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# **Making Better Decisions in Uncertain Times**

Aon's 2022 Executive Risk Survey

October 2022



# Methodology

## International Survey of Business Leaders

Sept. 2-15, 2022

- ~800 interviews with C-suite and senior executives from companies with 500+ employees
- Findings compared to 2021 and 2020 surveys of similar audience
- Recruited from online panels in North America, UK and Europe
  - North America: U.S. (n=360); Canada (n=55)
  - EU/UK: UK (n=84); Spain (n=56); France (n=80); Italy (n=76); Germany (n=104)

# Economic Tensions Underscore the Value of Preparation

## Economic Outlook

- Despite worsening economic conditions, **business leaders are buoyed by their current success and recent resilience**. 66% have a positive outlook on the economy, with 31% viewing the economy as “excellent”. This is a stark contrast from the general U.S. public where only 13% view the economy positively.
- Yet, this optimism doesn’t cloud their view of the future. **A majority expect a recession this year** (79%), and most are feeling the acute effects of inflation, supply chain disruptions and the conflict in Ukraine.
- Only **one-third of leaders are very prepared** for a potential recession with those in North America and in the Tech industry feeling most prepared.

# What Makes Confident Leaders and Prepared Companies Stand Apart?

## Leaders Who Embrace Calculated Risks Are More Confident

**1. Embracing risk is the only option.** For companies that feel very prepared heading into a recession, addressing risk isn't a choice — it's a question of survival.

**2. Don't hit the brakes on long-term investment — or ignore long-tail risks.** Despite a looming recession, confident companies are resisting the impulse to slow hiring or delay capital investment. While they are concerned about short-term risks such as inflation and rising energy costs, they are not losing sight of more long-tail risks like rising social inequality, cryptocurrency and disruptions to the market.

**3. Analysis and advice from internal and external stakeholders is vital in making better decisions.** As leaders look to position their companies for a recession, the most prepared are focused on input from their internal teams, from the C-suite to entry level, but also find value in outside advisors.

**4. COVID-19 has shown that risks are interconnected.** As in past years, most business leaders don't see COVID-19 as a one-time event, but rather something that exposed new risks and changed how they need to think. The best-prepared leaders strongly believe that COVID-19 taught them how to respond quickly to emerging risks, which gives them confidence as they head into a recession.

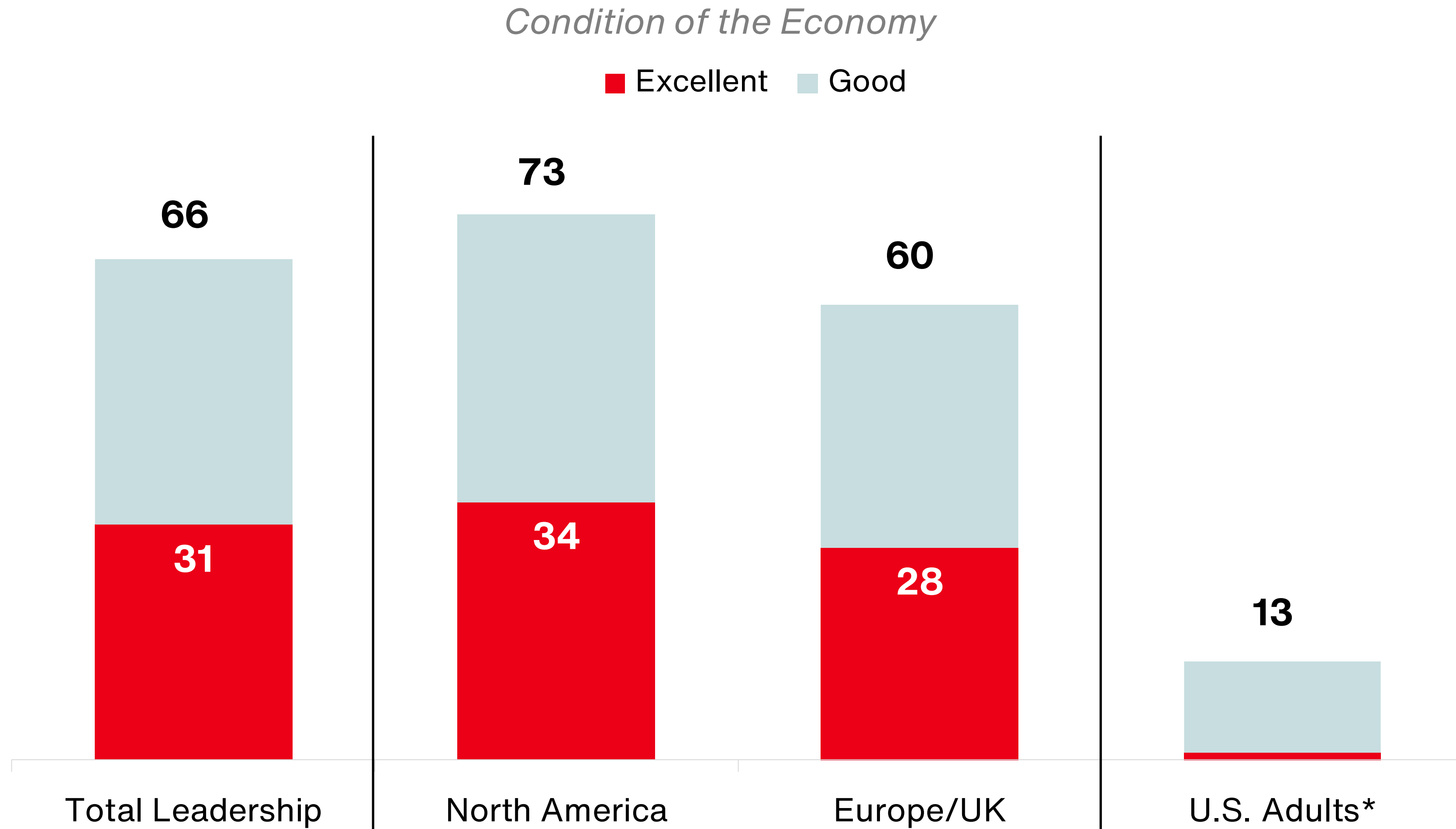
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Economic Outlook  
**Economic Tensions**  
**Underscore the Value of**  
**Preparation**

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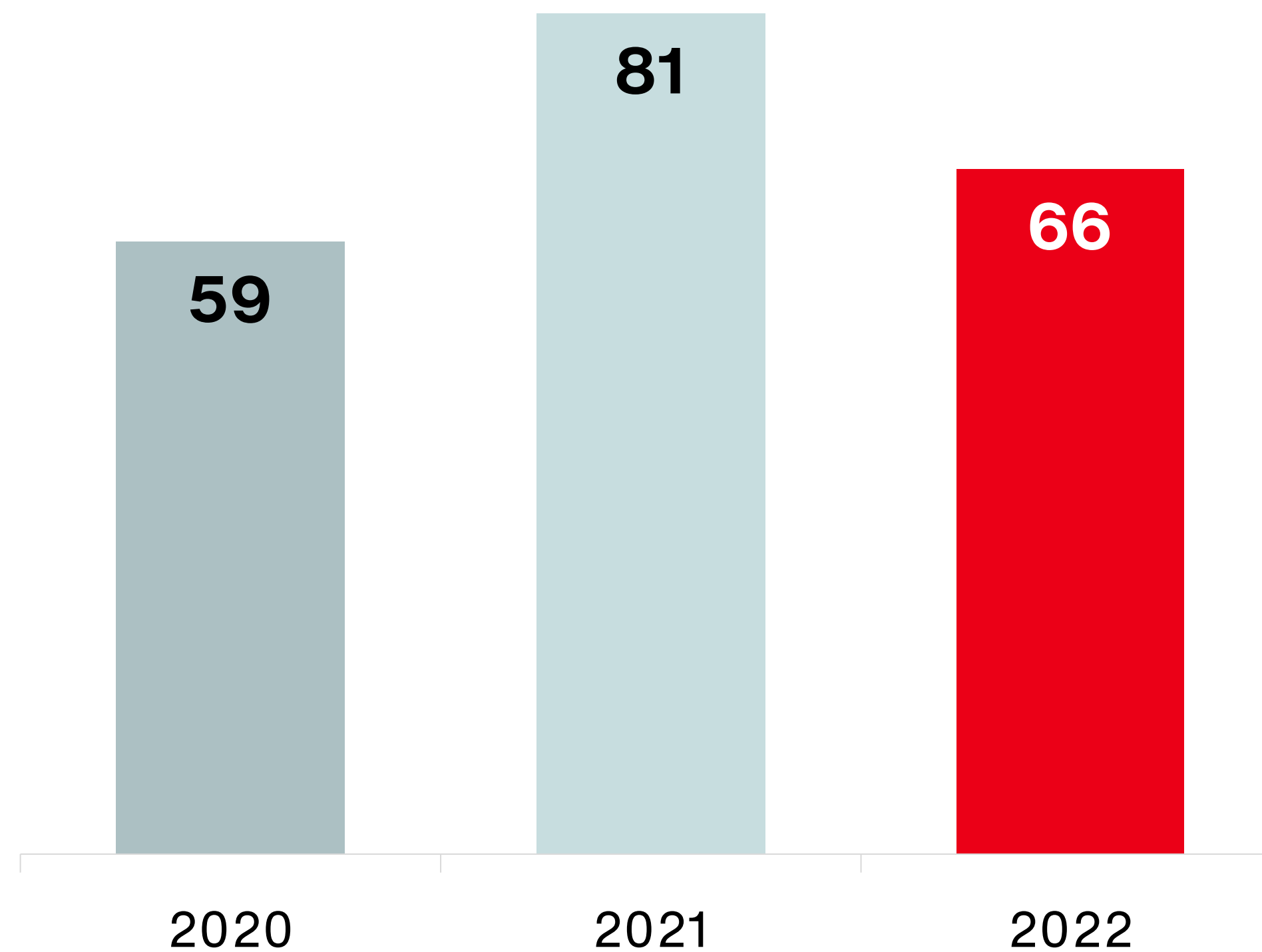


# Despite Economic Headwinds, Most Leaders Have a Positive Outlook



# While Tempered From 2021, Most Leaders See the Economy in a Strong Place

*Condition of the Economy as Excellent or Good:  
All Business Leaders*



**Industry breakdown believing the economy is excellent or good:**

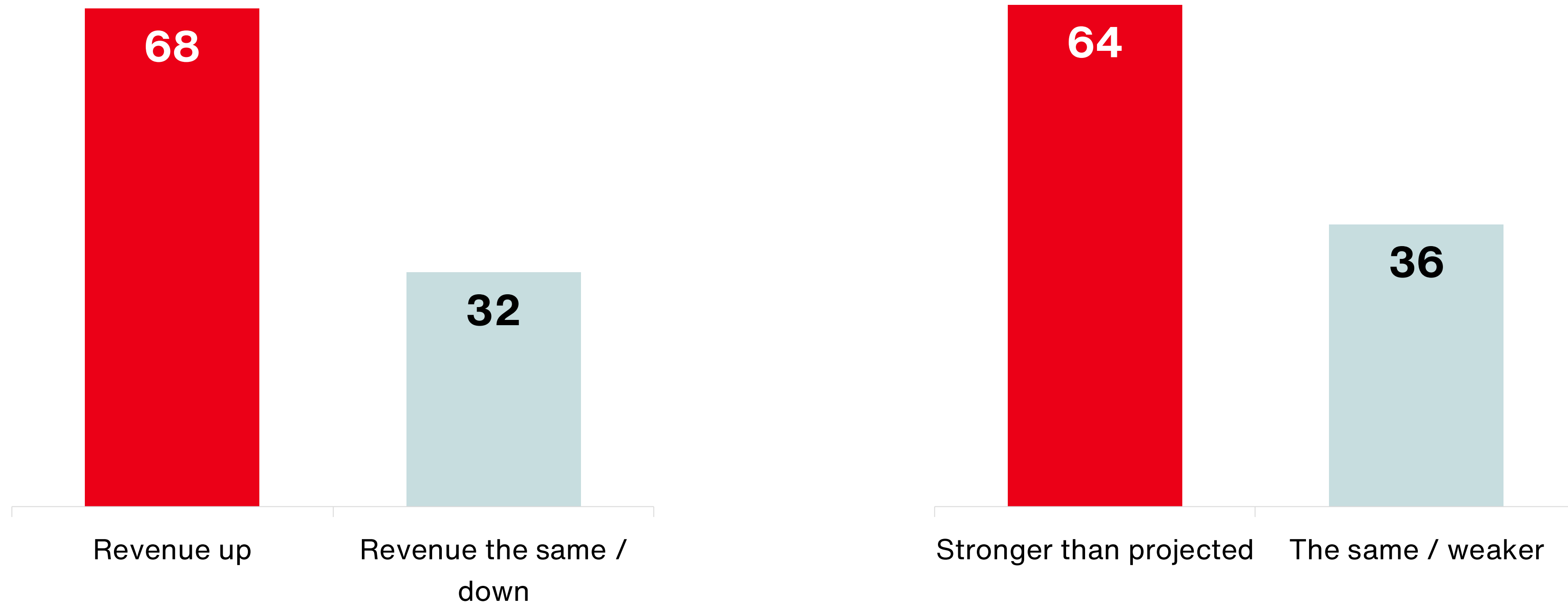
- Tech: **76%**
- Finance: **66%**
- Production: **65%**
- Service: **60%**

**Breakdown by seniority:**

- C-Suite/Partner: **75%**
- Senior/Executive: **60%**

# Economic Optimism Driven by Strong Recent Results

*Revenue Estimates for the First Half of 2022 Compared to Previous Year*

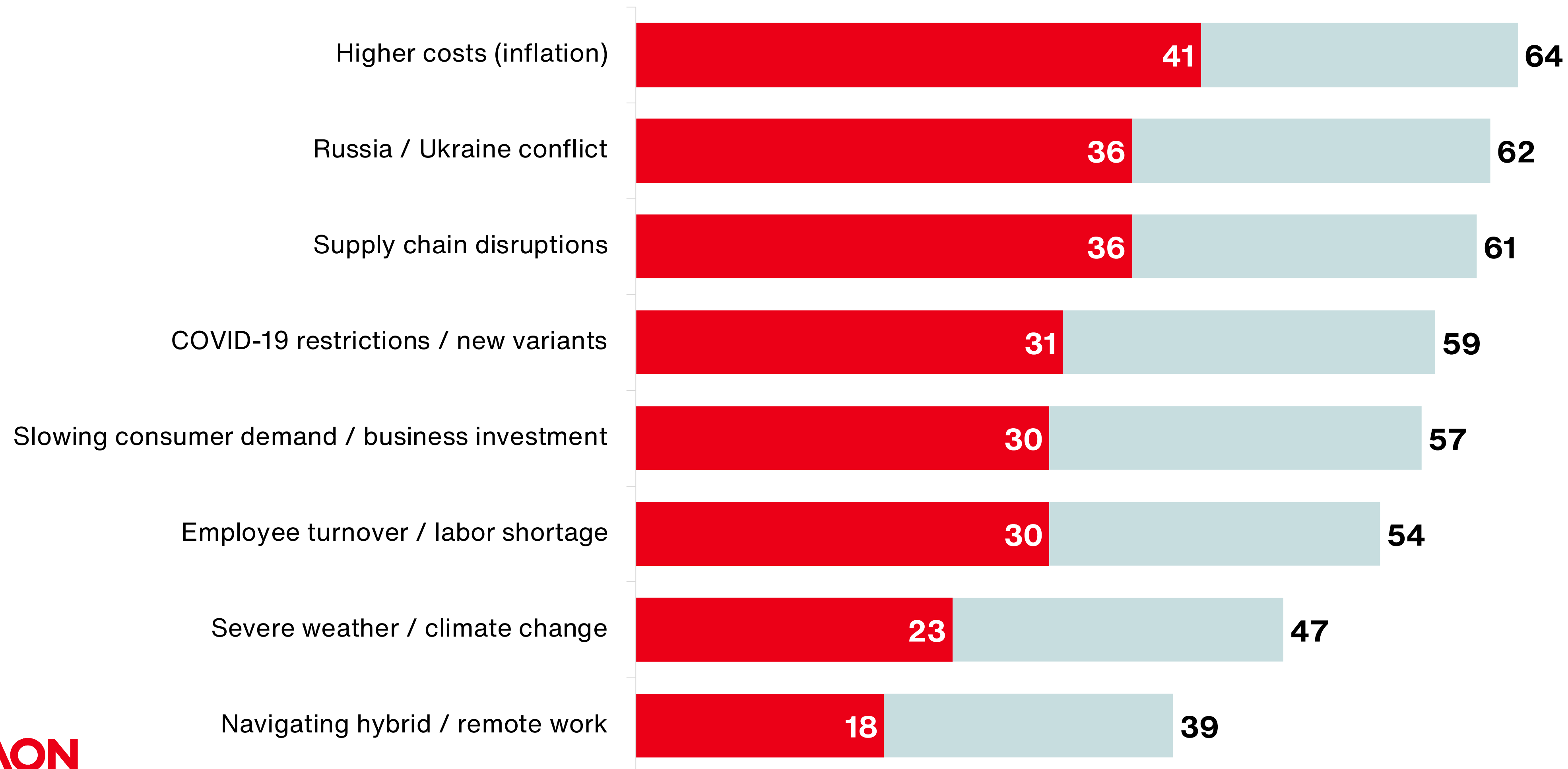




# Leaders are Acutely Feeling the Impact of Recent Challenges

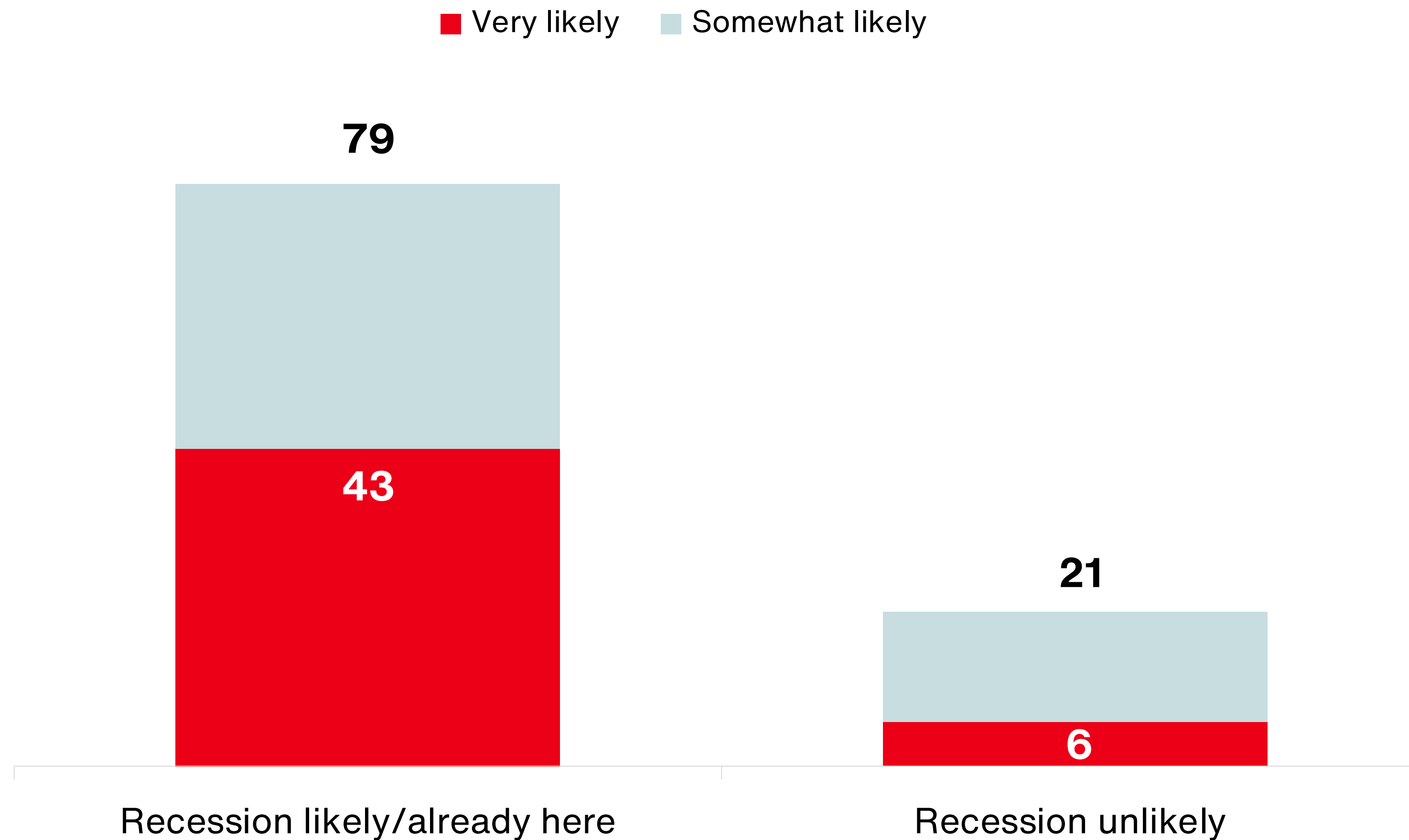
## Negative Impact on Business

■ Extremely/Very negative impact    ■ Somewhat negative impact



# Most Executives Predict a Recession on the Horizon

Likelihood Your Country Will Face a Recession in the Next Year



## Regional breakdown believing recession is likely/already here:

- EU/UK: **83%**
- U.S.: **75%**
- North America: **75%**

## Breakdown by seniority:

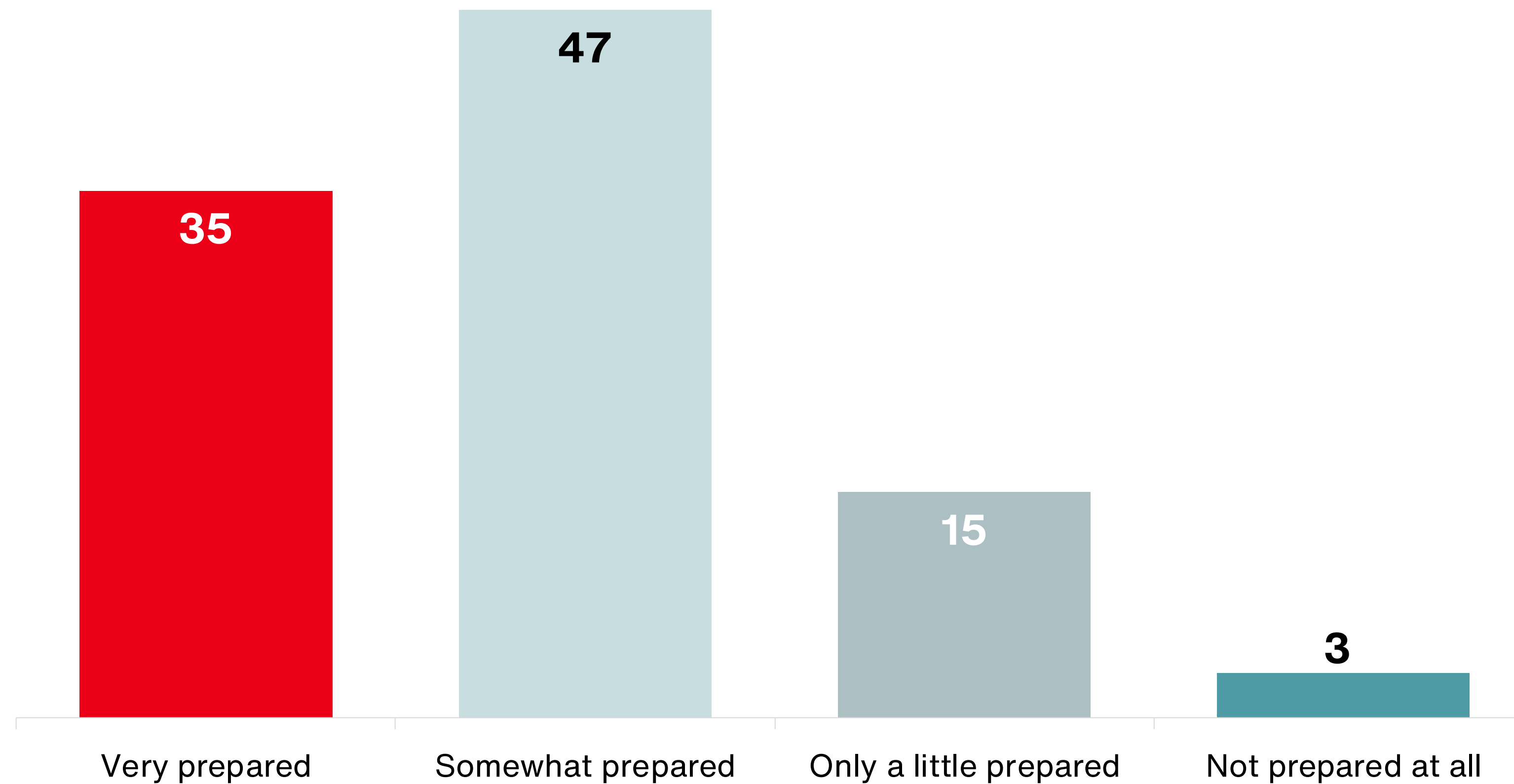
- C-Suite/Partner: **77%**
- Senior/Executive: **81%**

## General public comparison:

- U.S. Adults\*: **75%**

# Only One-Third of Leaders Feel Very Prepared for a Coming Recession

*Preparation for Potential Recession*



**Regional breakdown of very prepared for potential recession:**

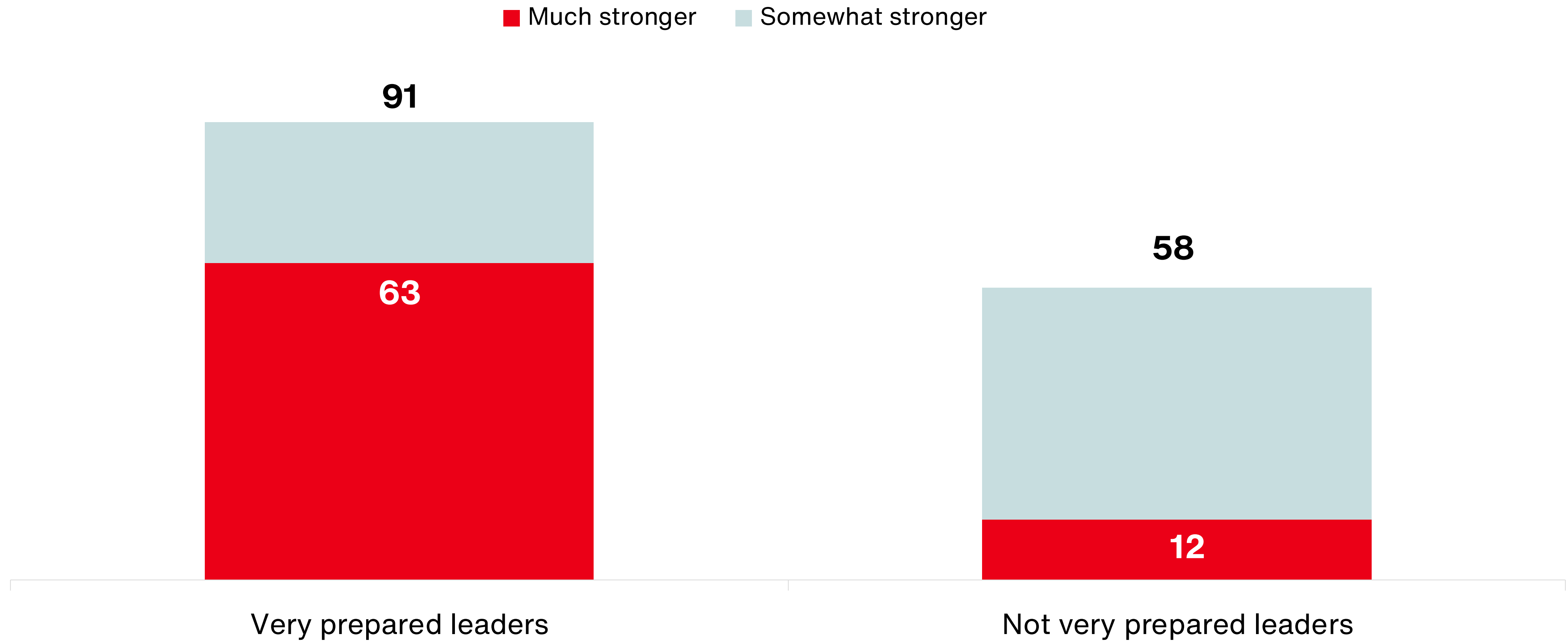
- North America: **42%**
- EU/UK: **28%**

**By industry:**

- Tech: **48%**
- Finance: **44%**
- Production: **27%**
- Service: **27%**

# Prepared Leaders Feel Confident in the Face of a Recession

*Expectations of Business Conditions in One Year*



# 2

Appetite for Risk  
**Confident Leaders  
Understand Addressing Risk  
is the Only Option**

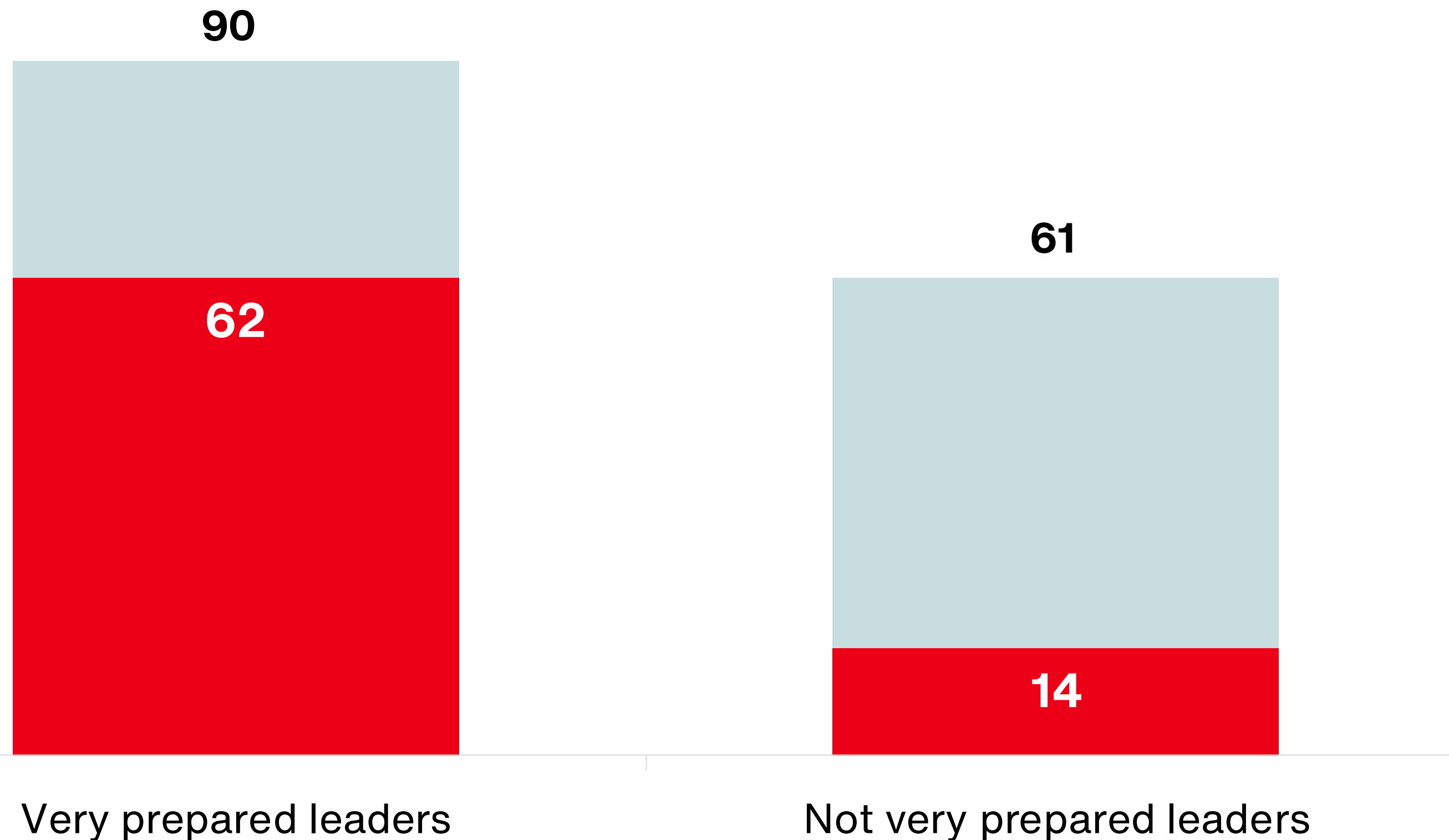
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# Current Economic Conditions Increase Confident Leaders' Appetite for Risk

*Company's Appetite for Risk in Response to Current Macroeconomic Conditions*

■ Strongly increased appetite for risk    ■ Somewhat increased



Only 10% of very prepared companies have become risk adverse due to current macroeconomic conditions, compared to 39% of not very prepared companies.

# In Leaders' Own Words: Risk is the Only Way Forward

*Why do you say current economic conditions have increased your company's appetite for risk? Open-end responses:*

*“Due to economic uncertainty, **we can't just sit down and wait for an opportunity.**”*

*“In a sleepy market, **where there is risk – there is opportunity.**”*

*“Because **he who doesn't risk, doesn't win.**”*

*“It's the perfect **opportunity to try new strategies and achieve a change in the sector.**”*

*“Our leadership recognizes the importance of **constantly innovating, and they see current economic disruptions as an opportunity.**”*

*“In the current economic condition, **my company has to take risk. Otherwise overall growth will come to a close.**”*

# 3

Navigating Long-Tail Risk  
**Confident Leaders Prepare  
for the Future Without  
Sacrificing Long-Term  
Investment**

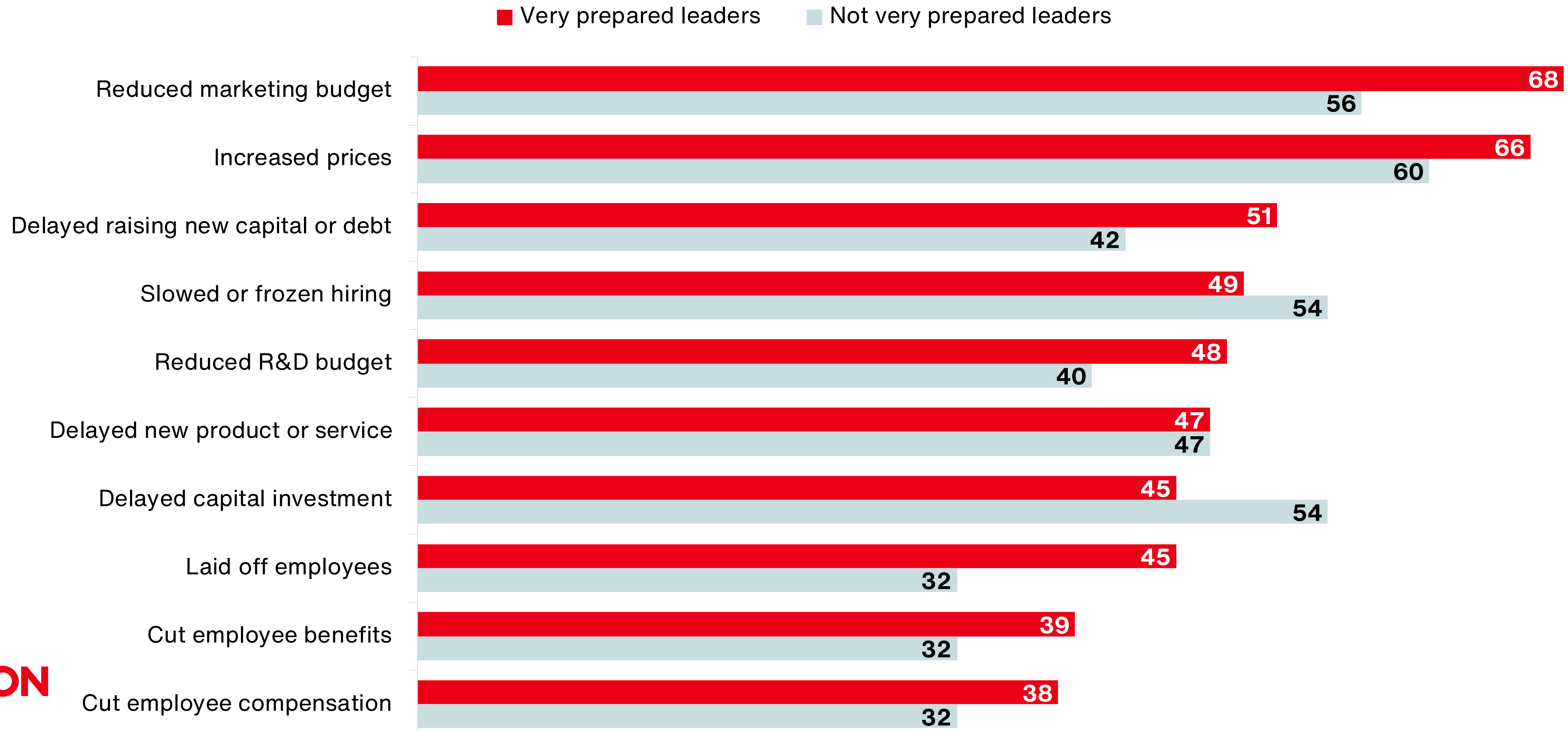
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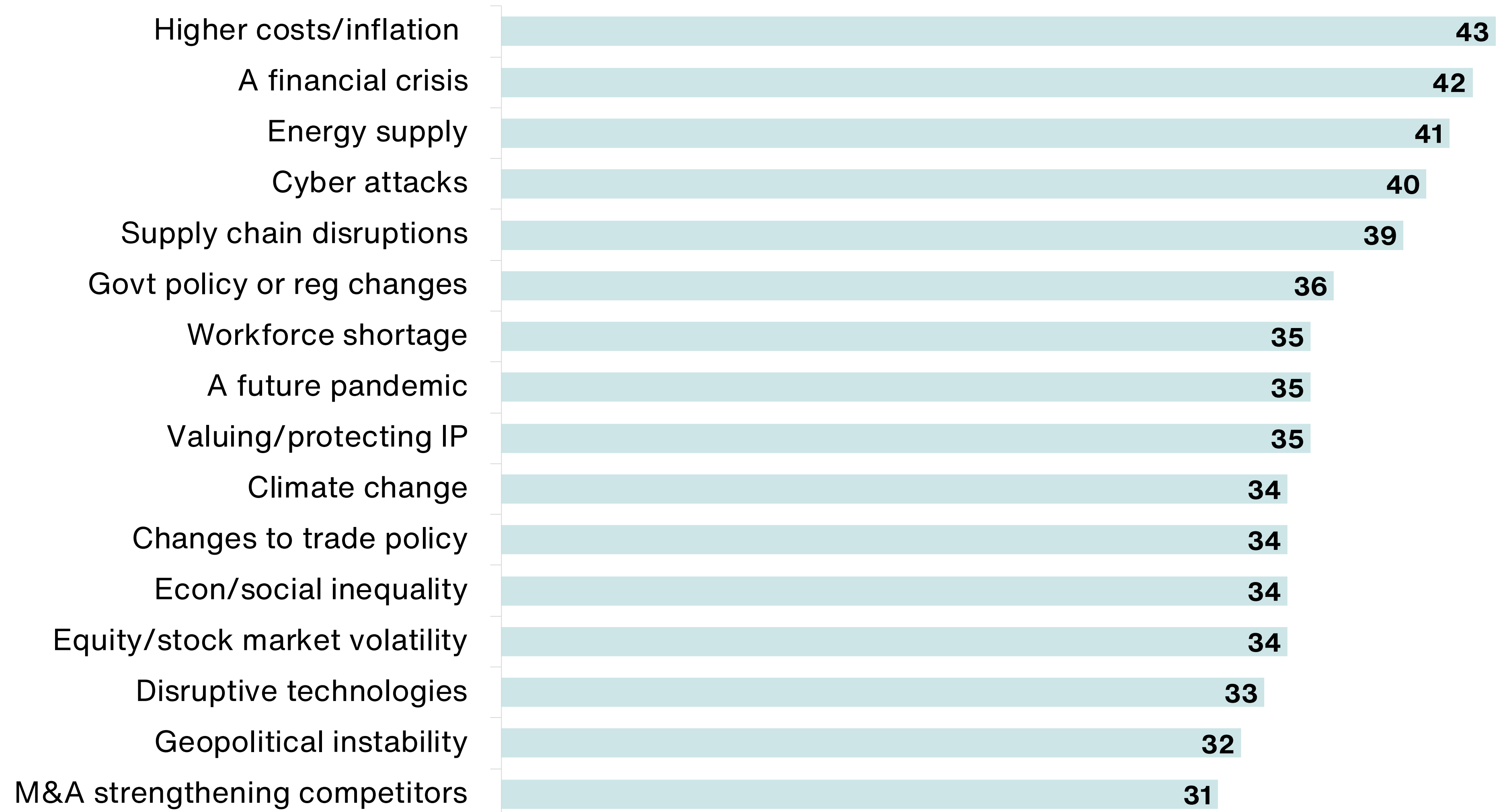
# Very Prepared Companies are Taking Action to Respond to the Slowdown, but Not Sacrificing Long-Term Investments

Percentage of Respondents Who Say Company Has Taken This Action



# Business Leaders Most Focused on Near-Term Inflation and Economic Risks Related to Recession

*Percentage of Respondents Who Say Company Is Spending a Great Deal of Time on This Issue*



# Prepared Companies Are Spending More Time on Long-Tail Risk in the Face of Short-Term Peril

*Percentage of Respondents Spending a Great Deal of Time on Issue*

	Very Prepared Leaders	Not Very Prepared Leaders	Difference
Cyber attacks	52	33	+19
Energy supply	51	36	+15
<b>Economic/social inequality</b>	<b>50</b>	<b>26</b>	<b>+24</b>
<b>Climate change</b>	<b>49</b>	<b>26</b>	<b>+22</b>
Inflation	49	40	+9
<b>Market volatility</b>	<b>48</b>	<b>26</b>	<b>+23</b>
Financial crisis	48	38	+10
<b>M&amp;A strengthening competitors</b>	<b>47</b>	<b>22</b>	<b>+25</b>
<b>Changes to trade policy</b>	<b>47</b>	<b>27</b>	<b>+20</b>
Supply chain disruptions	47	35	+11
<b>Disruptive technologies</b>	<b>46</b>	<b>25</b>	<b>+22</b>
Workforce shortage*	45	30	+15

	Very Prepared Leaders	Not Very Prepared Leaders	Difference
Future pandemic	44	30	+15
Protecting IP	44	30	+15
<b>Cryptocurrency + Blockchain</b>	<b>44</b>	<b>22</b>	<b>+22</b>
Govt policy + reg changes	43	32	+11
<b>Failure to attract talent*</b>	<b>42</b>	<b>22</b>	<b>+20</b>
<b>New entrants to market</b>	<b>41</b>	<b>18</b>	<b>+23</b>
Geopolitical instability	41	27	+14
Damage to brand	41	25	+16
“Culture War” issues (U.S. only)	24	8	+16

\*Full text:

- **Workforce shortage:** Workforce shortage / failure to hire or retain junior / entry-level employees
- **Failure to attract talent:** Failure to attract or retain top executive talent

# 4

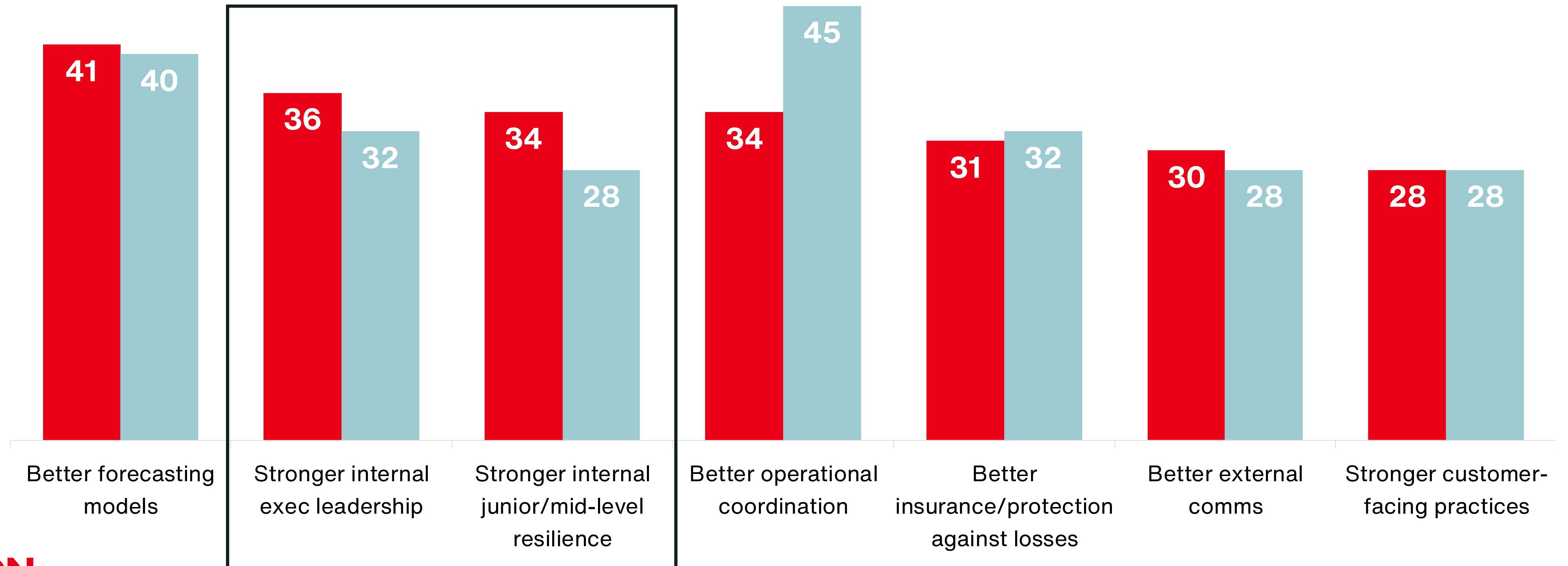
Better Decision Making  
**Confident Leaders Embrace  
Counsel From Internal and  
External Sources**



# Prepared Leaders Prioritize Building Cohesive Teams to Prepare for Uncertainty

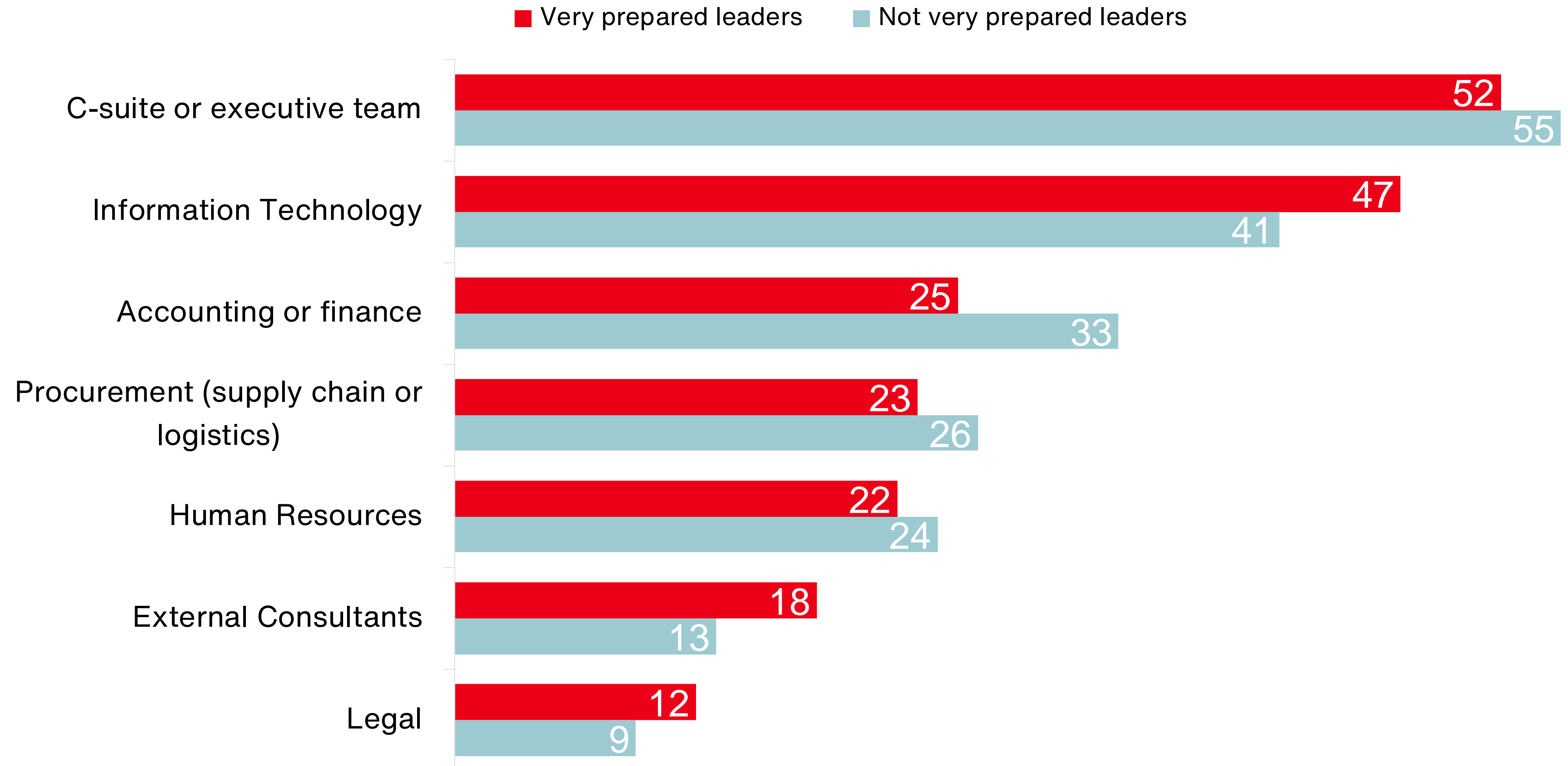
*Which Is Most Helpful in Responding to Changing Conditions? Top 5\**

■ Very prepared leaders   ■ Not very prepared leaders



# Prepared Leaders Know External Sources Can Help Inform Better Decision Making

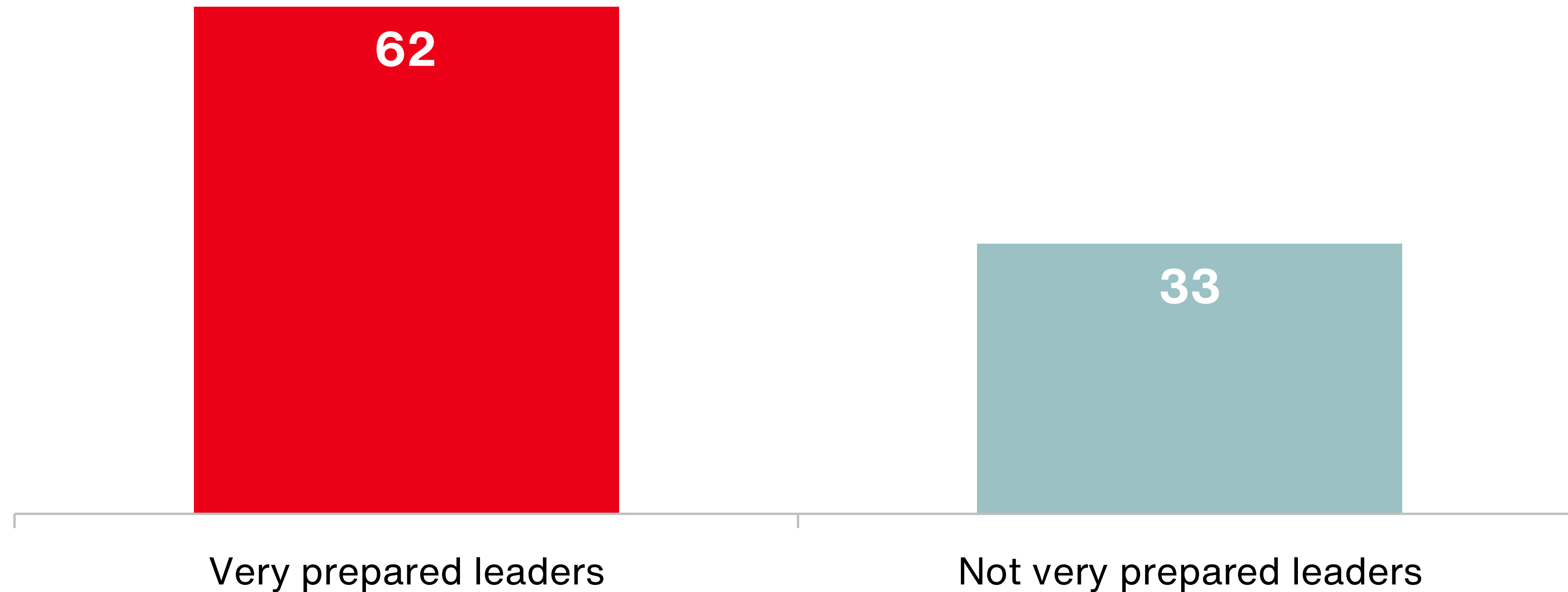
*Groups That Aid Decision-Making*



# Very Prepared Leaders See External Advisors and Consultants as More Valuable

*Percentage of Respondents Saying Statement Describes Their View Very Well*

**“A good external advisor or consultant can help improve my company’s ability to make good decisions and deal with risk”**



# 5

Interconnectivity of Risk  
**Confident Leaders  
Understand That All Risks  
Are Interconnected**





# The Lessons of the COVID-19 Pandemic Continue to be Applicable

*Which Comes Closer to Your View?*

The COVID-19 pandemic exposed new risks and vulnerabilities that required a significant change in how businesses like mine think about the future

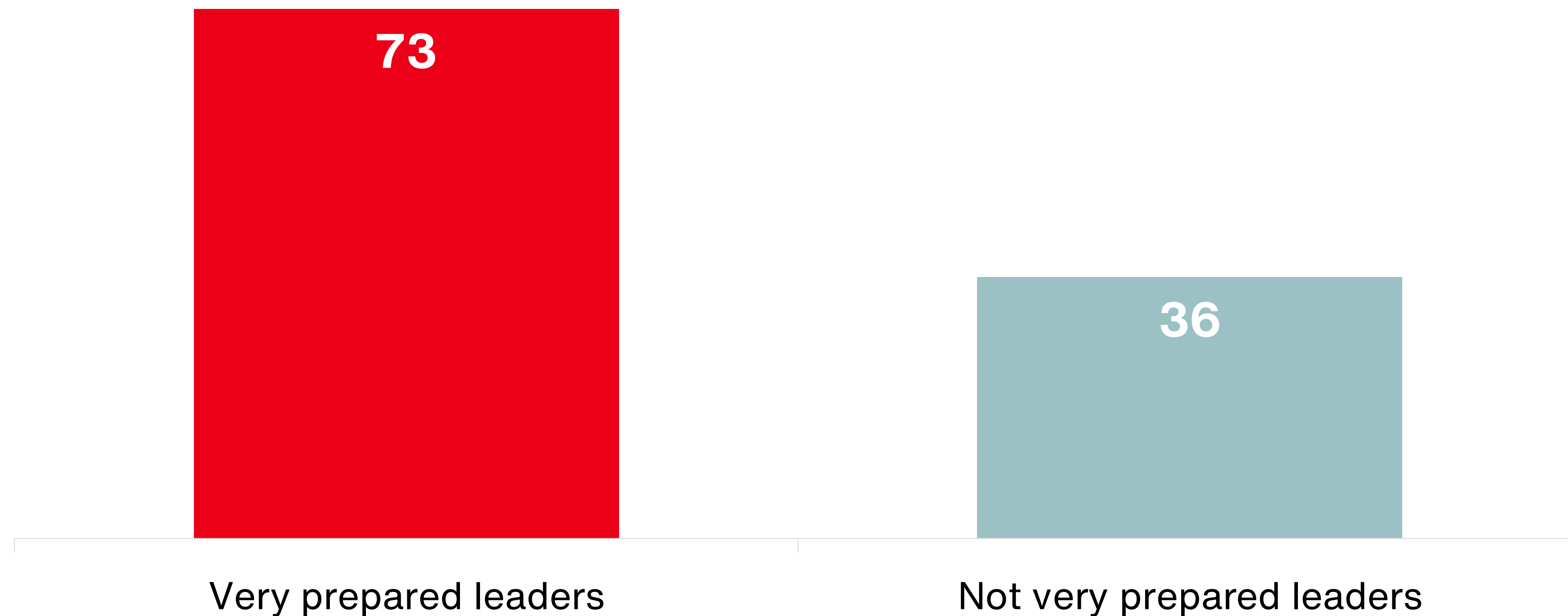
The COVID-19 pandemic was a one-time event and didn't change how businesses like mine make decisions or prepare for the future



# Confident Leaders Make the Direct Link Between COVID-19 and Preparation for a Coming Recession

*Percentage of Respondents Saying Statement Describes Their View Very Well*

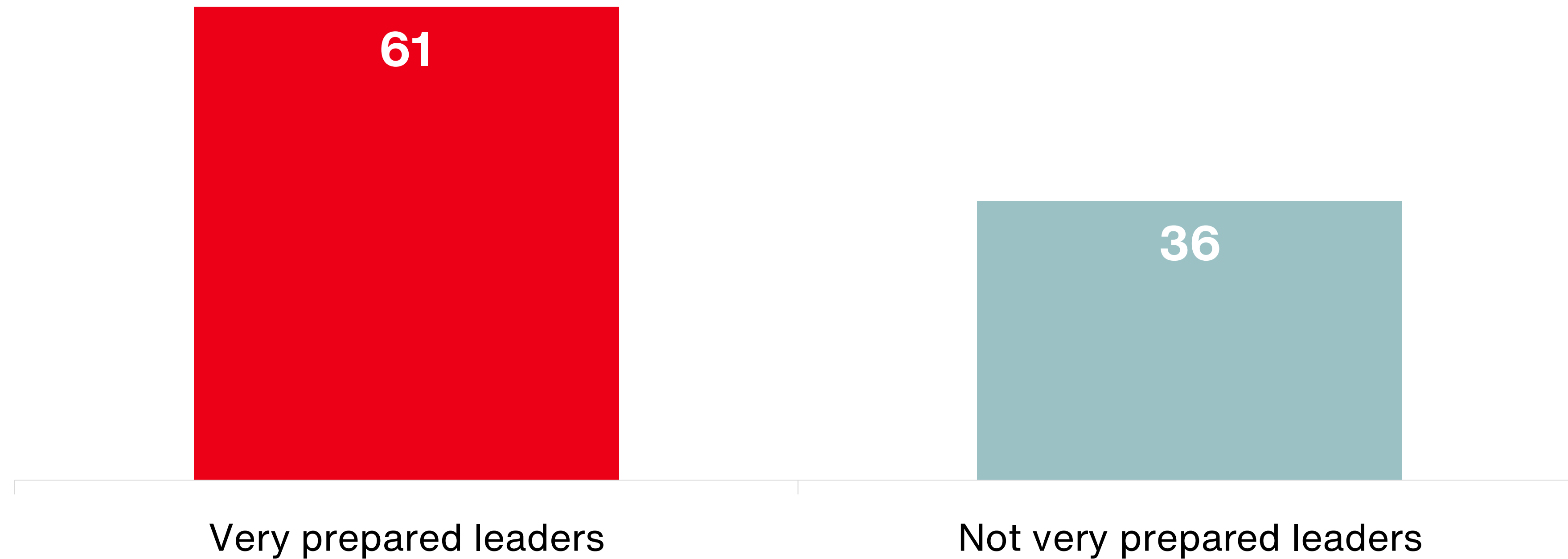
**“My company learned from the COVID-19 pandemic how to respond quickly to emerging risks; it means we’re more ready for a recession, whenever it comes.”**



# Confident Leaders Welcome Interconnected Risk as a Necessary Challenge Rather Than a Dangerous Unknown

*Percentage of Respondents Saying Statement Describes Their View Very Well*

**“Risk is all interconnected; the best companies can handle risk regardless of where it comes from”**



# Even as the Pandemic Fades as an Issue Risk, Leaders Must Be Prepared for Evolving Current and Constant Risks

<i>Time Spent on Issue Risks</i>	Rank	Change in Rank vs. 2021
Higher input, labor, and capital costs (inflation)	#1	+1
A financial crisis	#2	+1
Energy supply/security	#3	N/A
Cyber attacks	#4	-3
Supply chain disruptions	#5	0
Government policy or regulatory changes	#6	+3
Workforce shortage / failure to hire or retain junior/entry-level employees	#7	+1
A future global pandemic	#8	-6
Valuing/protecting your company's intellectual property	#9	+7
The impact of climate change	#10	+2

<i>Issue Risks Need External Help With</i>	Rank	Change in Rank vs. 2021
A financial crisis	#1	+2
Energy supply/security	#2	N/A
Cyber attacks	#3	-2
A future global pandemic	#4	-2
Supply chain disruptions	#5	-1
Higher input, labor, and capital costs (inflation)	#6	-1
Government policy or regulatory changes	#7	-1
Disruptive technologies	#8	-1
Workforce shortage / failure to hire or retain junior/entry-level employees	#9	+1
Changes to international trade policy	#10	+3

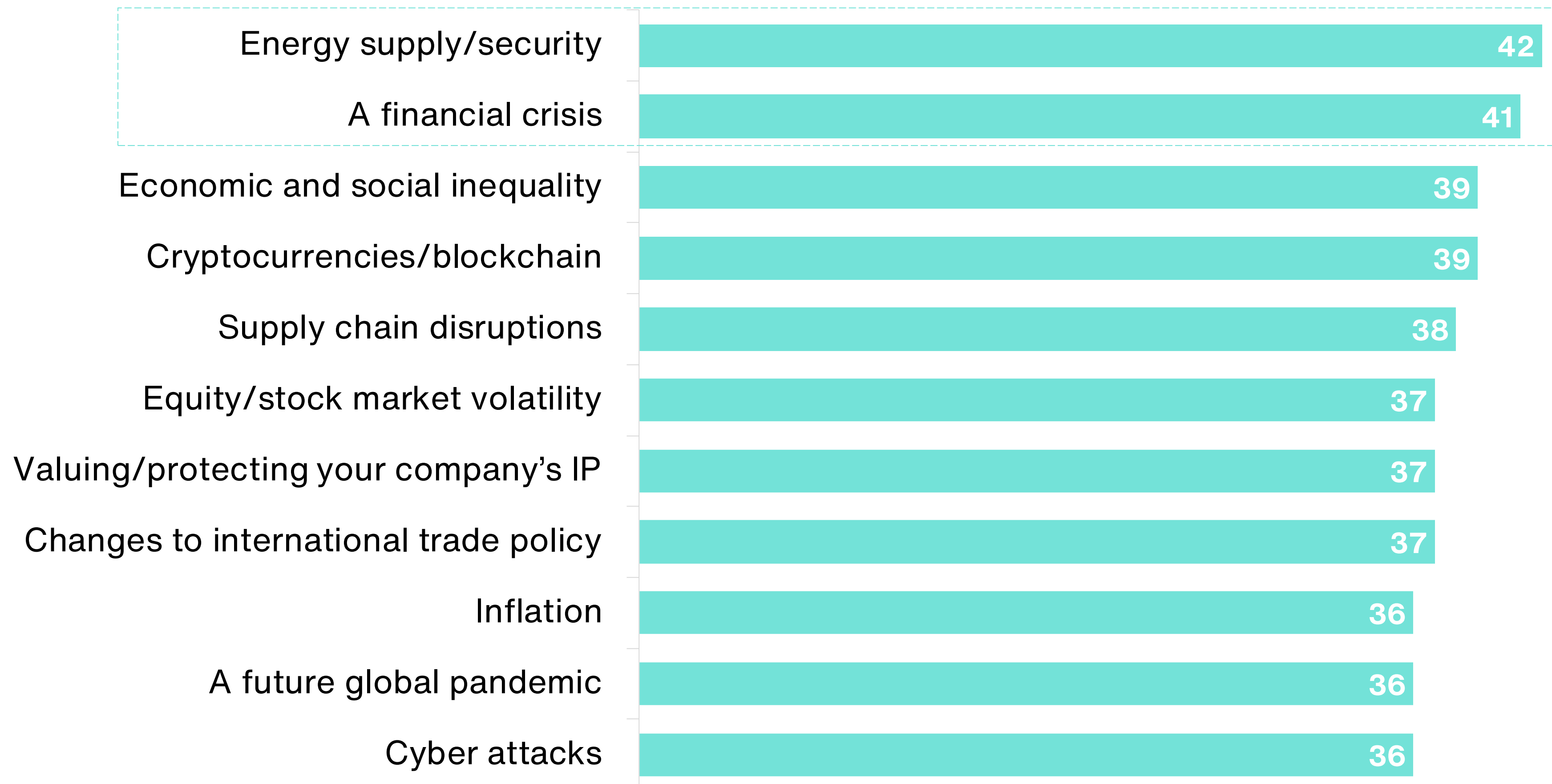
# Appendix



# Tech companies focused on energy supply, financial crisis

*Percent saying your business currently spends a great deal of time and resources evaluating these issues and considering their impact on decision-making and risk*

## Top Risks: Tech Companies

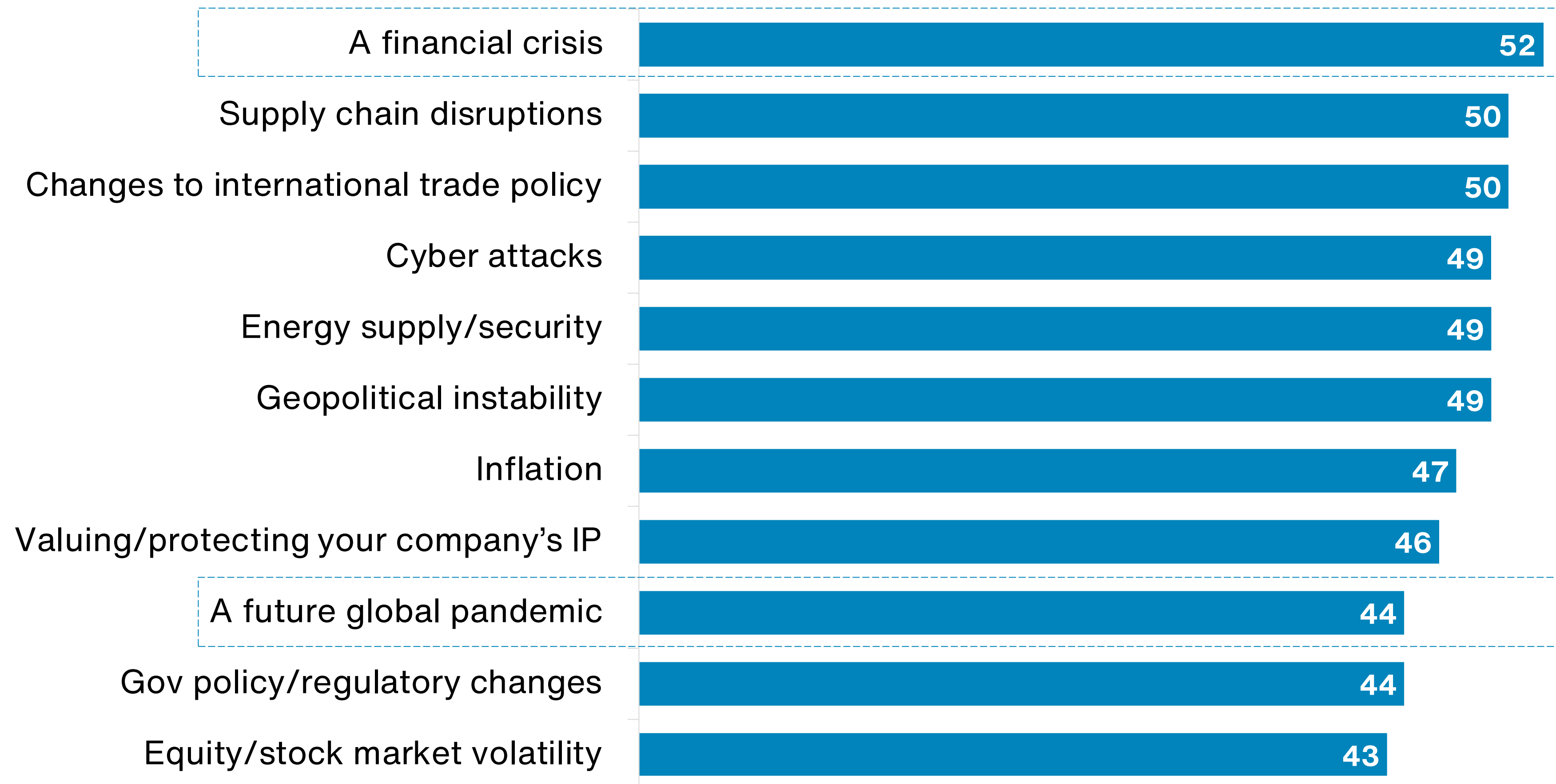


Where tech execs say they most need outside advisors

# Finance companies concerned about financial crisis, supply chain

*Percent saying your business currently spends a great deal of time and resources evaluating these issues and considering their impact on decision-making and risk*

## Top Risks: Finance Companies

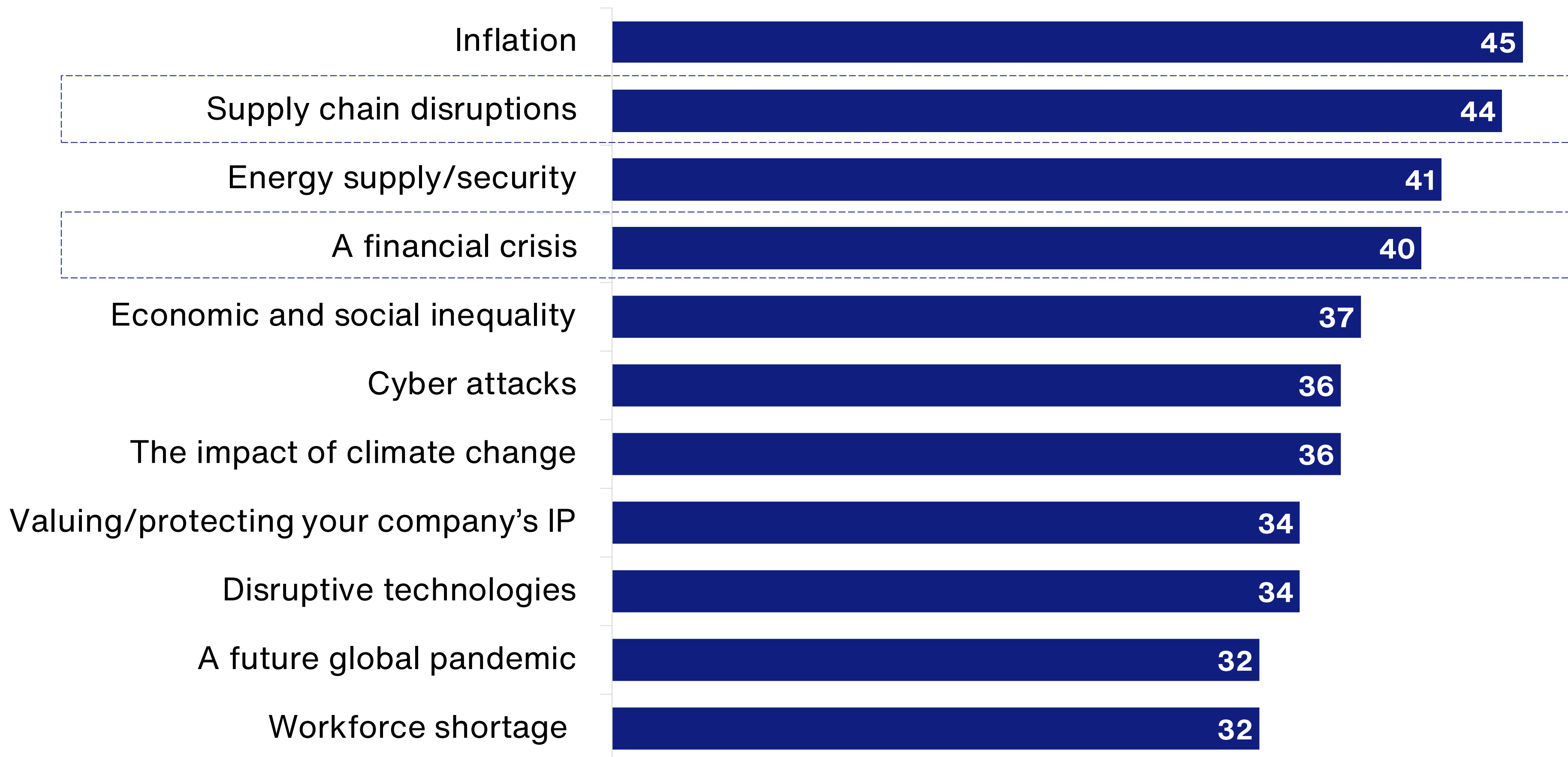


Where finance execs say they need outside advisors most

# Producers are worried about inflation and supply chain issues

*Percent saying your business currently spends a great deal of time and resources evaluating these issues and considering their impact on decision-making and risk*

## Top Risks: Production Companies



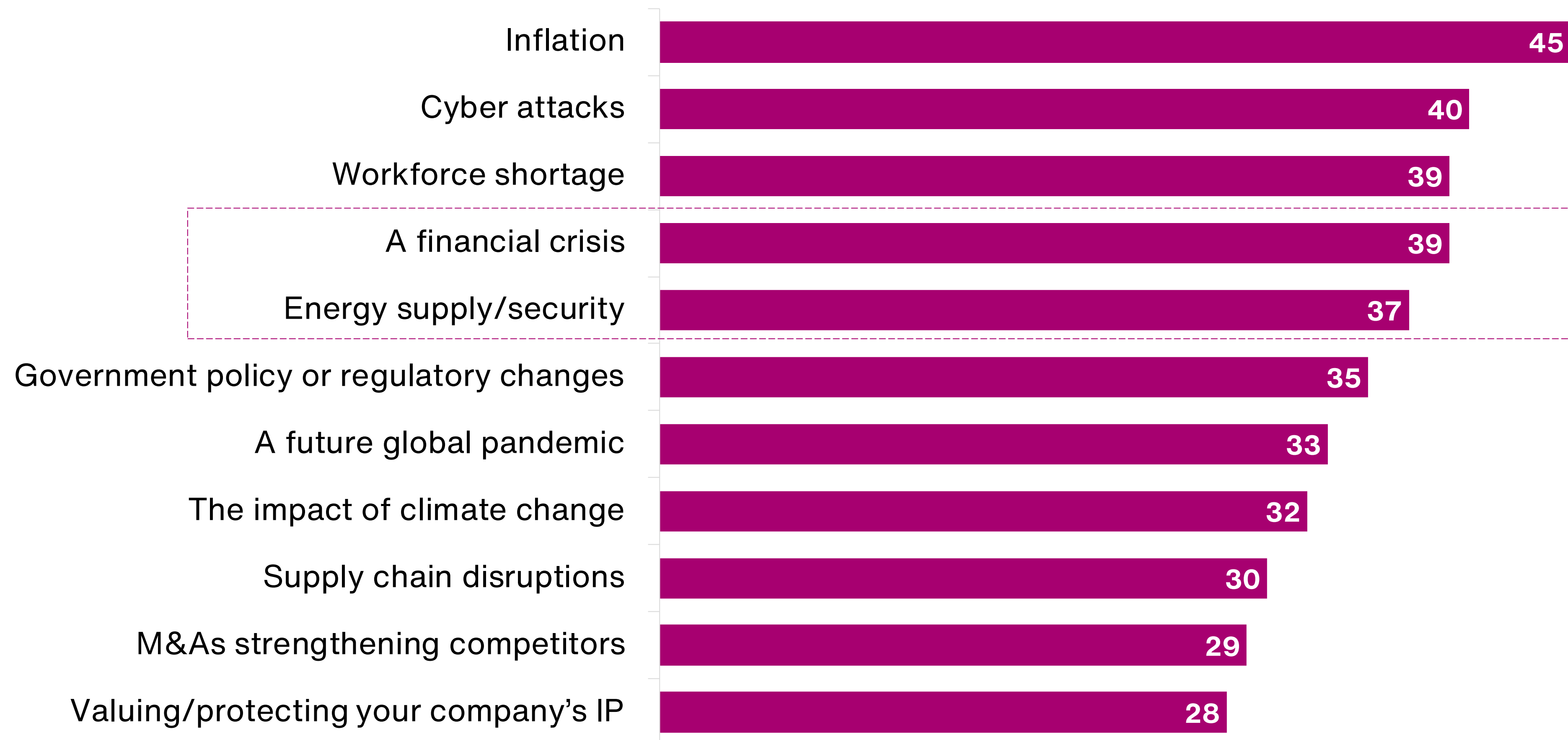
Where production execs say they need outside advisors most



# Service sector grappling with workforce shortage

*Percent saying your business currently spends a great deal of time and resources evaluating these issues and considering their impact on decision-making and risk*

## Top Risks: Service Companies



Where service execs say they need outside advisors most

# Industry Categories

Respondents were asked to identify the industry of their company. In order to create analyzable groups, all industries were combined into these four categories:

**Production (n=223):** Production includes Construction, Manufacturing, Energy/Extraction, Consumer Products, Agriculture, Utilities and Food & Beverage.

**Service (n=199):** Service includes Transportation and Warehousing, Professional Services, Education, Entertainment, Health Care, Leisure and Hospitality, Media/Publishing, Retail or Wholesale Trade, Non-Profit Sector and Legal.

**Tech (n=201):** Tech includes Hardware/Infrastructure and Software/App Development.

**Finance (n=127):** Finance includes Finance only.

**Other (n=48):** Respondents who answered “Other.”



# Thank You