

# The impact of COVID-19 on digital transformation agendas

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Philippines





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# Introduction

Digital transformation has been a buzzword in the business community for years now. In 2020, it was discussed extensively in various business fora along with the terms “survival” and “resilience.”

As COVID-19 affected businesses in the Philippines, business organisations looked for ways to continue their operations despite the government restrictions that were enforced to ensure public health and safety. From workforce mobility, digital marketing, e-commerce implementation, and other digital transformation projects, companies recalibrated their business models and processes to ensure their survival. For some, COVID-19 became the main driver behind their digital transformation journeys.

In June 2020, P&A Grant Thornton conducted a survey on the impact of COVID-19 on the digital transformation agendas of Philippine companies.

*The survey results answered the following questions:*

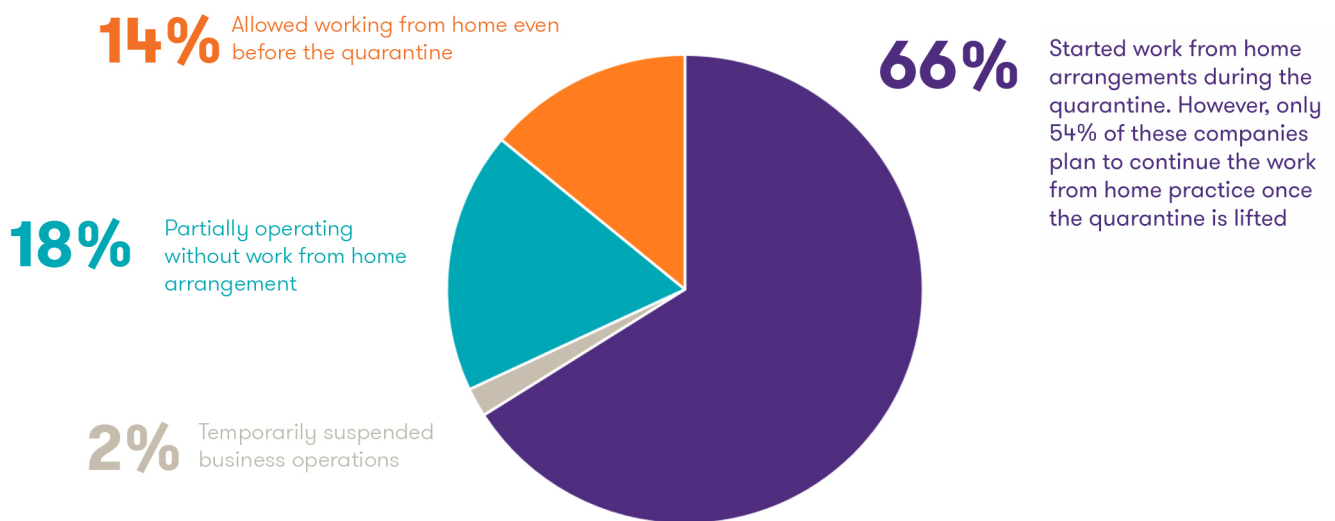
- *How did having digital transformation projects affect the continuity of business operations?*
- *How did having digital transformation projects affect the continuity of business operations?*
- *Did COVID-19 prompt companies to start digital transformation projects? How did COVID-19 impact ongoing digital transformation projects?*
- *What were the focus areas of digital transformation?*
- *What were the most common digital transformation challenges faced by companies?*
- *How did the situation affect companies' perspectives on information technology (IT) spend?*



# Business continuity facilitated by digital transformation

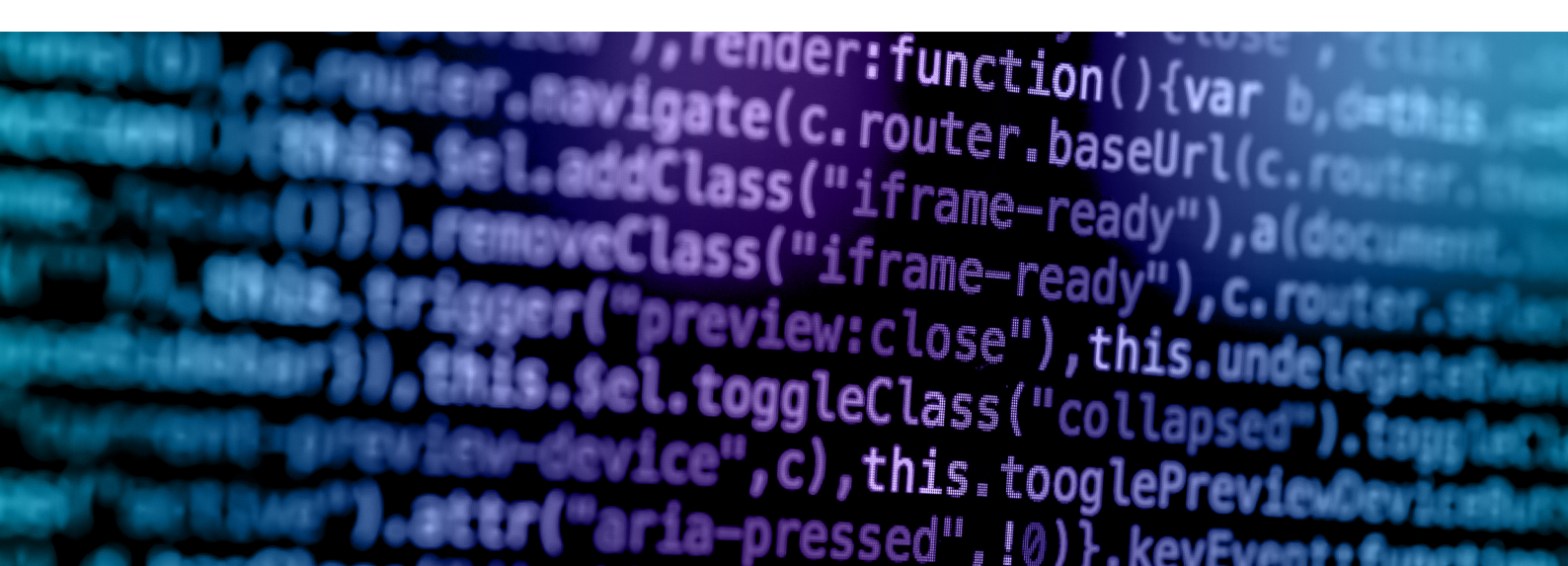
Digital transformation projects had a significant impact on the continuity of business operations during the pandemic. Results showed that 80% of companies surveyed implemented work-from-home (WFH) arrangements. Among these respondents, two-thirds said they only implemented WFH when movement restrictions were enforced.

## Work from home arrangements due to COVID-19

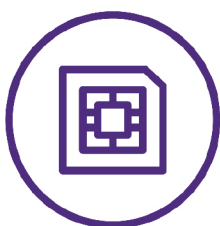


All companies that implemented WFH already had ongoing or completed digital transformation projects in the areas of process automation (90% of those who implemented WFH), workforce mobility (96%), or digital marketing (96%). These kinds of projects were some of the most important digital transformation projects that businesses needed to stay resilient during the quarantine. Companies working remotely had to continue marketing to customers, establish digital collaboration tools, and ensure access to enterprise applications. These projects enabled them to continue their operations despite the lockdowns enforced, especially in the wholesale and retail trade, real estate, and information and communications industries.





## Top ongoing or completed digital transformation projects of companies that implemented working from home



Process automation and digitization



Workforce mobility



Digital marketing

18% of the respondents, predominantly manufacturers, wholesalers, and retail traders, operated during the lockdowns without any WFH arrangement, with most of their personnel required to work on-site. Even though most of these companies (75%) had already implemented digital transformation projects, their projects focused mainly on enterprise resource planning projects. A majority neither had workforce mobility tools nor implemented cloud services that were important in implementing WFH arrangements.

2% of our respondents had to make the difficult decision to suspend their operations. While there are many possible reasons behind this decision, it is important to note that all these companies, which were mainly in business process outsourcing (BPO) and other service activities, had no digital transformation projects planned, ongoing, or completed.

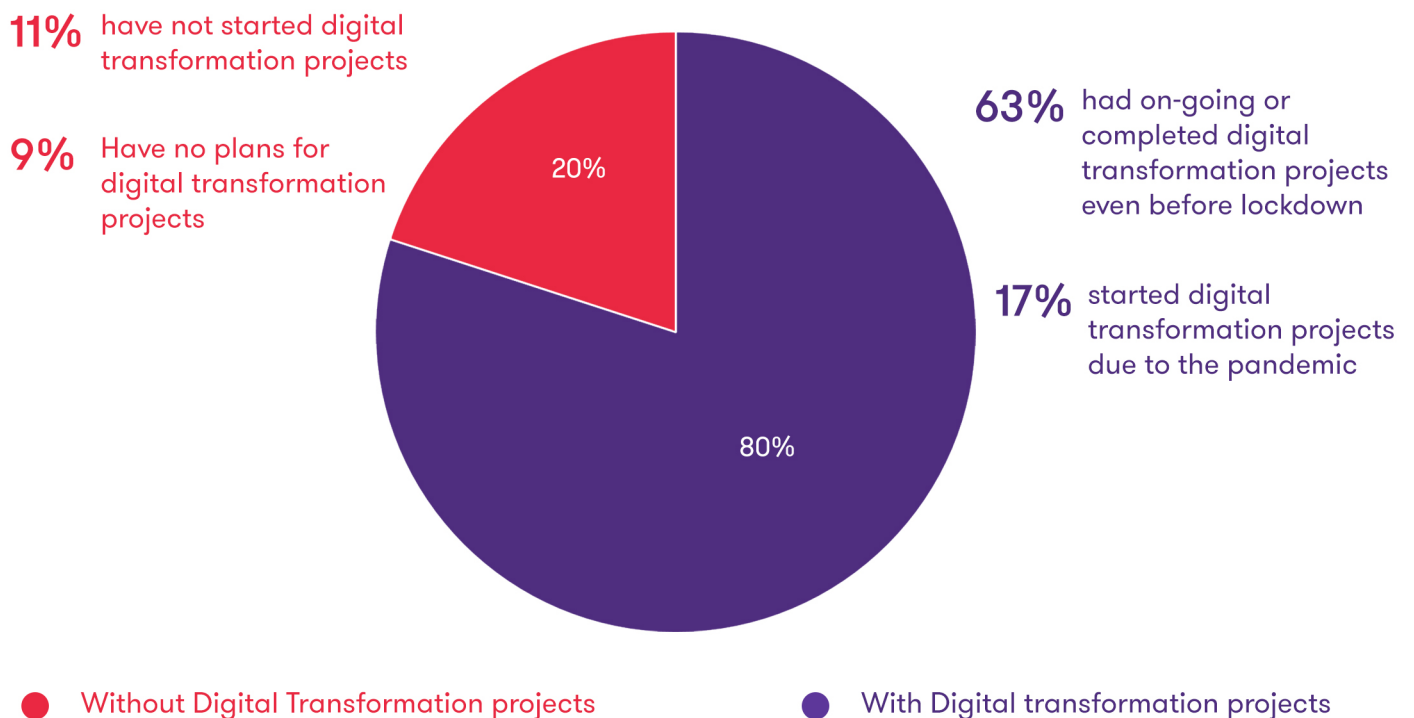
Overall survey results showed that companies with WFH arrangements also had workforce mobility solutions in place (i.e., implementation of cloud-based collaboration tools, such as Microsoft 365, G Suite, or similar). It is clear that these kinds of projects should be the minimum companies must undertake to ensure operational continuity.

# COVID-19 kick-started digital transformation for some

For 17% of our respondents, COVID-19 was the driver for them to digitally transform in order to address the uncertainties brought about by the pandemic. These organisations, coming from a wide range of industries, identified process automation and digitization, infrastructure in the cloud, e-commerce implementation, and workforce mobility as the focus areas of their digital transformation.

On the other hand, 63% of the respondents already had ongoing and completed digital transformation projects even before the enforced lockdowns. These companies had process automation, workforce mobility, and digital marketing solutions in place or nearing completion as of the close of the survey.

While 80% of the companies surveyed had ongoing digital transformation programs, a relatively significant 20% have not started (11%) or did not have any plans for digital transformation at all (9%). Half of the enterprises with no plans for digital transformation were in manufacturing and had less than 100 employed personnel.

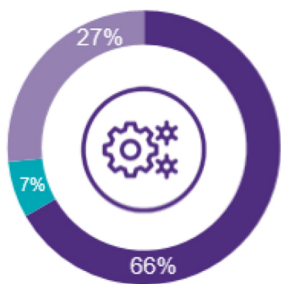


COVID-19 triggered digital transformation projects for 17% of the respondents. However, a majority (60%) of these same companies did not have a digital transformation strategy in place. This brings into question how much study went into the decision to initiate these projects. While P&A Grant Thornton lauds the decision to become more digital at this time, companies must also exercise care and diligence in developing a roadmap and selecting solutions given the relatively high costs of technology and change that digital transformation projects can introduce into organisations.

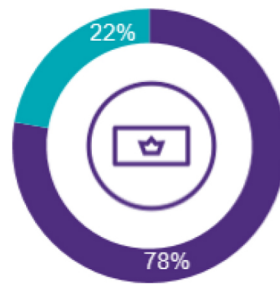
# Data analytics, e-commerce implementation, process automation, next priority areas for many

Among the top five industry respondents, BPOs had the highest number of completed projects, while manufacturing was one of the industries with no plans of having digital transformation projects. The most common ongoing or completed projects for BPOs were process automation (83%), data analytics (63%), and enterprise software implementation (63%), while process automation (63%) and cloud services or infrastructure migration (50%) are the projects they want to prioritise next.

## BPOs had the highest percentage of completed digital transformation projects



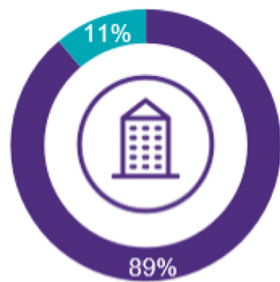
**Manufacturing**



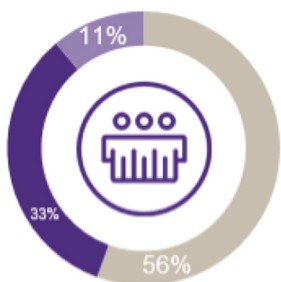
**Financial and insurance activities**



**Wholesale and retail trade**



**Real estate activities**



**Business process outsourcing**

### Legends:

- Completed
- Not yet started
- On-going
- No plans



## The top digital transformation priority projects per industry



For manufacturing, enterprise software implementation (47%), workforce mobility (40%), and digital marketing (40%) were the top ongoing and completed digital transformation projects; data analytics (87%) and process automation (67%) are their next priorities.

For wholesale and retail trade, e-commerce implementation was the top ongoing or completed and top digital transformation project they want to prioritise next.






The remaining top industry respondents, which were financial services and real estate activities, stated that process automation is the top ongoing or completed project, as well as the digital transformation project they want to prioritise next.

These results show that BPOs are ahead in terms of the stage of digital transformation as majority have started or already established data analytics tools and enterprise software. While a majority of the respondents said that process automation and digitization are among their top ongoing or completed projects, it is still one of the projects that the majority of the other respondents would want to do next. While leaders understand the value of automating processes, they find it difficult to get started. To overcome this, companies must go through process discovery activities, such as workshops, brainstorming, and value chain analysis to identify which processes can be automated.

Finally, it is interesting to note that, while a majority of the respondents said that their primary concern is cybersecurity, it did not belong to the top four projects they plan to undertake. Considering cyber threats are increasing as more people work from home and rely on remote tools, cybersecurity should always be in mind when implementing digital projects. It should always be incorporated or considered when planning a new project. Failing to consider security when implementing a project is similar to building a door without locks.

# Digital transformation challenges

## Top 5 challenges on digital transformation

1	Concerned with additional security issues	
2	Lack of budget	
3	Lack of tools to build or manage digital projects	
4	Lack of the right in-house skills	
5	Lack of formal strategy/plan	

### Cybersecurity concerns

It is not surprising to see that our survey showed that more companies are primarily concerned about their IT security, more so now that the pandemic has escalated the risks due to increased reliance on remote work and online services. However, cyber risks can be mitigated with the right tools and approach. While some might view cybersecurity as an expensive and complicated endeavour, there are practical ways to address this without the perceived costs.

### Lack of tools and skills

Embarking on a new journey will require some external guidance or help. Whether through training, hiring experienced leaders, or seeking help from consulting firms, companies must look beyond what they currently have and include a plan to enhance their capabilities. Leaders cannot expect their workforce to transform if they do not have prior experience.

### Lack of formal strategy

Digital transformation should always align with the company's business goals. Companies that simply react to obstacles or head towards the trendiest technology will likely encounter more challenges compared to executing projects that are based on a well-defined plan. While some leaders might think that developing a well-defined plan is time-consuming, having one will always be more beneficial in the long term.

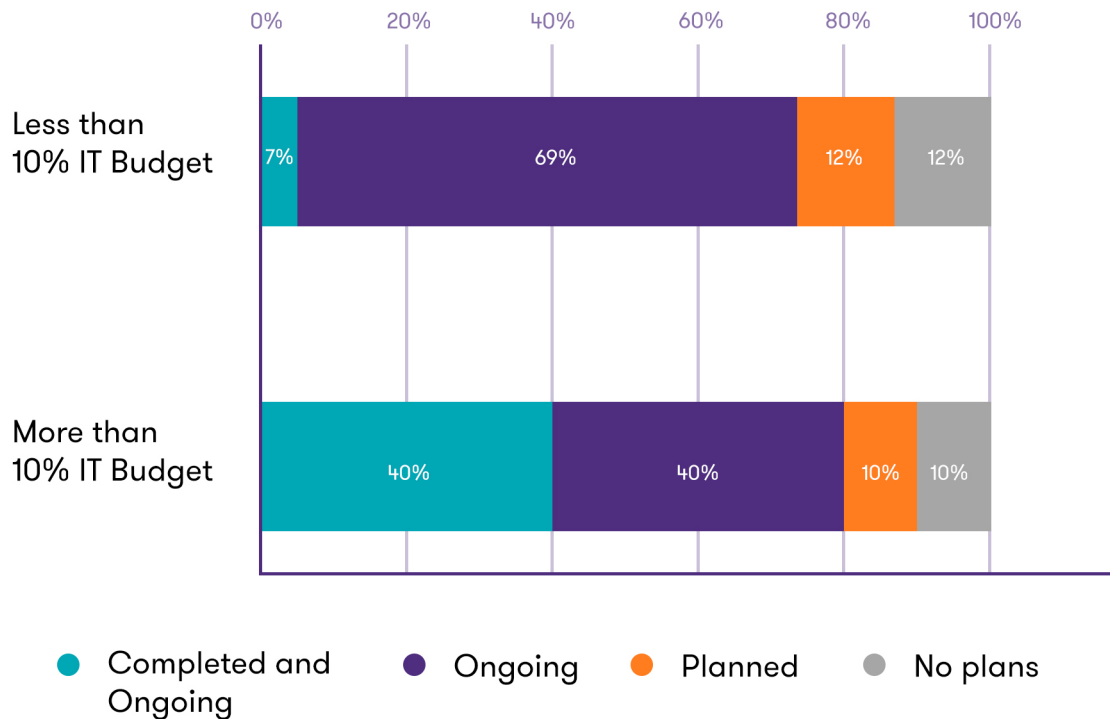
### Lack of budget

While some leaders might think digital transformation is an expensive project, there are several ways to start with as little cost as possible. Since digital transformation involves more than just technology assets, companies can start with changing the culture by empowering employees or enabling innovative thinking. Small, but impactful, projects can also be prioritised. Pilot programs can also be considered to evaluate the effectiveness of a certain project before rolling out at full cost. Lastly, companies can also look into outsourced support for a fraction of hiring skilled professionals.

# IT spend for digital transformation

Companies with a larger IT budget have completed the most digital transformation projects. 50% of the respondents said that they have more than 10% of their revenue allocated to IT and these were the same organizations with the most completed projects.


**This shows the status of DX projects based on the IT budget of companies**



The survey also showed that 100% of companies that planned to increase their IT spend have started digital transformation projects before the quarantine. As for those that planned to decrease their budget, 50% have no plans for digital transformation, 25% have ongoing digital transformation projects, and 25% will start projects only after the pandemic.







The International Data Corporation predicts that, by 2023, digital transformation spending will grow to more than 50% of all information and communications technology investments up from 36% today, with the largest growth in data intelligence and analytics as companies create information-based competitive advantages.

### Top projects that companies want to prioritise:



Data analytics



Process automation



Digital marketing  
and E-commerce  
implementation

These findings were reflected in the survey results: data analytics is among the top projects that companies would want to prioritise next. However, this goes side by side with digital marketing and process automation, which suggests that some companies are only starting with the foundations of transformation.

Regardless of budget, however, process automation has always been the top priority of companies. Companies have always tried to implement solutions to automate their processes to increase their efficiency.

As the pandemic affects the ability of companies to sell products and services, the survey results showed that companies are increasing their IT budget to implement digital ways of doing business, such as e-commerce and digital marketing. As previously mentioned, different online selling platforms, e-commerce software, and online marketplaces have made it easier for companies to execute such projects.

Further, as companies begin to realize that information is also an asset, they have also started allocating their IT budget for data analytics projects. Data analytics will help companies monitor every aspect of their business operations, allowing managers and executives to quickly decide and provide solutions to improve the business.

# Did COVID-19 affect digital transformation agendas?



The survey results showed that most of the respondents have gone through some form of digital transformation activity even before the start of the crisis, which allowed them to remain operational during the lockdown. The results also showed that these companies started their transformation journey by enabling workforce mobility or process automation, which meant they prioritised collaboration, employee productivity, and operational efficiency over increased revenue. However, most companies lack a formal digital transformation strategy, or a formal digital transformation strategy review process, even though predominantly, chief executive officers and chief operations officers headed these activities.

In conclusion, the COVID-19 pandemic did not significantly affect the digital transformation agendas of most of our survey respondents. While the crisis triggered digital transformation for 17% of our respondents, it is surprising that 9% of those surveyed still had no plans to pursue digital transformation despite the current situation. All organisations that were already in the process of “going digital” would continue to do so, with most saying that they would likely increase their IT spend in the coming years.

While digital transformation should not be considered a magic pill, companies must still adapt digitally to survive this pandemic and, perhaps alter the future of their industry. Regardless of their industry or company size, businesses should include in their goals a way to operate digitally. Whether it be as simple as deploying a cloud-based workforce mobility solution or as complex as implementing a new digital customer experience, companies must accept that digital transformation allows organizations to be resilient and competitive for the foreseeable future.

# About our survey

## Our respondents:



### Role of our respondents:

34% - CEO      17% - CFO  
7% - COO      1% - CMO  
41% - Others



### Company's employee size:

37% - Less than 100  
20% - 100 to 200  
29% - 200 to 1,000  
12% - 1,000 to 10,000  
2% - more than 10,000



### Location of the company:

71% - National Capital Region  
22% - Luzon (except NCR)  
5% - Visayas  
2% - Mindanao



### Company's asset size:

5% - 3 Million Php and below  
13% - 3 Million Php to 15 Million Php  
24% - 15 Million Php to 100 Million Php  
58% - 100 Million Php and above

## Respondent's industry:



Manufacturing - 17%



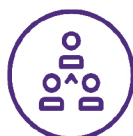
Wholesale and retail trade - 15%



Financial and insurance activities



Real estate activities



Business process outsourcing



Human health and social work activities



Accommodation and food service activities



Information and communications



Professional, scientific and technical services



Education





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