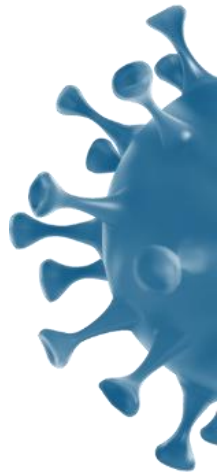


# Transition to the "New Normal" – The Butterfly principle

Webinar



# Your transition guides for today...



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# We highly appreciate if you ask questions

There are 3 ways to raise questions ...



... send an eMail to  
[presse@icv-controlling.com](mailto:presse@icv-controlling.com)

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... use the Chat function in zoom

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... unmute your micro during the Q & A session  
(please stay muted during the presentation to  
avoid background noise)

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# Factors like disruption and digitalization have created a VUCA world and pressured companies to transform...

Situation before COVID-19 – VUCA world

## Consumer behavior...

... changes more quickly, more drastically than before

## Digitization...

... creates and destroys business models faster than ever

## FX rates...

... change abruptly

## The geopolitical environment...

... has never been as unsafe in the last 25 years

## Radical shifting business models...

... driven by disruptive forces

Companies operate in a **VUCA world**

- V**olatile
- U**ncertain
- C**omplex
- A**mbiguous

**VUCA**

Consequences  
**Transformation requirement increasing**

... but progress was mostly too slow, solutions not radical enough

Situation before COVID-19 – Change implication

## Typical challenges

(depending on industry/company)



### Internal



Culture



Legacy



Company performance



Stakeholders

...

### External



Economic crisis



Industry crisis

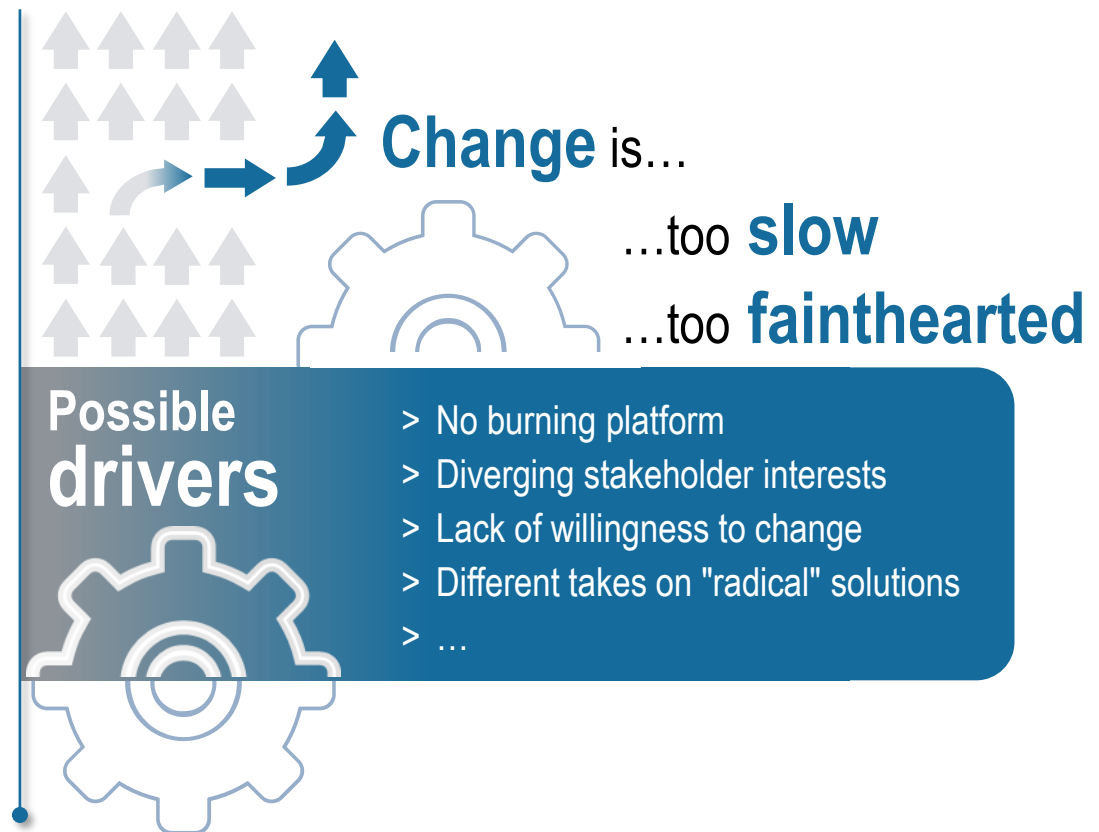


Disruption



Digitalization

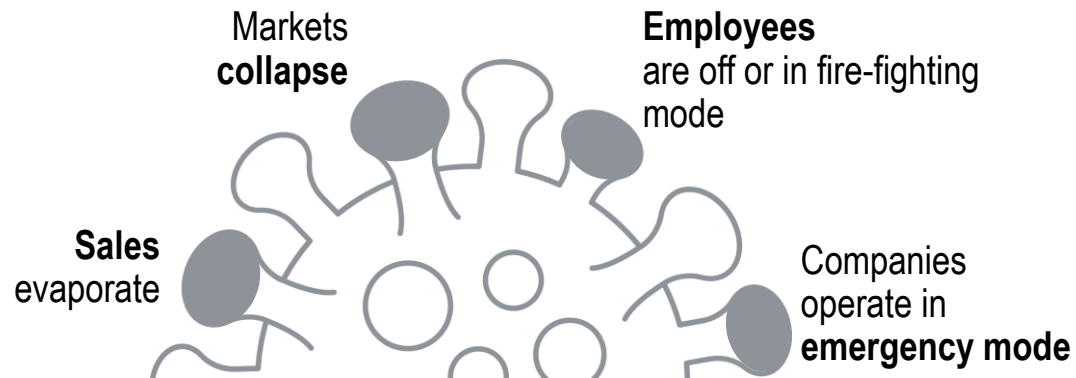
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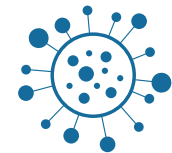
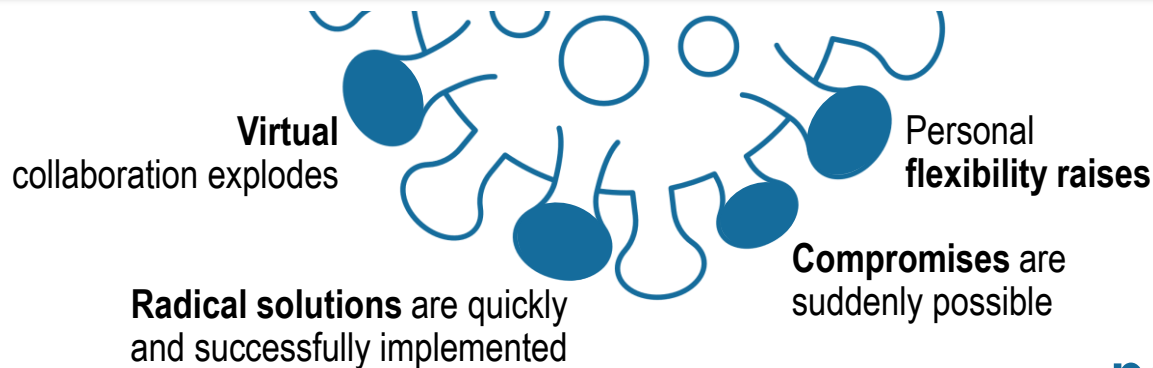
# COVID-19 is an unprecedented crisis, but also unleashes positive energy, thereby creating ...

## Opportunity with COVID-19

### Unprecedented crisis



### Also...



## ...unleashing positive energy

... a once in a life-time opportunity – People rally behind change and radical solutions are possible for the transition to the "New Normal"

The Opportunity

Once in a life-time opportunity



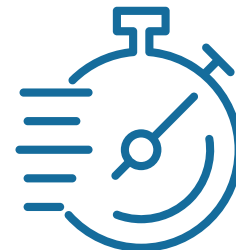
**1** People accept that radical change is inevitable and rally behind change

**2** Radical solutions are implemented – Quickly & successfully (proof of concept)



**Ultimate catalyst** for transition to "New Normal"

**Limited window of opportunity**

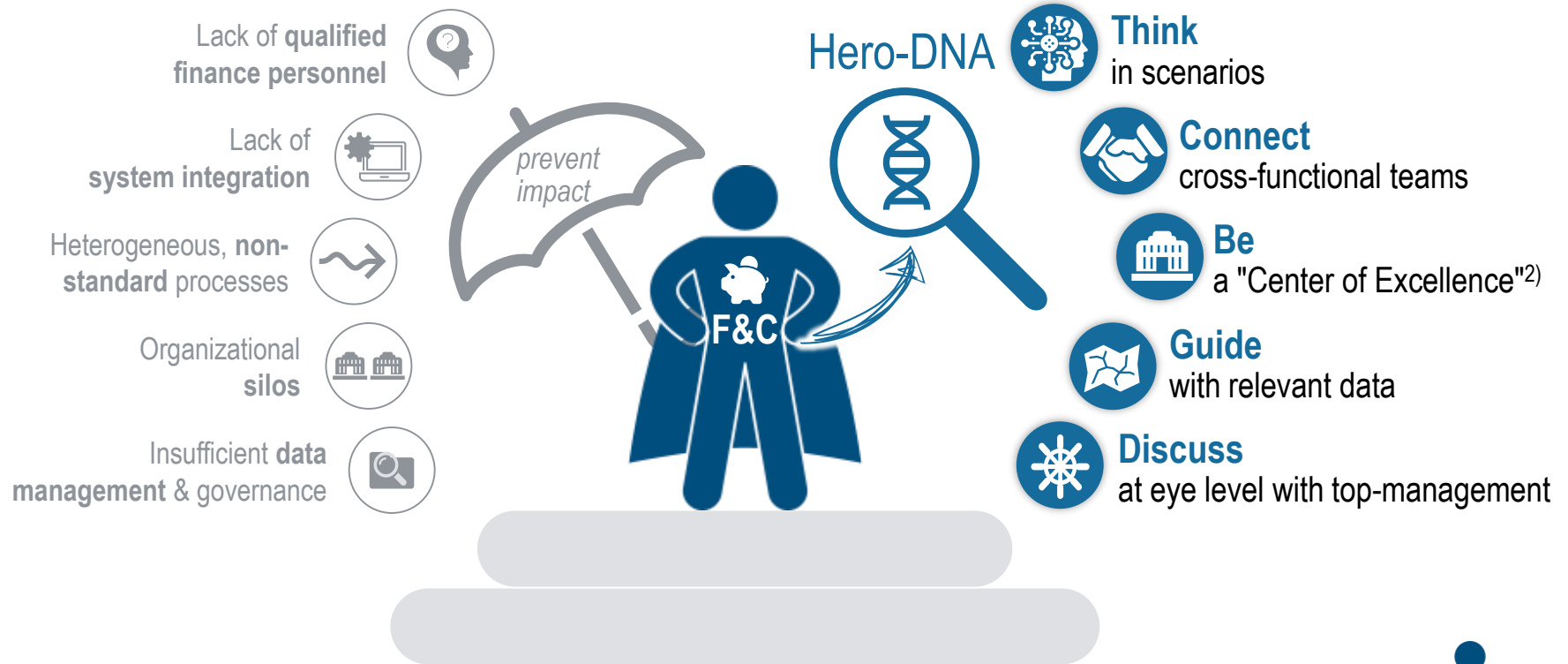


**Start the transition journey **n o w****

# A strong F&C is required to steer companies through these complex times by providing guidance and trust

## Finance & Controlling roles

Challenges<sup>1)</sup>



➔ You are the **navigator** to steer your company through complex conditions

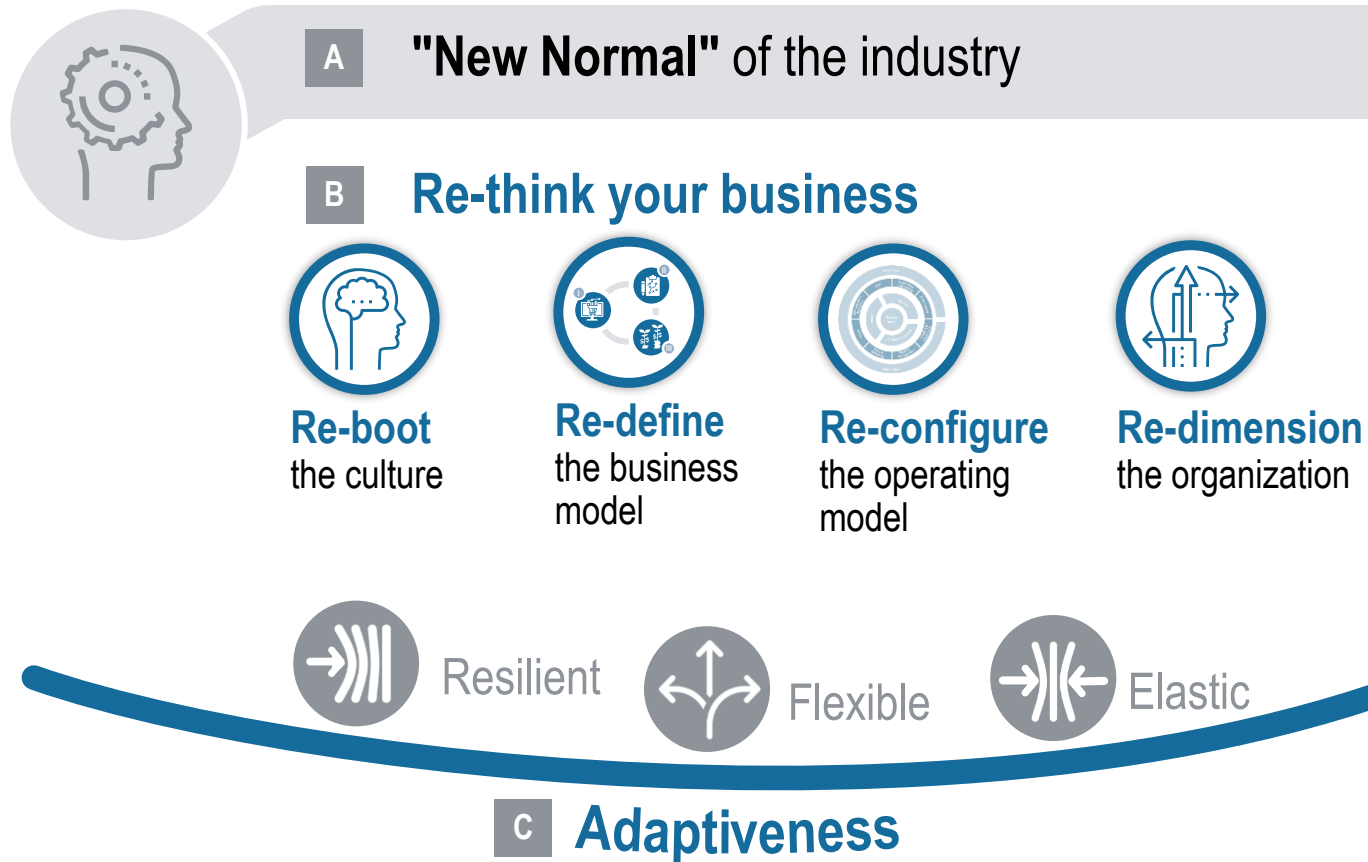


1) APQC Management Survey 2019, N=258; 2) Center "higher-value" knowledge to make it available to a larger group of stakeholders



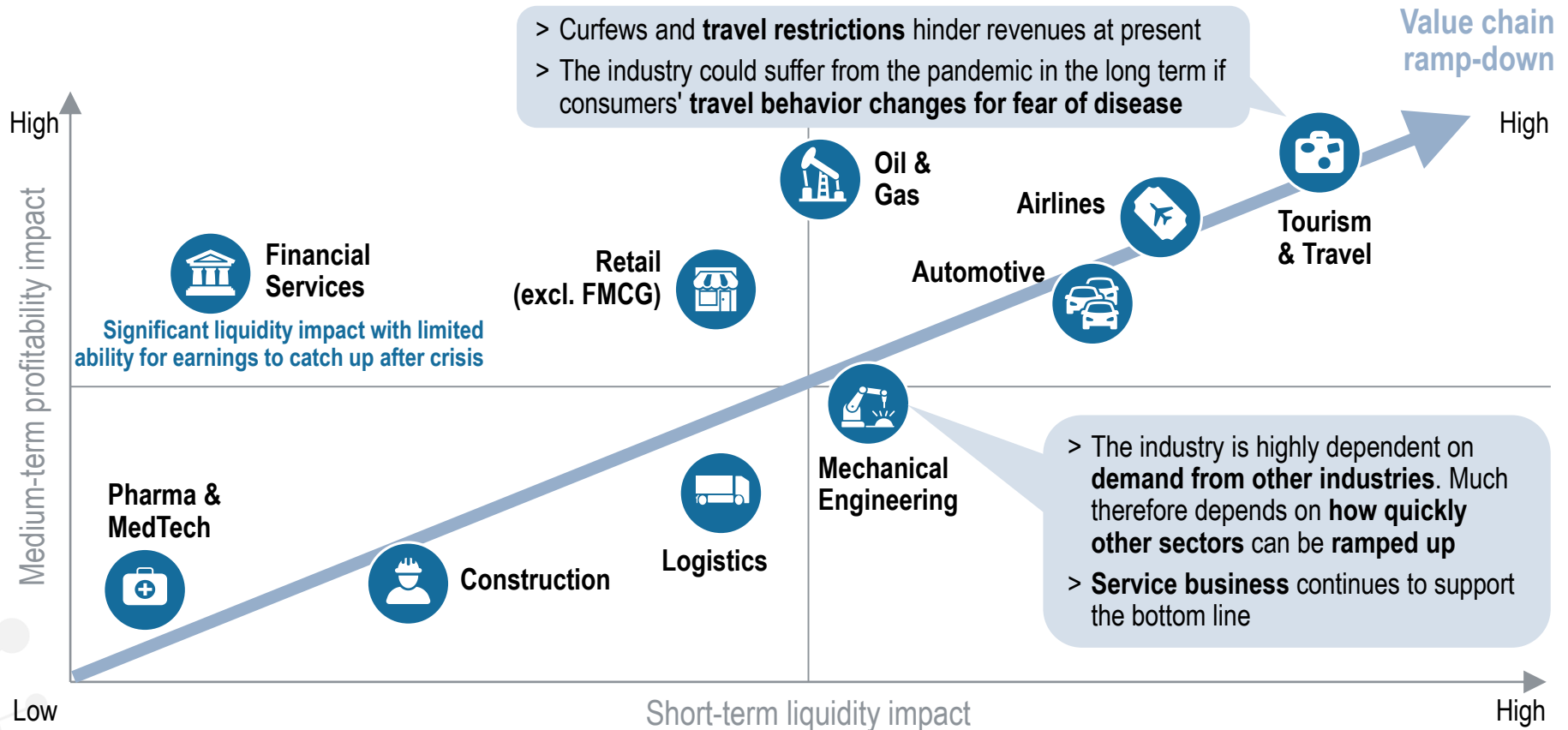
# The transition framework

## Contents



# The crisis had severe impact across most industries, but the key questions is...

## Crisis industry impact by industry



# ... what does the "New Normal" look like in the different industries?

## "New Normal" by industry

Illustrative

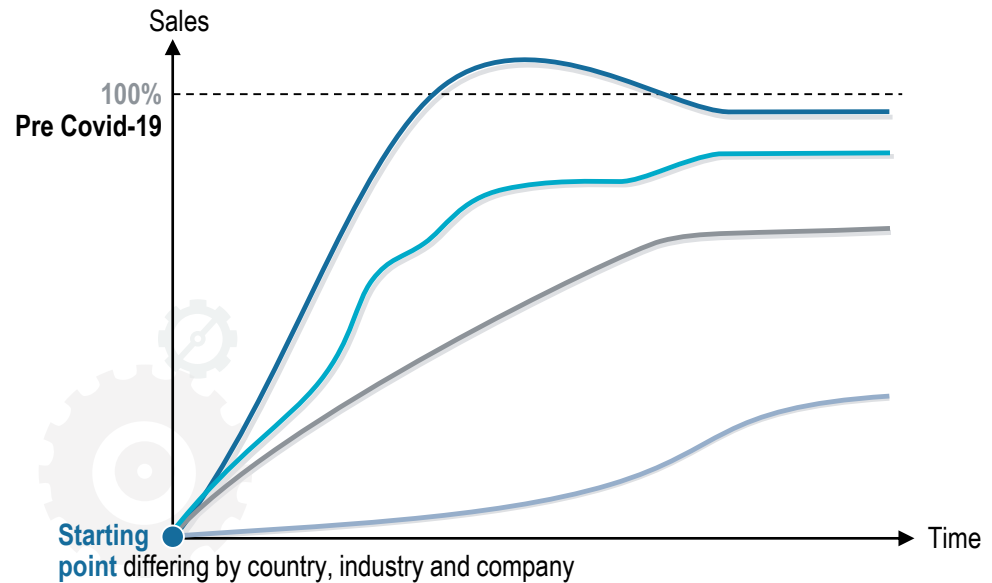
	Automotive		Transportation/Logistics
	Aerospace & Defence		Financial services
	Telco		Utilities
	Capital Goods		Consumer goods

*Examples*

COVID-19 – The "New Normal" for capital goods companies

**Industry specific "New Normals" available**

## Expected industry & company sales level



- Considerations**
- > Length and depth of hibernation
  - > Ability to reboot primary value chain
  - > Industry sales development
  - > Profit pool impact
  - > Change in customer/consumer behavior
  - > Business model impact
  - > ...

# So, many companies need and should re-think their business more or less radically to seize the opportunity

Seize the opportunity – Key questions to re-think your business



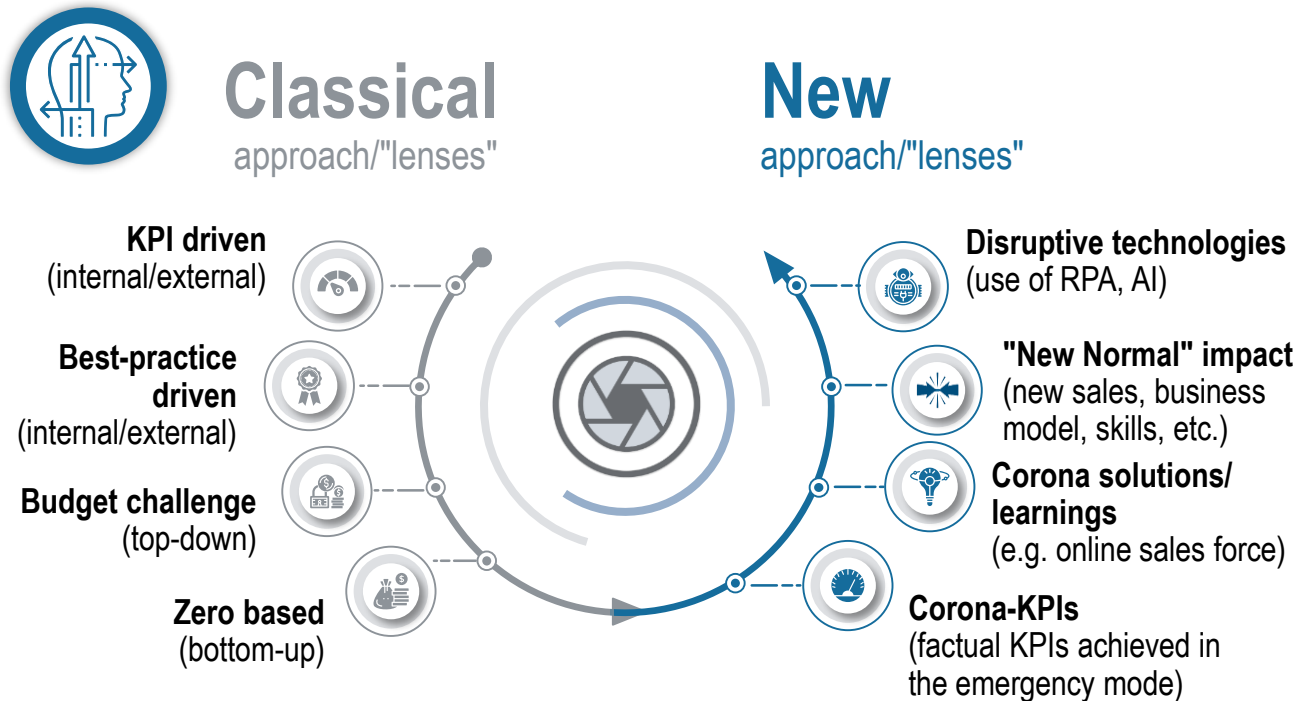
1) Resilience, flexibility, elasticity

... and who can best manage this transition



# Example dimensioning: Learnings from the crisis can be leveraged – Combination of different lenses enabling more fact-based discussions

## Dimensioning and controlling – New "lenses"



### Challenges for F&C

- > Identify relevant metrics for crisis management
- > Analyze performance and dependencies during emergency mode
- > Challenge pre-crisis dimensioning by combining different lenses
- > Find the optimal set of lenses to set focus on your business needs



Master new "lenses" to avoid future pitfalls and launch corrective actions



# Companies must also re-think their approach to "adaptiveness", i.e. make the company more resilient, flexible and elastic

## Adaptiveness – Definition



Resilient

**Definitive**

Being able to **cope** with **sudden changes** without failing to deliver on promises

**Impact**  
(example)

**Production does not cease** due to a sudden delivery stop

**Lever**  
(example)

Increased inventory levels



Flexible

Being able to **seamlessly adjust to fluctuations/ mid-term changes** in demand, e.g. economic cycles

**Production can be ramped up or down, e.g. +/-20%** with limited effort and extra cost

Increased machine capacity head room, share of temporary workforce



Elastic

Being able to **scale and bounce back quickly** in case of a fast, steep demand increase

**Production can be scaled (back) very quickly** to capitalize on market opportunities

Life-time working hours, priority access to supplier capacity



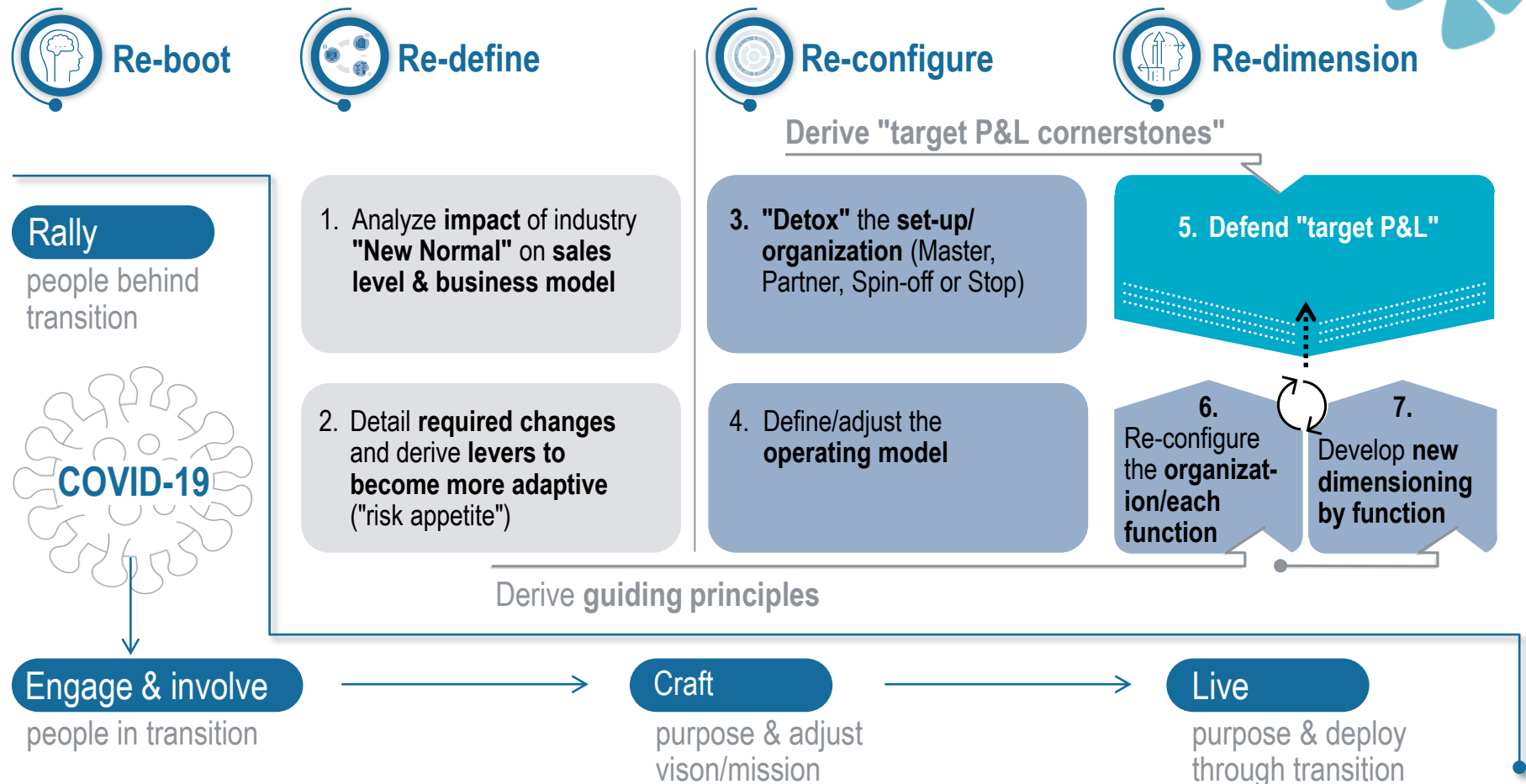
# For example in Operations, many distinct levers can be applied

## Adaptiveness – Levers in Operations

	Use cases (examples)	Levers (example)				
		Engineering	Procurement	Production	SCM & Log	Service
<b>Resilient</b> 	<ul style="list-style-type: none"> <li>&gt; Supply chain breakdown due to hurricane</li> <li>&gt; Market shock due to terror attack</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Redundancy of competence centers</li> <li>&gt; Increased usage of automation tools (e.g. RPA and model-based R&amp;D/validation)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Increased stock, VMI</li> <li>&gt; First "right" to supplier stock</li> <li>&gt; Emergency concepts</li> <li>&gt; Flexible resources (task force)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Scheduling flexibility (production sequences)</li> <li>&gt; Buffer stocks in- and outbound</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Alternative transport capacity buffers</li> <li>&gt; Resilient route modelling</li> <li>&gt; Increasing End-to-End integration and transparency</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Remote access capabilities and "Smart Service 4.0" leverage (e.g. AR)</li> <li>&gt; Dedicated service supply chains &amp; material availability</li> </ul>
<b>Flexible</b> 	<ul style="list-style-type: none"> <li>&gt; Lasting market demand reduction due to taxation changes</li> <li>&gt; New, fluctuating demand pattern</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Make-or-buy: increased share of outsourced non-core skills</li> <li>&gt; Usage of advanced R&amp;D techniques, e.g. agile working models</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Volume flexibility in contract</li> <li>&gt; Regional/local supply base</li> <li>&gt; Automatic price adjustments (volume shifts)</li> <li>&gt; Flexible working hours</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Machine capacity headroom</li> <li>&gt; Flexible allocation of products (or assemblies) to plants</li> <li>&gt; Smaller lot sizes (Industrie 4.0)</li> <li>&gt; Increased outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Stronger global SC balance with more "local for local"</li> <li>&gt; Customer-integrated demand forecasting and S&amp;OP planning</li> <li>&gt; Supply alternatives</li> </ul>	<ul style="list-style-type: none"> <li>&gt; "Glocalized" service setup (central steering, local delivery)</li> <li>&gt; Service partnering</li> <li>&gt; XaaS to achieve highest level of customer-integration</li> </ul>
<b>Elastic</b> 	<ul style="list-style-type: none"> <li>&gt; Economic rebound due to subsidies</li> <li>&gt; Fast production ramp-up due to new technology</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Regular scouting of new technologies &amp; application in R&amp;D</li> <li>&gt; Ability to shift resources between R&amp;D Center/region</li> </ul>	<ul style="list-style-type: none"> <li>&gt; First "call" for production volumes</li> <li>&gt; Data sharing &amp; joint planning</li> <li>&gt; Second source</li> <li>&gt; Volume commitment, invest support</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Lower production equipment CAPEX (leaner/less automated setup with shorter amortization)</li> <li>&gt; Life time working hours</li> </ul>	<ul style="list-style-type: none"> <li>&gt; SC function as overarching bracket, leveraging functional elasticities</li> <li>&gt; Scenario planning &amp; "design-for-SC"</li> <li>&gt; E2E transparency</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Streamlined service operations (from staff to contracts)</li> <li>&gt; Integrated DfS (Design for Service)</li> <li>&gt; Mature &amp; dedicated service backbone</li> </ul>

To emerge as a butterfly, all four cornerstones must be addressed –  
 However, ultimately the target P&L has to be met

### Approach – Cornerstones

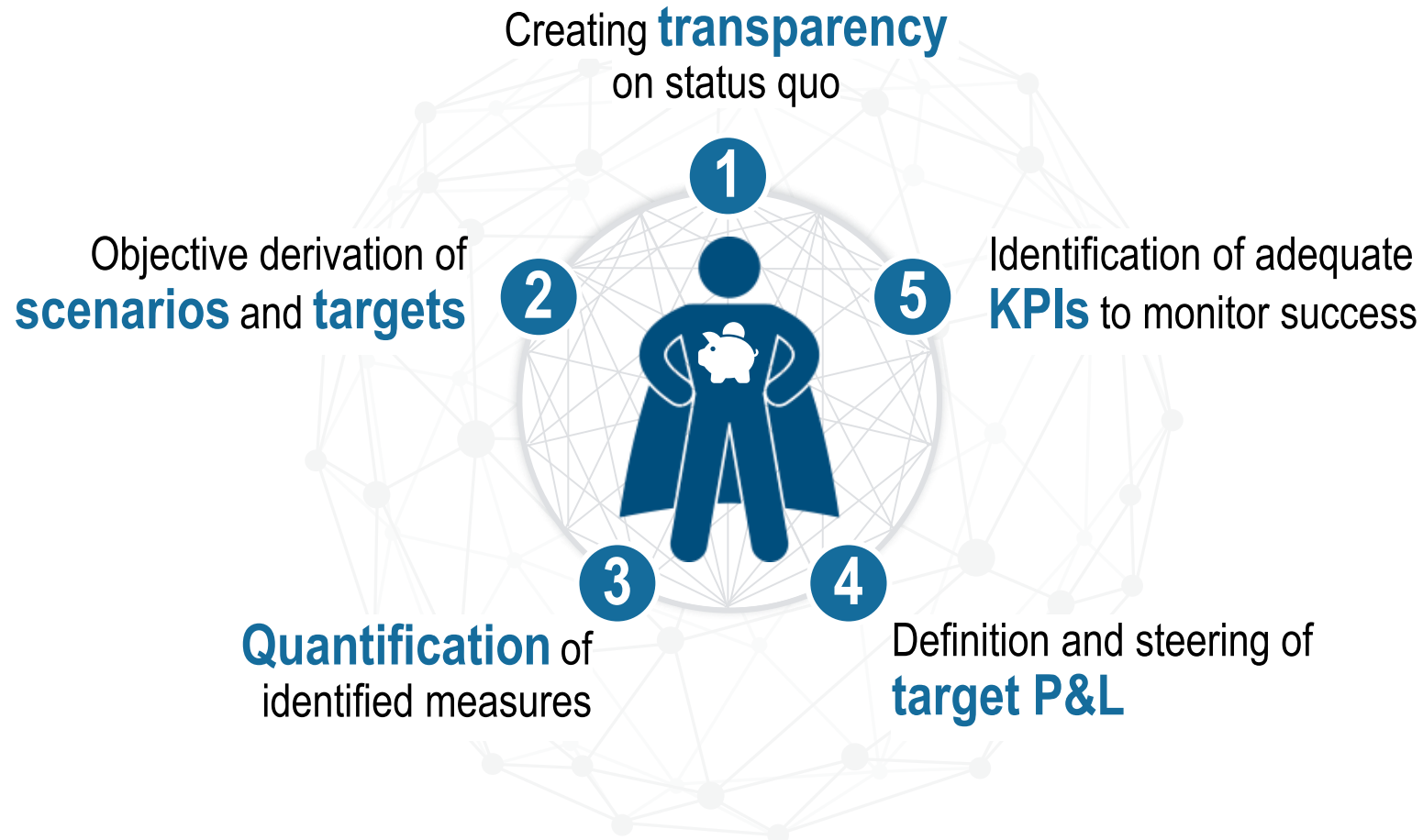




# F&C to take over a leading role in these kind of transition programs

- Providing transparency and guidance in uncertain times

## F&C roles in transition programs



# Five fundamental success factors assure a successful transition journey

## Success factors

- 1 Objectiveness**  
Objective evaluation of key data not affected by any legacy or prior decisions
- 2 P&L orientation**  
Focusing on P&L relevant aspects and prioritizing along profit oriented criteria
- 3 Quick decisions**  
Enabling quick, pragmatic decisions to generate quick change processes and allow re-sharpening if required
- 4 Consistency**  
Strict implementation and requesting target achievement in terms of timing and P&L effect
- 5 Career facilitation**  
Attracting top talents into project and implementing project success as clear KPI in objectives agreement

## Implication for Finance



Provide an unbiased view

Secure P&L and cash impact

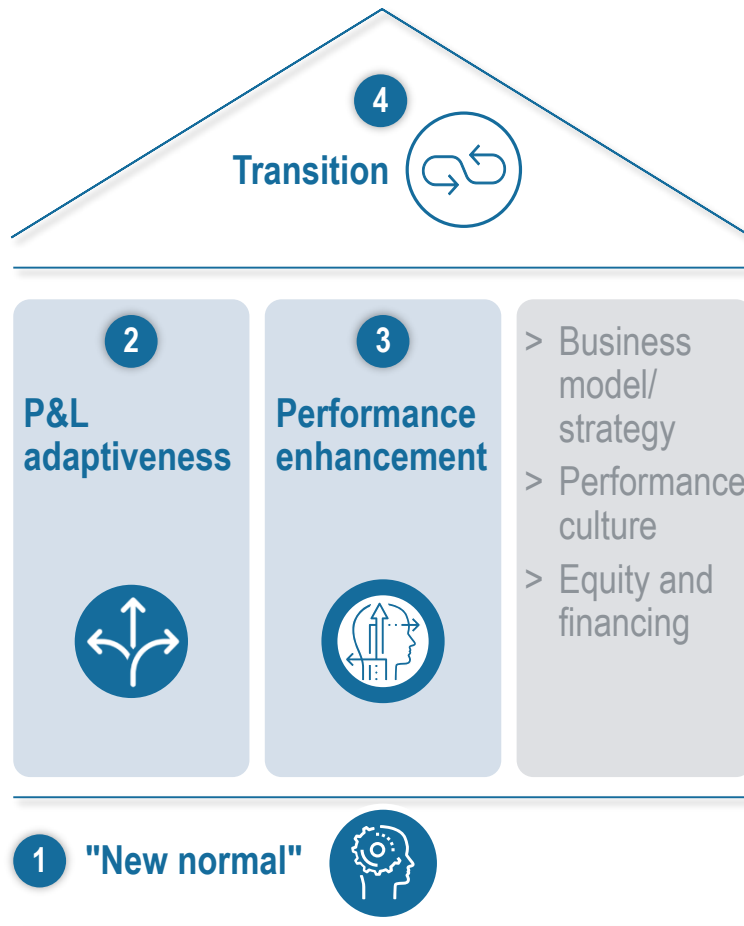
Provide analysis seamlessly

Be the financial conscience

Identify adequate KPIs to measure success

# How to start your transition journey

Potential starting points for a transition



## RB offer for you

- 1** Industry-specific "new normal" workshop
- 2** P&L adaptiveness quick check
- 3** Performance enhancement program
- 4** Transition program

*Pro Bono*

Let's discuss!



Q&A

# Further inspiration

## Industry "New Normals"

## Adaptiveness and Purpose

## The future of Operations

(extract) Publications

<p>Automotive</p>	<p>Aerospace &amp; Defence</p>
<p>Telco</p>	<p>Capital Goods</p>
<p>Transportation/Logistics</p>	<p>Financial services</p>
<p>Utilities</p>	<p>Consumer goods</p>

Roland  
Berger

THINK:ACT

