



# Decision Making In Complex & Volatile Times:

Keys to Managing COVID-19

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# Decision Making In Complex & Volatile Times: Keys to Managing COVID-19

We are living in a time of unprecedented volatility. The novel coronavirus (COVID-19) pandemic has caused a global health crisis that continues to expand rapidly, and the first signs of its devastating impact on the global economy are just beginning to emerge. For many business leaders, COVID-19 will be the most disruptive, world-changing event in living memory.

Business leaders are grappling with the challenges wrought by COVID-19, challenges which affect every aspect of their organization — from their people to their bottom lines. As they seek to quickly respond to this rapidly unfolding crisis, they must also make decisions about next steps in a fluid and uncertain environment where the longer-term horizon is still evolving. The work they do on both fronts will shape the future of their organizations.

In an increasingly complex and volatile business environment, informed decision-making based on knowledge but inspired by genuine insight has never been more important.

What is unique about the COVID-19 pandemic is that it will not have a linear crisis event arc with a defined beginning, middle and end. Rather, there will be distinct phases to the pandemic that will hit different parts of the world and the economy at different times. Waves of infection in the communities in which an organization operates — and where their employees reside — will mean a company will have to tailor its response for the different locations and parts of its structure. Leaders must develop strategies to address each stage with flexibility and a clear understanding of how COVID-19 is unfolding for their firm and how their actions may affect the trajectory.

Furthermore, decisions can't be made based on what was known yesterday. Rather, decision-making must be driven by continually refreshing understanding of what is known today and recalibrating understanding of how tomorrow is being reshaped by today.

Leaders must have the right mindset, the most relevant information at hand and the decision-making frameworks in place to manage a great deal of uncertainty while also preparing for the future. This enhances the ability of the firm to put their best foot forward at every stage, even when in uncharted waters. This is what resilience looks like.

In this report, we explore the cyclical nature of COVID-19's event arc and then lay out a comprehensive response framework that helps to build the right mindsets, create flexibility and execute meaningful actions for both the short and long term.

# What Our Independent Research Tells Us

COVID-19

Successfully managing a crisis can have a lasting impact for an organization. Exclusive analysis from independent research house Pentland Analytics over the past 20 years — which includes over 150 individual case studies — highlights the difference between companies that successfully manage crises — and those that don't (Exhibit).

## The Impact of a Crisis on Shareholder Value. Crisis Management Response is Critical.



Source: Pentland Analytics, 2020

“You can either react to a reputation event or be proactive for when it occurs — and it inevitably will occur.”

**Dr Deborah Pretty**  
Founder, Pentland Analytics.

When organizations successfully manage a crisis, the research illustrates their shareholder value can appreciate up to 20 percent in the year following the event. On the flip side, those that don't may see their shareholder value depreciate by as much as 30 percent in the year after the crisis. This is over and above their benchmark stock market index.

“You can either react to a reputation event or be proactive for when it occurs — and it inevitably will occur,” explained Dr Deborah Pretty, Founder, Pentland Analytics. “React and you're in danger of losing control of the event's narrative, which will damage your brand and your shareholder value. Be proactive, however, and embrace and respond to those adverse events and you'll find the market not only forgives but may also reward.”

# CASE STUDY

## **Measuring COVID-19 Impact on Workforces Around the World**

As COVID-19 began to spread around the world, Aon brought together a team, including actuaries, epidemiologists and data scientists, to help organizations estimate the impact of the disease on their employee populations around the world.

Two weeks of non-stop work after its inception, Aon's COVID-19 Employee Impact Model was launched. Using geographic-specific infection rates, census data, and advanced epidemiologic models, the model gives U.S. and multinational organizations a short-term forecast of how COVID-19 will affect their workforces.

The model enables business leaders to adjust for essential employees and industry-specific infection exposure and view population impact by geographic area over time as well as model the infection peak for each employer group. Multinational organizations can also estimate the number of mild cases, hospitalizations, ICU visits, and fatalities for specific populations. Employers in the U.S., meanwhile will be able to estimate the cost of time away, including sick time, Short-Term Disability, caregiving time away, and worker replacement costs.

Clearly, the stakes are high for an organization, its people, its customers and its assets. What that analysis reflects, however, are linear crisis events that have impacted individual organizations (such as a cyber attack, major explosion, natural catastrophe, or product recall). Typical linear crisis events follow a more predictable arc (Exhibit).

## Major Crisis Event – Typical Arc

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Source: Aon, 2020

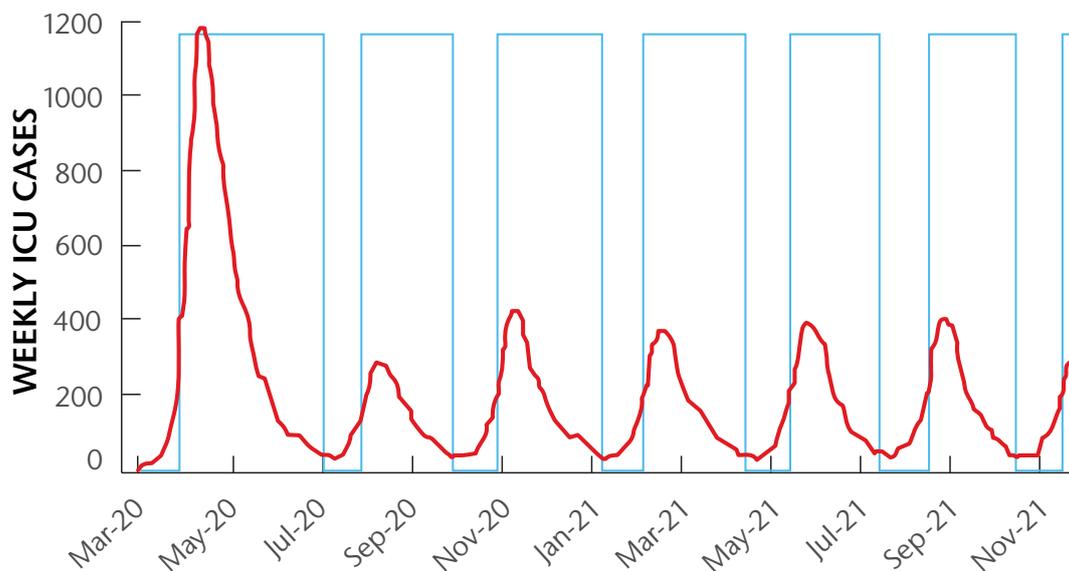
However, the COVID-19 pandemic has raised the stakes even higher. It is far from a linear event; while countries around the globe will see a peak in infections, they will experience it at different times. COVID-19 is anticipated to cycle through what may be multiple waves of infection with national and local governments introducing interventions to:

- Flatten the curve and prevent local health care systems from becoming overwhelmed
- Then easing the interventions when the curve comes down and to allow economic activity
- Then re-introducing interventions when the curve rises again

These waves are likely to occur at different times and at different intensities until such time as a vaccine is created or a treatment protocol is found to be effective.

An organization whose operations span multiple geographies will have a unique COVID-19 experience that is specific to their footprint and business profile (See Exhibit from Imperial College London’s research report below for illustration of rolling interventions).

## Crisis Event Arc for COVID-19 is Different



### Exhibit illustrates the concept of waves

Notes about this exhibit which represents modeled results; not actual results:

- Data points that form red line represent # of weekly ICU (Intensive Care Unit) cases (on a modeled basis for illustration purposes)
- Blue boxes represent the periods of time in which local government introduces interventions (mitigation and suppression measures) to flatten curve and bring it down
- Space between blue boxes represents a period of time in which local government eases up on interventions before implementing them again if/when curve rises
- Waves continue until vaccine is created or a treatment protocol is proven to be effective

**Exhibit Source:** *Imperial College London Micro-simulation Research March 16, 2020*

Figure 4: Illustration of adaptive triggering of suppression strategies in GB, for  $R_0=2.2$ , a policy of all four interventions considered, an “on” trigger of 100 ICU cases in a week and an “off” trigger of 50 ICU cases. The policy is in force approximate 2/3 of the time. Only social distancing and school/university closure are triggered; other policies remain in force throughout. Weekly ICU incidence is shown in red, policy triggering in blue

As they continue to navigate uncharted territory, business leaders should focus on a sophisticated response framework to guide decision-making and shore up vulnerabilities while identifying opportunities to make the organization more agile and resilient for the future.

# What Defines Success?

Through extensive research conducted by Pentland Analytics, that has been sponsored by Aon, five distinct hallmarks of companies that survive crises successfully, and those that don't, have been identified (Exhibit).

## Supporting Research: Hallmarks of Success for Companies that Survive in a Crisis

	Those who succeed	Those who don't
<b>1. Preparedness</b>	Deep commitment to loss prevention and mitigation	Failure to prioritize risk preparedness
<b>2. Leadership</b>	Strong, visible leadership from CEO	Weak or delegated leadership, failure to take responsibility
<b>3. Communication</b>	Accurate and well-coordinated communication	Opaque, partial or inconsistent communication
<b>4. Action</b>	Instant, global response and action	Delayed, absent or limited action
<b>5. Change</b>	True remorse: commitment to meaningful change	Minimal, inauthentic, reluctant contrition (if at all)



Source: Pentland Analytics, 2020



Of these five hallmarks, there are three core areas that organizations should focus on throughout a major crisis:

**Leadership.** In a high-stakes crisis, many leaders may be concerned and hesitant about making any missteps. But strong, visible leadership is critical in navigating an organization through turbulence. Acting with urgency and transparency — and acknowledging the unknown — helps provide a sense of reassurance and common purpose.

**Communication.** As leaders communicate with their employees, stakeholders and others, they must take into consideration the heightened anxiety and stress others may be feeling. That doesn't mean glossing over the realities of the situation. Crises require leaders to build trust with their listeners through accurate, honest and frequent communication.

**Action.** The cyclical nature of the pandemic will require companies to take continuous action across all areas of the business. Leaders must assess the information available to execute on new business models, operating modes, communication channels and other processes, creating new structures and adjusting as needed.

We have already seen how each of these three hallmarks of successful companies are starting to play out during the COVID-19 pandemic, helping establish best practices. Without them, companies will struggle to thrive.

# CASE STUDY

## Enhancing Cash Flow and Balance Sheet Strength

Working with a large, EMEA-based multinational engineering company hit hard by the COVID-19 crisis, Aon helped build a proactive, creative and in-depth analysis that produced significant savings.

Aon's approach has included making discovery sessions more frequent to develop solutions more closely linked to the company's strategy and imperatives. This laid the foundation for a workshop driven by the pandemic situation, to discuss the short- and medium-term imperatives for cash, costs and liquidity and strengthening the balance sheet.

The existing ideas were further refined, new solutions were identified and — most importantly — immediate action was taken. Aon took the lead in helping get buy-in by setting up a treasurer “war room” with a solution specialist.

Because of Aon's approach, the company was able to increase cash flow through use of supply chain financing via insurance markets and extending financing through insurance; accelerating claims closures; optimizing insurance and saving more than 10 percent on premiums; and reducing the cost of maintaining a large number of patents in the U.K. A strategy to leverage intellectual property and increase its value further helped strengthen the company's balance sheet.

# **The Challenge at Hand: An Unprecedented, Fluid Crisis Impacting the World Over**



The world as we know it is being completely reshaped by the pandemic. No country or company will simply bounce back or rebound to the way they were before.

While many companies have demonstrated the three crucial hallmarks — leadership, communication and action — the current pandemic is testing every business leader in new and unknown ways. And — due to the fluid nature of the crisis, the speed of its spread, the devastating economic havoc it is wreaking and the fact that no known solution exists yet — these tests will just keep on coming. Any playbook for a linear crisis event has become obsolete.

The world as we know it is being completely reshaped by the pandemic. No country or company will simply bounce back or rebound to the way they were before. Consumer behaviors are changing, supply chains are being rewritten, institutions are shuttering, business models are being fundamentally reshaped and expectations of governments are shifting. Fear and anxiety, together with confusing and conflicting information over COVID-19 and its impact, are casting a dark cloud over communities. These are uncharted waters.

All of this means that business leaders need to implement a new response framework that enables them to confidently make better business decisions in this complex and volatile time.

Aon's proposed response framework for dealing with the challenges that lie ahead will now be covered in more detail.



# CASE STUDY

## **De-risking Business Challenges Due to COVID-19**

Business priorities can change very quickly. The COVID-19 pandemic created a sudden rash of cancellations and a substantial drop in future bookings for one of the world's leading hospitality companies.

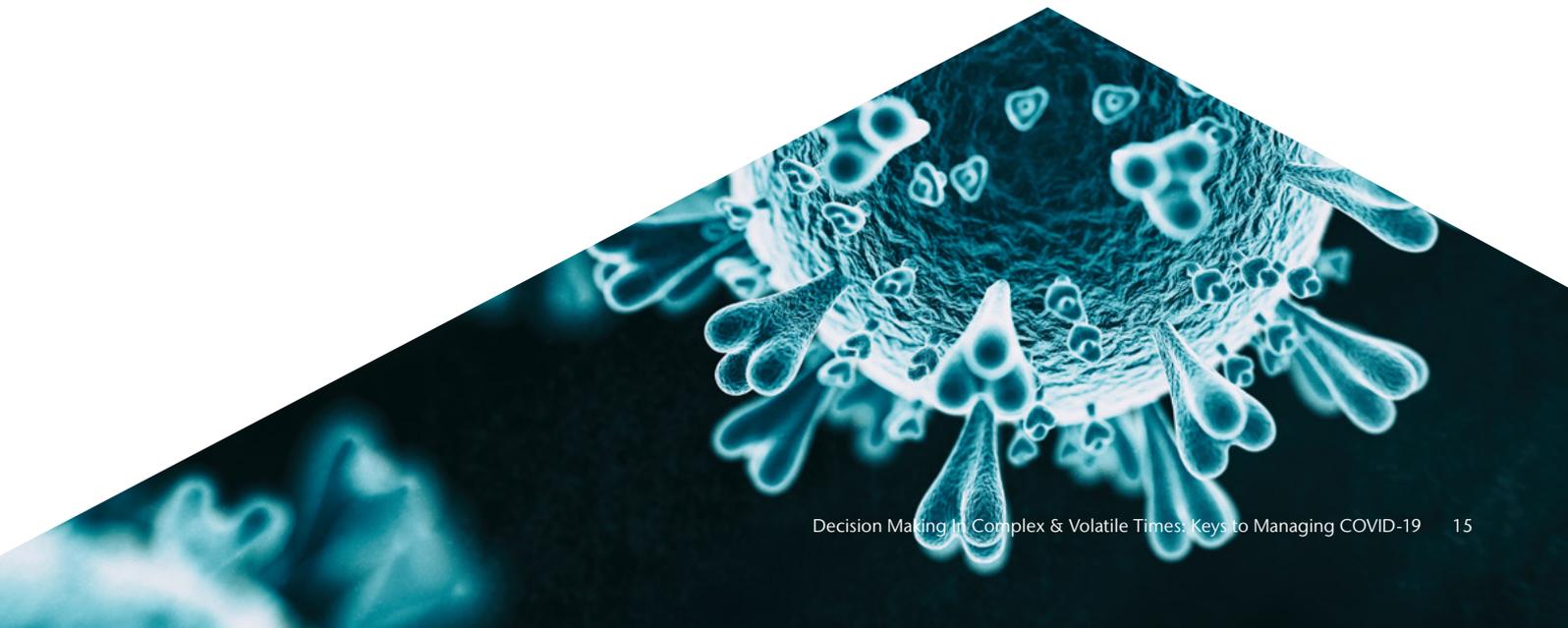
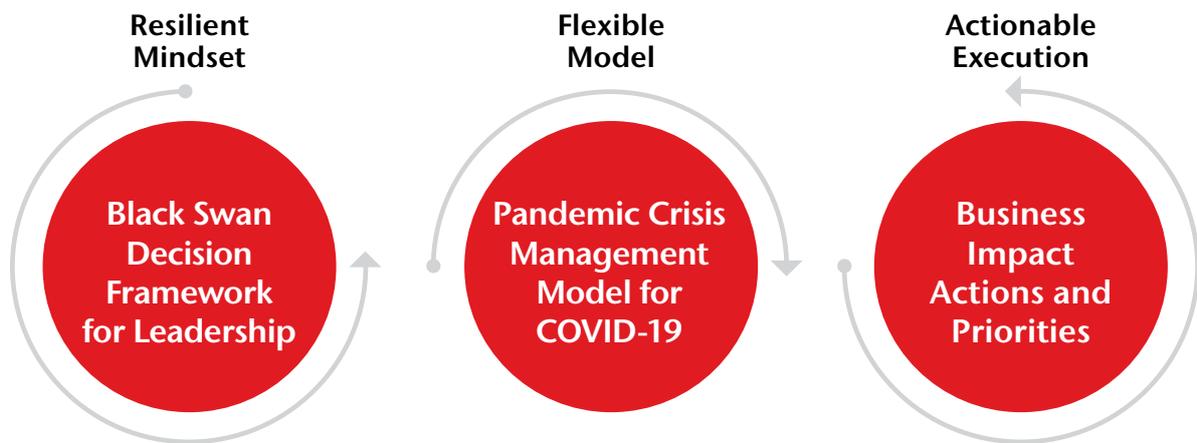
As a trusted advisor, Aon engaged with the company around several key challenges: reducing expenses, de-risking the booking decision by customers and looking out for their stakeholders.

Aon helped in exploring corporate risk cover for cancellations as well as working on an Accident & Health product for stakeholders who may become ill from contact with a customer and a travel insurance platform to allow customers to protect their reservations.

# A Comprehensive COVID-19 Response Framework



To help companies successfully navigate the COVID-19 crisis and redefine the way leadership, communication and decision-making come together to shape that process, Aon has developed a comprehensive, enterprise-level approach that touches each of these areas. Through this approach, which includes a Black Swan Decision Framework, COVID-19 Crisis Management Model and a set of Business Impact Actions and Priorities, executives can build the resilience and organizational capabilities to act with insight and intention, and position their firm for its best opportunity for success. The decision framework and crisis management model lay the foundation for business impact actions and help leaders make decisions informed by precise data and analytics and remain vigilant and flexible throughout every stage of the COVID-19 crisis.



# CASE STUDY

## **Latin American Company Implements Medical Concierge Service**

The Latin American division of a global professional services organization turned to Aon for assistance in improving its colleague health program for the COVID-19 crisis.

In order to meet the firm's partners' expectations, Aon implemented a concierge service and worked with a local health insurance company to solve urgent cases and non-covered demands.

Through this work, Aon identified an opportunity to negotiate with the current provider and was able to close a 50 percent lower readjustment value.

Aon also launched an online health advice service for the organization's employees. The service was up and running in six hours.

# The Black Swan Decision Framework for Executive Leaders



COVID-19 is not a linear event that progresses in a straight line to conclusion. Rather, it's an event driven not just by known (such as the fact that COVID-19 is a novel coronavirus) but also by unknown factors (we're still uncovering more details about the virus itself) and hidden interconnectivities that combine to create an impact that is so much larger than what was expected.

This is not a typical crisis event. It is anticipated that multiple waves of infections may occur which might require an organization to flex back and forth between React, Respond, Recover and Reshape. All the while, the interconnectedness of the world is amplifying, rather than smoothing, the impacts and ripple effects as the pandemic continues to unfold.

The term "Black Swan" event was coined by author Nassim Nicholas Taleb and describes the sort of situation that creates an impact C-suite leaders and boards fear the most — one that:

- Generates an impact beyond the scale or scope of anything the organization's leaders had envisioned
- Is shocking because of the magnitude of that impact
- Shakes their organization to its core without fail-safe measures in place to check the impact and no set paths forward to survival or perhaps even an opportunity to thrive

Whether or not COVID-19 is labeled a Black Swan event, for the practical purposes of an organization mounting a successful response, the more pertinent issue is the Black Swan-type *impact* their firm is experiencing.

If an organization's leaders have previously experienced an event that was catastrophic to their firm with no known solution, then COVID-19 might not present a Black Swan-type impact to them. However, if they haven't, it is very much a Black Swan impact.

The decision-making environment that results — dealing with the shock of a devastating and rapidly evolving event for which much is still unknown; making decisions in a high-tempo, high-consequence environment where information is incomplete and there are no clear right answers; and mounting a response while the depth and breadth of global economic challenges are only now emerging — is unprecedented in its degree of uncertainty. Until such time as a COVID-19 vaccine is produced or a treatment protocol is found to be effective, leaders are making decisions in uncharted waters.

Making life- and organization-changing decisions in an accelerated time frame is challenging on its own, but the current situation has ratcheted up pressure on executives even further. In addition, the rapidly changing environment means that frequent data-driven insights and updates are required to identify new trends and potential crises. The annual round of setting strategy and priorities for the year is no longer sufficient.

The COVID-19 pandemic requires leaders to focus on building a resilient mindset to guide decision-making and be able to continually and proportionately refresh and flex. Those with the best opportunity for success recognize that uncertainty will continue to exist and that they must go into a situation with eyes wide open — that way, they can look for what's really happening, not what they expect to see. They should also maintain constant vigilance to identify and assess tipping points and escalation triggers for next steps. Executives must seek to consistently assess and adapt to the threat. This shift will also involve building a crisis team with representation from across the enterprise to ensure a complete view of decision-making.

The Black Swan Decision Framework has several core components. Each includes recommendations and questions for leaders to consider at frequent intervals — which will help them filter the high volume of information and make effective decisions.

## First Steps

Companies must start by gaining a better understanding of the crisis and its impact on the market, the organization and stakeholders — from employees to third parties.

### The key areas of focus for companies must be to:

- Maintain a focus on fact-based perspectives
- See what's *really* there, not what we expect to see or assume to be true
- Ensure the organization focuses on the “Seven C’s” — Candid, Creative, Code of Conduct, Competence, Confidence, Compassion, Coordination when making key decisions in order to maintain a focus even when it's not clear which answer will be the right one
- Establish a Crisis Team that consists of colleagues covering crisis response, solution development and operations to ensure response and problem-solving receive focused attention while the organization continues to manage its business and workforce needs
- Enhance organizational agility. This will mean changing the tempo of decision-making, how those decisions are made, and asking for more frequent updates of the right and most relevant data.

## Situation Analysis

- Ensure the organization continues to evaluate the situation from various angles: communications with employees and clients, business continuity, operations/supply chain, suppliers, financial, liquidity, volatility, public relations, regulatory, legislative, etc.
- Maintain vigilance and have an emergency response mechanism in place.
- Ensure organization revisits these questions **regularly** to refresh situational awareness:
  - What do we know now?
  - What do we believe and how are we developing our knowledge of the situation?
  - What kind of emergency response is needed, and does it require adjustment to reflect new understandings?

## Situation Assessment

The fluid nature of COVID-19 doesn't just require a continually refreshed understanding of the event, but it also requires companies to frequently recalibrate their understanding of how impacts and their ripple effects may also be changing, and adjust to those changing conditions. Factors such as the magnitude of recurring outbreaks, new medical treatments and additional information about the virus can inform decision-making.

Leaders should ask these questions **regularly** to continually refresh and recalibrate:

- What are the impacts and ripple effects and how do they differ from the event “symptoms” that have required emergency response? Is the problem changing?
- What's the impact of this situation on our people, operations, customers, suppliers? How is this impact changing?
- What has always worked that will not work now (such as certain ways of working and communication channels)?
- How are we testing assumptions?
- Are there expected changes in economic, regulatory, environmental, technological or other conditions that will affect our business operations and our strategy — positively or negatively?
- What are our risk mitigation priorities, options and initial strategies?
- What resources are needed to implement these strategies?

## Problem-Solving Framework

COVID-19-related problems are complex because the organization is experiencing impacts in every part of its business. At the same time, almost every company around the world is also affected. Plus, economic ramifications are continually unfolding. A framework needs to be in place to find solutions for the risks and crises buffeting the organization, and it should capture the following:

- Problem-solving should incorporate a research and development focus. This will ensure that out-of-the-box thinking is encouraged as well as an open mind. Even solutions that might have been rejected previously might now be considered appropriate.
- Ensure the organization can identify, evaluate and implement suitable solutions for the impacts.
- Teams will need to quantify the time, people and funding required to execute these solutions and find ways to accelerate the decision-making.
- A process will need to be set up to monitor any factors that may require adjustments in the solution.

## Communications and Messaging

Making sure everyone is kept up to date on how a company is responding to a crisis is vital to keep teams motivated, engaged and more likely to make the best decisions.

- Rapidly create a formal, interactive crisis communication strategy to address the needs of various employee audiences (managers are critical), clients/customers, suppliers, regulators, and the media.

- Ensure any communication from the organization is tightly coordinated and as centralized as possible. This will avoid confusion and inconsistency, and will limit how overwhelmed employees, in particular, might feel.
- Clear, concise, transparent communication is always important, and especially critical during times of crisis.
- Establish the most effective new channels and cadence — a centralized intranet landing page, weekly emails or video messages, text messaging for critical updates — especially for non-linear events like this that may fluctuate and require frequent, sometimes fast-changing messaging.

## Implementation and Monitoring Framework

Once the organization has implemented their crisis response actions, they should monitor the effect those actions create, identify where/when adjustments may be needed, determine what kind of adjustments are appropriate and how to introduce them. In addition, as companies build the organizational capabilities to respond, their speed and agility will increase. A monitoring framework can help executives highlight initiatives that are performing well and replicate them for future waves.

- Ensure the following continue to receive priority attention:
  - Key indicators and critical thresholds for early warning
  - Identify measurement criteria
  - Identify how data will be collected and analyzed
  - Create measurement tools and dashboard format
  - Establish a baseline against which to evaluate progress and success



...the rapidly changing environment means that frequent data-driven insights and updates are required to identify new trends and potential crises.



# CASE STUDY

## Helping to Improve Financial Literacy

The COVID-19 pandemic began as a global health crisis but it has also caused unprecedented economic impact — including on individuals' savings and finances.

Aon has stepped in to help Asia-Pacific colleagues of a leading major global financial institution with a series of tailored COVID-19 financial wellbeing support sessions.

The sessions not only aim to help the employees manage their money stresses, but also offer support in mitigating general mental health impacts.

# The COVID-19 Crisis Management Model



Once the Black Swan Decision Framework is in place, the organization can focus on another foundational element of a COVID-19 response – the COVID-19 Crisis Management Model. Aon designed this model to simultaneously provide structure and flexibility, both of which are necessary to help leaders respond effectively.

There are three distinct timeframes for the COVID-19 crisis – react and respond, recover, and reshape (Exhibit). All companies, particularly multinationals, will be dealing with different stages at different times, and the level of severity can vary at every turn. Understanding where each location or part of the organization is in the model at any given time will aid in leadership’s decision-making, communication strategies and prioritization and planning. There may be a need to flex between stages and timeframes, depending on the organization’s unique COVID-19 experience and how it unfolds. Aon’s COVID-19 Crisis Management Model accommodates that need.



# Business Impact Actions and Priorities

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## Timeframe 1 – React and Respond

During the React and Respond process, leaders should focus on reacting to the immediate needs of the emergency and mounting a response that includes analyzing the impact, understanding their capacity for resilience and thinking through how to protect their people and preserve the business. As companies implement this process, they are absorbing information and using the Black Swan Decision Framework to determine the best next steps as quickly as possible. At the same time, they are implementing crisis strategies to communicate clearly, effectively and frequently to employees and stakeholders. They'll also need to assess the liquidity they have to cover costs and ensure solvency, establish shareholder and investor commitments and have a clear line of sight to what is happening at the government level.



## Timeframe 2 – Recover

As companies move into the Recover stage, the focus is on stabilizing the business. This includes steps to bring employees back to the workplace and shifting to new operational models that help maintain continuity for employees and aid in customer and client retention. Leaders will need to rely heavily on data and analytics to reforecast frequently, make ongoing business plan adjustments and develop recapitalization strategies. Maintaining open lines of communication to engage investors and employees will be critical during this time.

It is essential to apply a 360-degree lens on readying the business for best foot forward, including addressing the complexities associated with returning workers to workplaces amidst the ongoing COVID-19 pandemic. While many clients have effectively dealt with business interruption events in the past, no one has the experience to draw from that is specific to a pandemic of this scale and complexity.

Starting a business recovery phase requires careful consideration of the many facets of work, including:

- The business's major priorities (generating revenue, receiving and delivering supplies)
- The essential employees needed to do the work
- Configuration of the worksite and surrounding environment if that site is shared with other employers
- The many steps required to ensure an effective and safe return to work

These efforts are optimized for a business when they're done in collaboration with key outside entities such as the Centers for Disease Control, the World Health Organization, and various local government bodies. By working with these organizations, businesses can be confident that they have all the available information and that these facts are regularly updated as new information comes in — which can be on a daily basis.



## Timeframe 3 – Reshape

We know the world will not look the same as it was before the COVID-19 pandemic. Even as we cycle through each of these timeframes, we will find that the rapid evolution of the virus and its impact on the global economy has made each different — appropriate responses in the first wave have changed; we must now recover from something new. In the Reshape stage, leaders will need to rebuild their vision, strategy and priorities for the future. That will involve redefining company goals and how to meet them — including adjustments to operational models, business pivots for products and services and continuously refreshing talent strategies and working models. Additionally, as leaders grapple with a constantly changing landscape, they will need to respond to regulatory shifts and commit to financial stability and resilience for the future.

# Business Impact Priorities

The Black Swan Decision Framework and the COVID-19 Crisis Management Model will help companies build the resilient mindsets and flexibility that must underpin the leadership, communication and action necessary to navigate through the COVID-19 pandemic. This will enable an organization to put their best foot forward at every stage.

“Leaders must have the right mindset, the most relevant information at hand, and the decision-making framework in place to manage a great deal of uncertainty while also preparing for the future,” explains Nancy Green, Executive Vice President, Global Client Promise Leader, Aon.

“This enhances the ability of the firm to put their best foot forward at every stage, even when in uncharted waters. This is what resilience looks like.”

These tools will become increasingly important as companies make high-impact decisions in five key areas:

1. Protecting People and Assets
2. Protecting the Balance Sheet
3. Maintaining or Increasing Revenue
4. Managing Costs
5. Revisiting Business Strategy

In each of these areas, C-suite leadership teams should focus on the insights and data and analytics that will help make the decisions that matter.



## 1. Protect People and Assets

Protecting people and assets will become a major imperative across an organization, but that focus takes on even more emphasis with the challenges of COVID-19. Executives will have to mobilize various departments from risk to human resources to information technology. Employee health and wellbeing should also become a top priority, and companies can tap into technology solutions to help employees manage their wellbeing virtually, as well as ensure managers are conducting regular check-ins. During uncertain times, companies

will also need to focus on their overall people strategy — including acquisition, retention and development and determining how to right-size their workforce and redeploy talent — and use this opportunity to accelerate their Workforce of the Future planning to optimize the positive benefit on the firm’s ability to be resilient. The current situation will also bring together the C-suite and HR to discuss compensation, rewards and benefits strategies that help protect people and the organization’s overall health.

A company’s assets — whether physical assets, intellectual property or otherwise — will have to withstand the new challenges of the pandemic. Organizations must analyze risk as it relates to real estate, business continuity and their supply chain, cyber risk and operational resilience. Overall, leaders must have a clear understanding and analysis of their risk and insurances during this time and getting that information should be a top priority. Another short- and long-term consideration is reputation risk, as many organizations’ responses to COVID-19 may come under greater scrutiny.



## 2. Protect the Balance Sheet

Leaders must assess their company’s liquidity and fully understand and analyze risks to make the best decisions to ensure their organization’s financial health. Stability and flexibility are both vital here: leaders will need to turn their attention where necessary to raising capital, creating capital-protected investments and leaning on contingent capital. Departments across the organization will need to work closely with the CFO and the finance team on expense rationalization and credit protection as well as counterparty risk, understanding their impact on the balance sheet and any potential risks. They will also need to bring HR in to discuss the impact of pension plans on their balance sheet, including reduction of liabilities, contributions and cost.



### 3. Maintain or Increase Revenue

Many companies are seeing their revenues dry up as a result of the pandemic, and no industry is completely immune. Leaders must now identify strategies that help maintain or increase revenue, especially as they prepare for the unknown. For some, this may be a time to tap loss warranties, focus on recapitalization or rethink their asset/liability management. Being able to pivot their business models and serve customers in new ways or adjust their value proposition will also go a long way in helping companies to keep revenues afloat, including finding ways to provide the same or a similar service or value virtually.

As part of this, companies should ensure their workforce is ready and able to digitize their work. And to further shield against revenue loss, companies should analyze their risk mitigation opportunities as well as any investment opportunities. Even in an uncertain climate, there are long-term opportunities that companies can take advantage of if they're able to fully analyze the risk involved. Another layer of revenue enhancement will be determining how to monetize intangible assets on their balance sheet.



### 4. Cost Management

When times are uncertain, companies turn to cost management strategies. When the COVID-19 pandemic started to spread, employers focused on ensuring that employees were protected and reassured that the volatility in financial markets would not have a significant impact on their pension plan investments. However, as the economic consequences of the pandemic started to be felt, many employers began to review the costs associated with healthcare, pension and retirement and compensation. This has escalated from cutting non-compensation costs, to reducing pay temporarily and exploring other potential employee benefits strategies and timeframes.

When assessing their options, leaders must utilize the data at hand and rely on analysis to identify the areas where they can balance impact with the organization's long-term needs. This includes assessing the regulatory environment when it comes to initiatives such as reducing payments to defined contribution pension plans. Those companies who already have good governance and all the information they require are well placed to take quick and decisive action to find additional cashflow and cost savings.

Finally, as any actions are taken, it is important to craft and execute a careful communication and change management plan to minimize further disruption.



### 5. Revisit Business Strategy

After building resilient mindsets throughout the organization and focusing on flexibility, companies will be in a better position to revisit their business strategy throughout the COVID-19 crisis and beyond. As they assess business strategies, companies should be thinking about their long-term ambitions for mergers and acquisitions (M&A) and divesting underperforming companies along with capital investment planning.

Workforce and talent strategies should be a priority, as workforce planning will need to shift to a new reality for the business. Leaders will also need to rethink their reward strategy and offerings in light of the crisis and how it has changed employee mindsets — and think through how their employee value proposition has changed not only in the context of the COVID-19 crisis but also its long-term implications for the Future of Work. And certainly, in every business impact area, leaders must reassess risk, but as they revisit business strategies, companies must do so through an enterprise-wide strategic — not tactical — lens.

# CASE STUDY

## Securing a Comprehensive COVID-19 Benefit Plan

Aon has secured a COVID-19 benefit plan for the 250,000 active and retired members of a leading European professional association should they be hospitalized with COVID-19.

Aon was able to negotiate with a major insurer to design a wide range of benefits for the association's members — regardless of age and back-dated to the beginning of February.

Among the benefits secured were: a daily hospitalization allowance; a daily isolation allowance if the insured has been diagnosed with COVID-19 and is forced to quarantine at home; and a post-hospitalization allowance in the event of being treated in an ICU. The new plan also included online medical consultation service.

Note: This type of risk transfer solution only applies to organizations operating in certain countries in the European Union.

# Conclusion

In just a short time, we've seen the devastating impact COVID-19 has had on the health of populations and the economies of countries around the world, and how that has translated into what may be the most daunting challenge in living memory for leaders as they make decisions in uncharted waters. In addition to continuing to safeguard the health and wellbeing of employees, leaders of organizations should focus on working through the stages of Aon's comprehensive COVID-19 Response Framework to help them make the kind of decisions that position their firm for its best opportunity for success.

There are three vital lessons leaders need to learn — and quickly — in a crisis such as COVID-19:

- Decision-making must be driven by continually refreshing your understanding of what is known today and then using that knowledge to recalibrate your understanding of how tomorrow is being reshaped
- Leaders must have the right mindset, the most relevant information at hand and the decision-making frameworks in place to manage a great deal of uncertainty.
- While no one can predict the future, leaders can use this framework and these critical actions to help them own the choices that could enhance the firm's ability to navigate toward that future with clarity and purpose.

This is what resilience can look like.

# Appendix



2 metres



Please distance  
yourself while you wait

SOCIAL DISTANCING

## **Client-ready Resources:**

[COVID-19 Insights & Resources Site](#)

[COVID-19 Employee Impact Model](#)

# Black Swan Decision Framework for Leadership

**Resilient  
Mindset**



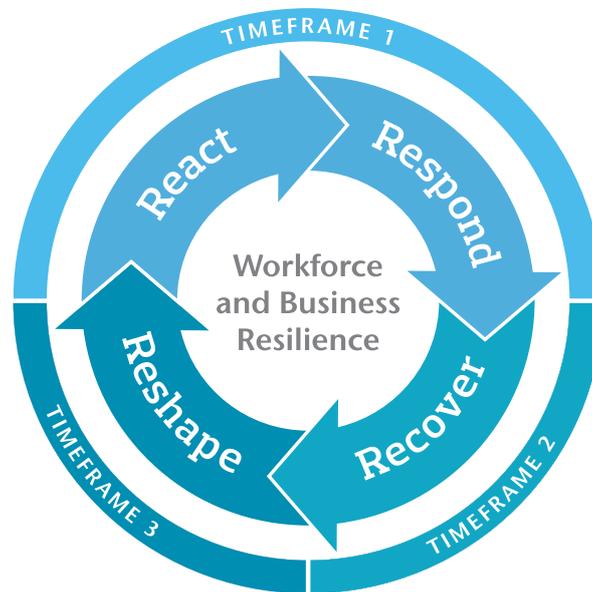
**Black Swan  
Decision  
Framework  
for Leadership**

## All Key Decisions Should Contemplate the Following

- **7 C's** of Black Swan Event Response
- **Assemble** a Black Swan Response Team
- **Enhance** Agility
- **Analyze** the Situation
- **Maintain** Emergency Response
- **Assess** the Situation
- **Establish** a Problem-Solving Framework
- **Optimize** Communications & Messaging
- **Implement** Solution and Establish Monitoring Framework

# Business Impact Actions

Actions require short- and long-term focus that can flex to accommodate the fluid event



TIMEFRAME 1	<h2>React</h2> <p>Mobilize Task Force</p>	<ul style="list-style-type: none"> <li>• Confirm and demonstrate duty of care</li> <li>• Business continuity implementation</li> <li>• Workforce strategy</li> <li>• Impact validation and resilience</li> </ul>
	<h2>Respond</h2> <p>Manage the Crisis</p>	<ul style="list-style-type: none"> <li>• Ensure liquidity and solvency</li> <li>• Shareholder/investor commitment</li> <li>• Crisis communications internally and externally</li> <li>• Government liaison</li> </ul>
TIMEFRAME 2	<h2>Recover</h2> <p>Stabilize Business</p>	<ul style="list-style-type: none"> <li>• Establish protocols on workplace environment</li> <li>• Mobility of employees</li> <li>• Customer/client retention</li> <li>• Business plan adjustments</li> <li>• Reforecasting</li> <li>• Investor engagement</li> <li>• Recapitalizing</li> </ul>
TIMEFRAME 3	<h2>Reshape</h2> <p>Plan for the Future</p>	<ul style="list-style-type: none"> <li>• Respond to potential regulatory and operational changes</li> <li>• Commit to financial stability</li> <li>• Workforce and workplace planning</li> <li>• Commit to resilience for future events</li> <li>• Redefine business strategy &amp; goals</li> </ul>

# Business Impact Priorities

*Flex with Organization's needs and stage of COVID-19 experience*



## Protect People & Assets

- Wellbeing of people
- People – retention, development and attracting
- Workforce rightsizing and redeployment/agility
- Communication strategy
- Policy adaption on Compensation, Rewards & Benefits
- Assets/Real Estate
- Inventory – BCP, supply chain management etc.
- Reassessment of risk & insurances
- Cyber Risk
- Operational Resilience
- Reputation Risk



## Balance Sheet Protection

- Capital raising or alt cap protection
- Contingent capital
- Expense rationalization – total cost of risk analysis
- Credit protection
- Pension Plans – reduction of liabilities, contributions and cost
- Counterparty Risk
- Liquidity planning



## Maintain or Increase Revenue

- Loss warranty
- Assess investment opportunities/risks
- Risk mitigation/reduction
- Monetization of intangible assets on balance sheet
- Use of technology to get closer to customer – B2B, B2C, distribution
- Digitizing the workforce
- Recapitalizing
- Rebalancing ALM



## Cost Management

- Reorganizing workforce
- Redeployment of resources/activities
- Reassessment of healthcare costs
- Reevaluate pension and retirement costs
- Review compensation costs
- Process re-engineering to address accelerating digitization
- Review insurance – expand covers for new & emerging risks



## Revisit Business Strategy

- M&A – people & assets
- Divestments
- New product development
- Capital investment planning
- Workforce planning
- Reassessment of risk
- Reshape reward strategy and offerings
- Future of work
- Employee value proposition
- Responding to potential regulatory and operational changes

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## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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