Global executives look to digital transformation to support recovery

Introduction:

A permanent change in how organizations operate

Senior executives worldwide face a starkly different economic climate entering Q4 of 2020 than they and their teams originally anticipated. The personal toll of the COVID-19 pandemic has been tragic, and its economic impact far-reaching. Global executives are presently working through what recovery will look like, determining how to evolve their organizations to meet newly urgent strategic priorities, such as supporting the health and safety of their employees, even as they remain focused on the fundamentals, such as a return to serving customers as robustly as they did pre-pandemic.

To identify key trends in the approaches of executives, SAP Concur commissioned a survey polling 552 senior executives in 11 countries (Australia, China, India, Japan, Singapore, Brazil, Mexico, the United States, France, Germany and the United Kingdom), which was conducted in June and July 2020. The respondents were drawn from the senior leadership ranks of the finance, IT/technology, management/ strategy, and operations and risk functions at companies with at least 1,000 employees. (E) BrandConnect, a commercial arm of The Economist Group, fielded the survey. This executive summary provides an analysis of the key findings of the survey, which revealed a clear area of agreement: 88% of senior executives in these functions agree that the pandemic will forever change how businesses operate.
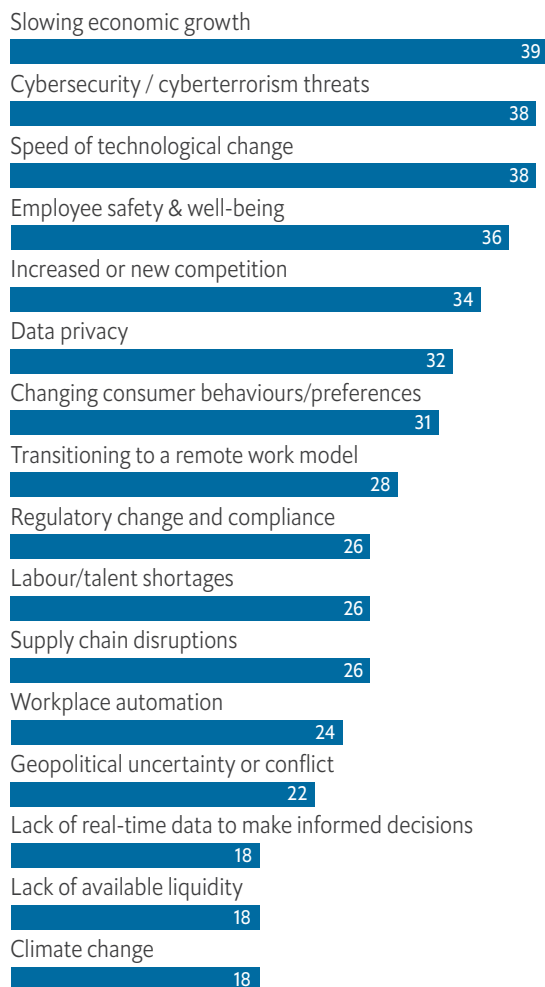

93% of executives agree that maintaining organizational agility is the only way to navigate uncertainty

Amid challenges, executives are confident in the capabilities of their organizations in some areas, but worry about underperformance in tackling costs

Overall, business challenges and strategic priorities have shifted slightly in the current global economic environment. Unsurprisingly, the top business challenge identified by executives is slowing economic growth, followed very closely by cybersecurity/ terrorism threats and speed of technological change, and, in a likely nod to the pandemic, employee safety and well-being. Challenges such as climate change and geopolitical uncertainty—which Bloomberg identified as among the top disruptors facing companies as recently as October 2019—hover near the bottom of the list of 16 challenges included in the survey (see Figure 1).

Even as executives contend with these concerns, they are relatively optimistic about their own organizations compared with industry peers. However, the areas where executives are less confident are significant because they are inextricably linked to long-term growth and profitability. Globally, there are two areas that executives mention most often when asked where they are most confident versus their peers: the use of emerging technologies and evaluating risk/managing regulatory compliance.

Figure 1: Top business challenges globally
(% of respondents; respondents were asked to select all that apply)

Challenge	%
Slowing economic growth	39
Cybersecurity / cyberterrorism threats	38
Speed of technological change	38
Employee safety & well-being	36
Increased or new competition	34
Data privacy	32
Changing consumer behaviours/preferences	31
Transitioning to a remote work model	28
Regulatory change and compliance	26
Labour/talent shortages	26
Supply chain disruptions	26
Workplace automation	24
Geopolitical uncertainty or conflict	22
Lack of real-time data to make informed decisions	18
Lack of available liquidity	18
Climate change	18

That confidence, however, decreases when it comes to cost control, revenue growth and operational agility (see Figure 2). This relatively lower level of confidence is telling because it is often through operational agility that companies are able to bring discipline to their spending and quickly make the strategic pivots that lead to revenue growth.

Confidence in their own organizations varies somewhat by region: Executives in the Americas are more likely to rate their company's performance as "much stronger" than their European and APAC counterparts. What's more, in APAC countries, only 4 in 10

executives rate the performance of their organization as "much stronger" in the eight capabilities measured in the survey.

The reason for this regional variation in confidence levels may lie in executives' assessment of their relative strength in four particular areas: Use of emerging technologies, evaluating risk and managing regulatory compliance, providing innovative products and services, and cost control. In these four core capabilities, executives in the Americas consistently rate themselves as much stronger than their industry peers.

Figure 2: Estimation of performance compared with industry peers globally
(% of respondents answering "much stronger")

Use of emerging technologies
47

Evaluating risk and managing regulatory compliance
43

Providing innovative products/ services
39

Attracting & retaining talent
39

Business model
37

Operational agility
35

Revenue growth
34

Cost control
33

Longer-term strategic priorities revolve heavily around technology...

In some ways, the top strategic priorities identified by respondents for the next two to three years echo a pre-pandemic world, reflecting evergreen priorities such as increasing the use of data and analytics, improving the digital customer experience and automating operations. But it is likely that the pandemic has pushed these priorities up the list, given that trends such as remote work and serving customers effectively online have been accelerated by COVID-19. Always in the background, of course, is the digital transformation that was already underway, with companies continuing to grapple with the growing need to manage and capitalize on technologies such as cloud computing, artificial intelligence and machine learning.

Additional strategic priorities identified by executives in the survey reflect a recovery mindset that may linger for some time. For example, concerns such as ensuring business continuity and safeguarding employee safety and well-being rank slightly higher than the traditionally high-priority issue of scaling the business (see Figure 3).

Figure 3: Top strategic priorities for next 2-3 years
(% of respondents; respondents were asked to select all that apply)

Increase use of data & analytics
42

Improve digital customer experience
40

Increase automation of operations
39

Develop/invest in new technology systems/infrastructure
39

Increase employee productivity & satisfaction
39

Ensure business continuity
36

Make significant progress in digital transformation
35

Accelerate product/service innovations
34

Ensure employee safety & well-being
34

Scale the business
(eg, enter new markets, increase headcount, etc.)
31

Ensure regulatory compliance
28

Reduce fraud risk
27

Reduce risk of supply chain disruption
27

Cost containment (eg, decrease headcount)
24

Expand business portfolio/categories
23

Pursue inorganic growth (M&A)
19

Reshore more operations/production
15

Consolidate business portfolio/categories
15

Offshore more operations/production
13

Placing the 19 possible strategic priorities into three categories further reveals the degree to which companies currently favor "recovery" mode over "growth" mode. Priorities falling under the Business Maintenance/Continuity and Digital/Technology categories were chosen more often than those in the third category, Regaining Momentum (see Figure 4). This does not mean that executives have deprioritized important business objectives such as scaling the business or innovating—rather, executives are signaling that those objectives have, for now, taken a back seat to more urgent necessities. These include maintaining the business, and using technology to work smarter and use limited resources more efficiently during this time of economic uncertainty.

An example is the role of compliance, which, when backstopped by technology, can help preserve limited resources externally, by avoiding fees for regulatory missteps, and internally, by ensuring that spending is aligned with the organization's guidelines and incidents of fraud are quickly identified. Both priorities fall under the overarching umbrella of business continuity.

Here again, regional differences emerge: Although half of all executives surveyed in the Americas cite an improved digital customer experience as a top strategic priority, only around one-third of APAC and European executives do so. Executives in APAC and Europe most frequently specify increasing the use of data and analytics as a top priority.

Figure 4: Strategic priority categories

Business Maintenance and Continuity	Digital/Technology	Regaining Momentum
Ensure business continuity	Increase use of data	Scale the business
Reduce supply chain disruption	Improve digital CX	Expand business portfolio
Contain costs	Automate operations	Pursue inorganic growth
Ensure regulatory compliance	Develop new technology systems	Offshore operations/production
Reduce fraud	Progress digital transformation	Increase employee productivity
Ensure employee safety and well-being		Accelerate product/service innovation
Reshore more operations/production		
Consolidate business portfolio/categories		

…But executives question readiness to act on those priorities

Self-assessments by executives of their company's preparedness to pursue the identified strategic priorities vary slightly (see Figure 5). Analyzing the results through the finer grain of only those executives who say that they are "very prepared" reveals additional insights. For example, given that cost containment is an area in which many executives say they are underperforming compared with their peers, it is unsurprising that less than half of respondents report feeling "very prepared" to pursue that particular strategic priority. In fact, this is the strategic priority that the fewest number of executives indicate they are "very prepared" to pursue.

Executives also report concerns about their readiness to pursue the very strategic priorities identified most frequently. Specifically, their evaluations of preparedness around two out of the three most-cited strategic priorities—improved data analytics and increased automation of operations—are lagging. Less than half of respondents say their organization is "very prepared" to pursue each of these priorities.

Confidence improves, however, when it comes to the second most-chosen strategic priority: improving the digital customer experience. Nearly six in 10 executives report that their organization is "very prepared" to pursue this priority. The results suggest that executives feel better prepared to take on applications of technology that are more externally facing, such as improving the digital customer experience, than those that are deployed internally, including data analytics and automating operations.

Figure 5: Preparedness, by strategic priority
(% of respondents answering "very prepared" or "somewhat prepared")

Offshore more operations/production
97

Ensure regulatory compliance
96

Expand business portfolio/categories
96

Increase use of data & analytics
95

Accelerate product/service innovations
95

Reduce fraud risk
95

Increase automation of operations
95

Make significant progress in digital transformation
94

Improve digital customer experience
94

Ensure employee safety & well-being
94

Increase employee productivity & satisfaction
94

Ensure business continuity
94

Develop/invest in new technology systems/infrastructure
93

Scale the business
(eg, enter new markets, increase headcount, etc.)
93

Consolidate business portfolio/categories
93

Cost containment (eg, decrease headcount)
92

Pursue inorganic growth (M&A)
89

Reduce risk of supply chain disruption
87

Reshore more operations/production
85

Less than

50%

of respondents say their organization is "very prepared" to improve data analytics and increase automation of operations

A deeper dive: T&E cost control can help companies build resiliency now

The COVID-19 pandemic has underscored how adaptable companies are better-positioned to weather economic disruption. For example, when asked about the role that automated travel and expense (T&E) management solutions can play in furthering desired business outcomes, more than 90% of executives surveyed worldwide agree that automated T&E can help the organization stay nimble and facilitate long-term growth.

More specifically, with cost control identified as an area in which many executives feel they are lacking, it is notable that the most frequently chosen business outcome that executives hope to realize by implementing an automated T&E solution is improved visibility into company spending. Executives are asking a lot of these solutions. Three business outcomes tie for the second most mentions: increased business process efficiency, greater business agility and smarter, data-based decisions, all of which speak to the need for adaptability and efficiency in an era of reduced headcounts and greater technology usage. At the same time, executives recognize the role that such robust systems can play in ensuring employees comply with company policies on smart spending; more than 90% of executives surveyed agree that a scalable, automated T&E management solution is key to ensuring consistent application of policies and protocols across the business.

In terms of the types of technology organizations use to track and manage their T&E, more than three-quarters (78%) of all respondents employ mobile-first or cloud solutions. But executives signal a need to improve their outcomes by adopting intelligent technologies, predictive analytics, AI and machine learning

that can further contain costs and increase visibility into spending. Ninety-three percent agree that given the technology available today, they should be using intelligence-driven automation to advance T&E operations. That advancement often revolves around cost control and compliance—more than half of executives surveyed say their current T&E solutions provide limited ability to contain costs, while 38% say they provide limited visibility into spend. This is despite executives rating spend visibility as the most important business outcome from using an automated T&E management solution.

Although more than 80% of executives agree that outdated technology leaves their organization at risk, resistance to adopting a new automated T&E solution centers largely around the expense of investing in new technology and concerns about data privacy and security. Each of these are cited as a challenge by nearly 40% of survey respondents.

More than

90%

of executives surveyed worldwide agree that a scalable, automated T&E management solution is key to ensuring consistent application of policies and protocols across the business

In conclusion

Organizations today are navigating uncharted waters, and global executives are keenly aware of the uncertainties: 84% agree that the full impact of the COVID-19 outbreak may not be truly known for years to come. As the survey responses show, however, organizations are using this time to focus on the fundamentals: getting effective, efficient technologies in place, identifying and rectifying weaknesses in areas such as cost control, and focusing on the health and safety of employees.

Digital transformation for an organization comes in many different forms. Respondents in this survey indicate that cloud, AI, machine learning, automation and robotics all play a critical role in organizational success. Such analytical tools help executives gain full visibility of data and benefit forecasting and operational agility. As organizations adjust to a new normal, those that use this time to recover, invest in technology and focus on business fundamentals will emerge stronger.

Visit SAP Concur to learn how organizations can better control costs, drive compliance and gain better spend visibility during the pandemic.

Sources

"Navigating Change," a survey of global executives fielded by (E) BrandConnect and Commissioned by SAP, July 2020

"The New Economy Drivers and Disruptors Report: Tracking the Forces Threatening the World's Hottest Economies," Bloomberg, October 29, 2019 (accessed via https://www.bloomberg.com/graphics/2019-new-economy-drivers-and-disrupters/)

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SAP® Concur® is the world's leading brand for integrated travel, expense and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The top-rated SAP Concur mobile app guides employees through every trip, charges are effortlessly populated into expense reports and invoice approvals are automated.

By integrating near real-time data and using AI to audit 100% of transactions, businesses can see exactly what they're spending without worrying about blind spots in the budget. SAP Concur solutions eliminate yesterday's tedious tasks, make today's work easier and help businesses run at their best every day. Learn more at concur.com or the SAP Concur blog.

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