



# Optimism on uncertain grounds

PwC Deals Study  
Part 1 of 3: Market Environment & Strategy Process



In cooperation with  
**KANTAR**



**PwC Deals Study**

Three-part study

Part 1: Market Environment & Strategy Process – Optimism on uncertain grounds

Part 2: Strategy and Portfolio Management – Mastering uncertainty and volatility

Part 3: Carve-out as a Strategic Tool – Unlocking value through carve-outs

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# Study motivation and contacts

## Study motivation

In our daily interactions with our clients, we are constantly looking for ways to improve their competitive positioning and reimagine what is possible, using measures from across the deals spectrum. Naturally, this includes looking into the future and making reasonable assumptions on how corporate environments and markets will develop, which trends and regulations will come up, and how our clients can best contribute to a brighter and more sustainable future. But over the last few years we have found that looking into the future in this way is becoming more and more difficult, complicated by layers of opacity which conceal huge amounts of volatility, uncertainty, complexity and ambiguity (VUCA). It is almost certain that this trend will further intensify, so the ability to rein in and successfully navigate VUCA waters will be a key success factor in future markets. Because of this, we have made VUCA the focus of our study. A wise choice, as the outbreak of the current pandemic – which came shortly before we finalized the study design – showed.

Key focus questions include: what do top executives think of market environments? What are their future prospects? How does the current pandemic impact their market situation and prospects? How are they adapting their portfolio and operational footprint management approaches? Which role do strategic measures such as carve-out play? The design and focus of our study offers unique peer-to-peer insights from top executives to top executives, helping them clarify their understanding of market environments and implement new approaches to strategic and operational management to successfully master VUCA.

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# A Study focus

Corporate environments have become increasingly volatile, uncertain, complex and ambiguous (VUCA). The triggers are very diverse. They include new regulations, changing consumer preferences, environmental hazards, political tensions, technological innovations and pandemics, as recent events have shown. This has a severe impact on corporates and top executives, which need to find ways to navigate VUCA waters successfully.

In cooperation with Kantar and the Technical University of Darmstadt, PwC conducted a three-part study with focus on companies in the DACH region (Germany, Austria, Switzerland) with an annual turnover of more than €300m. A total of 157 decision makers (board level, M&A/strategy lead or similar position) participated in the study, and the distribution of participants is representative across countries, industries and company size in scope.

In part 1, the study examines how decision makers perceive the current business environment and future prospects and how that impacts their strategy processes; in part 2, it explores the impact it has on their portfolio and operational footprint management approaches; and finally, in part 3, it focuses on the role of carve-outs as a strategic tool in particular. We will publish all three parts subsequently.

## Overview focus areas of the three study parts

### Part 1



Market Environment &  
Strategy Process  
**Optimism on  
uncertain grounds**

out now

### Part 2



Portfolio and Operational  
Footprint Management  
**Mastering uncertainty  
and volatility**

to be published in  
November 2020

### Part 3



Carve-out as a  
Strategic Tool  
**Unlocking value  
through carve-outs**

to be published in  
December 2020

## B Executive summary

The study offers highly relevant and exclusive insights into the current mood of top management and their strategic agendas. It also offers advice on possible inconsistencies, discrepancies, logical flaws and white spots, and thus helps decision makers validate, challenge and refine their strategic agenda to avoid committing fatal mistakes. The first chapter of the study focuses on how decision makers perceive the current business environment and future prospects as well as how that perception is reflected in the definition of their strategy. It starts with an overall analysis of the impact of COVID-19 on the current and five-year situation, the overall expectation of how VUCA factors impact market attractiveness and which major threats these decision makers see. Subsequently, the impact these market perceptions have on the way executives plan their strategies and the aspects the executives consider most will be analysed.

### Key findings

- Study participants expect the COVID-19 pandemic to have only a moderate negative impact on current business and five-year prospects, and have optimistic expectations for five-year market attractiveness and growth opportunities.
- Despite the current volatility strike due to COVID-19, executives do not expect a major increase in market VUCA and believe they will have plenty of leeway in managing their businesses irrespective of external factors.
- Top executives recognise that the ‘adapter’ strategic approach – focusing on flexibility, speed and risk optimisation – will be superior to that of the ‘preserver’, which focuses on detail, stability and returns.
- When it comes to implementing the ‘adapter’ approach, decision makers are reluctant to prioritise where necessary and end up accepting antithetical choices.
- Overall, the most successful top executives will be those who can manage to blend their optimism and confidence with reflectiveness and clarity on inevitable VUCA market characteristics, and turn both of these attitudes into early and decisive action – this will help to avoid running into the over-optimistic naivety trap.

**57%**

of the decision makers expect low or rather low impact of the COVID-19 pandemic on market attractiveness and growth opportunities over the next five years.

With **Ø 3.1/5.0**

decision makers expect uncertainty and volatility of the market environment to remain rather stable over the next five years.

**88%**

of the decision makers are at least not pessimistic about the market attractiveness and growth opportunities for the own business field over the next five years.

**60%**

pursue the strategic approach of the ‘adapter’, the ‘preserver’ only

**40%.**

# C Optimism on uncertain grounds

## 1 Perception of current market environment, prospects and volatility strikes

There is a strong consensus that global markets are experiencing increasing volatility, uncertainty, complexity and ambiguity (VUCA). The volatility strike of the COVID-19 pandemic is recent proof of this, as it has caused a great deal of market turmoil. Numerous corporate financial forecast revisions, ad-hoc announcements, profit warnings, suspended annual financial forecasts and a sharp decline of most relevant economic indicators have provided striking illustrations of that.

### Study hypotheses

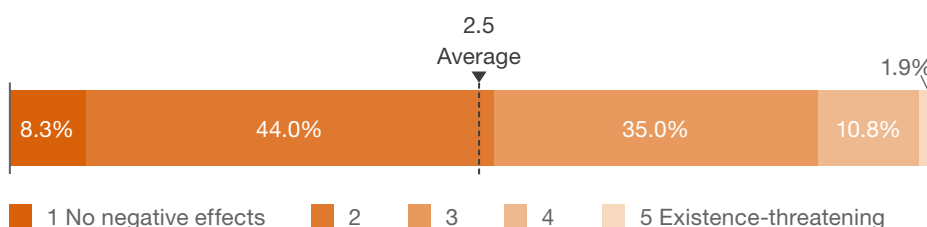
The COVID-19 pandemic is having a strong negative impact on current market attractiveness and growth opportunities, but that negative impact diminishes in the five-year perspective. The COVID-19 pandemic, as a recent volatility strike, impacts the expected market VUCA over the next five years. The higher the market VUCA, the less attractive markets and growth prospects are perceived to be, and the more dependent on external factors and influence groups decision makers feel. To accommodate these challenges, decision makers will put major emphasis on speed, flexibility and agility and pursue more inorganic development measures.

“Study participants expect the COVID-19 pandemic to have only a moderate negative impact on current business and five-year prospects. This is surprising given the recent market turmoil, but also shows that participants are very confident that they will succeed in mastering the challenges ahead.”

Gerald Eibisberger

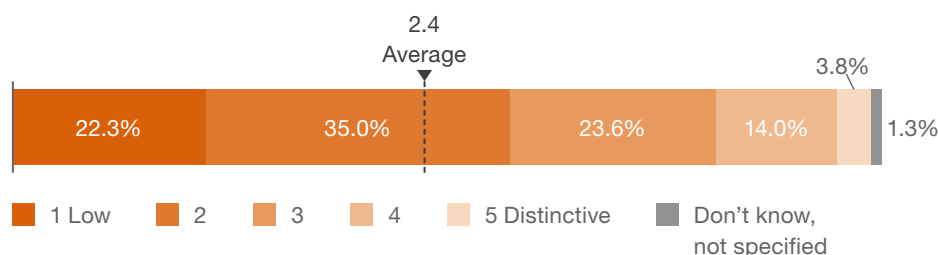
Our study analyses the impact of the COVID-19 pandemic on the market perception of decision makers. The study finds that decision makers perceive a modestly negative impact of the COVID-19 pandemic on the current business situation (average 2.5 on a scale of 5.0) and the five-year market attractiveness and growth outlook (average 2.4/5.0).

**Fig. 1 Current impact of the COVID-19 pandemic on general business**





**Fig. 2 Impact of the COVID-19 pandemic on market attractiveness and growth opportunities over the next five years**



On the one hand, this (given the vast impact of the pandemic) rather optimistic perception goes hand in hand with recent trends of recovery. For example, the German ifo index on consumer behaviour has risen by 18.2pp since its low in April,<sup>1</sup> industrial production index has grown to 91.8pp in July from its low of 77.3pp in April again<sup>2</sup> and the German lead index DAX is once again nearing its pre-crisis level.<sup>3</sup> Also, many companies successfully adapted to the operational challenges brought by the pandemic, such as strong use of work-from-home or predominantly digital collaboration and interaction. Thus, despite its undisputedly many negative consequences, the pandemic might also serve as a trigger that fuels corporate transformation and innovation and helps to overcome remaining boundaries to move into a brighter future.

On the other hand, the fact that the current market recovery is being bolstered considerably by various governmental measures, such as substantial government spending, the suspension of the company's obligation to file for insolvency or the Kurzarbeit (short-time work) regulation might flaw the validity of the current perception. According to the ifo institute, the registration of Kurzarbeit allowance reached its peak in May 2020 with 7.3 million registered recipients,<sup>4</sup> which is nearly five times the amount of recipients registered during the peak of the financial crisis in May 2009. These governmental measures are complemented by further support measures on the European/ECB level.

The hardly pessimistic perception of the market situation might be influenced by all these measures, especially given the fact that despite recent positive trends there is strong consensus among economists that most industries will need two to three years to reach their pre-crisis levels again and that there is still strong uncertainty about how long the constraints of the pandemic will last (due to e.g. further infection waves, availability of vaccines, immunity). This indicates that the true effects of the recent volatility strike are being suppressed and might come with a time lag and are thus not yet fully reflected in the study participant's perception. Consistent with our previous whitepaper *When volatility strikes*,<sup>5</sup> the study participants perceive the pandemic's negative impact on the five-year planning horizon as relatively low and, consequently, COVID-19 is being considered a mere temporary phenomenon.

#### Sources

<sup>1</sup> Cf. ifo institute, <https://www.ifo.de/sites/default/files/secure/umfragen-gsk/ku-20208/ku-2020-08-pm-geschaeftsklima-DT.pdf> (accessed: 21.09.2020).

<sup>2</sup> Cf. Statistisches Bundesamt, [https://www-genesis.destatis.de/genesis/online?sequenz=tabelleErg\\_ebnis&selectionname=42153-0001&sachmerkmal=WERT03&sachschiessel=X13JDKSB&leerzeilen=false&language=en#abreadcrumb](https://www-genesis.destatis.de/genesis/online?sequenz=tabelleErg_ebnis&selectionname=42153-0001&sachmerkmal=WERT03&sachschiessel=X13JDKSB&leerzeilen=false&language=en#abreadcrumb).

<sup>3</sup> Cf. Statista (ariva.de), [de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax](https://de.statista.com/statistik/daten/studie/162176/umfrage/monatliche-entwicklung-des-dax) (accessed: 23.09.2020).

<sup>4</sup> Cf. ifo institute, <https://www.ifo.de/node/55800> (accessed 23.09.2020).

<sup>5</sup> <https://www.pwc.de/de/deals/ddv-thought-leadership-series.pdf>.

“Given the huge impact of the pandemic, it remains to be seen whether the remarkable optimism among decision makers will turn out to be naivety, or bold and justifiable confidence in their skills for managing the challenges ahead.”

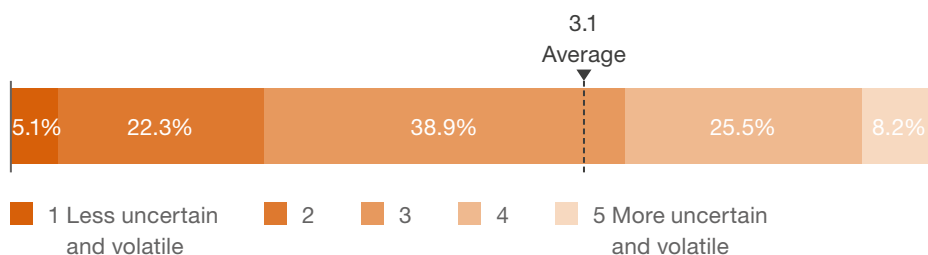
**Manfred Kvasnicka**

Putting the recent volatility strike in a broader context and analysing how it impacts the expectation of market VUCA, one would expect that in the immediate aftermath of volatility strikes, the consciousness of such phenomena is being sharpened and factored into the overall perception and anticipated development of market VUCA. However, our study participants expect only a modest increase of market volatility and uncertainty over the next five years (average 3.1/5.0).

“The unprecedented scope of government support and intervention has helped bolster the economy and support those in particular need, but it cannot be maintained much longer. It has also suppressed pressure to initiate measures needed to stabilise businesses in the longer term.”

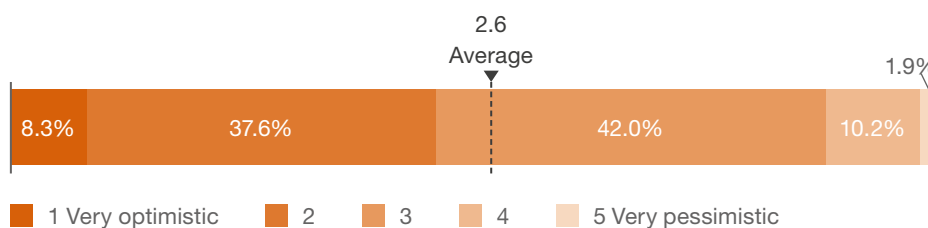
Gregor Zach

**Fig. 3** Uncertainty and volatility of the market environment over the next five years



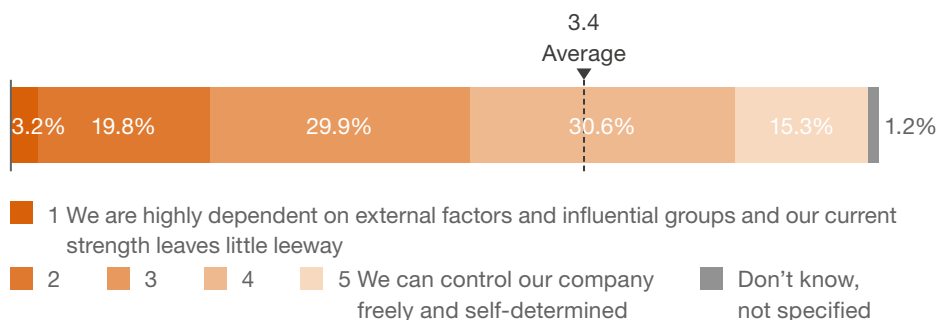
Market attractiveness and growth opportunities over the next five years are considered modestly optimistic (average 2.6/5.0).

**Fig. 4** Market attractiveness and growth opportunities for the own business field over the next five years



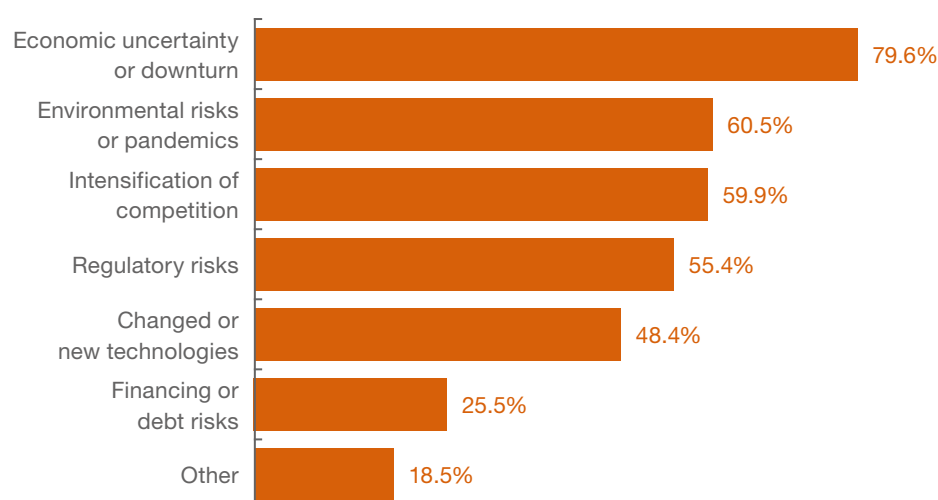
That optimism is supported by the high degree of leeway perceived by decision makers in the management of their company: as figure 5 shows, many decision makers feel that they can effectively manage their company without major constraints from external stakeholders or influence factors (average 3.4/5.0).

**Fig. 5** Leeway for managing the company portfolio over the next five years



Among the major threats to competitive positioning in the coming years is an overall economic downturn (79.6% of respondents), followed by environmental risks (60.5%), intensifying competition (59.9%) and regulatory risks (55.4%). Financing threats are not considered very likely (25.5%), despite high debt burdens and associated dependency on very low interest rates to keep debt service affordable. It is striking to see that company-specific risks are considered less of a threat, whereas risks to the economy as a whole are perceived as more relevant.

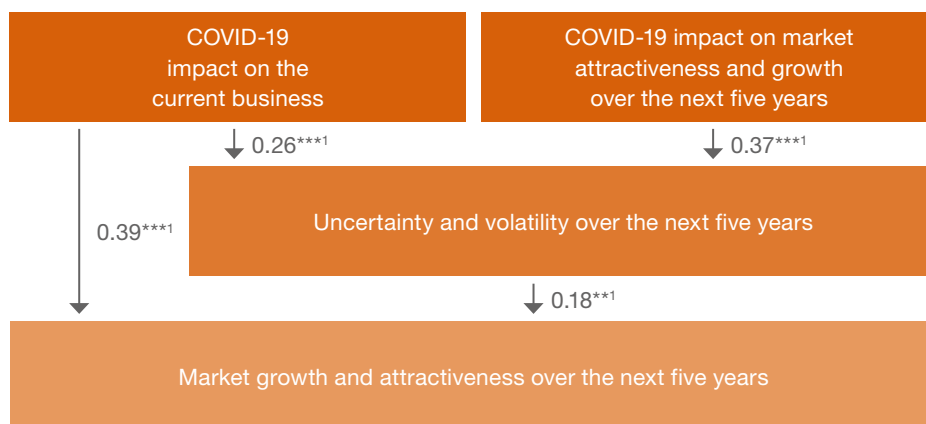
**Fig. 6 Concerns about the competitive position over the next five years**



Overall, our study finds that corporate decision makers have a strikingly positive and optimistic view of current market conditions and prospects. This optimism and confidence seems surprising, given the various latent risks that cast clouds over corporate markets, such as: high and further increased debt burdens, increased global tensions, environmental hazards, growing influence of regulators, intensified pressure from interest groups and, lastly, the recent COVID-19 outbreak with its resulting market turmoil and devastating impact on corporate P&Ls.

Also, the ongoing COVID-19 pandemic has had a low impact on the study respondents' expectations of market VUCA, which indicates it is considered a one-time volatility strike, an unusual exception from normally steady and smooth markets. Yet, based on the recent past and factoring in the mentioned various latent market risks, the current pandemic must be considered a predictable volatility strike and volatility strikes as such rather the norm than the exception. It is rather form and moment of the volatility strike that came by surprise, not the phenomenon itself.

**Fig. 7 Empirical testing of the hypotheses construct against the study participants' perception**



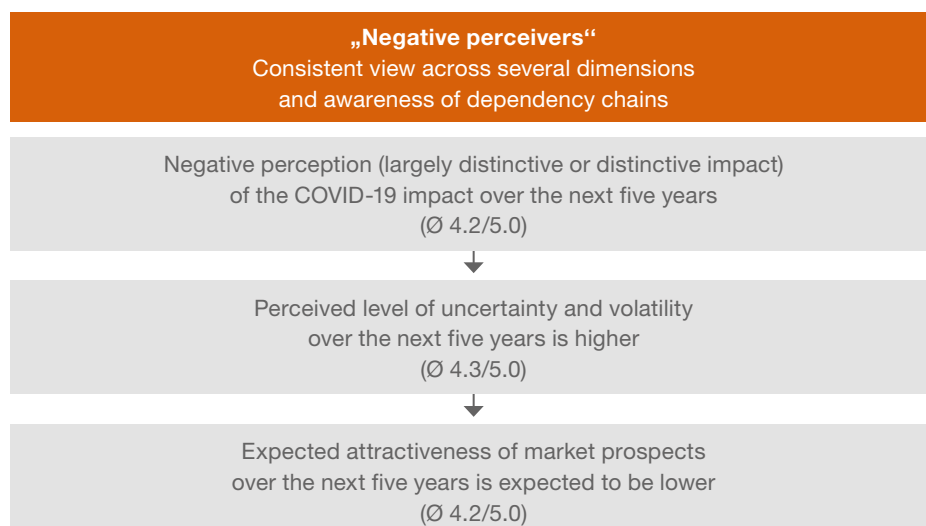
<sup>1</sup> Correlation coefficients are between -1 and +1. Anytime a correlation coefficient is greater than zero, it's a positive relationship. The correlation is higher the more positive the coefficient is and the value +1 indicates perfect positive correlation. \*\*\*, \*\* and \* indicate statistical significance at the 1%, 5% and 10% level respectively.

Partly against our initial hypothesis, study participants have a rather optimistic perspective of the 1) current market perception, 2) future level of VUCA and 3) market attractiveness and growth prospects.

Moreover, the study results indicate that this optimism is accompanied by confidence that the increase in volatility in the market perceived by decision makers will only mildly impact the market attractiveness and growth opportunities for their business. Even when giving the benefit of the doubt, that confidence appears naive: if volatility rises, it is inevitable that it will take its full toll on market participants and corporate strategy measures.

However, there is a subsample of 'negative perceivers' (17.8%) who see the impact of COVID-19 on market attractiveness and growth opportunities in a more negative light.

**Fig. 8 Negative perceivers with reflected view of the COVID-19 impact**



“The current pandemic has certainly caused a lot of economic harm, but bold and decisive decision makers can also use it as a window of opportunity, turning the pandemic into a catalyst for transformative change and innovation.”

**Hannes Orthofer**

This subsample of negative perceivers has a consistent view across several dimensions and high awareness of dependency chains. The more negatively the impact of the COVID-19 pandemic over the next five years is anticipated, the more uncertain and volatile they expect the market environment to be – and the less attractive they expect market prospects over the next five years to be. Given their mediocre perception of market attractiveness and prospects, they do not have the luxury to allow for a time lag and need to take immediate action.

The reasoning of the ‘negative perceivers’ is in line with our hypothesis that the current pandemic influences perceived volatility and that rising volatility has a negative impact on market attractiveness and growth prospects. Yet, given the rather optimistic perception of the full sample, it can be presumed that study participants either comfortably operate in their ‘safe haven’ market niche or underestimate both the impact of the pandemic and of mid-term VUCA amounts. Given the latter, it follows that overall market attractiveness and growth prospects are on average worse than believed – an indication that requires early and bold strategic action by corporate decision makers to avoid a reality disguised in overly optimistic expectations.

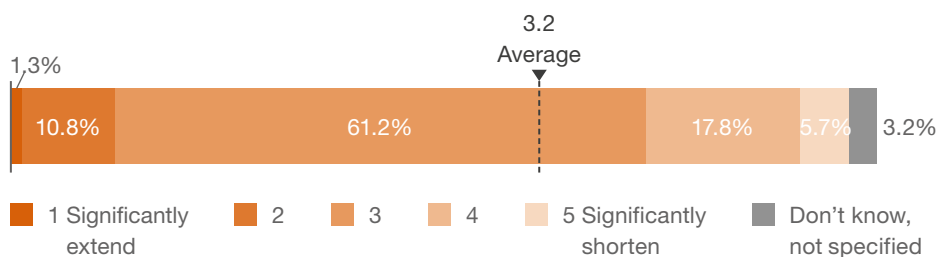
## 2 Impact of perceived market environment on strategy process

Now that we have analysed the perception of the market environment and prospects, we will shed light on how this influences executives’ strategy approaches.

### Study hypotheses

Because of higher anticipated market VUCA and less attractive market and growth prospects, corporate decision makers are adapting their strategy processes. Their corporate strategies focus on a shorter time horizon, and flexibility, adaptability, speed and risk optimisation become key strategy criteria. Changes in what constitutes ‘core business’ are occurring more rapidly and more frequently, requiring corporate portfolios to be adapted more quickly. If companies are to do this successfully, inorganic measures will gain importance compared to organic measures, given their advantages in speed and impact.

A corporate strategy builds on the market environment and intends to exploit it optimally for the benefit of the firm. If the market environment changes more rapidly, the corporate strategy also needs to be reviewed and adapted more often, therefore causing executives to focus on shorter time horizons. As indicated previously, our survey findings are partially in line with our expectations since the study results show a tendency towards shorter corporate strategy time horizons, yet they are in a less intense form than anticipated (average of 3.2/5.0).

**Fig. 9 Development of the corporate strategy horizon over the next five years**

However, the study results do not show a statistically significant relation between the anticipated VUCA and the corporate strategy horizon. Thus, against our hypothesis, market VUCA is not perceived as the trigger for adjusting the corporate strategy time horizons, which begs the question: What is it then? Executives need to reflect on that finding, since it seems too logical that the time horizon of the corporate strategy should be shortened the more VUCA there is. If that is not put into context, it will make the corporate strategy fragile and cause a vulnerable risk profile.

While there is no relation between the anticipated uncertainty and volatility of the market environment over the next five years and the time horizon of the corporate strategy, we found that the market attractiveness and growth opportunities over the next five years did impact the time horizon of the corporate strategy in a statistically significant way. The more pessimistically the respondents perceived the market attractiveness and growth opportunities, the more they felt the need to shorten the time horizon for their corporate strategy.

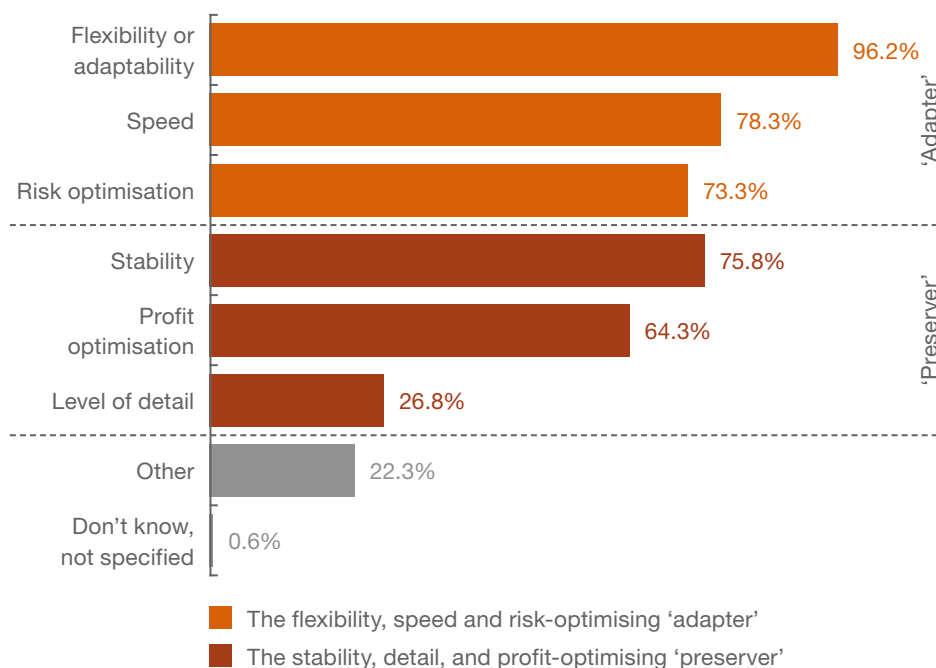
That is very much in line with our hypothesis, since when a company believes to be on a development path with high market attractiveness and growth opportunities, there is less need to be constantly revising the strategy as opposed to when operating in a market segment with lower attractiveness and fewer growth opportunities. Yet implementing a more agile and responsive strategy development process will be key to ensuring that the corporate strategy aligns consistently with the most recent corporate environment and optimally exploits value potentials and thus the company remains ahead of competition.

We asked which criteria are most important when defining strategies – though the question did not show it, we asked for three different pairs of antithetical criteria that form two different strategies: the flexibility-, speed- and risk-optimising ‘adapter’ vs. the stability-, detail-, and profit-optimising ‘preserver’. For the pair flexibility vs. stability, the antithesis was hardly recognised by respondents; the same holds true for the risk vs. profit optimisation – in both cases, executives intended to focus on both aspects of each pair without a clear priority, which indicates a lack of focus and strategic direction. Only for the pair detail vs. speed (42 vs. 123) was a clear priority for speed given. In sum, the strategic approach of the ‘adapter’ dominated the one of the ‘preserver’ (389 vs. 262). Moreover, we found that respondents who considered the flexibility/adaptability of the strategy to be more important were more likely to believe that the market environment would become uncertain and volatile on the five-year horizon.

“There appears to be a flawed perception of volatility in modern markets: the nature and the timing of the pandemic as a volatility strike came by surprise, but not the phenomenon of volatility itself.”

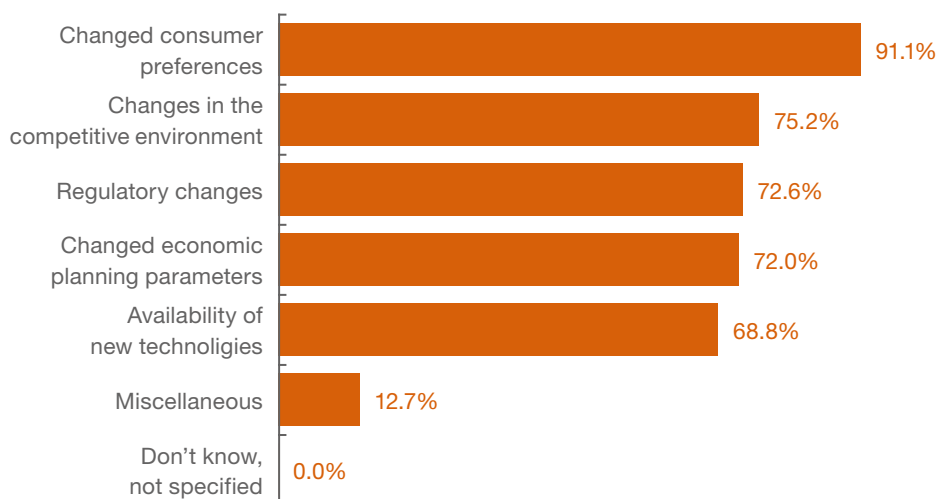
**Tobias Huesmann**

**Fig. 10 Most important criteria for the development process of the corporate strategy over the next five years**



As key triggering event for an adaptation of the corporate strategy, 91.1% of respondents mentioned changed consumer preferences. Less important were more indirect criteria such as changes in the competitive environment (75.2%), regulatory changes (72.6%) or changed economic planning parameters (72.0%).

**Fig. 11 Triggers to revise corporate strategy**



## Academic view

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“The results are very clear: the COVID-19 crisis promotes tunnel vision. In times of crisis, many companies run the risk of focusing exclusively on short-term cost targets and overlooking long-term strategic options. Given that growth may return as soon as the fourth quarter, now is the time for companies to seize opportunities for optimising their long-term competitive position.”

**Prof Dr Dirk Schiereck**, TU Darmstadt, academic study director

Regarding the relevance for realising corporate goals over the next five years, efficiency optimisation (average 4.3/5.0), focus on core business (average 3.8/5.0) and development of new technologies (average 3.6/5.0) stand out as the most important measures, whereas a realignment of business focus is considered the least important (average 2.7/5.0). This is in line with the previously stated optimistic mood and indicates that most executives are convinced they are on the right path with their strategic direction, since all relevant and mentioned measures intend to continue and strengthen that path. Corporates rather focus on getting rid of distractions or an overly broad business scope by e.g. disposing of non-core assets to focus on the core business.

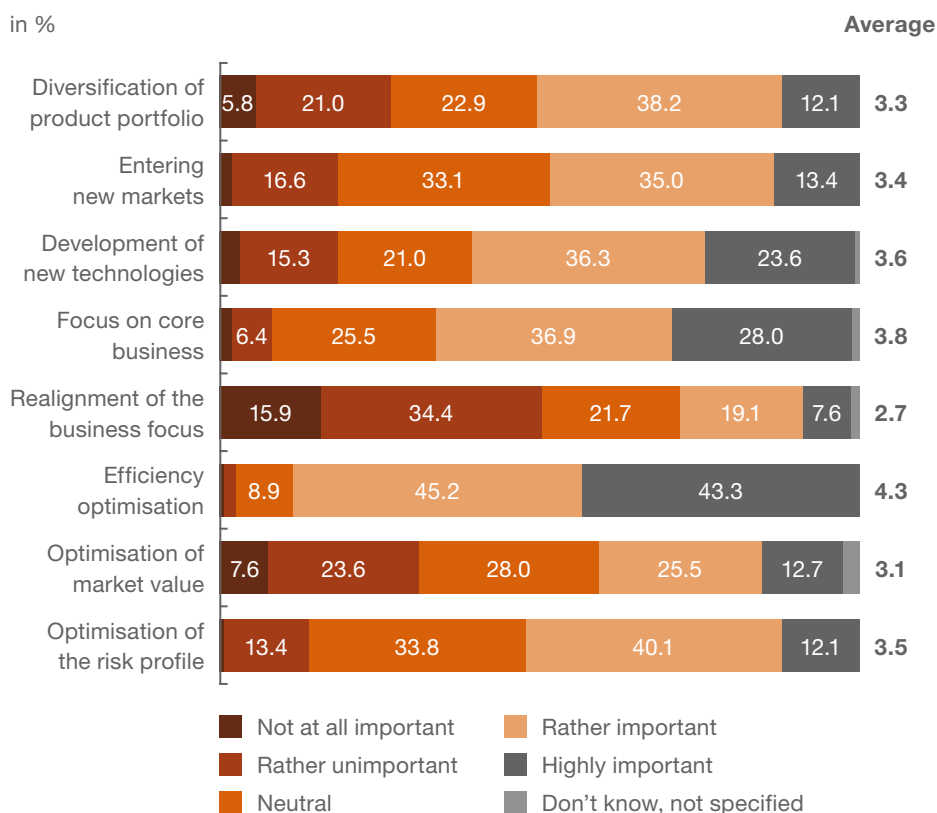
The 17.8% subsample of study respondents that have a pessimistic view of the five-year impact of COVID-19 have a key focus on efficiency optimisation and core business measures. That finding resonates with our reasoning that the pandemic is a more operational than strategic crisis, and decision makers are rightly taking measures to stabilise and optimise operations but keep their strategic direction unchanged.

“Given the increased market volatility and uncertainty, executives need to make better use of inorganic development measures such as acquisitions or disposals will become more important, as they have advantages over organic measures in terms of both speed and impact.”

**Gregor Zach**

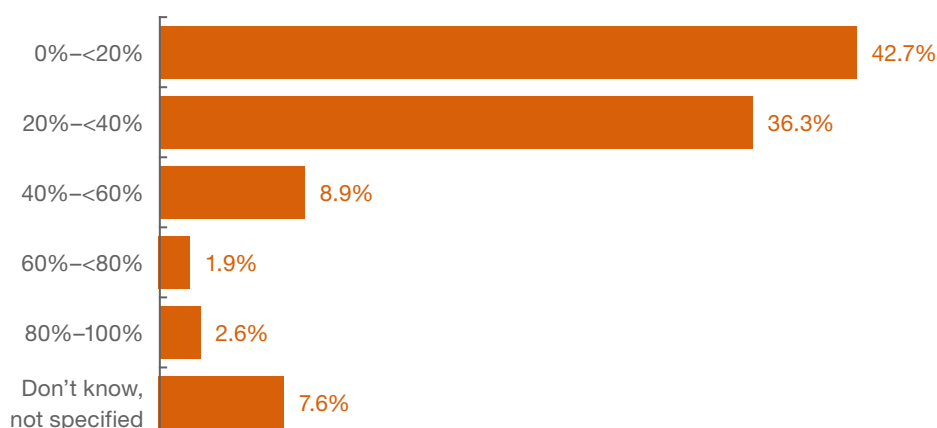


**Fig. 12 Relevance of various aspects for the achievement of corporate goals over the next five years**



The anticipated dynamic of the core business over the next five years is expected to be rather low: 42.7% of top decision makers believe the core business scope will not change by more than 20.0% in terms of sources of revenue; in total, as many as 79.0% assume it will not change by more than 40.0%.

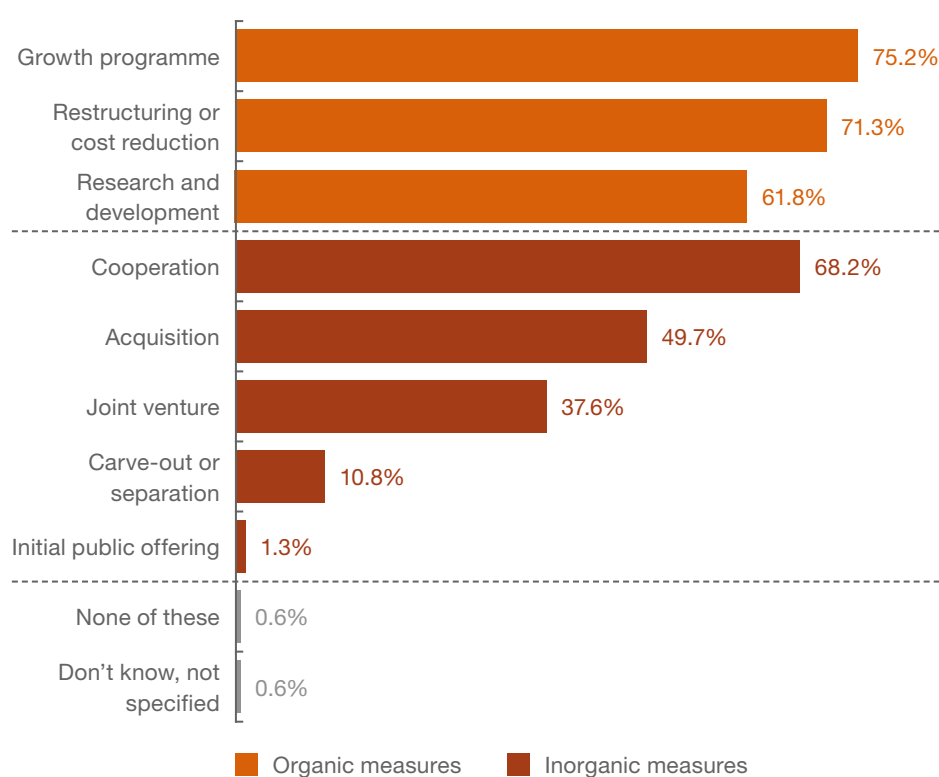
**Fig. 13 Expected percentage of change in core business over the next five years (in terms of source of revenue)**



The assumed robustness of the core business segments is remarkable, and in many cases clearly runs contrary to what the past has empirically shown. There is no statistical correlation between uncertainty and volatility of the market environment over the next five years and the anticipated change in core business looking forward. Again, there appears to be a strong level of confidence among study participants that market volatility will hit everyone but them.

Most important strategic measures over the next five years largely focus on organic measures such as growth programmes (75.2%), restructuring (71.3%) and research and development (61.8%). With the exception of cooperation (68.2%), inorganic measures such as carve-outs (10.8%), acquisitions (49.7%) or joint ventures (37.6%) are expected to be less relevant

**Fig. 14 Main corporate development measures over the next five years**



The preference for organic measures is noteworthy, since it takes more time and resources to realise strategic goals via organic versus inorganic means – especially in a volatile market environment where more agile and responsive strategic moves separate the winners from the losers. Hence it appears questionable as to whether pursuing one's goals primarily via organic measures is indeed the road to success.

“Executives are clearly pursuing the more promising strategic approach of the ‘adapter’ over that of the ‘preserver’. Yet when it comes to implementing the ‘adapter’ approach, they are reluctant to prioritise one over the other and end up accepting antithetical choices.”

**Tobias Huesmann**

In line with our arguments, we have found that respondents anticipating an increase in market uncertainty and volatility are more likely to focus on inorganic measures to accommodate changes in the market environment more rapidly. Respondents who are more pessimistic about market attractiveness and growth opportunities do not consider growth programmes an important measure, while respondents with a more optimistic assessment of these aspects for their area of business are more likely to consider growth programmes as an important measure for the next five years. This is ultimately very logical, as investing in growth makes little sense if market attractiveness is expected to be low; in this case, the focus should instead be on adapting strategic positioning and corporate portfolio to move into more promising market segments.

The most striking thing, however, is the obvious contradiction between intending to focus on greater efficiency and the core business, yet not being overly willing to use carve-outs as a strategic tool to realise both. It seems inconsistent. Carve-outs are a key instrument for freeing up capital where it does not realise sufficient returns and redeploy that capital to invest in new technologies or more promising business areas and thereby strengthening the core business. Making use of carve-outs as a strategic tool for corporate renewal is both quicker and more profitable than funding investments from the operative cashflow, debt or equity without having adapted the corporate portfolio before.

# D Country view



The study sample includes in total 157 companies, of which 105 are from Germany (66.9%), 29 from Austria (18.5%) and 23 from Switzerland (14.6%). Thus the distribution of companies across countries slightly overrepresents German companies, and slightly underrepresents Austrian companies, yet in sum provides a reasonable representation in terms of share of GDP.

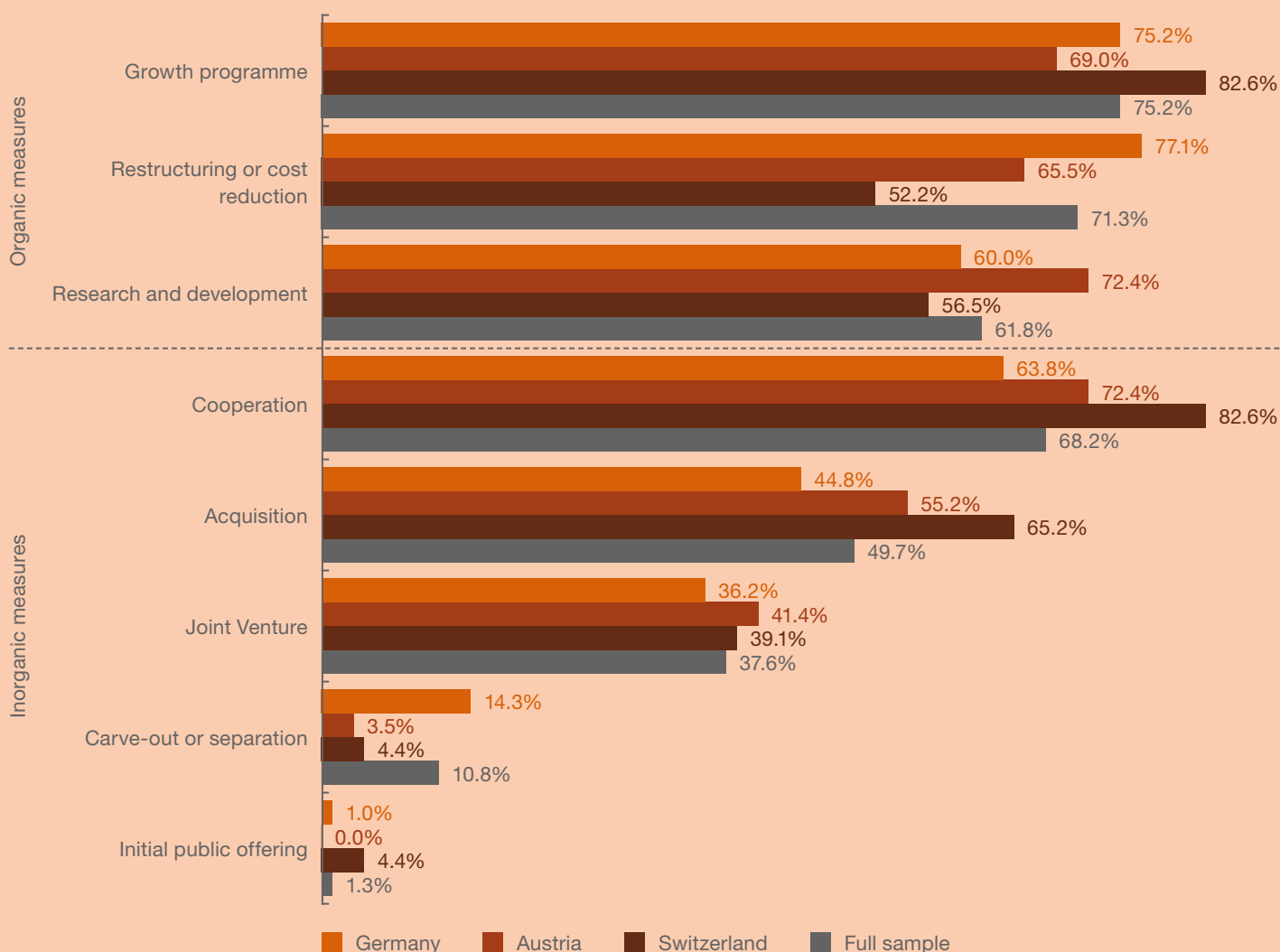
Overall, the three countries in scope of the study have a small spread and fluctuate narrowly around the full sample average. There are relatively little country-specific observations that allow for causality-oriented conclusions.

**Fig. 15 Country overview: Selected study findings (average per country on a scale of 1–5)**

	Fig. 1 <sup>1</sup>	Fig. 2 <sup>2</sup>	Fig. 3 <sup>3</sup>	Fig. 4 <sup>4</sup>	Fig. 5 <sup>4</sup>	Fig. 9 <sup>6</sup>	Fig. 13 <sup>7</sup>
Germany	2.5	2.4	3.1	2.6	3.4	3.2	1.8
Austria	2.6	2.6	3.3	2.6	2.9	3.1	1.8
Switzerland	2.6	2.2	2.7	2.7	3.7	3.2	1.6
Full Sample	2.5	2.4	3.1	2.6	3.4	3.2	1.8
Spread	0.1	0.4	0.6	0.1	0.8	0.1	0.2

- <sup>1</sup> P. 8 Current impact of the COVID-19 pandemic on general business
- <sup>2</sup> P. 9 Impact of the COVID-19 pandemic on market attractiveness and growth opportunities over the next five years
- <sup>3</sup> P. 10 Uncertainty and volatility of the market environment over the next five years
- <sup>4</sup> P. 10 Market attractiveness and growth opportunities for the own business field over the next five years
- <sup>5</sup> P. 10 Leeway for managing the company portfolio over the next five years
- <sup>6</sup> P. 14 Development of the corporate strategy horizon over the next five years
- <sup>7</sup> P. 17 Expected percentage of change in core business over the next five years (in terms of source of revenue)

**Fig. 16 Country overview: Main corporate development measures over the next five years**



## E Discussion

Our study offers the unique opportunity to gain insights into the market perception and prospects of decision makers and how these perceptions shape their strategic approaches. Key findings include the remarkably positive view of study respondents – both with regard to the impact of the unprecedented COVID-19 pandemic and the focus on overall market characteristics and prospects. As much as we admire that optimism and hope that COVID-19 might eventually turn out to be a triggering event for transformative change and innovation, we believe that we need to allow for a healthy dose of scepticism: the full impact of the ongoing pandemic is being significantly obscured by unprecedented government intervention, and beyond the reasoning of the recent volatility strike there is a strong consensus that the amount of VUCA in the markets will continue to rise. Thus, further volatility strikes that necessarily impact market conditions are to be expected and should be considered as much part of the “new normal” as the other often quoted pandemic-caused changes in corporate and social behaviour.

Next to optimism, our study also reveals strong confidence of study participants. In their view, the amount of VUCA they see coming will have an impact on virtually everyone but them. Future will show whether this confidence is bold strength or tragic naivety. In any case, the lack of scepticism in that belief might prevent decision makers from taking bold action and accepting the inevitable: the amount of volatility and uncertainty in the markets will continue to rise. Thus, the risk profiles of the corporate portfolios need to be made weatherproof – agility, flexibility and shorter strategic planning horizons will separate the winners from the losers. A stronger focus on inorganic measures will allow them to move more quickly and adapt more flexibly to changed market environments and thus outperform organic measures.

Lastly, our study findings reveal that decision makers do not have a clear view of their strategic choices and are reluctant to neglect that some of these mutually exclude each other. One can prioritise either flexibility or stability, detail or speed, risk or return – but not both at the same time. If these crucial choices aren't made, one is stuck in the middle and cannot reap the fruits of their efforts.

In sum, we find amazingly high levels of optimism among decision makers. This is great news and there is definitely good reason for it. At the same time, a more reflective view of the current market environment, its risks and challenges and the strength and limitations of their own company would ensure that this optimism does not turn into naivety and top executives make best of the scarce time to adapt. Even when giving the benefit of the doubt, future survival will depend on adequate preparation for inevitable increases of market VUCA and volatility strikes, and on adapting corporate decision making and portfolio management processes accordingly. Being aware of the available choices and making the right ones to define a consistent and coherent strategic approach are paramount. If these truths are accepted and top executives lead with faith, there is little doubt that the future will show their current optimism and confidence were well justified.

“Decision makers seem to hope that coming volatility strikes will hit anyone but their company. A more promising strategy would be to prepare for the inevitable and make the corporate portfolio more flexible, adaptable and crisis-proof.”

**Gerald Eibisberger**

## F About the study

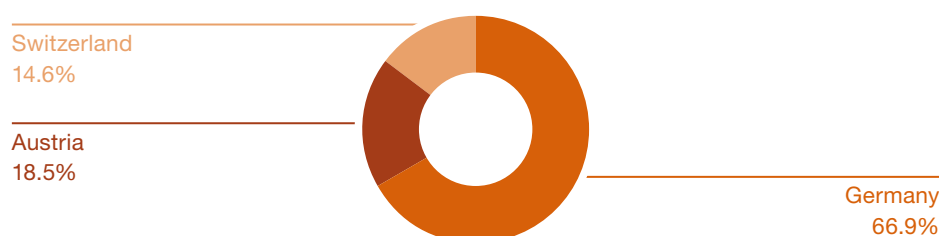
This study focused on all companies in the DACH region with an annual turnover of more than €300m (gross sample: 2,546 companies). Authorities, consultancies and the like were excluded. After adjusting the gross sample, 1,832 companies were deemed eligible for participation and contacted. Subtracting the neutral defaults, the net sample amounted to 1,688. From the latter group, 157 companies participated. Among the participating companies, 105 are headquartered in Germany (66.9%), 29 in Austria (18.5%) and 23 in Switzerland (14.6%). The sample represents a variety of industries (energy, utilities, mining and infrastructure; healthcare, including pharmaceuticals; industrial products and business services; the retail, consumer market and leisure sector; technology, media and telecommunications; others).

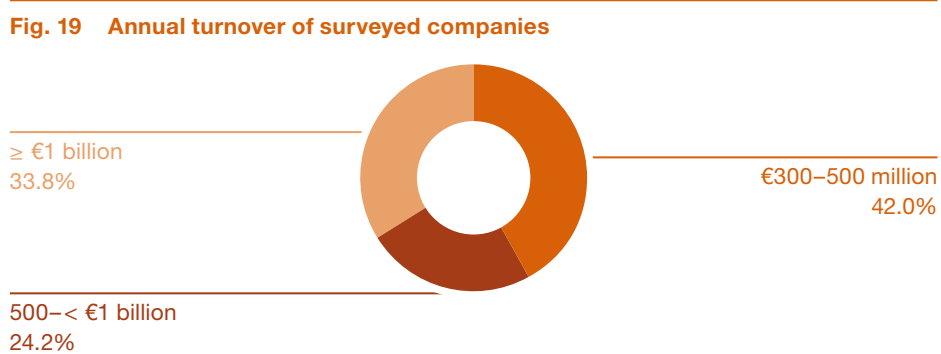
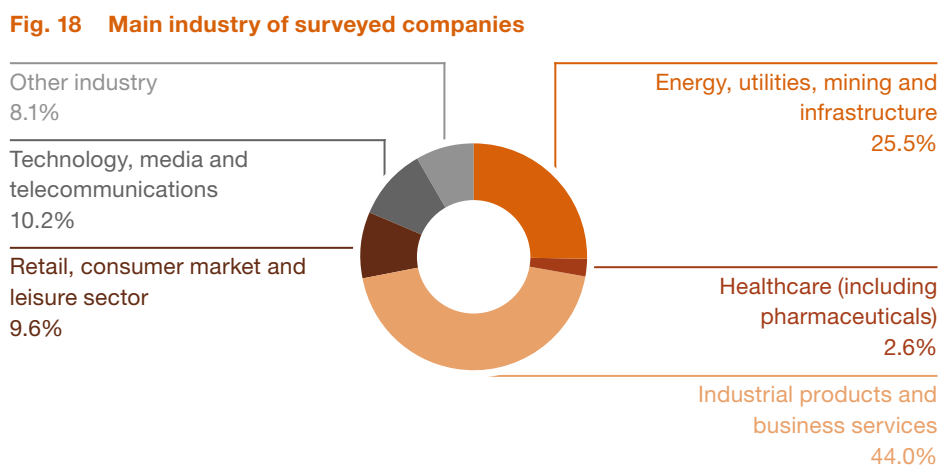
We asked Kantar (formerly Kantar EMNID), an independent third-party survey company to conduct telephone interviews with these executives. Kantar is one of the world's leading provider of market and social research and offers data and evidence-based insights with the highest level of quality. From the sample set of 157 participants, 150 interviews (95.6%) were conducted by telephone and seven (4.4%) were conducted as online surveys.

Respondents participating in the telephone survey were guaranteed anonymity for themselves and their companies and were screened to ensure they had direct, first-hand knowledge of the strategic issues their organizations dealt with. Of the 157 respondents participating in the survey, 27.0% were board level or equivalent. The remaining 73.0% held leading positions from corporate strategy, M&A, as well as further relevant decision-making positions.

The data study design was prepared in cooperation with TU Darmstadt. The subsequent data analysis was conducted by the Chair of Corporate Finance (TU Darmstadt) under the direction of Prof Dr Schiereck. TU Darmstadt is one of the leading technical universities in Germany with high international visibility and reputation.

**Fig. 17 Country distribution of surveyed companies**





## About PwC



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From the world's leading multinational companies to start ups, from family businesses and governments to charities and private individuals, our clients come in all shapes and sizes. Our goal? To build trusted relationships and work with them to create the value they're looking for. We're a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax and legal services. With our know-how and our expertise, over 1,200 experts in 5 locations in Austria support our clients in terms of finding solutions for complex questions. Find out more and tell us what matters to you by visiting us at [www.pwc.at](http://www.pwc.at).

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### About Technical University of Darmstadt

TU Darmstadt is one of the leading technical universities in Germany with high international visibility and reputation. According to recently published rankings of the magazine *WirtschaftsWoche*, the business economists of the faculty of law and economics of the Technical University of Darmstadt are among the top 5 in Germany, Austria and Switzerland. With rank 17 (out of more than 2,500 professors) the chair of corporate finance at the Technical University of Darmstadt performs as the best finance chair among the rankings of the management professors with the strongest research capabilities. Prof Dr Schiereck directed the support of TU Darmstadt, supported by Historei Bariz and Carlos Lopez Granada.



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### About Kantar

Kantar (formerly Kantar EMNID) is one of the most renowned and long-established survey institutes in Germany. As part of the Kantar Group, the world's leading provider of market research and social research, Kantar offers data and evidence-based insights at the highest level of quality. Kantar has a complete, unique and rounded understanding of people around the world: how they think, feel and act, globally and locally in over 90 markets. Arthur Guzy directed the support of Kantar.



