



# Recalibrating your strategy

Adapting to a new world

**Global Strategy Group**

KPMG International

# Prepare for a "new normal"

## Moving from reactive short-term measures to a recalibrated strategy for the long term

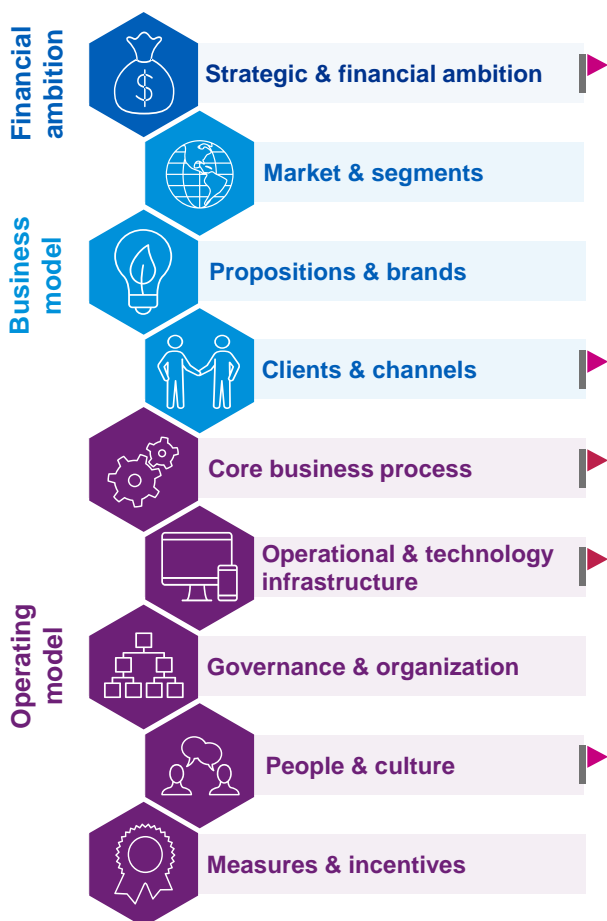
The rapid outbreak of the coronavirus presents an alarming health crisis that the world is grappling with. In addition to the human impact, there is also a significant economic impact being felt globally. More than 50,000 listed companies worldwide have lost around 19.4 trillion euros in value within six weeks (minus 24 percent)<sup>1</sup>. This decline is historically unprecedented for such a short time period.

If there's a lesson to be learned, it's that the next devastating, yet unnamed outbreak is not so much a matter of "if" but "when".

An impact on customer behaviors is only a part of what companies will experience as a result of the economic shock from this global health crisis. They can also expect their current business and operating models to be questioned in the face of the new normal that will prevail in the post-COVID environment.

The Global Strategy Group's framework - the 9 Levers of Value – is designed to help Board members and senior leadership align challenging financial ambitions with the core elements of a sustainable business model and the aspiration for operational excellence and resilience.

### GSG'S 9 LEVERS OF VALUE



### What to aim for

- Do I need to engage in emergency liquidity measures?
- Are my financial goals still realistic in the mid-term?
- What options do I have to strengthen the ability to withstand the impact on liquidity, income and assets in a crisis situation?
- Does this crisis change my strategic goals?

### Where to play

- Has this crisis changed my view on attractive business models?
- What are my possibilities to implement a digital-first business model to reach my customers more effectively?
- Will my offerings still be attractive in a post-crisis world?
- Are there any new offering opportunities due this crisis?
- Has this crisis altered my view of which markets / geographies are attractive?

### How to win





- Which of my core business processes need to be changed to increase resilience?
- How did our technological infrastructure fare during this crisis?
- Have my people been able to thrive and flourish during this crisis? What needs to be changed to enable them?
- Has our organization and governance proved effective during this crisis?
- Do I need to change the incentives of my people to keep them motivated during a crisis and in the new normal?

1) Handelsblatt, "Der Corona-Crash vernichtet 19 Billionen Euro an der Börse", 02.04.2020

# Responding to disruptions in demand

## Practical steps to maintain and protect commercial resilience



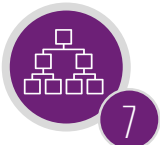


Events like the COVID-19 pandemic can have a lasting impact on market dynamics. Beyond immediate actions, organizations can use such a disruption as an opportunity to reflect on their ability to understand and meet rapidly changing customer demand and behaviors. They can consider actions to increase responsiveness and resilience.

	Short-term	Mid/long-term
 <p><b>Financials</b></p>	<p><b>FINANCIAL AMBITION</b></p> <ul style="list-style-type: none"> <li>– Set up a robust 13-17 week short-term cash flow and reconcile with monthly financial forecasting, incl. P&amp;L, balance sheet and funds flow</li> <li>– Assess impact of cash flow scenarios on reserves, facility headroom and financial covenants – revisit weekly</li> <li>– Evaluate funding strategies, options, lenders and other sources of capital</li> </ul>	<ul style="list-style-type: none"> <li>– Run risk appetite analysis: assess and prioritize investment portfolio according to new market environment</li> <li>– Establish a balanced cash management culture that values cash vs. profit</li> <li>– Establish a sustainable strategic working capital program to ensure liquidity is optimized under normal and stressed conditions</li> </ul>
 <p><b>Markets</b></p>	<p><b>BUSINESS MODEL</b></p> <ul style="list-style-type: none"> <li>– Assess how anticipated political interventions, incl. travel restrictions, border closures and new regulations and policies will impact market access</li> <li>– Decide which activities to stop, start and continue based on the most impacted market/geographies as well as the competitive landscape</li> </ul>	<ul style="list-style-type: none"> <li>– Assess impact of crisis on market trends and regulations in the short/mid/long-term across your top geographies</li> <li>– Identify future drivers of competitive advantage</li> <li>– Identify markets/geographies that are likely to recover quickly and remain attractive</li> </ul>
 <p><b>Proposition &amp; brands</b></p>	<ul style="list-style-type: none"> <li>– Track patterns to identify which products and services are subject to increasing or falling demand in various scenarios</li> <li>– Review commercial arrangements (pricing, sales &amp; service requirements) considering specific customer segments, needs and expectations</li> </ul>	<ul style="list-style-type: none"> <li>– Review the product and service portfolio, assessing the implications of sustained demand disruption across markets, segments, products and services</li> <li>– Identify where new demand is emerging and how existing resources and capabilities could be transferred while also assessing the impact on current business</li> </ul>
 <p><b>Customers &amp; channels</b></p>	<ul style="list-style-type: none"> <li>– Empathetically understand customers and their immediate needs</li> <li>– Identify and segment customers in response to immediate changes in demand and buying behaviors</li> <li>– Ensure demands of your key customers are met and establish mitigating measures for the others</li> <li>– Review your go-to-market and strengthen online/digital channels for reaching out to customers</li> </ul>	<ul style="list-style-type: none"> <li>– Design a dynamic pricing and sales response model to adjust prices rapidly and identify new value drivers for different customers</li> <li>– Advance ability to model and predict consumer behavior</li> <li>– Develop new digital marketing and communications platforms to engage customers directly</li> <li>– Review channel strategies and enable the business to respond to new needs</li> </ul>

# Reshaping how operations are done

## Implementing operational resilience to withstand shocks and capture emerging opportunities

The maturity of an organization's operational resilience has the potential to dictate whether an organization will survive crisis situations. The ability to withstand operational shocks and continue to deliver core business processes in such situations must be seamlessly integrated into the pursuit of delivery excellence, cost efficiency and operational effectiveness.

	Short-term	Mid/long-term
 <p><b>Core business processes</b></p>	<ul style="list-style-type: none"> <li>– Identify minimum viable operating model and determine core processes</li> <li>– Map criticality of sourced components and raw materials to high-value revenue streams</li> <li>– Understand contracts with critical suppliers – liability, contingency, continuity clauses and other liabilities</li> <li>– Determine business exposure by identifying current/buffer inventory</li> </ul>	<ul style="list-style-type: none"> <li>– Reconfigure global and regional supply chain flows, incl. evaluation of near-shore/ in-house options to shorten supply chains and substitute suppliers</li> <li>– Develop a transparent supply chain to have a complete view of all participants</li> <li>– Foster collaborative relationships with critical suppliers</li> <li>– Digitize core processes wherever possible to enable remote operations</li> </ul>
 <p><b>Technology &amp; operational infrastructure</b></p>	<ul style="list-style-type: none"> <li>– Enable remote working and equip data center, help desk and system managers with the capacity to meet revised business needs</li> <li>– Review implications for data security, including compliance and regulatory frameworks, to ensure data integrity along with data security</li> </ul>	<ul style="list-style-type: none"> <li>– Re-evaluate strategic technology investments and accelerate programs which actively support resilience</li> <li>– Enhance usage of intelligent automation and robotic process automation</li> <li>– Consider cyber security as part of the business and acquisition strategy</li> </ul>
 <p><b>Governance, structure &amp; risk</b></p>	<ul style="list-style-type: none"> <li>– Create a governance structure to allow the management team to maintain a strategic and cross-functional approach in crisis situations</li> <li>– Recalibrate risk management capabilities and foster awareness and the application of standards to ensure a solid understanding of digital risks</li> </ul>	<ul style="list-style-type: none"> <li>– Shift from a role-based to skills-based organizational design</li> <li>– Build internal workforce management capability</li> <li>– Implement a communication plan with a regular rhythm and established Q&amp;As and help sites for all employees</li> </ul>
 <p><b>People &amp; culture</b></p>	<ul style="list-style-type: none"> <li>– Proactively drive communication with leadership and employees to provide business updates and manage expectations</li> <li>– Prepare communication and guidelines for the first day back</li> </ul>	<ul style="list-style-type: none"> <li>– Establish e-learnings and a collaboration platform to promote new ways of working and maintain employee engagement</li> <li>– Defining leadership that ensures teams do not work in silos and are aligned to the new and updated agenda</li> </ul>
 <p><b>Measures &amp; incentives</b></p>	<ul style="list-style-type: none"> <li>– Establish an interim control set across critical value chain functions starting with people, crisis and incident management protocols, but also considering cyber risks</li> </ul>	<ul style="list-style-type: none"> <li>– Communicate on employee bonus policy and promotion guidelines to decrease uncertainty</li> <li>– Reset incentive payouts to keep the sales team motivated</li> </ul>

# Embedding resilience in three phases

## 1. REACT

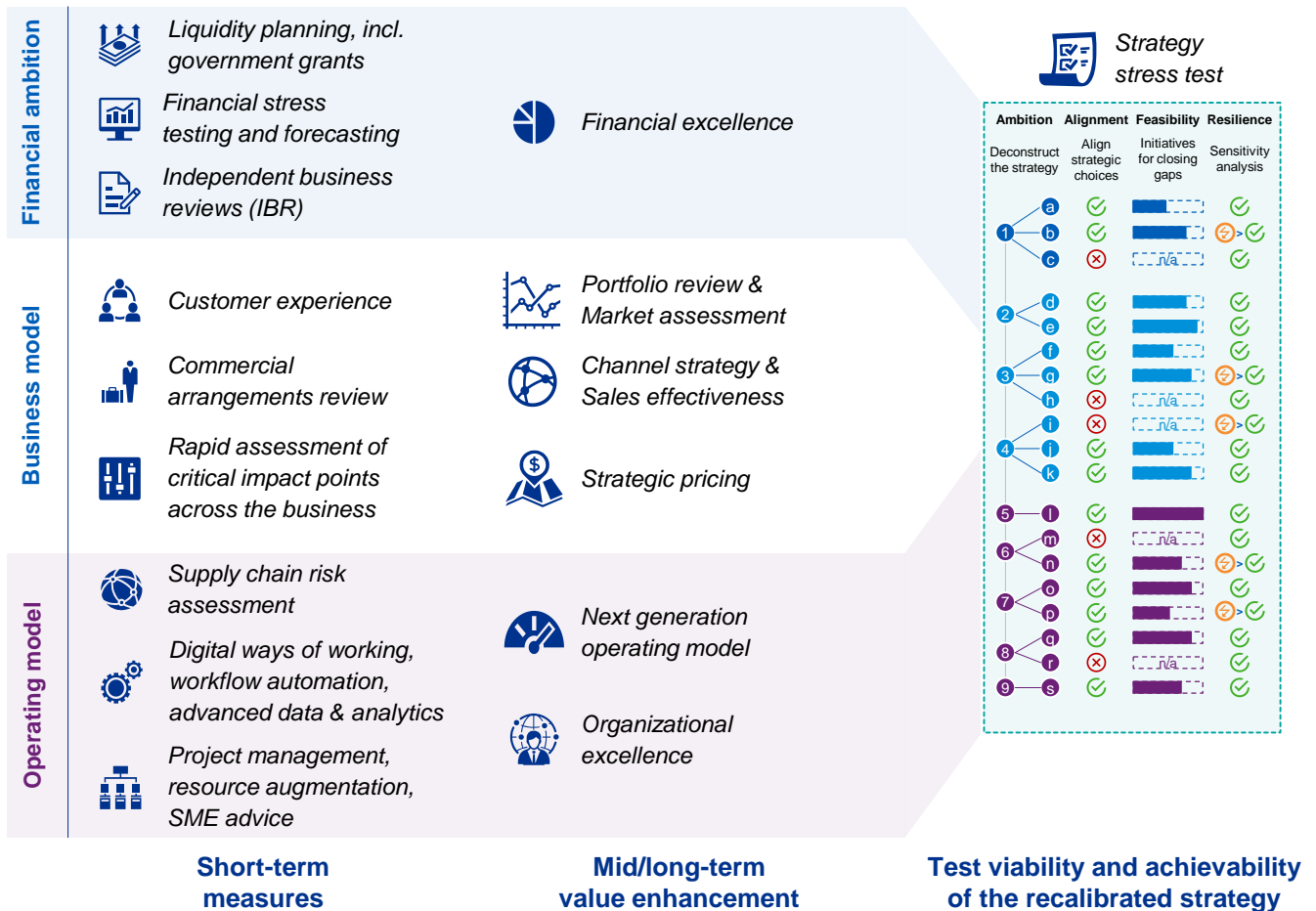
Take appropriate actions to solve immediate challenges like liquidity and disruption to operations

## 2. RECOVER

Manage the business through this phase of uncertainty, while identifying opportunities to maximize value in the new normal environment

## 3. NEW REALITY

Determine whether the implemented initiatives are sufficient, adapt to the new world and achieve enterprise resilience



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