

Politics, cyber disasters rattle businesses' confidence, but not their plans

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Do you find your palms sweat every time you scroll through the headlines? Has your morning ritual of catching up on current events turned into a hair-greying affair? If so, you're not alone. British business leaders say the relentless storm of political, economic, and cyber nightmares have wracked their confidence.

So how do they cope? By sticking to the classic British mantra, of course: Keep calm and carry on.

"Shock election results, difficult Brexit negotiations, the prospect of a trade war – our research shows that all these factors feed directly into boards'

perception of risk, which has been high and rising since we started measuring business perception of risk and confidence in spring last year,” says Dave Brosnan, CEO of CNA Hardy.

The last time that CNA Hardy took the pulse of British businesses, confidence levels had dropped by an alarming margin – a trend that’s expected to get worse before it gets better. In spring 2017, 71% of business leaders in the insurer’s risk and confidence survey felt confident their companies could grow and prosper. But in autumn 2017, that number dropped to 28%. “A combination of the shock UK election result, ongoing concerns over the progress of Brexit and a wave of physical and cyber terror attacks, took a dramatic toll on British businesses’ confidence levels,” Brosnan says.

The good news from the survey, Brosnan says, is that businesses didn’t let bad news put a damper on their ambitions. “Despite diminishing confidence levels, business leaders were looking for growth in Europe, and, increasingly, Asia. Sixty-six percent identified Europe as the market with strongest growth potential in autumn 2017,” he says. “Looking ahead to spring 2018, interest in Asia almost doubled from 8 to 13%.”

The insurer is currently busy tallying up the numbers for its next edition of the survey, due out this spring. “In terms of political and economic risk, we would anticipate that lack of progress on Brexit negotiations at the time our research was undertaken (January and February this year) might cause UK businesses to recalibrate in terms of which markets deliver the strongest growth prospects,” Brosnan says.

In the face of great uncertainty, the tendency of businesses has been to forge ahead. “Our research shows UK businesses with operations in Europe are resilient,” says Brosnan. “Overwhelmingly, the preference is to proceed, rather than to cut back, irrespective of the risk environment. Whatever the political or economic backdrop, they remain focused on generating topline growth through investment in technology, people, and R&D. They prioritize these investments over plant and equipment or M&A because this is what keeps them flexible.”

In a risk environment where the unexpected is to be expected, the survey suggests that low confidence is breeding innovation.

“Nimble is the new normal,” says Brosnan, “and our research shows that businesses always plan to ensure they can stay one step ahead.”