



## INTERNATIONAL BUSINESS RESILIENCE SURVEY

AN ASSESSMENT BY THE RSM NETWORK

## STRUCTURE

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## INTRODUCTION

This report is part of the RSM Business Resilience Survey. European entrepreneurs and experts from the RSM network in Europe, were asked to evaluate companies' strategy choices, the mentality of business leaders, the business culture of their country and key macroeconomic data.

410 auditors and other members of the RSM network (referred to as "RSM experts" in this report) and 291 entrepreneurs from several countries, including nine European countries, participated in the survey in July and August 2015. See the appendix for a table of participants.

### Highlights of this report

#### RSM expert survey:

- With regard to sentiment and growth expectations of RSM experts, three groups of countries could be identified:
  - Economically progressing countries: UK, Netherlands, Spain
  - Stable or stabilised countries: Belgium, France, Germany and Portugal
  - Apprehensive recessive countries: Austria, Brazil and Norway. Norway fears a further decrease of oil prices although GDP growth might be modest.
- In terms of business culture, Norway is the leading country, followed by the Netherlands, UK and Australia.

- The entrepreneurial spirit is the most pronounced in the UK and the Netherlands. In both countries, entrepreneurship is favoured with a strong reputation in the society and the number of entrepreneurs is expected to rise in 2016. They also reveal a highly proactive mentality of their business leaders.
- Internationally active companies behave more similarly across countries in terms of research and growth strategies than companies with a focus on domestic markets only.

#### Entrepreneur survey:

- Companies which expect an improvement of their business situation are characterised by a greater willingness to delegate authority within the company, greater willingness to foster the innovation and creativity of employees, more intense use of social media (Facebook, Twitter etc.) for customer loyalty and managers' higher risk appetite in at least 90% of the countries surveyed.
- Managers' individual resilience is a linchpin for organisational success.
- Norway, Australia, Germany and the UK have the most positive trust culture on average across all four dimensions. A distinctive mistrust in political parties is a phenomenon in all countries.

Fig.1 Real GDP growth forecast by RSM experts; 2015 and 2016

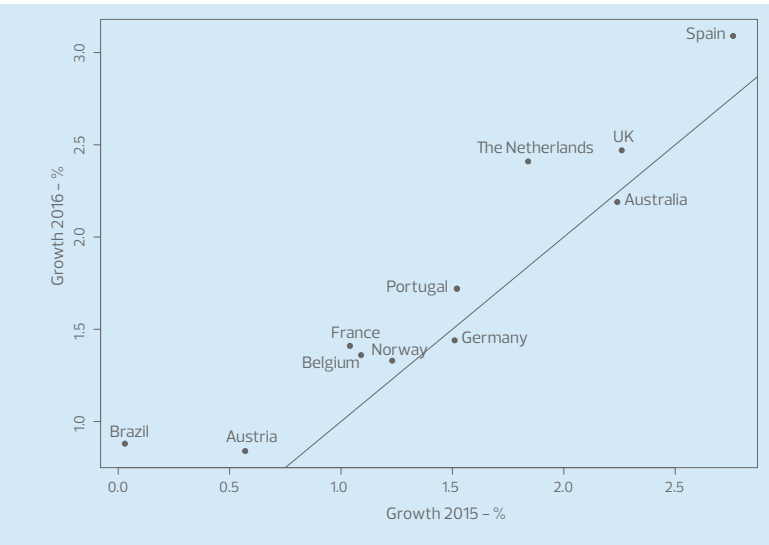
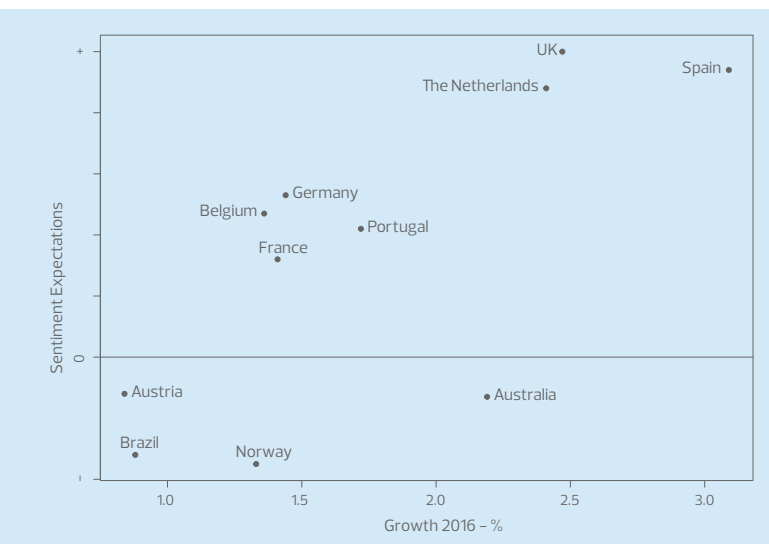


Fig.2 Real GDP growth vs. sentiment by RSM experts; 2015 and 2016 in %



## II THE EXPERT SURVEY

### II.1 Accelerating growth in 2016 globally

The following chapters are based on the assessments of the RSM experts.

GDP growth is one of the most important economic variables and it mainly relies on the activities of the companies in a country. Fig. 1 shows the predictions of the RSM experts for GDP growth rates in 2015 and 2016<sup>1</sup>. Most countries are above the straight line, indicating that growth will accelerate in 2016.

RSM experts predict that Spain will achieve the highest growth rate of the countries surveyed and growth will accelerate in 2016 compared to 2015. Spain is a turnaround country moving away from the economic crisis. Ranked by GDP growth rate, Spain is followed by the UK and the Netherlands, which are countries with a pronounced entrepreneurial stance. The RSM experts of Australia expect GDP growth rates above 2% in both years although the dynamic slows down. Australia and Germany are the only countries below the line indicating a loss of momentum in GDP growth. Brazil is almost in a recession, but will recover in 2016 according to the RSM experts.

A parallel survey was conducted among entrepreneurs. Except for Australia, the direction of change predicted by the entrepreneurs corresponds to the assessment of the RSM experts<sup>2</sup>.

Compared to the most recent OECD growth forecast<sup>3</sup>, the RSM experts are slightly more pessimistic about the future GDP growth rates expected in the Netherlands, UK and Spain.

Fig. 2 shows the expected growth rates in 2016 and the expected development of the business sentiment indices<sup>4</sup>. RSM experts in countries above the horizontal line expect an improvement of the sentiment index by the end of 2016, whilst those below the horizontal line expect a deterioration.

The diagram clearly shows three clusters of countries:

- **Economically progressing countries:** UK, Netherlands, Spain.

China and the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) might also be members of this group, but their expected growth rates are out of reach for the other countries. On average, the Chinese entrepreneurs surveyed expect a GDP growth rate just under 7% in 2015 and 2016.

<sup>1</sup> Related to the number of respondents, the 95% confidence interval of the growth rates varies between 0.2 (Germany) and 0.6 (Norway, Portugal, NL) percentage points. The means are displayed in the figures. <sup>2</sup> Without the Netherlands, the mean absolute deviation in 2016 growth rates predicted by RSM experts and entrepreneurs is 0.19 percentage points. If considering the Netherlands, the mean absolute deviation rises to 0.33 percentage points due to outlier figures. <sup>3</sup> Source: <https://data.oecd.org/gdp/real-gdp-forecast.htm#indicator-chart>.

- **Stable or stabilised countries:** Belgium, France, Germany and Portugal.

The expected growth rates range from 1.4% to 1.7% and the experts predict a slight improvement of the sentiment indices.

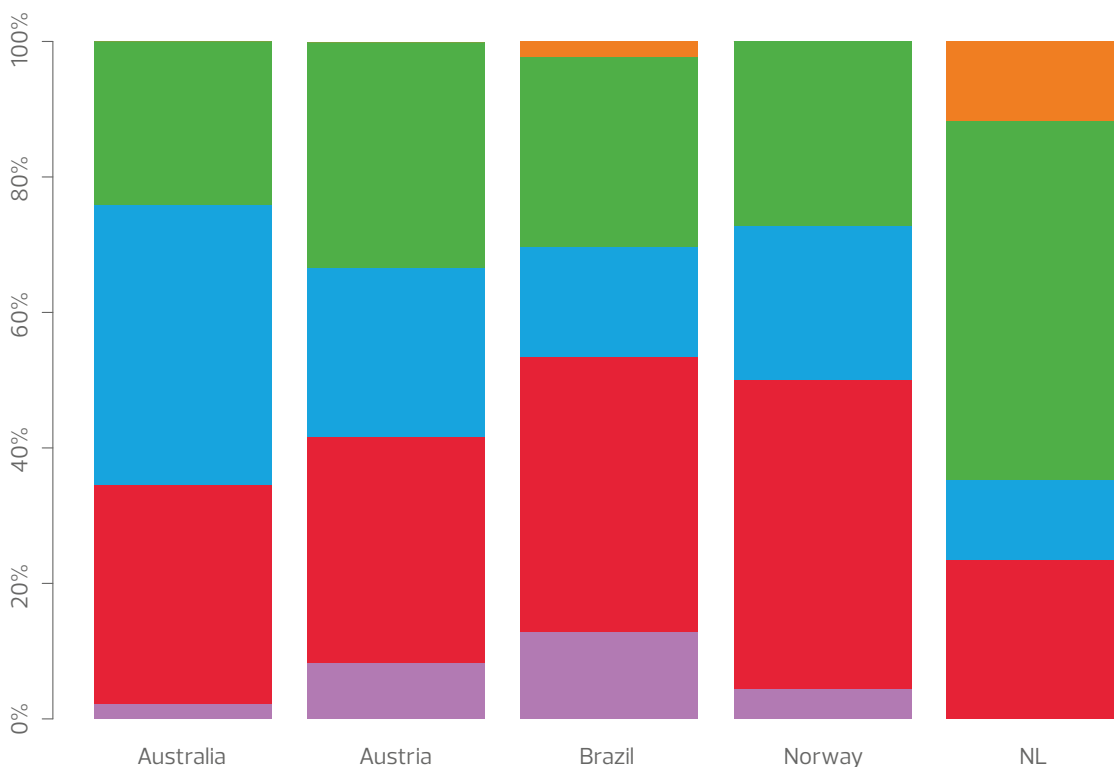
- **Apprehensive countries:** Austria, Brazil and Norway.

The RSM experts in these countries expect a deterioration in the sentiment indices. Norway fears a further decrease in oil prices although the GDP growth might be modest<sup>5</sup>.

The same is true for Australia: Despite the slowdown in the mining business, the economy grows. Australia seems to be in a standby position, hoping for a devaluation of the AUD or improving the business culture and developing adequate strategies.

The real or feared depression in these countries also comes through in the job expectations. The share of RSM experts expecting a decrease in job vacancies in 2016 outweighs the share of optimistic experts. For comparison, the Dutch data is also displayed in Fig. 3. 64% of the RSM experts predict an increase or strong increase in job positions in the Netherlands.

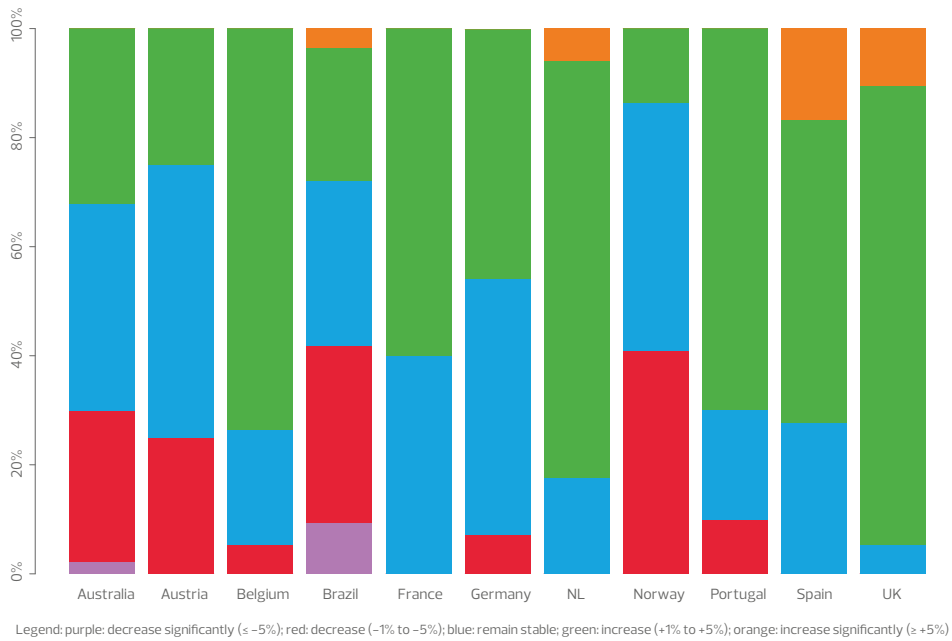
Fig. 3: Expected development of job vacancies in 2016



Legend: purple: decrease significantly ( $\le -5\%$ ); red: decrease ( $-1\%$  to  $-5\%$ ); blue: remain stable; green: increase ( $+1\%$  to  $+5\%$ ); orange: increase significantly ( $\ge +5\%$ )

<sup>5</sup> The survey asked for the ESI (European Sentiment Index) for European countries and the BCI (Business Confidence Index) for other countries.

Fig.4 Net investments in 2016; forecast by RSM experts

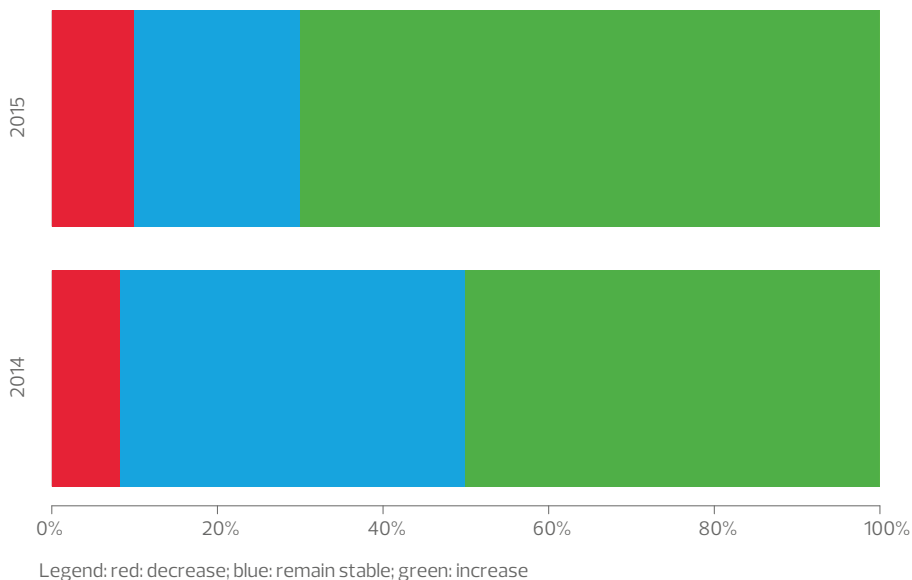


The favourable position of the Netherlands is also reflected by net investments. Fig. 4 shows the assessment of the RSM experts on the change in net investments.

In the UK, 95% of the RSM experts expect that net investments will increase or strongly increase in 2016. In the Netherlands, this share amounts to 82%. In Spain, 17% of the RSM experts predict that net investments will increase strongly, e.g. more than 5% compared to the previous year. This is a record in the survey (green segment in the bars). Additionally, 56% of the Spanish experts forecast a modest increase in net investments.

Fig. 5 shows a typical situation in a turnaround country like Portugal. In 2015, 70% of the RSM experts expect an increase in net investments in the following year compared to 50% of those surveyed in 2014. This perspective emphasises the dynamics of change. In a country with moderate but stable growth, such as Germany, the relative majority of RSM experts (2014 survey: 48%; 2015 survey: 47%) expect a stable volume of net investments.

Fig.5 Expected change in net investments in Portugal next year; expert survey 2014 vs. 2015



This interpretation is confirmed when the level of order backlog is considered. Fig. 6 shows that 36% of the RSM experts think that the current order backlog is relatively high in Germany. This is compared to corresponding shares of 0% in Australia, 5% in Belgium and Norway, 6% in Brazil and 7% in France, recognising a relatively high order backlog.

In summary, macroeconomic data clearly show that the countries surveyed have different positions in the macroeconomic cycle. Overall, growth accelerates in most of the countries considered.

Fig. 6: Current order backlog, RSM expert survey 2015

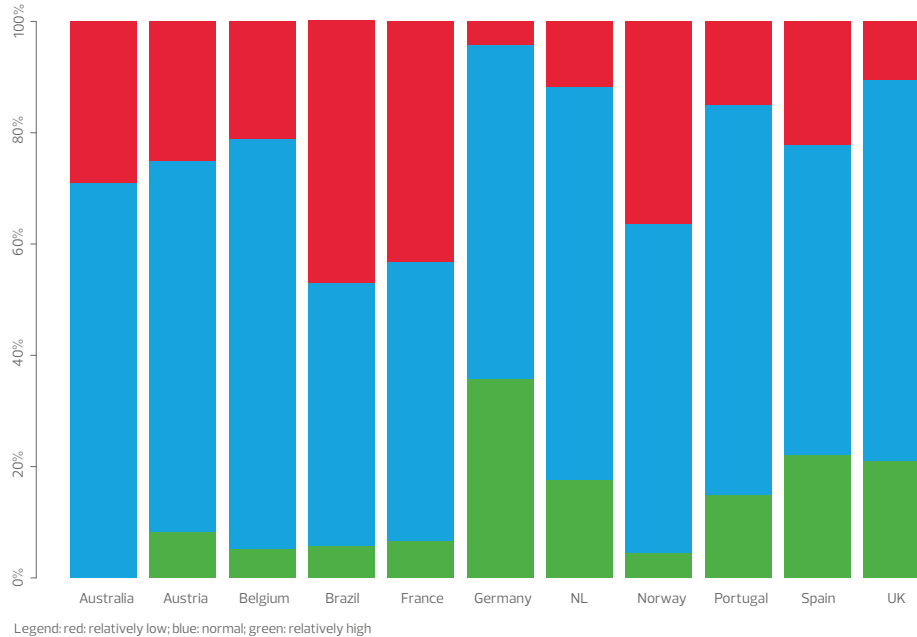
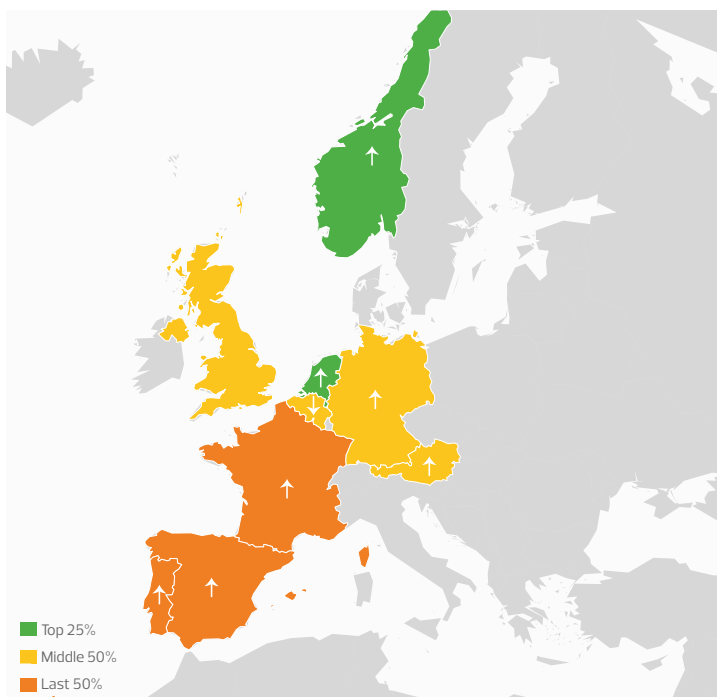


Fig. 7: Business Culture in Europe; arrows indicating change (improvement or worsening) in 2015 compared to 2014



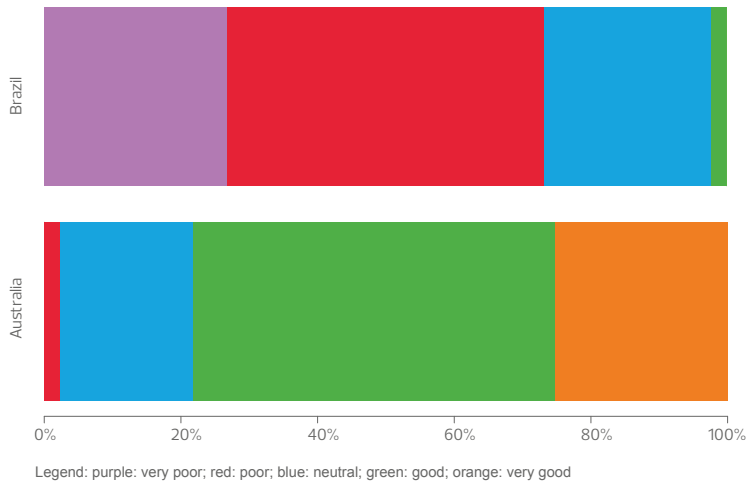
### II.2 Improving business culture in Europe

Business culture is an aggregate which describes the political, organisational and social framework of a country determining the conditions for starting a business or running a company. In this study, the five dimensions 'society', 'employment', 'organisational culture', 'political conditions' and 'financing' with 17 elements contribute to the business culture of a country.

The map shows the European countries which participated in the survey. The arrows indicate the changes from the previous Business Resilience Survey. All countries, except for Belgium, could improve their business culture according to the RSM experts<sup>6</sup>. The change of business culture in Belgium is very small and statistically not significant. Spain could achieve the greatest improvement<sup>7</sup> in business culture although the absolute level is still below average. Bear in mind it has started from a remarkably poor position last year.

<sup>6</sup> A few RSM experts from countries joining the Gulf Cooperation Council also took part in the survey. They expect comfortable GDP growth rates, which will mainly be driven by the expansion of government expenditure. They also expect a worsening of the trade balance due to the decline in oil prices. From this perspective the GCC countries are comparable to Norway. <sup>7</sup>The UK has participated in the survey for the first time in 2015, therefore no change is indicated.

Fig. 8: Comparison of the evaluation of the educational systems by RSM experts: Brazil vs. Australia



- **Financing:** significant improvement in France, Germany, Portugal, Spain and Norway. In Euro countries, the effect could be related to the expansive monetary policy of the European Central Bank. In Norway, the surplus of the sovereign wealth fund adds to liquidity.
- **Organisational culture:** significant improvement in France. According to the French RSM experts, the willingness to serve customers in different languages has improved strongly. French businesses have also started to act more intensively on an international playing field.
- **Political conditions:** significant improvement in France and Norway. In France especially, the tax system was rated more business-friendly than the year before. In Norway, bureaucracy seems to be less burdensome.
- **Society:** significant improvement in Spain. The fostering of entrepreneurship by schools, universities, politics and the reputation of entrepreneurs in society have improved since the last year according to the Spanish RSM experts.

On an international scale, Brazil approximately shares the business culture level of Spain, whilst Australia is on the same level as Austria. More striking, Australia achieves the best ranking in the dimension 'society'; however, Brazil falls in the last position. The most evident differences, according to the assessments of the RSM experts are to be found between the educational systems (see Fig. 8). It will be important for the next Brazilian government to tackle this if it hopes to improve its business culture.

Considering the dimension of Business Culture, some countries show significant changes<sup>8</sup>:

- **Employment:** significant improvements in Norway and Spain. In Norway, the organisational investment in employees (e.g. training and education, working time flexibility, parttime solutions) is rated much more highly than in the year before. Facing a slow down in oil prices, companies are choosing to invest more in human resources. In Spain, the availability of qualified employees and the willingness to employ foreign workers has improved.

The changes in business culture reflect the dynamics of change, but the levels of the different elements are far different between the countries. For example, the next diagram shows the availability of bank loans according to the RSM experts:

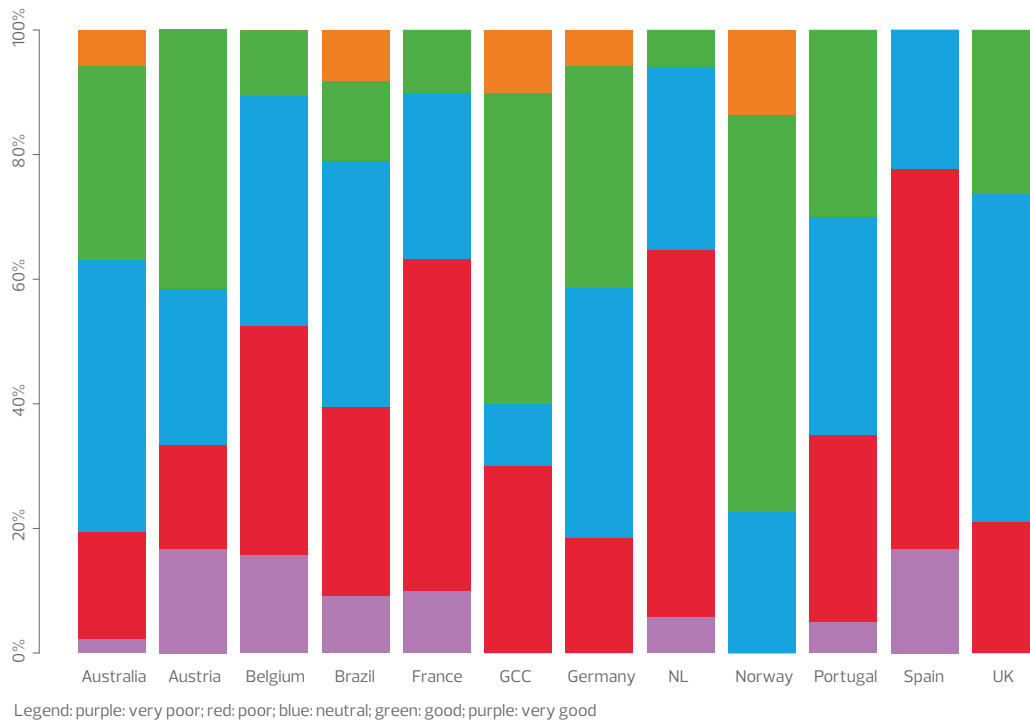
Although the situation has improved in Spain and France since the last survey, the overall availability of bank loans is still better in Norway and Germany. In the Netherlands, it is more difficult to be financed by banks. While Dutch banks were directly affected by the banking crisis, the Netherlands are the second best country regarding the availability of risk financing (after Norway).

To summarise, in the ranking of business culture of all participating countries, Norway is the leading country, followed by the Netherlands, the UK and Australia. Compared to the Doing Business Index<sup>9</sup> and the World Competitiveness Index<sup>10</sup>, the rank correlation coefficients of the countries surveyed amount to 0.71 and 0.75 respectively. The Doing Business Index states that the UK, Norway, Australia and Germany form the top 4. According to the World Competitiveness Index, the top group consists of Germany, the Netherlands, the UK and Norway.

<sup>8</sup>Statistically significant at least on a .05 level (employment and financing in Spain on .1 level). <sup>9</sup>rankings benchmarked to June 2015, published by World Bank Group; Source: <http://www.doingbusiness.org/rankings/>; <sup>10</sup>Date of data collection or release: 1st September 2015; published by the World Economic Forum, source: <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>



Fig. 9: Expert Survey 2015 – availability of bank loans



### II.3 The entrepreneurial countries

The differences in economic dynamics can also be seen in the expected change in the number of entrepreneurs in a country. Fig. 10 shows the means of the assessments from the RSM experts.

For those countries right of the vertical line the relative majority of RSM experts expect the number of entrepreneurs (owner-manager with at least ten employees) to increase in 2016, whereas those countries to the left are expected to decrease. In all countries above the horizontal line, the relative majority of RSM experts believe that the reputation of entrepreneurs in the society is good or very good.

The resulting quadrants could be interpreted as:

- Quadrant I: Entrepreneurial spirit**

Led by the UK, entrepreneurship is favoured by a high reputation in the society and the number of entrepreneurs is expected to rise in 2016.

- Quadrant II: Lack of momentum**

On the one hand, the reputation of entrepreneurs is above average in Norway and Germany. But on the other hand, the number of entrepreneurs is expected to decrease in 2016. In Germany, this is related to the very strong labour market and the combination of good protection and high earnings which can be achieved by managers inside companies. Also, the intended work-life balance may also be seen as a stall to entrepreneurship. In Norway, the prospects are depressed due to the slowdown in oil prices, as can clearly be seen in the sentiment index (see Fig. 2).

Fig. 10: Presumed development of the number of entrepreneurs vs. reputation of the entrepreneurs in the society

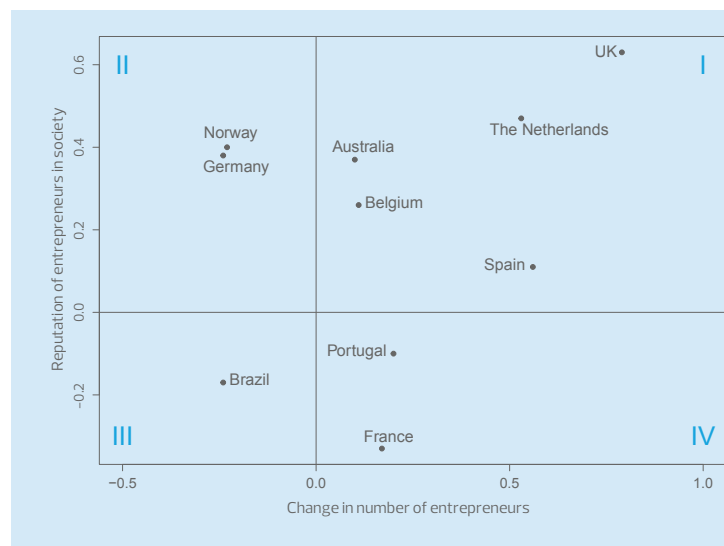
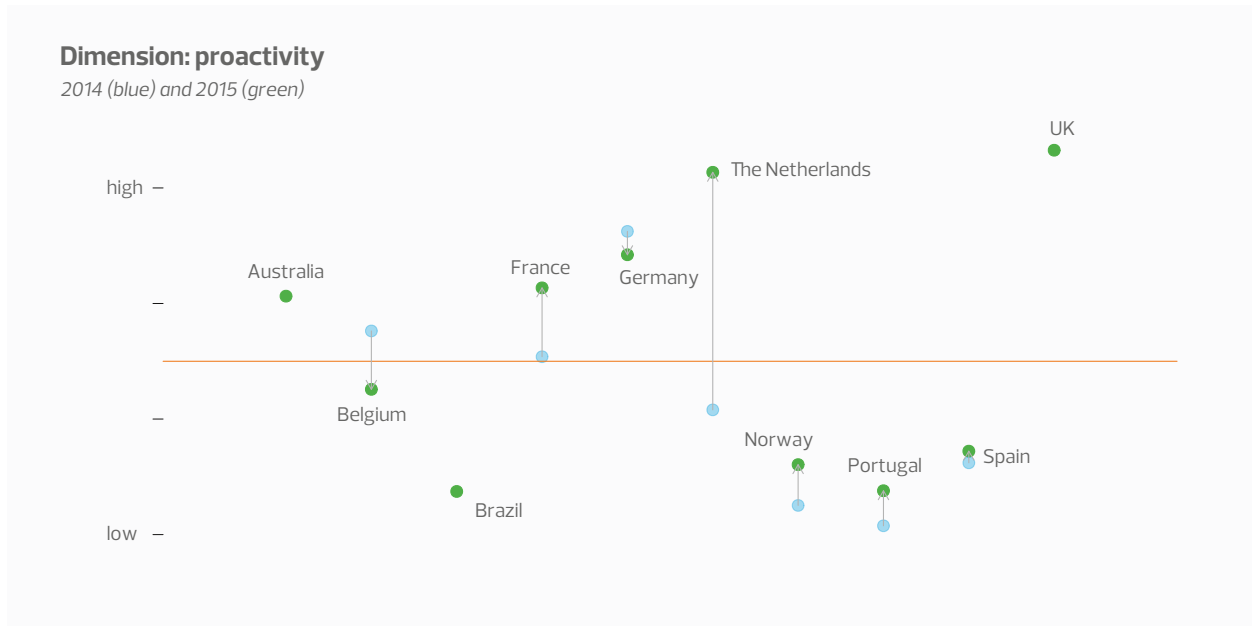


Fig. 11: Dimension proactiveness across countries in 2015 (and, where available, in 2014)



▪ **Quadrant III: Danger**

It is a sign of danger for an economy when the reputation of entrepreneurs is low and the number of entrepreneurs is expected to slow down, as in Brazil.

▪ **Quadrant IV: Exceptional entrepreneurs**

Despite the reputation of entrepreneurs in the society being below average, the number of entrepreneurs is expected to rise in France and Portugal. The labour market is still stressed by the most recent unemployment rates<sup>11</sup> of 10.4 % in France and 12.4% in Portugal, which could be an explanation for this phenomenon.

In summary, the strength of entrepreneurial spirit differs enormously among the countries surveyed. This reflects the business leaders' mentality (see next chapter) as well as the macroeconomic situation per country.

**II.4 The mentality of business leaders**

The mentality of a countries' business leaders can be shown by their proactiveness when introducing new services, products or processes. In this way, they are actively initiating or passively responding to actions of other competitors in the market. Finally, proactiveness manifests itself in the business leaders' attitude towards being risk-friendly or risk-averse. Two aspects are notable in the comparison of the global index values of proactiveness across all evaluated countries, two aspects are eye-catching.

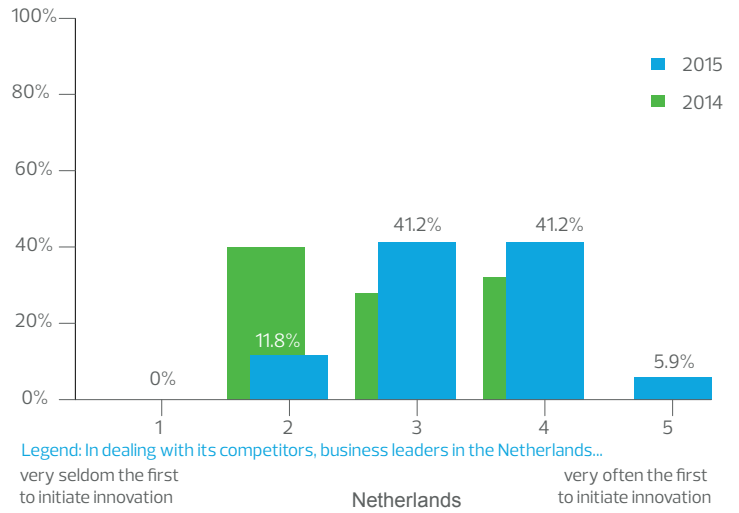
Fig.11 shows the subdimension proactiveness in alphabetic order. Firstly, it's noticeable that business leaders in the UK show the highest degree of proactiveness of all countries surveyed and they are more risk-friendly than the country average. This mentality of being proactive and taking initiative is consistent among the different facets of proactiveness. Compared to the other countries, especially from Europe, business leaders from the UK rather proactively initiate actions to which other competitors have to respond, and they are more often the ones to introduce new products, services and processes. Finally, business leaders in the UK tend to adopt a significantly more competitive "undo the competition" attitude than avoiding competitive clashes with a more passive "live and let live" attitude (e.g. 53% vs. 24% of other EU countries).

A second prominent result in the country comparison of proactiveness lies in the developmental change in the business leaders' mentality over time. On that note, the Dutch business leaders are of interest. Being slightly above the level of the European average regarding their proactiveness in 2015, these current tendencies seem to be developed recently. With a view to the results from 2014, it becomes clear that there has been a significant attitudinal change.

<sup>11</sup> Unemployment rates in July 2015, seasonally adjusted; Source: Eurostat; <http://ec.europa.eu/eurostat/documents/2995521/6976371/3-01092015-AP-EN.pdf>

As such, results on the Dutch business leaders' proactiveness indicate a significant increase compared to 2014. Fig. 12 shows the Dutch business leaders' frequency distribution on their tendency to introduce new products, services and processes for 2014 and 2015. From the perspective of the RSM experts they are more likely to be the first to introduce new products or services etc. and they have adopted a more competitive attitude within the last year. In detail, compared to the EU average, Dutch business leaders tend to proactively initiate actions to which other competitors have to respond. The data also demonstrates that Australia is not so far from the EU average. One might say that Australia's business leaders reveal themselves as having a 'European' mentality. According to the RSM experts, both the proactiveness of the Australian business leaders as well as their risk attitude corresponds to the European averages.

Fig. 12: Evaluation of Dutch business leaders by RSM experts in 2014 and 2015



**II.5 Strategy of companies: Strategic convergence of internationally active companies**

Companies aim to expand internationally. But on country level, the degree of internationalisation differs clearly. The RSM experts in the Netherlands, Germany, the UK, Spain and Portugal all feel that companies in the industrial and manufacturing sector have a strong focus on the worldwide market (Fig.13).

In France, the RSM experts see the highest share of companies focusing on European rather than on the worldwide markets. The lowest internationalisation degrees can be found in Australia and Brazil, a consequence of geography (Australia) and economic development (Brazil).

The internationalisation strategy and the other strategic variables are interdependent.

Fig 13: Internationalization strategy, expert survey 2015

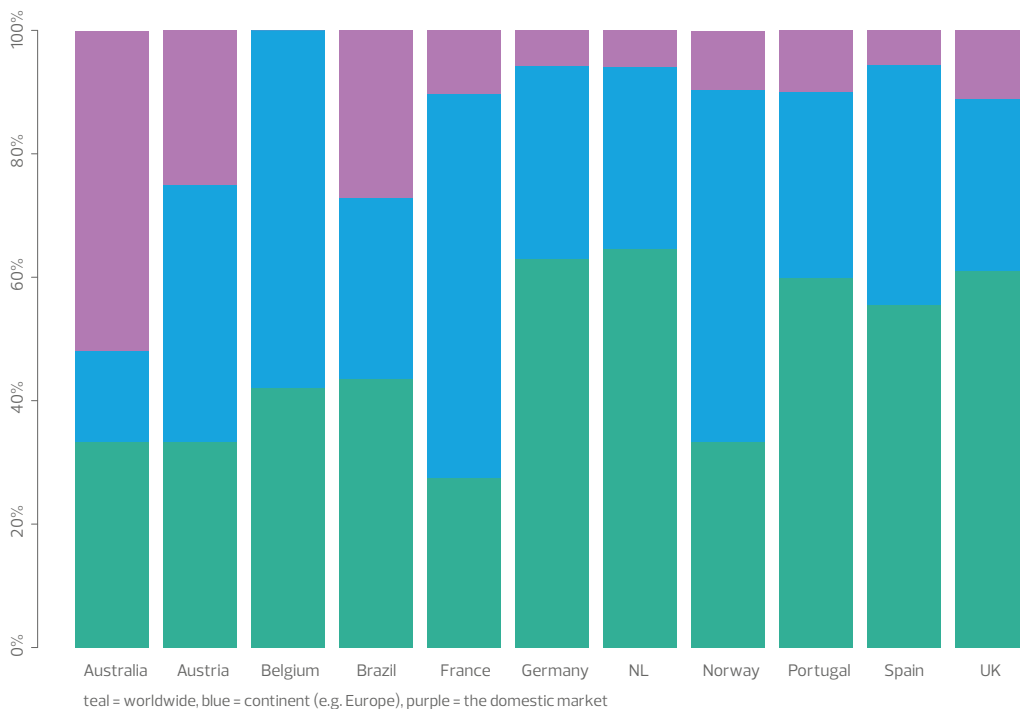


Fig. 14: Internationally orientated companies focus more on research, expert survey 2015

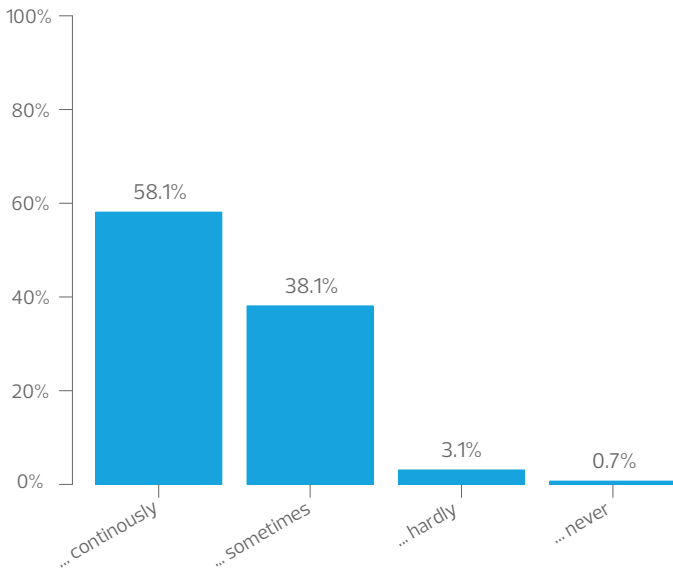
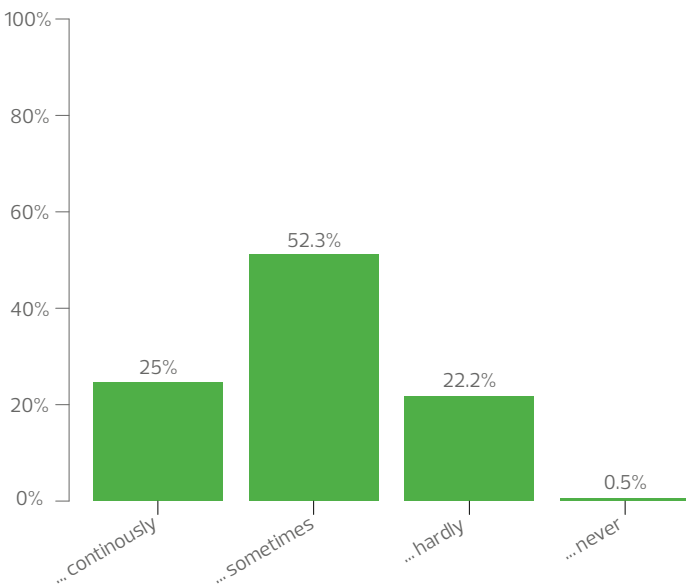


Fig. 14: Domestic orientated companies focus more on research, expert survey 2015



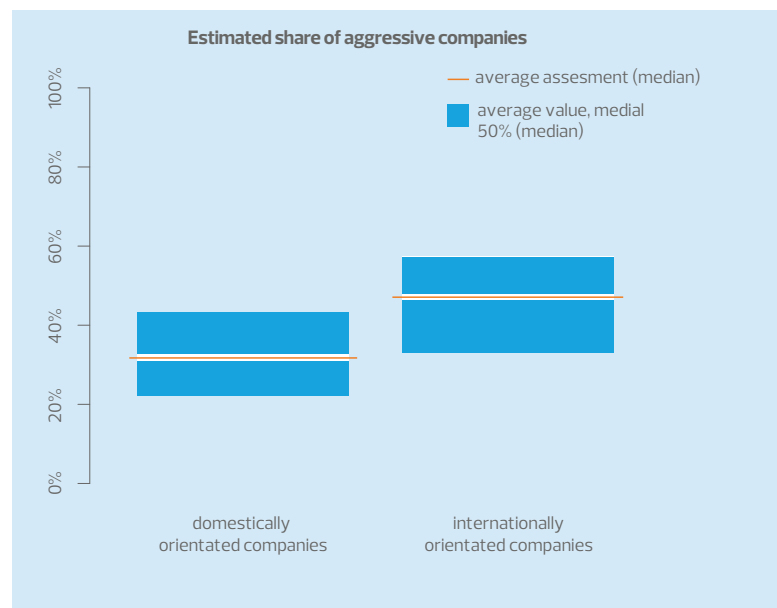
The top diagram (Fig. 14) shows the assessment of RSM experts regarding all internationally active companies. The bottom diagram (Fig.14) shows the view on companies, which focus on the domestic market only. Obviously, research is integral for internationally orientated companies. At the other end of the spectrum, 23% of RSM experts surveyed characterise companies focused on the domestic market only as conducting research 'hardly' or 'never'.

The finding that internationally orientated companies are more active can also be confirmed by other aspects.

Fig.15 shows that internationally orientated companies in EU countries are more aggressive than domestically orientated companies according to the RSM experts. The same effect can be found worldwide. Furthermore, internationally orientated companies clearly focus more on quality leadership than on price leadership and they rely more on an external growth strategy than on an organic growth strategy.

A strategic convergence of internationally orientated companies can be concluded. The country specific differences are more pronounced with domestically orientated companies. For example, only 12% of RSM experts see a price leadership prevailing in Germany, but the shares are 44% and 50% in Spain and Portugal respectively.

Fig. 15: Internationally orientated companies are more aggressive, (expert survey, EU)



## III SURVEY OF ENTREPRENEURS

### III.1 Self-perception vs. third party perception

The Business Resilience Survey examines the interdependencies between companies' strategies, business culture and macroeconomic variables. Generally, there are two possibilities for exploring the topic: analysing data based on a survey of entrepreneurs or using third-party data.

The Business Resilience Survey uses a twofold approach: 1. Auditors and other experts of the RSM network are surveyed as a homogeneous group with common education, experiences and standards. The results of which are presented in the preceding chapters. 2. Simultaneously, entrepreneurs from several countries have been interviewed during the 2015 survey. Comparing the data, we are informed on:

- the self-perceptions of entrepreneurs (how they see themselves) and
- the third party perceptions of entrepreneurs (how they are seen by the RSM experts) in the countries surveyed.

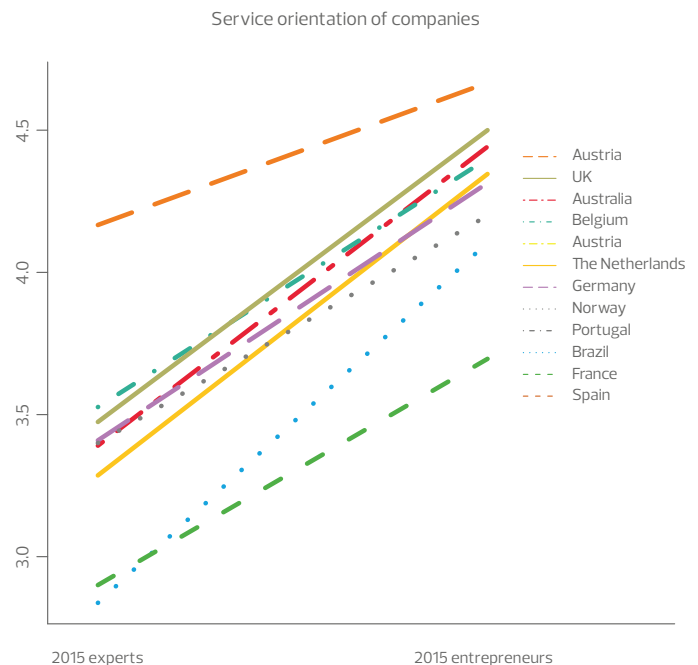
The result of the analysis demonstrates that entrepreneurs systematically evaluate themselves better than the experts regarding aspects asking for the institutional culture of their companies.

Fig.16 shows an example. The lines represent the mean of the assessments from the RSM experts (2015experts) and the mean of the assessments of the entrepreneurs (2015entrepreneurs) about the service orientation of (their) companies in a country. The upward sloping of all lines implies that across all countries the self evaluation of the service orientation is better than the third party evaluation. The slopes of the lines are roughly similar so it can be concluded that the extent of the self evaluation effect is more or less similar in all countries surveyed. It is a global phenomenon and the ranking of the countries (Austria leading, France and Brazil lagging behind) seems to be relatively robust.

This self evaluation effect amongst entrepreneurs can also be found with the business culture criteria "employees' identification with the company" (except for Austria), "willingness to delegate authority in the company" (except for Norway) and "willingness to foster innovativeness and creativity of the employees". The strongest self evaluation effect arises when the participants are asked to assess the following statement: "The management systematically identifies new internal and external risks, evaluates them and tries to limit or avoid them (risk management)."

The other variables show no clear self evaluation effect. Furthermore, entrepreneurs and RSM experts view macroeconomic variables more similarly than they do assess

Fig. 16: Service orientation of companies – mean assessment of RSM experts vs. entrepreneurs



their risk management. Any further difference between the two groups may depend on country, size of the company, internationality or other variables, but not on a global and systematic self evaluation effect.

### III.2 The characteristics of successful companies

One goal of the entrepreneur survey was to look behind the strategic success factors of companies. To analyse this topic, we built up the sub-groups of companies which expect an improvement of their business situation (successful companies) and compared them with all companies country by country<sup>12</sup>.

Of the successful companies, at least 80% of the countries surveyed saw higher means in the following areas:

The table shows the success factors identified in a vast majority of countries. It's striking that the survey data from the business leaders in Brazil does not confirm the above mentioned relationships in many cases. Obviously, the business situation of Brazilian companies is influenced by other, stronger factors, potentially a sign of the recession mode. The other deviations should not be overinterpreted. Partly they are very small as in the case of Germany.

<sup>12</sup> The analysis was restricted to 10 countries to make sure that enough observations are available.

Item	Effect observable in x out of 10 countries	Exceptions from this rule in
Service orientation of the company	8/10	Brazil and France
Willingness to serve customers in different languages	8/10	Portugal and France
Willingness to delegate authority within the company	9/10	Brazil
Willingness to foster innovativeness and creativity of the employees	9/10	Brazil
Use of social media (Facebook, Twitter etc.) for customer loyalty	10/10	-
Company's ability for self-organisation	8/10	Brazil and Portugal
Organisational investments in employees (e.g. training and education, worktime flexibility, part-time-solutions)	8/10	Brazil and Belgium
Flexible Workforce; If your plans change at short notice, e.g. due to additional or cancelled orders, how easily can you adjust the volume of work (e.g. in hours)?	8/10	Brazil and the Netherlands
Risk appetite of the managers	10/10	-
Employees in the company learn from difficult situations.	8/10	Germany and Brazil

**Table:** Success factors

In all countries, a more intensive use of social media (Facebook, Twitter etc.) for customer loyalty seems to be a characteristic of companies expected to improve their business situation in the next year. Thus, digitalisation is a worldwide matter (see also the next chapter on China).

The presumed managers' risk appetite is also noteworthy. On average, owners and business leaders of companies which are expected to be successful see a higher risk appetite amongst their managers. This relationship holds true in all countries surveyed, although the absolute level differs. The highest difference between successful and less successful companies can be found in Australia and Portugal. Further, one element of individual resilience ("employees in the company learn from difficult situations") is identified in this part of the analysis. More information on the concept of individual resilience will be given in the next but one chapter.

### III.3 Additional information on China

China took part in the entrepreneurial survey, but not in the expert survey. Therefore, they are not part of the country rankings in chapter II. Furthermore, 80% of the participants were managers, not owners of the companies. However, it is a striking result that Chinese managers emphasise the challenges of digitalisation. They fear the "technology shocks to the industry", as a manager stated in quote. Around 70% of Chinese participants think that digitalisation will force their company to develop a completely new business model within the next five years. The corresponding figure is 36% only for the European countries surveyed (Fig. 17).

The self perception among Chinese managers is that they are very proactive. More than 73% of the managers agree with the statement that the managers in their company are very often the first to introduce new products. This figure is clearly higher than in Europe. Accordingly, half of the Chinese managers state that they follow a continuous research strategy.

### III.4 Individual resilience and economic success

In addition to the survey of macroeconomic data, business culture and organizational structures we included questions<sup>13</sup> about the employees' behaviour and attitudes. The results are labelled as individual resilience. It manifests in the employees' behavioural and attitudinal tendencies when facing critical situations in the organisational context. Thus, resilient managers are theoretically characterised as not being easily thrown off track, and usually finding ways and means to deal with difficult situations. Further, they try to look at problems from different perspectives and have a good self reflection on where their strengths and weaknesses are. Finally, resilient employees are capable of anticipating critical situations before they arise and are willing to learn from difficult situations afterwards.

Beside an organisation's strategy, it is first and foremost the acting individuals with their concrete behaviour that will have an impact on a company's success or failure. Accordingly, individual resilience is an essential building block in a company's or a country's capability of resilience. Following the entrepreneurs' evaluations across all countries, individual resilience is positively related to a company's proactive mentality. The higher the employees' individual resilience, the more likely the company's tendency to initiate actions to which competitors then respond ( $r = .35^{**}$ )<sup>14</sup>. Furthermore, these companies are more often the first to introduce new products or services ( $r = .47^{**}$ ) and more likely

<sup>13</sup> The eight items are summarised in a scale to measure individual resilience. The scale is based based on the work of Wagnild, G. M. & Young, H. M. (1993). Development and psychometric evaluation of the resilience scale. *Journal of Nursing Measurement*. Vol.1 (2), 165-178.

to adopt a very competitive “undo the competition” attitude ( $r = .30^{**}$ ). Moreover, where the individual resilience is high, the more likely the management is to systematically identify new internal and external risks and to evaluate and try to limit or avoid them ( $r = .54^{**}$ ). In addition, depending on the company’s strategy (aggressive, defensive, crisis response), individual resilience differed significantly with aggressive companies showing the highest levels of individual resilience ( $M = 3.95$ )<sup>15</sup> whereas those companies that reactively responded to crises revealed the lowest levels of individual resilience ( $M = 3.69$ ).

Fig. 18 illustrates the difference between personnel with high versus low individual resilience that these two groups have on different organizational variables. As can be seen there is a systematic difference showing that highly resilient employees have a positive impact on company variables. When managers with high and low levels of individual resilience are compared with a view to strategic variables, it can be shown that highly resilient individuals reveal a more positive expectation towards the company’s development in the upcoming year.

On a societal level, the following results emerge. A society that strengthens the role of entrepreneurs produces more resilient individuals and vice versa. Furthermore, an employee-oriented organisational culture seems to be heavily related to individual resilience. For example, as can be seen from Fig. 18 as well, organisational investments in employees, e.g. training and education, as well as the openness to innovations were both higher for those employees with high individual resilience compared to respondents with low levels of individual resilience.

The same applies for a flexible or more heterarchical form of leadership within the company. Highly resilient individuals showed a tendency to work for companies that demonstrated the willingness to delegate authority. Even more interestingly, resilient employees are the more committed ones. Regarding the survey’s results, the higher the degree of individual resilience, the higher the employees’ identification with the company. Individual and organisational resilience go hand in hand. Individuals with high levels of resilience are more likely to be found in companies whose existence would not be at risk even if they lost their biggest customer.

When comparing levels of individual resilience across countries, it becomes clear that highly resilient countries have a strong basis in terms of their companies’ people. For example, the UK and Germany (as two EU countries) reveal the highest levels of individual resilience across the countries’ companies. At the same time, both countries are marked as being rather resilient by RSM experts as well. Taken together, there is strong evidence that a country’s potential for resilience heavily relies on the company’s people.

Fig. 17: Entrepreneur survey 2015: Effects of digitalization: China vs. Europe (Digitalization will force our company to develop a completely new business model within the next five years)

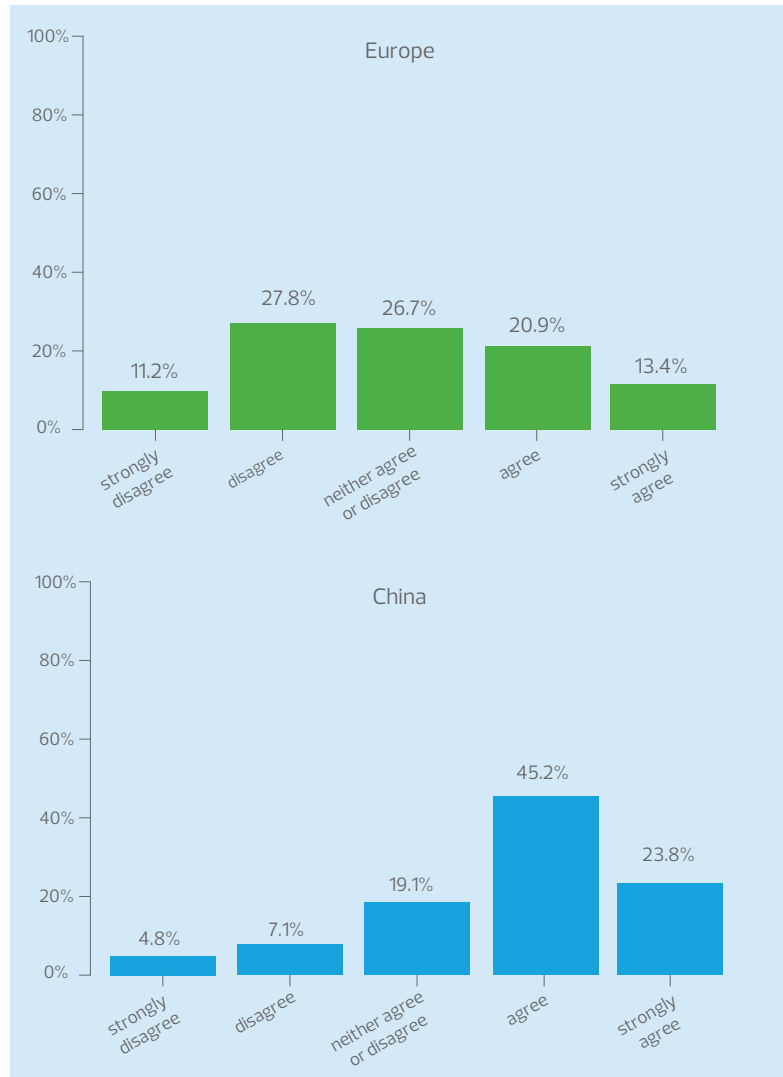
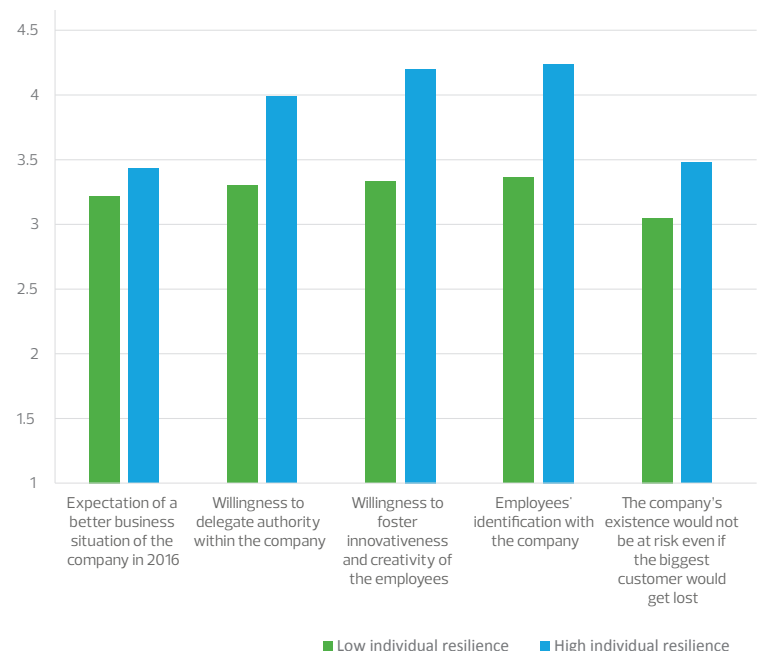


Fig 18: Entrepreneur survey 2015: Comparison of managers with high and low levels of individual resilience regarding several organizational variables



<sup>14</sup> Pearson product-moment-correlation, statistically significant on .01 level <sup>15</sup> Median

## IV ECONOMIC INTERDEPENDENCIES

### IV.1 The role of trust

A high culture of trust lowers transaction costs, e.g. for searching, negotiating and running a business. Trust is an important feature of the relationships between companies and other businesses, customers, public institutions and employees. On the country level, the survey asks the experts to assess four dimensions of trust: trust in banks, other businesses, political parties and the justice system. The results were:

- Norway, Australia, Germany and the UK have the most positive trust culture on average across all four dimensions. The ranking changes slightly when trust in other businesses and trust in the justice system are considered only.
- In some countries, the justice system or other businesses seem to be the most trustworthy institutions according to the RSM experts.
- A distinctive mistrust in political parties is a phenomenon in all countries. Experts and entrepreneurs of all countries surveyed (except Portugal and the Netherlands) rate trust in political parties the lowest. (RSM experts see banks and the justice system in the last positions for the Netherlands and Portugal respectively. Norway is the only country where more participants have trust in political parties than mistrust. However, political parties are the least trustworthy institution, also in Norway.)

Trust in other businesses and trust in the justice system are significantly correlated with many elements of business culture. Both seem to be proxies for the culture of trust that enhances the business culture of a country.

### IV.2 Strategic Resilience

According to our definition, resilience enables gradual changes to adapt to new situations so that structural breaks can be avoided. The strategic resilience ex ante is influenced by companies' strategy choice, the mentality of the business leaders and the business culture of the country.

The resilience index will be published in 2017. Overall, we presume that the countries' resilience has improved because business culture variables have particularly improved in the turnaround countries.

## V APPENDIX: ABOUT THIS SURVEY

410 auditors and other members of the RSM network (referred to as "RSM experts" in this report) and 291 entrepreneurs participated in the surveys in July and August 2015.

Country	Participants RSM expert survey	Participants entrepreneurial survey
Australia	87	43
Austria	12	6
Belgium	19	25
Brazil	86	19
China	/	42
France	30	23
GCC countries	10	/
Germany	70	26
The Netherlands	17	25
Norway	22	35
Poland <sup>16</sup>	/	7
Portugal	20	10
Spain	18	/
UK	19	30
	<b>410</b>	<b>291</b>

<sup>16</sup> Not part of the analysis.



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