

# PwC's COVID-19 CFO Pulse Survey

PwC Germany – Wave 4 in a bi-weekly series

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



# Participants

33 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 867 participating CFOs.

# Approach & Results

Online survey with 11 questions. Wave 4 from May 4-6

Wave 3 from April 20-22

Wave 2 from April 6-8

Wave 1 from March 23-25

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



# A new business environment has emerged - now it's about making it work

## Executive Summary (1/2)



Since our last pulse, Germany has started a **second major phase of lifting the lockdown** - which will be driven largely by federal states, and will include e.g. the opening of schools and daycares, restaurants, hotels, stores, while general contact restrictions remain in place throughout Germany until beginning of June. The easing of restrictions happens as the **economic implications of the lockdown become more and more tangible**, with the Federal Statistical Office reporting a **reduction of industrial production at historic dimensions**, especially in export-dependent industries. At the same time, the US Commerce Department states that the GDP decline shows “the worst quarterly contraction since the .. deep recession more than a decade ago” and China faces a series of new COVID-19 cases, raising concerns around a second wave. As governments realise that economies must open and gradually lift lockdowns, navigating the way forward will increasingly fall on companies. They need to understand the implications COVID-19 will have going forward, decide when to bring their people back to work and keep them and their customers safe.



CFO sentiment overall suggests that **German CFOs have embraced the new and profoundly changed business environment**. As we see CFOs recognising this fundamental change, the level of optimism – which might have been fuelled by initial expectations of a “v-shaped” scenario (quick decline, quick recovery) – is diminishing. Still, they are more confident than their peers globally, and look forward to restarting their businesses, conscious that they won't be able to just flip a switch and turn the lights on, but will need to dial up gradually:

- German CFOs remain relatively optimistic. However, the **share expecting a decrease in revenues and/ or profits has increased significantly**, to now 79% (globally 85%) - still, compared to CFOs in other parts of the world, German CFOs are less likely to expect a strong decrease of 25% or more (Germany 9%, globally 25%).
- In preparing their return back to on-site work and ramp-up in activity, German CFOs anticipating needing more capacity, and the share **expecting furloughs in the coming month has decreased significantly** (to 33%).
- Still, more CFOs acknowledge the complexities of getting back to on-site work, and we see a **sharp decrease in those expecting the return to “business as usual” to take less than one month** (now 15%), while now **almost every second CFOs expects this to take more than 3 months**. **Overall, the expectations globally are converging**, yet again demonstrating that in this globalised world, recovery journeys of companies and countries are dependent upon one another.

# A new business environment has emerged - now it's about making it work

## Executive Summary (2/2)



As German CFOs prepare their return to a new way of doing business, they are focused on compliance and on getting operations up and running again as a first step. At the same time, they are keeping a sharp eye on risk and cost, to be prepared and maintain flexibility in this still very uncertain environment:

- Not surprisingly, CFOs are continuing to focus on cost containment, with **layoffs being expected by a similar share of CFOs** as in our last pulse (36%).
- CFOs are considering issuing risk related disclosures in the next 6 months, including around **risk profile** (52%) and **macroeconomic and industry factors** (42%). Another important aspect in the context of risk management is monitoring the supply chain, and especially understanding the **operational & financial health of suppliers** (55%) as well as **developing alternate sourcing options** (52%).
- In returning to the workplace, German CFOs are very confident about those aspects related to compliance, including their company's ability to provide a safe **working environment** (85%, vs. 70% globally) and to **meet their customers' safety expectations** (82%, vs. 75% globally). Of course, this optimism will be tested as re-openings progress. For the time being, this confidence is inspired **by a very careful approach**. Businesses aim at **reducing human interaction where possible**, be it through reconfiguring the work site (73%), **accelerating automation and new ways of working** (76%, vs. 48% globally) or **continuing to leverage remote work** (67%, vs. 49% globally).



German CFOs expect their focus on resilience - including increasing flexibility, rethinking operations and leveraging technology - to make their businesses better in the long run. That said, they are less likely to be thinking about new opportunities to build revenues or better serve customers:

- COVID-19 has demonstrated “the art of possible” when it comes to working remotely and virtually - and **91% of German CFOs name work flexibility as one of the factors that will make their business better in the long run**. With this, German businesses rank top in our global comparison (global average 72%). This shift will only be possible in a digitalised enterprise, and in line with this, CFOs also mention leaner operations (58%), better resiliency and agility (58%), and technology investments (52%) as other important long-term benefits.
- However, considering the far-reaching impacts that COVID-19 is having on individuals, communities, and the commercial environment, some businesses in Germany might want to broaden their view when it comes to strategic implications. Currently, almost 40% of German CFOs say they are not confident or are unsure that they will be able to identify new revenue opportunities (globally: 21%). German CFOs are also less likely to see “new ways to serve customers” as a factor that will make their company better in the long run (36% vs. 47% globally, lower than any other country surveyed).

# More food for thought, based on our survey results

## Forward-looking thoughts



**Returning safely back to work:** Our results indicate that CFOs are quite confident when it comes to returning back to on-site work. However, we also see evidence that the complexities of the restart are becoming more apparent. Although governments may issue guidelines, businesses will need to design their own return-to-work strategies. We have identified four decision criteria that support companies in their return to work considerations, including health and safety, type of work, financial and worker needs/ preferences.



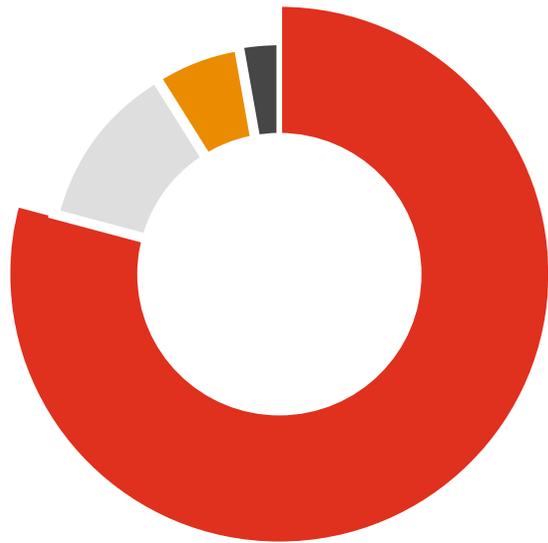
**Integrating work flexibility into corporate DNA:** Almost all surveyed German CFOs mention work flexibility as a key factor for the future, and two-thirds want to make remote work arrangements permanent, where jobs allow. Considering that German CFOs lead in both findings globally indicates the profoundness of the change that is inherent in these statements. Work flexibility and remote working have proven to be doable in recent weeks. However, the long-term success of these measures will depend on the degree to which companies differentiate between short-term crisis management setups and long-term structures, with potentially additional demands from e.g. an employment law perspective. Further, companies will need to support their organisations and employees to interact, learn and be part of a (more virtual) community. For sustained success, this requires conscious investment and top-level attention -- and in many cases, considering new approaches to upskilling, leadership, and culture. We believe that employers who make good-faith efforts to upskill their employees build trust (see report). That can enhance the organisation's reputation in a world where trust is an increasingly valuable commodity.



**Serve customers in new ways:** 36% of German CFOs expect that new ways to serve customers will emerge as a result of the current crisis. While this percentage is slightly lower for Germany than in other countries around the world, we anticipate that CFOs will increase their focus on this area over time. As the novel coronavirus forces people into a digital-only way of life, it's important for businesses to infuse virtual experiences with a human touch - not only for employees, but also when it comes to customer relationships. While redefining the customer experience is not entirely new, the pandemic accelerates its importance, since human connection is crucial for every interaction. Even before this crisis, PwC research showed that 59% of global consumers surveyed felt companies had lost touch with the human element of customer experience, and 75% of the customers surveyed preferred to interact with a human versus an automated machine. People (and customers are people) want to be seen and understood, and they are extremely sensitive to tone and motive. With restrictions such as social distancing likely to remain in place for at least a while, and companies focused on keeping customers and employees safe, in some cases by increasing automation and virtual work, achieving a strong customer experience will be more difficult than ever. Taking action in this area will be essential, at least in some sectors.

# Level of optimism is diminishing, but still comparatively high (1/2)

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



- 79% Decrease revenue and/or profits
- 12% It is difficult to assess at this point
- 6% Increase revenue and/or profits
- 3% We do not expect any impact to revenue and/or profits

79%

anticipate decreased revenue and/or profits. Another

12%

aren't able to assess these impacts yet; just 6% anticipate no impact on revenue and/or profits.

## Deep dive

Decrease <10%



Decrease 10% to 24.9%



Decrease 25% to 50%



Decrease >50%



Decrease but range unknown



Among the companies who expect a decrease in revenue and/or profit 30% anticipate a decrease between 10% to 25% and none of the CFOs expect a decrease over 50%.

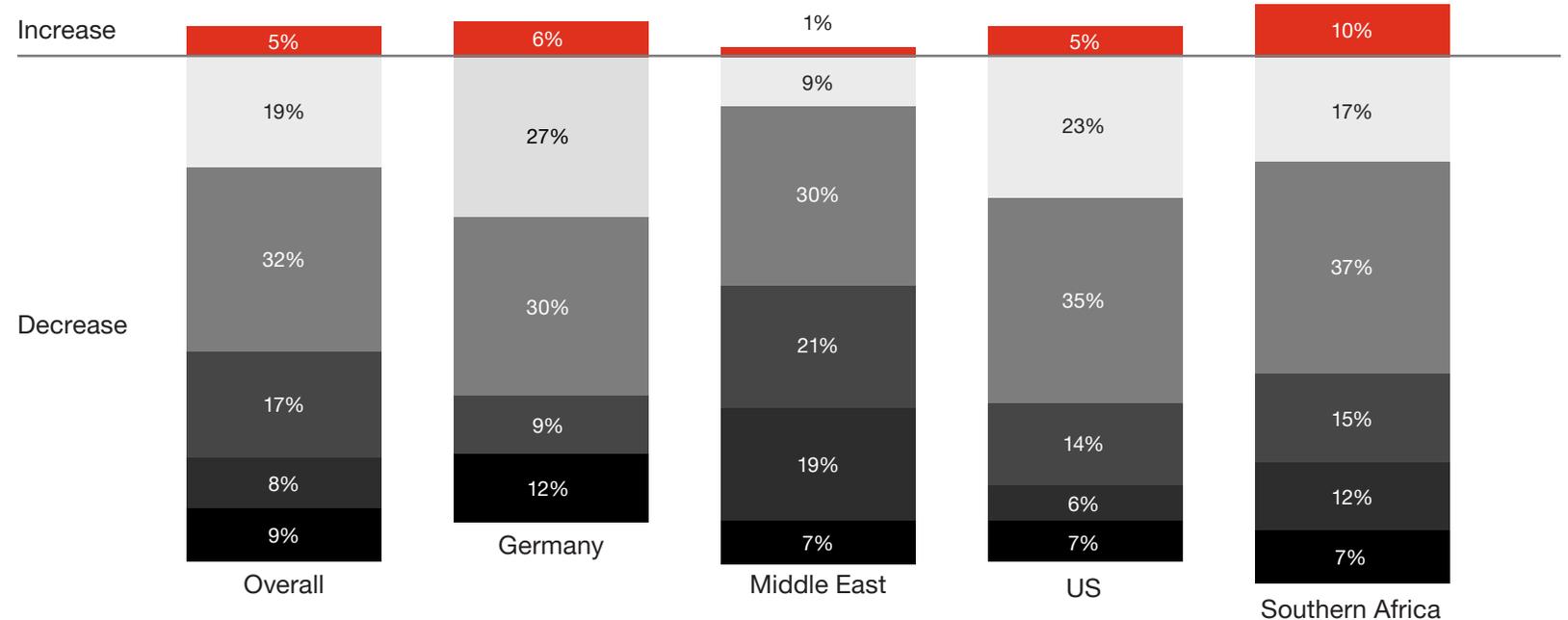
# Level of optimism is diminishing, but still comparatively high (2/2)

85%

of CFOs around the world expect revenue and/or profits to decrease this year, somewhat more than in Germany (79%).

Notable is that German CFOs are also less likely to expect severe drops in revenue or profits, e.g. exceeding 25% (25% vs. 9% overall).

Q: What impact do you expect on your company's revenue and/or profits this year as a result of COVID-19? "No expected impact" and "difficult to assess" not shown.



- Increase revenue and/or profits
- Decrease <10%
- Decrease 10% - 24.9%
- Decrease 25% - 50%
- Decrease > 50%
- Decrease but range unknown

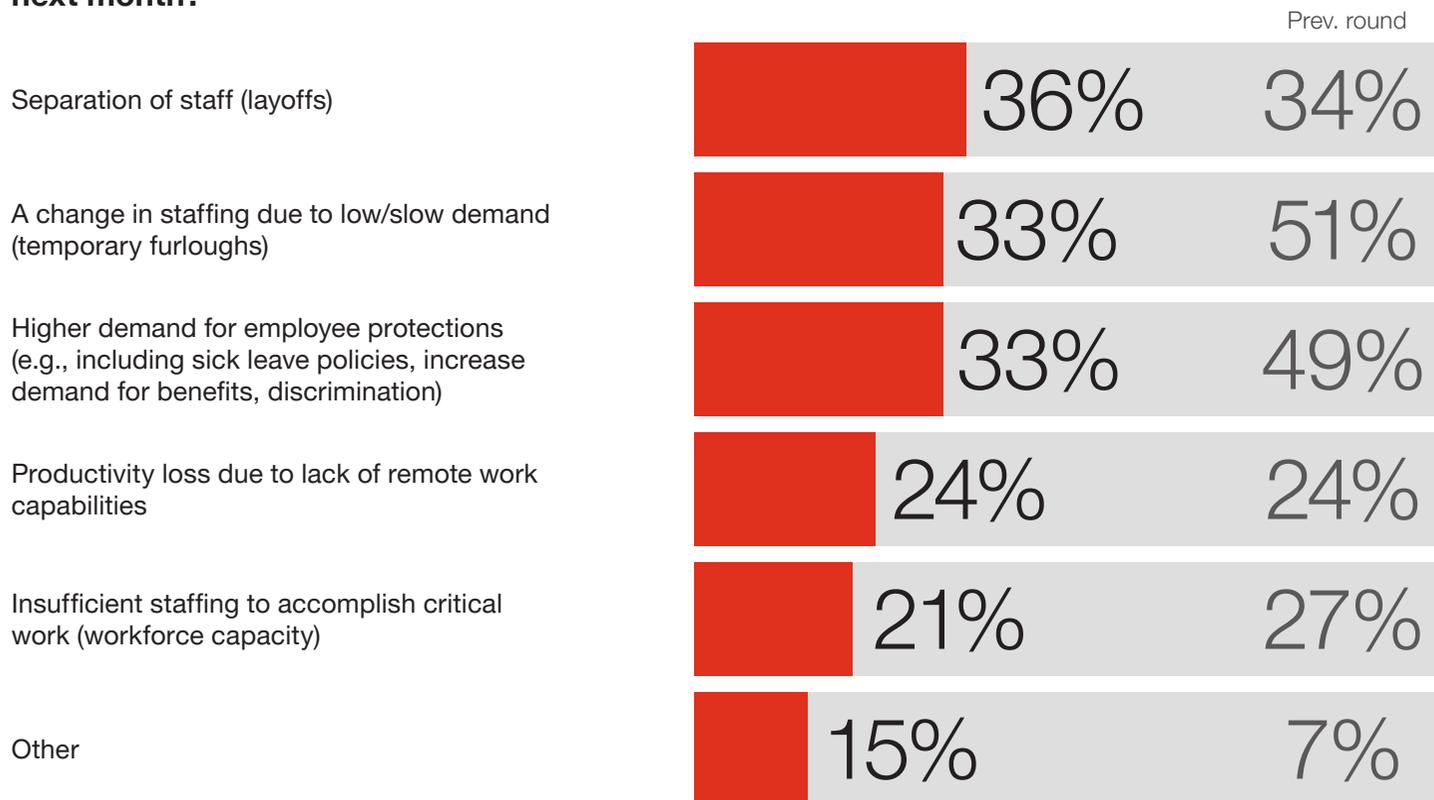
# CFOs expect lower demand for furloughs in their restart while layoffs continue to rank high

While

# 36%

of companies anticipate letting go of staff (layoffs) – slightly more than in our previous survey round – **only about one third of CFOs (33%) expect temporary furloughs over the next month**, down from 51% in the last round of our survey. That change reflects the fact that German companies are beginning to bring workers back from “Kurzarbeit” and looking towards restarting operations.

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



# A return to normal operations is expected to take some time

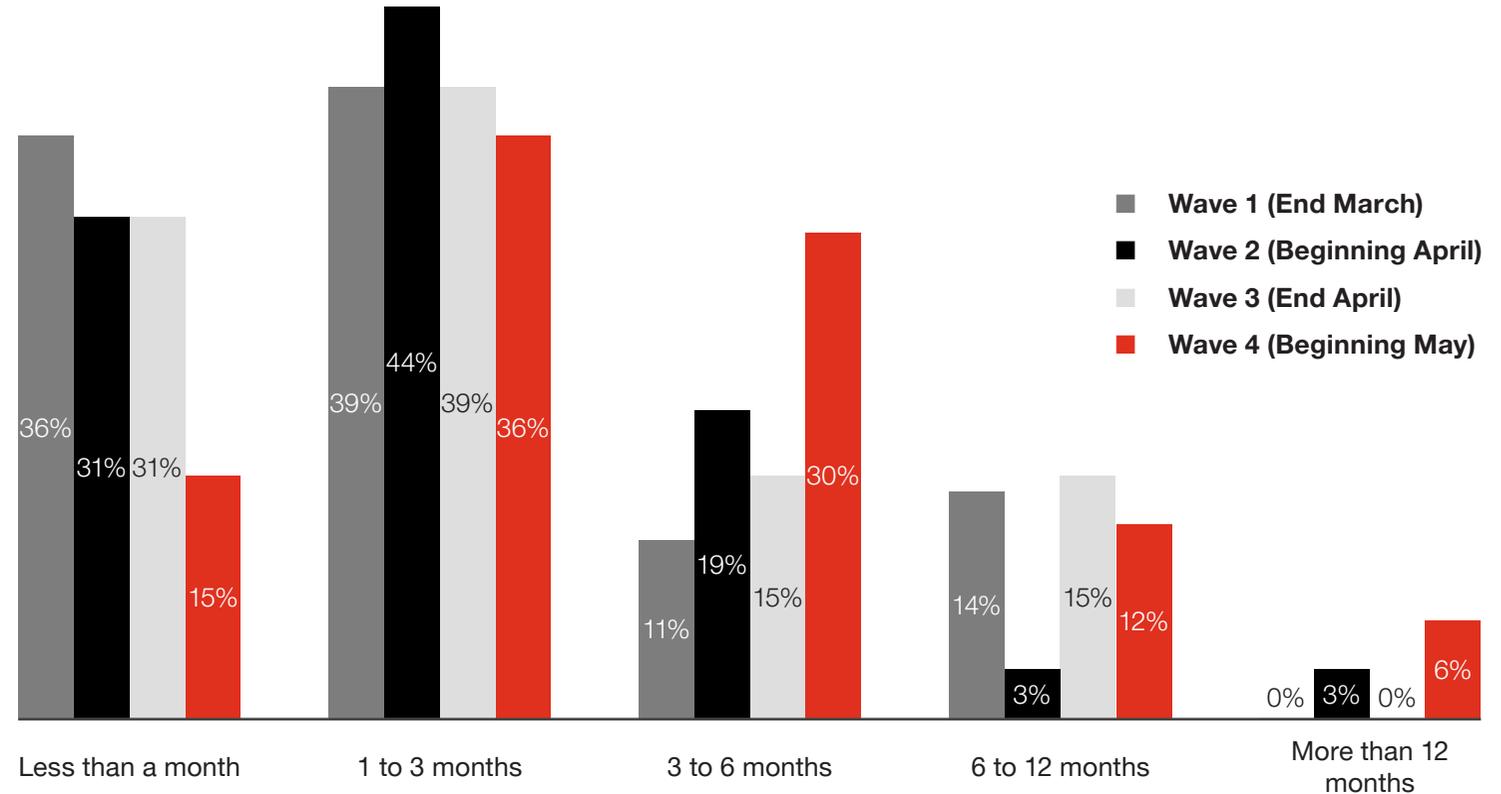
If COVID-19 were to end today,

# 48%

of execs now expect it would take **more than 3 months** to get back to “**business as usual**”.

And just 15% say that they’ll be able to get back to normal within a month.

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”?



# German companies are enhancing the resiliency of their supply chains...

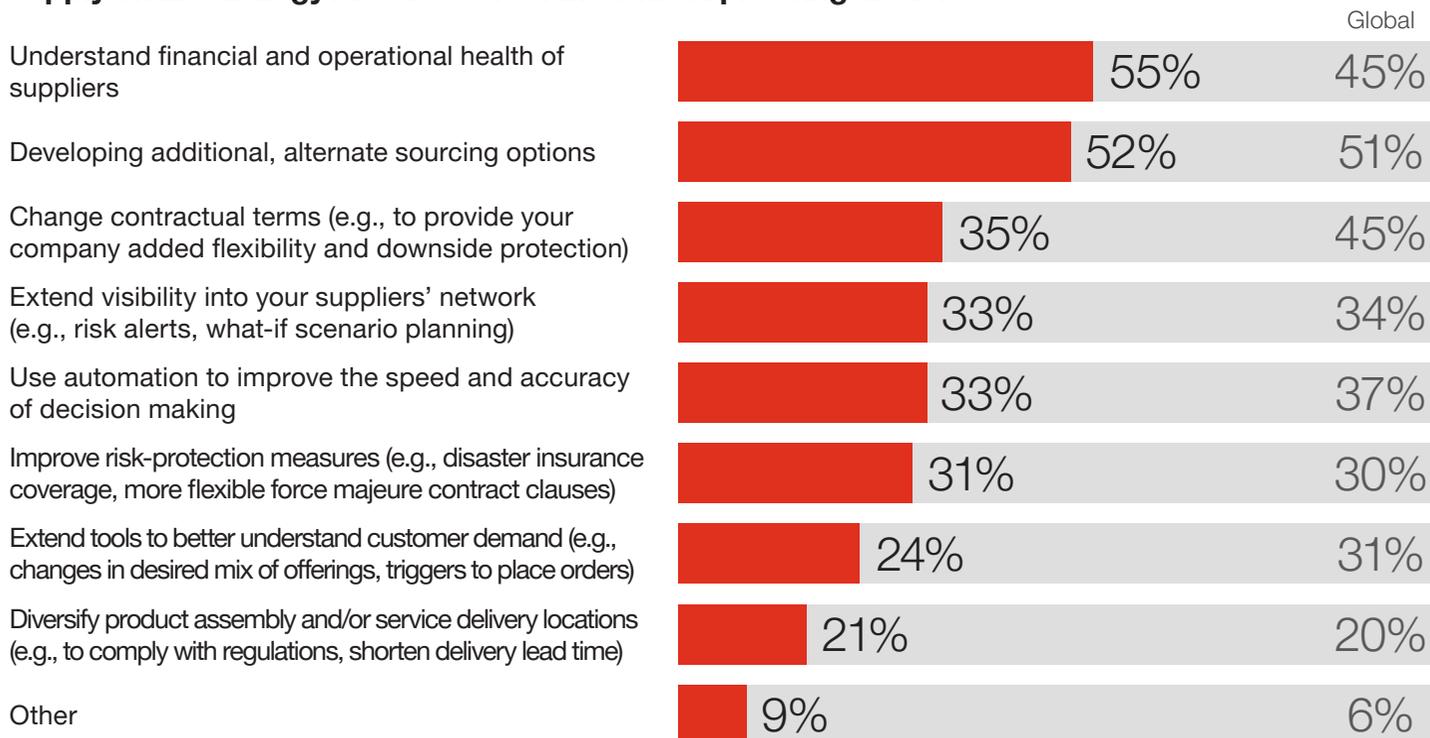
Supply chain resilience is a major area of focus, with

over 50%

of CFOs looking at both **understanding the financial and operational health of suppliers (55%)** and developing additional, **alternate sourcing options (52%)**.

Around a third of German CFOs are looking to adapt supply chain strategy in a number of ways. They're extending visibility of the supplier network, changing contractual terms, using automation and improving risk-protection measures.

**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.**



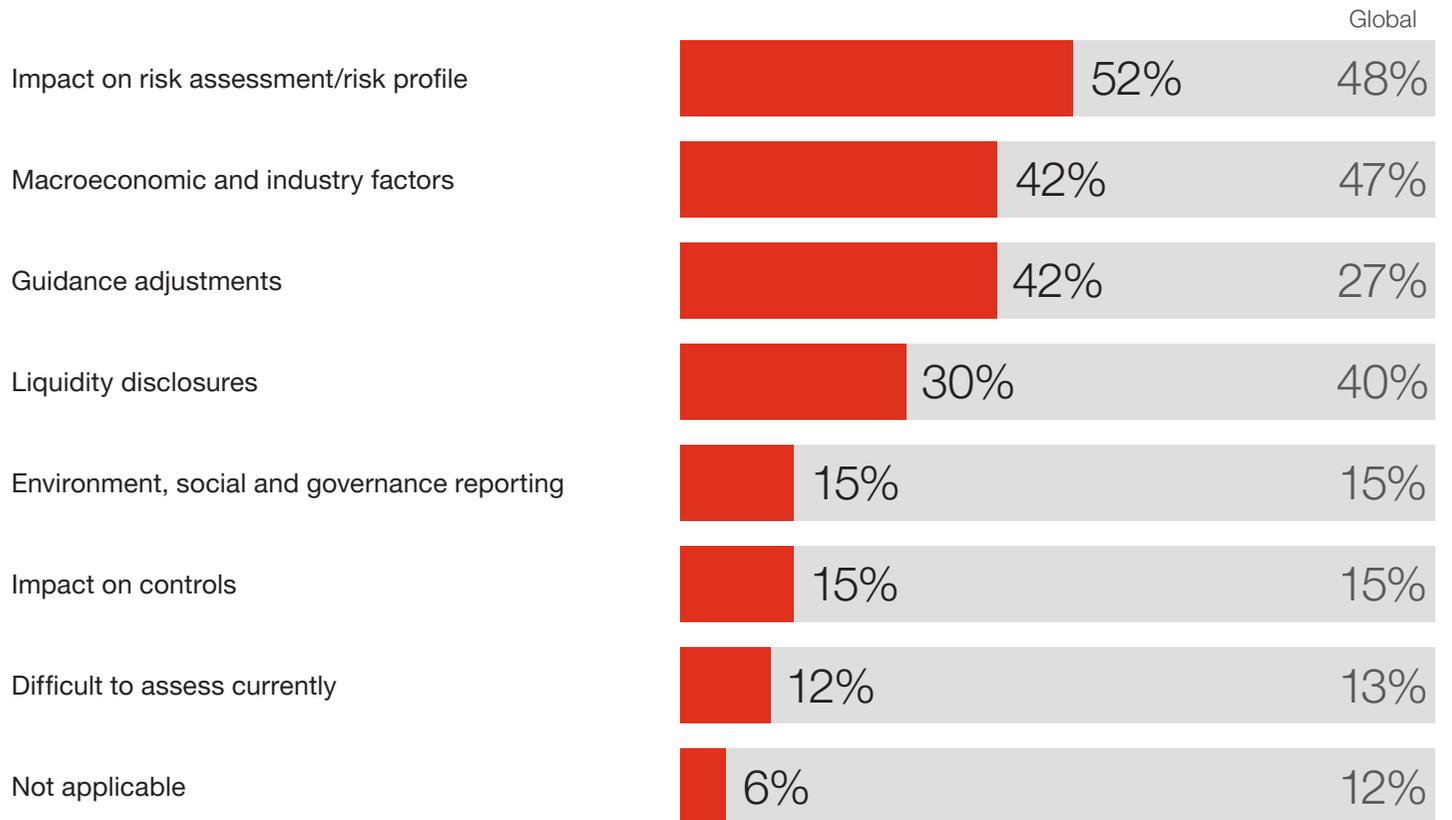
# ...and are keeping an eye on risk and market environments

# 52%

of German CFOs say their company is considering COVID-related **disclosures related to risk**, in line with the global average. Many may also release additional discussion of macroeconomic and industry factors.

Compared to CFOs in other countries, **German finance leaders are more likely to be adjusting guidance**, but less likely to be considering liquidity disclosures.

**Q: In the next six months, which of the following COVID-related disclosures are you considering?**



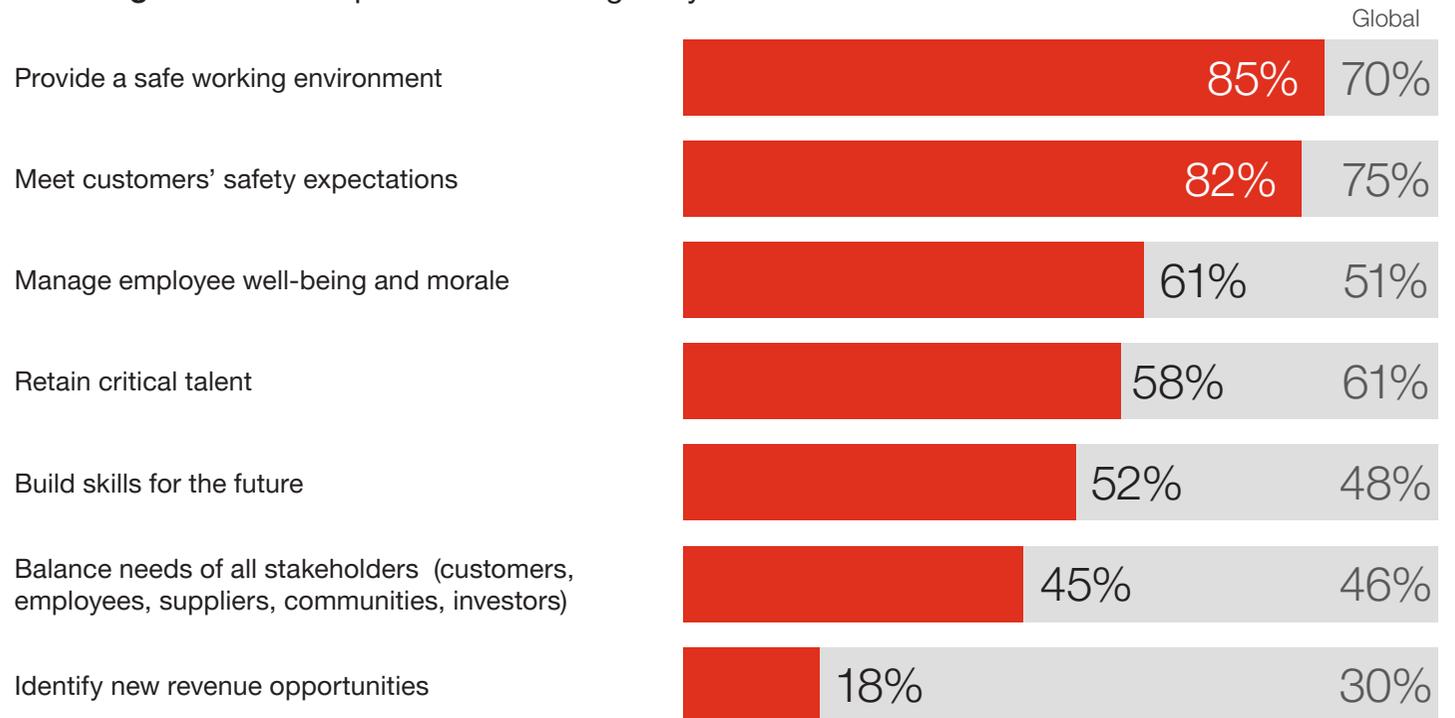
# German CFOs are highly confident when it comes to ensuring a safe return to on-site work and business

>80%

of German CFOs are very confident that they can provide a **safe working environment** and meet **customers safety expectations**. Three-fifths are also very confident about managing employee well-being and morale.

But when it comes to identifying new revenue opportunities, they're far less optimistic. Just 18% are very confident they'll be able to do that when returning to the workplace.

**Q: In returning to the workplace, how confident are you in your company's ability to do the following?** Based on respondents indicating "very confident".



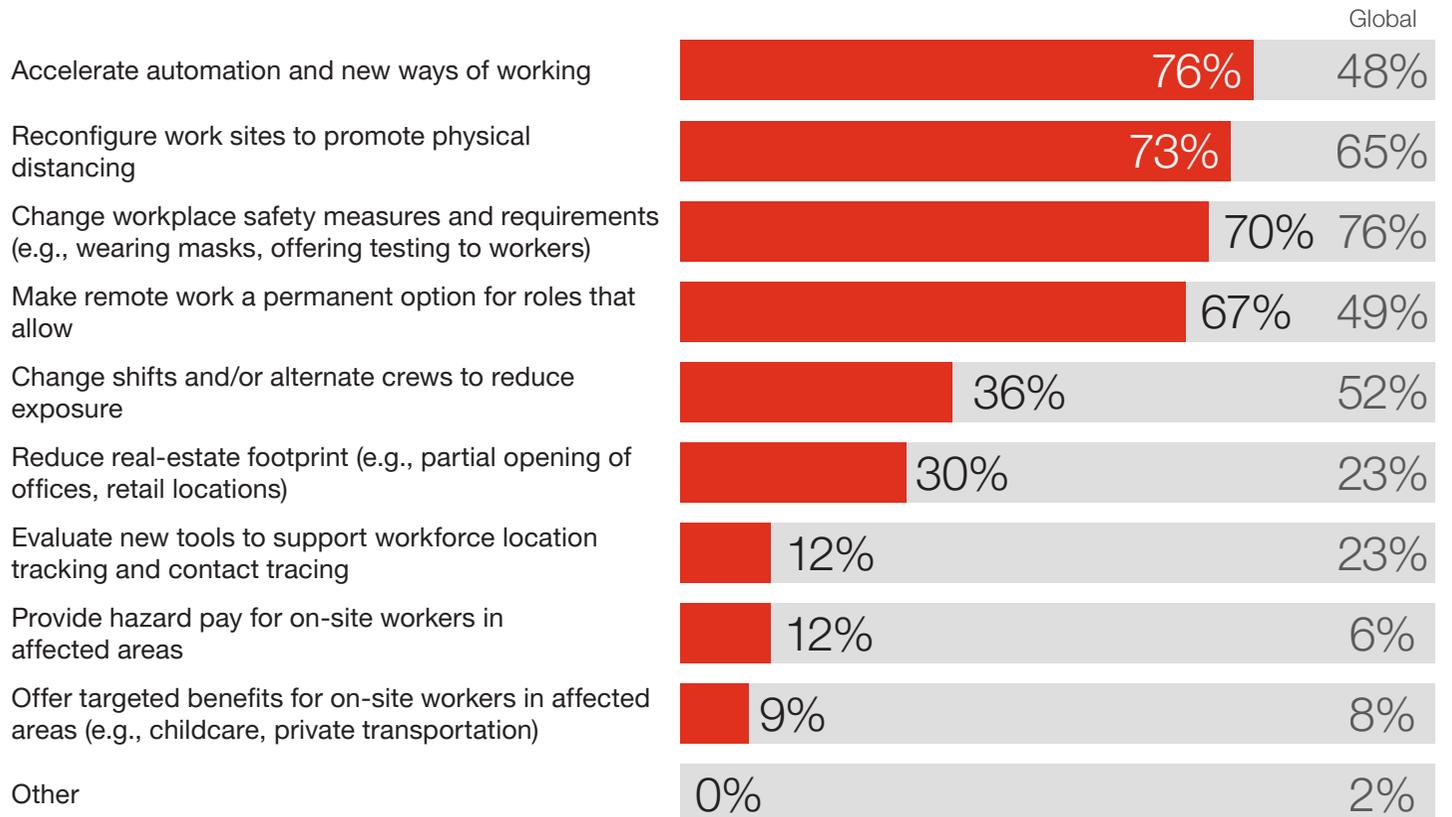
# CFOs take a careful approach for restarting, reducing human interaction where possible

>70%

of German CFOs will reconfigure work sites (73%) and change workplace safety measures (70%) to protect their people as they return to on-site work.

They'll also **accelerate automation and new ways of working** (76%), and **make remote work a permanent option** where applicable (67%) – both changes with profound long-term impacts.

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



# German CFOs are rethinking ways of working for their organisations

Expect **work flexibility** (e.g. hours, location) to continue having a positive impact over the long-run

Germany



US



Worldwide



Δ change to last wave

New

Will **accelerate automation and new ways of working** once companies return to on-site working



Δ change to last wave

+8PP

Will make **remote work a permanent option** for roles that allow once companies return to on-site working



Δ change to last wave

+4PP

-6PP

+2PP

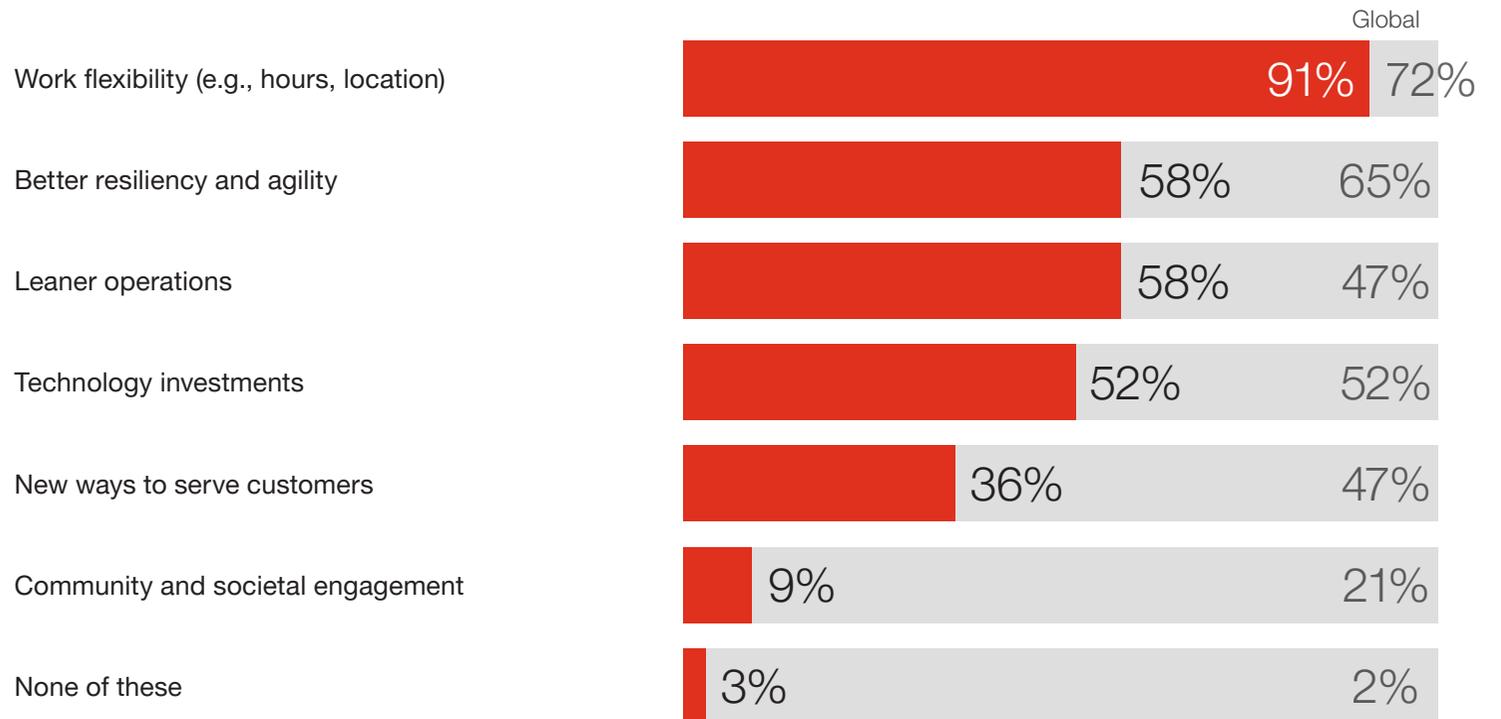
# Companies anticipate more work flexibility, better resiliency and agility and leaner operations over the long term

# 91%

of German CFOs see **increased work flexibility as a long-term benefit** of the current crisis.

That's not all - 58% believe that the current situation will help their companies achieve better resiliency and agility and leaner operations over the long-run. More than half also believe that current technology investments will benefit their companies over the long-term.

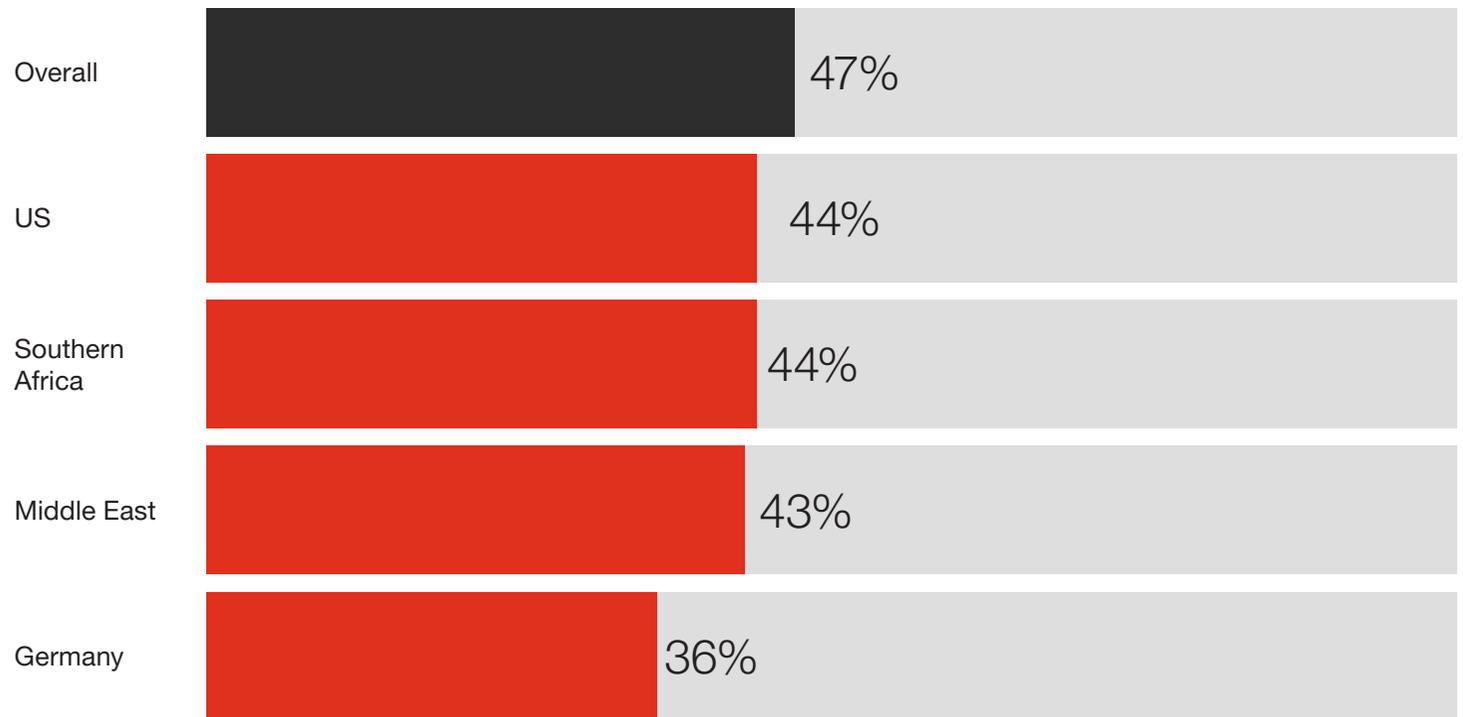
**Q: What about the current situation will make your company better in the long run?**



However, German CFOs are much less likely to gain new insights into serving customers from the current crisis

What about the current situation will make your company better in the long run? Respondents answering “New ways to serve customers”.

Germany in comparison to global average and selected countries.



36%

of German CFOs expect to that new ways to serve customers will emerge as a result of the current crisis, less than in any other country we surveyed.

# COVID-19 CFO Pulse

## Contacts



**Dr. Ulrich Störk**

Chairman of the  
Management Board  
PwC Germany



**Mark Smith**

Member of the  
Management Board  
PwC Germany



**Clemens Koch**

Member of the  
Management Board  
PwC Germany



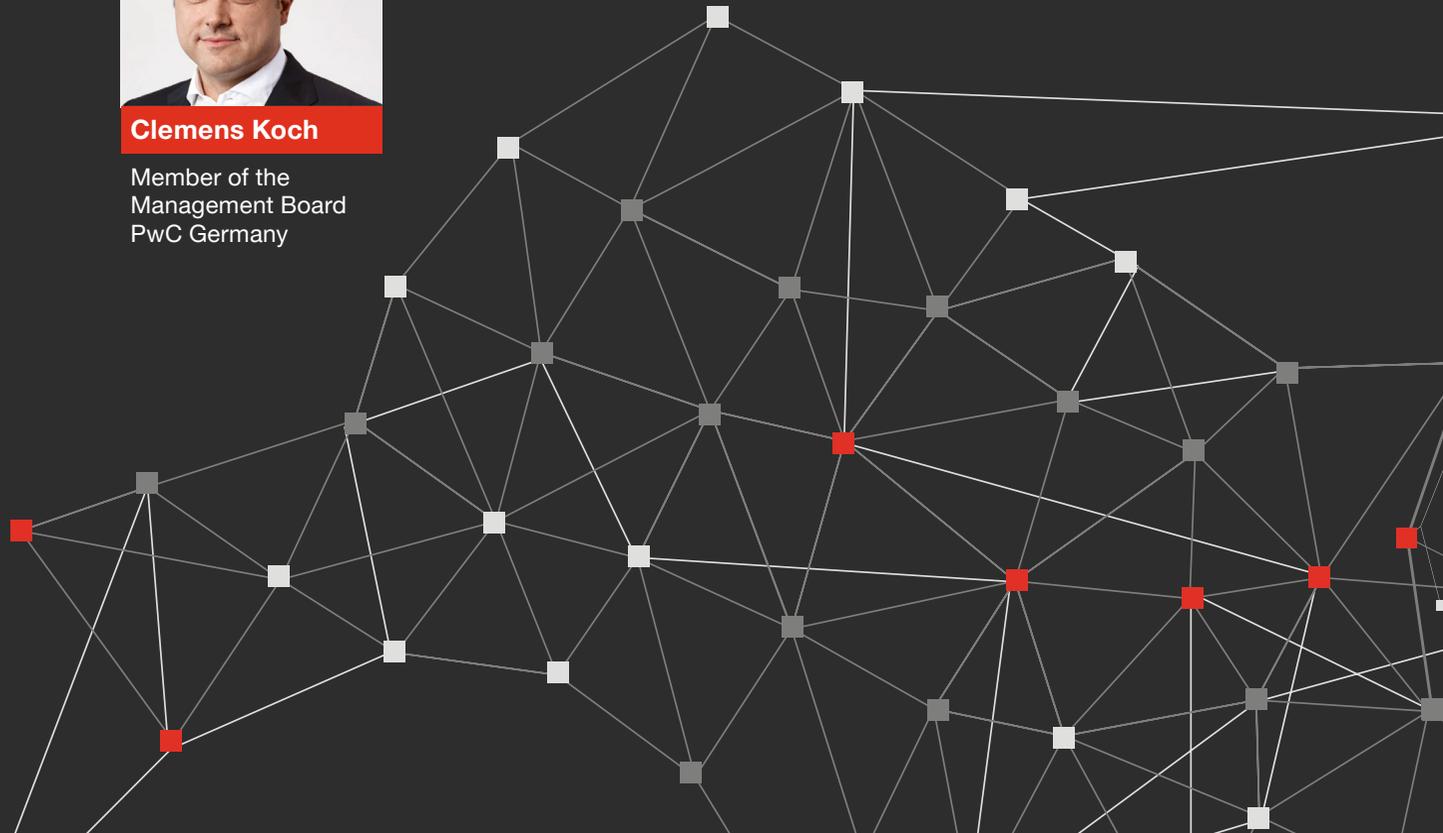
**Alexandra Firnges**

Marketing  
PwC Germany



**Santo Pane**

Communications  
PwC Germany





# Together through COVID-19

PwC Germany – Wave 4 in a bi-weekly series

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





**Annex**

# PwC COVID-19 CFO Pulse Wave IV

## Key Findings

# 1

### Embracing the new reality

German CFOs are no longer treating COVID-19 as a temporary crisis. Instead they've come to grips with it as a key part of the overall business environment. That's seen in the 79% who now expect revenues to decline this year. It's also reflected in the nearly half of CFOs who currently say that a return to "business as usual" post-COVID-19 will take more than 3 months.

# 2

### Controlled shift back to working on-site

German CFOs anticipate getting more employees back to work in the coming month - the share of expecting furloughs has decreased significantly (to 33%). They're focused on reducing risk, for example by decreasing human interaction, and enhancing compliance during this process. Most CFOs (85%) are very confident that they'll be able to provide a safe work environment.

# 3

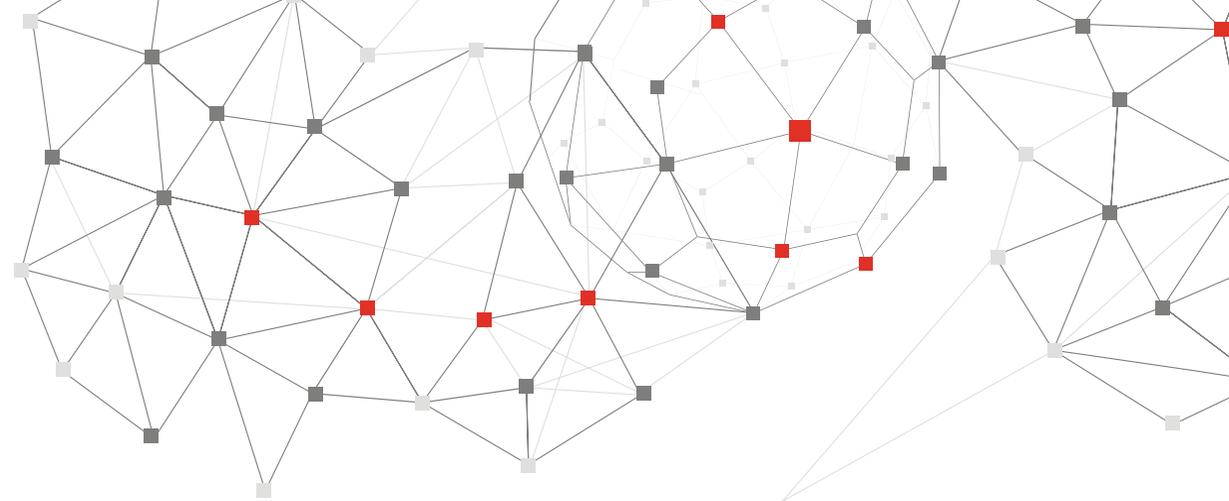
### Profound changes ahead

Finance leaders believe that the operational changes happening today will have long-term benefits - chief among them increasing work flexibility (91% vs. 72% globally). This shift will only be possible in a digitalised, lean enterprise, and CFOs also mention leaner operations (58%), better resiliency and agility (58%), and technology investments (52%) as other important long-term benefits.

# 4

### Looking beyond operations

With these changes in mind, some German businesses may also want to consider broader strategic implications, particularly when it comes to getting closer to the customer. German CFOs are less likely to see "new ways to serve customers" as a factor that will make their company better in the long run (36% vs. 47% globally, lower than any other country surveyed). That could be a missed opportunity.

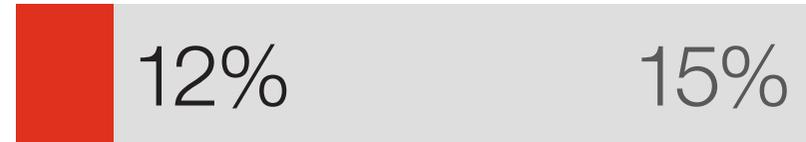


# German companies are maintaining their social commitment

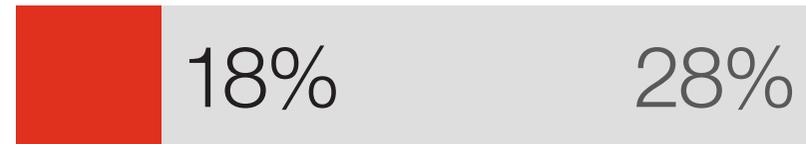
**Q: In response to COVID-19, how have you changed your company's community-focused and other societal activities (e.g., financial or other contributions to nonprofits; pro bono goods and services; programs to support vulnerable groups)? n=33**

Global

We have **increased** our efforts and expect to sustain this level of commitment for the foreseeable future



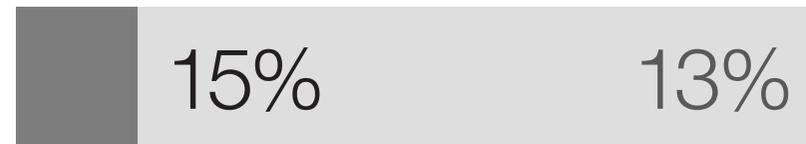
We have **increased** our efforts to meet temporary needs but expect to go back to former program levels once the crisis stabilises



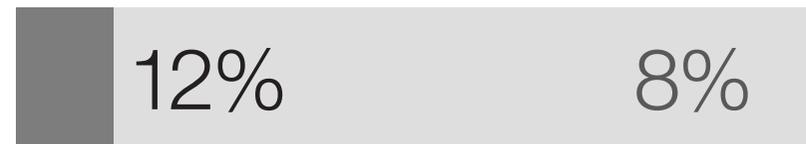
No change



We have decreased our efforts temporarily and expect to return to former programme levels in the future



N/A - we do not have any community or societal programmes



72%

of German companies have increased or maintained their community-focused and societal activities. Just 15% say they've had to cut back on such programmes as a result of the crisis.

72%

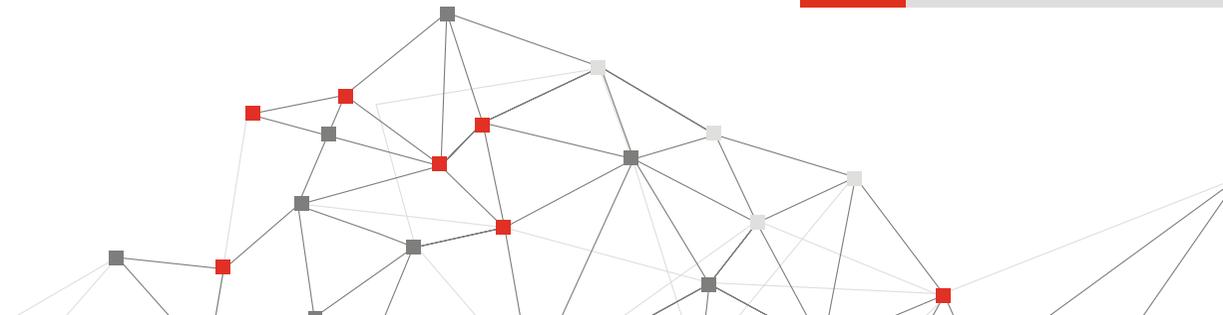
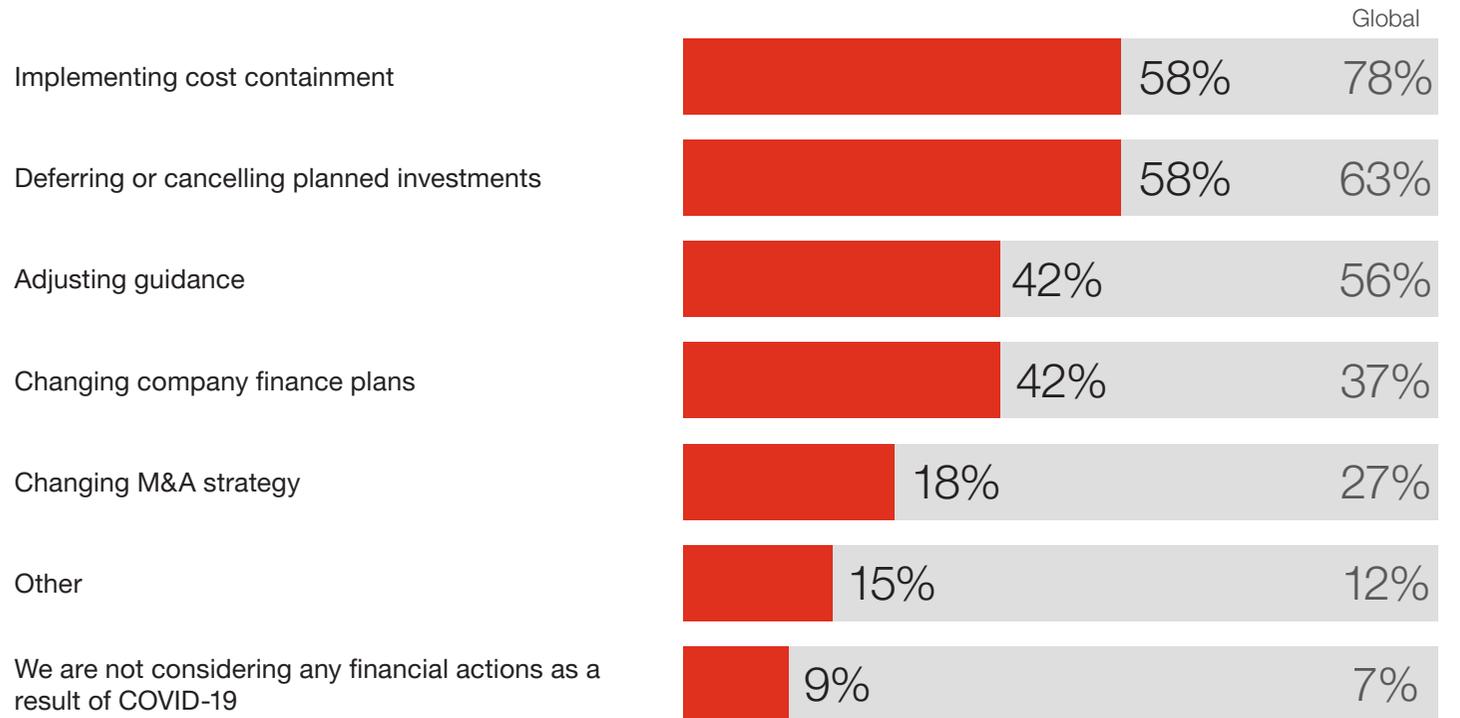
# Companies are taking action to manage financial impacts

Companies are most likely to be considering **the implementation of cost containment** measures to manage the expected impacts.

Many may also defer or cancel planned investments or adjust their guidance to investors. Changes to financing plans or M&A strategy are currently lower on the agenda.

Our global data shows that these priorities do vary by industry, however.

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

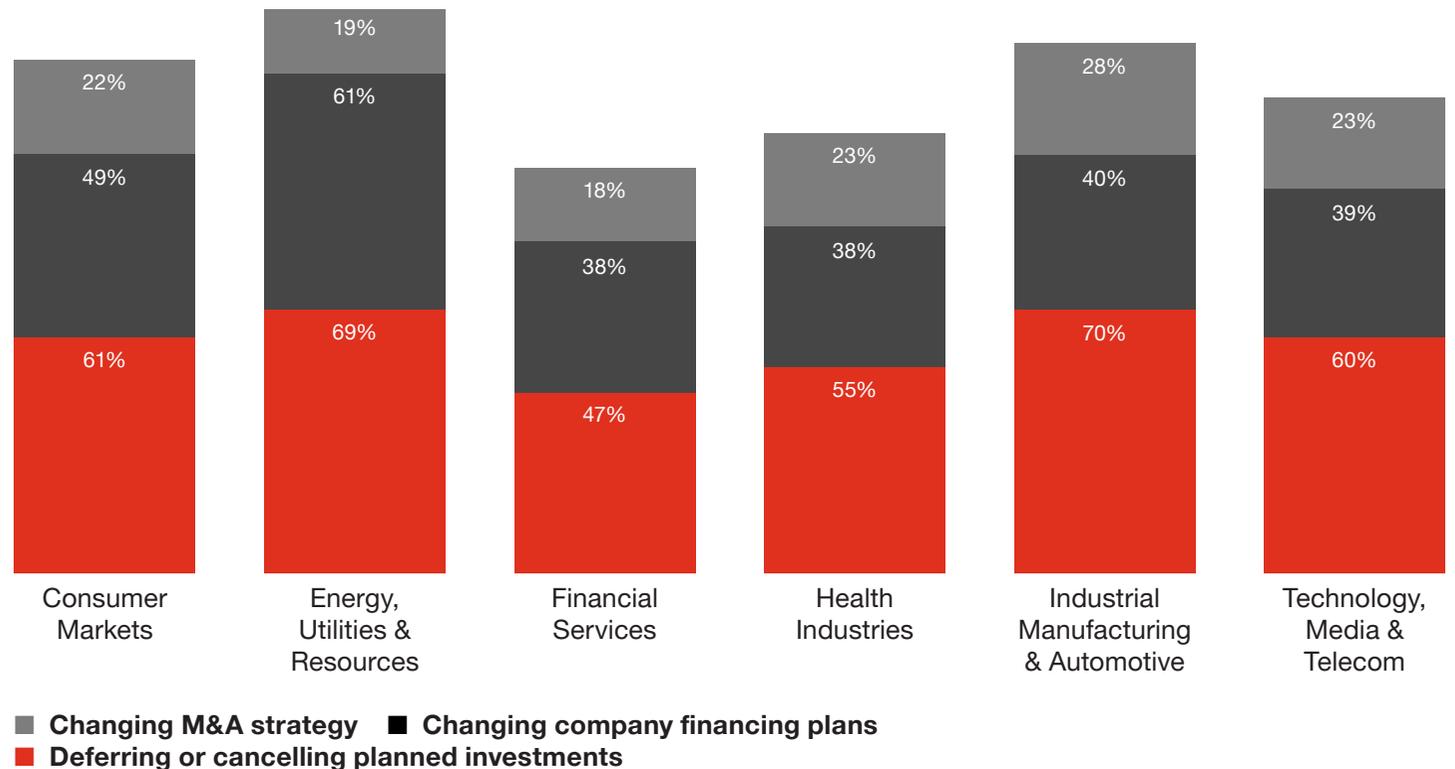


# There are significant variations globally by industry when it comes to financing, investments and M&A strategy

## Industry insights

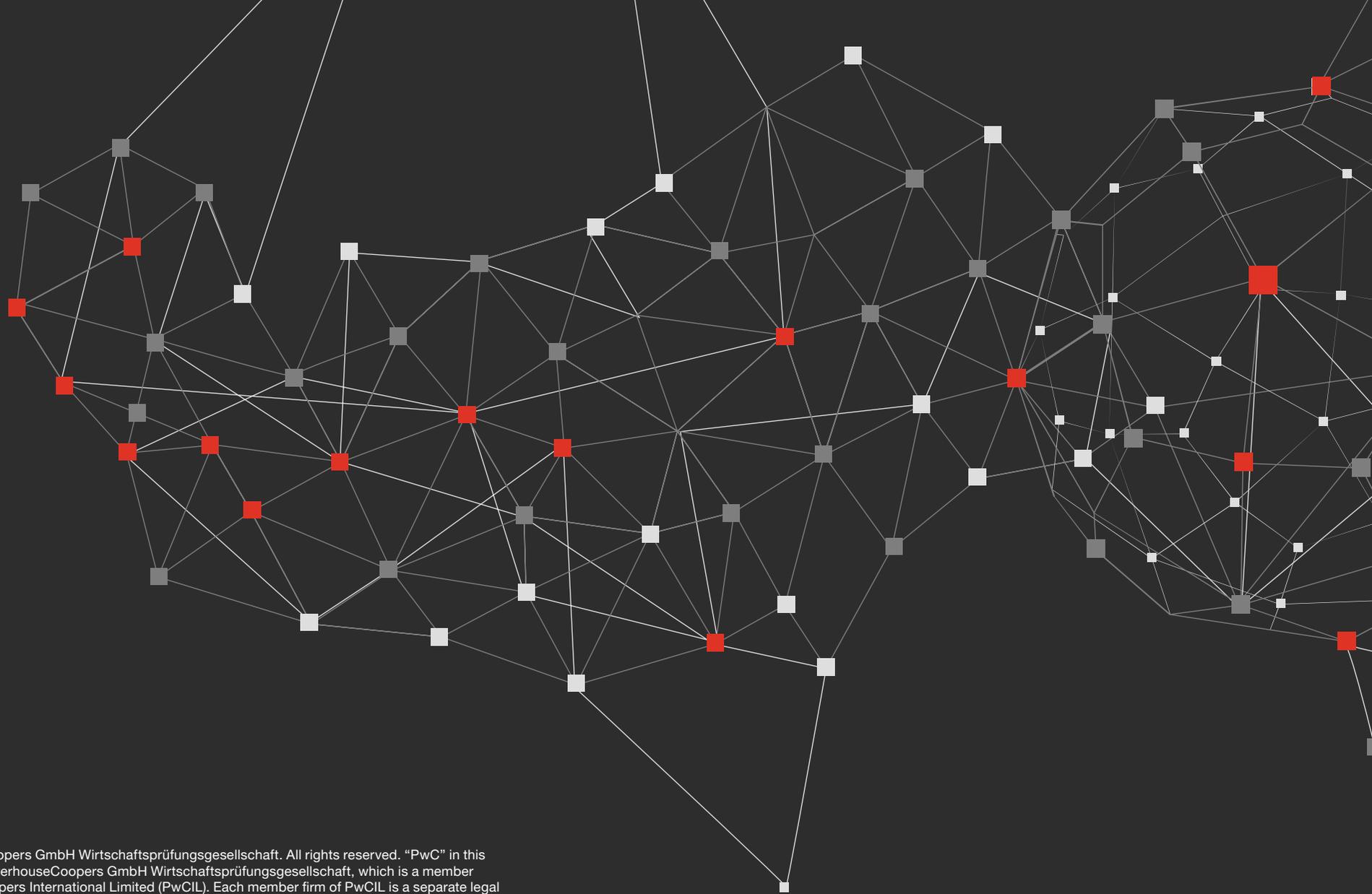
From an industry perspective, we see that energy companies and industrial manufacturers are most likely to be deferring or cancelling investments. Energy companies are also much more likely to be considering changing company financing plans, while manufacturers have the most interest in changing their M&A strategy.

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



## 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.



© 2020 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. All rights reserved. "PwC" in this document refers to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which is a member firm of PricewaterhouseCoopers International Limited (PwCIL). Each member firm of PwCIL is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

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