

Strategic Cost Transformation

Grab'n Go session

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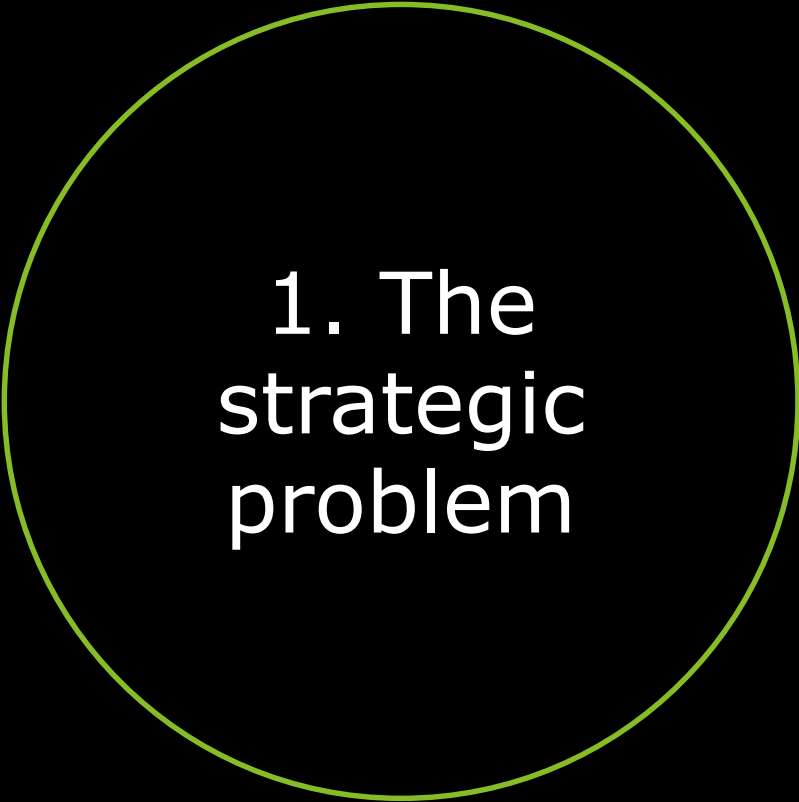
Agenda



1. The strategic problem

2. Driving sustainable margin improvement programmes


3. Downturn preparedness and its impact on performance




1. The
strategic
problem

From Save-to-Grow to Save-to-Transform

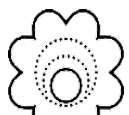
The 2019 Global Cost survey demonstrated a significant shift from a save-to-grow to a save-to-transform mindset, which will be a key driver for avoiding save-to-turnaround



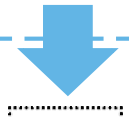
Turnaround
Save to turnaround. Focus on immediate actions to reduce costs, maximize liquidity, bring stability, and capture savings to avoid further deterioration of the organization.



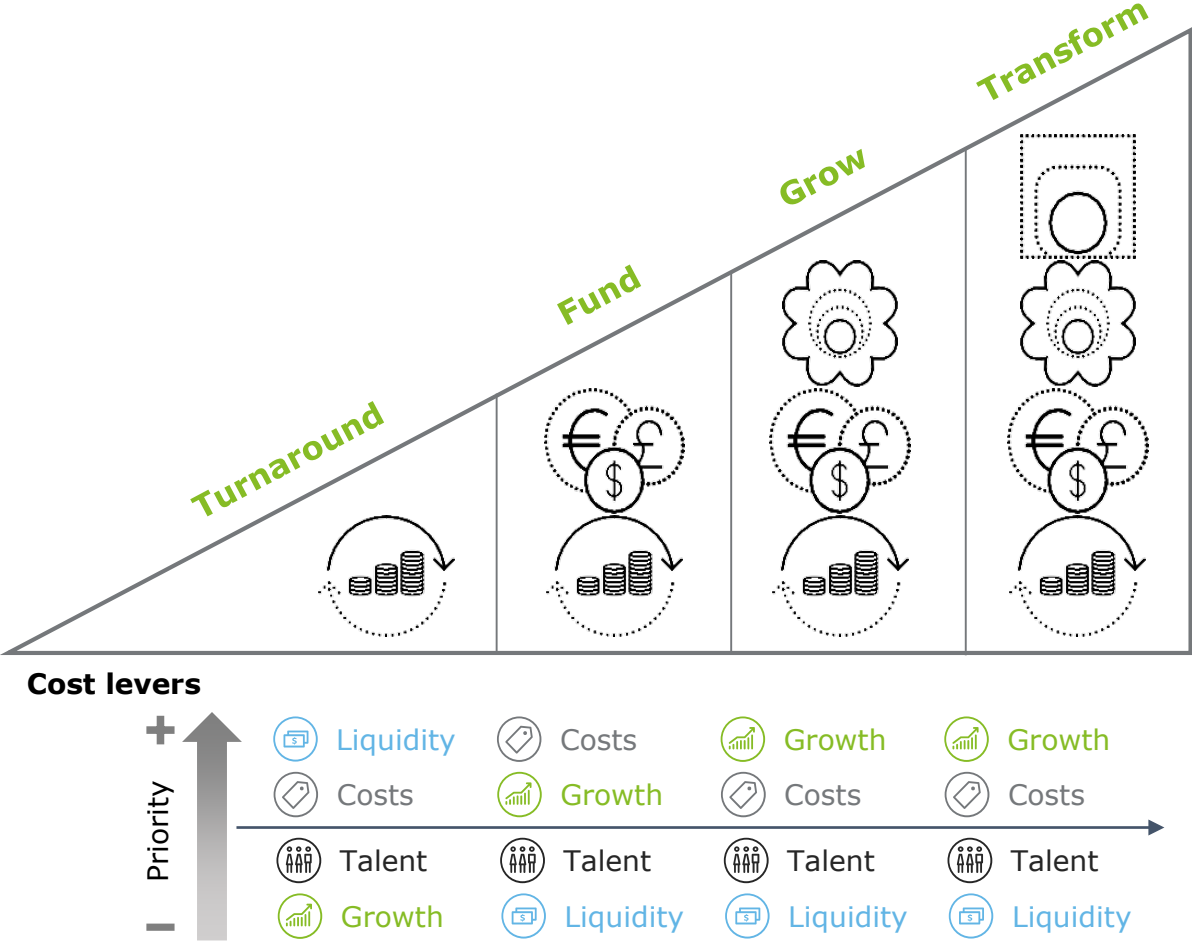
Fund
Save to fund. Focus on actions that help improve cost and competitive position, avert cuts that might inhibit future growth, and rebalance costs to fund investments in business strategy enablers.



Grow
Save to grow. Enable or develop a scalable cost or business platform to fuel growth and investment in core capabilities while supporting a differentiated business strategy.



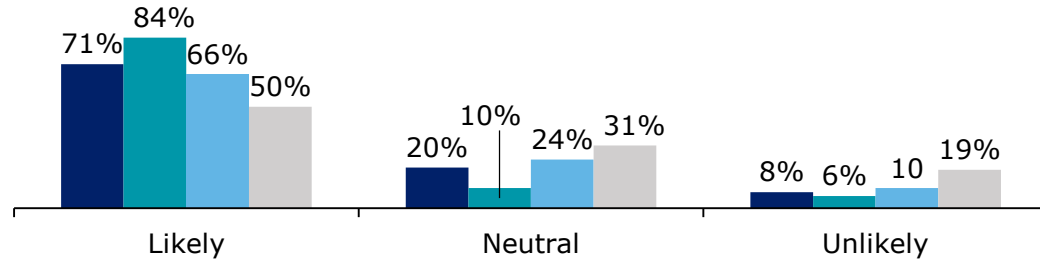
Transform
Save to transform. Improve business operations through application of disruptive cost approaches such as automation and cognitive solutions to enable agile strategies in the business and set the stage to thrive in a fast changing market environment.



Cost reduction ambitions and success rates

Nordic countries are less likely to initiate dedicated cost out programs, but when they do, they tend to be more ambitious, and have very high failure rates (92%)

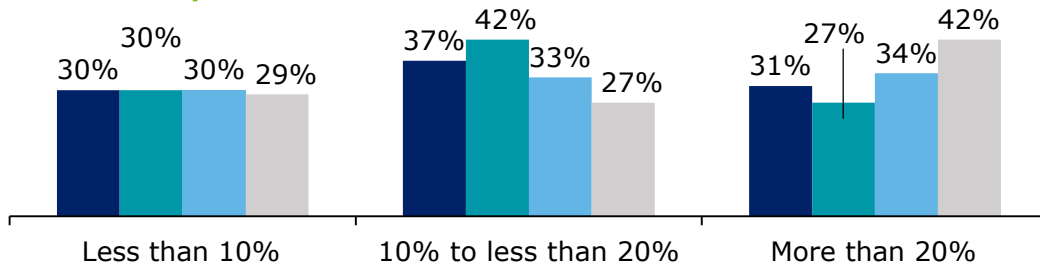
Global reported likelihood of cost program



The Nordic countries have forecasts a **lower likelihood of initiating cost reductions**, yet the numbers are approximately 10% up across the board.

This indicates only partly that Nordic businesses are less ambitious. It means that cost reduction programs are already an embedded part of daily operations, and not necessarily seen as a dedicated program.

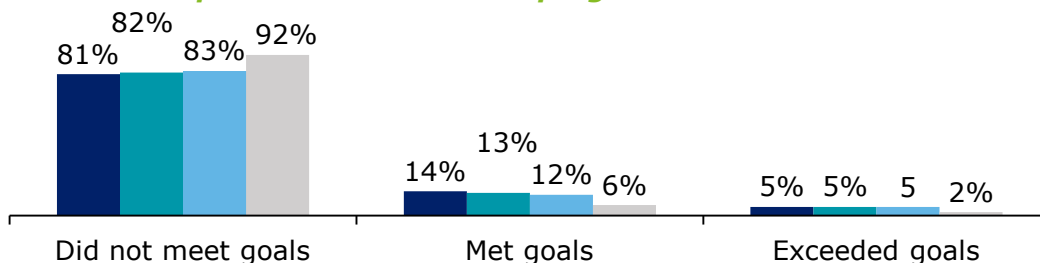
Global report ambition levels



When businesses in the Nordic countries opt for a cost reduction programme, **they tend to be very ambitious**, with 69% aiming for 10%+ targets, and 42% report targets above 20%.

This emphasises that tactical cost reductions are not "projectified". Formal cost projects/programs are only started when targeting potentials that requires pulling structural levers.

Global reported success of cost programs



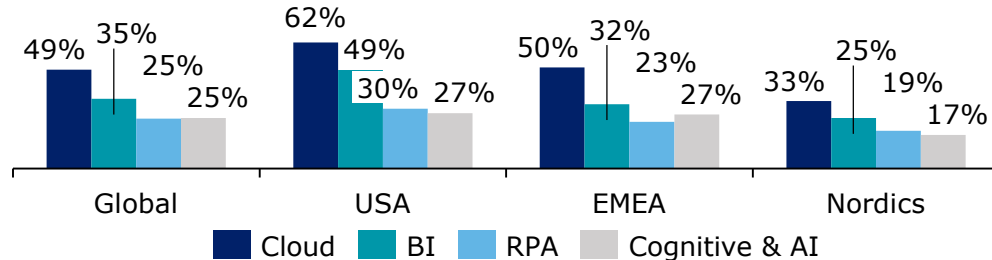
The failure rates for cost programs are remarkably high in the Nordics (92%), compared to comparable regions such as Europe (83%), USA (82%) and global average (81%). **The failure rates have increased dramatically compared to the 2016 survey** with 50% while total European increase is 26%.

Embarking on programs that address structural issues, and increasingly often including complex digital elements, drives up failure rates.

The role of digital enablers in reducing costs

The Nordics are lagging behind EMEA and Global levels, when it comes to the adoption of technologies with the potential to reduce costs

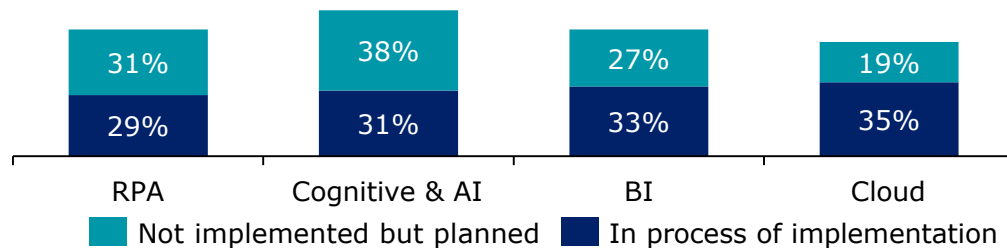
Global reported implementation of technologies (past 24 months)



The Nordics are **behind on adoption of all technologies in scope** which might imply lower engagement and support behind the technology agendas.

This might be a key element of **why Nordic countries are lagging behind the average levels of technology implementation**. However, the survey indicates a trend shift where Nordic companies will be in the forefront of new technology implementations over the next 24 months.

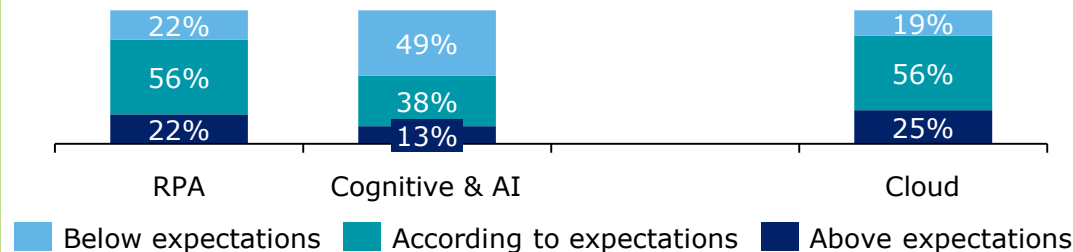
Nordic implementation levels (next 24 months)



Technology implementation levels in the Nordics will increase over the next 24 months.

Despite the numerous advantages, **new technologies are not being applied at scale**. One of the call-outs to the market is to use these technologies at scale as they will have a significant impact on the business on several areas.

Nordic success of outcomes



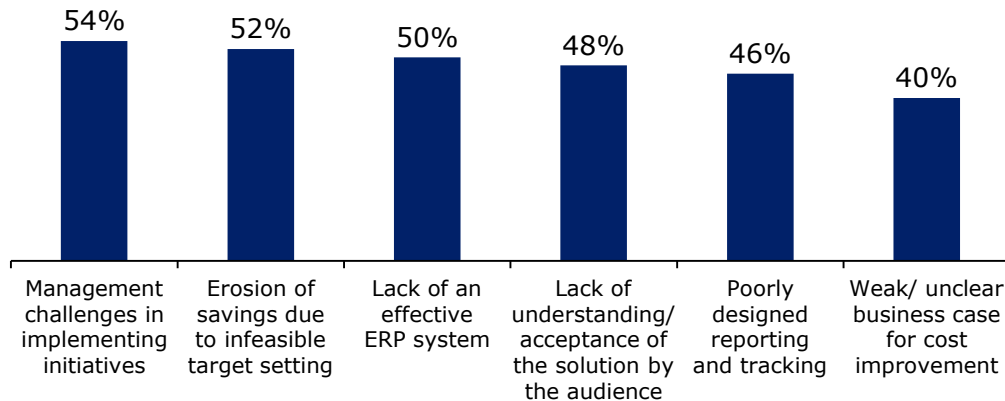
According to the survey at least **50% of the Nordic companies claim their expectations were met or exceeded when implementing the various technologies**. For Europe, at least 70% of companies had their expectations met or exceeded for all technologies.

The Nordic companies report good experiences from implementation RPA, yet still **we experience general tendencies of poor traceable benefit realization**

Barriers to successful cost programs and key lessons learned

Key barriers to success are fragmented, and the majority of lessons learned from cost reduction programs can be tracked back to high resolution transparency

Nordic reported barriers to successful cost programs

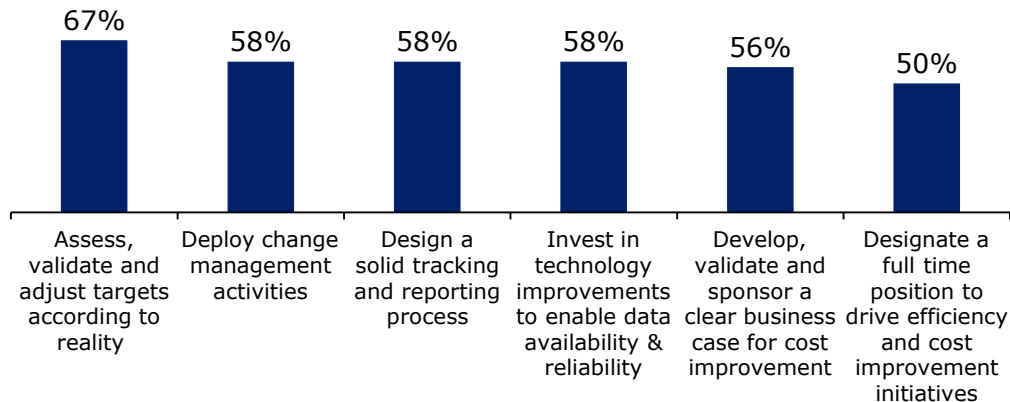


The top barrier to effective cost-management in the Nordics is management challenges in implementation (54%), while other barriers are erosion of savings due to infeasible target setting (52%) and lack of an effective ERP system (50%)

The relatively high targets combined with the experienced barriers with target setting could be part of the reason with high failure rates. Other reasons may be relatively low use of technology for cost-cutting, lower levels of centralization initiatives or less focus on cost-cutting as a strategic priority

Change management and following up on the business case, with solid tracking and reporting are not amongst the very top barriers, but are important to achieve a successful cost program

Nordic reported lessons learned from cost programs



Investing in technology improvements is relatively undervalued as a lesson learned in the Nordics. Comparing to USA, Europe and Global, this is the top lesson learned

Understanding the barriers from the lessons learned is a good first step, but to overcome them means to set and implement actions according to the lessons learned. Many of these barriers are key considerations according to best practice

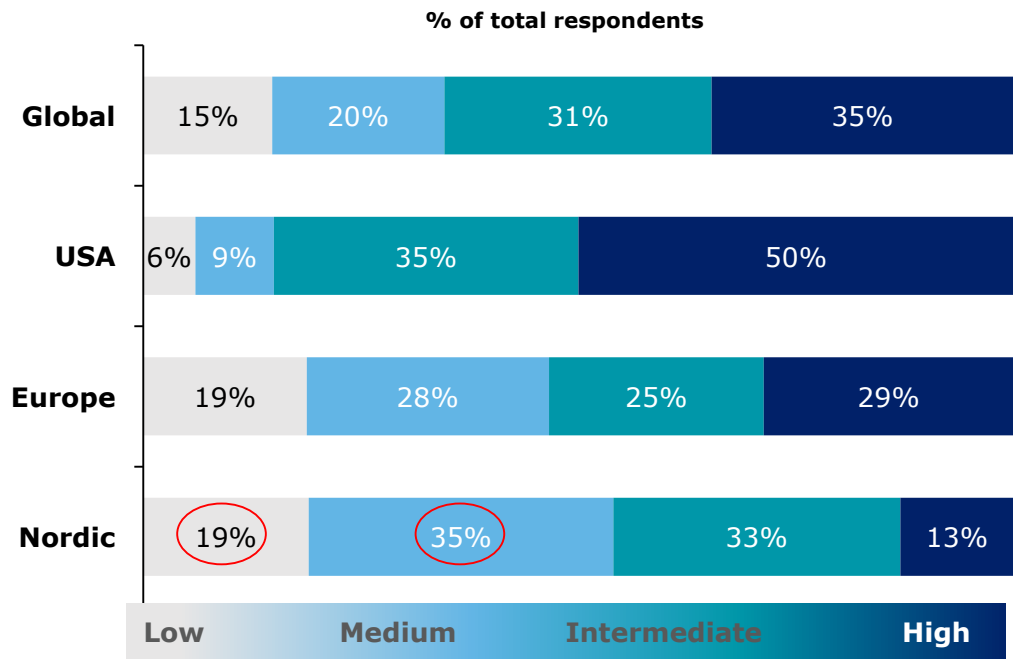
Detailed preparation and learn fast

Although many of these lessons learned can be adapted from start, they also indicate the importance of the 'learn fast' mantra. To learn fast throughout the cost program requires the ability to track and understand changes

The role and maturity of cost management

Based on lessons learned, improving cost management maturity should be high on the agenda, if the poor track record of reaching targets is to be broken

Global reported cost management maturity levels



Few or no formal cost policies or procedures are employed or documented, or they are significantly fragmented

Cost policies and procedures are continually reviewed and examined to ensure best practices around efficiency and cost-management

According to survey responses, **cost-management tends to be less mature in the Nordics**, which is under the European average.

Nordic companies have a potential for improvement in cost-management as they **report 37 percentage points less than USA (50%)** in cost-management maturity level among the ones who reported high level.

Nordic management style is more **non-hierarchical and inclined to decentralize governance compared to global average**, which provides a limited overview of the business to be able to drive cost-management, contrary to U.S. companies.

To achieve sustainable cost savings and making it stick, it is **key to blend the classic cost management program with the day to day practices**, avoiding that programs run in isolation from the daily business.



2. Driving
sustainable
margin
improvement
programmes

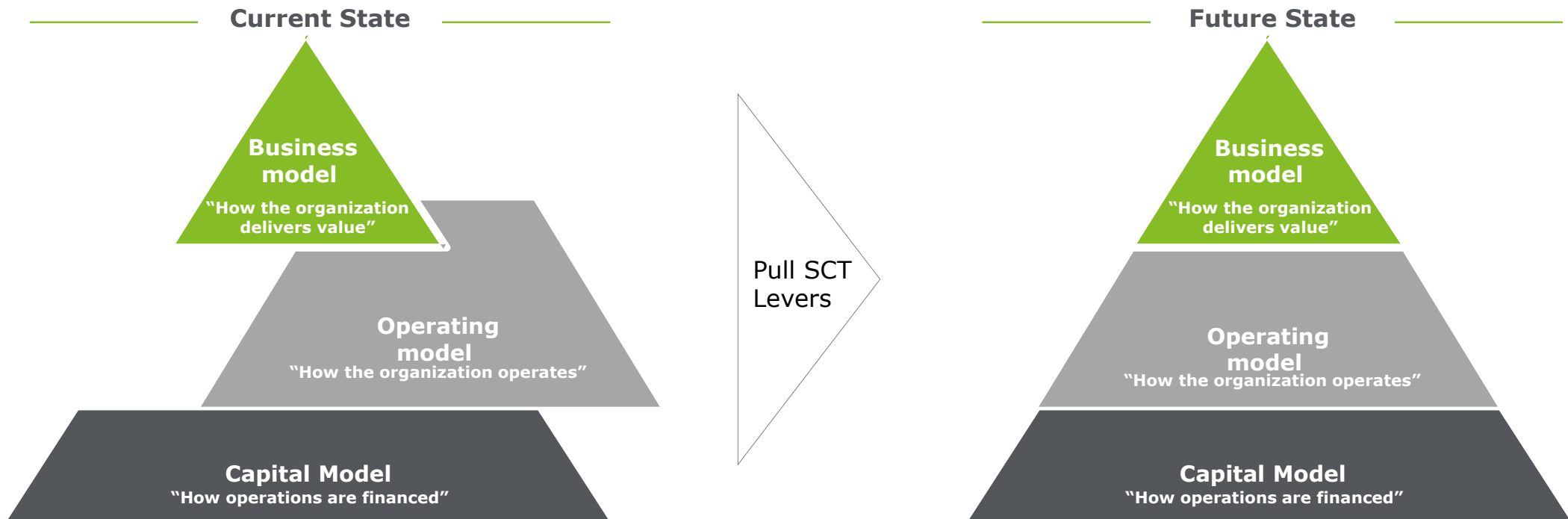
What Strategic Cost Transformation is and is not

SCT is focused on structural changes that position organizations for future growth, while improving cost performance and scalability

	SCT is...	SCT is not ...
Focus	Focused on leading with asset and organizational changes followed by process changes	Focused on continuous improvement which is lead by process (Lean Six Sigma, etc.)
Scope	Enterprise-wide programmatic scope for cross-functional transformation	Limited in scope to achieving quick cost reduction or incremental gains (e.g., shared services assessment, sourcing & procurement, organizational streamlining)
Nature of Solution	Structural solutions to enable growth and cost scalability in addition to overall competitiveness	A point-solutions approach for specific cost issues
Specificity to Business Challenge	Tailored for specific business challenges based on the type of organization and its competitive position	A generic one-size-fits-all offering developed to be applied to all organizations
Results	Results-oriented with the singular implication of providing tangible and measurable improvements	Restricted to identification of opportunities for cost reduction

The end goal of SCT

Following an SCT engagement the organization should be better aligned, better positioned, and ultimately higher performing



Typical Results from this Transition



- Increase probability of achieving organizational strategy
- Improve flow of resources to areas of strategic importance
- Achieve greater alignment of business functions



- Reduce level of cost inefficiencies
- Minimize effects of organizational weaknesses
- Decrease amount of effort dedicated to non-strategic activities

The development of cost reduction programmes

Successful Cost Programs now combine traditional levers with Next Generation operating models and digital technologies

Traditional Spend Reduction Levers (until 2008)



Maximizing Traditional Cost Levers

Continuous emphasis on operating model, business process and org efficiencies

Summary: Cost levers span four categories:

- Organization Simplification
- Business Process Optimization
- Infrastructure Rationalization
- Outsourcing/Managed Services



Traditional External Spend Reduction Levers

Identify opportunities to reduce overall non-labour spend and improve compliance

Summary: Continue to assess the following:

- Demand Mgmt – *Do we need the spend?*
- Compliance – *Is spend within policy?*
- Sourcing – *Negotiate better terms?*
- Cost Ownership – *Who should be responsible?*



Next Generation Operating Model (2008 – 2017)



Evolving Responsibility Models

Optimizing split of accountability between Corporate and Business Unit

Summary: Better and more efficiently align reporting, responsibility & accountability for key activities:

- Corporate/Regional/Local
- Differentiated Service Levels



Service Delivery Models 2.0

Continuing to drive operating model innovation

Summary: Increase operating model

- Commercial Market hubs
- Footprint rationalization (i.e., Regional operating models, HQ location changes)
- Virtual workforce



Digital Optimization (2017+)



Analytics as an Efficiency Solution

Leveraging analytics for real-time insights, issue and exception management

Summary: Visualization tools coupled with operating model advancement provide robust analytics while reducing key turnaround times:

- Exception management, error prevention
- Trending and variance analysis
- Risk identification



Automation

Disrupting business processes utilizing Robotic Process Automation & Cognitive

Summary: RPA and Cognitive automation:

- RPA: *behave like a person*; rule-based, front-end, multi-systems, structured
- Cognitive: *think like a person*; self-learning ability, algorithm-base, SME



Typical problem statements

Several archetypical problem statements tend to cover the essential objectives of the majority of SCT programs

Save-to-Fund

General

Rebalance costs **to fund investments** in business strategy enablers or avert cuts that might inhibit future growth

Save-to-Grow

Establish a **scalable cost platform to fuel growth** and enhance investment in core capabilities

Save-to-Transform

Disruptive **automation / cognitive solutions** to enable **agile business strategies**

General project types: Digital transformation, service delivery transformation, capability redesign, growth strategy, scaled cognitive & automation (RPA, NLG) programs

(Pre)Distress Restructuring

M&A

Rapid cost take-out situations for companies generally facing liquidity, working capital and bankruptcy pressure

Transact-to-Transform: Day 1 and Day 2 Transformation

Business and operating model **transformation, synergy identification and capture** and other related cost **optimization** work

Transact-to-Transform: Stranded Cost Reduction

Business and operating model **transformation, dis-synergy mitigation, stranded cost elimination,** and other related cost **optimization** work

M&A project types: Working capital optimization, PE portfolio optimization, legal entity restructuring, synergy capture, stranded cost assessment







Holistic solutions to holistic problems

Narrow-focused cost out programmes have a tendency of generating whack-a-mole effect: in isolation, costs are reduced, but they tend to pop up in new places



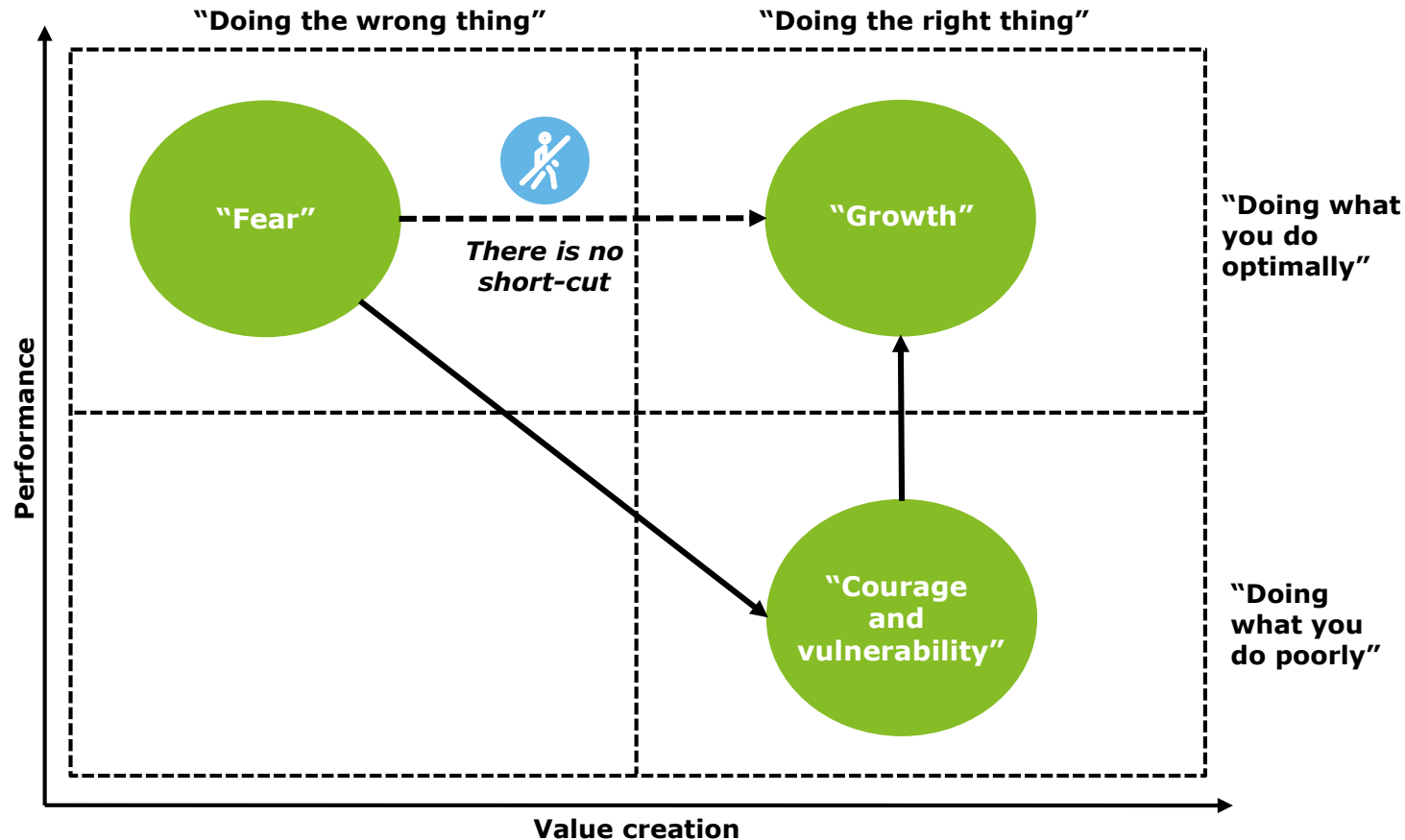
Six key levers

Our experience shows that six levers are central to addressing the cost base in a holistic manner. Their relevance, timing of change etc. vary, but must all be considered

Strategic, structural transformation	Lever	Description
↑ ↓ Tactical improvement	 Operating Governance	Transitioning to the optimal governance model that aligns with the organization's overall business model and achieves maximum resource efficiency across all functions
	 Service Delivery Model	Clearly defining and optimizing what work is performed, where, with how many resources and at what cost, resulting in optimal re-alignment of functional staff
	 Business Process Optimisation	Simplifying, standardising, re-engineering and automating end-to-end processes (e.g., order-to-cash, procure-to-pay) across business units and geographies (including enabling technologies)
	 Organization Design	Aligning the organizational structure with overall business and operating models; defining required functional capabilities and roles / responsibilities and reducing layers and broadening spans of control
	 External Spend Management	Aggressively sourcing and managing indirect external spend; applying deep category-specific insights to develop the right program to manage each major spend category
	 Demand Management	Reducing level of effort through elimination of work (i.e., rationalizing management reports, standardising master data, harmonizing policies)

SCT requires courage

Holistic strategic cost reduction programmes requires the courage to pull structural levers and look declining performance in the eyes during implementation











- Many businesses fall prey to a spiral of sub-optimization to sustain margins.
- This is particularly evident in growth businesses, as structural changes, such as service delivery model redesigns, are seen as diluting the (growth) focus.
- Over time, this complicates the journey of establishing a scalable platform even further.
- A key driver behind such sub-optimization spirals is that true optimization often requires accepting bumpy periods with investments and poorer performance.
- Eventually, such a spiral culminates either when the well of sub-optimization runs dry, or when a pivotal change, such as ownership changes, happens.



Deep dive:
The 6 levers

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	Tactical improvement 	 Demand Management



Operating governance

Operating model choices are typically indicative of a continuum of integration. Many do not make an explicit choice, and eventually “accidentally fall” on a hybrid option

Operating model	Holding company	Strategic guidance	Strategic control	Integrated operating company
Operating structure				
Exec. leadership strategic role	<ul style="list-style-type: none"> • Sets and monitors financial targets and defines fundamental objectives 	<ul style="list-style-type: none"> • Coordinates business strategies, sets and monitors financial / business objectives 	<ul style="list-style-type: none"> • Participates in development of business strategies and their implementation 	<ul style="list-style-type: none"> • Develops plans, policies, and guidelines, and monitors operations
Exec. leadership decision role	<ul style="list-style-type: none"> • Delegates operating decisions 	<ul style="list-style-type: none"> • Provides input into some decisions 	<ul style="list-style-type: none"> • Participates in all major operating decisions 	<ul style="list-style-type: none"> • Makes major operating decisions
Operational model	<ul style="list-style-type: none"> • Stand-alone business units 	<ul style="list-style-type: none"> • General management team 	<ul style="list-style-type: none"> • General management team 	<ul style="list-style-type: none"> • Operating units
SG&A model	<ul style="list-style-type: none"> • Central services typically not provided 	<ul style="list-style-type: none"> • Some central services provided on as-needed basis 	<ul style="list-style-type: none"> • Significant portion of services provided centrally 	<ul style="list-style-type: none"> • Vast majority of services provided centrally

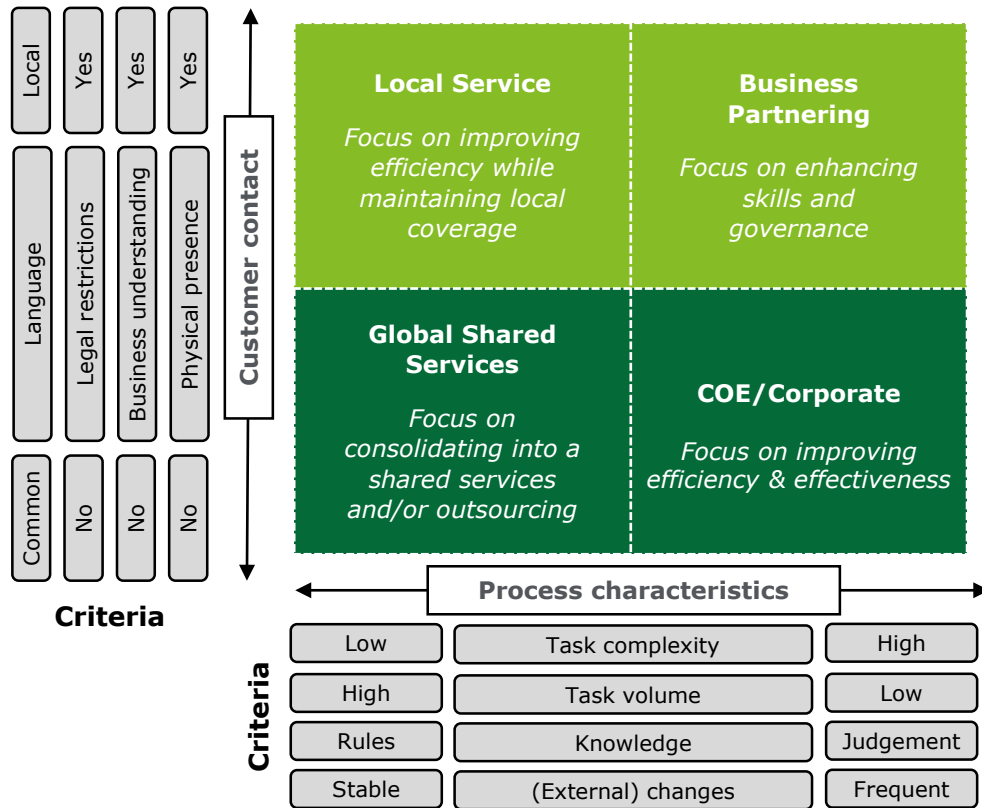
Operating model choices influence the ability of an organization to accomplish significant step-function changes to the cost structure



Service Delivery Model

Re-evaluating the service delivery model and defining the optimal allocation of tasks across local, regional and global functions can often deliver significant cost reduction

Service delivery model framework



Customer contact: This is the relationship to the customers (internal and external) and the level of interaction with them also considering the need for physical presence.

- Local presence
- Central

Service delivery model definitions

	Roles	Criteria
Corporate	Set direction	<ul style="list-style-type: none"> Complex and high-value adding activities Highly skilled employees Global activities
Center of excellence	Build expertise	<ul style="list-style-type: none"> Complex and high-value adding activities, which requires highly skilled employees. Global activities
Business partnering	Growth and profit	<ul style="list-style-type: none"> Complex and value adding activities Close to the business and understands the business
Local service	Support	<ul style="list-style-type: none"> Activities requiring local presence and/or language Local activities
Local/regional shared services	Support	<ul style="list-style-type: none"> Activities requiring local presence and/or language
Global shared services	Support	<ul style="list-style-type: none"> High-volume, documented and standardized activities Service provided in English Global activities
Outsourcing	Deliver services	<ul style="list-style-type: none"> Same as Shared Service for cost, Centre of Excellence for competences and local for presence/language Not core to the business

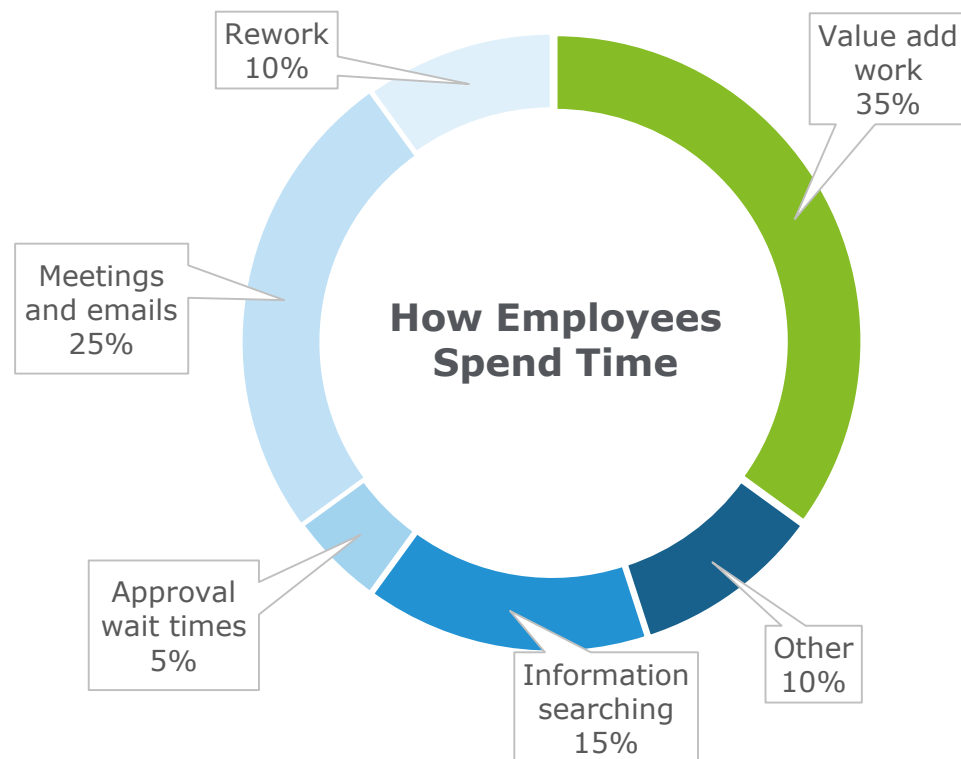


Process optimization

A key component for optimizing processes inefficiencies lie in the general environment and across business units through process mapping and activity analysis

Diagnosing the non-value add activities

The general administrative environment contains many complexities that increase the non-value add work accomplished. An SCT diagnosis look at ways of reducing this non-value add work



Common types of waste

Excessive motion	<ul style="list-style-type: none"> Chasing approvals Searching for information
Waiting	<ul style="list-style-type: none"> Waiting on approvals Meetings and conference calls
Over-engineering	<ul style="list-style-type: none"> Poorly defined or communicated requirements Lack of clear work activities
Processing time	<ul style="list-style-type: none"> Inefficient or manual processes Processing information from non-standard sources
Defects	<ul style="list-style-type: none"> Rework Failing to meet customer needs
Excessive resources	<ul style="list-style-type: none"> Poor resource levelling to meet demand Minimal understanding of where bottlenecks lie Redundant activities Mismatched capabilities to tasks
Handoffs	<ul style="list-style-type: none"> Surplus approvals Unnecessary management oversight Verification loops Excess middlemen misinterpretation
Deadwaste	<ul style="list-style-type: none"> Activities that incur costs in time or materials but add no benefit



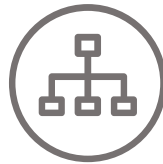
Organizational design

There are four key dimensions to consider in an organization design diagnostic

Spans of Control

Spans of control considers the ratio of direct reports to each manager and the total number of structural layers in the organization.

We evaluate each business unit in order to improve the way an organization delegates tasks to specific functions, processes and teams, and to identify efficiency and effectiveness gains.



Workforce Composition

Workforce composition investigates the total workforce in regards to gender, age, tenure and employee types.



Salary Analysis

The salary analysis looks at average salaries between organizational units, gender pay differences and salaries that are out of band.



Duplication

Duplication analysis looks at the opportunities to reduce the same activities being conducted in different parts of the organization.





Spend management

Strategic spend management provides the levers to address out of pocket expenses; we intend to first focus on challenging cost owners on why the spend is required

— Demand Mgmt. —

Supply Management

- Process & Controls -



Reduce Demand

- Reduce total consumption
- Pursue product standardization
- Improve demand planning / forecasting



Increase (%) Spend Under Management

- Establish enterprise-wide spend visibility
- Leverage company-wide spend via competitive bids
- Define standards and specs
- Identify and address rogue spend



Reduce % Price/Rate Discount

- Enable effective total cost sourcing
- Reduce unit costs / contract rates
- Improve business terms



Increase Contract Compliance

- Audit of existing prices paid Vs expected
- Maximize volume incentives / rebates
- Adopt governance tracking tools to drive accountability



Reduce Process/Org Controls

- Collaborate with suppliers and internal stakeholders
- Pursue working capital efficiencies
- Comply with labor, regulatory, Tax, and environmental requirements



Strategic Spend Management Value

- ✓ **Cost Savings**
- ✓ **Quality / Service**
- ✓ **Speed-to-Market**
- ✓ **Innovation**
- ✓ **Sustainability Objectives**

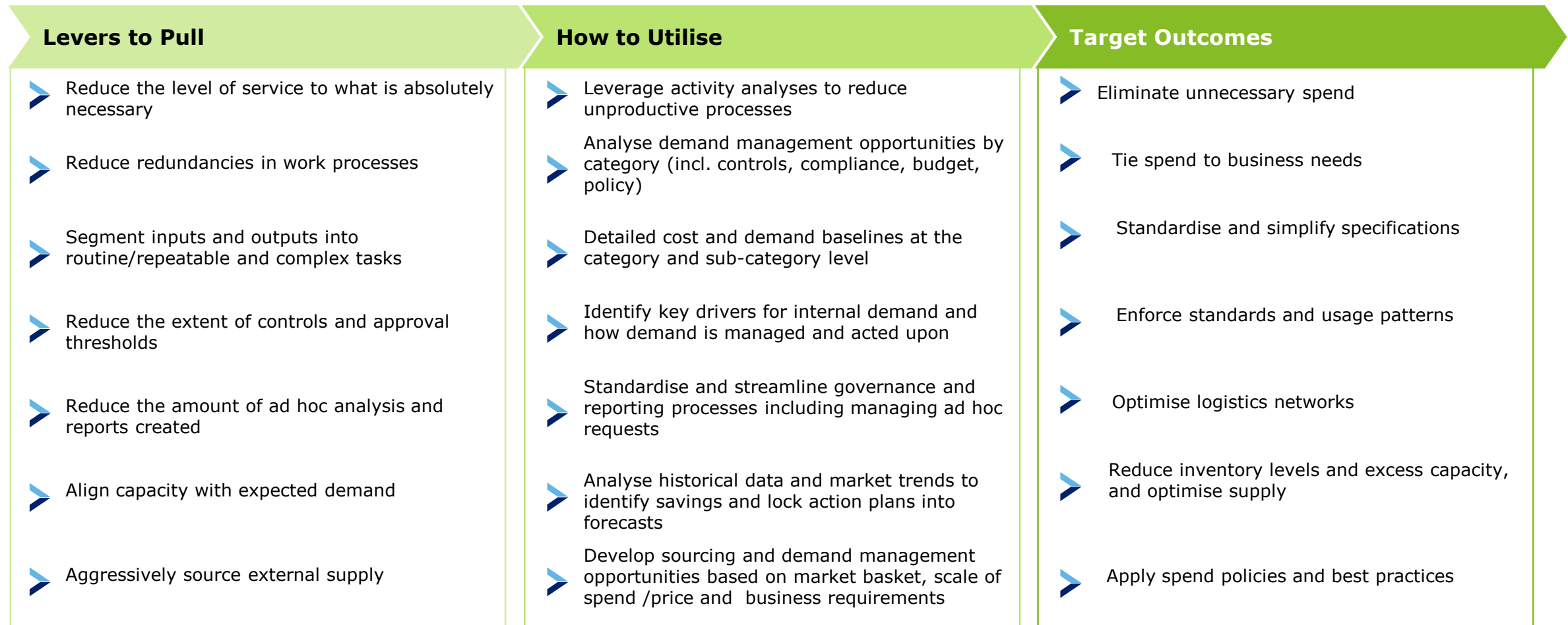


To pull these levers, an enhanced governance approach, organizational model, sourcing process and enabling technology may be required.



Demand management

Demand Management is about identifying unnecessary work, investments with low returns, and optimizing processes to efficiently meet demand using forecasting.





Deep dive:
Leading
practices

Bridging costs and value creation for holistic cost management

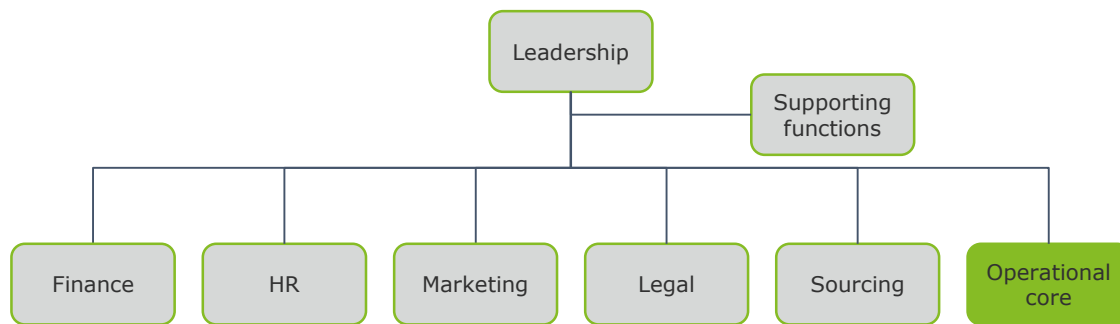
If the goal is sustainable cost reductions, it is key to create a strong link between costs and their value add in the same process as reduction targets are defined

	<i>Winning in a competitive marketplace</i>	<i>Mitigating risk across multiple fronts</i>	<i>Reducing cost and improving productivity</i>	<i>Transactions that keep the business running</i>
	Strategy enablers	Risk mitigators	Efficiency enhancers	Basic services
	<ul style="list-style-type: none"> Does the activity directly touch customers? Is the activity essential for helping us make critical decisions? Does directly serve the most senior executives in the organization / function? Does the activity contribute to giving us a distinct advantage over competitors? 	<ul style="list-style-type: none"> Does the activity help identify potential risks? Does the activity help prevent or minimize risks? Does the activity help manage disciplined preparation for risk? 	<ul style="list-style-type: none"> Does the activity deliver lower costs? Does the activity increase speed (of processes, of decision making, of transactions...)? Does the activity reduce working capital? Does the activity improve the utilization of human assets? 	<ul style="list-style-type: none"> Are there widely-accepted best practices and standards for the activity? Would standardizing the activity negatively impact the company? Is there a convincing rationale for why the company follows a unique approach to this activity?
Finance	<ul style="list-style-type: none"> Strategic Planning Budgeting Ad Hoc Analysis Capital Planning 	<ul style="list-style-type: none"> Enterprise Risk Management Currency Hedging 	<ul style="list-style-type: none"> Finance Automation Reporting Portal 	<ul style="list-style-type: none"> Billing and Invoicing Cash Applications Accounts Receivable Payroll
IT	<ul style="list-style-type: none"> IT Strategy IT architecture design 	<ul style="list-style-type: none"> IT Security Backups / Storage Quality Assurance 	<ul style="list-style-type: none"> Vendor Management Continuous Improvement Project Management 	<ul style="list-style-type: none"> Application Maintenance Network Services User Support Services

Bridging outside-in with inside-out

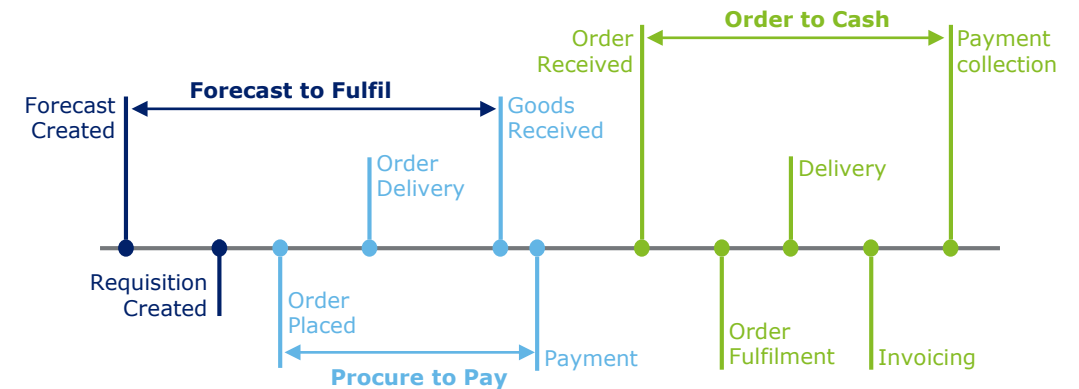
As businesses get more complex and attempt to become truly customer centric, the traditional function-oriented cost programs increasingly drive sub-optimization

How businesses and cost-out programs are designed



- Most strategic efforts to address the cost base depart in a functional view, i.e. focuses on functional benchmarking, that drives functional cost reduction targets.
- The functional view has for a long time been preferred, both from a practical perspective (it addresses cost at the level where the P&L responsibilities generally sit) and a political perspective (it details initiatives where the functional owner will also be accountable for implementing the initiatives)

How business create value and use money doing it



... Record to Report, Marketing to Lead, Opportunity to Order, Hire to Retire, Issue to Complete, and so on.

- More and more businesses are adopting end-to-end process perspectives on their cost base.
- Taking a process view enables a more insightful way to identify cost opportunities, both due to task-oriented benchmarking and better root cause analyses.
- A typical pitfall of process-oriented cost programs is that they fail to create a data driven approach, both from a cost and value creation perspective.

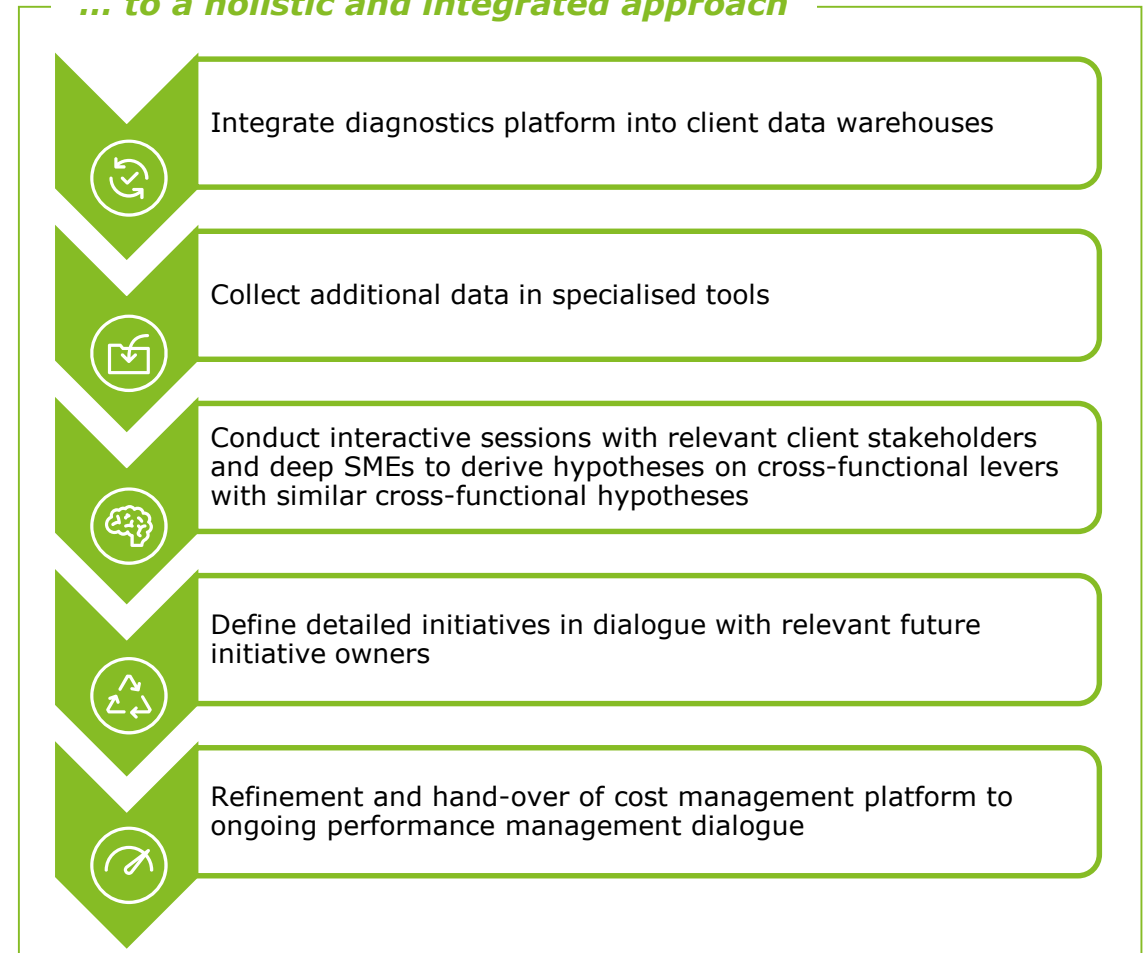
Bridging cost reduction programs and cost management

It is time to move beyond cost programmes with grandiose names, driven out of excel and powerpoint, and into tools that facilitate decision making and development

From a narrow and separated approach...



... to a holistic and integrated approach

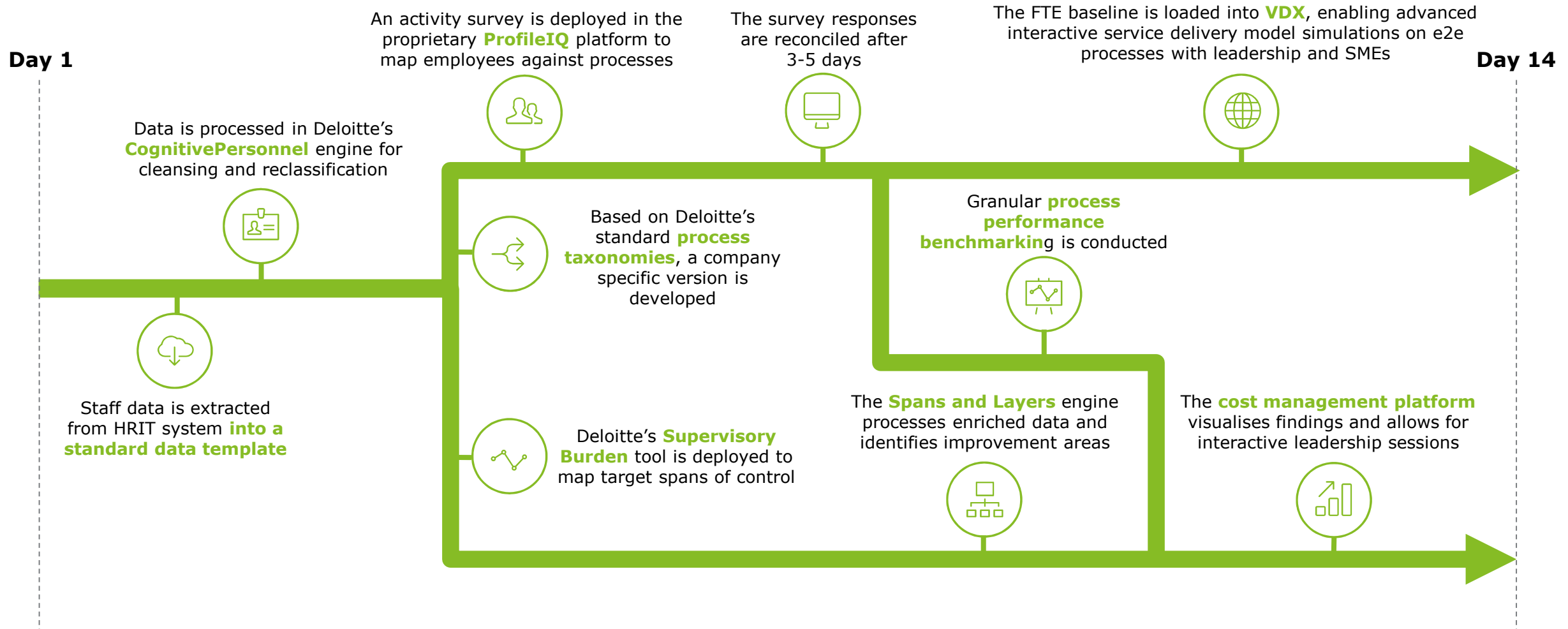




Deep dive:
Analyses
examples

Example 1: Addressing SG&A opportunities

Specialised tools enable identification of enterprise-wide salary improvement opportunities in as little as 14 days from initiation



Example 2: Driving sourcing opportunities with cognitive enablement

CognitiveSpend is a Google platform-based solution, that classifies spend data, identifies opportunities and drives realisation in as little as 2 weeks



Aggregate & Classify

Provide Spend Visibility

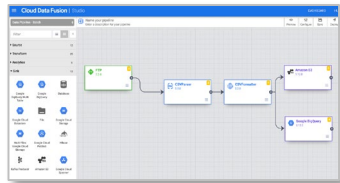
Deliver Actionable Insights

Illustrative Dashboards

Pre - Classification

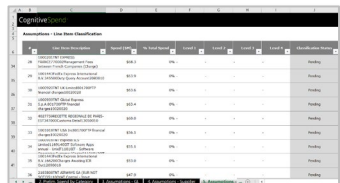


Upload to Microsite -
Upload spend data through a secured CognitiveSpend microsite portal direct to the delivery team

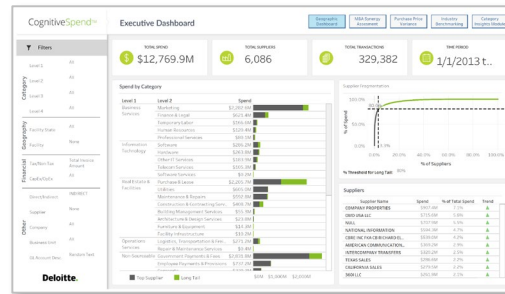


Combine Datasets-
Aggregate client files and map spend data to CognitiveSpend's classification engine

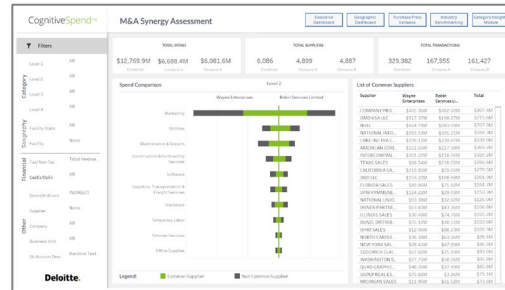
Post - Classification



Classification Assumptions Table -
Review areas where ML classification resulted in low confidence to automatically update spend cube



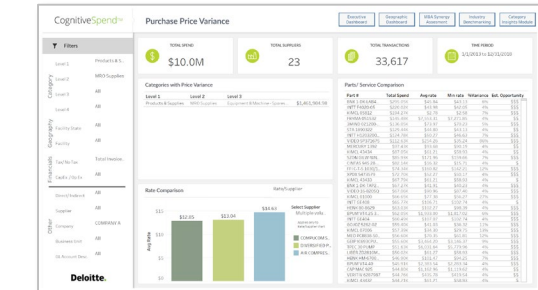
Executive Dashboard - Provides ability to view / filter spend by category, supplier, business unit, geography and type (direct / indirect)



M&A Synergy Assessment Dashboard - Enables rapid evaluation of common categories & common suppliers to identify synergy opportunities



Industry Benchmarking - compare spend volume & supplier fragmentation to peer companies

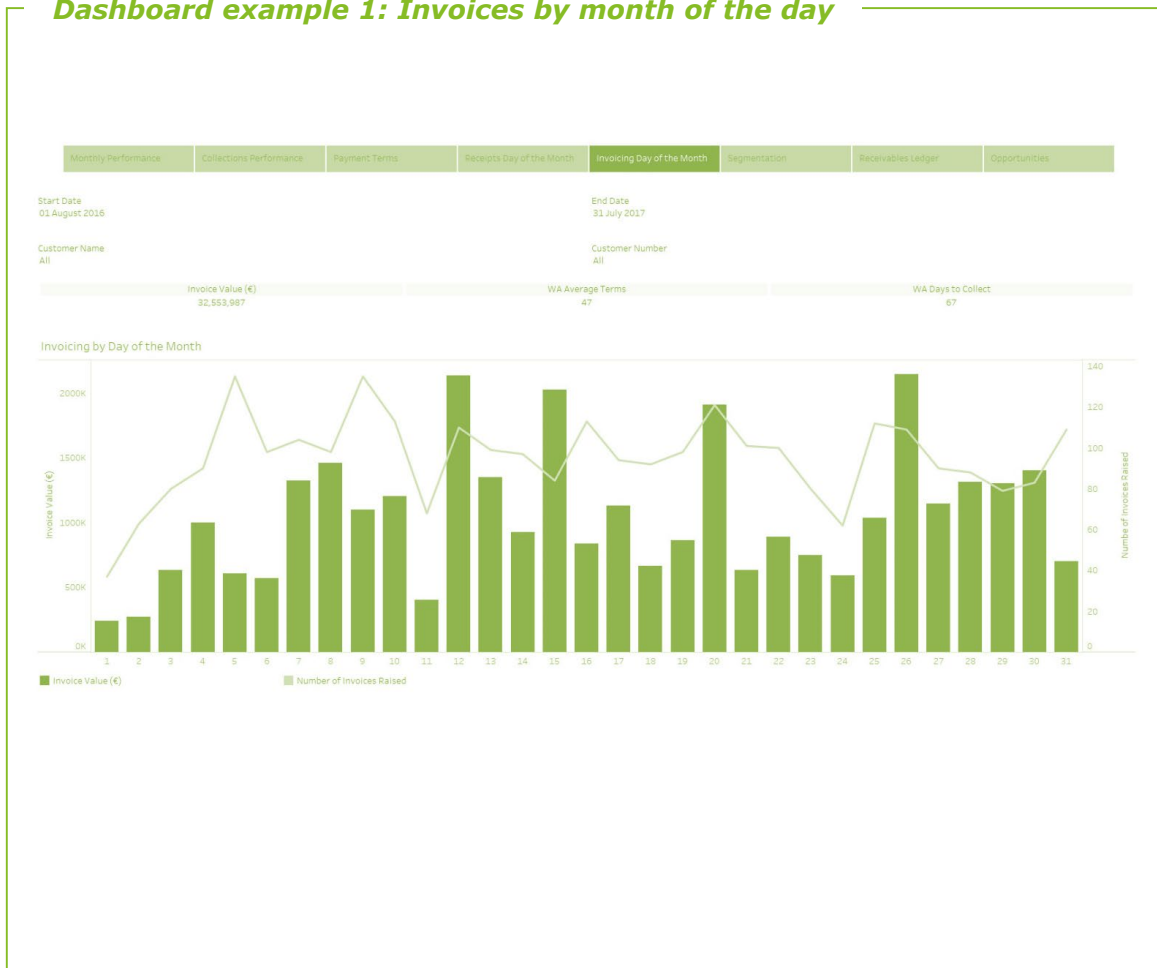


Purchase Price Variance - pinpoint & evaluate pricing variance by item

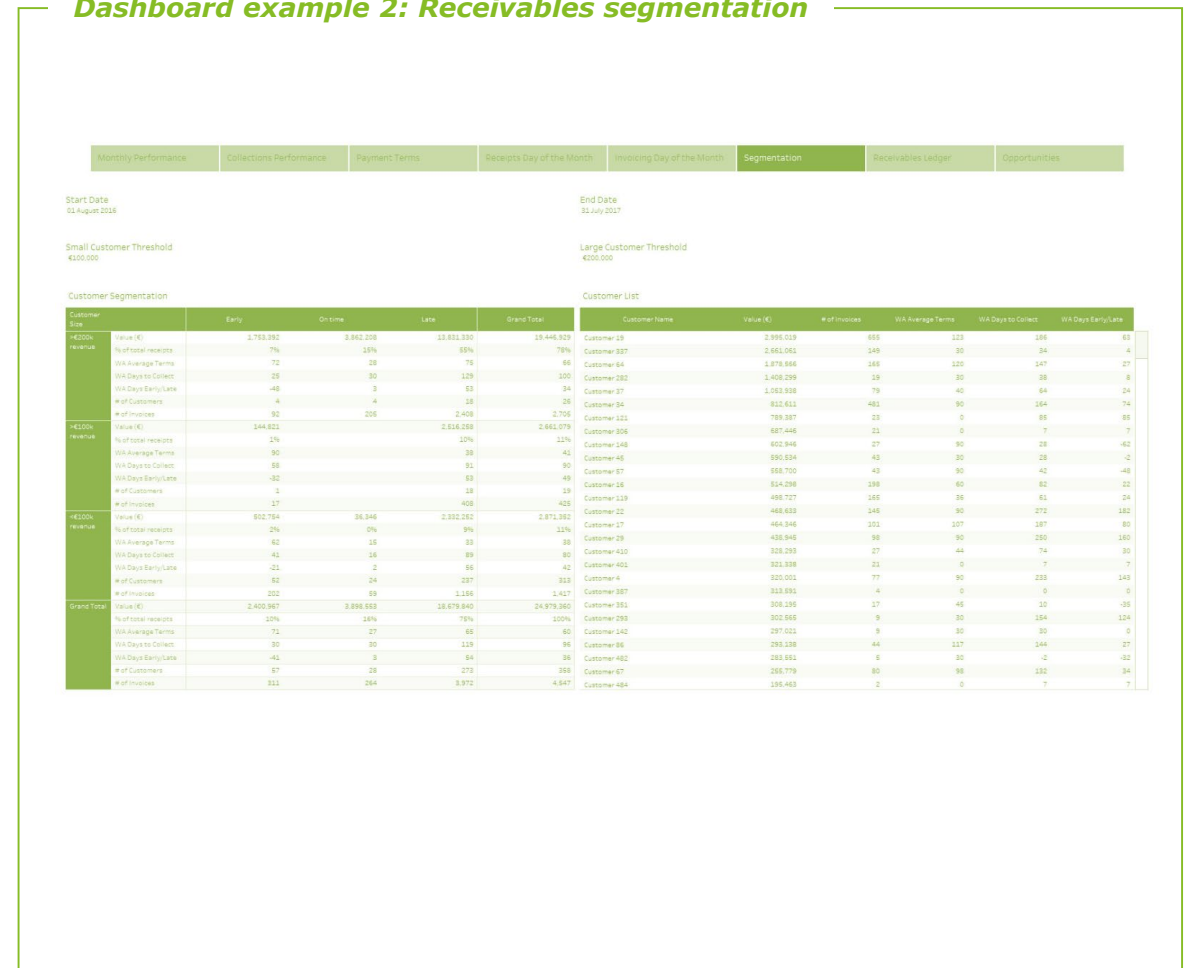
Example 3: Enabling working capital improvements through live transparency

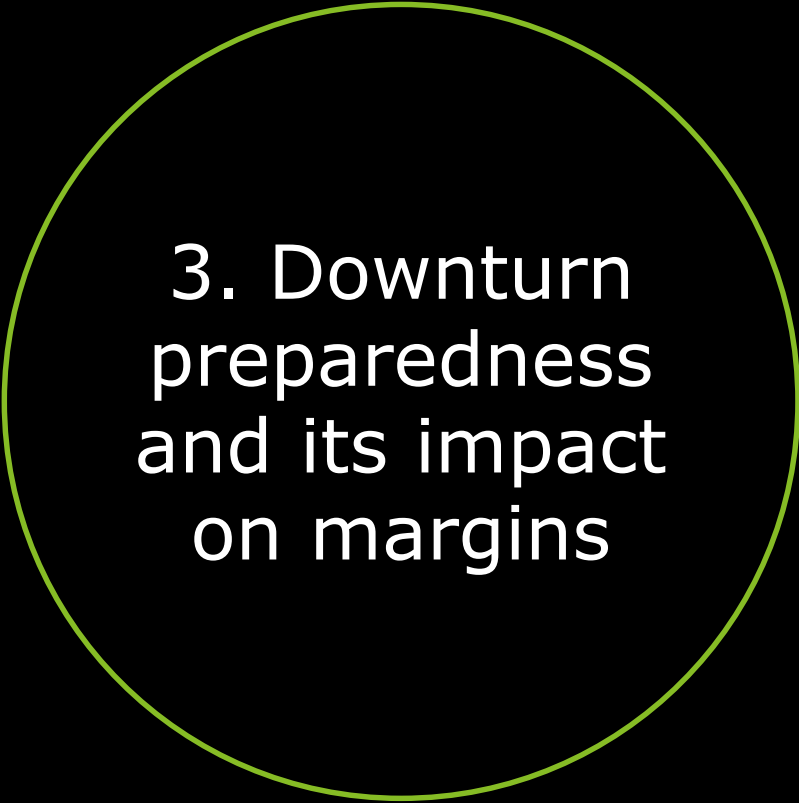
Working capital improvements tend to be about simple behavioural changes rather than complex change programs, making improved transparency a key enabler

Dashboard example 1: Invoices by month of the day



Dashboard example 2: Receivables segmentation





3. Downturn
preparedness
and its impact
on margins

Facts about the world economy

It is still unclear, to what extent we are facing a recession or a growth slowdown

Global Trends

Sample **global indicators** that point to a more challenged macro situation:

- **Yield curves** in most advanced economies are showing signs of flattening that can foreshadow a slowdown or recession.
- **GDP decline** in **UK** for 2019 Q2.
- **GDP growth contraction** in the **US** for 2019 Q2.
- The Federal Reserve **cut interest rates** three times since July, something that has not happened since 2009.
- German economy has **contracted by 0.1 percent** in 2019 Q2.
- **Manufacturing production** has decreased on average 1.4 percent over the last 12 months, due to an outbreak of protectionism.
- **Rising trade tariffs** and high corporate debt are key worries for China's economy.
- Years of monetary easing have so far **failed to push Japan out of deflationary fears**. Slowing global trade is also impacting Japanese manufacturers.

Trends from the board room, according to **Deloitte's CFO Program**:

- Boards are increasingly pressing management on **downturn plans**
- **Downturn scenarios** are likely to be part of 2020 budgeting process

CFO focus of 2019

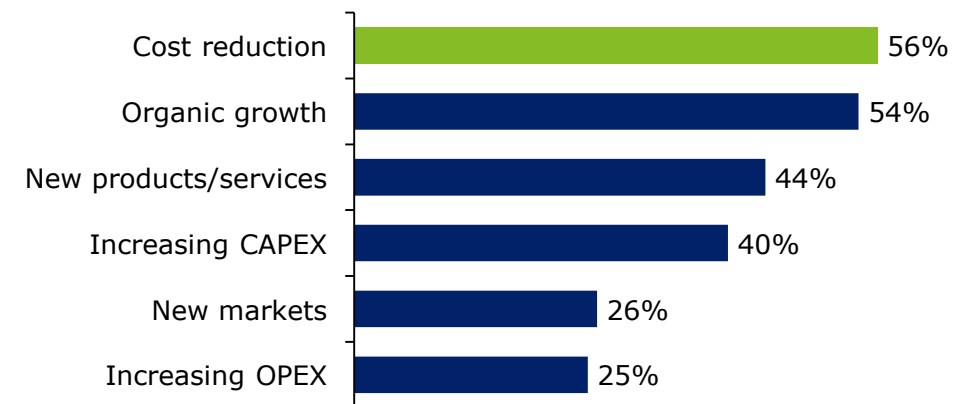
97% of North American CFOs in the Deloitte CFO Survey **expect a US downturn in the next two years**

Top three risks facing companies today, according to European CFO Survey 2019:

- 1. Economic growth**
2. Lack of new candidates with the right competencies
3. Reduction in demand

Economic growth is **perceived to be the most significant risk** facing companies today, having moved from a fourth place in 2018.

Therefore the core priority for companies in 2019 is **Cost reduction**. Increase of capital and operational expenditure has moved down the list.

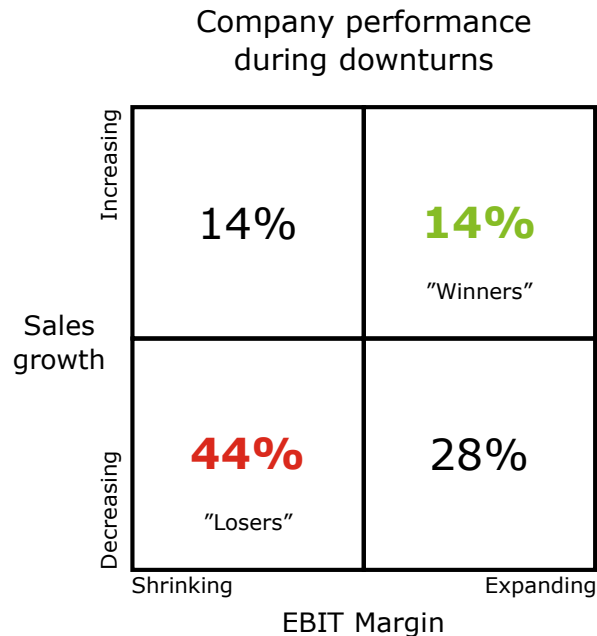


Downturn preparedness and the historical impact of being ready

Only 14% are “winners” in economic downturns and manage to secure both higher margins and increased sales

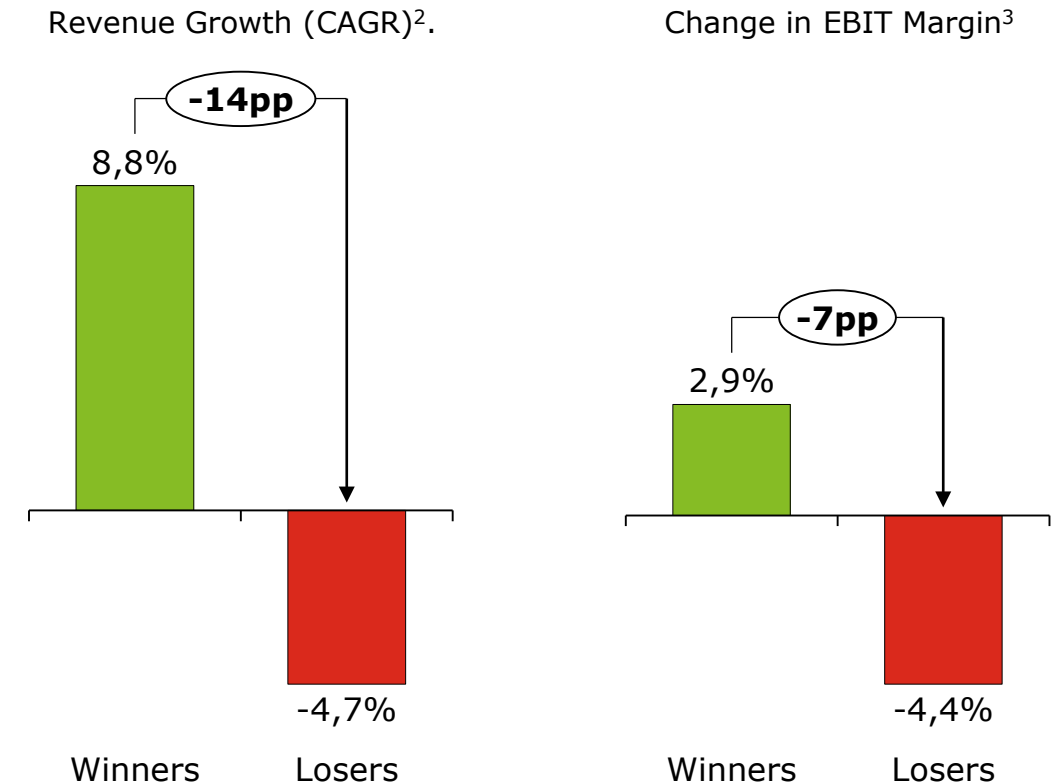
Performance of companies during downturns

Only 14% of companies improve both growth and margin during downturns.



Performance gap during downturns

The performance gap between winners and losers is significant.



Approaches to becoming downturn ready

Leaders typically approach volatility from several different angles

1

The **Focus** can be either preparing for volatility or responding to conditions they already perceive.

2

The **Degree of Change** generates either tactical changes focused on certain elements of the business or strategic changes impacting long-term positioning

3

Regardless of the path selected, CxOs often engage their senior leadership teams in a downturn planning lab, for everything from developing playbooks to prioritizing strategic and tactical actions

Focus	Preparation	Stress test specific aspects of the business to determine vulnerability in the event of volatility, e.g. <ul style="list-style-type: none">• Cash Flow Resiliency• Black Swan Analysis• Stress-test existing strategies	Harness volatility as a constraint to stretch strategic thinking, e.g. <ul style="list-style-type: none">• Scenario planning• Opportunistic acquisitions• Business Model Transformation
	Response	Activate specific actions to improve cash, profitability, and value <ul style="list-style-type: none">• Pricing optimization• Cost transformation / margin improvement• Working capital and cash management• Digitizing the core business	Analyze multiple scenarios and/or triggering conditions and develop a playbook that can be activated immediately in the event a triggering condition occurs
		Tactical	Strategic

Degree of change

Questions?

Appendix

THRIVE offers a versatile suite that drives sustainable change

At the core, THRIVE is a platform of digitally enabled cost management tools, tailored to identify, prioritise and deliver cost savings through improved cost management

Sample of Deloitte's proprietary tools for accelerated insights

CognitiveSpend™



- Natural language processing and Machine Learning are used to classify complex transaction data.
- **Enhanced Spend Visibility** – gain faster, more accurate, and more detailed classification; more easily navigate spend by category, supplier, business unit and geography



CognitivePersonel™



- The Span of Control analyses **outlines the Spans across layers** and thereby it enables a comparison across functions in terms of the number of employees.
- CognitivePersonel is a suite of tools ranging from data cleansing, to analytical engines and visualization dash boards in Power BI



CapabilityEdge™



- CapabilityEdge is a Deloitte tool that brings an **interactive experience to discussions** around capability-led transformation.
- A capability-led approach allows the **prioritization of focus areas** that drive the greatest value.
- Used as offset for most cost reduction projects



GBS Maturity (ProfileIQ™)



- Assessment tool for the maturity of Global Business Services / Service Delivery Organizations
- The tool works with **self-defined process taxonomies** allowing full flexibility in the data collection phase
- Build on Deloitte's proven framework for maturity assessments of GBS.



Activity Analysis (ProfileIQ™)



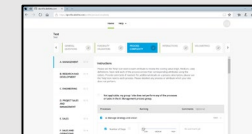
- ProfileIQ's activity analysis is the frontier of **FTE based activity analysis**. It is a complete browser enabled tool making the process for collecting and reviewing data more agile
- It allows for **up-to-date tracking of respondent activities** ensuring commitment and participation



Site Assessment (ProfileIQ™)



- Survey tool for structured **assessment of all physical sites** (primary designed for GBS locations).
- Tool is complete **browser based** and can be deployed and completed with great ease across borders and functions



Visual Decision Xccelerator (VDX)™



- **Real-time, visual representation** of the impacts of key decisions regarding the organization, operation and location of a Service Delivery Model (SDM)
- **Significant reduction in prep time** and costs due to reduced Excel modeling and PowerPoint workshop preparation

