain flexibility where possible**, for instance through developing **additional, alternate sourcing options** (59%), as well as **deferring investments in general capex and operations** (85% and 58%, respectively).
- Under pressure to get back to business, CFOs are taking a cautious approach that embraces measures to lower the risk of a second wave including **reconfiguring work sites** (66%), as well as **changing shifts and alternating crews** to reduce exposure (44%).

# Cautious optimism paired with realism: focus on measures for resilience

## Executive Summary (2/2)



Priorities like increasing visibility into the supply chain are yet again demonstrating that **digitalisation is a key theme in the context of COVID-19 response**. CFOs recognise it as a long-term change that demands and requires investment, even in challenging times.

- Even in an environment of stringent cost containment and increased caution when it comes to investments, very few German CFOs say their companies will put the brakes on **investments targeting digital transformation** (15%). And only a quarter of German CFOs (27%) say they are considering cuts to IT investments, compared to e.g. 48% of US companies.
- And after only six weeks of lockdown, we already see that **COVID-19 has the potential to change ways of working profoundly, driven by digitalisation**: **68%** of CFOs say that they **will accelerate automation and new ways of working**, and **63% mention making remote work a permanent option** – which is among the highest number globally, and higher than in neighboring countries. Even considering that such options are obviously dependent on industry and context, this would be a step change, particularly considering a recent Strategy& survey we conducted in March, which found that only 14% of workers have the option to work from home.
- Equally, CFOs are thinking about **new ways to manage their global supply chains**, which will continue to be challenged by territories and suppliers being at different stages of their COVID-19 evolution. Measures include understanding the **financial and operational health of their suppliers** (59%), which will require investments in technology, data and integration.



While the **overall picture for Germany remains more optimistic than globally**, realism has settled in, as businesses face the challenges and complexities of returning back to a “new normal”, while navigating an even more uncertain and unpredictable business environment. This is also reflected in the expected time to **return back to “business as usual”**, where the share of respondents expecting this to take more than 6 months has increased by a factor of 2.5 (to 15%).

# More food for thought, based on our survey results

## Forward-looking thoughts



**Managing supply chains in digital ways:** Understanding the health of suppliers and gaining visibility are key themes for CFOs. To truly achieve supply chains that are integrated both internally and externally, companies have to invest in creating a supply chain ecosystem. Such a system provides simultaneous access to key operational information of suppliers such as availability or order status, enriched with externally available information (e.g. financial situation). By using AI, companies can proactively identify and manage potential risks such as financial or operational health of these suppliers. A tight integration of suppliers also helps companies to collaboratively resolve issues in the supply chain. According to our Digital Supply Chain study (published 21st of April) only 36% of companies are currently operating at this level of integration.

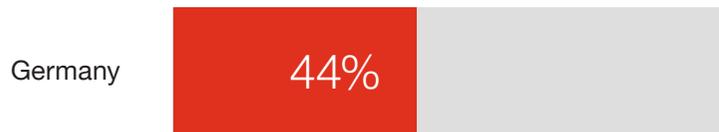
Only 10% of CFOs see better understanding of customer demand as a top priority when it comes to their supply chain. Developments in China show that customer behaviour may change disruptively in the context of COVID-19. In some cases this may lead to the need to modify or extensively revamp supply chains, and is an area we recommend to explore further. We already see that taking action in this area ranks higher for industries such as Pharma (globally: 40%) and Retail & Consumer (globally: 36%), where the focus on consumer behaviour is stronger.



**Restarting businesses:** 15% of German CFOs (globally 21%) are evaluating tools that support workforce location tracking and contact tracing. These are critical but complicated actions, given privacy concerns. Governments may struggle to enforce the use of such tools among their citizens – leaving an opening for corporations to develop technologies to fill the gap. Especially in countries without a government sponsored app, we see increasing tendencies of businesses to explore using such new technologies. We expect that technology will play a key role in supporting a restart that fulfills companies' commitment to protecting their employees, while enabling a gradual return to on-site work.

# Increasing optimism of German CFOs is paired with realism around revenue prospects

Level of concern related to COVID-19 – % saying “significant impact on business operations”



Δ change to last wave

-10PP

Expected impact on company revenue and / or profits – % saying “decrease”



Δ change to last wave

+10PP

Considering financial actions – % stating “implementing cost containment”



Δ change to last wave

+15PP



-2PP



-1PP



+4PP



-3PP



+/- 0PP



+5PP

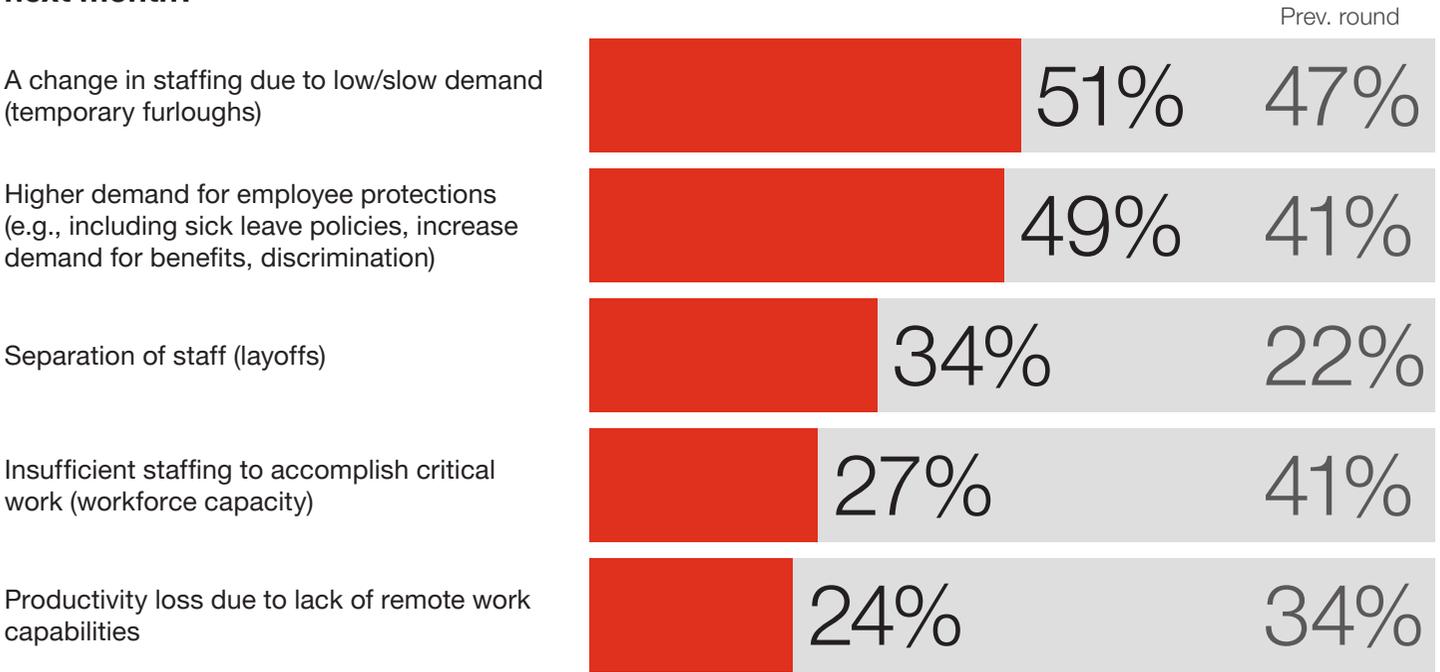
# Companies expect that staffing changes and employee protection will be necessary

Not surprisingly,

# 51%

of companies expect a change in staffing, which is followed by a higher demand for employee protections. Capacity now seems to be less of a worry, with fewer CFOs saying their companies have insufficient staffing to accomplish critical work, and more anticipating layoffs compared to our previous round.

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



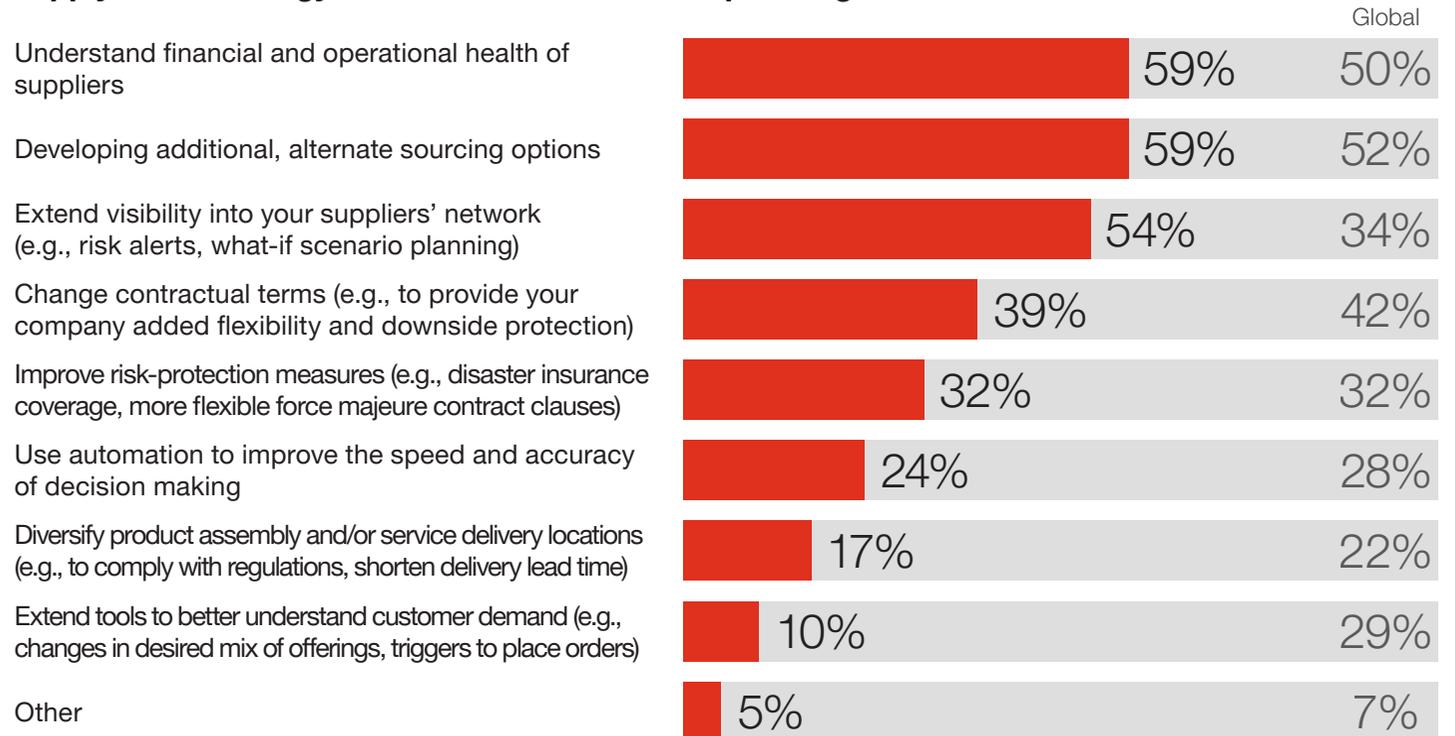
# Supply chain is a key focus area for CFOs

Supply chain impacts are in sharp focus, with

59%

of CFOs looking at both developing additional, **alternate sourcing options and understanding the financial and operational health of suppliers**. Nearly as many (54%) also want to extend visibility into their suppliers' network (e.g. risk alerts, what-if scenario planning) – an area closely related to a tighter integration of suppliers into supply chain ecosystems, powered by AI.

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



# Fewer cuts to strategic investments in digital transformation and IT

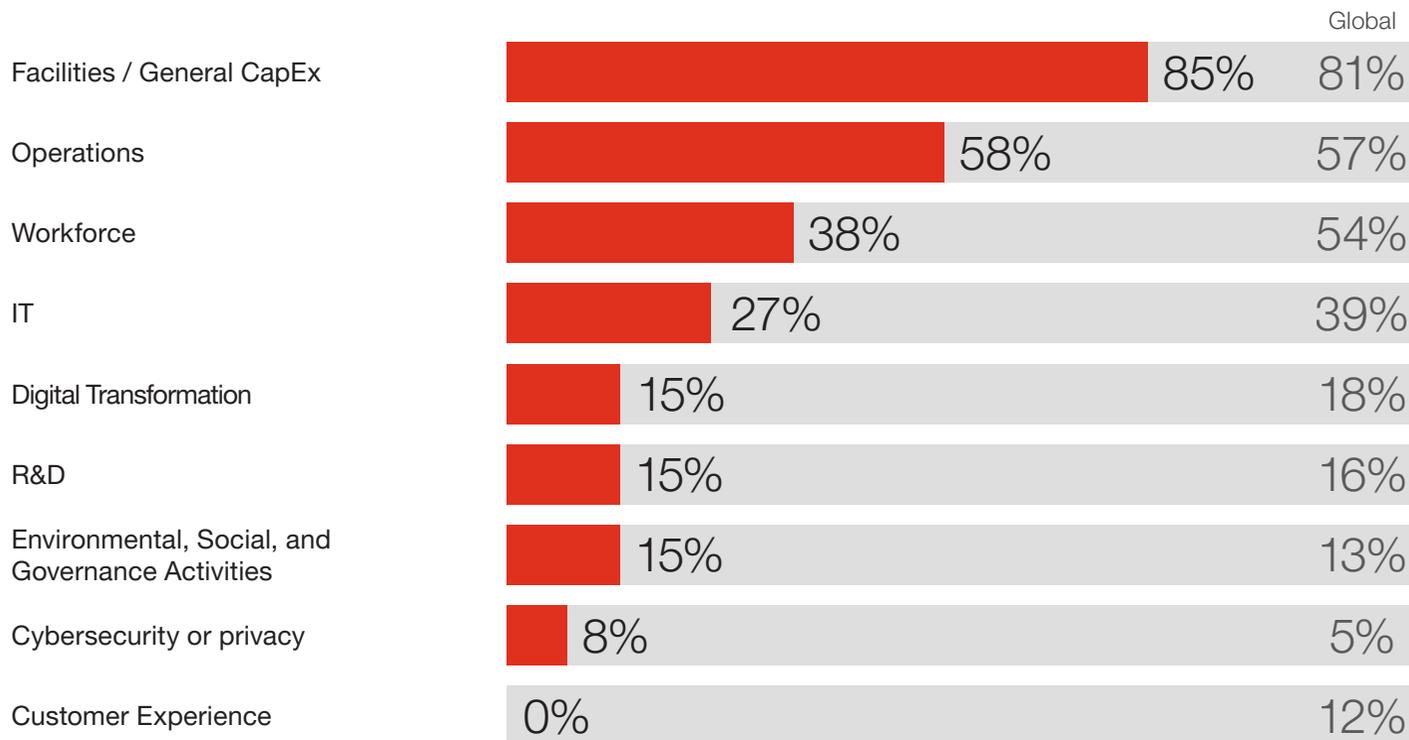
In line with the need to cut costs,

# 85%

of those finance leaders planning to defer or cancel investments say they'll make cuts to facilities or general CapEx, and operations are seeing cuts too

However, recognising the importance of **digitalisation and a strong IT infrastructure**, far **fewer** CFOs plan to trim investments in these key areas.

**Q: You mentioned your company is considering deferring or canceling planned investments as a result of COVID-19. Which of the following investment types are being considered in that regard? (n = 26)**



# CFOs plan to protect staff and change ways of working

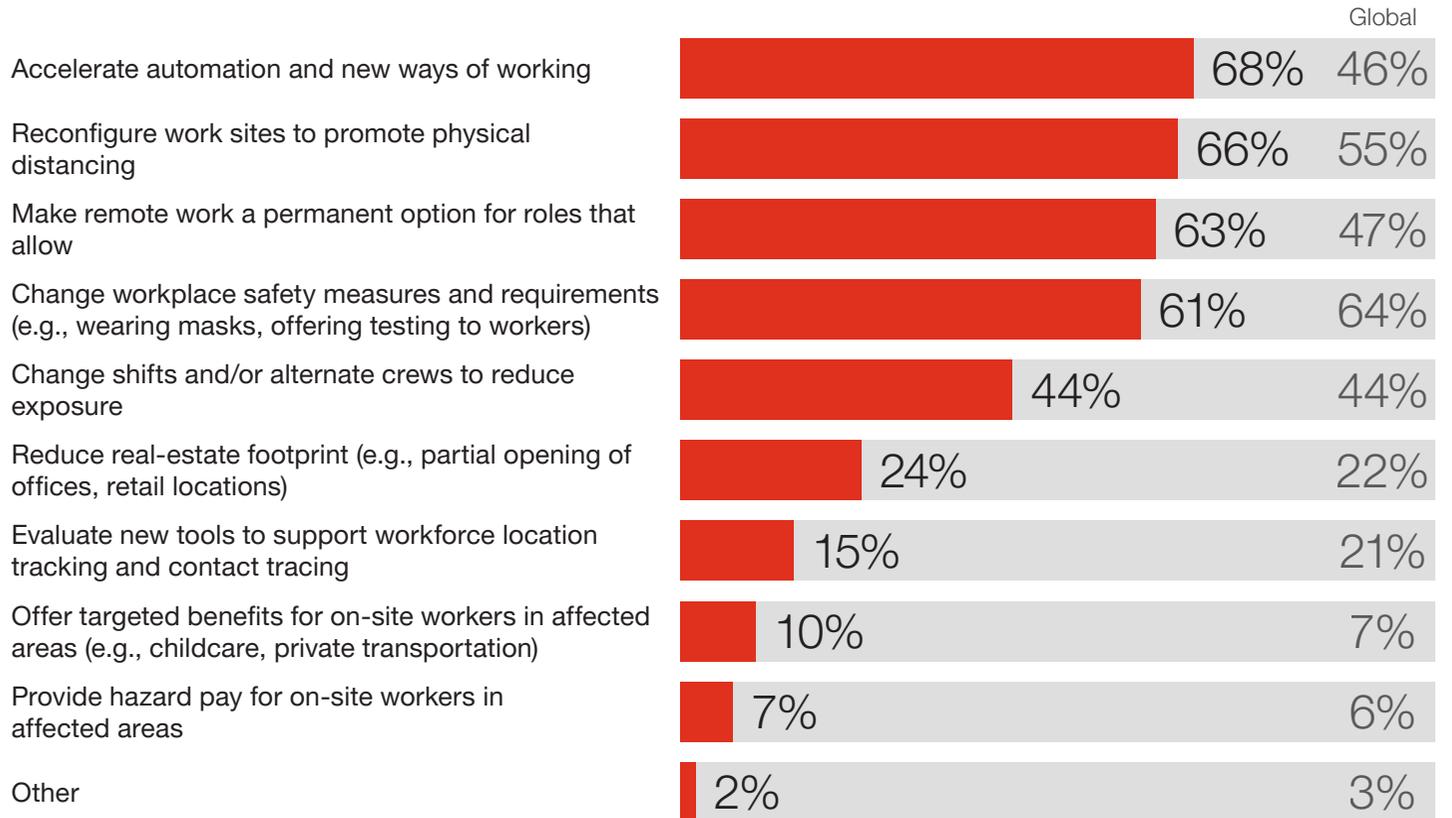
As might be expected, German CFOs are planning a strong emphasis on reconfiguring workplaces (66%) and on workplace safety (61%) when their staff transition back to working on-site.

More surprisingly, their plans could profoundly influence the future of work:

# 68%

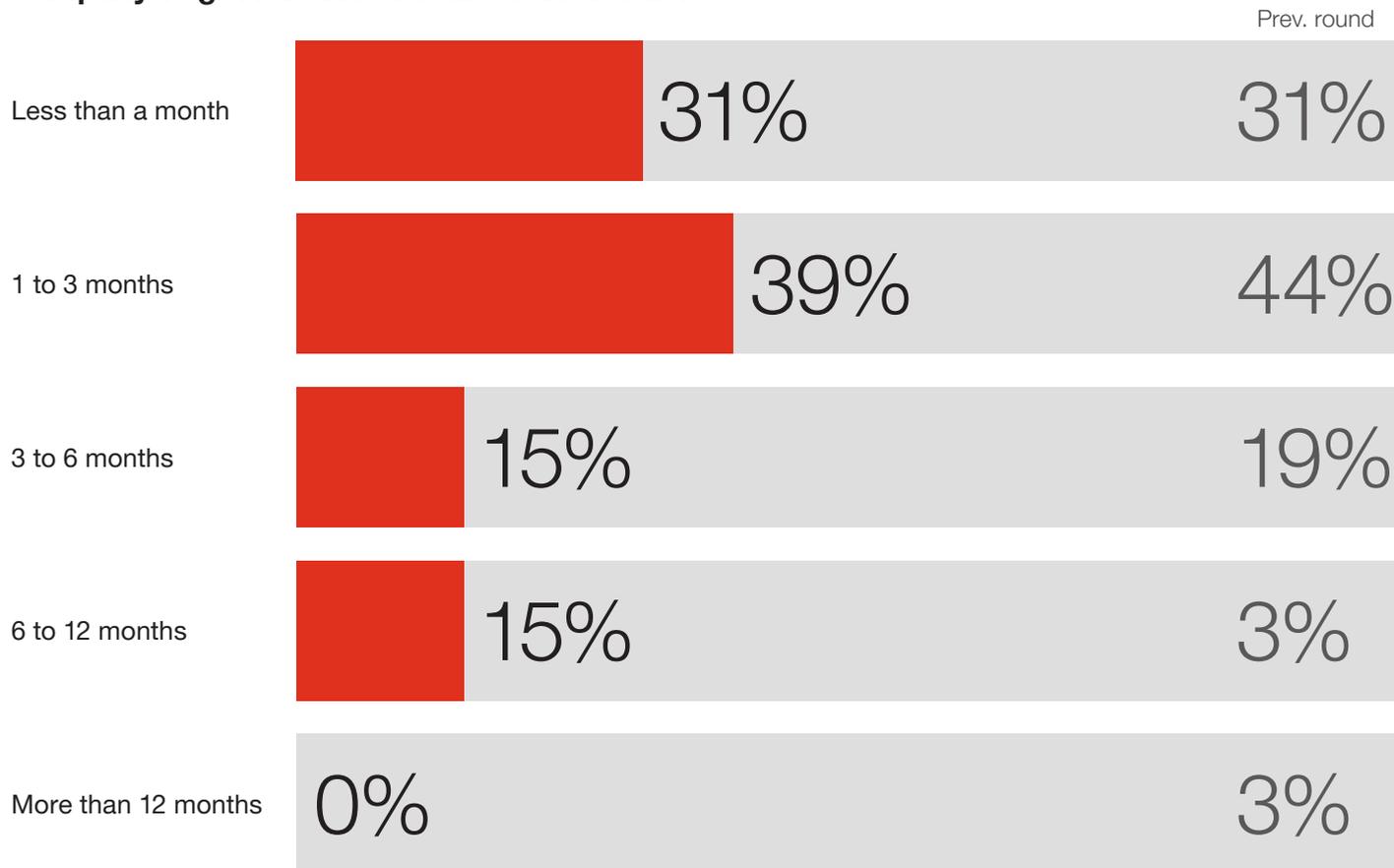
say they will accelerate automation and new ways of working, and 63% plan to make remote work a permanent option for roles that allow it.

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



# A return to normal post-crisis is expected to take some time

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



Even if COVID-19 were to end today,

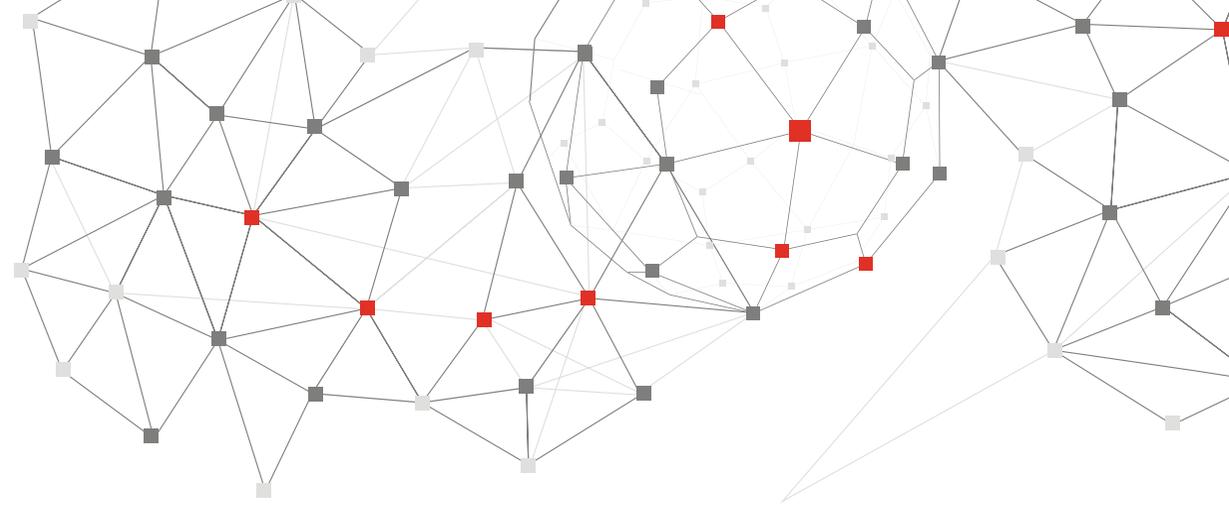
# 39%

of execs expect it would take **1–3 months** to get back to “business as usual”.

However, 30% believe their company would need more than 3 months to return to normal.

# PwC COVID-19 CFO Pulse Wave III

## Key Findings



# 1

### **CFOs are resigned**

While fewer CFOs expect COVID-19 to have a severe impact on their business (44%, compared to 56% two weeks prior to this wave), two-thirds of CFOs anticipate declining revenues. Cost containment plans are up sharply too.

# 2

### **They're focusing on resilience**

For example, by using data to manage risk, such as changing their supply chain strategy to increase visibility in their supplier networks (54%), or adding flexibility through developing additional, alternate sourcing options (59%).

# 3

### **Digitalisation is still a priority**

CFOs indicated that digital transformation and IT investments are among the least likely to be cut. Further, CFOs have actions that require digitalisation at the top of their priority list, e.g. regarding supply chains or ways of working.

# 4

### **Profound changes to ways of working**

Once they begin the transition back to working onsite, 68% of CFOs say that they will accelerate automation and new ways of working, and 63% mention making remote work a permanent options, suggesting COVID-19 may have an impact lasting far longer than the effects of the virus.

# 5

### **Settling in for a long road ahead**

With the business environment increasingly complex and unpredictable, the share of CFOs believing that a return to “business as usual” will take at least six months more than doubled (to 15%).

# COVID-19 CFO Pulse

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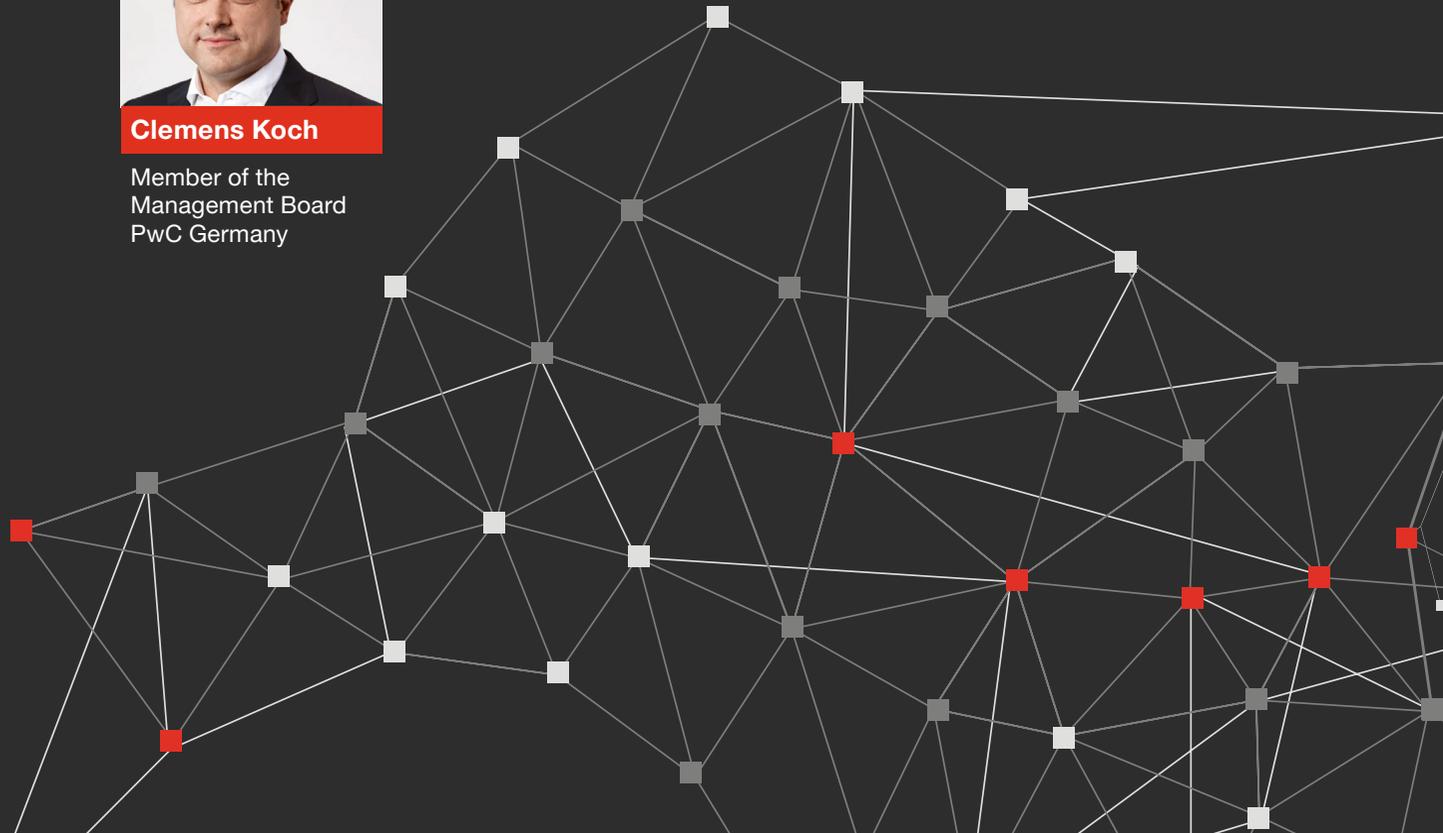
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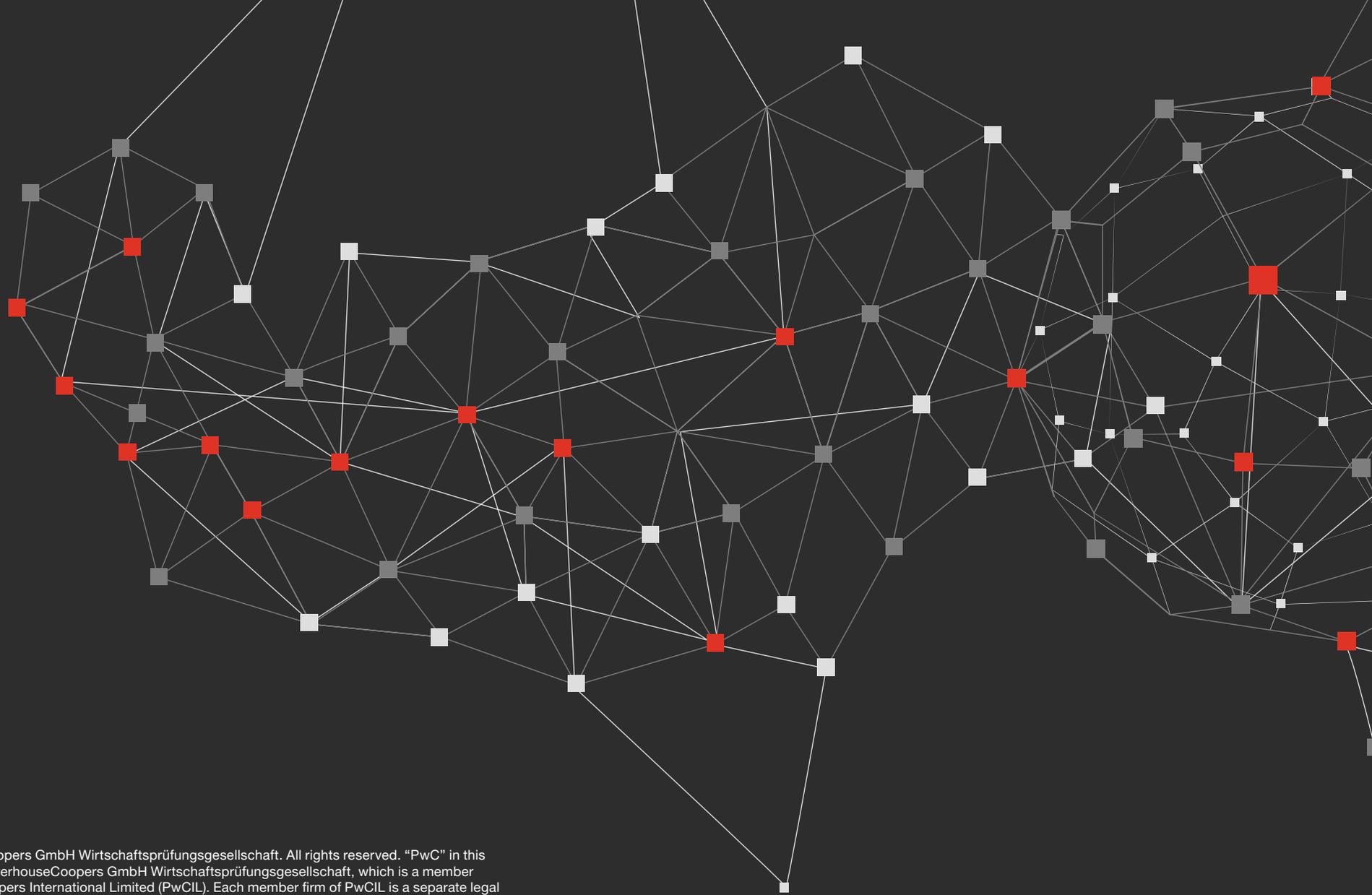
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## About the survey

To help identify the business and economic impact of COVID-19, PwC is conducting a periodic survey of finance leaders in Germany.



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