

Corona – What Can We Learn from the Crisis?

Nürnberg Institut für Markentscheidungen e.V.
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Corona – What Can We Learn from the Crisis?
July 2020

Decisions of Consumers and Managers
and What Companies Should Consider
in the Future



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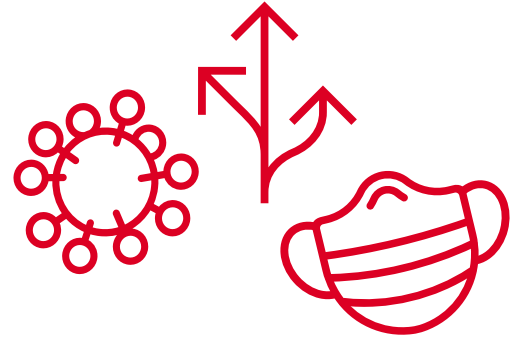
Decisions of Consumers and Managers
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Due to the corona crisis, decisions have been made worldwide in recent months that many of us would have thought impossible at the beginning of the year.

Since our focus is on researching market decisions, we have taken up this special situation in our research work and have published the results for you in this report. Under the title > [“Corona – What Can We Learn from the Crisis?”](#), we have examined current events and their effects from various perspectives. Thus you find in this special publication the > [results of our studies](#) as well as a historical article which looks back at the time of the Spanish flu. In addition, we discuss > [the world after COVID-19](#) – and possible ways out of the crisis – in two talks with renowned researchers. Our goal is to support you in making the best decisions for your company and for a functioning positive post-corona world.

Enjoy reading!

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Decisions of Consumers and Managers and What Companies Should Consider in the Future



Contents

4

From the Spanish Flu to Corona: Pandemics then and now

Christine Kittinger-Rosanelli

8

Corona contact tracing apps: Between willingness to cooperate and the fear of Big Brother

Anja Dieckmann, Fabian Buder, Vladimir Manewitsch, Holger Dietrich, Caroline Wiertz, Aneesh Banerjee, Oguz A. Acar and Adi Ghosh

16

Become more resilient: What companies want to do differently after Corona

Fabian Buder

21

Corona was a VUCA situation at its best

Interview with Professor Dr. Martin J. Eppler, Ordinary for Media and Communication Management at the University of St. Gallen

26

Pause, reflect and invest in sustainable futures

Interview with Bradley Kreit, Director of the Institute for the Future (IFTF), Palo Alto (USA)

30

Will your business model still be viable in a post-pandemic future?

Fabian Buder and Andreas Neus

38

Authors, Imprint



From the Spanish Flu to Corona: Pandemics then and now

Christine Kittinger-Rosanelli

It is tempting to compare the current COVID-19 pandemic with the Spanish flu, which affected everyday life around the world about 100 years ago and caused up to 50 million deaths globally. In her book “Pale Rider – The Spanish Flu of 1918 and How it Changed the World”, British author Laura Spinney dealt with the pandemic at that time. Although we now live, compared to then, in a progressive digital society, there are striking parallels.

Discussions about the name of the disease

In 1918, it took a while before it became obvious that many local disease outbreaks were ultimately one global epidemic with the same pathogen. Initially, there were many different local names for the disease. The flu finally became “Spanish” not because it originated there, but because the press in Spain, which was neutral at the time, was able to act largely uncensored and reported the disease conscientiously. The news spread abroad and – to the displeasure of the Spanish – was reported as the Spanish flu, although the flu had already arrived much earlier in other countries. Today, Donald Trump fails with his attempts to label the COVID-19 virus as Chinese, which is also a merit of the WHO. Since 2015, it was stipulated that disease designations may not refer to places, people, animals, or food.

Health care systems, number of deaths and mortality rates

Healthcare systems have been caught off guard by the virus as much today as they were in the past. There are still overcrowded hospitals and morgues, makeshift clinics, and hospital staff worked to exhaustion. Even though we have much better diagnostic and communication facilities today, there are parallels in the way we count pandemic victims. Was it really the virus that led to a death, or was there pre-existing conditions? How do you estimate the number of undiagnosed deaths? While these discussions dragged on for decades with the Spanish flu, we will probably be able to estimate the number of pandemic-related deaths more

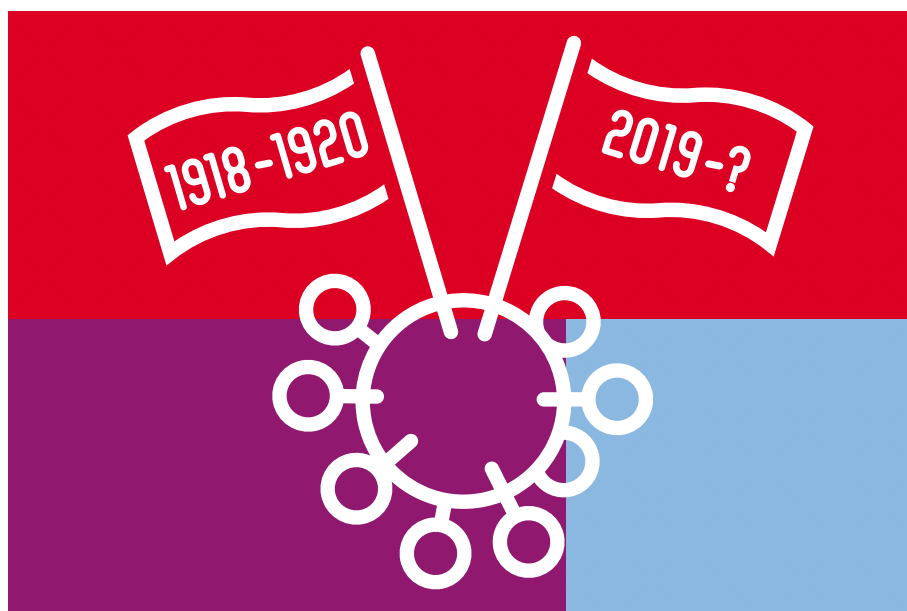
quickly and more accurately today. However, despite the improved medical and general health-care situation, poorer parts of the population are hit harder than wealthy ones.

Conspiracy theories, fake news and the blame game

Conspiracy theories and fake news also seem to be a fixed component of every pandemic. From the “hostage of God” to a “secret program of biological warfare” to fake aspirin, many speculations from 1918 are very similar to those of today. Skepticism among disadvantaged people was also caused by the fact that the wealthy suddenly became interested in the health of the poor and initiated improvement programs. In South Africa, for example, after medical treatment in 1918, the rumor arose that white people would try to kill black citizens by sticking long needles into their jugular veins. The general uncertainty was a good breeding ground for “alternative healing methods.” The fact that toxic cocktails were circulating as miracle cures at that time is less surprising than the creative treatment methods brought into play this year by the highest American authorities. The most heated discussions at that time developed around the usefulness of vaccinations against suspected flu pathogens, which in 1918 cured at best secondary bacterial infections, but did not work against the flu virus itself. And where today China, Europe, or the WHO are the culprits in the eyes of some, it was then, depending on one’s perspective, the Germans, the Brazilians, the Bolsheviks, or others. Even a hundred years ago, xenophobic tendencies were bolstered, and minorities were placed under general suspicion.

Deficiencies become visible

Then and now, the spotlight fell on social deficiencies. There was hardly any country in the world (Germany was a pioneer in this respect) that had a basic state health care system in 1919. It became obvious that the general population – who could not afford a doctor – was in a bad state of health. After the pandemic, such systems were successively introduced in other countries. In New York, the miserable sanitary



conditions in which many immigrants lived became apparent, which were improved in the years after the epidemic through social housing. Today, it is probably the precarious working conditions of migrant workers, such as harvesters, meat industry and distribution center workers, geriatric nurses, and others, that are becoming more prominent in society and are emerging in our welfare states as a gateway for infections. At the same time, the sensitive dependencies of our prosperity on global supply chains – even in very sensitive areas such as pharmaceuticals – became obvious.

The fight against the pandemic

Many of the containment measures taken today were already in place then: Theaters and places of worship were closed, quarantine and isolation stations were set up, and public campaigns recommended avoiding crowds, the use of handkerchiefs, and frequent hand washing. Schools were closed or had staggered opening hours. The city of New York, which at the time reacted very quickly and rigorously to the pandemic and came through the crisis with comparatively low casualties, did not close schools despite harsh criticism. This fact shows how useful it can be to take regional peculiarities into account in the fight against a pandemic. In particular, children from desolate and overcrowded migrant shelters were much better protected against infection when they were in school and could inform their parents about hygiene regulations. This demonstrates how keeping schools open in New York had a positive effect on pandemic containment.

The sense and nonsense of individual measures were hotly debated everywhere, including the wearing of face masks.

Initially, large parts of the population adhered to the prescribed measures, which were often strictly controlled. Over time, many public leaders became more lenient and common people became increasingly unwilling to wear masks. In general, it could be observed that comprehensive and honest information and voluntary, self-reliant action in democratic societies achieved better results than coercive measures. An internationally or even a globally coordinated approach did not exist back then, and it is still more wishful thinking than reality today. However, a general and far-reaching lockdown of economic life did not take place in 1918.

The second wave

The second wave came in the fall of 1918, and in the following year, there was even a third wave in a world already battered by the chaos of war. Also, today there are warnings of a second wave. Considering the possibilities that modern medicine, new technologies, and communication tools offer in the 21st century, and that we are already in pandemic mode, it should be possible not only to keep the death toll significantly lower than in 1918 but also to better control a second wave. Vaccines and drugs are the subjects of intensive research, but most experts do not expect to find reliable substances before 2021. Since the aim is to avoid a further lockdown, contact tracing is considered key in locating and isolating new sources of infection as quickly as possible. App-based solutions are planned or already in use in many countries. Most Western countries rely on voluntary adoption and want to achieve a sufficient degree of utilization through broad acceptance. In the study “Adoption Rates for Contact Tracing App Configurations in Germany” described



The sense and nonsense of individual measures were hotly debated everywhere, including the wearing of face masks.



below, we examined the criteria that were important to people in May 2020 for such an app and how the app should be designed to be used as widely as possible.

Economic and social consequences of the pandemic

Great differences in terms of the economic and social consequences of the pandemic are to be expected between the Spanish flu and COVID-19. While the world from 1919 onward was primarily confronted with the direct consequences of the pandemic, Europe, North America, and China will probably face mostly indirect consequences. At that time, many young women and even more men died. Their children became orphans, and great poverty followed the loss of caretakers. Today, the number of deaths in developed countries does not represent such an extreme humanitarian catastrophe. Clearly obvious, however, are the consequences of the economic lockdown, and these could vary greatly from region to region. Corona has plunged the whole world into a recession, and unemployment has risen sharply worldwide. In Europe, the governments are currently jumping massively into the fray to cushion the short-term consequences through short-time work, subsidies, and grants in many areas. What will happen in the medium term cannot yet be predicted. However, it is becoming apparent that the hoped-for V-curve – a rapid economic recovery after the return to “new normality” – will not occur to the extent hoped for. How severely the leaders of German companies are affected by the pandemic and how they assess the economic consequences is the subject of two further studies that were also conducted in May 2020 by the NIM.

And what will remain?

Since it is not clear at the moment whether we are at the beginning, in the middle, or at the end of the pandemic, we are in the realm of speculation here. There is widespread agreement that home office and web conferencing will remain at a reduced level and that Corona is a catalyst for the digitalization of many processes. Some fear the surveillance state, while others are worried about a step backward in terms of equality after home-schooling and the extended care obligations that have been taken over, especially by women. The increasing digitalization of everyday life also

brings the possible displacement of human labor by machines and artificial intelligence even more to the fore. Laura Spinney has analyzed that pandemics are usually accompanied by upheavals and that new grassroots movements often emerge in turbulent times and can develop a great dynamic. The Indian independence movement under Mahatma Gandhi, for example, developed his decisive dynamics in the period after the Spanish flu. Also, will the grassroots movement of the last year – Greta Thunberg and the young generation of climate fighters – emerge strengthened or weakened from the pandemic? Will governments continue to develop their current role as protectors, for example, to introduce the increasingly demanded unconditional basic income following governmental transfer payments? In times of risk, the cards are reshuffled, and much can be won. Even symbolic neighborhood initiatives can develop into great things. Despite all the uncertainty, it is clear that each of us can influence what the world will be like after Corona. In discussions and in future articles, we will focus on how we can make better decisions in the current situation. The coming months will remain challenging and exciting. ✕

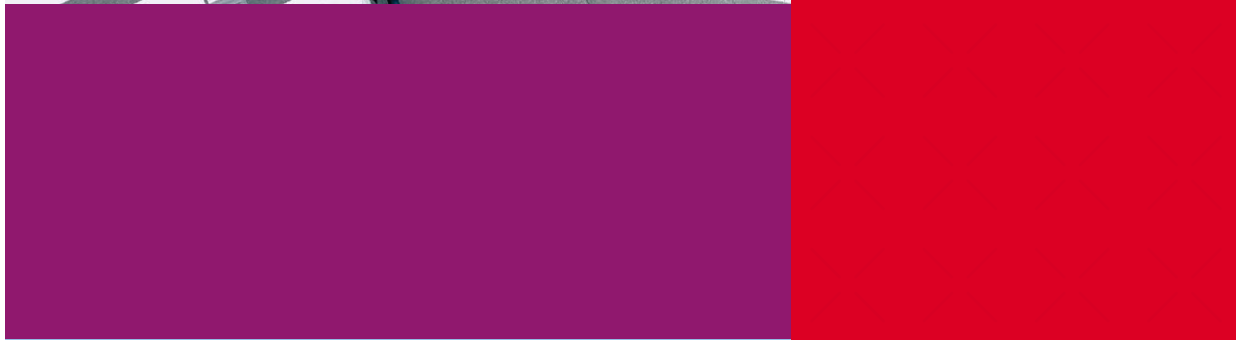


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Corona contact tracing apps: Between willingness to cooperate and the fear of Big Brother

Anja Dieckmann, Fabian Buder, Vladimir Manewitsch, Holger Dietrich, Caroline Wiertz, Aneesh Banerjee, Oguz A. Acar and Adi Ghosh

The tracing app should fix it

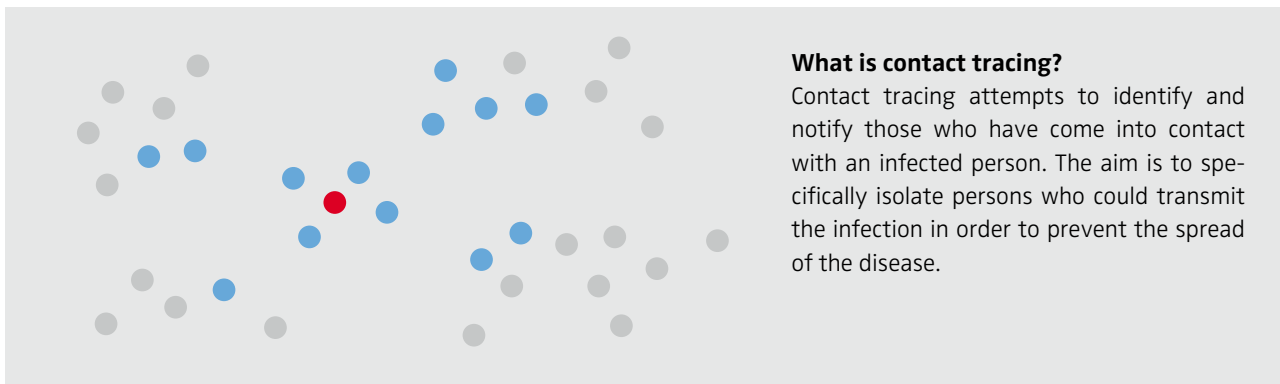
In a recent article published in *Science*, researchers at Oxford University write that about 60% of a country's adult population would need to activate a smartphone contact tracing application to stop the spread of the Corona virus. Although lower user numbers may already have a positive effect, but according to the authors the more people use the app, the greater the positive impact. Since a compulsory obligation is largely rejected in western democracies, the states rely on the voluntary willingness of their citizens to cooperate.

What features of a contact tracing app influence the decision of citizens for or against downloading in Germany and what user numbers would be likely to be reached with concrete configurations of such an app? These are the questions that the Nuremberg Institute for Market Decisions (NIM) and researchers from London's Cass Business School have investigated.

Tests and contact tracing are considered to be useful in principle ...

Respondents in the representative sample broadly agree that contact tracing and testing is necessary: 72.1% agree that widely available testing is important to contain COVID-19 infections when restrictions are relaxed. And 55.4% agree that until an effective drug or vaccine is available, a contact tracing app can also be a useful tool to contain COVID-19 infections.

However, individual opinions vary widely, from the unconditional rejection of an app to mandatory and sanctionable enforcement. These extreme positions are also reflected in the open answers of the interviewees: "Such an app is in every respect a sensitive violation of privacy and data protection. I would even go so far as to call it a digital deprivation of freedom. under no circumstances should anyone develop, publish or use such an app," said one male respon-



What is contact tracing?

Contact tracing attempts to identify and notify those who have come into contact with an infected person. The aim is to specifically isolate persons who could transmit the infection in order to prevent the spread of the disease.

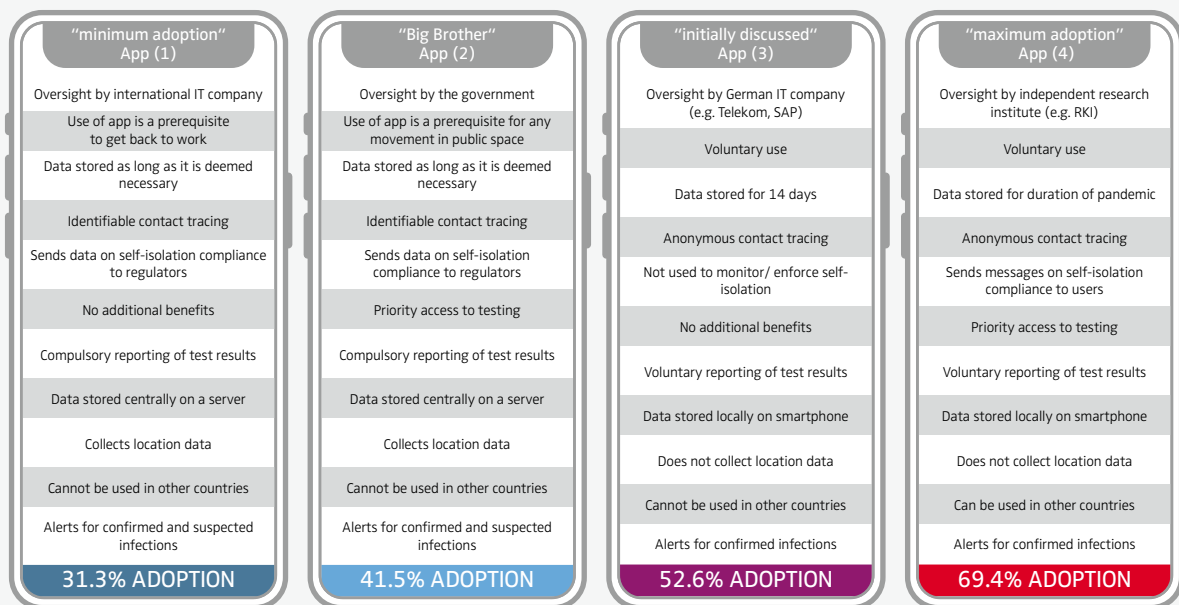
BOX 1

The study “Adoption Rates for Contact Tracing App Configurations in Germany”

To better understand the decisions for or against downloading a contact tracing app in Germany, the Nuremberg Institute for Market Decisions (NIM) conducted a study in mid-May 2020. With a sample of 1,472 respondents – representative of the German online population – the researchers determined the corresponding attitudes and desires of the Germans. Furthermore, by means of a choice-based conjoint design they also captured the influence of different feature configurations of a contact tracing app on the individual decision to download. In a total of 15 decision situations, the respondents had to decide between two randomly generated app variants and answer whether they would download the selected app. The variants were compiled on the basis of 11 features, each with several possible characteristics, from the question of who will control and monitor the app, to the question of whether the app should be a prerequisite for freedom of movement or what kind of data is collected and how long it is stored. On the basis of this large number of decisions made by the respondents, it can be calculated which app features are preferred and which are rejected by respondents. From the individual preferences for the features determined in this way, the adoption rates for different app variants can now be estimated overall, i.e. the proportion of the population that would accept or download the app. Figure 1 gives an overview of the features of four exemplary app variants and their estimated adoption rates. The app features are sorted in descending order of importance for download readiness and the percentage under each app variant shows the adoption rate. It should be noted, however, that these are adoption rates under ideal conditions: All respondents were fully informed about the features and had to make a decision, so they could not postpone the decision. However, it was possible to indicate that in a decision case none of the two offered apps would be downloaded.

FIGURE 1 > Different app configurations and their adoption rates

In addition to the preferences for the app’s features, socio-demographic characteristics of the participants were surveyed, as well as their attitudes, experiences and knowledge about Corona or tracing apps in general. The German study is based on a survey previously conducted in the UK by researchers from Cass Business School, London.



dent (between 35 and 49 years of age). In contrast, another interviewee in the 50 to 64 age group, for example, stated “Those who refuse to allow data to be stored until it is safe again, those who refuse to download an app that tracks their movements and warns of infected persons should no longer be allowed to leave the door with impunity!”.

... but will the German population actually use a tracing app?

Unsurprisingly, people who see contact tracing as a useful tool to contain infections are in principle more willing to download a contact tracing app. However, whether an app is actually downloaded depends to a large extent on its features. Some features play a greater role than others in the willingness to download contact tracing apps: The most important point for the acceptance of an app is obviously who is responsible for the app project and who is in charge. Compared to an IT company as an app provider, an independent research institute such as the Robert Koch Institute (RKI) has a positive influence on acceptance. Other important aspects are: Data protection, voluntary use of the app and anonymity. The adoption spectrum ranges from 31.3% for an app configuration with the most unpopular features to an impressive 69.4% for an app with the most popular feature. In the following and in Fig. 1 four concrete app variants are described in more detail.

Different app configurations and how they are accepted

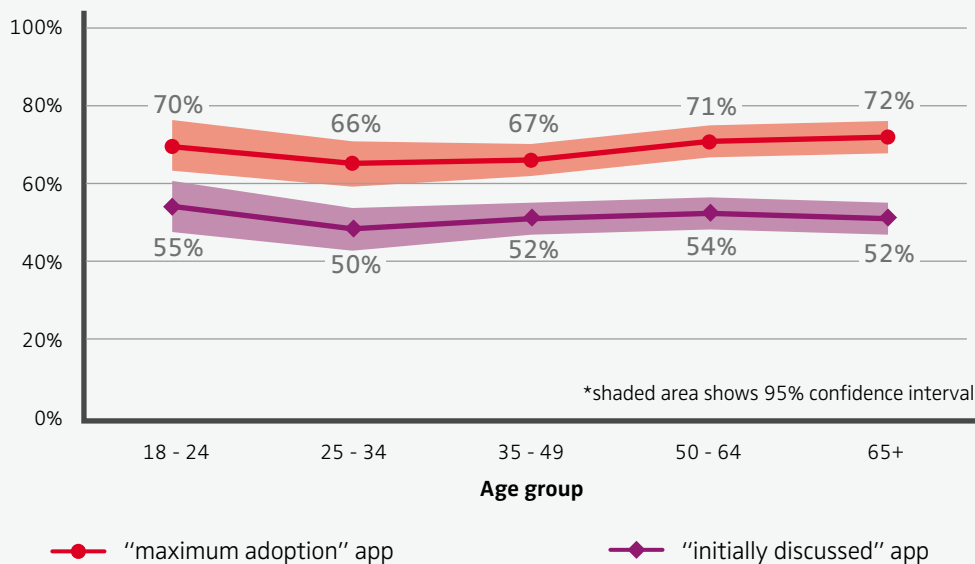
> **Configuration (1): The “minimal adoption” app – surely not**

It serves in the study as a lower benchmark with an adoption rate of 31.3%. This app would be mandatory for participation in public life, would be controlled by an international IT company and the collected data would be stored centrally on a server for as long as possible. Data protection is not in focus.

> **Configuration (2): The data-hungry “Big Brother app” – no thanks**

This would be a government-controlled app, which would store the data centrally and therefore might not sufficiently protect privacy. Its goal would be to maximize control over chains of infection. What distinguishes it from the “minimal adoption” app and has a positive effect on its adoption rate (41.5%) is that it is supervised by the government and not by a large private, international IT company. In addition, it would give the user priority access to Corona testing if he or she has been in contact with an infected person.

FIGURE 2 > Willingness to download for “maximum adoption” app (4) and “initially discussed” app (3) by age



> **Configuration (3): The “initially discussed app” – possibly**

When the survey was conducted in May 2020, this version was the state of current public discussion (based on press reports and documentation provided by the developers on GitHub.com). A German IT company would be in control, use would be voluntary, as would reporting of test results. The data would be stored for 14 days locally on the device, no tracking of the whereabouts would take place. The adoption rate of 52.6% would still be well below the maximum value of 69.4%. Not yet optimal from the respondents’ point of view seems to be that the control – at least in the programming phase – is in the hands of two private German companies, SAP and Telekom. However, this feature is particularly important for the decision to download. Supervision by an independent research institute, such as the Robert Koch Institute (RKI), would be the preferred alternative and could increase acceptance. Overall, however, this app configuration already seems to meet many of the respondents’ requirements, such as voluntary use, limited duration of storage and no use of the app for monitoring and enforcing a possible isolation phase in case of contact.

> **Configuration (4): The “maximum adoption” app – why not?**

This app would achieve the highest adoption rate with a value of 69.4%. The main difference to the version “initially discussed app” (3) is that an independent research institute like the RKI would have the supervision and control over the app. This configuration largely corresponds to the German app currently under discussion – our “maximum adoption” app, however, offers the additional advantage that users would have priority access to Corona tests if they were in contact with an infected person. And even this has now been promised, according to a report in Der Spiegel on 17th June 2020: According to the head of the National Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereinigung), anyone who has received a tip about a potential contact with an infected person via the app is to be tested.

The preference differences among age groups are small

When it comes to the acceptance of the app, there are only minor differences between the age groups. For the two app variants with the highest adoption rates, only the acceptance in the age groups between 25 and 49 years is slightly lower than in the other age groups.

FIGURE 3 > Willingness to download for “maximum adoption” app (4) and “initially discussed” app (3) by fear of COVID-19

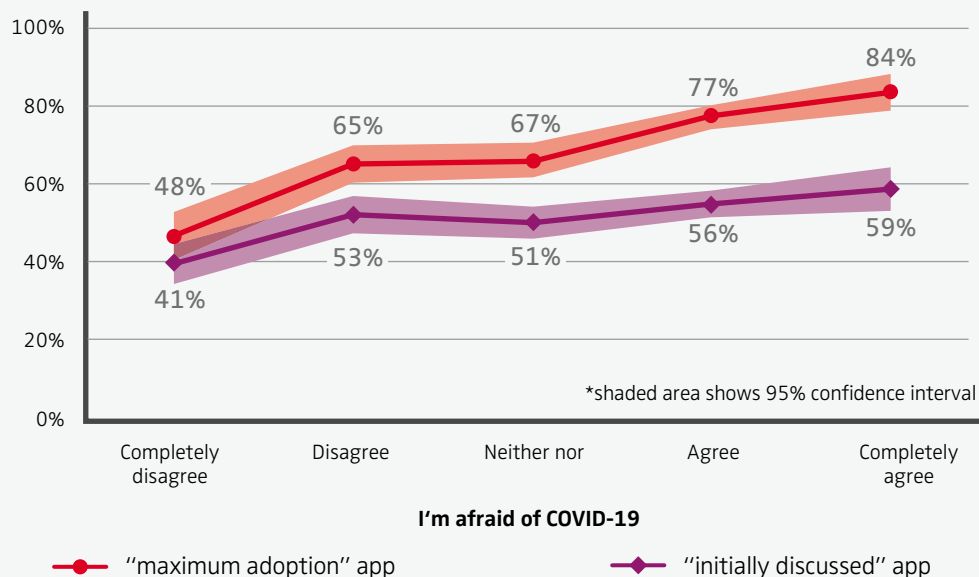


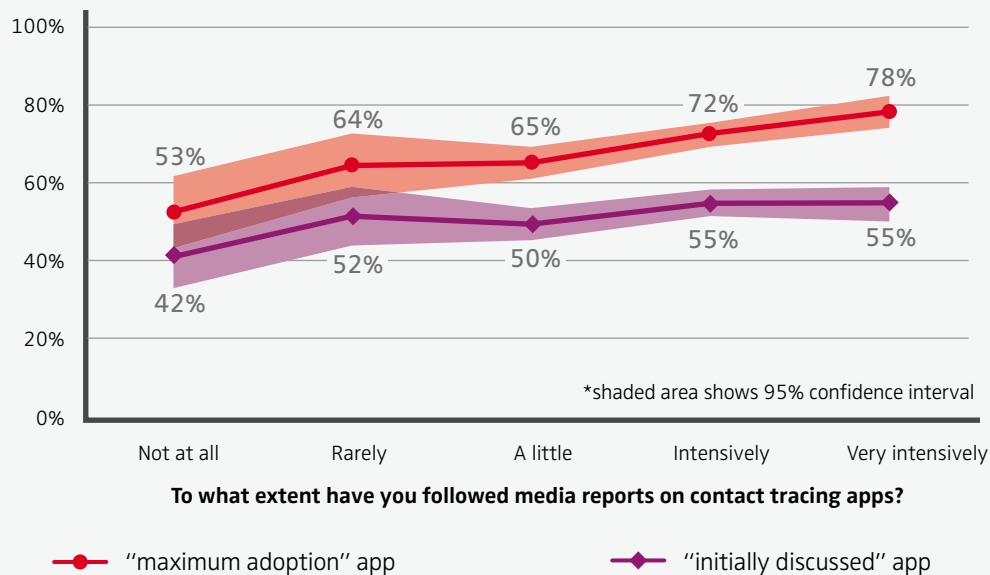
TABLE 1

Attribute importance for app adoption	Attribute	Implementation options	Relative impact on adoption
21.82%	Ownership and oversight Who is responsible for the app project and has control?	An independent research institute such as RKI (Robert Koch Institute)	++
		A German IT/Technology company (e.g. Telekom. SAP)	-
		An international IT company (e.g. Apple. Google)	--
		The government or official state agencies	+
11.31%	Freedom of movement after lockdown To what extent is the use of the app voluntary?	Voluntary use	+
		Use is a prerequisite for returning to the workplace	--
		Use is a prerequisite for every movement in public space	-
10.69%	Duration of data storage How long is the data stored?	For the average duration of the disease (about 14 days)	-
		Until the COVID-19 crisis is over	+
		As long as necessary for research	--
10.19%	Anonymity What kind of contact tracing does the app use?	Anonymous contact tracing	+
		Contact tracing with possibility of identification of persons	-

Further attributes and their importance:

Importance	Attribute	Description of attribute
8.54%	Monitoring/enforcement of self-isolation	Does the app serve to monitor and/or enforce self-isolation?
8.41%	Additional benefits	What additional benefits does the app offer users?
7.81%	Reporting of COVID-19 test result	Is the notification of COVID-19 test results via the app voluntary or mandatory?
5.97%	Place of data storage and processing	Where is the data collected by the app stored and processed?
5.92%	Data type	Does the app also collect location data of the user?
5.67%	International use	Can the app be used in other countries?
3.66%	Infection alerts	What kind of infection alerts does the app send to the user?

FIGURE 4 > Willingness to download “maximum adoption” app (4) and “initially discussed” (3) by following media reports



Adoption rates are significantly higher for people who are afraid of COVID-19

Many are afraid of COVID-19 (43.8%). And it turns out that the acceptance of the two most relevant apps (“initially discussed app” / “maximum adoption”) is related to the fear of COVID-19. The adoption rates are highest among those who report the most fear.

Trust in the government and increased willingness to inform promote adoption

The percentage of those who would choose to download the two apps also differs depending on the extent to which respondents trust the information provided by the government about COVID-19: Respondents who trust the information more show higher adoption rates.

Around 70% agree or even strongly agree that the government’s top priority is saving lives. And as many as 52.6% agree or strongly agree that the government will be able to provide comprehensive testing capacity until the lockdown is lifted (only 17.4% disagree, the rest are undecided). This suggests that confidence in the intentions and capabilities of the German government is high.

When asked to what extent the respondents have followed media reports about tracing apps in the context of COVID-19, the answers of the respondents vary from “not at all” to “very intensively”. Interestingly, the answers are associated with different adoption rates of the apps: Among those who stated that they follow the current media coverage of contact tracing apps more intensively, a higher adoption rate was also found for the two app variants “maximum adoption” and “initially discussed app” (see figure 4). This suggests that public education can be of central importance for the distribution and use of the app.

How do personal experiences with COVID-19 influence the decision to download a contact tracing app?

Between a quarter and a third of the respondents report that they are negatively affected by the limitations of COVID-19: 33.2% of the respondents feel that their financial situation has been negatively affected by the COVID-19 pandemic, and 24.4% of the respondents even state that the situation has negatively affected their mental health. However, the decision to download an app variant is not significantly linked to whether respondents report negative effects of the restrictions.



*Public education can be of central importance
for the distribution and use of the app.*



The result is different if there were ill people in the family and circle of friends or with people who themselves had symptoms or were demonstrably infected. Although only a few respondents indicated this, the group of those who reported such experiences had a higher adoption rate than the rest of the respondents.

The chances for a broad use are good: It could definitely work

Despite the many discussions about the introduction of a contact tracing app and the risks that various groups see in connection with such an app, the results indicate that a majority of the German population trusts the government with the app project and believes that such an app can be a helpful measure – at least until effective medical solutions are found.

The app last announced for Germany is already very similar to the “maximum adoption” app, even though the variant used in the study still included the bonus of a priority for users in the COVID-19 test in the case of self-isolation, which positively influences the willingness to use the app. Table 1 shows once again an overview of the features and their possible forms that were used for the app variants in the study. The characteristics are sorted in descending order of importance for the respondents’ decision, a plus or minus sign indicates whether this characteristic would influence the decision positively or negatively.

However, whether citizens actually download the app depends on other factors as well. In the survey, the participants had to decide and therefore indicate whether they would download the app or not. Unlike in real life, they could not postpone the decision and wait to see what others do. The tendency to postpone decisions, for whatever reason, can lead to the fact that the realized download numbers fall massively behind the declared intentions. A similar behavior as it shows for example also in studies to the readiness for organ donation.

In addition, we assume that the actual technical implementation of the app, such as usability, battery consumption, supported smartphone models and operating system variants,

will further influence the decision of potential users to download the app. This includes how easy it is to find and download the app. Furthermore, in a real situation there is no 100 percent awareness of the offer and no complete and equivalent knowledge about the app as in the survey situation. Additionally, it should be noted that our sample is not representative for the entire German population, but only for the part that is also active on the Internet. It cannot be excluded that especially in a less “modern” environment scepticism towards contact tracing is greater and that some may simply fail to download the app due to a lack of language skills.

Information and education could be a key

On the other hand, the results indicate that there is a chance for the German government to create the necessary awareness and transparency through information and education about the advantages, but also about the dangers and limits of contact tracing in the form of an open debate, in order to enable citizens to make informed decisions and thus increase the number of downloads. ✕



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Become more resilient: What companies want to do differently after Corona

Fabian Buder

The global Corona pandemic is leaving its mark on the economy, and almost all companies, whether they are micro-enterprises or large international corporations, are impacted in one way or another by the consequences of COVID-19. What will managers learn from it? How do they assess the coming months? The Nuremberg Institute for Market Decisions (NIM) conducted an online survey in May 2020 to poll executives from more than 200 manufacturing companies in Germany, the UK, Italy, and the USA on their experiences and the challenges they face in the context of the Corona crisis. The views and assessments that emerged were quite heterogenous.

Companies were not prepared

More than half of all managers from the manufacturing industry surveyed said they were virtually unprepared for the COVID-19 pandemic. After the first Corona cases and plant closures in Germany in January 2020, it would be reasonable to assume that German companies had time to identify and analyze potential risks. However, only around 15 percent said they were prepared, which puts German managers in the last rank of the survey. Even in the USA, the majority of companies in the study did not make use of the greater time lead. Despite the delay with which the virus reached the USA, only 36 percent stated that they were prepared, although this is the highest figure among the four countries. In Great Britain, 33 percent of those surveyed felt they were prepared for the crisis, and in Italy, 27 percent felt prepared (see Figure 1).

Two-thirds of companies suffer from the consequences of the crisis

Nearly two-thirds of all managers surveyed reported negative effects for their company due to Corona. The proportion of those who considered the consequences to be very

or exceptionally strong was 31 percent. Almost no negative impact was seen by about one-third of managers at the time of the survey.

The German managers assessed the situation of their company much more positively than the rest of the sample. Almost half of them named few or no negative effects at all. Moderate or negative effects were named by 27 percent, and almost as many spoke of strong negative consequences. The proportion of those who classified the consequences as exceptionally bad was negligible at two percent.

Some light at the end of the tunnel as the year ends

When asked about the prospects for their business over the next six months, the interviewed managers expect the situation to improve, but the majority still anticipate lasting negative effects. From the perspective of the companies that are particularly affected by the pandemic, the situation appears to be improving somewhat. This is because two-thirds expect the impact of Corona to lessen over the next six months. However, 30 percent still fear the same negative effects as at the time of the survey.

German management is also much more positive in the medium term. Only five percent still see strong negative effects of COVID-19 after six months. In Italy and the UK, this figure is drastically higher; about a quarter of those surveyed still expect strong negative consequences for the company they work for at the end of the year.

More care for employees and widespread working from home

What remains after Corona? As a major change, managers in all four countries expect to pay more attention to the health

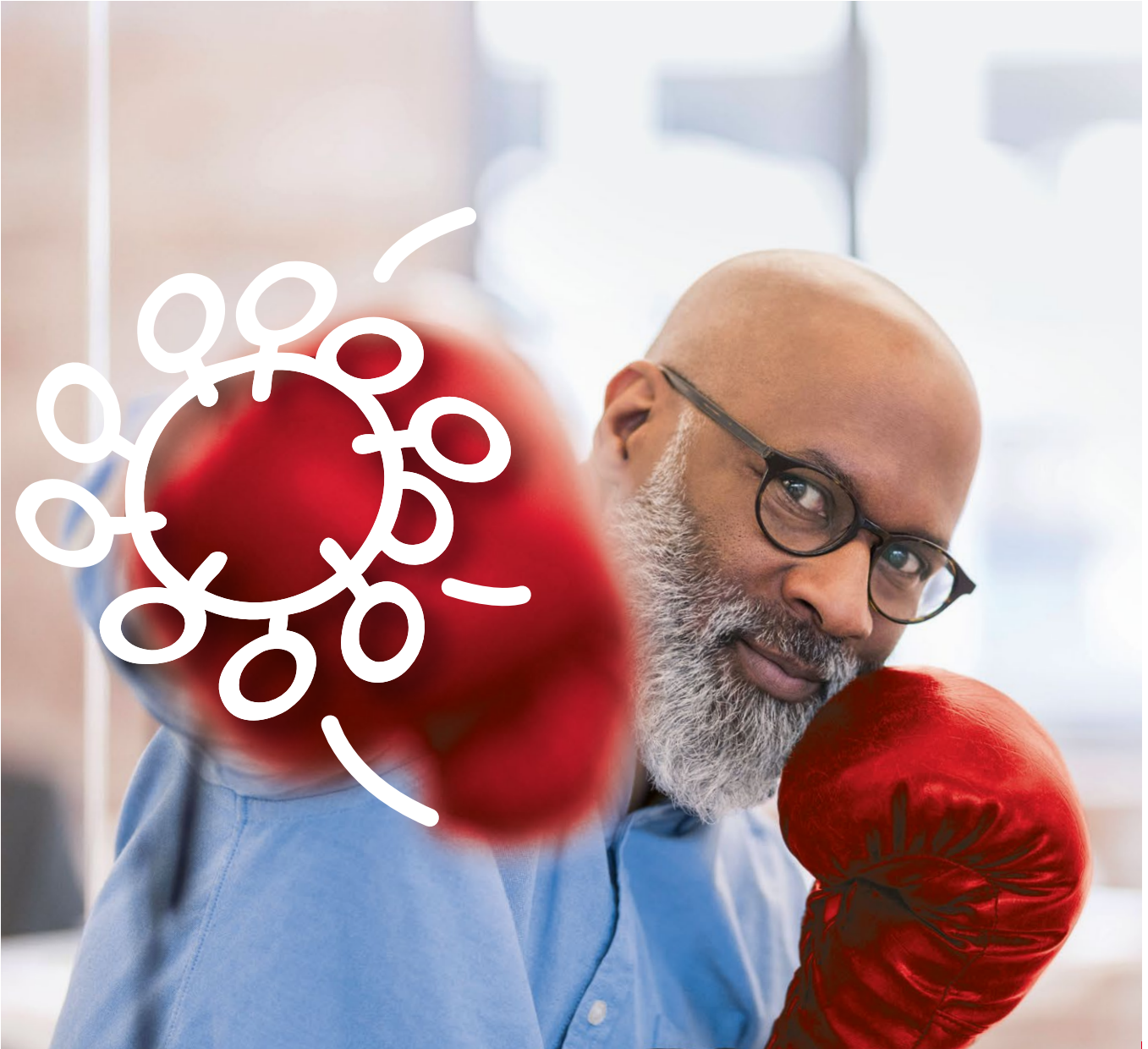
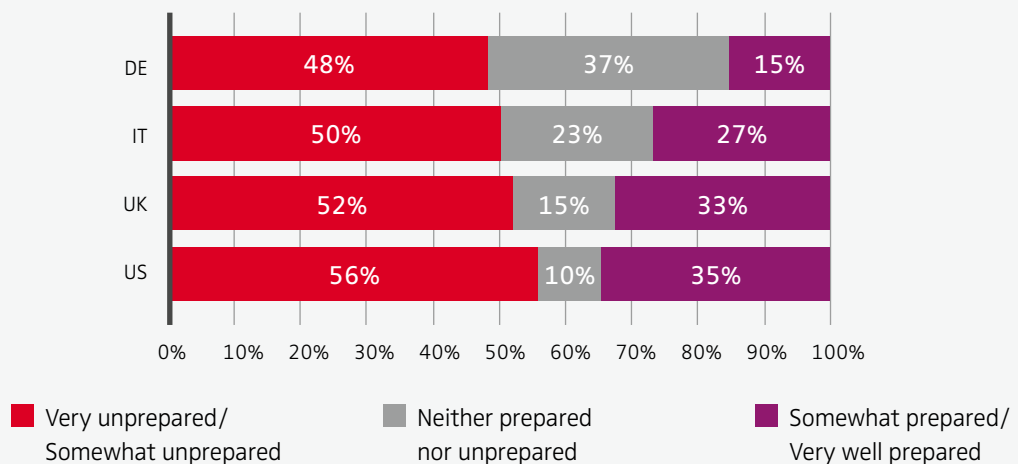


FIGURE 1 > Most companies were not prepared for a crisis like Corona

Question: "From your point of view, how well was your company prepared to face the Coronavirus pandemic and its consequences?"



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and well-being of employees and to increase requirements for safety and hygiene. The second most important change for European managers is the increased use of work from home concepts. For managers in the USA, on the other hand, the acceleration of digitalization ranks second on the list of developments triggered by Corona.

When it comes to the other changes for their companies, managers in the various countries are divided. Digitalization also plays an important role in Italy, where it ranks third. However, for German and British companies, the reorganization of their supply chains is ranked third. What is interesting is that almost all German managers can answer the question of what will change in their business. In contrast, there is apparently still a great deal of uncertainty in other countries. Roughly one in five managers in Italy and the USA, and in the UK, even one in four, cannot yet answer this question.

Better resilience through prevention and digital solutions

Respondents in all four countries agree that their organization needs to become more resilient. However, there is less agreement on what measures need to be taken and what priorities need to be set.

The top priority for managers in Italy, the UK, and the US is to improve immediate crisis response capacities in their organizations. This means that companies should have a strategy and a contingency plan for emergency situations to manage crises efficiently. In this context, employee training is also seen as an important aspect. Closely related to this, and ranked second in all three countries, is the issue of digitalization. Factors such as automation, smart working concepts, and online commerce play key roles in securing day-to-day business and protecting employees and customers (see Figure 2). The current crisis has shown how important an online presence is – even for local retailers. On the one hand, for the survival of the company itself and, on the other hand, for a secure supply to consumers in times of crisis.

In Germany, new priorities are emerging: For German managers, the reorganization of their supply chains is of utmost importance. Thus, the survey results reflect the discussion of the last few months about the dependencies on global supply chains and corresponding alternative concepts. Ranked second among German managers is the aspect of being prepared for a crisis (i.e., the preparation of risk assessment, emergency strategies, and contingency plans). Ranked third among German managers is the topic of finance (i.e., the

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*However, there is less agreement on what measures need
 to be taken and what priorities need to be set.*
 «

maintenance of liquidity). In comparison, managers in Great Britain rank the optimization of their supply chains only third. In Italy, better products and services are seen as the third most important measure for increasing resilience.

But even within the companies themselves, there is little agreement on what should be changed to make a company more resilient. While managers from production and manu-

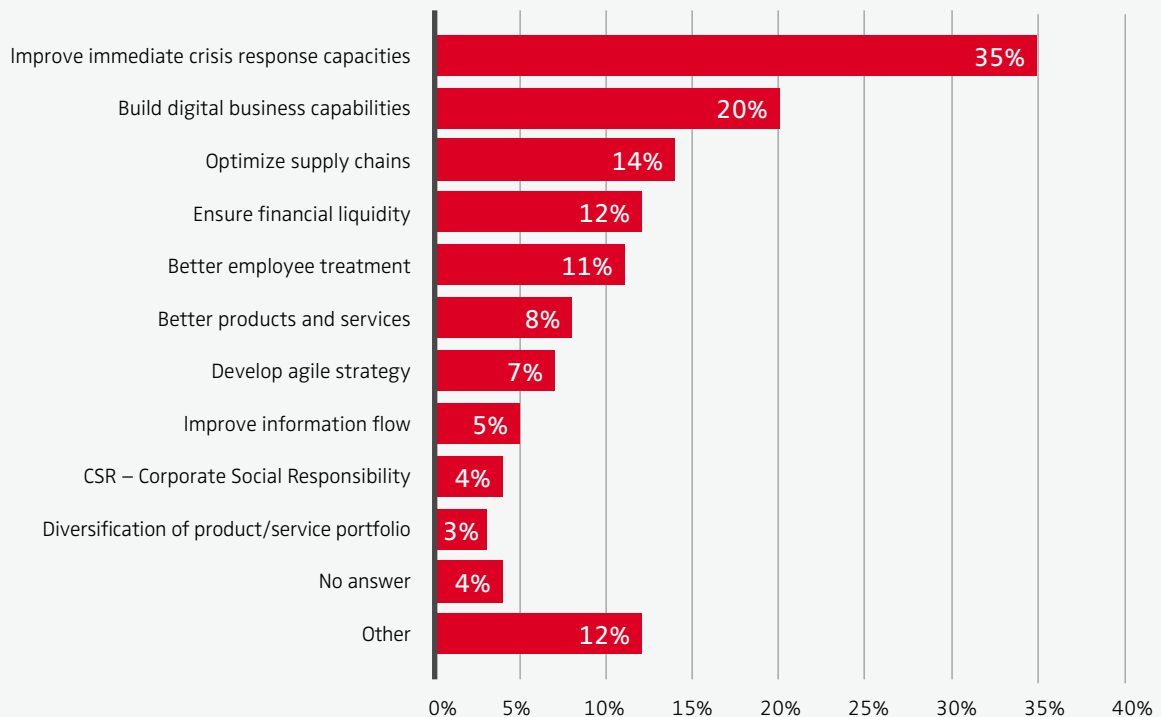
facturing see crisis preparation itself as a top priority, those responsible for strategy and business development are focusing on successful digitalization.

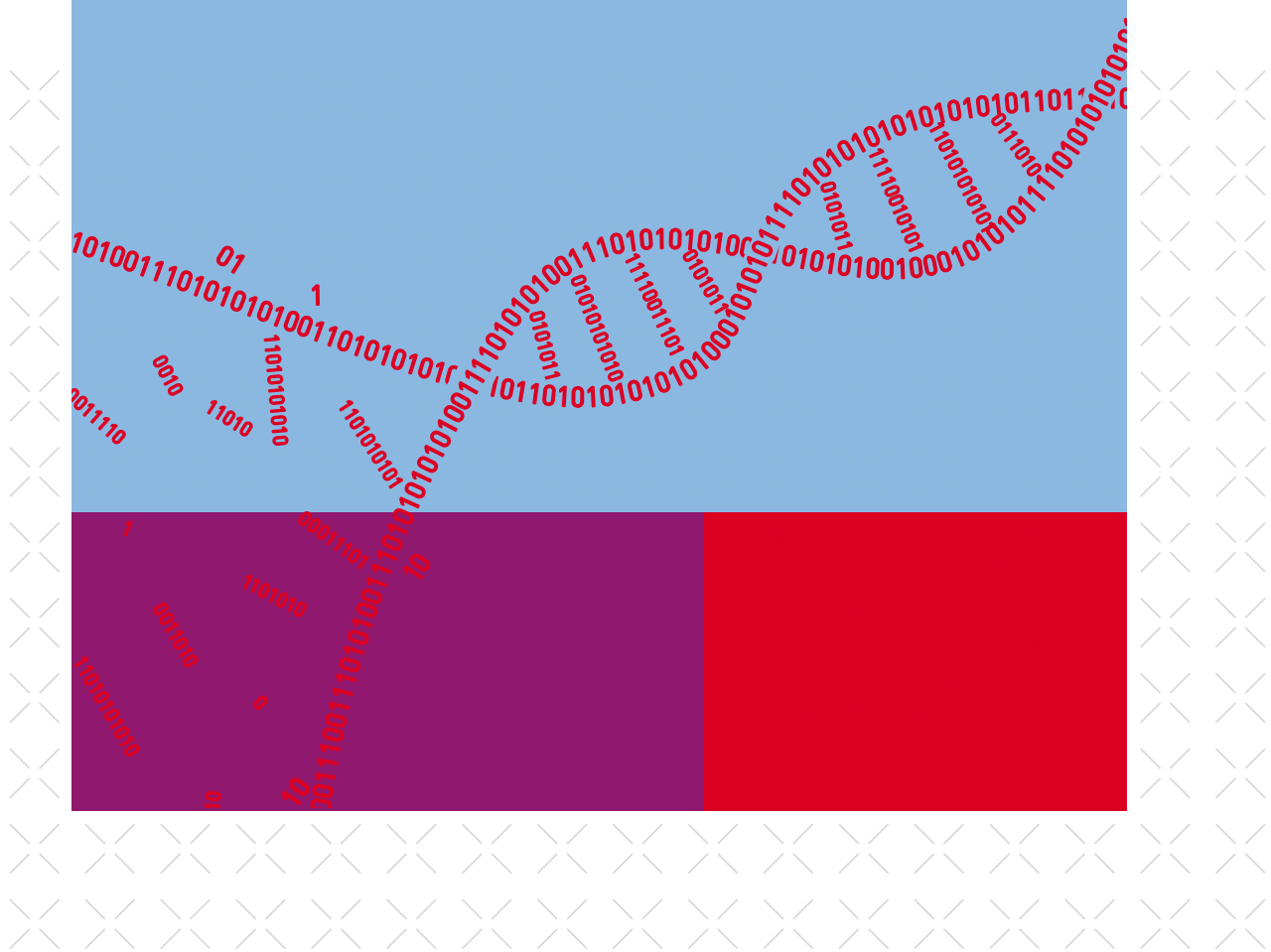
Thinking the unthinkable

Leaders across countries agree that the Corona pandemic has serious economic consequences that will reverberate. Certainly, many organizations are managing risk and have

FIGURE 2 > Better preparation and digitalization for more resilience

Question: "What needs to be improved to make companies more resilient in the face of a crisis like the Coronavirus pandemic or sudden economic shocks?" (Coded open answers, multiple answers possible)





contingency plans “in the drawer,” but a global crisis of this kind with such shock waves was unthinkable for most of them until now.

Moreover, the reactions to the crisis were very different. Some companies quickly identified new demand and creatively put it into the context of their business models (e.g., a men’s outfitter switched to mask production, a liquor producer switched to disinfectants, and a manufacturer of respirators expanded its capacities on short notice). Such best practices can serve as a basis for other organizations to better prepare themselves for times of crises.

»

German managers take a much more positive view of the medium-term development than their colleagues in Italy and Great Britain.

«

Of course, emergency plans for specific situations and simulations are indispensable. However, above all, organizations – and their employees – must learn to deal with constant change and uncertainty, and to react to these situations. This requires a clear corporate strategy and aligned goals that are regularly validated and adjusted. To achieve this flexibility, shared values and an agile change of culture throughout the organization are necessary.

Certainly, managers in the NIM survey have recognized that digitalization offers a lot of potential, and quickly responding is what counts in day-to-day business. Technical infrastructures for home office employees, cloud strategies, and online businesses have been successful and important pillars of companies in recent months. Based on current experience, Industry 4.0 with intelligent automation, robotics, and sensor technology is likely to be promoted much more strongly in the near future.

Sector and industry associations could provide comprehensive support, particularly in the area of crisis prevention. Together with their member companies, they could evaluate opportunities and risks – especially in global markets – and derive recommendations for action. With their expertise and resources, they could offer analyses, checklists, training, and workshops for crisis preparation to advise their members and contribute to greater resilience. ✕

Corona was a VUCA situation at its best

Interview with Professor Dr. Martin J. Eppler, Ordinary for Media and Communication Management at the University of St. Gallen

Like a tsunami, the Corona pandemic swept over Europe in March and turned our accustomed life upside down. Since then we have been living in an extremely **v**olatile, **u**ncertain, **c**omplex and **a**mbivalent situation, which Professor Martin Eppler calls the VUCA situation for short. Such situations require their own VUCA strategies and measures. In the following interview, he explains what these are, what role experts play in uncertain times, and how companies can communicate successfully in a crisis and make the right decisions.

NIM: *Our survey of companies in Europe and the USA shows that many managers have experienced their companies as being quite unprepared for the pandemic and its economic consequences. Was this pandemic really such an unpredictable event?*

Prof. Eppler: I would not say that. A pandemic has long been considered one of the biggest known risks for the global economy. What surprised many, however, was the dramatic dynamics and the initially hesitant action of many political actors.

Nevertheless, the pandemic also seems to have caught many companies off guard?

The Corona crisis was a VUCA situation in pure culture. The abbreviation VUCA stands for situations that are extremely volatile, uncertain, complex and ambivalent. The VUCA paradigm has been the subject of lively discussion in management circles since the 1990s, so I don't believe that all organizations were unprepared. Indeed, VUCA also stands for

adequate crisis management with a strong common vision, a good understanding of the environment, clear communication about one's own priorities and agility in the sense of rapid adjustments avoiding blind activism. I have been teaching so-called VUCA seminars for years, where precisely such events are the central training topic. In these seminars, we deal in a plausible way with which strategies and measures we can successfully react to such situations. Instead of panic and blind activism in crises, we diagnose quickly and continuously, prioritize and inform clearly.

In your opinion, what were the biggest difficulties that companies faced?

Surely, in addition to the pure liquidity and livelihood security, the high degree of uncertainty was a main difficulty for many companies. Careful planning was hardly possible and thinking in scenarios gained enormously in importance. The acute information burden was an associated challenge: Where do I get financial support and how? Who do I have to inform about what? What do we have to stop immedi-

ately, what should we continue for the time being? Many of these questions required the triage and evaluation of vast amounts of sometimes quite uncertain information.

What are common mistakes or wrong decisions that happened in the crisis management of the Corona pandemic?

I think a look at the relevant scientific literature on decisions under pressure and uncertainty will help here. We know relatively reliably from research what short-circuits and mental shortcuts people tend to take when they are under pressure and are confronted with information deficits. In the Corona crisis, I observed the following mistakes in particular: A “head in the sand” attitude in which decision-makers in politics and

business were long unwilling to acknowledge the crisis. This was probably often due to an aversion to loss – a tendency that leads to “cognitive tunnel vision”. The loss aversion became apparent when managers hesitated too long before cancelling projects, orders, events or trips. “What must not be, will not be” was the motto of some decision-makers. Because we have emotional difficulties in realizing losses, we delay them even when it is clear that the money invested cannot be recovered. This tendency is also known as “Sunk Cost Bias”, i.e. the error of thinking that one continues to invest in activities even though they are hopeless. Incidentally, the Indians have a humorous saying for this: “If your horse is dead, get off.



← **PROF. DR. MARTIN J. EPPLER**

PROF. DR. MARTIN J. EPPLER

Prof. Dr. Martin J. Eppler is Ordinary for Media and Communication Management at the University of St. Gallen (HSG) and Director of the MCM Institute for Media and Communication Management.

His research and work focuses on management communication (including change communication), knowledge management and knowledge communication, strategy communication, visualization methods, collaboration and information quality.

<http://www.mcm.unisg.ch>

<http://www.knowledge-communication.org>

<http://www.visual-literacy.org>

martin.eppler@unisg.ch



In situations like this it helps to consult people who have a completely different perspective on the situation.



So many decision-makers were too passive, didn't react quickly enough?

Yes, but the opposite also happened. I have also seen managers who fell into strong activism and called virtual meetings with their employees lasting several hours every day. However, this micromanagement can create additional stress and thus impair the performance of a team. Instead, an alternative would be to create freedom and mobilize creative resources, especially in such situations. Others have been too radical, which is due to an "either/or way of thinking": In crisis situations, we often tend to paint black and white, which is extremely dangerous for good decisions. There were organizations, for example, that decided to cancel all events right away until the beginning of next year. I think this radicalism was not always justified or well thought out, even if it simplified the decision-making process in the short term.

Would it be possible to prevent the typical errors of thought and decision-making that you mentioned?

In many situations you can. First of all, it helps to gain distance from the situation and the decision, for example by asking yourself the following questions: "How would my role model react in this situation? Which decision would make me look back proudly on the current situation in a year's time? If I really take my own values and priorities seriously, how should I decide now?". I believe that in situations like this it also helps to consult people who have a completely different perspective on the situation in order to expand one's own scope of options. In crisis situations, we often don't have the calm and vision to keep an eye on all possible decisions and actions. That is why it is worthwhile to engage in a dialogue with people who think differently – especially in order to uncover blind spots. What also helps to create distance and expand one's scope of options is visualization, e.g. in the form of a sketched decision tree or a scenario diagram.

BOX 1

The VUCA paradigm helps to ask the right questions and make the right decisions during the crisis

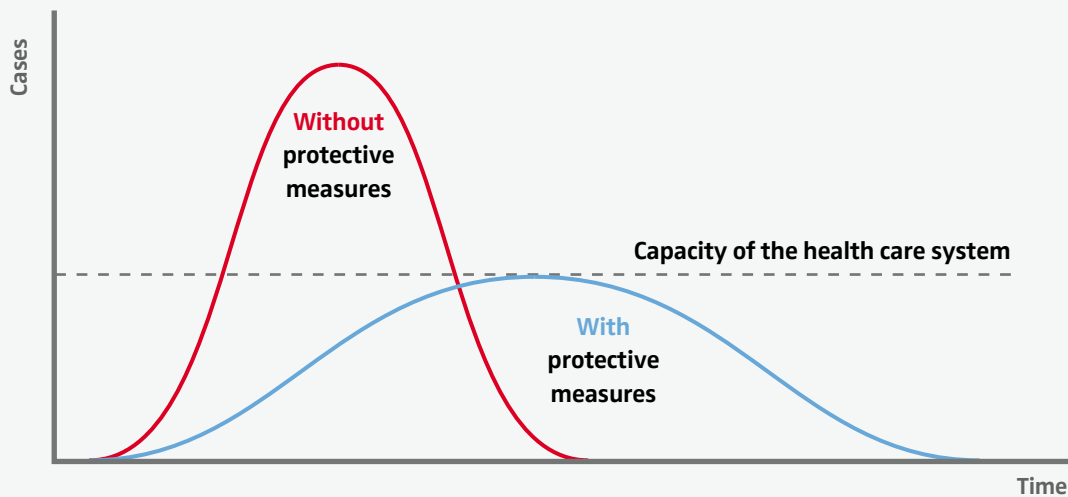
Vision: What are the main goals we can agree on? What would make us proud in retrospect of the crisis?

Understanding the context: Despite all the uncertainty, what are the drivers of the problem and how do we counteract them? What are our levers for these drivers and with which of our key resources do we tackle them?

Clarity: What is changing as a result of the crisis and what does this mean for each of us? Can we visualize this?

Agility: Where should we react quickly and decisively and where do we have to wait until the situation becomes clearer or there is more agreement?

FIGURE 1 > Figure 1: The “Flatten the Curve”-Visualization



Visualizations such as the “Flatten the Curve” presentation of the Corona pandemic play a key role in successful crisis communication

Where can you easily find information about the most important errors in thinking?

We have compiled the current knowledge about errors of reasoning in the decision-making process interactively online in an attractive graphic on the website bias.visual-literacy.org. We have also illustrated many of the decision errors in short video sequences using a typical management situation as an example.

Do you know of organizations that were better prepared for the pandemic than others?

I was impressed by organizations that reacted quickly, objectively and humanely, such as companies that converted their alcohol products into disinfectants or companies that were able to switch quickly to the production of protective masks. I was also impressed by companies that clearly signaled their trust in their employees and provided the necessary freedom. I think that something like this will remain longer in memory. We as a university also reacted quickly and switched to virtual teaching and also offered many helpful methods and approaches in free webinars around the world, for example for the severely affected Brazil.

In general, companies that had a proven crisis concept (including a crisis management team and crisis communication guide) and solid scenario know-how were well prepared.

What can others learn from successful companies?

In order to deal constructively with a crisis, the orientation towards one’s own resources is a decisive success factor. So in VUCA situations one should consciously ask oneself the following question: What can we do with our existing strengths and capabilities to reduce the severity of the crisis to a certain extent? Which of our resources can we quickly mobilize to overcome the crisis?

Scientific findings are often subject to a certain degree of uncertainty; complete certainty is usually not possible with complex objects of investigation. How could the communication of uncertainty be improved so that decision-makers are more aware of and can better deal with it?

This is a very decisive question. Of course, in a crisis situation such as the Corona pandemic, communication must be clear and unambiguous. But if there are any uncertainties,



Good experts manage to condense the complexity of a situation into its essential and action-relevant aspects and to clearly explain what our options for action are.



they should be mentioned, otherwise any subsequent communication will have credibility and therefore acceptance problems. Experts in particular have a duty to qualify their statements regarding uncertainty or half-life and thus help laypersons to better interpret and classify the recommendations made. One way to do this is, for example, through visualization: In addition to the most probable progression scenario, e.g. the number of infected persons, other possible progressions are also displayed and commented on.

How can decision-makers basically deal with a situation in which there is no consensus on basic information or the data situation changes dynamically?

I am convinced that the VUCA paradigm helps here, namely by developing a vision in the crisis that creates clarity through understanding the environment. You remain capable of action if you ask the right questions (see Box 1.)

To underscore the need for drastic measures, a strong emphasis was placed on presenting the expected infection rates with and without measures, and “Flatten the Curve” was figuratively displayed as a maxim to prevent overloading the health care system and many deaths. How important are such visualizations and model calculations in communicating complex issues and the effects of decisions?

The power of such visualizations is enormous. The “Flatten the Curve” illustration has succeeded in clearly communicating the strategy of most countries to a large population group and establishing a common goal vision (the V of the VUCA strategy). I also found the degree of complexity chosen to be just right. Another good thing about this illustration was its linkage to concrete behavioral patterns that could also be easily visualized, such as the 2-meter rule, washing hands, etc. The presentation was not only helpful as a common vision, but also to convey worst and best case scenarios and to compare the course of crises in different countries. The presentation also helped to learn quickly from the crisis.

What role can and should experts play in such dynamic decision-making contexts characterized by high uncertainty and volatility?

They play a very important role. Due to their specialization and experience, they are often better able to assess a complex situation than laypersons and (usually) without any particular interests can carefully evaluate the effectiveness of measures. Good experts manage to condense the complexity of a situation into its essential and action-relevant aspects and to clearly explain what our options for action are. However, experts should not only communicate the limits of their area of expertise but also the uncertainty of their forecasts. For me, this is part of a responsible perception of the expert role.

Do you expect a sustainable shift in the value system in the management of companies, e.g. a reassessment of the opportunities and risks of supply chains?

To be honest, I don't expect it, even though I find the various optimistic post-COVID scenarios very inspiring. Of course, supply chains are now also being reassessed and redesigned from a resilience perspective, but I think it is still too early to talk about a change in values at this point in time. Nevertheless, I hope that COVID will also be used as a pause for reflection to critically rethink our current way of doing business – especially with regard to climate change.

Thank you very much for your assessment of the current situation and your proposals for solutions. ✕

Pause, reflect and invest in sustainable futures

Interview with Bradley Kreit, Director of the Institute for the Future (IFF), Palo Alto (USA)

The future holds surprises even for future researchers. After all, the future is uncertain, not cast in stone, and it can develop in one direction or another due to the decisions people make. In the following article, Bradley Kreit explains how scenario techniques and simulations can help organizations deal with systemic risks. He also sees hope in the pandemic-related slowdown in economic activity, as it offers the chance to discover new ways of doing things. He hopes that decision-makers will pursue a longer-term plan and develop more sustainable concepts for the future, rather than succumbing to the short-term, simple temptation to carry on as before.

NIM: *The sudden Coronavirus outbreak surprised most of us, although experts agreed that sooner or later, a pandemic was to be expected. Is the threat of a pandemic too vague to take adequate precautions? Would you call this pandemic a wildcard?*

Bradley Kreit: I don't think wildcard is quite the right way to think about the Coronavirus in the sense that because the specifics of the Coronavirus were just about impossible to foresee, the risk of a virus mutating and becoming highly infectious and deadly is something that we know happens periodically. I live in an earthquake-prone area – the San Francisco bay area – and we know that while an earthquake at any given moment is very unlikely, we also know that if you live here long enough, you'll experience a significant earthquake. So, residents are encouraged to keep a few days of water and food in storage along with flashlights and other emergency equipment. Local governments give homeowners tax credits to invest in home improvements that mitigate the effects of earthquakes. In other words, we do things to prepare for a risk that is simultaneously remote and inevitable.

Nonetheless, many companies seem to have been less prepared for Corona than the Bay Area is for an earthquake. How do you explain this?

I think the challenge for managers is two-fold: There are probably too many risks that fit into this sort of remote but also inevitable category to plan for any single one of them. Because of the interdependencies in our economy, and the speed with which a systemic shock like this can move, it's almost impossible to minimize the damage once it has started to take hold. One of the big lessons of our work in the last year at the Institute for the Future is that most corporate and other kinds of leaders need to see it as their responsibility to prepare and plan for systemic risks stemming from global issues beyond their purview rather than just the kinds of issues within their influence.

How could companies have used future foresight to prepare for such an event?

Scenario tools and simulations can help organizations prepare for this and other kinds of systemic risks. Future sce-

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*Scenario tools and simulations can help
organizations prepare for this and other kinds
of systemic risks.*
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← **BRADLEY KREIT**

BRADLEY KREIT

Bradley Kreit is the Director of Research for the IFTF Vantage Partnership Program at the Institute for the Future. He is currently leading research projects that explore what it means for organizations to become "Future-Ready." In the past, he was responsible for multi-client studies on topics such as "When Everything is Media: The Future of Ambient Communications," "Reconfiguring Reality: Toward an Internet of Actions," and "Future of Trust." In addition to his research activities, he is a regular lecturer at the IFTF's Foresight Studio, moderator of expert meetings, and keynote speaker.

The Institute for the Future is the world's leading futurology organization based in Palo Alto, California (USA). For more than 50 years, companies, governments, and organizations with an influence on society have relied on global forecasts, customized research, and foresight training from the IFTF to manage complex changes and develop world-wide strategies. The IFTF provides its own methods and tools to help organizations in all sectors to develop a more sustainable future.

<http://www.iftf.org>

<https://www.iftf.org/vantage/>

Twitter: <https://twitter.com/bkreit>

narios are really aimed at describing a plausible future state – including low probability, high-risk scenarios.

How can decision-makers best meet the double challenge of a quick reaction and a parallel realignment in the sense of more sustainability?

In many ways, an economic slowdown and recovery is the best time to begin building a new future, especially if you're in an industry that has managed to remain relatively less impacted by the Coronavirus. For one thing, investments like R&D and labor are cheaper right now. Perhaps more importantly, we have slowed down a lot of activity, and while we're paused, it's a great time to ask: Should we just try to restore what we were doing before, or should we try to build something new and better?

Is your statement aiming at very specific industries?

The energy sector offers a great example of this. Oil prices have plummeted for obvious reasons in the immediate term; at least in the U.S., a lot of fracking and drilling has slowed down or outright stopped. There are all sorts of long-term reasons we should want to switch off fossil fuels and move toward renewables. One approach would be to try to prop up the current industry and hope for another year or two of profits. I'd argue that rather than take that time and effort to try to preserve the status quo, we should be putting that effort into building more sustainable businesses and systems. There's obviously a social and environmental need to move away from oil. But, this kind of thinking represents a business opportunity to build a new, enduring business.

Did COVID-19 start something new, or is it some kind of accelerator for trends that existed before?

In the short-run, COVID-19 has accelerated a lot of long-standing trends. Amazon has managed to get even bigger and more essential, while smaller, older retailers have struggled and gone out of business. Movements toward remote knowledge work have obviously accelerated due to the risks of going into the office. In the longer run, I think we need to see this as not just a force that accelerated good or bad trends. We need to see this as an opportunity to pause, reflect, and accelerate positive trends such as business efforts focused on sustainability, and slow down the forces that are harmful.

Do you see any evidence for a lasting value shift in the management of companies toward more sustainability, for example, a re-evaluation of the opportunities and risks in supply chains?

I've been pleasantly surprised to see so many business leaders – particularly in the E.U. – who are calling for a carbon-neutral recovery. It remains to be seen whether they will act in this direction, but I think it's a positive sign.

What is the key learning that decision-makers must get from this pandemic and the events that unfolded after it?

We depend on a lot of stable systems: Stable trade relationships, good public health, and a climate that is increasingly at risk. We depend on these things, but most businesses don't spend a lot of time investing in maintaining and strength-



*As hard as it is to look long in times of crisis,
it's even more important to plan for longer horizons
now than in moments of growth.*





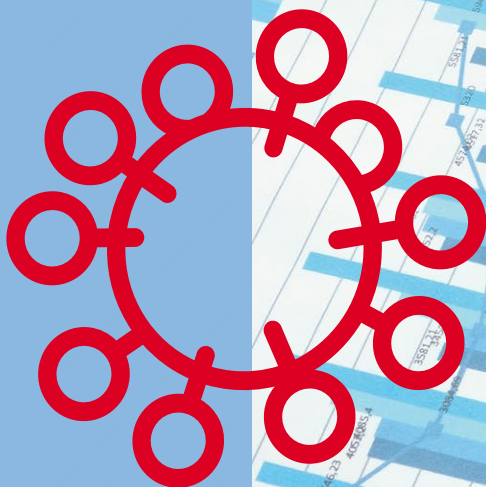
ening them. But, investing in a functioning system isn't just a nice philanthropic gesture; it's critical for running a successful organization. I hope we see organizational leaders focused more on these kinds of shared risks and shared systems that enable all of us to function.

How can we prepare for the post-pandemic world that we all hope to come? What is something that decision-makers must start doing now?

As hard as it is to look long in times of crisis, it's even more important to plan for longer horizons now than in moments of growth. Business leaders are facing and are going to be facing a lot of painful decisions in the next year (or more.) If you're only focused on the present, it will be tempting to cut investments, cut R&D, basically, to sacrifice your future. If

you can develop a longer-term vision and strategy, you can make sure that you're not getting rid of your most important long-term efforts just to save a little bit of money in the present.

Thank you for your valuable input and encouragement. ✕



Will your business model still be viable in a post-pandemic future?

Fabian Buder and Andreas Neus



Check your business model's post-pandemic viability

Even before COVID-19, the world was undergoing rapid change that posed massive challenges for businesses: The maturing digitalization, new regulations and compliance guidelines, changing consumer behavior, intensified price competition, increasing global tensions, and the consequences of the ever more clearly emerging climate change. While short-term reactions are currently dominating entrepreneurial thinking, it is important to know the medium and long-term challenges for your business model and to prepare for them.

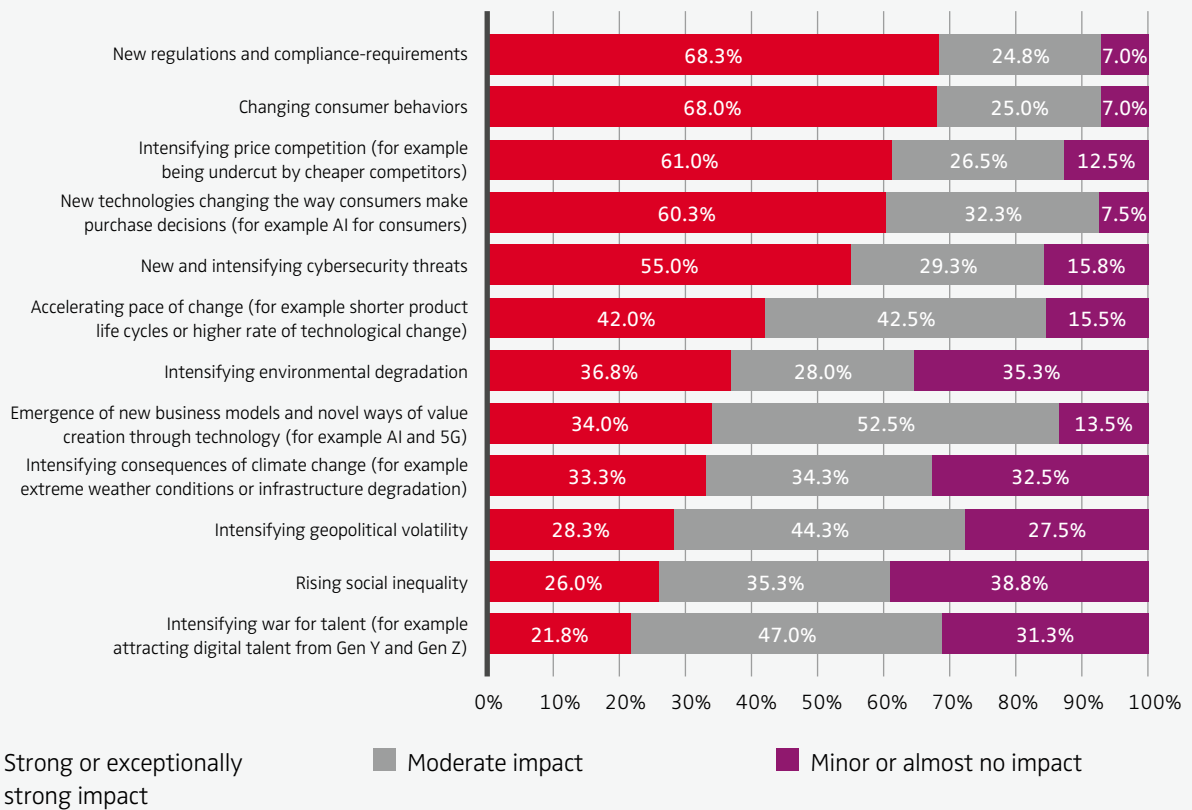
What keeps executives up at night?

For many executives, rapid technological progress and the difficulty of exploiting new technologies profitably at an early stage will be the defining issue for the next five to ten years. This was the most frequently mentioned answer to an open question in a telephone survey by NIM among 400 high-ranking executives from Europe and the USA. However, technologies and their further development often have effects far beyond their actual application. To obtain a more differentiated picture, we have presented the executives with a list of possible challenges and asked them to estimate how much these challenges will impact the markets their companies operate in over the next 5 to 10 years (see Fig. 1).

In each case, more than 60 percent of the surveyed executives see strong or even exceptionally strong effects for their markets as a result of new regulations and compliance

FIGURE 1 > Management challenges of the 2020s and their impact on markets

In addition to the Corona crisis, increasingly complex structures, changing customer behavior, and more intense competition are major challenges for companies.



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requirements, changing consumer behavior, intensified price competition, and new technologies that influence customers' purchasing decisions. The latter include the so-called smart voice assistants such as Alexa, Siri, and Co., who are trying to establish the big tech platforms as omnipresent gatekeepers in consumers' purchase journeys. This will likely alter future consumer purchase decisions not only because voice is a different medium than the usual browser on a screen but also because customers will be able to automate purchase decisions. This would be a disruption to the traditional idea of brands and marketing and may change the balance of power

between manufacturers, retailers, media, and consumers considerably. All of these challenges still need to be solved despite the Corona crisis. However, under changed and often more extreme conditions.

Corona is a catalyst

The Corona crisis is not a trigger for many current developments. However, it is an accelerating factor or a kind of catalyst. Digitalization suddenly became an absolute necessity for life, and many digitalization decisions by companies were virtually forced by the current circumstances. That includes the

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*Those who still believe that their businesses can return
 to pre-pandemic business-as-usual are most-likely
 endangering their company.*
 «

implementation of remote work, digital communication and collaboration, and the digitalization of products and services.

Our study involving 400 high-ranking managers also revealed that the Corona crisis has shortened the average life expectancy of business models by six months: The managers in our study assumed that they now need to thoroughly revise their company's business model and core offerings after an average of 27 months to remain competitive, rather than after 33 months as before the corona crisis. (see Fig. 2).

The new normal will be unlike the pre-2020, pre-pandemic world of business

The development and testing of new solutions, often postponed by management in the hectic pace of daily business, suddenly appears to be without alternatives. Companies are venturing experiments on a scale that was previously considered unthinkable and would never have been approved (e.g., the almost complete abandonment of direct personal customer contact or the relocation of entire departments to working from home).

FIGURE 2 > Due to Corona the life expectancy of business models is on the decline

Average number of months that companies can be competitive without a fundamental transformation in core offerings or business model

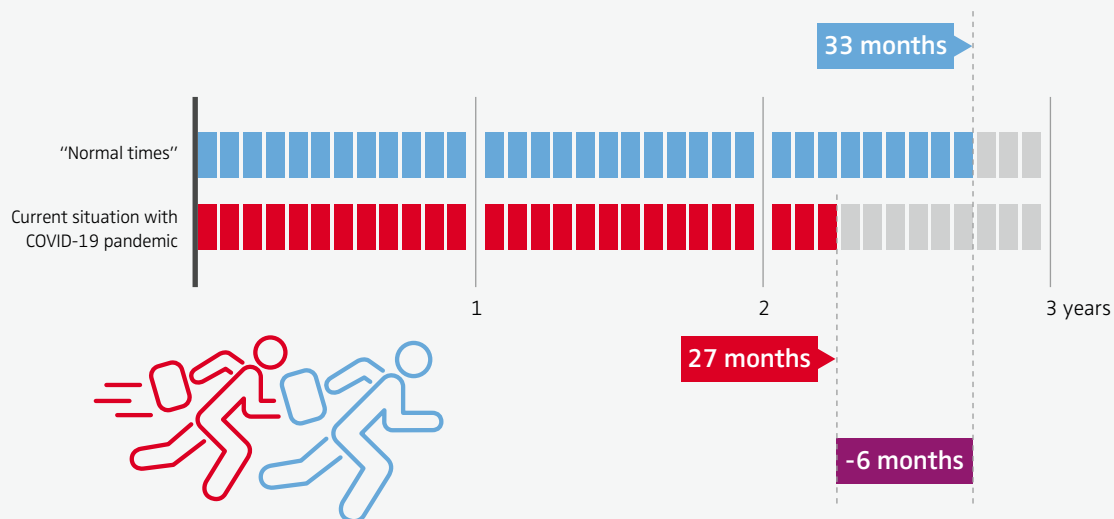
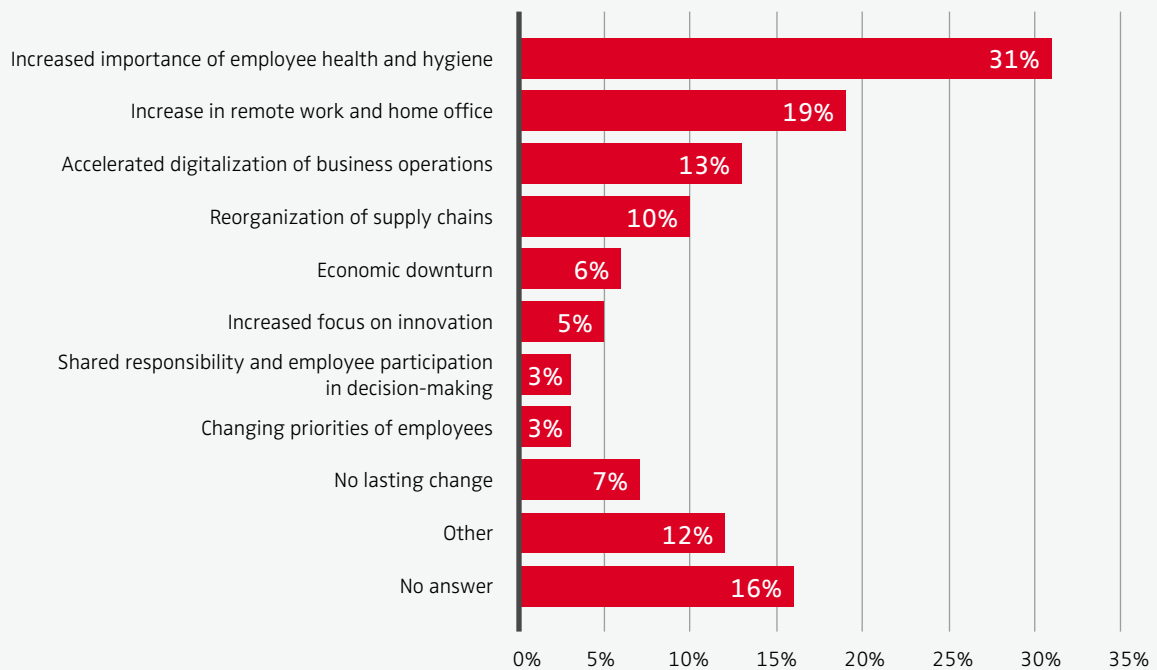


FIGURE 3 > Lasting changes for businesses due to the Corona crisis



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NIM also surveyed more than 200 executives from three European countries (IT, DE, UK) and the USA about the lasting changes in the working world due to the Corona crisis. Their answers can be summarized in a pointed way: Employees no longer want to come to the office every day, meetings are digital, and for many, previously indispensable, physical encounters digital solutions were found that will remain. Many of the polled managers also assume that the topic of infection control and hygiene will continue to concern companies.

However, those lasting changes seem to be only the tip of the iceberg. The developments described above all have deeper implications in other areas as well. The Coronavirus pandemic accelerated digital disruption beyond industry and category boundaries. An example for such disruption is busi-

ness travel. Travel providers now do not only have to compete with cheaper providers within their industry. They also have to make their actual value proposition clear to business people who compare the value of a business trip with the offers of providers of communication tools, online workshops, and online meetings, who do not make travel cheaper or better, but perhaps even superfluous.

Regardless of when and how the Corona crisis ends, the new normal will be unlike the pre-2020, pre-pandemic world of business. Those who still believe that their businesses can return to pre-pandemic business-as-usual are most-likely endangering their company. Business prudence dictates examining whether the assumptions on which business models and value propositions for customers are based, will still apply tomorrow.

FIGURE 4 > Use the “Surely Alarm” to detect unchecked assumptions



**Unchecked assumptions
might be hazardous to
your business model**

The “Surely Alarm”, by the philosopher Daniel Dennett, is a good first step to question assumptions about your market, your customers, your services and your digital skills.

- > Surely we fully understand what our clients value us for ...
- > Surely people cannot beat our quality, especially not at lower price point ...
- > Surely new entrants in the market first have to catch up before they can overtake us ...
- > Surely our customers will not be able to do this themselves ...
- > Surely we understand new technology well enough to do our own digitalization ...
- > Surely we would know if there was an existential threat to our business ...

Toxic assumptions can poison the future of companies

Business models are based on assumptions about customer wishes and needs, the uniqueness of value propositions, core competencies, market mechanisms, and developments of trends and technologies. Often, however, the most fundamental assumptions for a business model are not treated as assumptions or as hypotheses that are only valid until proven otherwise. Instead, they are seen as irrefutable facts and hardly ever verified: Statements such as “This is exactly the way our industry works,” “I know my customers inside out,” or the classic “this is how we have always done it” so often obscure the impetus to rethink.

We call such unproven assumptions, which may no longer apply at all and thus endanger the competitiveness of companies, toxic assumptions. They poison the way decision-makers within an organization see the world, analyze problems, develop solutions, and ultimately implement them. This impairs managers’ ability to identify strategic threats to their business in an early stage and to plan the right, possibly radically new steps. The adherence to toxic assumptions has contributed to the fact that even former industry giants like Nokia, Kodak, or Blockbuster have been overrun by disruptions. They did not rethink their once virtually market-dominant business models in time and were



The sooner opportunities are recognized, the sooner the opportunities they create can be turned into innovations.



later unable to adapt quickly enough in the face of rapidly accelerated change of technologies and consumer behavior.

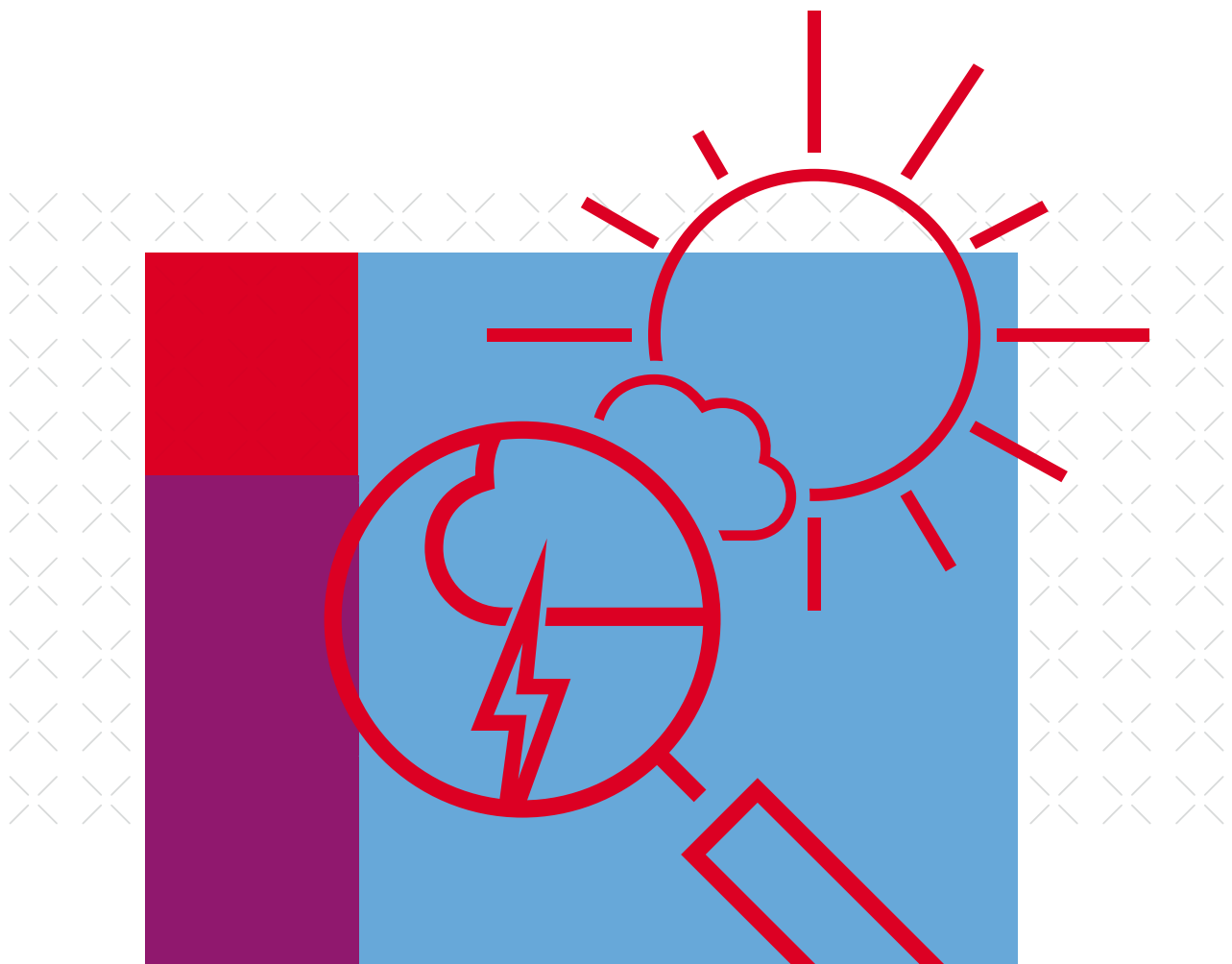
Challenge the basic assumptions of your business model

Even seemingly immutable facts should be questioned. Assumptions and beliefs need to be compared with reality or empirical evidence. That way, a strategy based on false assumptions can be identified, and action can be taken before it is too late. The “Surely Alarm” introduced by the philosopher Daniel Dennett can be a good guideline to identify untested assumptions (see Fig. 4). Give it a try: If someone says, “Surely it is so that ...” you should pay close attention to what is stated and ask how “sure” the assertion is and what empirical evidence this certainty is based on. Another tool is to collect “always” or “never” statements about one’s own customers: “Customers will always ...” “Customers will

never ...” to become aware of one’s “limits of the imaginable” with the goal of then specifically questioning these assumptions. “What must happen, or what situation must arise, that – contrary to our expectations – customers would stop doing the things they believed they will always do?”

A confrontation with reality creates opportunities for innovation

The sooner opportunities are recognized, the sooner the opportunities they create can be turned into innovations. This requires a constant reality check with empirical data to put a stop to toxic assumptions and prejudices. The goal must be not to continue unchanged as long as it is possible, but to identify changes with strategic implications early on, to realistically assess opportunities and risks, and to derive strategic measures.



BOX 1

Ways to mitigate bias in your company's decision-making

- > Collect all assumptions that exist in the company about how the business model works, what customers value, how the industry works, who the competitors are, etc.
- > Collect empirical data and systematically analyze on this basis whether these assumptions are tenable.
- > Be creative about the future and look for potential disruptions or developments that could overturn the current business model. This can be done, for example, by asking whether there could be plausible and conclusive future scenarios where the world looks completely different than assumed today. Remember that the world we live in today may not have been the most likely of all scenarios ten or 20 years ago.
- > Search systematically for trends in society, technology, and the economy that point to possible development paths for the future. In doing so, keep an eye out for weak signals and early harbingers of new developments. Ask the question: From whom or from which direction could impulse for radical innovations come?

Unfortunately, this is not a matter of course, even for highly paid top managers. After all, it is a phenomenon that has been well studied in psychological research on problem-solving that people tend not to replace tried and tested solution methods when better solutions are available. Instead, they stick with their usual methods until they are proven to no longer work at all. Only then, often too late and under pressure, does the search for alternatives begin. This decision bias, or the distortion of human decision-making behavior that favors existing solutions over new ones, is called status quo bias. The following box contains tips for mitigating decision biases, which Prof. Martin Eppler also addresses in the interview in this publication.

To dive deeper into possible future scenarios and the topic of toxic assumptions, a half or one-day workshop is recommended to identify and categorize basic assumptions of your company and the industry and systematically work out challenges and opportunities for the business model. It is important to bring together as many different roles as possible because if the profiles of the participants are too similar, the assumptions about what is certainly true will also

be too similar. A broad mix of participants with very different perspectives on the same issue – something like an “Unfocus Group” – is recommended. If you are interested in more information about such a format, please contact us. ✕



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Authors from the Nuremberg Institute for Market Decisions

www.nim.org/en

Dr. Fabian Buder

Head of Future & Trends Research
Fabian.Buder@nim.org

Dr. Anja Dieckmann

Head of Behavioral Science
Anja.Dieckmann@nim.org

Holger Dietrich

Senior Researcher
Holger.Dietrich@nim.org

Dr. Christine Kittinger-Rosanelli

Managing Editor // NIM Marketing Intelligence Review
Christine.Kittinger@nim.org

Dr. Vladimir Manewitsch

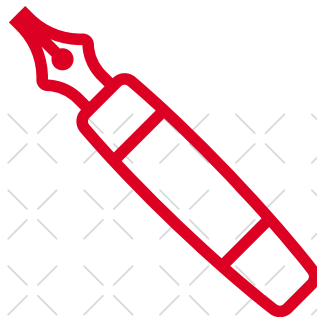
Senior Researcher
Vladimir.Manewitsch@nim.org

Dr. Andreas Neus

Managing Director and Vice President
Andreas.Neus@nim.org

Dr. Matthias Unfried

Senior Researcher // Research Program Manager
Decision Labs
Matthias.Unfried@nim.org



Guest authors

Dr. Caroline Wiertz

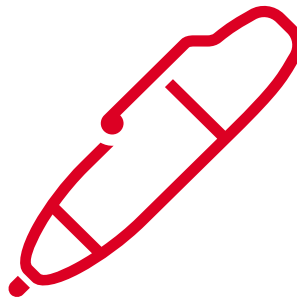
Professor of Marketing and Associate Dean for Entrepreneurship
c.wiertz@city.ac.uk

Dr. Aneesh Banerjee

Assistant Professor in Management and Course Director of the Global MBA Programme
aneesh.banerjee@city.ac.uk

Dr. Oguz A. Acar

Senior Lecturer (Associate Professor) in Marketing and Innovation
oguz.acar@city.ac.uk



All: **Cass Business School, City, University of London**
www.cass.city.ac.uk

Imprint

PUBLISHER

Nürnberg Institut für Marktentscheidungen e.V.
 (Nuremberg Institute for Market Decisions)
Founder and anchor shareholder of GfK SE
 Steinstr. 21
 90419 Nuremberg
 Germany
 Tel +49 911 95151983
 Fax +49 911 376 77872
 Email: hello@nim.org
www.nim.org/en

Register of Associations VR200665 Nuremberg

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EDITORS

Fabian Buder, Anja Dieckmann,
 Christine Kittinger-Rosanelli,
 Sandra Lades

PRESS CONTACT

sandra.lades@nim.org

GRAPHICAL REALIZATION

DESIGNBÜRO, Stephan Hasselbauer

