

# A New Approach to Volatility: The Importance of Making Better Decisions

Aon Insights

September 2021



# Methodology

#### **International Survey of Business Leaders**

Aug. 3 – Sept. 4, 2021

- 800 interviews with C-suite and senior executives from companies with >500 employees
- Findings compared to 2020 survey of similar audience (with addition of Canada into North America)
- Recruited from online panels in North America, UK and Europe
  - $\circ$  North America: U.S. (n=360); Canada (n=40)
  - EU/UK: UK (n=84); Spain (n=57); France (n=84); Italy (n=75); Germany (n=100)





### Key Themes Lessons Learned from the COVID-19 Pandemic





#### Lessons Learned from the COVID-19 Pandemic Key Themes

- for the future.
- threats and integrates those factors into all decision making.
- from both internal and external expertise.



**1. Executives recognize risk as a necessity to future resilience.** Across industries, executives are reporting a greater willingness to address risk and make investments in order to build resiliency

2. Organizations that fared better during the pandemic took a holistic approach to preparing for **risks.** In a world where risks are more intertwined, stronger companies are placing increased value on an approach to risk management that considers the interconnectedness of potential

**3. Stronger companies value analysis and expertise alongside data.** Business leaders are looking beyond the numbers to garner actionable insights from the data, evaluating analysis and advice







# Economic Outlook Resilience Turns to Optimism

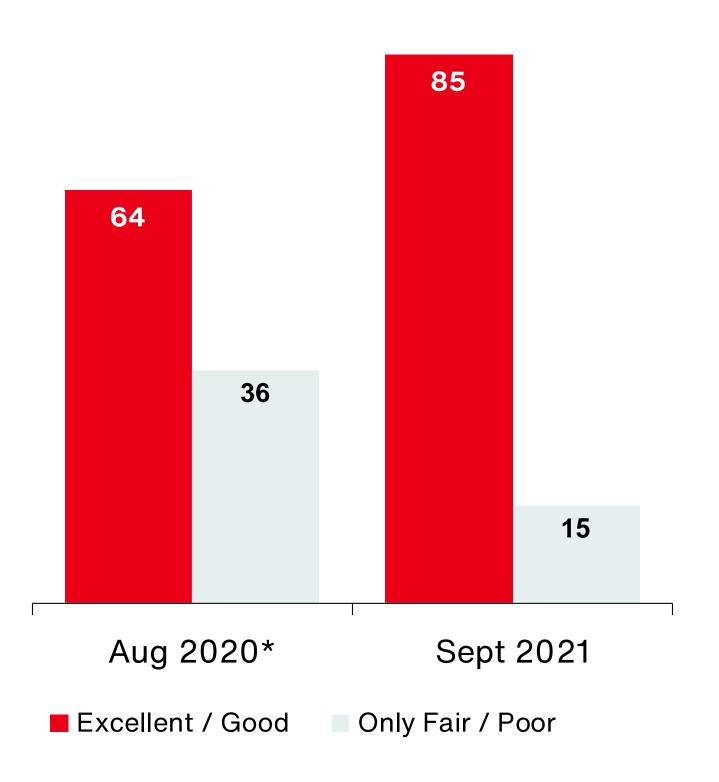




# Cautious Optimism From 2020 Grows to Full-On Bullishness

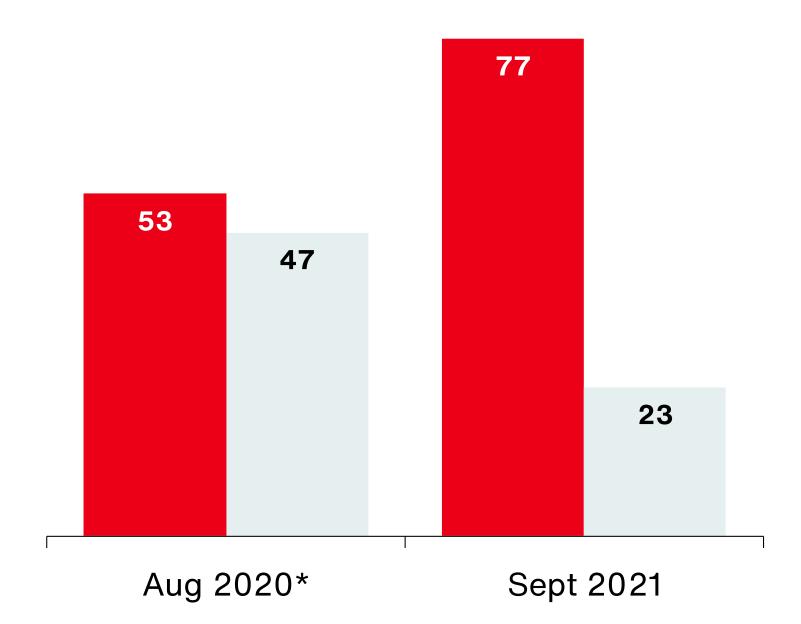
Condition of the Economy

**North America** 





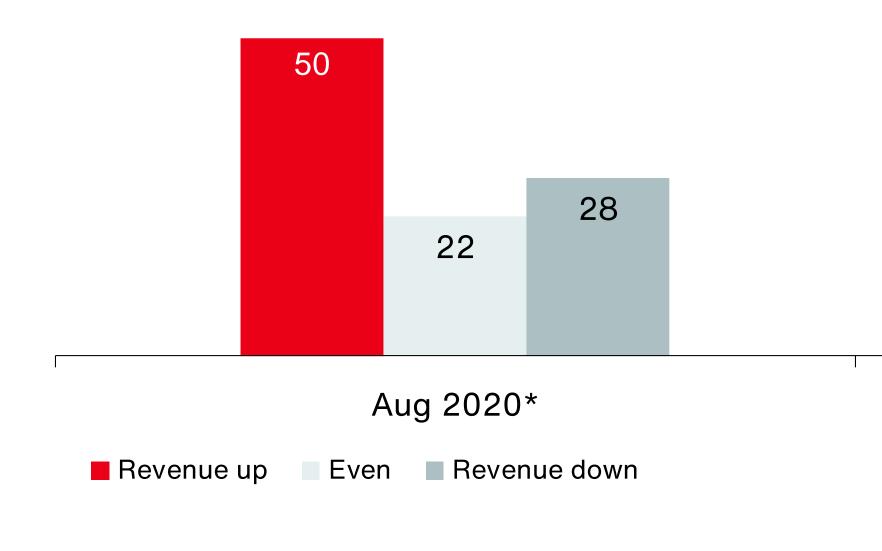
**Europe/UK** 



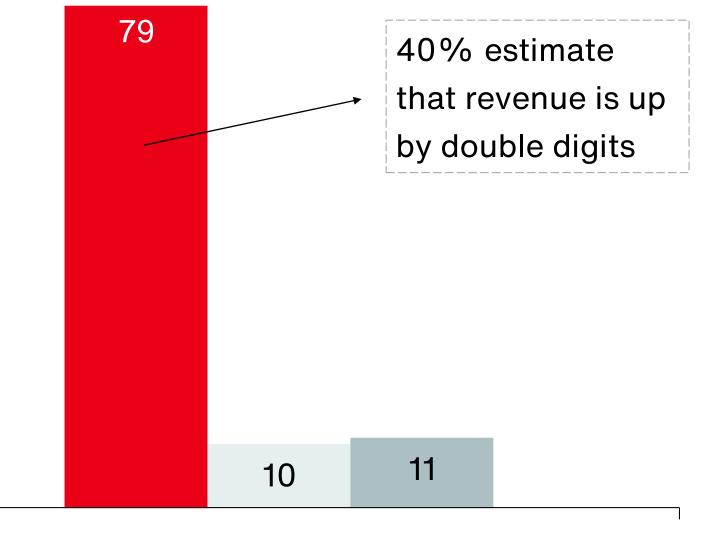


# Most Companies Seeing Growth Compared to Last Year

Revenue Estimates for the First Half of 2021/2020 Compared to Previous Year







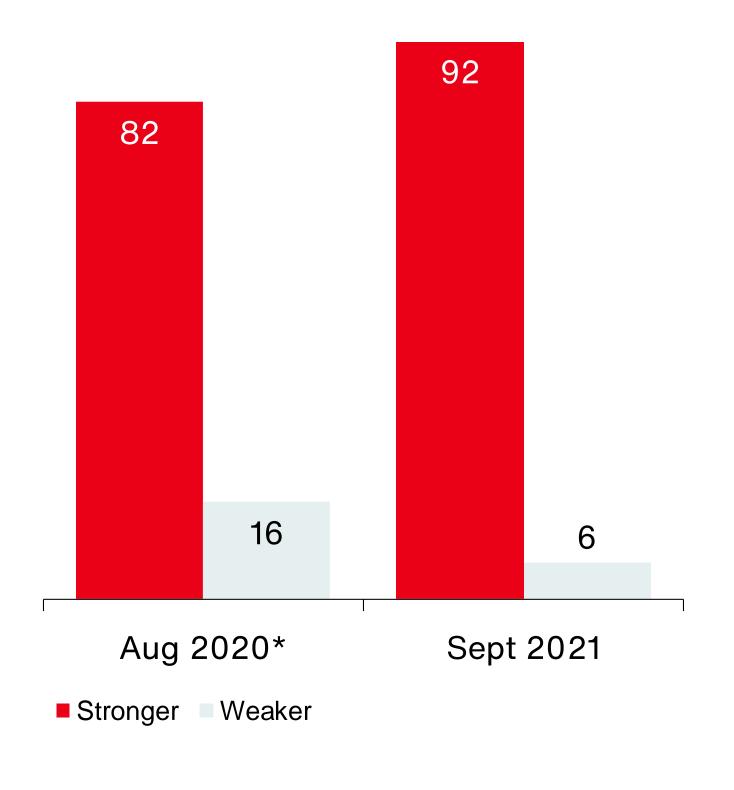
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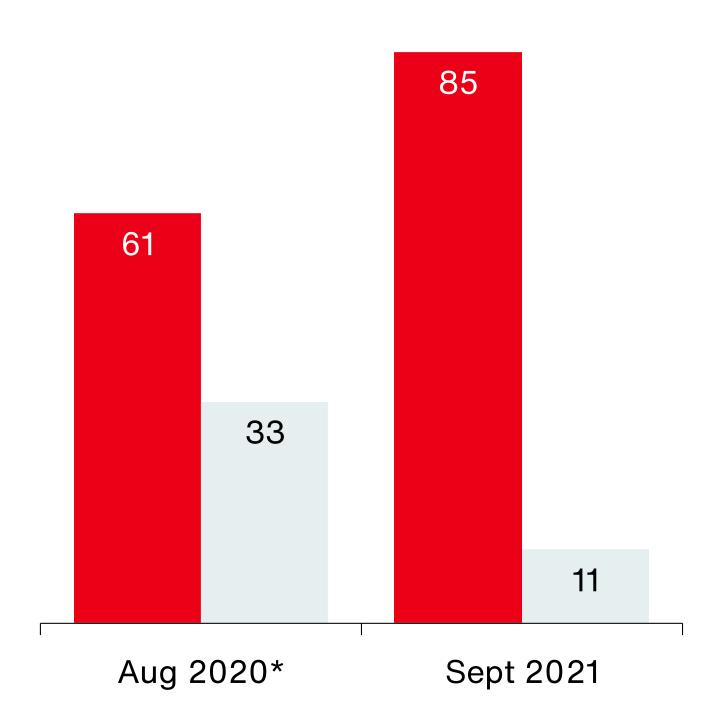
# **Business Leaders Expect Conditions to Strengthen Through 2022**

Expectations of Business Conditions in One Year

#### **North America**







**Europe/UK** 

8



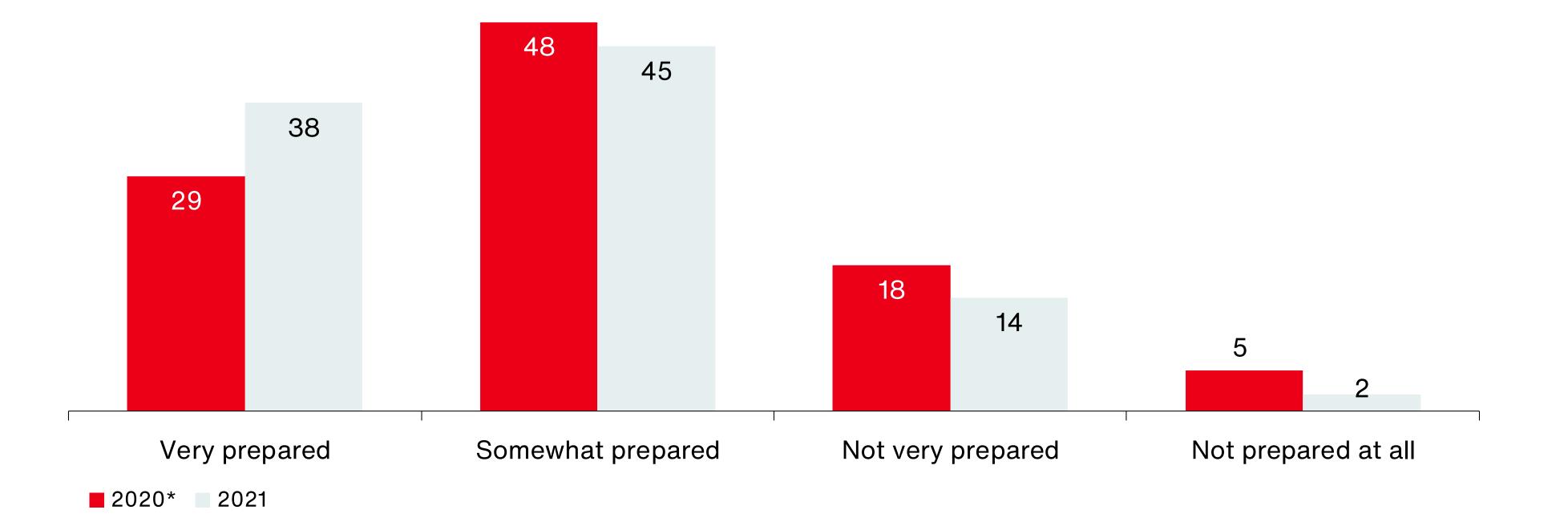
#### Pandemic Preparedness Emerging Stronger While Looking Forward





# Well-Prepared Companies Saw Greater Revenue Growth

Assessment of Company Preparation to Deal With the Pandemic







# **Service Industry Least Prepared to Deal With Pandemic; C-Suite More Confident in Company's Preparation**

Looking back, how prepared would you sa your company was to deal with the coronavirus pandemic?

Finance Tech Production Service C-Level / Partner

Senior Executive / Executive



say	Very Prepared	Somewhat Prepared	Not Very / Not At A Prepared
	45%	46%	9%
	40%	44%	16%
	41%	42%	17%
	28%	50%	22%

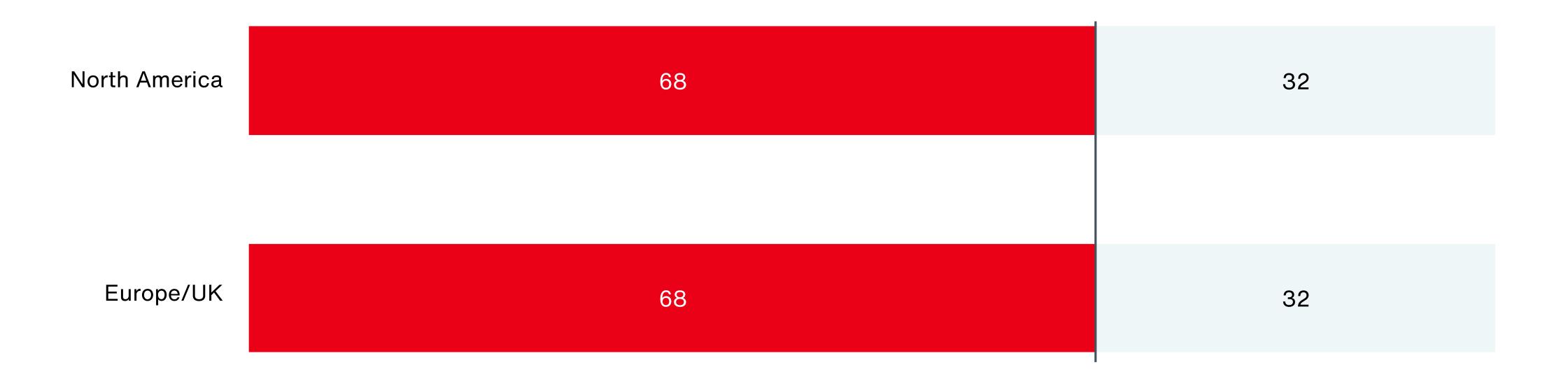
45%	43%	12%
31%	48%	22%





## Tested by Crisis, Most Feel Strengthened by the Pandemic

The pandemic revealed significant industry-wide or company-wide **advantages**, so our company is **stronger** than it was before





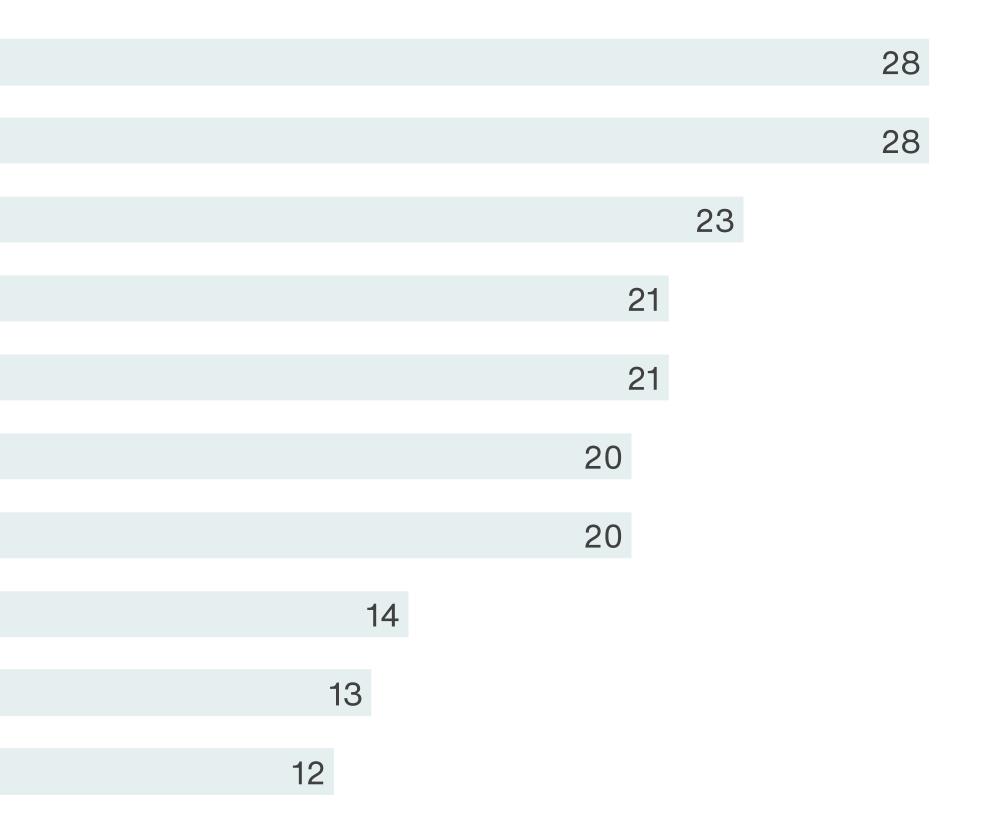
The pandemic revealed significant industry-wide or company-wide **weaknesses**, so our company is **weaker** than it was before

### Companies Wanted Both Better COVID-19 Models and Tech for Internal Comms to Strengthen Their Pandemic Response

Which of the following would have been most helpful in effectively responding to the coronavirus pandemic?

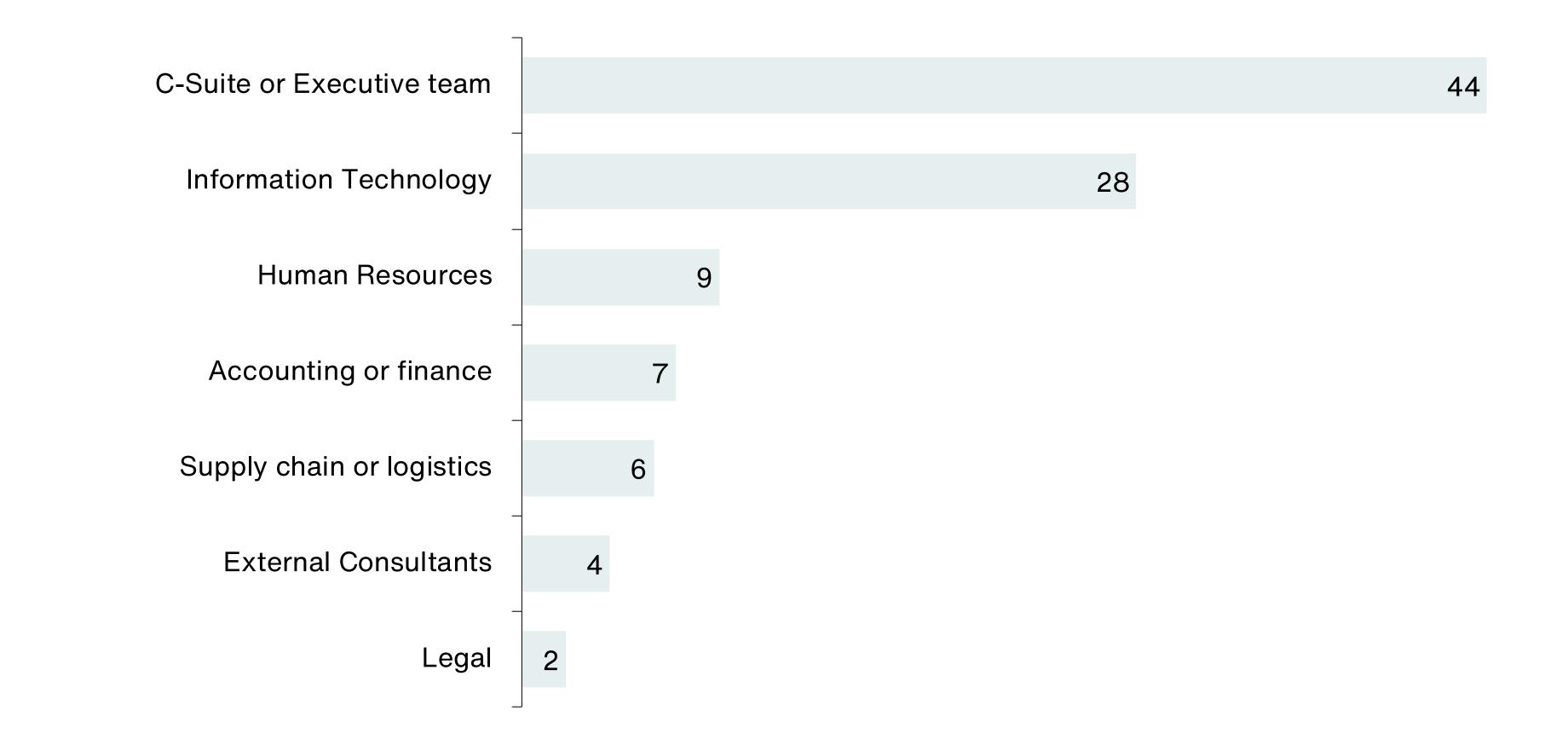
Better models of spread + vaccination Stronger employee tech + comms More PPE to keep employees safe + productive Stronger internal executive leadership Stronger customer-facing online platforms Better insurance or financial protection Better external comms or crisis response Stricter govt-enforced lockdowns More loans or aid from govt Stronger internal junior and mid-level resilience





### Leadership and Tech Made the Difference on Making Better Decisions

What groups or organizations within your company were most important to making better decisions and managing risk for your company during the coronavirus pandemic?









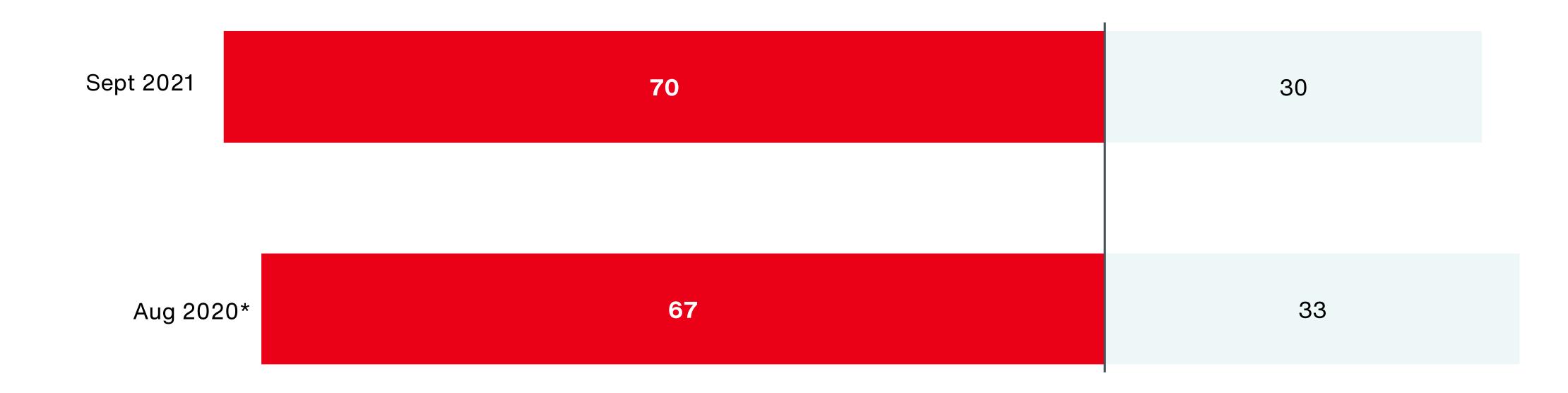
### Appetite for Risk **A Holistic, Integrated View of Risk**





# Despite Managing Through COVID-19, Few Feel Content to Stay the Course

The coronavirus pandemic exposed new risks and vulnerabilities that **require a significant change** in how businesses like mine think about the future





The coronavirus pandemic is a **onetime event** and **shouldn't change** how businesses like mine make decisions or prepare for the future

### Companies That Struggled Now Realize They Need to Adapt to New Risks

The coronavirus pandemic exposed new risks and vulnerabilities that **require a significant change** in how businesses like mine think about the future

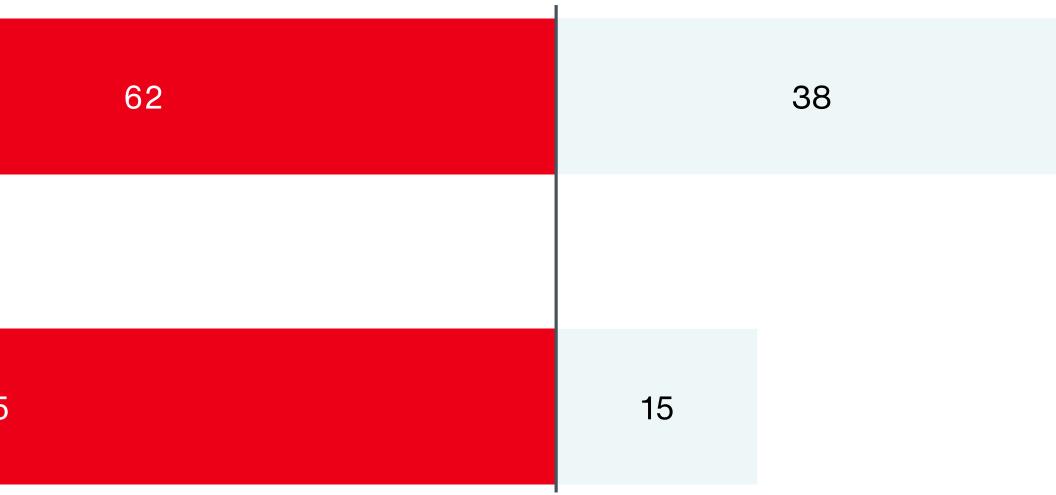
COVID-19 revealed advantages; company stronger

85

COVID-19 revealed weaknesses; company weaker



The coronavirus pandemic is a **onetime event** and **shouldn't change** how businesses like mine make decisions or prepare for the future





## **COVID-19 has Made Companies Less Risk Averse**

The pandemic experience has...



Increased my company's appetite to take on more risk



Made my company more risk averse



# Risk Prep Isn't A Silo: Stronger Companies Take a Holistic View

Changes in Approach to Risk and Decision Making During the Pandemic

Leadership gave attention to understanding different risks More company leaders participating in understanding risks Expanded the risks we consider to include pandemics Expanded the risks we consider even beyond pandemics Integrated risk assessment into decision-making Focused on the interconnectedness of different risks Collaborated to better understand risks Brought a more long-term view of risks Focused more on short-term issues and risks



Difference between stronger / weaker companies		
78	+6	
77	+4	
76	+8	
76	+5	
76	+12	
74	+10	
74	+6	
73	+5	
70	+2	

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# **Companies Continue to Change How They Make Investment Decisions**

Has the threat of a major event beyond the coronavirus pandemic changed a short-term investment decision your company has made in the past six months?







### Those Less Risk Averse Focus on Financing and Capital Investment, Not Staff or Compensation

New Areas of Risk (% willing to take on more risk in the following areas)

Raising new capital, financing, or debt Investing in new technologies Updating or upgrading existing technologies Investing in new products and services Where to invest in supply chains/ manufacturing facilities Investing in research and development Expanding into new markets Collaborating / partnering with peer companies Increasing compensation, bonuses, benefits Where to open offices or store locations Hiring new employees

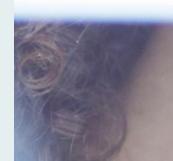


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3	9		
37			



### Better Decision Making Decisions Powered by Data, Analysis and Expertise

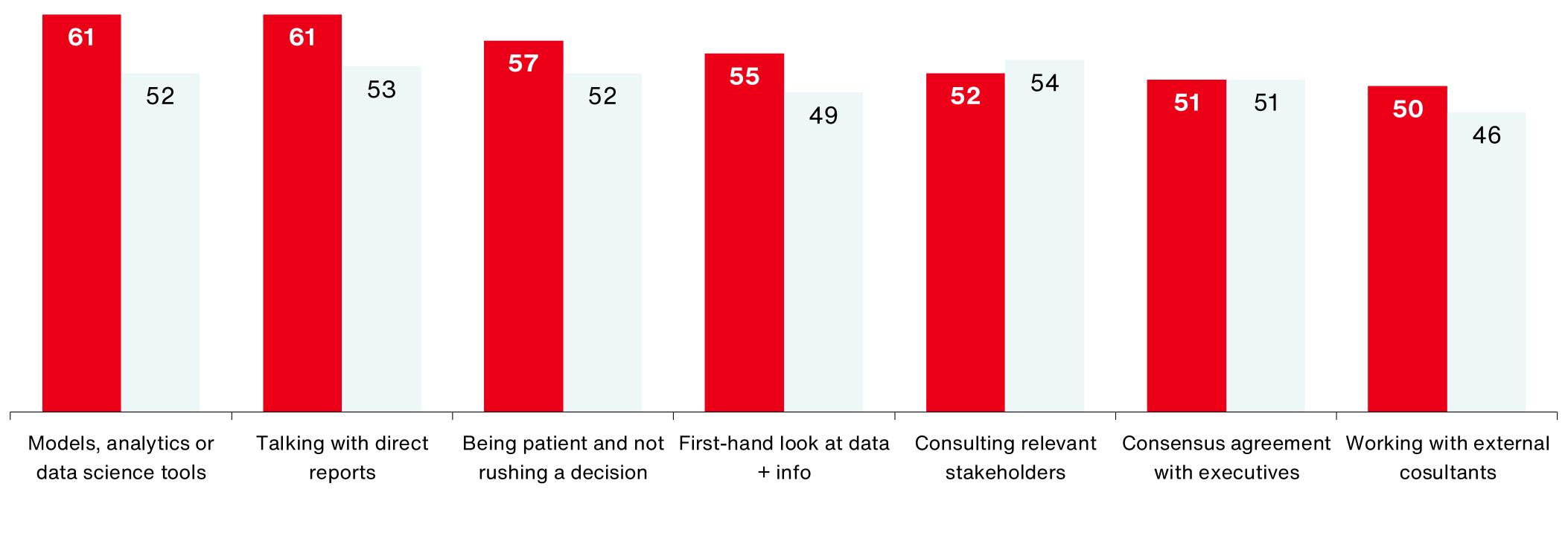






# **Stronger Companies Place More Value on Data, Direct Reports**

% <u>Very Important</u> for Ensuring Company Makes Better Decisions



COVID-19 made company stronger COVID-19 made company weaker



### Decision Makers Attuned to Risks of Snap Judgments, Misreading Data

% <u>Very Dangerous</u> for Ensuring Company Makes Better Decisions

Deciding too quickly / rushing a decision

Incorrect models, analytics, or data science tools

Only selectively evaluating data (i.e. confirmation bias)

Failing to implement a decision or follow-through

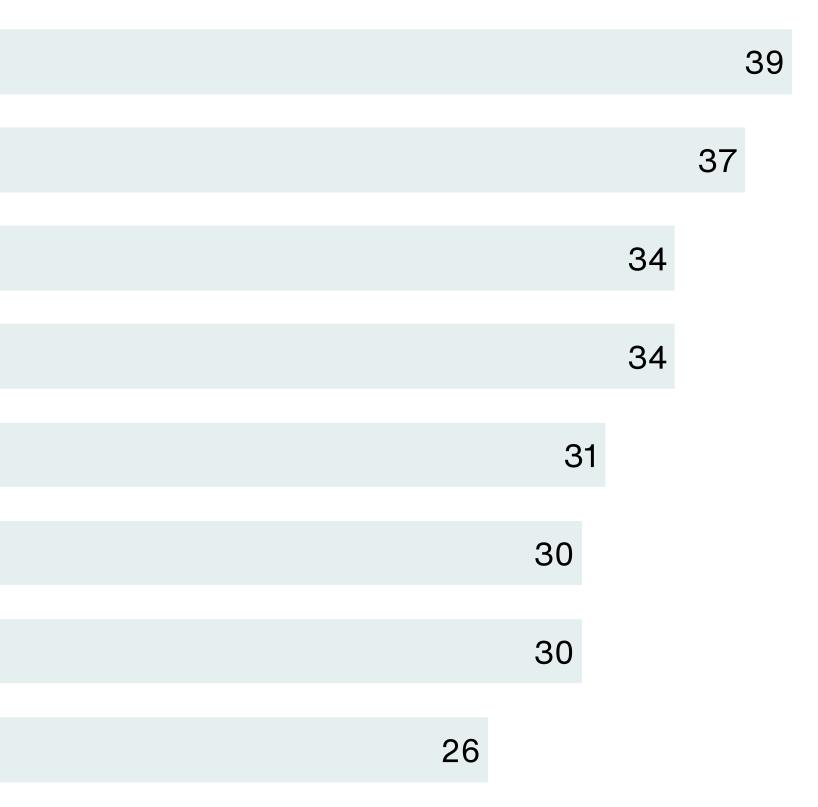
Failing to seek an outside perspective

Failing to consult all relevant stakeholders

Disagreement with fellow executives

Too much agreement with executives (i.e. groupthink)

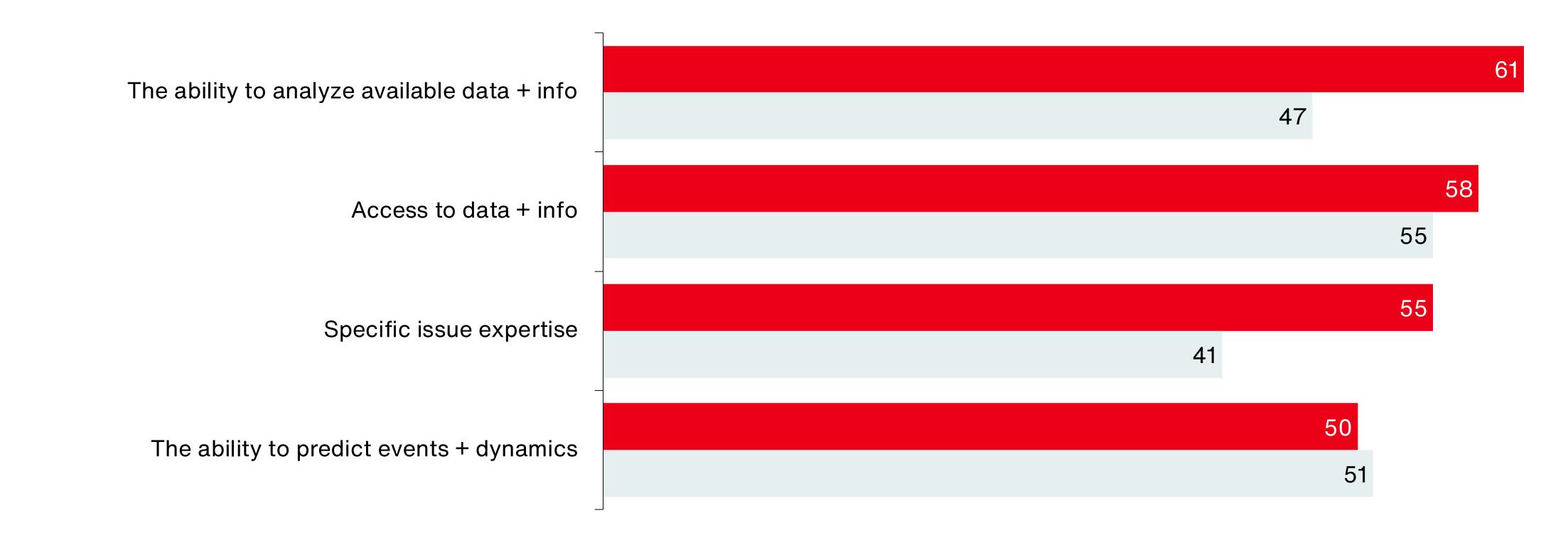






# Confidence in Future Decision Making Tied to Expertise, Analysis

% Very Confident Your Company has Access to the Following Needs to Make Sound Decisions in the Coming Years



COVID-19 made company stronger COVID-19 made company weaker



# Thank You



