Enterprise Action Strategy
In A Global Economic Crisis

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Webinar, 29 April 2020
Today we will look at short-term data and effects of the Corona Crisis, and on the longer-term implications and strategies

**Goals:**

- Participants understand the short-term and long-term challenges of the current crisis.
- They learn about methods and strategies on how to cope with these challenges in an international context.

**Contents:**
1. Anticipated challenges that result from the crisis
2. Corporate resilience and agile leadership in an international context
3. Agile internationalization strategies
4. Case study “Belimo” (by Sebastian Goh)
Every crisis leaves a legacy

Rapid acceleration of digitalization
- Schools, universities, restaurants, traditional shops and whole societies learn about digitalization the “hard way”.

Re-organization of global supply chains
- Governments and industries rediscover the old economic truth that mission critical business processes should not be subject to outsourcing.

Customer demand
- Example Fashion Industry: 80 % of companies in Europe and North America are in severe financial trouble.
- Also after the crisis the demand is expected to stabilize at a lower level.

Finance management
- Jump-start of cost-reductions.
- The rise of financial resilience, need to conduct stress testing for financials.

Growing importance of corporate resilience and agile leadership
- Good to have these days; however, it cannot be developed over night (we will get back to this).
Crisis-related management issues will mount up both in complexity and impact.

Long-term impact and complexity of the crisis:

- **Epoque 1**: Initial response and economic downturn
- **Epoque 2**: Opening up and bounce back
- **Epoque 3**: "New Normal"

Enterprise Action Strategy  
Prof. Dr. Rolf-Dieter Reineke  
29.04.2020
Epoque 1 is about survival

BCG studied what the best of the global S&P Global 1200 companies did to come out of the Great Recession (2007 to 2009) and found that five factors that stood out, and are relevant today:

- **Act proactively**: Get cash and costs out quickly to protect and create a strong foundation for your organization. Act quickly and gain advantage.

- **Stick to a clear vision**: Even as they looked for new sources of growth, top performers pursued the clear vision that they had before the crisis - a vision that was based on a small number of long-term themes.

- **Increase demand vitality**: Create demand-focused capability and adapt your commercial efforts and your offering to what the customer needs now - and where they currently are at. Step change your online presence and ability to market, sell, and service online.

- **Create supply agility**: Given variability and uncertainty, build agility and adaptation into your supply base and supply chain.

- **Build enterprise resilience**: The top performers knew that they couldn’t avoid future disruptions, so they built organizations not only to withstand future shocks but also to anticipate them, including streamlining core operations and redesigning processes to capitalize on digital capabilities.

**Epoque 2 is about the how and when of returning to business**

When to transition: An effective leading indicator dashboard can help determine timing of recovery (example)

<table>
<thead>
<tr>
<th>Prerequisite</th>
<th>Indicators of recovery: Regions do not need to meet desired thresholds of all indicators to be „ready“</th>
<th>Priority region 1</th>
<th>Priority region 2</th>
<th>Priority region 3</th>
<th>Priority region 4</th>
<th>Priority region 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shelter-in-place</td>
<td>• All shelter- in-place orders have been rescinded</td>
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<td>Health system capacity</td>
<td>• &gt;5 ICU beds per 10,000 adults</td>
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<tr>
<td></td>
<td>• &gt;45 hospitals (Med/Sur) beds per 10,000 adults</td>
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<tr>
<td>Case progression</td>
<td>• Rate of new cases falls below &lt;8%</td>
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<td></td>
<td>• &lt;.02% of the population is currently sick</td>
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<td>Testing and tracing</td>
<td>• Positive tests represent &lt;20% of total tests given</td>
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<td></td>
<td>• Availability of rapid testing</td>
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<td></td>
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<td></td>
<td>• Sophistication of contact tracing infrastructure</td>
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<td></td>
<td>• Progress toward 70% of population immune (via vaccine, recovery, or tested immunity)</td>
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<tr>
<td>Economic Stimulus</td>
<td>• Degree of distribution of government stimulus</td>
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<td>Social distancing</td>
<td>• Traffic congestion returns to within 30% of 2019</td>
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<tr>
<td>Corporate confidence</td>
<td>• Unemployment rate is going down</td>
<td></td>
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<td></td>
<td>• Purchasing Managers Index is over 50</td>
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<tr>
<td>Consumer confidence</td>
<td>• Consumer Confidence Index rises from prior month</td>
<td></td>
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<tr>
<td></td>
<td>• Discretionary credit card increases for two weeks</td>
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<tr>
<td></td>
<td>• Retail foot-traffic returns to within 20% of pre-crisian</td>
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</tbody>
</table>

Epoque 3 is about implementing the resulting strategic changes

Long-term impact and complexity of the crisis

Initial response and economic downturn

Opening up and bounce back

“New Normal”

Epoque 1

Epoque 2

Epoque 3
Epoque 3 is about coping with the strategic changes

China example: COVID-19 changes customer journey for traditional, offline car purchases

<table>
<thead>
<tr>
<th>Observations</th>
<th>Action needed</th>
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</thead>
<tbody>
<tr>
<td><strong>Purchase trigger</strong></td>
<td><strong>1</strong></td>
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<tr>
<td>Customer may be very concerned about getting transportation to help their families avoid public transit.</td>
<td><strong>1</strong></td>
</tr>
<tr>
<td>Deferral of car-purchase decisions because of economic uncertainty</td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Initial consideration</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Uncertain availability of some models because of supply chain disruptions</td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Information gathering</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Much wider usage of online channels as customers avoid dealerships</td>
<td><strong>3</strong></td>
</tr>
<tr>
<td><strong>Purchase experience</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td>Customers want to avoid test drives and purchases at dealerships</td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

Epoque 3 Example – The crisis will speed up existing technology-driven trends to re-organize value chains

Additive Manufacturing – a „Game Changer“ for exporting companies

Source: Switzerland Global Enterprise Industry 4.0 and its impact on internationalization
„Backshoring“ of R&D and production, limited local production needs

- **Decentralized (local) Manufacturing & Service next to the customer:** Minimizes or eliminates transportation costs, customs fees and time delays with micro factories near the customer.

- **3D-Printing technology:** Enables fast production & modification of “Joey” locally, according to the customer requirements.

- **Rent & Lease Model:** Enables all companies to use and test the robot for a chosen period of time at a low price with the benefit to increase their perception and coolness factor.

- **Adapted to customer needs:** Joey can be customized e.g. to other colours, logos/brands, size, language or services.

Source: Jinn-Bot Robotics & Design, Aarau / Switzerland
Epoque 3 Example – New working habits, the case of Switzerland

2016 – the expressed needs of the white collar workforce

- «At least 28% work at home for a half day per week or more.»
- «87% would like to work more at their home office, at least 50 % of the time.»
  (Source: Deloitte (2016), Der Arbeitsplatz der Zukunft. Wie digitale Technologie und Sharing Economy die Schweizer Arbeitswelt verändern.)

April 2020 – a foreshadow of the «New Normal»

- «Most employees would like to carry on with their work at the home office when the Corona Crisis is over. They don’t want to return to the traditional work setting at their place to work in the company.»
  (Source: Study of the Institute of Management, FHNW School of Business, April 2020.)
Five questions will shape the economic outcome of the crisis

Especially high-contact industries will continue to be impacted through the fight-phase

Resilience is a key to cope with crisis – at all levels

- **Organizational Resilience** is defined as “the positive ability of a system or company to adapt itself to the consequences of a catastrophic event.”

- Organizational Resilience is only one piece of the jigsaw, it relies on the resilience of its staff.

Source: Squared Apples, Building Organisational Resilience
Resilience at national level as a pre-requisite

Scenario A1: Muted World Recovery

<table>
<thead>
<tr>
<th>Region</th>
<th>Real GDP drop 2019 Q4–2020 Q2 % change</th>
<th>2020 GDP growth % change</th>
<th>Time to return to pre-crisis Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>- 3.9%</td>
<td>- 2.7%</td>
<td>2021 Q2</td>
</tr>
<tr>
<td>USA</td>
<td>- 10.6%</td>
<td>- 8.4%</td>
<td>2023 Q1</td>
</tr>
<tr>
<td>World</td>
<td>- 6.2%</td>
<td>- 4.7%</td>
<td>2022 Q3</td>
</tr>
<tr>
<td>Eurozone</td>
<td>- 12.2%</td>
<td>- 9.7%</td>
<td>2023 Q3</td>
</tr>
</tbody>
</table>

1. Seasonally adjusted by Oxford Economics.

How do we develop organizational resilience?

- Understand and analyze market trends, threats and risks
- Develop tailored scenarios
- Assess and consider potential opportunities to exploit
- The development of a learning culture
- Risk and incident management with concrete interventions
- Train and implement the skills for agile leadership

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change”.

Charles Darwin

Source: partly adopted from Squared Apples, Building Organisational Resilience

Source Picture: https://www.brainpickings.org/2014/08/28/darwin-anxiety/
Agility as an enabler of corporate resilience

Four areas of intervention

1. **Principles of Agile Leadership** (Servant leadership; coaching as leadership style; leading cross-functional, virtual and self-responsible teams; self-management)

2. **Corporate Culture** (Norms and values based on mindfulness, constructive conflict resolution, delegation, motivation, serving and sharing, positive psychology)

3. **Lean Principles** (Empowerment, Lean Startup, Agile Transformation, Learning Organization)

4. **Agile Internationalization** (Application of Agile Leadership in the internationalization process)
Process of agile internationalization

Market selection
- Analysing suitability of business model for agile internationalisation
- Choice of pioneer countries
- Assessment of cooperation and implementation alternatives

Preparatory steps
- Test of “International Minimum Viable Products” among customers in target regions
- Agile market entry strategy
- Selection of cooperation partner(s) and implementation variant

Market entry
- Setting up agile sales organisations
- Establishing infrastructure
- Implementing strategy
- Recruiting suitable employees
- Active customer involvement
- Success measurement and product adaption

Market expansion
- Continuing development of infrastructure
- Agile expansion into new markets in iterative steps and continual improvements
- Agile market cultivation (agile operations)


„What gets measured that gets done“: Develop your own resilience / agility scorecard, indicating e.g. a healthy balance sheet, level of experience of the leaders to steer businesses through a crisis, time to cope with crisis, training status of employees regarding agility skills
Thank you for your attention!

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Stay safe and healthy!
Walking The Tightrope
Belimo’s strategies to rise above during a global pandemic
HELLO!

I am Sebastian Goh
You can find me at sebastian.goh@belimo.ch
Strategy is not a lengthy action plan. It is the evolution of a central idea through continually changing circumstances

- Jack Welch
Financial Anticipation
Employees
Logistic Planning
Sales & Marketing
Discoveries?
New Beginning
Do Something Now!
before it becomes urgent
THANKS!

Any questions?

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