

Enterprise Action Strategy In A Global Economic Crisis

Prof. Dr. Rolf-Dieter Reineke

Head of MBA Programmes, FHNW School of Business
Project Manager, Swiss Innovation Challenge

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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.

(Source: McKinsey&Company: Corona-Pandemie: Dramatische Auswirkungen für die weltweite Mode-Industrie, Press Release 08 April 2020)

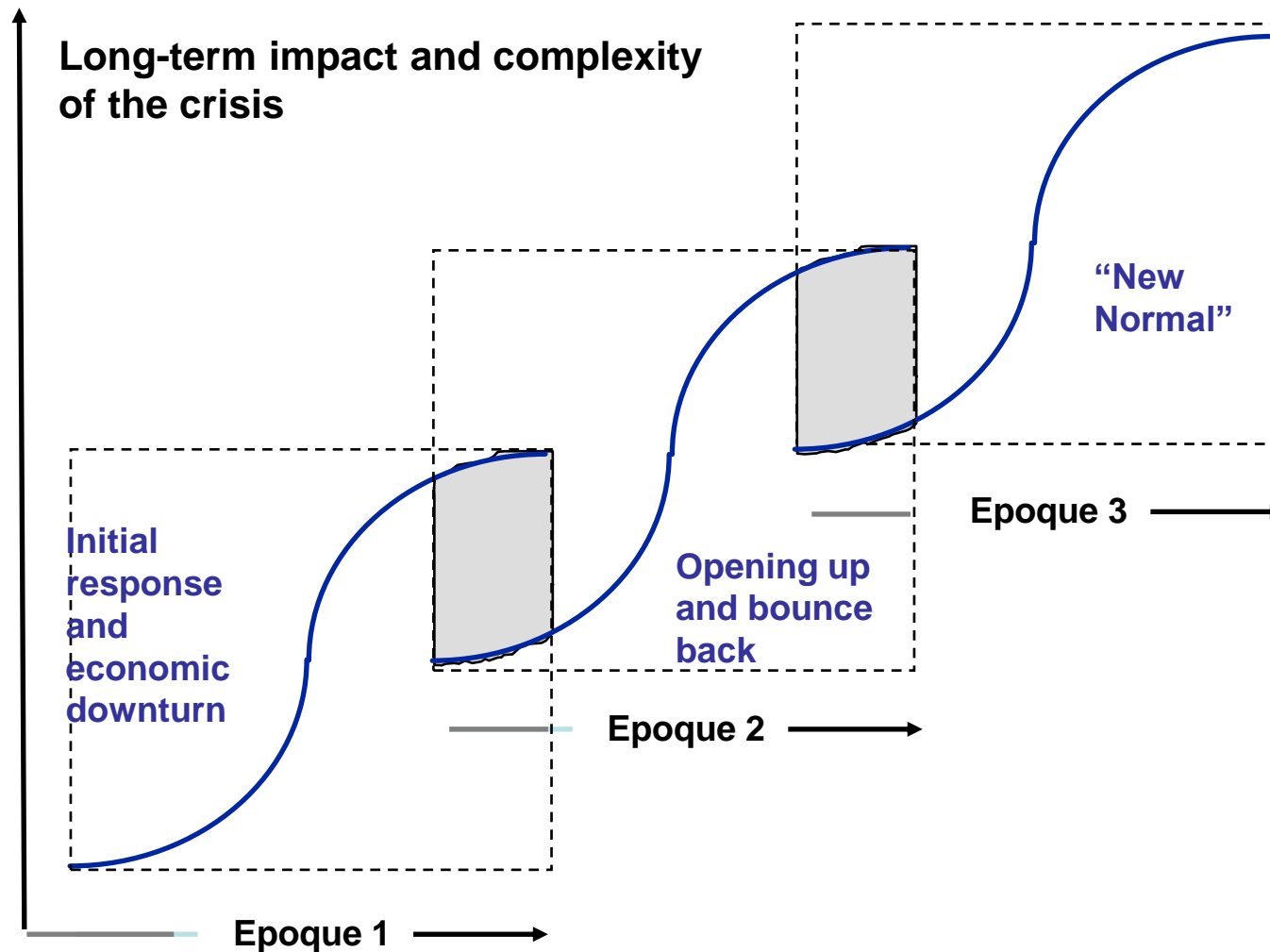
Finance management

- 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



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.

(Source BCG: COVID-19: Win the Fight, Win the Future, published April 16, 2020 by Marin Gjaja, Lars Fæste, Gerry Hansell, and Doug Hohner)

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)

Indicators of recovery: Regions do not need to meet desired thresholds of all indicators to be „ready“

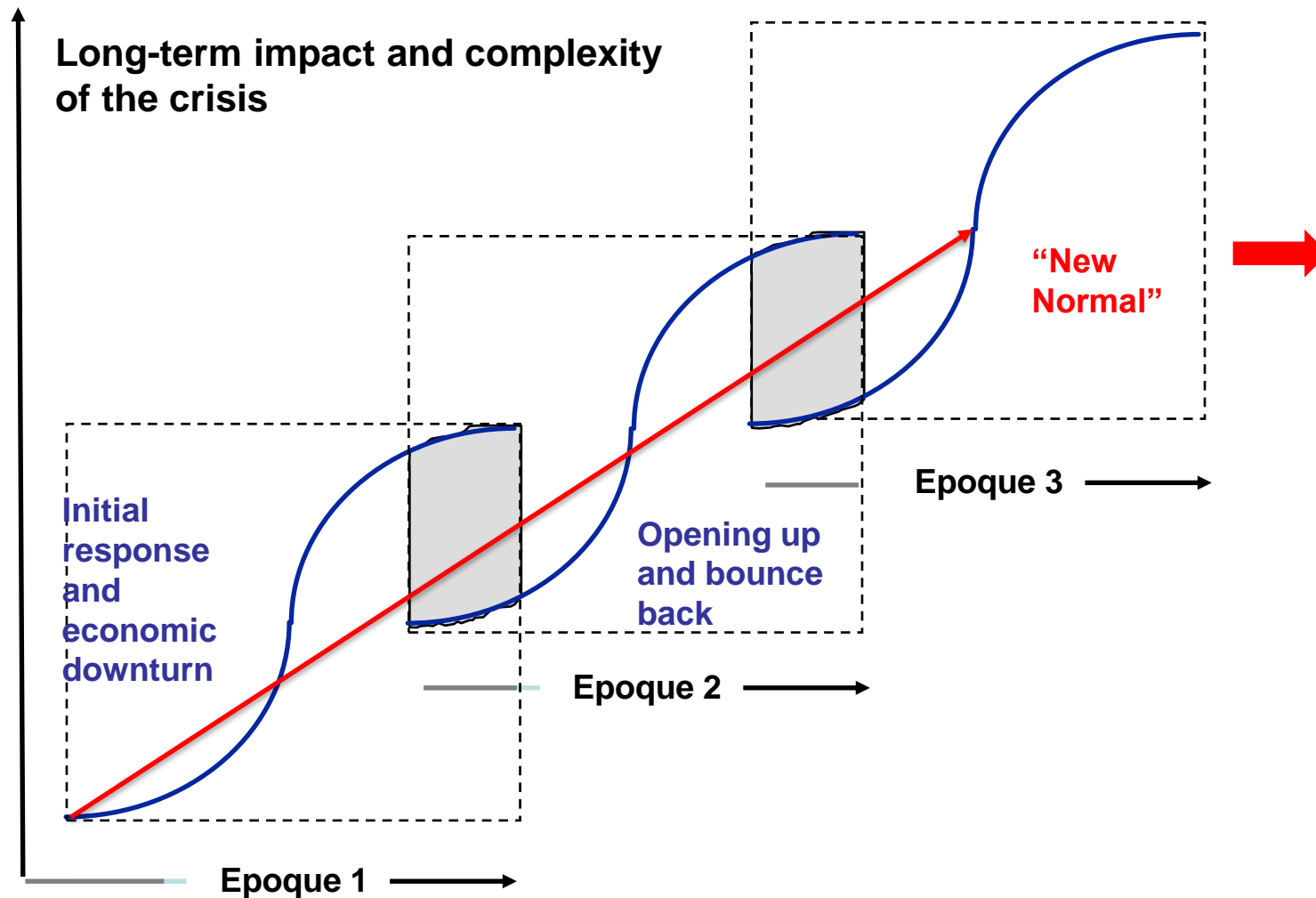
Priority region 1 Priority region 2 Priority region 3 Priority region 4 Priority region 5

Prerequisite	Shelter-in-place	<ul style="list-style-type: none"> All shelter- in-place orders have been rescinded 					
Readiness for return to work	Health system capacity	<ul style="list-style-type: none"> >5 ICU beds per 10,000 adults >45 hospitals (Med/Sur) beds per 10,000 adults 					
	Case progression	<ul style="list-style-type: none"> Rate of new cases falls below <8% <.02% of the population is currently sick 					
	Testing and tracing	<ul style="list-style-type: none"> Positive tests represent <20% of total tests given Availability of rapid testing Sophistication of contact tracing infrastructure Progress toward 70% of population immune (via vaccine, recovery, or tested immunity) 					
Readiness for economic recovery	Economic Stimulus	<ul style="list-style-type: none"> Degree of distribution of government stimulus 					
	Social distancing	<ul style="list-style-type: none"> Traffic congestion returns to within 30% of 2019 					
	Corporate confidence	<ul style="list-style-type: none"> Unemployment rate is going down Purchasing Managers Index is over 50 					
	Consumer confidence	<ul style="list-style-type: none"> Consumer Confidence Index rises from prior month Discretionary credit card increases for two weeks Retail foot-traffic returns to within 20% of pre-crisis 					

 Indicates recovery

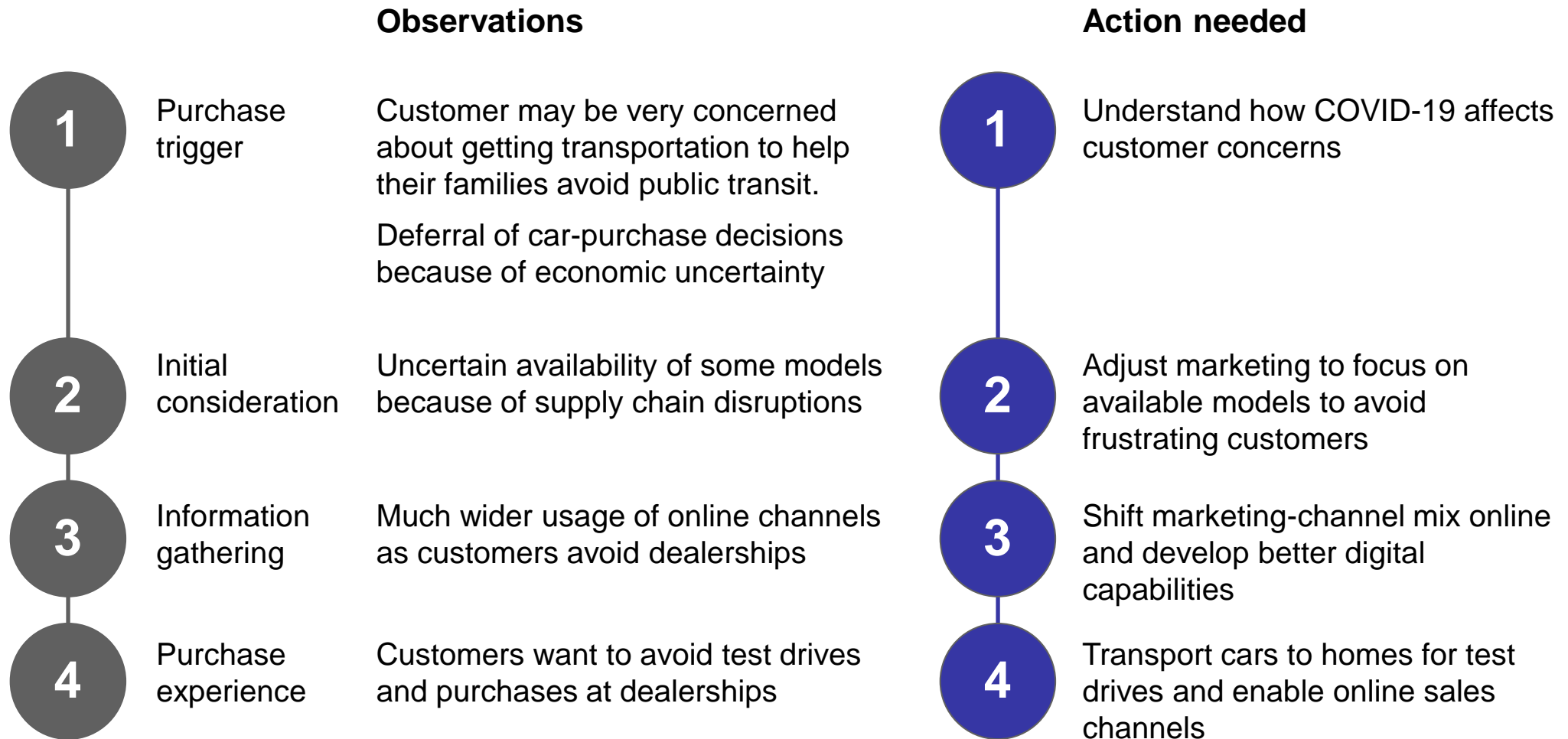
Source: McKinsey, COVID 19 Briefing Material, Global Health and Crisis Response, 13 April 2020, p. 56.

Epoque 3 is about implementing the resulting strategic changes



Epoque 3 is about coping with the strategic changes

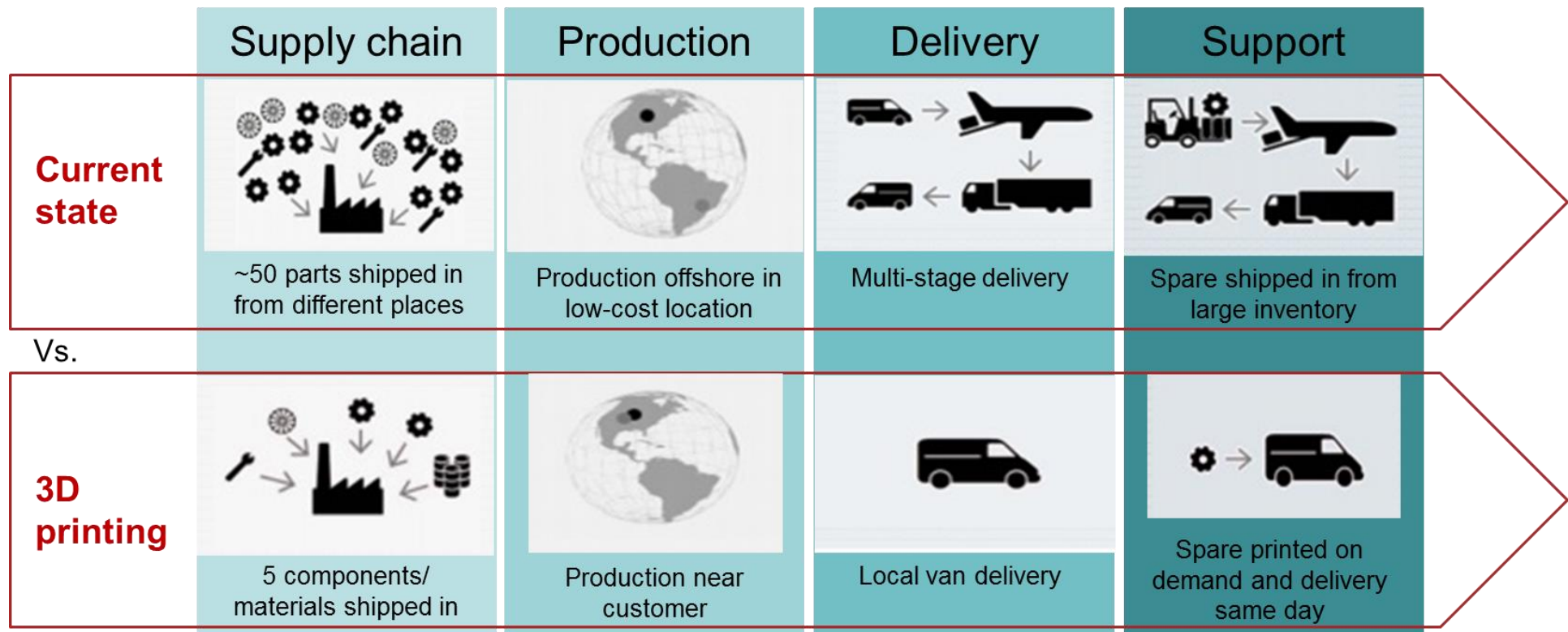
China example: COVID-19 changes customer journey for traditional, offline car purchases



Source: McKinsey&Company: Coronavirus: A response framework for advanced industries companies, by Thomas Baumgartner, Bernd Heid, Jakob Fleischmann, Heike Freund, and Dominik Luczak, March 2020, p. 5.

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.»

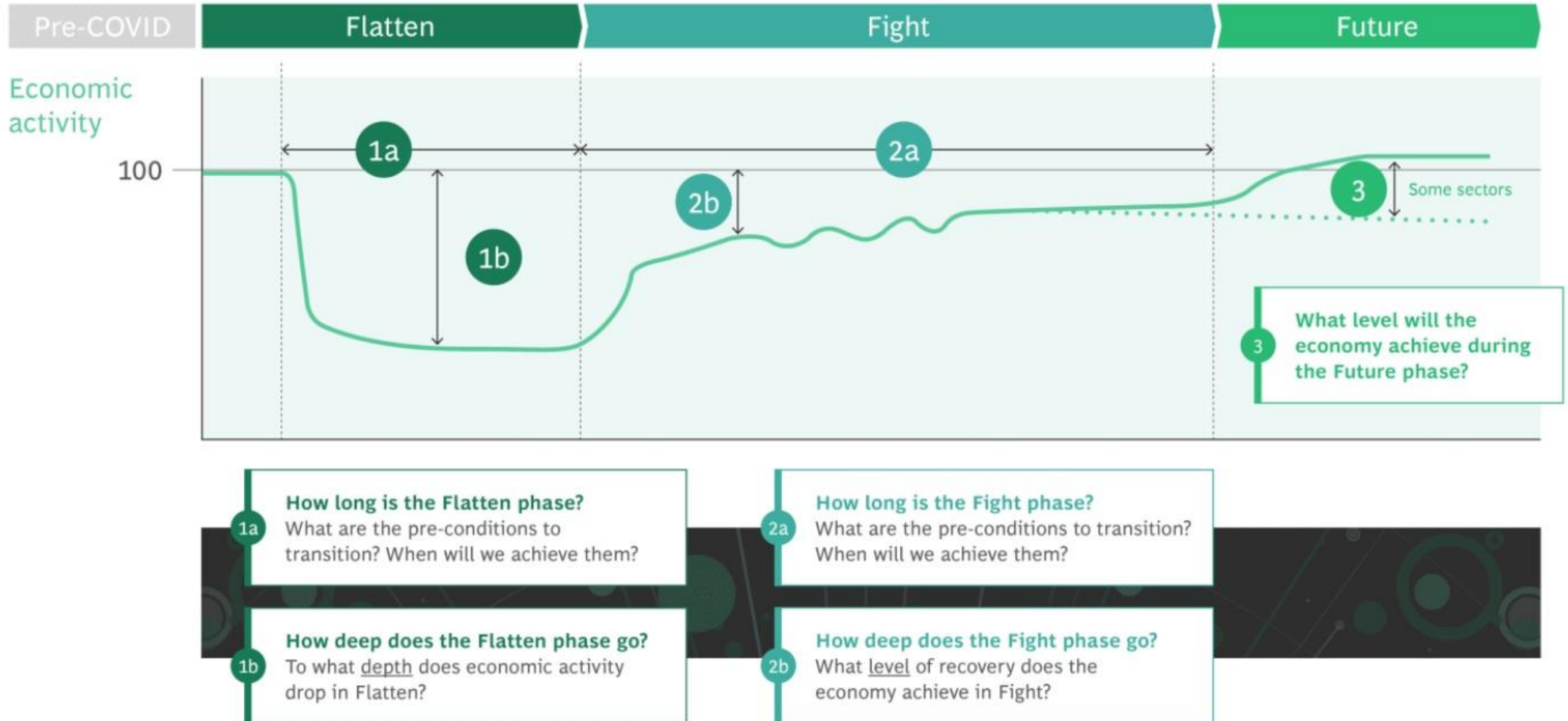
(Source: Deloitte (2016), Der Arbeitsplatz der Zukunft. Wie digitale Technologie und Sharing Economy die Schweizer Arbeitswelt verändern.)

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



Source: BCG analysis.

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

Source BCG: COVID-19: Win the Fight, Win the Future, by Marin Gjaja, Lars Faeste, Gerry Hansell and Doug Hohner, April 16, 2020.

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

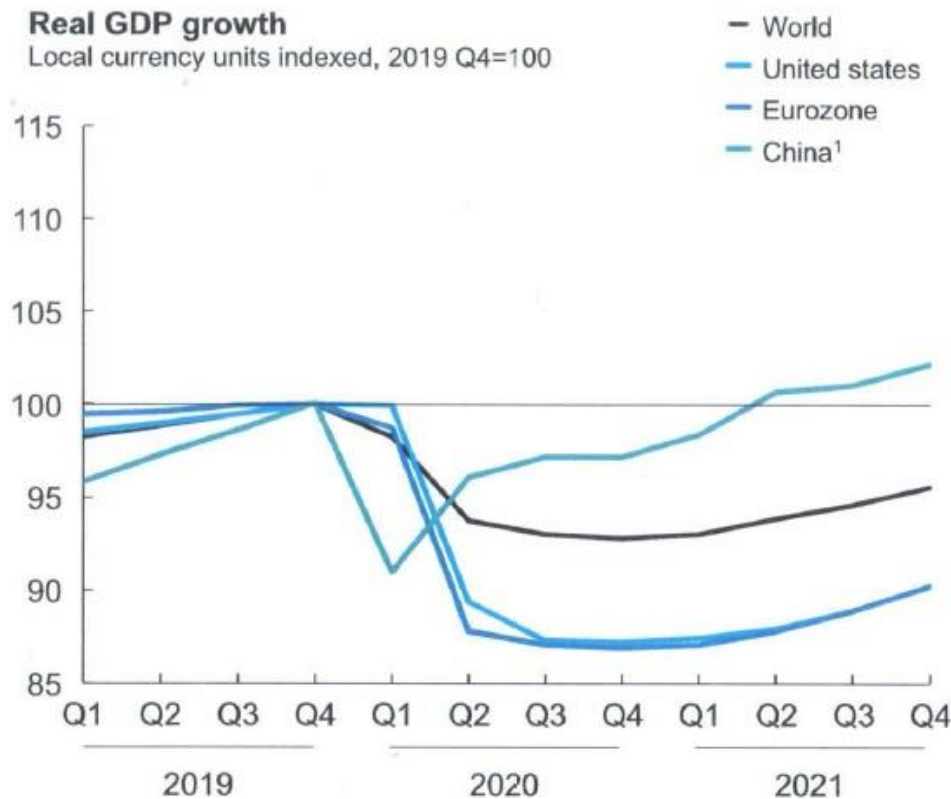
- **Organizational Resilience** is defined as “the positive ability of a system or company to adapt itself to the consequences of a catastrophic event.”
- Organizational Resilience is only one piece of the jigsaw, it relies on the resilience of its staff.



Source: Squared Apples, Building Organisational Resilience

Resilience at national level as a pre-requisite

Scenario A1: Muted World Recovery



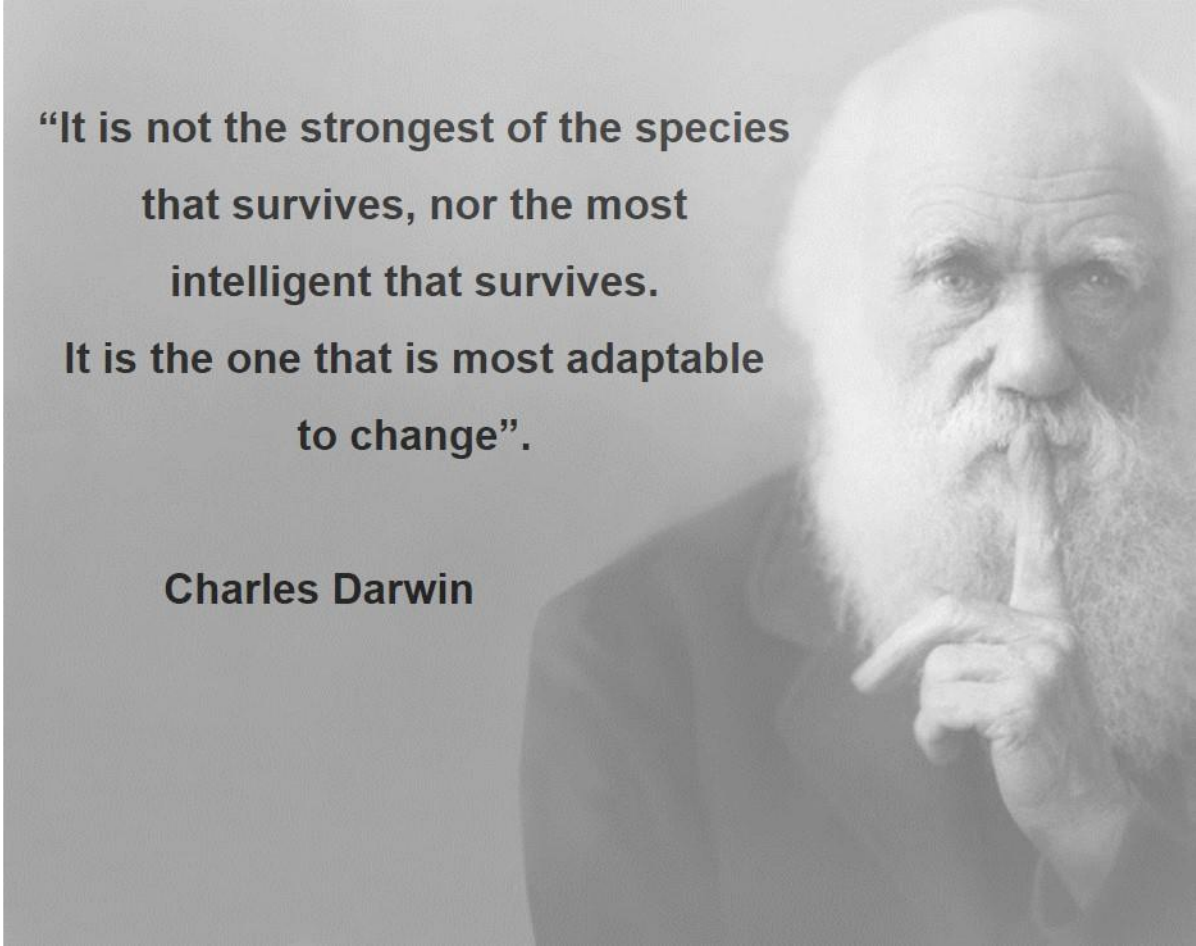
	Real GDP drop 2019 Q4–2020 Q2 % change	2020 GDP growth % change	Time to return to pre-crisis Quarter
China	- 3.9%	- 2.7%	2021 Q2
USA	- 10.6%	- 8.4%	2023 Q1
World	- 6.2%	- 4.7%	2022 Q3
Eurozone	- 12.2%	- 9.7%	2023 Q3

1. Seasonally adjusted by Oxford Economics

Source: McKinsey analysis, in partnership with 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 Picture: <https://www.brainpickings.org/2014/08/28/darwin-anxiety/>

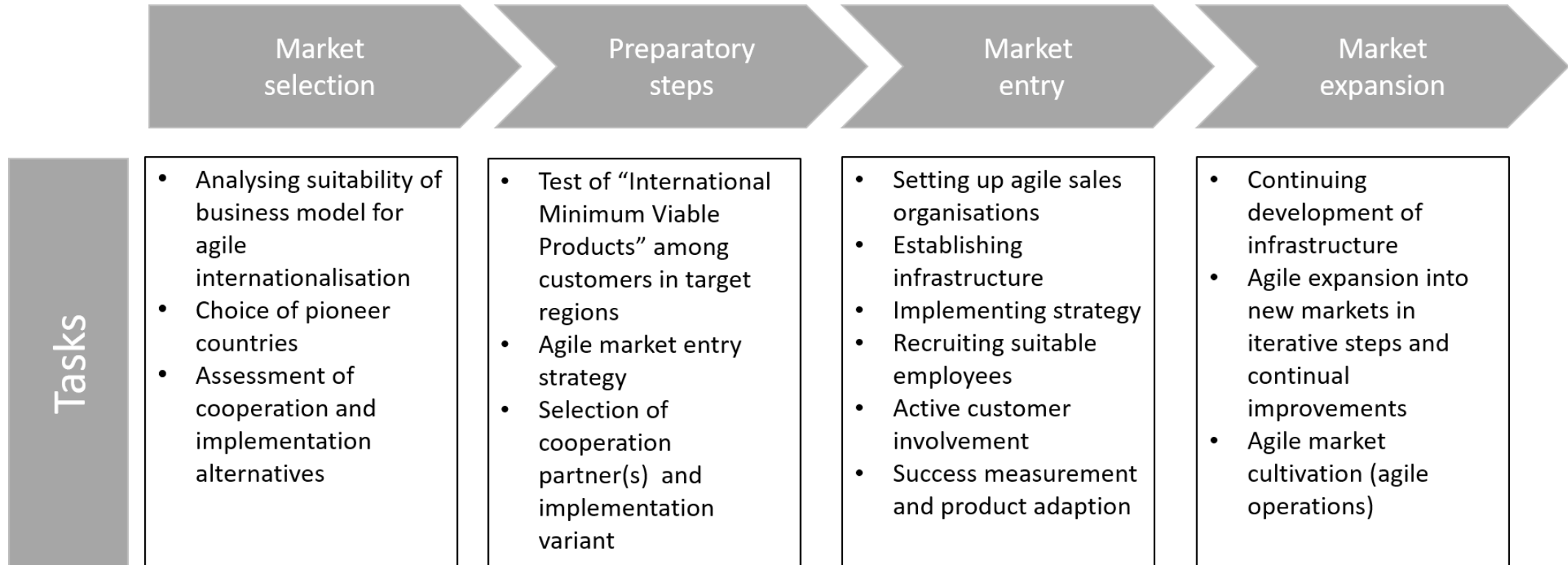
Source: partly adopted from Squared Apples, Building Organisational Resilience

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



Source: Rolf-Dieter Reineke, Andreas Hinz: Agile Internationalisierung, in: Arie Hans Verkuil et. Al. Ed.): Gründung, Innovation, Nachfolge, edition gesowip, Basel 2018

„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 !

Prof. Dr. Rolf-Dieter Reineke

University of Applied Sciences and Arts Northwestern Switzerland FHNW
School of Business
Institute of Management

Prof. Dr. Rolf-Dieter Reineke
Head of MBA Programs School of Business
Project Manager Swiss Innovation Challenge

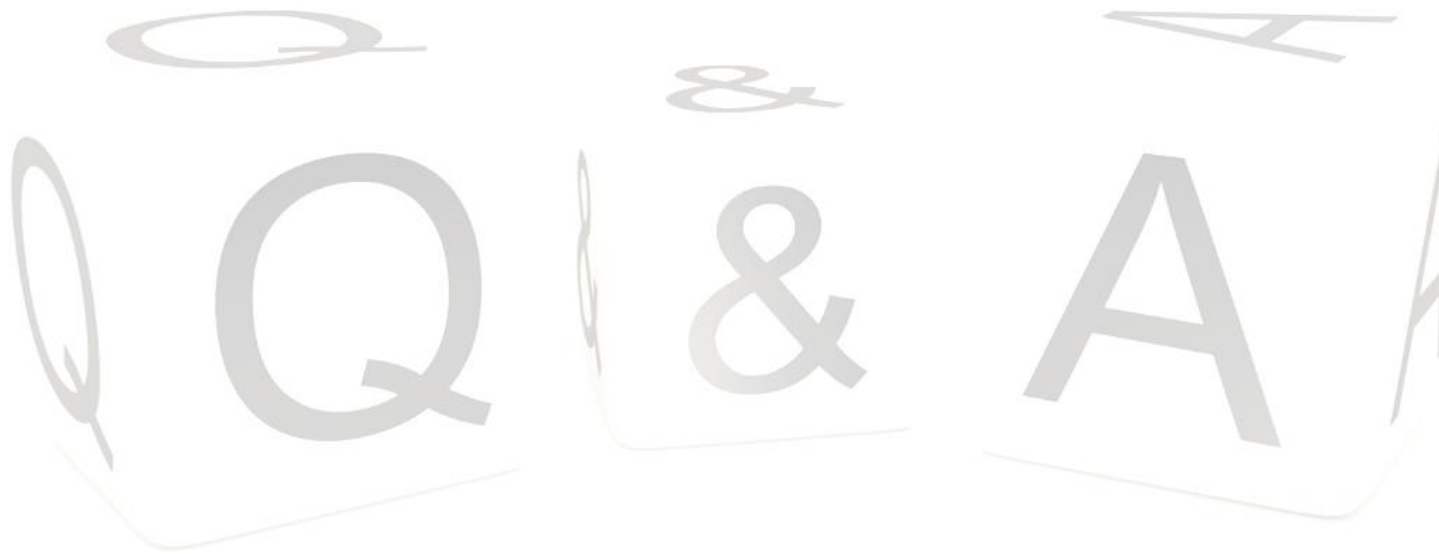
Bahnhofstrasse 6
5210 Windisch / Switzerland

E-Mail: rolfdieter.reineke@fhnw.ch
LinkedIn: <https://www.linkedin.com/in/rolfdieterreineke/>

Websites:

<https://www.fhnw.ch/en/continuing-education/business/swiss-asian-mba>
<https://www.fhnw.ch/en/about-fhnw/swiss-challenge-entrepreneurs-programme/swiss-innovation-challenge>





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?

You can find me at:

- sebastian.goh@belimo.ch